

State Provisions for

Financing Public-School Capital Outlay Programs

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Foreword

THIS STUDY of State Provisions for Financing Public-School Capital Outlay Programs has been conducted in accordance with a resolution requesting the study, adopted by the National Council of Chief State School Officers at its meeting in Biloxi, Miss., in December of 1949. It constitutes the first comprehensive effort to analyze existing policies and practices of States which participate in the financing of local schoolhouse construction. It also develops and discusses criteria for planning such programs. Interest in this subject has developed rapidly during recent years. Almost half of the States have now made some provision for assistance to local school districts in financing capital outlay projects.

The summary of each State plan presented in chapter IV was prepared in accordance with a standard pattern to provide for uniformity and comparableness. Materials for each State were then submitted to a representative of the State department of education staff for revision before being mimeographed for review by an advisory committee.

The Office of Education and the University of California are grateful to the National Council of Chief State School Officers for proposing and sponsoring this important study, to members of the advisory committee who generously devoted time at two separate meetings in Atlantic City to an analysis of the problems and materials, and to individuals in the 19 State departments of education who assisted with the verification of the 20-point statements describing the provisions and procedures under which State funds are provided for capital outlay programs.

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All of these have helped to make the statements more comprehensive and accurate. They have also given details concerning the administration and operation of the programs which could not be obtained from a reading of the statutes.

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Some Important Issues in Providing State

Funds for Public-school Buildings

THERE IS widespread opinion that the methods of providing school plant facilities in the future will be quite different from the procedures operating in the past. Traditionally, each school district provided the plant facilities for its educational program. Some districts provided excellent buildings, while others, for one reason or another, have had inadequate structures, hazardous to pupils, teachers, and community groups. The investment per pupil has ranged, and still ranges, from two or three thousand dollars in some communities in nearly every State, to practically nothing in others.

What has happened in the past has been far from satisfactory for large proportions of the population. Evidence indicates that if procedures for securing school housing in the past are relied upon in the future, the situation is likely to become even worse.

Factors in the Present Situation

The present problems seem to be an outgrowth of factors and conditions such as the following, most of which will continue to affect the program for some years to come:

1. Districts vary greatly in ability to provide school plant facilities. In small-district States the most wealthy districts commonly have several hundred times the financial ability of the least wealthy.
2. Some districts have planned much more wisely and have utilized their resources much more effectively than others in providing school plant facilities.
3. Some districts have made a much greater effort in proportion to their ability than others and consequently, as a result of this greater effort, have been able to provide better buildings.
4. In general, assessed valuations of property, which greatly influence and largely determine local capacity to finance school plant construction, have lagged far behind increases in construction costs and gains in school population.
5. From time to time, certain regions have experienced migrations of population, with the result that some districts have had such an influx of population that they have not been able to keep up with developments and meet the needs.
6. In connection with district reorganization, many smaller and relatively unsatisfactory buildings have been abandoned with the result

that reorganized districts with inadequate buildings have attempted to provide facilities for children from these areas, as well as for children who were formerly housed in these buildings.

7. Throughout the country, many school districts have not kept up with school plant needs. During the depression of the thirties, many school districts did not have the resources to replace obsolete structures. In the late thirties some districts, which were in relatively good financial position, were able to match Federal grants or otherwise to obtain the resources to build some of the needed buildings. Only a small percentage of the districts, however, were able to take care of a major portion of their needs at that time. During the second world war, practically all school plant construction was suspended to conserve manpower and materials, with the result that the lag in meeting construction needs became even more acute during that period.

8. Costs of materials and labor have increased making it almost impossible to secure the construction of needed facilities in many districts that rely on their own resources. During the past 2 years, the cost of construction has been approximately twice what it was before the war. Recent developments in the international situation have brought further increases in costs with the result that many school systems that planned to build in the next year or two, now find that they can meet only a small part of their needs.

9. The increasing complexity of civilization has resulted in demands for many new educational services. Some of these require new and additional housing and the provision of special facilities that are much more costly than the facilities required for a traditional program. Furthermore, the idea that people can be satisfactorily educated in rooms designed exclusively for academic work, has been replaced by the idea of planning for the needs of those being educated. Such a program requires considerably more space per pupil than was required for the more formal program. This conception considerably increases the plant facilities needed for a satisfactory program.

10. The war and postwar years have brought a sharp increase in the birth rate. These children have now begun to enroll in the schools, and the increased enrollment will continue to require additional plant facilities for 10 to 15 years. These marked increases, and other related factors, have forced many districts to resort to half-day sessions for a substantial proportion of the children.

11. Plant facilities are becoming obsolete in a majority of districts more rapidly than they are being replaced. Many districts are still using buildings 50 or more years old which, under normal conditions, would have been materially altered or replaced some years ago.

12. Problems of housing are acute not only for children of public-school age, but for large enrollments in junior or community colleges

and in regular colleges and universities. A large proportion of the increased enrollments at the higher education levels is now housed in temporary facilities on many campuses. During coming years, therefore, States must provide more suitable plant facilities for students in colleges as well as for those in the elementary and secondary schools.

Some of the Major Issues

There seems to be general agreement that the citizens cannot afford to let the matter of providing adequate public-school or higher education plant facilities drift along from year to year with the expectation that a satisfactory solution will evolve more or less by chance. The citizens of every State are facing a serious problem which can be solved only through a realistic approach. They must recognize that a satisfactory educational program is impossible unless adequate school plant facilities are assured for all persons who should benefit from such a program. They cannot afford the extravagance of using large sums to attempt to educate people who are constantly handicapped by inadequate plant facilities. On the other hand, they must recognize that the problem is not one merely of providing satisfactory school plant facilities but involves the provision of a complete and comprehensive program, including all services and facilities that are required.

One of the important problems today, therefore, is *How can the school plant needs of the Nation best be met during coming years?* In solving this problem a number of important issues must be considered. Among the most significant of these are the following:

Can the public-school plant needs be met satisfactorily by relying entirely on local financing in any State?

While local financing of the school plant program has been traditional, an increasing number of States in recent years have found it necessary to develop some plan for State assistance.

Should capital outlay needs continue to be met almost entirely from the proceeds of general property taxes?

Practically all of the support for financing school building construction still comes from general property taxes in most States. Increasingly, recognition is given to the fact that general property taxes have borne an unfair share of the burden of school support. In many States, steps have already been taken to broaden the tax base, particularly for the current expense portion of the school program. From one point of view, this is merely another way of stating the issue with reference to local financing of capital outlay projects, since the chief source of revenue in most local school systems is still the general property tax.

How can a proper balance be maintained between expenditures for capital outlay and those for current expense?

Many familiar with the situation know communities in which school buildings have been neglected because of the desire to employ properly qualified teachers and maintain a satisfactory salary schedule for those teachers. In other communities, the need for new buildings has become so urgent that funds which should have been available for current expense have been, temporarily at least, diverted to school plant construction. Regardless of whether buildings are neglected or the instructional program is slighted, the education of the children is handicapped. Some plan is obviously needed to assure a desirable balance between the funds devoted to capital outlay and those for current expense.

To what extent are present State limitations on the issuance of school bonds realistic and equitable?

Most States limit local school bonding capacity to a percentage of the assessed valuation of property. In 2 States, Indiana and Kentucky, no local school system can issue school bonds in excess of 2 percent of the assessed valuation of the property. Ratios between the assessed valuation and the actual valuation of property vary greatly among districts. In some districts a 2 percent limitation may, in fact, allow four or five times the funds that the 2 percent limitation applied to other districts with similar wealth but low assessments would permit. School plant needs cannot be met with assessed valuation ratios in some communities that are only one-fourth or one-fifth of what they are in other communities.

Should the financing of capital outlay at the local level be considered a responsibility of the local school board or of the local governmental agency?

In many States the laws authorize the local school authorities to determine the taxes needed for current expense and capital outlay purposes and to provide for the issuance of bonds when needed for building purposes. In others, funds for financing school plant construction must come from taxes levied or from bonds issued by local noneducational governmental agencies.

How much emphasis should be placed on financing school plant construction through the issuance of bonds, and how much on pay-as-you-go provisions?

In many States the issuance of local bonds has been, in reality, the chief method of financing school plant construction. State constitutional provi-

sions or laws have been such that there has been little opportunity even for the large districts to construct buildings on a pay-as-you-go basis. Generally, taxpayers have been required not only to pay for the cost of construction, but, in addition, to pay substantial sums for interest and costs of administering bond programs. Several States have changed their laws during recent years to facilitate at least partial financing on a pay-as-you-go basis.

What are the characteristics of a desirable State plan for financing capital outlay programs?

About one-fourth of the States now provide rather substantial State assistance for financing capital outlay. Nearly half of the States provide some State funds which may be used either directly or indirectly for this purpose. In general, State plans range from those which require a certain amount of State and local funds to be used for capital outlay projects each year to those which provide funds from a State bond issue only to meet emergency needs in the least wealthy districts. Some States provide a certain sum per district on a matching basis, others provide State equalizing funds, while still others have established a "holding company" plan to facilitate construction and perhaps to avoid, without changing, existing State limitations on local bonding capacity. As explained later in this report, there are a surprising number of variations found in State plans developed thus far. Not all of this existing provisions can be equally satisfactory. Recommendations for a satisfactory State plan are given in chapter VI.

To what extent can and should State experiences in financing capital outlay in other areas, such as highways and health centers, be used for guidance?

Practically every State has provided some State funds for financing capital outlay projects of one type or another. For some areas much more substantial financing has been provided than for school capital outlay. Some of these practices should be considered in planning a program of State assistance for school construction.

To what extent should State funds be apportioned in terms of a formula based on objective criteria for determination of local need and ability?

Experience has shown that if State funds for capital outlay or any other phase of the program are apportioned on subjective bases, difficulties will be encountered sooner or later. The more discretion given to State officials in determining what the needs are, what funds a district should receive, and the financial effort districts are required to make, the greater the probability of inequities and dissatisfactions. Some States have already made con-

siderable progress in developing relatively objective and equitable formulas which recognize local need and financial ability.

How can and should a State proceed to determine bona fide capital outlay needs?

Before a sound plan for financing can be developed and put into operation in a State, the State should have developed a satisfactory plan for determining school capital outlay needs. Studies made during the past few years show that only a few States have developed and applied a systematic plan for determining capital outlay needs. The problem is complicated in many States by the existing district organization, which makes it impossible to determine real needs without ignoring district boundaries. Estimates submitted by the States vary so widely that some of the estimates are little better than guesses and only a few have been based on careful studies. No doubt, the new Federal law (Title I of P. L. 815) will provide material assistance and encouragement to all States in determining their needs. Yet it is evident that many States will need to make considerable progress in improving procedures before their building requirements can satisfactorily be determined.

What State agency or agencies should be authorized to administer the State program of capital outlay assistance?

In a few States the program has been administered largely by agencies other than the State department of education. In other States, the State department of education has been made solely responsible for administering the program with such assistance as can properly be obtained from other State agencies in position to provide such assistance. Again, it should be evident that not all these plans are equally satisfactory.

What State controls and requirements should be established?

If a State merely increases the funds provided for the support of local school systems, there can be no assurance that a proper proportion of the increased funds will be used by all districts in providing capital outlay facilities. Some State controls and requirements, therefore, are apparently needed if satisfactory results are to be attained. There is danger, however, that States may incorporate into the law or regulations such detailed requirements that little opportunity will be left to local school districts to exercise desirable initiative and responsibility in planning and operating their programs. The avoidance of such detailed controls or requirements as well as of blanket provisions that give State authorities complete responsibility for approving or rejecting projects merely on the basis of their own judgment, seems to be

desirable. There is need for careful study of this entire matter as a basis of determining the standards and requirements which should be established and those which should be avoided.

For what purposes should State capital outlay funds be used?

State capital outlay funds could conceivably be authorized to be used only for construction of new buildings. If that limitation were imposed, some districts would be seriously handicapped because of their inability to purchase or improve sites, pay architect's fees, renovate old buildings, provide equipment, or make other similar provisions. On the other hand, unless there are some restrictions on the use of these funds, some districts might construct a football stadium when classrooms are more urgently needed or use part of the money for maintenance. Moreover, if State funds can be used only for new capital outlay, districts which previously voted bonds or otherwise made considerable financial effort to provide satisfactory buildings, will be penalized. Apparently, this problem of purposes for which capital outlay funds may be used needs to be carefully explored.

How can State assistance best be provided in a State having a substantial number of small and inadequate districts and schools?

In a State having small school districts there is always a possibility that some of the State funds will be used to construct high-school buildings in centers where a high school cannot be justified or to construct small one- or two-teacher schools within a short distance of other schools. Such use of State funds would probably tend to retard or prevent needed district reorganization or consolidation for many years in the future. It would seem that each State providing funds for capital outlay would need to develop some plan for determining the proper location of permanent elementary and secondary school centers and making funds available for capital outlay purposes only at such centers, regardless of existing district boundaries.

Should State grants be made only for specified State-approved projects or to all districts which meet minimum prescribed requirements?

If funds are made available only for projects specifically authorized by the State, districts may have little incentive or encouragement to plan a comprehensive long-time building program. Moreover, the State would be in position to determine in detail just what each district can and cannot do. If the objective of the program is to encourage and strengthen local responsibility and initiative, it would seem that some plan should be developed to make a

substantial portion of the funds available to properly organized districts for use in accordance with criteria established by the State. Districts would then be given responsibility for planning their own program in accordance with the criteria.

To what extent should State programs be designed only to meet emergency needs?

In every State there will always be some districts that have emergencies. If State funds are available only to meet emergency needs, a relatively small percent of the districts will be eligible while other districts, which may have made a much greater effort over a number of years, will not be able to participate. If a State program is developed on an emergency basis, there may be a tendency for it to continue on that basis since it will probably not meet all of the basic needs or difficulties. It should be possible to develop a program in every State that may have certain emergency aspects for a few years, but which places major emphasis on provisions which will meet the needs in terms of planning extended over a period of years. Once a State program is established on this basis, it should be possible to anticipate annual needs which must be met as a step in operating the long-term planning program.

To what extent should capital outlay funds for local districts be provided from the proceeds of State bond issues and to what extent from current tax revenues?

It is probable that no State can anticipate and meet all needs for years to come through the proceeds of a bond issue to finance urgent capital outlay in the local districts; there may and probably will be a tendency to resort to additional bond issues during coming years. Under certain circumstances the issuance of some State bonds can probably be justified. State bonds can be issued in most States at a lower rate of interest than bonds by local districts. However, since capital outlay needs in a State are continuous, it would seem reasonable that the average annual amount needed should be provided from current revenues rather than from bond issues.

How much, if any, local leeway for capital outlay should be left to districts?

If districts are required to use all available resources to participate in the State funds for capital outlay, they will be definitely limited to the program authorized by the State. If that program is inadequate, their school plant facilities will continue to be inadequate. It would seem, therefore, that any State program should allow local districts some leeway to use additional local resources to meet capital outlay needs not included or recognized in the State program.

Scope of Report

This report does not presume to resolve all of these issues or provide answers to all of the questions. It presents evidence pointing to the need for properly developed State programs of financial support for capital outlay, summarizes some of the significant developments in this area, explains the plans now in operation, analyzes those plans to show some of the strong and weak points, and presents some of the criteria that can safely be followed on the basis of experience and evidence collected to date. On the basis of these criteria, some of the issues can be resolved, but others will undoubtedly need further study.

While the report deals with State provisions for financing capital outlay programs, attention is centered primarily on the financing of public-school plant programs.

Why State Assistance Is Essential

ALTHOUGH SCHOOL BUILDINGS are community structures devoted to the promotion of culture, a growing number of them are typical of the poorest housing in their areas. Hundreds of thousands of children are attending schools that are obsolete, potential firetraps, or completely inadequate for a modern educational program. Boards of education in many communities appear to be unable to solve this growing problem. They are giving it much more than usual attention. From all States they report instances of unusual distress; they refer to overcrowding, to schools needed in new locations, temporary quarters, half-day sessions, and to excessively long hauls to other buildings where a few more children can be housed.

The present school building situation is due, partially, to the prevailing method of financing construction. Funds for new construction and for the retirement of bonds issued to secure funds for construction have been paid almost exclusively from local revenues. Only in recent years have a few States been allocating funds to local school districts to help with payments for debt service and for new buildings. A few States are now recognizing that many school districts have low financial abilities and are wholly unable to provide the kind of school housing needed for a modern educational program. If State and Federal funds are not provided, school housing for hundreds of school districts will become even more critical.

This development in school housing has been studied recently by several organizations and most of the inquiries have come to the same conclusion—that the school building situation is serious and will become even more critical as enrollments increase during the next few years. Studies which have received national publicity include those arranged by congressional committees,¹ the Council of State Governments,² the Federal Works Agency,³

¹ Committee on Labor and Public Welfare, U. S. Senate (81st Cong.), *Federal Assistance for Construction of Public Schools*. Hearings by a subcommittee on S. 157, S. 287, S. 1670, and S. 1699, June 1949. Washington, U. S. Government Printing Office, 1949.

Quattlebaum, Charles A. *Financing Public-School Construction*. A report prepared in the Legislative Reference Service of the Library of Congress. Washington, U. S. Government Printing Office, 1950.

United States Eighty-first Congress, First Session, Senate. *School Construction Act, Report to Accompany S. 2317*, Report No. 948, Aug. 22 (legislative day June 2), 1949. Washington, U. S. Government Printing Office, 1949.

² Council of State Governments. *The Forty-eight State School Systems*, a study made under the direction of Francis S. Chase and Edgar L. Morphet. Chicago, The Council of State Governments, 1949.

³ Federal Works Agency, Bureau of Community Facilities. *Survey of Emergency School Construction Requirements for Areas Affected by Federal Agency Activities*. Washington, D. C., the Bureau, 1949.

the Twentieth Century Fund,⁴ *the New York Times*,⁵ the National Education Association,⁶ and the U. S. Office of Education.⁷

In addition to these Nation-wide studies, several States have conducted inquiries concerning school housing in the States, and many State and regional conferences have been called to consider problems related to the need for more classrooms.

The situation in school housing as revealed by these several studies was recognized by Congress in the approval of Public Law 815 (81st Cong.) which provides funds to be matched by the States for surveys of school facilities. A total of \$3,000,000 was appropriated to assist the States with these surveys. The first report to Congress is to be made soon after January 1, 1952. It is anticipated that the surveys will provide the State Governments and the Federal Government with adequate information about the school housing situation and that such information will then be available to direct the appropriation of necessary local, State, and Federal funds to meet emergency situations which may be revealed. Surveys will also provide basic information essential to the development of long-range programs to secure more adequate school housing.

More School Construction Is Needed

Figures pertaining to expenditures for capital outlay made by boards of education during recent years and reported in column 2 of table 1 indicate that they have had serious difficulties in arranging for a normal amount of construction. Among these figures will be noted two low points. In 1934, the total amount expended by boards of education for schoolhouse construction in the entire United States was only 59 million dollars. Again in 1944, the total amount was only \$53,856,000. The average annual investment in school construction from 1934 to 1949 was less than 200 million dollars.

Several national groups, that have carefully studied the trends in school housing, report that the provision of sufficient classrooms for the increasing enrollments will require from 10 to 14 billion dollars by 1960. No allowance is made in these estimates for any further increase in building costs. The needed construction would demand an average rate of more than 1 billion dollars each year. Boards of education during the next 10 years must construct classrooms at a rate which requires expenditures for capital outlay 6 times as great as for the period from 1934 to 1949. New construc-

⁴ The Twentieth Century Fund. *America's Needs and Resources: New York, 1947*, p. 322.

⁵ Fine, Benjamin. *U. S. Schools Found in Need of Ten Billions for Buildings. The New York Times*, Apr. 4, 1949.

⁶ National Education Association of the United States, Research Division. *Advance Estimates of Public Elementary and Secondary Schools for the School Year 1949-50*. Washington, D. C., the Association, November 1949.

⁷ Hamon, Ray L. *The Race Between School Children and Schoolhouses. School Life*, 22: 8-9, October 1949.

Viles, N. E.; Pulliam, N. D.; and Gibbs, A. H. *Educational Plant Needs. School Life*, 20: 20-29, January 1948.

tion is needed to care for increasing enrollments, to replace buildings which have become obsolete or are unsafe for use, and to provide necessary new school buildings in areas which have reorganized the districts into larger and more satisfactory local school administrative units. Investments in school construction have not been sufficient to keep up with depreciation, increasing enrollments, and problems created by a shifting population.

TABLE 1.—Public-school expenditures for capital outlay

School year	Total amount expended for capital outlay (thousands)	ENR Index of general construction costs ¹	Adjusted amount for capital outlay in terms of 1913 dollars (thousands)
1	2	3	4
1913-13.....		100.00	
1933-34.....	\$59,277	198.09	\$29,934
1939-40.....	257,974	241.96	106,618
1940-41.....	148,825	257.84	57,720
1941-42.....	187,552	376.30	49,784
1942-43.....	68,766	289.95	23,717
1943-44.....	53,856	298.64	18,034
1944-45.....	76,133	307.74	24,739
1945-46.....	111,046	345.74	32,118
1946-47.....	304,799	407.13	50,208
1947-48.....	412,467	450.72	89,537
1948-49.....	663,917	476.94	139,303
1949-50.....	^a 1,100,000	508.88	^b 216,161

¹ The Engineering News Record indexes listed in column 3 indicate the ratios between the average cost of general construction for the various years and the average cost for the 1913-13 school year. For instance, the average cost during the 1949-50 school year was more than 5 times as much as for the base year.

^a Estimated.

The serious situation described here is to be found in thousands of school administrative units. However, some districts have been able to provide good school buildings. These are the more wealthy districts. They usually have valuable industries in addition to residential property which pay substantial taxes. Ability to tax these industries provides the local board of education with the power to obtain money, not only from local residents, but indirectly, from taxpayers residing in other counties and States through their purchases of products and services from these industries which happen to be located in the local school district.

Some other school districts that are not among the more wealthy also have reasonably good school buildings because of tremendous local efforts to provide for their children. In many of these districts the bonded indebtedness is much greater than might be widely approved. Such communities have taken advantage of all legal provisions in securing public funds for the construction of new buildings. They have done more than can normally be expected. These unusual efforts require the payment of heavy taxes over many years. The State should have a program of assistance that will enable any district to provide reasonably good school buildings without making these abnormal efforts.

Population Growth

Estimates of population growth tend to support the view that school housing difficulties will become more critical with every passing month. The Office of Education has published estimated enrollments by years up to 1960. Figures are based upon observed trends and a majority of them rest upon data pertaining to children already born. The Office recognizes that certain factors limit the accuracy of these predictions. In preparing the estimates, it has assumed that trends on retardation and holding power will continue approximately as reported by the State departments of education for the period from 1932 to 1944. Also, it made no allowance for immigration or for internal migration. Within these limitations, the estimates are useful in determining school housing requirements.

The estimated enrollment figures are given in table 2. According to them, the increase in enrollment in elementary and secondary schools will be 7,310,000 during the next 10 years. About 88 percent of this increase will be in the public schools. At 30 pupils per classroom, a total of 243,670 school-rooms must be constructed in the 10-year period to house the increase. These are in addition to many classrooms which ought to be provided to replace thousands constructed 40, 50, or 60 years ago and still in service. They pertain to classrooms only, and do not give consideration to the many different types of rooms needed in the modern school in addition to regular classrooms.

TABLE 2.—Office of education forecasts of elementary and high-school enrollments (thousands)¹

Year	Elementary school	High school	Total enrollment	Percent of 1951 enrollment
1	2	3	4	5
1951.....	23,686	6,142	29,828	100.0
1952.....	24,468	6,168	30,636	102.7
1953.....	25,064	6,263	31,327	105.4
1954.....	27,453	6,408	33,861	113.5
1955.....	28,652	6,557	35,209	118.0
1956.....	29,234	6,225	35,459	121.2
1957.....	29,498	7,206	36,704	123.3
1958.....	29,433	7,753	37,186	124.7
1959.....	29,004	8,181	37,185	124.4
1960.....	22,799	8,349	31,148	104.5
Percent gain 1951 to 1960	21.5	35.9	24.5	24.5

¹ Smith, Ross Maria. *Rising Enrollments in Non-Public Schools*, School Life 22: 116-117, May 1950.

Since these estimates were prepared, the Census Bureau has gathered figures for the 1950 census. Preliminary reports indicate that the new figures will exceed early estimates. There is also a gradual improvement in the holding power of the schools. In addition to these factors, a program of organizing and extending services to adults and to community college students is in progress. All of these influences will tend to produce enroll-

ments during the next 10 years which exceed those listed in table 2. An increase of 25 to 30 percent in enrollment figures for a 10-year period would create unprecedented demands for new buildings even if present housing conditions were satisfactory.

Population Mobility

The normal situation with regard to population stability that existed prior to the war has changed. For many years the most obvious population movement was toward cities, but now, other influences are affecting this normal trend. In addition to the city-ward movement, State-to-State migration has been induced by Federal activity and industrial expansion. The war effort was largely responsible for this new development, but the State-to-State and region-to-region migrations have continued beyond the war years. Further population movements may now be stimulated by the rapidly developing national preparedness program.

These movements necessarily have their effects upon school enrollments and school housing. New buildings are needed in the areas to which people go, and the buildings which existed in the areas from which they came are not available to care for this need. Many communities, in a relatively short time, have experienced tremendous increases in enrollments and they must seek ways of providing school housing for the additional children.

In addition to this type of migration there is another that produces critical school housing requirements in the suburbs of cities. In recent years, people have been moving from the congested portions of cities to the outlying areas. Living conditions are more attractive and commuting to distant places of employment is not too difficult. In this kind of migration the children move from areas where school buildings have adequate space to suburban areas where buildings have not yet been constructed. City boards of education may then have small enrollments in schools that were formerly used to capacity and may be confronted with the necessity of constructing new buildings nearer to the new homes of the pupils.

Neglect During Three Recent Periods

School districts are also confronted with the long-range effects of neglecting school housing problems. Throughout three recent periods, the depression years, the war years, and the postwar years, boards of education have found it almost impossible to proceed with the necessary school housing and capital outlay projects. During the depression, tax funds were not available. The delinquent tax situation and the reductions in taxable valuations drastically diminished revenue and bonding power normally available to boards. They found it necessary to delay all possible construction in order to conserve funds for current operating expenses.

During the war years, essential conservation of materials needed by the war effort demanded the cooperation of all. Lumber, steel, and other build-

ing materials, as well as labor supply and transportation services were severely restricted, and again, boards of education delayed essential construction.

Following the war, the schools were confronted with an inadequate supply of building materials and much higher prices. Frequently, careful plans were made for the approval of a bond issue to provide funds for new construction, but the relatively high bids required boards to accept fewer classrooms than were really needed.

This rapid increase in construction costs following the war is evident in the Engineering News Record Index numbers listed in column 3 of table 1. ENR Index numbers indicate that costs of construction during the 1949-50 school year were approximately 5.1 times similar costs in 1913. This would mean that a given amount of money would provide only one fifth the number of classrooms. When this fact is considered, along with other evidence that general property valuations for thousands of school districts are no greater now than they were in 1913 and that the funds for schoolhouse construction are obtained almost exclusively from the general property tax, it is obvious that boards of education would have insurmountable difficulties in providing a sufficient number of classrooms.

Index numbers in table 1 also show that construction costs for the 1949-50 school year were about twice as much as they were at the beginning of World War II. But the productivity of the general property tax on which school construction relies has not increased proportionately. It is apparent that State and possibly Federal revenues will be needed to help local school districts obtain the new school buildings needed for the expanding school population.

Reorganization of School Districts

Dissatisfaction with small and inefficient school districts and the creation of larger administrative units have also increased the demands for new school buildings. In such reorganization programs, the small and obsolete buildings used by numerous small and inefficient districts are abandoned and new centralized school buildings are constructed to provide modern educational services. Several State legislatures have authorized reorganization programs during the past few years. Hundreds of reorganized school districts have plans for new school buildings, but many are continuing the old and inefficient buildings in service because of difficulties in arranging for new construction.

Although a district reorganization program may create the need for many school buildings, it also helps to eliminate the extremely small district where school facilities are most inadequate. Creation of larger districts may also reduce the wide range in local financial ability. A combination of several small school districts into one administrative unit establishes for the unit an average situation with regard to financial ability and eliminates

the extremes of low and high wealth that may have been apparent when figures for the separate districts were studied. The new administrative unit will have financial difficulties that are less severe than would have confronted the less able, smaller units and it will be able to provide better housing throughout the new district than could have been provided by some of the less wealthy areas.

The General Property Tax Is Inadequate

Arrival at the present situation in school housing implies that methods which have been used in financing the construction of new school buildings are unsatisfactory and should be adapted to present conditions. Sources of additional funds for capital outlay must be found and procedures for obtaining necessary funds must be made available to local boards of education.

Property Tax Base for Construction

Funds for new school buildings have been obtained almost exclusively from the general property tax. Except in a few districts which have been able to provide school buildings by pay-as-you-go plans, bonds have been issued by the school districts. The sale of these bonds to investors supplies immediate funds for the use of boards of education in purchasing sites, employing architects, constructing buildings, and obtaining equipment. Bonds usually come due serially so that the total amounts of the principal and interest to be paid each year for 20 years are approximately equal. Annual payments are made from the proceeds of a levy on the local taxable property.

Reliance upon the general property tax for construction funds was reasonably satisfactory for many years, but its effectiveness has been reduced by the concentration of wealth in cities, by low and inequitable valuations of property, and by constitutional and statutory limitations that restrict the actions of boards of education in creating debt and constructing new buildings.

Trends in property valuations.—In any period of inflation such as the States have experienced since the war, property valuations rise, but the increase is much less rapid than the increase in prices. This makes the general property tax less effective as a source of revenue to pay the higher costs, and it also interferes with the construction of school buildings. As indicated by the construction cost index in table 1, new school buildings cost twice as much as they did prior to the war. But property valuations for taxation purposes have not been doubled and, consequently, bonding capacities are entirely inadequate, since they are limited in most States to a small percent of the property valuations.

Inequitable valuations.—In many States, valuations of property per pupil, per capita, or per classroom vary widely from district to district. Since

school buildings are provided almost exclusively from bonds which are limited by taxable valuations, funds available for new buildings are also quite variable among the local school districts. In addition to this difficulty there are significant inequities in taxable valuations. Many of the assessments are made by local assessors without the benefit of any State supervision or information about assessment practices in other counties. Some districts may have property assessed at 100 percent of real values, while other districts are assessed at only small percents of true values. Low and inequitable property valuations make it impossible for many school districts to secure the new buildings they need.

Decreasing dependence on the general property tax.—Diversion of public attention to other forms of taxation may be somewhat responsible for the low and inequitable valuations and for the weakening of this kind of tax as a source of school funds. Formerly, the general property tax was the chief source of tax funds for schools, but the percent of school revenues derived from this tax and from local sources has been declining. For the 1949-50 school year, approximately 55.4 percent of school revenues for public elementary and secondary education were derived from local taxes, chiefly the general property taxes, while 65.6 percent came from these sources for the 1943-44 school year. These figures may be noted in table 3.

TABLE 3.—Percents of revenue receipts for public elementary and secondary education derived from Federal, State, and local sources

Year	Federal	State	Local	Total
1	2	3	4	5
1943-44.....	1.4	22.0	65.6	100.0
1945-46.....	1.4	24.2	63.8	100.0
1947-48.....	2.2	28.9	58.9	100.0
1948-49.....	2.2	28.5	59.3	100.0
1949-50.....	1.9	42.7	55.4	100.0

Now, more and more attention is centered upon income taxes, sales taxes, and various other forms of nonproperty taxes. But these have been used almost exclusively by the State and Federal Governments for current expenditures, while the weakening general property tax has continued as the major source of local school district funds for the construction of school buildings.

Bonding Restrictions

Statutory and constitutional limitations restrict boards of education in the issuance of bonds to finance schoolhouse construction. These limitations are of three kinds. They apply to tax rates, to the amount of debt that may be created, and to the approval of school construction proposals by the electors of the school district.

Tax limitations.—In many States there are constitutional or statutory limitations on the tax rates for all purposes or for school purposes. Often these limits apply to taxes for current operation, but in several States they apply to all tax funds derived from general property, including taxes for the repayment of building fund debt. In such instances, additional funds for debt service would be obtainable only at the cost of reducing current expenditures for educational services. This might make it almost impossible to secure any additional funds from the issuance of bonds since revenues for their payment must be deducted from current expense funds.

Limitations on the tax rates do not have identical effects upon the various school districts of the State. An over-all tax limit of 20 mills would allow more tax leeway in districts having property valued at 80 percent of true values than the same limit would allow in districts having taxable property valued at only 40 percent of real values.

Debt limitations.—Many States also restrict the bonding powers of boards of education by providing legal limits on the amount of debt that may be created, both with and without the vote of the people. These limits may apply to the total debt of the subdivision, for all purposes, or they may apply only to the debt for school purposes. Both kinds of restrictions hamper boards of education in the issuance of school bonds.

These debt limitations are also inequitable for school districts of any State in which assessment practices vary. The limits may not interfere significantly in districts having property valued at a high percent of true value, but they may prohibit the issuance of sufficient bonds for new construction in those areas where taxable valuations are small proportions of real values.

Usually, the debt limits are expressed in terms of a percent of the valuation of all taxable property. A limit, such as 4 percent of the taxable valuation, is applicable to all school districts of the State. A few States have special provisions authorizing some districts, under emergency conditions, to exceed the normal limit and to create debt up to a slightly higher limit, if the proposal is approved by the State department of education or the State department of taxation, and if all other requirements, including the vote of the people, are properly observed.

Limitations on the creation of indebtedness specified in the constitutions and statutes of the States are listed in table 4. Some of these percents of the taxable valuation apply to school bonds only, while others apply to the total debt that may be created by all governmental subdivisions. Fifteen States have reported maximums at two different percents of the valuation. One limit applies to certain kinds of districts or under special conditions and the other limit may be applicable under other conditions. Averages for the maximums of the three groups of States reported in table 4 are 5.0 percent, 9.0 percent, and 22.3 percent.

TABLE 4.—Limitations on issuance of school bonds reported for the 1949-50 school year

State	Percent	State	Percent	State	Percent
1	2	1	2	1	2
MAXIMUM LESS THAN 7 PERCENT OF THE TAXABLE VALUATION					
Indiana.....	2-4	Montana.....	2-6	Utah.....	3-4
Iowa.....	5	New Mexico.....	6	Washington.....	5
Kentucky.....	2	Oklahoma.....	5	West Virginia.....	5
Massachusetts.....	6	Rhode Island.....	5	Wisconsin.....	5
Missouri.....	5	South Dakota.....	5	Wyoming.....	6
MAXIMUM 7 TO 12 PERCENT OF THE TAXABLE VALUATION					
Alabama.....	(1)	Kansas.....	10	North Carolina.....	5-8
Arizona.....	10	Maine.....	7.5	North Dakota.....	5-10
Colorado.....	2-10	Maryland.....	(2)	Ohio.....	8
Connecticut.....	5-10	Nevada.....	10	Pennsylvania.....	7
Delaware.....	7	New Hampshire.....	5-8	South Carolina.....	8
Georgia.....	7	New Jersey.....	3-9	Tennessee.....	10
Idaho.....	4-10	New York.....	10	Texas.....	10
Illinois.....	5-10			Vermont.....	10
MAXIMUM 12 PERCENT OR MORE OF THE TAXABLE VALUATION					
Arkansas.....	15	Louisiana.....	15	Nebraska.....	40
California.....	5-15	Michigan.....	15	Oregon.....	10-20
Florida.....	10-20	Minnesota.....	15-50	Virginia.....	18
		Mississippi.....	15		

¹ Bonds may not be issued in an amount that will require more than 80 percent of the tax pledged to debt retirement.

² No limit except that bond issues are approved by the legislature which may also require a county referendum.

Limits on voting.—Other hurdles designed to retard the issuance of bonds for the construction of new school buildings are the legal restrictions on approval of bond issues by the electors. Usually, decisions by electors on most public questions are indicated by a majority, but in the creation of debt, several States provide special limitations which are designed as an added protection to the taxpayers. Some of the laws specify that the proposal to issue bonds for schoolhouse construction must be initiated in some difficult manner, and then be approved by a majority of the property owners, by a majority of those who have paid some specified kind of taxes, by a stated percent of the electors that is higher than a majority, by a specified percent of the number of electors registered in the district, or by a number equal to the majority or some higher percent of those who voted at the next preceding regular election. A survey of these restrictions reveals that organizations have been successful in securing legislation in many States that help minorities to defeat proposals for the issuance of bonds. These various limitations tend to restrict and to reduce the numbers of proposals that are approved. They are partial to certain small groups of citizens and they are undemocratic in thwarting the will of the majority.

Most of these limitations on the school tax rates, the maximum amount of debt, and on the approval of bond issues by voters should be reconsidered

and many of them modified or repealed. It should be satisfactory for a majority of those voting at the school bond election to decide upon the extent to which a school community will go into debt or tax itself for the construction of new school buildings. No other restrictions are needed with the possible exception that approval of the State department of education or the State tax commission be required if it is necessary for the school district to exceed the average tax levy for bonds by more than some amount such as 5 mills. Modifications of this kind will help, but they will not be sufficient to provide all necessary schoolhouse construction during the next 10 years.

Broadened Tax Base

Some have suggested that more funds could be obtained for school construction if it were possible to use other local taxes, in addition to the general property taxes, for the repayment of bonds. In a few States, local boards of education are authorized to levy taxes on sales, incomes, admissions, and other kinds of business transactions, or to levy a per capita tax to secure additional funds for school operation. Most of these nonproperty taxes, however, are practicable only in the larger cities. They can be evaded or are not successful in producing significant revenues in rural and village districts. Also, they have been used almost exclusively for current operating expenses.

Although there are difficulties to be encountered, some effort should be made to plan for the use of local nonproperty taxes for school construction in school districts that depend upon them for a portion of their revenue. If applied to the repayment of bonds, they might help to secure more school buildings under the kinds of legal restrictions cited in the preceding sections. But even if local nonproperty taxes were applied to the payment of school bonds they could not have an important influence on easing the present critical situation in school housing. More substantial funds and guarantees are needed in all States, than can be provided by the new and untried local nonproperty taxes.

State Assistance Is Needed

The recognition of education as a State function has long been regarded as sufficient reason to provide State aid for local operating expenses. Similar reasoning would justify State assistance for the construction of new school buildings in the local school districts. Aid should be given since it is almost impossible for many school districts of the States to provide even the most meager housing for the children. The provision of additional State funds for schoolhouse construction appears to be the most practicable method of broadening the tax base to secure adequate funds.

Equalization Aid

Local school units vary widely in their financial abilities. In the States having administrative units as large as counties, some have 10 times the

financial ability of others for any of several methods of measuring abilities. States having administrative units smaller than townships have ranges of school district financial ability as great as 500 to 1. These ranges of financial ability in all States have been partially recognized in the distribution of State funds to local school districts for current operating expenses.

Substantial portions of State funds are distributed on the basis of equalization principles. During the 1949-50 school year, 44.9 percent¹ of all State funds for education were distributed as equalization aid. The financially weaker school districts receive proportionately larger amounts of State money from these equalization funds and the wealthy districts receive smaller amounts or nothing at all. The remaining 55.1 percent of the State funds were distributed as flat grants. They are allocated without regard for the local financial abilities of the school districts which receive the State money.

Portions of the local current expense budgets of the less wealthy school districts which are provided from State funds may range up to 90 percent or more. This makes it apparent that districts which are able to supply only small proportions of the current funds needed for operation would be unable to provide satisfactory school buildings entirely from local revenues.

In the past, many have concluded that substantial aid from the State for teachers' salaries and other items of current expense would partially relieve the situation and enable the local school district to divert local funds to the provision of school housing. This is true to some extent, but there are many districts that could provide only a small proportion of the cost of adequate housing.

On the average, the cost of adequate school housing in a situation of population stability amounts to approximately one-seventh, or 14 percent, of the cost of current operation. If populations are increasing rapidly, as they are in thousands of school districts over the Nation, the requirements are much larger than 14 percent.

Many communities are unable to provide these substantial amounts for school construction and are unable to issue bonds in amounts sufficient to pay for the new buildings. State assistance is definitely needed. This has been recognized by nearly half the States which now provide some small amounts for construction. But the required expenditure of more than one billion dollars annually for the next 10 years for school construction will demand far more substantial programs of State assistance.

¹ Hestekin, Clayton D. Distribution of State Aid Funds. *The Nation's Schools*, 47: 62-68, June 1961.

The Development of State Support for Capital Outlay

THROUGHOUT THE nineteenth century relatively little State action occurred in the field of school housing. This was in part the result of the fact that active State participation in the entire educational program was in the process of development and little attention had been given to plans for the distribution of State aid. It was, also, and perhaps even more definitely the result of the fact that school buildings were still generally regarded as matters of local concern. Throughout this century there was, therefore, little, if any, thought given to specific State aids for school housing. Despite these facts, it should be noted that since many of the State funds distributed to the local districts were not earmarked for certain specific phases of the program, it is probable that some State funds were actually used for limited capital outlay and perhaps even for debt service in a few districts in a number of States.

Beginnings of State Interest in School Housing

Early in the twentieth century State interest in school buildings began to increase. New York State passed legislation pertaining to school building construction in 1902. In 1903 it provided a full-time inspector of buildings. Burke¹ reports that by 1910 13 State departments of education and 9 State boards of health were exercising some control over school buildings. After 1910 the development of State action in this field was even more rapid. By 1920 only four States had no regulations regarding school housing. Many of the early laws were exceedingly minimal. In the years which followed, the laws were broadened, providing for advice regarding, or control over, more aspects of the school housing. By 1940, 39 State departments were authorized to review plans and specifications for school buildings, and 25 had some legal provision for the enforcement of certain provisions pertaining to school buildings.

The development of minimum standards for school housing by the States was one of the factors which led them to give attention to the problem of financing the school plant. Early steps were taken providing aid for buildings in rural areas by Alabama in 1901 and by Delaware for school buildings in Negro districts in 1903. North Carolina established a revolving fund, making loans to rural districts, in 1903. Virginia established a loan program in 1906.

¹ Burke, Arvid J. *Development of State Responsibility for School and College Buildings. The American School and University*, eighteenth annual edition, 1946, p. 44.

State Aid To Encourage Consolidation

The most important factor bringing a considerable number of States into the field of State aid for capital outlay was the desire to stimulate consolidation of school districts. Minnesota first provided aid for consolidation of districts in 1911. By 1921 approximately a dozen States had made some provision for financing capital outlay in districts which had consolidated.

The earliest provision for consolidated districts were stimulatory grants generally providing for the State to pay a percent of the cost of a new building up to a maximum which was generally quite low. Minnesota, for example, paid one-fourth but not to exceed \$1,500. Oklahoma paid half the cost of a new building but not to exceed \$2,500 for certain districts.

Another plan used to encourage districts to consolidate was the provision that the State would make a payment for each school closed. Some of these provisions were for the current year only, while others were regarded as a commitment on the part of the State for an indefinite period. These funds were not necessarily employed to meet capital outlay costs. Rhode Island was probably the first State to make payments for each school closed. Pennsylvania began in 1921 to provide \$200 for each school closed. It has continued the practice of paying the \$200 each year for each school closed since that time.

State allocations to encourage consolidation were usually small and in some instances their effect was canceled at least in part by other State aid provisions, which penalized the district that became a part of a consolidated unit, or even the entire consolidated district. Despite this, some contribution was made in a number of States to the development of larger districts and the removal of one-room schools through these provisions. In a few States the contribution was substantial. Perhaps the outstanding State in this regard was New York, which did not enter the field until 1925 but which then paid one-fourth of the approved cost of construction in central school districts. It continued this program and in 1941 introduced the equalizing principle in its building aid for central districts. The experiences of New York in this area constitute one of the outstanding early developments in the Nation in the area of State aid for school housing, despite the fact that it has been limited to central school districts, that the funds provided were inadequate, and that until 1941 there was no equalization factor in the program.

As was indicated earlier, another method employed by some States to assist local districts in capital outlay costs was the loan plan. North Carolina, Virginia, and Arkansas have employed this plan more extensively than other States. They have at times increased the amounts of these funds and lowered the interest rates in an attempt to make a larger contribution. Fundamentally, however, loan plans do not constitute an assumption of any share of the costs of school housing by the State.

Delaware Assumes Major Responsibility

In a consideration of early developments in State aid for capital outlay, attention must be given to Delaware which, alone among the States, participated in the financing of capital outlay costs in a significant manner in the early part of the second quarter of this century. Action in Delaware followed a study of the school buildings in the State and considerable stimulation by P. S. DuPont, who financed the Service Citizens, an organization which for a period granted up to 50 percent of the cost of school buildings.

Between 1927 and 1933 the State legislature appropriated 10 million dollars for school housing. It provided that the State would care for all costs beyond 2 percent of the 1919 assessments of the districts. In most cases the 2 percent provided less than 20 percent of building costs. If the district had already borrowed up to 2 percent, the State paid all costs. In addition, the State paid amounts coming due on the indebtedness of the district for many years. Of a total of more than 21 million dollars spent on school buildings from 1919 to 1940, the State paid approximately 60 percent while gifts constituted approximately 20 percent. Delaware was the first State to assume large responsibility for financing school housing.

Local Freedom To Use State Funds

In considering the matter of State aid for school housing, mention should be made of the fact that despite the growing tendency to earmark State funds for teachers' salaries or other current expenses, there remained approximately 10 States in which the local districts could legally use State funds for capital outlay if they were financially able and wished to do so. In these States, therefore, some monies have probably been used for debt service or for actual capital outlay. The demands upon local districts for current expenses and the limited State aid provided have probably resulted in very small amounts of State monies, if any, going into capital outlay. In local districts which may have used some State money to meet debt service, it is probable that they have done so at the expense of the instructional program. For this reason, aid for capital outlay through the regular State appropriation can scarcely be regarded as significant during recent decades.

Developments by 1940

By 1940 developments in the field of financing capital outlay costs from State funds were still meager. Thurston² reported that no State was furnishing as much as one million dollars per year for school housing. Weller spoke of them as "crude and inadequate distributive systems in which the principles of equalization are neither recognized nor applied . . . or else simple devices

² Thurston, Leo M. "State Aid for Construction." *The Nation's Schools*, 20: 5: 29-30, May 1929.

for loaning money to districts by the State on easy terms."* Of the 12 States which were at that date making some provisions, however inadequate, he noted 3 groping toward some recognition of principles or procedures required by equalization. These were Delaware, New York, and Ohio. To these Alabama should have been added, since it began in 1935 to include provisions for capital outlay for rural districts in its minimum program and in 1939 extended this provision to all districts.

Significant Developments 1945 to 1950

Probably the 5-year period from 1945 to 1950 may be viewed as one in which State aid for capital outlay assumed significance. In 1945 Alabama, which had earlier created a State equalization fund, including capital outlay and debt service allowance, provided a 12-million-dollar fund for capital outlay and debt service. In 1945 Ohio, which had since 1928, in its equalization law, allowed some capital outlay aid where there was an urgent need, provided an annual appropriation of school building funds of 2 million dollars. Grants were limited to \$50,000 or one-third the cost or \$150 per pupil.

In 1945 Florida introduced a plan of providing for capital outlay in its State foundation program. In 1947 it established a continuing appropriation for capital outlay projects guaranteeing annually approximately 7 million dollars from State and local funds for this purpose. Approximately 60 percent of this amount was provided by the State. At about the same date, Maryland adopted an equalization formula through which approximately 1½ million dollars were made available per year to its 23 counties and one independent city for school construction. In 1946 Mississippi appropriated 3 million dollars for one biennium to aid districts in the construction of new buildings. In 1947 Tennessee provided that certain proceeds of sales tax collections be appropriated for county school plant construction, maintenance, and pupil transportation. During the 2-year period following, approximately 35 million dollars were available for distribution. In 1947 California provided 20 million dollars and in 1948 it appropriated 35 million dollars to assist in the "austerity" school housing program. This aid was intended for impoverished districts in dire need.

This brief picture of developments following 1945 is not complete. Furthermore, no attempt is made here to include the provisions which are operating today, since they will be presented in the following chapter. Only enough has been offered to suggest that in this period there was something in the nature of an awakening concerning State responsibility for financing capital outlay costs for school housing. It should be noted that no attempt is being made in this study to consider State aid for the purchase or replacement of buses, though it should be recognized that several States have pro-

* Waller, Gerald D. *State Equalization of Capital Outlays for Public School Buildings*. University of Southern California Press, 1941, p. 8.

vided assistance in this area through subsidies, loans or recognition of depreciation in transportation aid.

Federal Financial Assistance

The Federal Government did not adopt a program providing specifically for financial aid for school housing until 1950. It did, however, contribute in an indirect manner at various periods to the financing of school housing. In some instances, the proceeds from the early land grants for common schools were probably used in part for this purpose. It was not, however, until in the decade of the thirties that considerable sums were provided by the Federal Government. Then they were provided through the various noneducational Federal agencies which were designed to provide employment through public works programs. Those grants served in some measure to meet needs when State and local borrowing power was severely limited or difficult to employ. They were made on a matching basis and as a result, many of the poorest districts were unable to participate. They also were made in some instances without adequate regard for either the responsibility of the State in education or basic principles regarding district organization and placement of buildings, and thus tended to retard needed district reorganization. Despite this, they did assist many districts in meeting school housing needs and tended to relieve demands which otherwise might have been made upon the States.

Federal grants resulted in the State of Washington entering the field when in 1933 it provided a small amount of money through its social security program to assist local districts in providing matching funds with which to obtain Federal grants. In 1941, through new legislation, Washington recognized the State's obligation in financing capital outlay more definitely.

During World War II, through the Lanham and later acts, Federal funds were made available to districts confronted with population growth induced by Federal activities and defense industries. These funds were administered by the Federal Works Agency. In the years following the war, some districts in different States continued to be confronted by problems of providing facilities as a result of Federal activities. To meet those needs, various agencies of the Federal Government such as the Army, the Navy, and the Atomic Energy Commission made grants to some districts. Procedures used in determining whether a grant should be made or in what amount varied from agency to agency or even within the same agency. These grants were not the result of a program designed to assist in meeting general school housing needs. They were funds appropriated to advance the program of the Federal agency which distributed them, rather than to promote a general program of education.

A law enacted by the Eighty-first Congress in 1950 constitutes recognition of the general school housing problem in the Nation. Title I of this act provides 3 million dollars to "assist the several States to inventory existing school facilities, to survey the need for the construction of additional facilities in relation to the distribution of school population, to develop State plans

for school construction programs, and to study the adequacy of State and local resources available to meet school facilities requirements." It places the responsibility for doing this work upon the States.

Title II recognizes "the impact which certain Federal activities have had on the school construction needs in the areas in which such Federal activities have been or are being carried on" and "declares it to be the policy of the United States to bear the cost of constructing school facilities in such areas" in the manner and to the extent provided in the law. It fixes responsibility for the administration of the act upon the Commissioner of Education, and provides that he may utilize the facilities and services of other Federal departments or agencies. It provides that no local educational agency shall be entitled to any payment "except upon application therefor submitted through the appropriate State educational agency."

Some Studies in the Area

While it is not the intention here to examine in any detail the development of thought regarding the problem of State support for capital outlay as differentiated from practice, it is in order to point briefly to some of the developments in the literature pertaining to this area. Updegraff⁶ as early as 1922 advocated State grants to districts which would be percents of cost, varying with the ability of the district as shown by taxable wealth per teacher. Mort⁷ in 1926 proposed adding to a district's current expense apportionment an amount to take care of capital outlay. He believed that this could be done through determining a relationship between current expenses and capital outlays. Grossnickle⁸ tested the proposal of Mort and developed a plan based upon it. Baldwin⁹ in 1927 suggested that the State supply an amount necessary to pay debt service beyond that which would be produced by a uniform county tax. Morphet and Johns¹⁰ advocated a plan whereby capital outlay would be provided within the State foundation program. Lindman¹¹ developed a distribution formula which recognized equalization principles. Strevell¹² examined the functioning of the New York central schools' building program and proposed steps to make it more effective.

⁶ Updegraff, Marlan. "Rural School Survey of New York State," vol. III, *Financial Support*. Wm. F. Fell Co., 1922.

⁷ Mort, Paul R. *State Support for Public Schools*. New York, Bureau of Publications, Teachers College, Columbia University, 1926.

⁸ Grossnickle, Foster E. *Capital Outlay in Relation to a State's Minimum Educational Program*. New York, Bureau of Publications, Teachers College, Columbia University, 1931.

⁹ Baldwin, Robert D. *State School Building Aid Program*. *American School Board Journal*, 75: 3: 47, August 1927.

¹⁰ Morphet, Edgar L. *Capital Outlay in the School Finance Program: Part II, Maintaining a Balanced Program*. *American School Board Journal*, 95: 1: 19-21, July 1937; Johns, R. L., and Morphet, Edgar L. *The Provisions for Capital Outlay in State Foundation Program of Education*. *American School Board Journal*, 115: 3: 24-25, March 1948.

¹¹ Lindman, Erick L. *The Development of an Equalized Matching Formula for the Apportionment of State School Building Aid*. University of Washington Press, 1948.

¹² Strevell, Wallace H. *State Aid for Central School Building*. New York, Bureau of Publications, Teachers College, Columbia University, 1948.

Conclusion

In conclusion, it should be noted that the need for State aid for capital outlay is not new. For decades many children have been housed in buildings which were extremely inadequate or hazardous. For decades many children have attended school buildings so obsolete or lacking in essential provisions that it would have been scarcely possible for them to have enjoyed anything approaching adequate or equal educational opportunity however large the expenditure for current expenses. It is probably true that not as many districts were impoverished and unable to make reasonable and adequate provisions formerly as in very recent years.

One of the factors in planning State aid for school housing is the development of public recognition of the fact that without it equalization of educational opportunity will remain a myth for many children. It is apparent that most States have not developed a definition of standard school housing which they are prepared to guarantee to all children. Further, it is apparent that much of the State aid which was provided until very recently was to encourage rural consolidations. In the latter few years more action has taken place which has application to more varied areas of the State. Much of it, however, has the earmarks of meeting emergencies. Relatively little of the legislation appears to have been developed in line with clearly developed principles regarding State participation in providing adequate school housing.

Much of the early legislation in this field had as its first purpose, stimulation. Small sums were available as an incentive. These principles were associated with some form of local matching which also was rather current in a number of early State plans. During this time it was argued that equalization funds for current expense had the effect of easing the load on the local districts and thus the effect indirectly of aiding the districts in meeting the expenses of capital outlay. Later, came some demand for the utilization of the equalization principle in distributing separate State capital outlay funds. Still another view was that the equalization principle should be followed and that it could best be done by regarding capital outlay as one part of the foundation program.

The development of the programs of State aid for capital outlay has been accompanied by relatively little consideration of the administration of such programs. Some of these funds have been administered by boards with little or no relation to the State program of education. More attention must be given to this problem if basic principles of State school administration are not to be generally violated. The problem may become more acute in some States as the size of the State contribution increases unless long-range plans with sound administrative provisions are developed.

Before 1945, except for Delaware, State assumption of responsibility in this field has been relatively insignificant. Developments since 1945 indi-

cate some genuine recognition of need in this area and a growing awareness of the fact that the State has responsibility for participation in the financing of school housing in many areas of the State. With this development comes a challenge to avoid emergency arrangements, too great reliance upon matching plans, and unsound administrative procedures. With it comes the opportunity to formulate long-range plans built upon sound principles. In the following chapters attention is given to the programs now in operation and to the principles which appear to be embodied in them.

Present State Assistance Programs

FOR THE 1949-50 school year 19 State legislatures had established State programs for assisting local school districts with the construction of school buildings. Brief descriptions of various features of these programs are presented here. No attempt has heretofore been made to describe State support plans according to a standard pattern which would make it possible to compare and contrast specific provisions of the laws relating to capital outlay in one State with similar provisions in the laws of other States.

For the purpose of the descriptions in this chapter 20 headings are used as a basis for organizing and presenting the description of the support plan for each State. Each of these headings deals with a significant feature or phase of the program. For example, the first gives the name of the fund, the second the legal references, and so on. By referring to appropriate headings, it is possible to determine the differences in State plans for administration of funds (item 9), in State requirements to be met (item 10), and so on for each of the other items.

A careful study of the laws and provisions for the various States indicates that the following 19 have fairly definite provisions which authorize the distribution of State money to assist local school districts in financing construction:

Alabama	Massachusetts	Pennsylvania
Arkansas	Mississippi	Tennessee
California	Missouri	Vermont
Connecticut	New York	Virginia
Delaware	North Carolina	Washington
Florida	Ohio	West Virginia
Maryland		

Each of these State plans is described under the appropriate headings on the following pages. Important changes approved by the 1951 legislative sessions are presented briefly on pages 104-107.

ALABAMA

1. *Name of fund.*—Capital outlay and debt service portion of the foundation program fund.

2. *Legal references.*—Sections 204, 208, and 210 to 215, inclusive, of article 3. Title 52, Code of Alabama, 1940; also regulations of State board of education pertaining to these sections.

3. *When established.*—The State fund for rural schoolhouses, first created in 1907, was discontinued when the State minimum program fund was established in 1935 with provisions for capital outlay support for all rural districts in the State. In 1939 the

minimum program capital outlay support was made available to all school administrative units in the State including cities.

4. *Amount of Fund.*—The law provides that the State board of education is responsible for prescribing regulations which are to be used in determining the portion of the minimum program fund to be set aside for capital outlay and debt service. The annual amount of the State's portion has ranged during the past 10 years from approximately \$1,180,000 to the present amount of \$1,530,087. Because the number of teacher units needed and the amount required for teachers' salaries have increased so rapidly, the policy of the State board during the last 5 years has been to hold the total amount of the State portion for capital outlay at the constant figure of \$1,530,087 per year.

The legislature made a special appropriation to the public schools for capital outlay and debt service in the amount of \$10,560,000 in 1945 and \$11,871,002 in 1947 with the provision that each appropriation was to be allocated to county and city boards of education in accordance with the State minimum program provisions.

The annual amount required to be provided by the local school districts for capital outlay and debt service (between \$200,000 and \$300,000) represents the same proportion of the total minimum program costs as for the other phases of the program. The proportion of the total provided by each county and city district is determined by the relative taxpaying ability of these local units.

5. *Expiration date.*—This program is established on a continuing basis. However, each biennium the legislature makes an appropriation to meet the needs of the entire program for the biennium. As indicated above, the State board determines the portion of the total to be used for capital outlay, but because of the urgent needs for other phases of the program, the policy has been to hold the State's part of the capital outlay portion constant, except for the special appropriations.

6. *Kind of fund.*—This fund is an integral part of the general-purpose equalizing minimum program fund. Except for the special supplementary appropriations made in 1945 and 1947 specifically for capital outlay, the legislature has not established any separate fund for this purpose.

7. *Source of funds.*—Most of the State portion of the foundation program fund, including the capital outlay and debt service part, is paid from "earmarked" revenue sources which are set aside in what is known as the "educational trust fund." This fund is derived chiefly from sales, license, and severance taxes. At present \$1,750,000 is derived annually from the State general fund. The local portion of the fund is paid chiefly from county or district ad valorem taxes.

8. *Persons and kind of districts participating.*—All school administrative units in the State which meet requirements prescribed by State law and State board regulations participate in this fund. There are 67 county administrative units and 41 city administrative units in the State, and since all have been meeting these requirements for some years, all are participating in the capital outlay and debt service portion as well as in all other portions of the minimum program fund.

9. *State plan for administration of fund.*—The State board of education is charged by law with the responsibility for prescribing policies and regulations for administering the entire fund and program. No other State agency has any responsibility for the administration of this program. The State department of education provides the consultative, supervisory, and other services needed from the State level to implement this program, using from time to time the services of representatives of State institutions of higher learning in connection with some of the studies.

10. State requirements to be met.—The counties and city districts participating in this portion of the fund must meet the requirements prescribed for participation in the entire minimum program fund including:

- a. The county must be levying and collecting the 3-mill constitutional county school tax and the 1-mill county tax (a total of 4 mills) and the districts in the county must be levying and collecting the constitutional 3-mill district school tax, or if any of these taxes are not actually levied, the proceeds from these taxes are to be considered available as though the taxes were actually levied.
- b. The county must provide as nearly as practicable the same length of term for all schools excepting schools in nontax areas.
- c. For participation all schools are required to be operated for a term of at least 175 actual teaching days, but if any school operates less than that time due to conditions beyond the control of the local school boards as approved by the State board of education, a proportionate reduction is made.
- d. The county and city districts must expend funds for teachers' salaries in accordance with the schedule adopted by the local board and approved by the State superintendent, but these must be at least equivalent to the salaries in the State minimum salary schedule.
- e. A proposed county-wide building program is to be developed by the county board of education.
- f. The county board is also to submit a proposed transportation program showing routes of busses and condition of roads.
- g. All independent cities are to meet all minimum standards required of the county board of education.
- h. All school systems are to meet any other standards prescribed by the State board of education to promote equal educational opportunities and provide better schools.

11. Procedures to be used by districts in qualifying.—All local school systems which meet the requirements set forth above are eligible to participate in the fund provided:

- a. Their proposed building program is based on an authorized survey.
- b. The capital outlay and debt service program for the year is included in the annual budget and proper justification is submitted.
- c. The proposed construction is at permanent elementary and secondary school centers recognized as such by the survey.
- d. Plans and specifications for proposed buildings are submitted to and approved by the State department of education.
- e. Contracts are awarded by competitive bids.
- f. Proposed warrant issues are approved by the State superintendent of education.
- g. Buildings are inspected and approved by the State department of education when such steps are considered necessary.

12. Procedures used in determining district need.—The amount of State and local funds to be included in the minimum program for capital outlay and debt service purposes is based on the number of teacher units. The number of elementary teacher units is determined by dividing the average daily attendance in schools having 195 or more pupils in attendance during the previous year by 31. For smaller schools the divisor is: 30 for schools having an attendance of 155 to 194; 27 for an attendance of 120 to 154; 24 for an attendance of 85 to 119; 22 for an attendance of 55 to 84; 20 for an attendance of 54 or less, with one unit allowed for each approved one-teacher school.

The number of high-school teacher units is determined by dividing the attendance in high schools having 185 or more pupils and attendance in unapproved high schools by 28; 145 to 184 by 26; 110 to 144 by 24; 75 to 109 by 22; 74 and fewer by 20, except that three units are allowed for any survey approved junior high school where three teachers

are employed and two units for any survey approved senior high school where two teachers are employed. The amount required for the capital outlay portion of the program is then found for each school system by dividing the number of total weighted teacher units in the State (as explained below) into the total State funds now available for capital outlay (\$1,590,087) and multiplying this quotient by the teacher units in the local school system. For capital outlay purposes teacher units in schools having fewer than 54 in A. D. A. are given a weighting of one, and teacher units in schools having an average daily attendance of 54 or more have a weighting of one and one-half. In terms of funds now allotted for capital outlay and debt service, the amount provided by the State per unweighted teacher unit is only about \$77 per year. As long as the total amount of State funds for capital outlay is held constant, the amount available per teaching unit decreases somewhat as the number of units increases. The average amount required to be provided by local school systems is about one-seventh of that amount.

13. Local effort required.—The local effort required for participation in the capital outlay and debt service portion of the minimum program fund is the same as that required for participating in the entire fund. The total amount of local effort is based on the calculated yield of five mills of county and district taxes on the 1938 assessed valuation. An index of taxpaying ability is equated with the assessed valuation and applied to determine the amount required from local funds by each district; thus inequities in assessment practices are largely overcome by using this index.

14. Determining amount of State funds for individual districts.—The amount of State funds to which each local school system is entitled for its minimum program is determined by subtracting the calculated yield of the 5-mill levy (using the index of taxpaying ability as explained above) plus the proceeds from the public-school fund (a school census fund distributed by the State to all local school systems) from the calculated cost of the minimum program for the school administrative unit. The capital outlay and debt service portion of the minimum program fund for each local school system is then determined by using the procedure explained above. Actually the State funds, except for the capital outlay and debt service portion, are apportioned to county boards of education and, when there are independent cities in the county, the portion due the cities is then reapportioned by the county board on the basis of an equalization formula prescribed by law.

15. When funds apportioned.—The fiscal year begins on October 1. Funds are apportioned to each school system on a monthly basis beginning with that date. The law authorizes a State corporation, consisting of the State superintendent, the commissioner of the Department of Revenue, and the State finance director, to borrow funds in order to make these apportionments on schedule if sufficient State revenues have not accumulated by the apportionment date to make it possible for all apportionments to be paid in full.

16. District use of funds.—The capital outlay and debt service portion of the foundation program fund is required to be used for capital outlay or debt service at permanent centers except upon the request of the local board of education and the approval of the State superintendent of education.

17. Repayment provisions.—These funds are provided as grants to local school systems and therefore no provision is made for repayment of any portion of the funds by the district.

18. How program operates.—The capital outlay and debt service portion of the minimum-program fund, including State and local funds, was originally designed to meet the capital outlay requirements in each local school system over a period of years. This

includes the present \$1,530,067 of State funds for capital outlay and debt service for the entire State and any special appropriations for that purpose. The amount for each local system is determined by dividing this total by the number of weighted teacher units in the entire State and multiplying this quotient by the number of teacher units in the local school system.

The cost of the entire minimum program for each school administrative unit is determined by a formula prescribed by law and supplemented by regulations of the State board. From the total calculated cost of the minimum program is subtracted the yield from the calculated 5-mill levy equated with an index of taxpaying ability, plus the amount received by the system from the State public-school fund. The part to be used for capital outlay or debt service, that is, for school plant facilities at permanent centers unless otherwise approved by the State board. These funds may be used by the local school system during the year, may be held in reserve for a few years until a larger amount accumulates, or may, in effect, be anticipated by the issuance of warrants. Alabama has a unique provision that local school boards may issue warrants when needed without a vote of the people and in effect may pledge capital outlay and debt service funds for retirement of these warrants. The amount of warrants issued by a board is not limited to a percentage of the assessed valuation as is true in many States, but the total amount required to pay the principal and interest annually (these payments must be approximately equal) may not exceed 80 percent of calculated annual tax yield of the tax so pledged.

County and city boards are thus encouraged to plan long-time programs and to use these funds in connection with these programs. They may use larger amounts from local revenues for capital outlay and debt service purposes if they choose to do so.

19. *Local taxing and financial leeway.*—In most counties the maximum county and district tax permitted by the constitution is 7 mills, including 4 mills of county tax and 3 mills of district tax. Independent cities constitute district taxing units. Most counties do not have more than two district taxing units outside of these cities. The district tax must be voted by the qualified electors for the period of years prescribed in the election. The minimum program requires the proceeds from the equivalent of the 5 of the 7 mills (based on the 1938 assessment) to be used for the support of that program. As a result of increased assessments since 1938, the actual rate of levy charged to local effort amounts to 3.22 mills, leaving a general average of 3.78 mills as local leeway for the State as a whole over and above the minimum program requirements. The actual levy required and the actual leeway in each local school system varies according to the assessment practices and ratios. Thus, if all assessment ratios were equal, most counties would have a margin of 3.78 mills over and above the minimum program fund if all taxes were voted. The funds from this leeway effort can be used for capital outlay, debt service, or other purposes as determined by the local board. Recent constitutional amendments permit 5 additional mills to be levied in 8 counties and constitutional provisions authorize all cities to levy up to 12½ mills.

20. *Local bonding provisions and leeway.*—Provision is made for county or city school boards to issue serial warrants when necessary to obtain funds for capital outlay purposes. These may be issued by the local board upon approval of the State superintendent of education without a vote. There is no requirement that warrants be issued for participation in the minimum capital outlay portion of the minimum program funds. However, in order to obtain needed funds for construction without waiting for current capital outlay funds to accumulate, a number of boards have issued school warrants. Warrants may be issued with the approval of the State superintendent in an amount which will not jeopardize the minimum school term, provided the amount required to retire the warrants does not exceed the equivalent of 80 percent of the calculated annual yield of the tax pledged for their retirement. While proceeds from local property taxes are pledged to

retire these warrants, in actual practice in many local school systems they are actually being retired by use of receipts from the capital outlay portion of the minimum program fund.

ARKANSAS¹

1. *Name of fund.*—State school building fund (on statute books but has not been put into operation); State revolving loan fund for (a) school construction; (b) purchases of busses, and (c) purchase of surplus property.

2. *Legal references.*—Act 230 of 1949 (State school building fund—inoperative); Act 169 of 1931, Act 404 of 1947, and Act 161 of 1949 (State revolving loan fund).

3. *When established.*—The State School Building Fund Act was passed in 1949. The revolving loan fund was definitely designated as a loan fund for school districts in 1931.

4. *Amount of fund.*—The annual amount authorized to be appropriated for the State school building fund is not to exceed \$1,000,000 annually. Within this limit the amount to be used is to be determined by the State board of education. The principal amount of the revolving loan fund is the State permanent school fund which is approximately \$3,576,746.

5. *Expiration date.*—The State school building fund is authorized as a continuing appropriation. The revolving loan fund is established as a continuing loan fund. No expiration date is prescribed for either fund.

6. *Kind of fund.*—The State school building fund is authorized as a special-purpose partly equalizing grant to school districts. The revolving loan fund is definitely a loan fund and not a direct form of State aid for capital outlay purposes.

7. *Sources of fund.*—The State school building fund is authorized to be derived from an appropriation by the legislature from the public school fund which is appropriated from the general funds of the State. The principal amount of the State permanent school fund constitutes the principal use for the revolving loan fund.

8. *Percent and kind of districts participating.*—According to law all "needy school districts" are to be eligible to participate in the State school building fund. Any district which meets the requirements is eligible to borrow from the revolving loan fund. At the present time 250 districts have outstanding loans against this fund amounting to approximately \$1,075,000 for construction purposes and 346 districts have loans amounting to approximately \$2,322,126 for school busses and surplus property.

9. *State plan for administration of fund.*—The State board of education is charged by law with the responsibility for prescribing policies and regulations for administering these funds and programs. No other State agency has any responsibility for the administration of either program except that the State debt board consisting of the governor, the secretary of State, the State treasurer, and the auditor of accounts is responsible for selling any additional State bonds when such sale is necessary within the \$2,000,000 limit prescribed to add to the principal amount of the revolving loan fund. This provision has not been used.

¹ These provisions were superseded by an act of the 1951 legislature which established a partnership foundation plan of State aid. However, the new plan, although adopted by the legislature, has not yet been put into operation because of insufficient funds. The law provides for \$300 per instruction unit to be included in the program each year for capital outlay. This represents the amount of State and local funds to be secured for this part of the program. The program is to be administered by the State department of education under regulations of the State board of education. The funds may be used for capital outlay purposes at permanent school centers as determined by a survey to be made for each local school system. The money may be used during the year or accumulated for a few years and then used to meet bona fide needs.

The State board of education determines the approximate amount of money which a school district may need and which it may be entitled to borrow from the revolving loan fund and makes out a request to the State debt board for the money to be provided. The State board of education also approves all applications for loans. The State department of education provides the consultative, supervisory, and other services needed from the State level to implement this program.

10. State requirements to be met.—Before a district would be entitled to receive aid from the *State school building fund* it would have to meet the following requirements:

a. Vote a 26-mill levy for the current fiscal year. When the assessed valuation of the district is increased, the required tax levy is to be reduced by 1 mill for each 5 percent of increase over the 1948 valuation.

b. Vote a tax levy sufficient to amortize its portion of the cost of the building project, or, if indebtedness is incurred, to amortize the indebtedness.

c. File with the county board of education and with the State board of education information required by the State board of education concerning present building facilities, the number of children to be educated, and plans for the proposed building program.

d. Have proposed building program approved by the county board of education and the State board of education.

Districts must meet the following State requirements to receive a loan from the *revolving loan fund* for school construction:

a. The electors must approve at the annual school election a sinking fund tax rate to provide funds for repayment of the loan.

b. Assurance must be given to the State board that money received from the State loan will be used only for the purposes specified in the application.

Districts which participate in the portion of the revolving loan fund for purchase of buses must make all purchases in accordance with regulations and standards of construction prescribed by the State board of education and prices must be approved based on sealed bids submitted to the State department of education.

11. Procedures to be used by districts in qualifying.—In addition to meeting the requirements listed above districts would be required to follow the procedures given below to qualify for participation in the *inoperative State school building fund*:

a. Make a written application to the State commissioner of education for State assistance.

b. Submit the forms and information required by the State board of education on official application blanks which are provided by the board. This application must be filed not later than August 1 of the previous fiscal year.

c. All building plans and specifications must be submitted and approved by the State board of education.

To qualify for participation in the revolving loan fund, in addition to meeting the requirements in "10" above, districts must:

a. Make application to the State board for a survey of school building needs.

b. Make application to the State board for a loan from the fund.

c. Employ an architect to draw building plans and submit all plans and specifications for approval by the State board.

d. Submit such information or reports as may be required by the State board.

12. Procedures used in determining district need.—The law relating to the State school building fund does not establish any definite procedures for determining need for school plant construction except as this need is presumed to be determined by the formula prescribing the amount of State funds to be provided and the local effort required. However, the amount authorized to be provided by the State is so limited that this formula

would not actually determine need, but merely provide a plan for determining the funds to be made available to local school districts.

The amount of a loan the district may need from the revolving loan fund is determined by the State board of education from information obtained through surveys, from information submitted in applications from local school districts, and other information which may be requested by the State board of education.

13. Local effort required.—While a local levy of 26 mills would be required to be voted for participation in the State school building fund, the actual local funds to be provided toward the cost of the program each year would be represented by the amount necessary to amortize the indebtedness incurred under the provisions of the act which must be repaid from local funds. This amount would be determined by multiplying the assessed valuation of the school district by 1 mill or by subtracting 10 percent of the assessed valuation from the number of children in average daily attendance multiplied by 200 and dividing this quotient by 20, whichever is smaller.

The local effort required to repay construction loans from the revolving loan fund is the amount necessary to repay the State loan with interest at 4 percent as payments become due over a period which may not exceed 20 years.

The amount of local effort required for participation in the revolving loan fund in the purchase of busses is the amount required to repay the loan over a period of 6 years at 4 percent interest.

14. Determining the amount of State funds for individual districts.—The amount of State funds authorized to be provided each eligible district from the State school building loan fund would be determined by the following formula:

- a. Multiply (1) the average daily attendance of all school children in the public elementary and secondary schools in the district in the school year 1948-49 by (2) \$200.
- b. Subtract from the amount calculated under paragraph "a" 10 percent of the 1948 assessed valuation of the district.
- c. Divide the amount calculated in "b" by 10.
- d. Divide the amount calculated in "c" by 2.
- e. Multiply the 1948 assessed valuation of the district by 0.001.
- f. From the amount calculated in "c" subtract (1) the amount calculated in "e" or (2) the amount calculated in "d", whichever is smaller.

The total amount of aid for which a district could qualify over a period of years is represented by the difference between 10 percent of the assessed valuation and \$200 times the average daily attendance.

Under this formula only a small number of less wealthy districts in the State could qualify for participation in the fund. The amount indicated by the formula would be provided each year for the period of the grant which could not exceed 10 years.

The maximum amount which can be loaned to any one district at one time from the revolving fund for construction purposes is \$25,000. The principal of the loan together with the principal of other outstanding bond issues at the time the loan is approved must not exceed 5 percent of the assessed valuation of real and personal property in the district.

The amount loaned to a district from the school bus purchase portion of the revolving loan fund cannot exceed 80 percent of the approved purchase price for the busses.

15. When funds apportioned.—The annual amount which would be due each district qualifying for participation in the State school building fund would be paid the first year

as soon as the application had been approved and all requirements had been met and thereafter the annual amount due would be paid soon after August 1.

The entire amount of a loan from the revolving loan fund is made available to a district as soon as the application has been approved and all requirements have been met.

16. *District use of funds.*—The State school building fund is authorized to be used only for purchasing school sites, equipping new buildings, making additions to buildings, or equipping buildings now in use. However, districts would be authorized to issue negotiable coupon bonds to borrow necessary funds to complete the construction and to use the funds provided by the act annually to repay part of this loan. In addition, districts which could show they have reasonably adequate facilities, could use the amount they are authorized to receive from this fund toward meeting existing debt service requirements.

17. *Repayment provisions.*—The State school building fund is authorized to be provided as a grant to participating local systems and no provision is made for repayment of any portion of this fund by the district. The revolving loan fund must be repaid in full with interest at 4 percent.

18. *How program operates.*—Any district which participates in the revolving loan fund must vote to issue bonds in the amount of the loan and to levy the necessary taxes to retire the bonds at the prescribed rate of interest. The proceeds from these tax levies must be set aside each year to make payments on the principal and interest on the loan. If any district fails to make any payments, the necessary amounts are withheld from the district's share of the common school fund.

19. *Local taxing and financial leeway.*—There are no county-wide taxes authorized for schools although small amounts of money are provided from county funds to support the county supervisor's office. Practically all local school revenues, therefore, are derived from district taxes, chiefly on general property. The previously imposed limit on these taxes was discontinued in 1949 and, therefore, there is no limit to the taxes which may be voted each year. If the proposed levy is not voted any year, the levy voted for the previous year is continued that year. Districts which participate in the teachers' salary fund must set aside the proceeds from an 18-mill levy to meet the requirements of that fund. Districts which participate in the purchase of busses portion of the revolving loan fund must set aside sufficient revenues to make the required payments for retirement of the loan incurred for purchase of busses. Districts which borrow for construction purposes must also vote to levy sufficient taxes to retire the loan or loans incurred from this fund. Any taxes voted over and above these requirements which are not necessary for the support of the current expense portion of the program may be used for capital outlay purposes.

20. *Local bonding provisions and leeway.*—School districts may issue bonds up to 15 percent of the assessed valuation of the districts. The proposal for a bond issue must be approved by a majority vote of the qualified electors. Although the law does not prescribe the maximum number of years for which bonds may be issued, bond issues are usually serial in nature and are restricted to a maximum period of 20 or 25 years. As previously indicated, indebtedness, to be paid from current revenues, may also be incurred for purchase of school busses when loans are obtained from the revolving loan fund. Districts which would participate in the State school building fund would be authorized to issue negotiable coupon bonds without a vote of the people. The authority to borrow money under this law would be in addition to the authorizations otherwise provided so such bonds could be issued over and above the 15 percent limitation, but the amortization schedule could not exceed 10 years. Districts, therefore, may

use the proceeds from bond issues within their 15 percent limitation for additional school construction except for the amounts obligated to repay construction loans from the revolving loan fund.¹

CALIFORNIA

1. *Name of fund.*—Public school building loan fund.

2. *Legal references.*—Section 15 of article XVI of the constitution adopted November 1949; chapter 202, chapter 715, chapter 922, chapter 1388, and chapter 1389, statutes of 1949, as amended by senate bills Nos. 22, 29, 30, 31, 32, 33, 34, 35, and 36, and by assembly bills Nos. 65 and 70 of the 1950 legislature; also, regulations of the State allocation board and of the State department of education pertaining to these statutes.

3. *When established.*—This fund was established by constitutional amendment in 1949. It follows an austerity school plant financing program of \$55,000,000 (55 million dollars) which was provided by the legislatures in 1946 and 1947 on a direct grant basis to qualifying districts.

4. *Amount of fund.*—The constitutional amendment provides for a sum not to exceed \$250,000,000 to be made available by the State over a period of approximately 3 years. The amount the districts must contribute is indefinite. However, the total district expenditure for capital outlay will exceed the amount advanced by the State. Applicant school districts are currently supplying from their funds approximately 7 percent of their total needs. In addition, they will eventually repay a substantial portion of the amount advanced by the State.

5. *Expiration date.*—This money is expected to be allocated by April 5, 1953, or as soon thereafter as all bonds are sold.

6. *Kind of fund.*—This is an emergency special-purpose loan fund (and probably for some districts eventually partly a grant) for school districts having approved school building needs and unable to finance the projects from local funds.

7. *Source of fund.*—This fund is derived entirely from sale of State bonds. A sufficient number of State bonds were issued and sold that \$100,000,000 was apportioned or available for apportionment on October 5, 1950. An additional \$5,000,000 is to become available on the fifth day of each month thereafter until the total amount of bonds to make up the sum of \$250,000,000 has been issued and sold.

District funds required to be used in connection with the program are derived chiefly from the sale of bonds and funds used to repay the loan or are derived indirectly from district tax levies as explained under the heading "Local Effort Required" below.

8. *Percent and kind of districts participating.*—State school building loan funds are available only to districts which have bonded indebtedness for any grade level in excess of 95 percent of the bond limits, or have bonds outstanding in an amount within \$25,000 of this limit. Districts do not participate when (1) the cost of the project exceeds the amount authorized in the district election (except as noted under item 10), or (2) there would be required for retirement of the bonds a levy which, when added to the existing levy for the grade level, would be less than 30 cents per \$100 assessed valuation during the ensuing fiscal year. It is estimated that approximately 15 percent of the districts in the State may be eligible to participate in this fund. Applications had been approved by November 2 for projects in 150 districts involving approximately \$130,000,000 of the

¹ As indicated in items 1 and 2, this plan for State assistance had been inoperative during the 1949-50 school year.

State bond funds. Applications and allocations are for the "grade level maintained by a district." Thus a unified district would apply for funds for elementary school projects, for secondary school projects, or for junior college projects, if a junior college is included in the district.

9. *State plan for administration of fund.*—The State allocation board is responsible for the administration of the State public-school building loan fund. This board is composed of the State director of finance, the State director of education, the State director of public works, two State senators, and two State assemblymen. The State director of finance is authorized to administer the State program, review the financial status of the districts, and approve the estimated cost of facilities requested. The State director of education (State superintendent) is authorized to determine whether or not the facilities requested by the district are proper and adequate, but this determination is subject to review by the State director of finance.

Applications for State aid are sent by the district board to the State allocation board on approved forms. Copies of the application are sent by the State allocation board to the director of finance and director of education (State superintendent of public instruction) for review and approval in accordance with their respective responsibilities. The director of finance reviews the financial status of the district and approves the estimated cost of the facilities requested. The director of education is charged with the responsibility of reviewing and approving the facilities to be provided under the program. The State controller is responsible for making certain computations, including the amount of the annual payment by the district and for making the legally required deductions from the amount due the district from the State apportionment for current expenses.

Money allocated to a school district for a designated grade level by the State director of finance is sent to the county treasurer who is responsible for establishing a public-school building fund in the county treasury for each such district. The county treasurer must notify the district board that the apportionment has been deposited to the account of the district in the county public-school building fund depository.

School-district building projects financed by loans from the State school-building fund legally become property of the State until the loan is repaid in full or the unpaid balance is canceled at the end of 30 years. As a matter of practice the State is not actually acquiring title to school-district sites where State loan fund money is spent. It is merely requiring from the school district some type of certificate of interest in the ownership, the effect of which would make it impossible for the district to dispose of the property without the consent of the State.

10. *State requirements to be met.*—The law provides for the granting of priority points to govern the allocation according to the following schedule:

a. Two points for each percent of unhoused students; one point for each percent of inadequately housed students.

b. One priority point may be granted for each 5 percent of the latest computed average daily attendance of the district that represents an increase over the average daily attendance for the fifth preceding school year.

c. One priority point for each one-twentieth of 1 percent of the assessed valuation of the district, collected in taxes and expended for school housing within the scope of the act since 1944. Expenditures from the proceeds of the sale of bonds are not to be counted, but expenditures for interest and retirement of bonds are counted.

d. Not more than one point of priority is allowed for each calendar month that the completed application of the district has awaited funds.

Districts which qualify for a State allocation under the above-mentioned priority points requirements must:

a. Authorize, by two-thirds vote, the governing board to accept, expend, and repay the State allocation or loan; however, when the cost of the project exceeds the amount

the district electors voted to accept and expend from the State and there are no additional facilities included in this additional cost, the governing board of the district may by resolution, petition the State allocation board for the additional cost. Action by the local board would also increase the amount the voters of the district authorized to accept and expend from the State.

b. Vote and issue the necessary bonds and let contracts under competitive bids.

c. Have the title to all property, acquired or developed through the expenditure of an apportionment, recorded in the name of the district. The district must furnish satisfactory evidence of title to all property.

Upon the making of an apportionment, the State allocation board files with the county recorder of the county having jurisdiction over the district, a certificate establishing State interest in all sites, improvements, buildings, and equity acquired through expenditure of the apportionment. After such certificate is filed, the district may not encumber, convey, sell, or otherwise dispose of such property without the written consent of the board. The State board files a release of the property when it has received certification from the State controller that the district has fully met the obligations imposed upon it by law. Funds apportioned to a school district under the statutes for a project, remaining unencumbered or unexpended 1 year from the date the application of the district for such apportionment was approved, may not be encumbered or expended except after a review by the State department of education of the project for which funds were appropriated by the State.

In addition to the above requirements, the State allocation board has established provisions pertaining to size of construction areas, financial requirements of districts to be approved, maximum unit costs, application procedures, conditions under which funds will be apportioned, use of funds, and provisions for repayment of funds, all of which are explained under later headings.

11. Procedures to be used by districts in qualifying.—All districts which meet the requirements explained above and follow the procedures given below are eligible for participation in the State school-building loan fund. In order to secure an apportionment under the program, a school district must submit the following material:

a. Application (Form LAD 1389-1) covering the entire current building program of the district, including construction for which district funds are available but as to which contracts have not been awarded at the time of application.

b. An analysis of the capital outlay funds of the district in such detail as may be prescribed by the director of finance. Such analysis shall include information as to amounts obligated by contract, set aside or encumbered for given purposes, or free of any encumbrance.

c. Statement of the estimated cost of the project certified by an architect or structural engineer (Form LAD 1389-2).

d. Resolution of the governing board of the district authorizing the application.

e. Layout plans showing the entire project for which an apportionment is sought.

f. Such other information as may be required by the State director of finance, the State director of education, or the State allocation board.

g. Any request for site acquisition in an application shall contain a statement of the relative merits of at least three sites considered to be the most desirable and such statement shall include a brief description of the sites and the purchase price. More or less than three site descriptions may be requested by the department of education. The descriptions must include (1) a legal description and dimensional site map; (2) at least two recent independent appraisals of each parcel made by qualified appraisers with qualification of the appraisers and bases for their appraisal; (3) a title report issued by a reputable title company, or other evidence acceptable to the director of finance as to the status of title.

FINANCING PUBLIC SCHOOLS

h. Applications for apportionment of funds must be filed with the State allocation board. After receipt of an application in the prescribed number of copies and with the accompanying documents as required, the executive officer of the board must transmit copies of the application to the director of education, the director of finance, and any other department or agency the allocation board or executive office may deem appropriate for comment and recommendation.

i. The director of finance must review and report to the State allocation board on each application after he has approved the financial aspects of the application and has received a report and recommendation on the application from the director of education. The report of the director of finance includes (1) the amount of the available funds to be contributed by the district toward the cost of the project; (2) the amount of bonds which can be issued and sold by the district for the purposes of the application; (3) the purposes for which the district has expended its own building resources; (4) the types of facilities requested; (5) the amount of the building area involved; (6) information concerning replacement of existing facilities; and (7) information concerning estimated enrollment.

j. The State allocation board must approve, continue, or reject each application referred to it by the director of finance. If the board approves the application, either in whole or in part, it must make a conditional apportionment to the district from the public-school building loan fund in the amount applied for or such portion thereof as the board may deem appropriate. This apportionment is conditioned upon the holding of a favorable election by the district authorizing the acceptance and expenditure of the apportionment, and upon the issuance and sale of bonds as prescribed by the allocation board. The district is not awarded final apportionment of the fund until the county superintendent has certified that the school district has authorized the acceptance of the apportionment and that the school district has authorized the issuance and sale of bonds in the amount prescribed by the board. The county superintendent of schools must also certify that the district boundaries have not changed between the date of application and the date of apportionment from the State loan fund.

12. *Procedures used in determining district need.*—No apportionment may be made for new construction which when added to the area of adequate school construction existing in the applicant school district at the time of application, will provide a total area of school building construction per pupil for the estimated enrollment (including the ensuing 2 years) in excess of that computed under the following schedule:

	Enrollment	Square feet per pupil
Elementary school comprising kindergarten and grades 1 to 6, inclusive.	\$50 or more....	55
Elementary school comprising grades 7 and 8.	750 or more....	75
Junior high school comprising grades 7 to 9, inclusive.	750 or more....	75
Junior high school comprising grades 7 to 10, inclusive.	750 or more....	75
High school comprising grades 7 to 12, inclusive.	750 or more....	80
Junior college comprising grades 11 to 14, inclusive.	750 or more....	80

The maximum total building area per pupil allowed to applicants having schools with smaller estimated enrollments than shown in the above schedule is determined by the department of education and is to contain sufficient building areas to provide comparable facilities to those enumerated above. It must be the least building area required to house adequately the estimated enrollment and the normal instructional and other services. For the guidance of applicants and for the approval of projects the State department of education has developed a formal "justification document"

giving criteria and procedures for estimating enrollment increases and determining the amount of facilities needed.

13. *Local effort required.*—No apportionment to a school district will be approved unless: (a) the total amount of bonds of the district exceeds 95 percent of the total amount of the bonds of the district permitted by the law which is limited to 5 percent of the assessed valuation of the district for each grade level in the district or (b) if the total amount of the bonds of the district outstanding and unpaid is less than 95 percent of the amount of the bonds permitted to be issued by the district, the amount of district bonds outstanding is within \$25,000 of the total bond limit permitted. At the time the State allocation board makes a conditional apportionment, it must determine the amount of bonds required to be issued and sold by the district, the proceeds of which are to be applied to the cost of the project for which the apportionment is sought, and must make such apportionment conditioned upon the approval and sale of such bonds by the district. Each district which is granted an allocation is required to levy a tax (which is similar in application to tax for retirement of bonds) on property in the district in the amount of at least 30 cents on each \$100 of assessed valuation of property for the grade level for which the State apportionment is to be made. For effect, therefore, the levy authorized to be made without a vote is increased by this amount if necessary to make the repayments in accordance with the plan explained under that heading.

14. *Determining the amount of State funds for individual districts.*—The director of finance determines the typical current construction costs in the various areas of the State and establishes maximum unit costs for each area for each type of facility from which the cost estimate is prepared. The maximum unit cost thus established must not be exceeded by the district estimates when presented to the State allocation board. Actual construction costs are determined at the time of accepting the low responsible bid. The amount of the loan or allocation represents the difference between this approved cost and the proceeds from sale of district bonds which can be applied to the project as determined by the board.

15. *When funds apportioned.*—A conditional apportionment is made to the district as soon as the application is approved by the State allocation board, and the apportionment becomes final when the county superintendent verifies that the local district has subscribed to the regulations and rules of the allocation board, which action must be within 9 months of the date of conditional apportionment. The apportionment of funds is also subject to the schedule provided by the legislature as explained in item 7.

16. *District use of funds.*—Apportionments from the public-school building loan fund may be made for the following purposes: The purchase and improvement of school sites which have been approved by the State department of education; the purchase of desks, tables, and chairs, and built-in or fixed equipment; the planning and construction or reconstruction, alteration of, and addition to, school buildings for such facilities as are approved by the department of education as essential; and for the construction, repair, attachment, or development of off-site facilities, utilities, or improvements which have been approved by the department of education and found by the State allocation board to be necessary for the proper operation or functioning of the school facilities for which apportionments are made.

17. *Repayment provisions.*—Repayment of the State allocation or loan is accomplished indirectly through annual deductions made by the State controller in equal amounts from each installment of the regular State school apportionments to the districts. These deductions can in no case exceed the equivalent of a 30-cent tax on each \$100 of assessed valuation for each grade level of the aided districts and will equal this amount only

when the debt service tax rate for retirement of district bond is 10 cents or less per \$100 assessed valuation.

(1) The State controller determines the yield from a 30-cent levy on the assessed valuation of the district.

(2) The State director of finance determines:

a. The amount to be raised by the district during the year to retire the portion of the indebtedness incurred before the allocation from the loan period was made.

b. The amount produced by a tax of not more than 10 cents that is required to pay this prior indebtedness.

(3) The State comptroller then computes the repayment due from the district during the year, as follows:

a. If the amount found by subtracting 2b from 2a is greater than the amount in 1, no repayment is due that year.

b. If the amount in 1, that is the yield from a 30-cent levy is greater than 2a-2b, the district is to repay the State in the amount of the difference.

Thus in practical application, if 40 cents is required in a district to retire prior bonds there is no repayment to the State that year; if 30 cents is required for the prior indebtedness, the amount of the repayment is equal to the proceeds from a 10-cent levy; if only 10 cents or less is required, the amount of the repayment is equal to the proceeds from a 30-cent levy.

As the tax rate required to retire the district's own bonds decreases, the amount of repayment on the State loan increases. Districts are required to make payments on the State loan for 30 years (through deductions from the State apportionments), if that is necessary to complete repayments, but interest payments cease after 25 years. Any unpaid balance at the end of the 30-year period becomes a grant to the district.

18. How program operates.—The legislature has provided for the sale of State bonds, the proceeds of which are made available to needy applicant school districts on a loan basis with the possibility of part of the loan becoming a grant after 30 years. Districts having urgent school building needs for any grade level which are bonded to 95 percent of their legal bonding capacity or within \$25,000 of the maximum amount permissible for that grade level are eligible to apply for a loan from the State for a project, provided their needs cannot be financed from the proceeds of a 30-cent indebtedness levy on each \$100 of assessed valuation of property in the district for that grade level. As explained above, the State loan carries repayment provisions which are related to the financial ability of the districts qualifying for aid and which take into account outstanding indebtedness incurred prior to receiving the State loan.

There is no maximum set forth in the law as to the amount of funds a district can receive through the State loan program, but the amount apportioned is based on the number of square feet and cost per square foot of building. The State department of education is authorized to estimate enrollments in applicant school districts for 2 years beyond the date of application. All State loans must be approved by a two-thirds majority of the voters of districts applying for aid. Districts may reapply for loans as the need arises.

19. Local taxing and financial leeway.—The requirement that participating districts levy a property tax of 30 cents per \$100 of assessed valuation for the local portion of the cost of the project is considerably less than the permissible levy without a vote of the people amounting (without the 30-cent increase authorized by this act) to 80 cents for districts maintaining grades 1 through 8; 90 cents for those having a kindergarten in addition to grades 1 through 8; 75 cents for high-school districts, and 35 cents for junior college districts. The proceeds of these regularly authorized levies, however, are used

chiefly for the current expense portions of the program. Additional levies above these limits may be made in the amount approved by a majority of the qualified electors in a special election. The proceeds from these additional taxes when voted, may be used partly for capital outlay purposes in the discretion of the board, unless otherwise designated in the election.

20. Local bonding provisions and leeway.—Under the provisions of the statutes of the State, it is possible for any district to issue school bonds in an amount up to 5 percent of the assessed valuation of the district for any grade level. Unified school districts may issue bonds to the amount of 5 percent of the assessed valuation of each type of district or grade level (elementary, secondary, or junior college) within their limits, but funds derived from the issue and sale of bonds for one grade level may not be used for capital outlay projects of another grade level within the unified district. All bonds must be serial in nature and must be retired within a period of 25 years. The public-school building loan fund act has the effect of increasing the bonding capacity of eligible districts and providing grants at the end of 30 years in the amounts districts have not repaid in accordance with the schedule.

CONNECTICUT^a

1. Name of fund.—Public school building aid fund.

2. Legal references.—Sections 1581 to 1590, inclusive, of the 1949 General Statutes as amended by Public Act No. 6, Special Session of General Assembly of 1949; also regulations of the public school building commission and the State board of education.

3. When established.—The public school building commission was established in 1945 and funds from the postwar purposes fund were made available for school building aid. The funds now being apportioned were appropriated in 1949.

4. Amount of fund.—The appropriation made in 1949 amounted to a total of \$1,450,000. Of this amount \$1,250,000 is for the regular purposes of the act, while \$200,000 is to aid towns and districts which are unable financially to complete needed projects and therefore unable to participate in the general provisions of the act. Payments under this appropriation by January 1, 1950, had been made to the amount of \$326,589.55 as a first annual payment of commitments amounting to \$4,698,520.44 in approved State grants. These projects represent an actual cost of \$24,060,235.01.

5. Expiration date.—The current State appropriation will expire on June 30, 1951, but payments to projects approved will continue, subject to retirement of bonds, for a specified period up to 20 years after approval of the project by the school building commission.

6. Kind of fund.—This fund is an appropriation to meet the costs of the school building commission and to make grants to school districts during the current biennium having approved school building needs. Additional appropriations will need to be made in subsequent years to care for commitments made.

7. Source of fund.—These funds are appropriated from State general funds. District funds to be used in the building project are derived from local tax levies and school building bond issues.

8. Percent and kind of districts participating.—All towns and districts are eligible to participate in the regular program provided various requirements are met and evidence

^a The Connecticut General Assembly of 1951 amended the basic law, Public Act No. 5, by providing that grants of less than \$10,000 for a specific project shall be paid in 3 annual installments instead of 20 as at present, and that the town meeting in its initial action may authorize the board of education or the selectmen to accept as well as apply for a State grant, thus making a special town meeting to accept the grant unnecessary.

is submitted showing that the town or district is financially able to meet its share of the cost. Towns or regional school districts which have school building projects that meet State educational standards may participate in the State public-school building fund. Applications for 137 school building projects from 74 towns or districts were formally approved out of a total of 172 school districts in the State by January 1, 1951, under the 1949 act.

9. *State plan for administration of fund.*—The public school building commission is charged with the general responsibility for administration of the State fund. The commission consists of three persons appointed by the governor, who receive only payment for their expenses, and the State commissioner of education. To conduct its program, the commission has a staff of five composed of a director, deputy director, senior architect, and two clerical employees. In addition, the commission is authorized by Public Act No. 6 to use the services of the State department of education extensively. In addition to these agencies, the State controller is responsible for withdrawal of funds from the State treasurer. In the case of towns and districts unable to participate in the general provisions of the act because of lack of financial ability, the commission may make a grant for a project upon the approval of a committee consisting of the governor, attorney general, commissioner of finance and control, and the controller.

Preliminary plans and specifications for a given school building project are studied and reviewed by staff members of the State department of education for educational adequacy. Final plans and specifications are approved by the commission through its senior architect. The recommendations of the State department of education are considered by the commission staff for plan approval purposes.

10. *State requirements to be met.*—In order to participate in the State fund school districts must meet the following requirements:

a. The district must have begun a school building project between July 1, 1945, and June 30, 1959.

b. The district must submit a preliminary application with educational program and plans and specifications approved by the legislative body of the town or district to the school building commission.

c. The district must submit final plans and specifications and other forms and reports required by the school building commission. The commission considers the recommendations of the State department of education in approving or rejecting plans and specifications.

d. The district must submit a final grant application with certified statements as to completion and acceptance of project by local board of education, the architect, and the local school building committee. It must also formally accept or reject the State grant.

11. *Procedures to be used by districts in qualifying.*—To receive a State grant districts must meet the requirements listed above and follow the procedure as outlined below:

a. Authorize the board of education or school building committee to obtain preliminary plans and specifications and cost estimates.

b. Engage a registered architect to prepare preliminary plans, make cost estimates, and appraise sites if necessary.

c. Secure the approval of the proposed sites by the (1) State department of health with regard to water supply and sewerage disposal; and (2) the commission with reference to adequacy for education purposes. The commission requests the State department of education to review and appraise sites and make recommendations. If decisions thus reached are rejected by the town, the commission sets up a site review committee composed of a representative of town government, a land planning engineer, a school architect, and a professional educator whose sole duty is to make an independent review and recommendation.

- d. Have the preliminary plans and specifications approved by the town board of education.
- e. Authorize the local board of education or select men to apply for a grant from the commission.
- f. Secure the approval by the commission of the preliminary plans and specifications.
- g. Secure the final approval of the plans and specifications by the town board of education and by the commission.
- h. Authorize the construction of the school building project and provide for financing the project.
- i. Submit final plans and specifications to the commission for approval prior to award of contract. Upon completion of the project file with the commission an *Application for Payment for School Building* supplemented by (1) a certified statement by the architect or person supervising the construction that the project conforms in every respect to the approved plans except as modified by authorized changes; (2) a certified statement from the school building committee accepting the completed project; and (3) a certified statement from the town board of education accepting the completed project for public-school use.
- j. Notify commission of contract award.
- k. Formally accept or reject grant certified by the commission on account of the completed project.

12. Procedures used in determining district need.—The need for public-school building projects is determined by surveys made by the building commission or other State-approved agencies, and by evidence submitted by the town or district indicating that the school building project is needed due to inadequacies of, or overcrowded conditions in, the present facilities. The procedure used in determining the number of pupils which a building is designed to accommodate is as follows:

- a. For elementary school buildings multiply the number of classrooms by 30 and the number of regular kindergarten rooms by 50, provided that each regular classroom has a net floor area of at least 750 square feet and each regular kindergarten room has at least 875 square feet, and provided further that other rooms shall be included to the extent that their proposed use accommodates pupils in addition to the accommodations of regular classrooms.
- b. For secondary school buildings multiply the number of regular classrooms having a net floor area of at least 625 square feet each, by 25, and provide for other instructional rooms on a basis approved by the commission.

Towns or districts not approved for State aid by the regular procedure may receive State assistance on the following evidence of needs: (1) that the town is financially unable to complete the project; and (2) that the standard of education in such town will deteriorate unless financial assistance is received for the project. In these cases in determining the town's ability the commission considers among other factors the valuation of real property adjusted to true market value, indebtedness, tax rate, expenditures for buildings since 1945, school building needs, and other planned and needed capital improvements which will affect the town's debt and tax rate.

13. Local effort required.—Except in situations as indicated above where district resources are extremely limited, the major portion of the cost of the school building project must be provided from local funds. No specific local tax levies or bond issues are required to participate in the State fund. However, the town or district must provide for financing the project locally except for aid received from the State.

14. Determining the amount of State funds for individual districts.—The amount of State funds to be apportioned to a town or district for a regularly approved school building project is computed as follows:

a. For new elementary school buildings or additions, \$300 for each pupil which the school is designed to accommodate or one-third the cost of the project, whichever is less.

b. For new secondary school buildings or additions, \$450 for each pupil which the school is designed to accommodate or one-third the cost of the project, whichever is less.

c. For new buildings or additions to accommodate a combination of elementary and high-school pupils, \$300 for each elementary and \$450 for each secondary pupil the building is designed to accommodate, or one-third the cost, whichever is less.

d. For a project involving major alterations, one-third of the cost of the approved project.

e. Any apportionment made from State funds on a specific project are deducted from the total grant which a town is eligible to receive on this project when project is extended.

For towns or districts financially unable to participate in the regular program the commission with the approval of the governor, the controller, the attorney general, and the commissioner of finance and control may make such grant as it considers necessary and proper and may pay such grant in one sum or in installments.

15. *When funds apportioned.*—Grants from the State fund are made in not fewer than 5 or more than 20 equal annual installments. The first annual payments under this Act were made on July 1, 1950. For towns or districts financially unable to participate in the regular program the funds may be paid in one sum or in installments.

16. *District use of funds.*—Connecticut public-school building funds may be used for the following purposes: (1) The construction of new school buildings; (2) an extension of an existing school building; (3) a major alteration of an existing school building involving an expenditure of at least \$2,500; (4) capital improvements (not merely postponed maintenance work), such as: Emergency lighting, sprinkler systems, safety measures, new heating plants (not replacement), plumbing (not replacement), changes in fenestration (not replacements), erection or removal of walls and partitions, and new provisions for special service rooms. State funds may also be used for the preparation of architectural plans, the preparation and development of the site, and for equipment which is an integral part of the project and the initial educational and office equipment required for its use.

17. *Repayment provisions.*—No provision is made for repayment of any portion of funds received from the public-school building fund.

18. *How program operates.*—This program is operated by the public school building commission and is established for the purpose of providing grants from State funds for towns and regional school districts having public-school housing needs. Except in certain hardship situations, the State grant cannot exceed one-third of the cost of the approved building project. Grants under the act shall be paid in equal annual installments. A town or regional school district which has, on the effective date of the act (December 1, 1949), outstanding indebtedness incurred on account of any public-school building project commenced between July 1, 1945, and December 1, 1949, on approval of the application by the commission, the number of installments applicable to such project shall be equal to the number of years remaining before the maturity of all such indebtedness, but in no case more than 20 or fewer than 5. For all other districts the number of such installments shall be 20 except where the project has been fully paid for, in which case the number of installments shall be 5.

The annual payments to any town or regional school district receiving aid under this act shall commence on the quarter following the commission's approval of the *Application for Payment* (FSBC Form No. 2) and the town's formal acceptance of the grant. For

grant payment purposes, the quarters are July 1, October 1, January 1, and April 1. The general assembly has appropriated \$1,450,000 to be used as grants and to pay costs of administration of the fund for the first biennium payments. Grants from the State fund are made to local districts in equal installments generally covering the same period of time as the local bonds sold to provide funds for the same project. This is a continuous State program to the extent that funds now appropriated are used, in part, to pay for the construction of school building projects approved by the commission previous to 1949. Additional future appropriation will be required to pay the cost of projects being approved by the present school building commission.

The program is operated under the direction of the commission with the use of the services of the State Department of Education. The commission does not seek to control the planning process but rather to assist towns and districts in providing adequate school buildings.

19. *Local taxing and financial leeway.*—School budgets in Connecticut must be submitted to the town or other local finance officials for approval but are not subject to review by any State officials. The budget must be approved by the town meeting or city council. No limit is imposed on the amount of money to be raised from tax levies for current operating expenses. The town or district has freedom to determine what use to make of local tax revenue. A tax may be levied for the purpose of accumulating a school building or capital outlay fund.

20. *Local bonding provisions and leeway.*—No provision is made by statutes that a certain bond limit must be levied for capital outlay purposes to participate in the State public-school building program. Ordinarily the portion of the total cost of the project to be paid from district funds is derived mainly from the sale of municipal bonds. These bonds must be retired within a period of 20 years and must be serial in nature. Bonds for school buildings may not exceed 10 percent of the assessed valuation of the district.

DELAWARE

1. *Name of fund.*—School construction fund.
2. *Legal references.*—Laws of Delaware, volume 43, chapter 79. Also School Laws of Delaware, 1950, p. 122-38.
3. *When established.*—The first State aid for school building was granted in 1919. Practically every legislature since then has appropriated some monies for school construction. The plan of apportionment has varied from time to time, each legislative session making adjustments which appeared advisable.
4. *Amount of fund.*—This varies from time to time. The legislature in 1949 made \$18,711,273 available to be matched by local funds of \$5,591,270. The State appropriation is for the biennium.
5. *Expiration date.*—To qualify, districts must have deposited their share with the State treasurer on or before June 30, 1951.
6. *Kind of fund.*—Provisions of the laws would indicate that the fund should be classified as a special-purpose equalization grant.
7. *Source of fund.*—State bonds are issued for each construction project.
8. *Percent and kind of districts participating.*—All districts are eligible.
9. *State plan for administration of fund.*—For each project there is a school building commission composed of members of the board of trustees or board of education of such school district, and two members of the State board of education, the latter two to be appointed by the State board of education. The secretary of the State board of education,

or a person designated by him, shall be the secretary of each of said school building commissions and shall be the accountant of such school building commissions. All bills for expenses of the school building commissions must be approved and signed by the chairman or vice chairman of the school building commission and attested to by the secretary or acting secretary of the commission.

10. State requirements to be met.—Whenever the school building program board has determined upon the necessity for a school construction program in any school district, it shall certify that fact to the State treasury along with facts regarding the total cost, the State share, and the local share. This certification authorizes the State treasurer and the local board of education to issue bonds to provide the necessary funds. Proceeds from the local bonds shall be deposited with the State treasury. This money together with the interest on the funds and the proceeds of the State bonds issued for the project shall constitute a fund for the proposed construction and shall not revert at the end of any fiscal year, but shall remain available until the specific school construction program has been completed.

11. Procedures to be used by districts in qualifying.—After funds have been appropriated by the legislature, the school building program board, including the governor, secretary of state, and president of the State board of education, determines the necessity of the school construction program within each school district, together with the amount of total cost, the State share, and the local share. This division is the same as that set up in the appropriation of the funds by the legislature. The State treasurer is notified of the decision of the school building program board and makes available the State funds as soon as local funds are deposited with the State treasurer. From that point on the school building commissions take control and supervise the construction as defined by the school building program board. If there is to be any change in the type of construction or amount of construction, the program board must give its approval of the change.

12. Procedures used in determining district need.—Before the legislature meets, the school building needs of the various districts are studied by the department of public instruction and a building program is recommended to the State board of education for approval. In this recommendation the amounts to be supplied by the State and local districts are determined according to chapter 49, volume 43, Laws of Delaware, 1939. The funds appropriated for each project, by the legislature, are then presumed to represent the need.

13. Local effort required.—School districts must provide local shares which vary from year to year depending upon the State appropriations. The highest rate for debt service in any district is 50 cents per \$100, plus \$5 capitation tax.

14. Determining the amount of State funds for individual districts.—The procedure for calculating the amount of State money to be provided to any school district for a school construction program is specified in the laws.

The formula provides for the determination of the local share and the State share. These two shares bear ratios to the total cost which are different for almost all projects. Ratios are established for three general conditions:

(1) The cost of the new construction exceeds 75 percent of the total cost of existing facilities in use preceding the submission of the building program.

(2) The cost of the new construction is between 25 and 75 percent of the cost of existing facilities.

(3) The cost of the new construction is less than 25 percent of the cost of existing improvements.

For these three situations, the State share is a larger proportion of the total cost for these projects which are greater in relation to the existing facilities.

The amount of the State percentage is also proportioned to the amounts of former construction costs provided by the State. On this point the State share of the cost of any new construction is less if the State provided a larger proportion of the cost of former construction.

State percentages range from 0 percent up to 98.5 percent. They are listed in a table provided in Laws of Delaware, volume 43, chapter 79.

15. *When funds apportioned.*—Payments for school buildings are made from the State fund as the construction progresses, and as bills are approved.

16. *District use of funds.*—Funds may be used for the purchase of land and equipment, and erection of buildings according to an approved plan.

17. *Repayment provisions.*—None.

18. *How program operates.*—Explanation not given.

19. *Local taxing and financial leeway.*—School district funds are derived from both a property tax and a capitation tax. Any district may, by a referendum, raise any amount, either for current expenses or for debt service.

20. *Local bonding provisions and leeway.*—The maximum amount of school bonds which may be issued by any school district is limited to 7 percent of the assessed valuation per year with a maximum of 5 percent if approved by the city council, except in Wilmington, where bonds may be issued up to 1 percent of the valuation. Bonds are required to be serial and cannot be issued for a period exceeding 25 years.

All bond issues must be approved by a majority of electors and by the State board of education, except in Wilmington, where they are approved and issued by the city council.

When a district, through a referendum, approved bonds for capital outlay, the same vote authorizes the district to levy taxes, either property tax or capitation tax, or both, sufficient to pay for interest and amortization of bonds. The levies for debt service must be sufficient to meet the requirements.

FLORIDA⁴

1. *Name of fund.*—Capital outlay and debt service portion of State foundation program fund for schools.

2. *Legal references.*—Section 236.07 (6) and to a more limited extent sections 236.01, 236.02, 236.04, 236.07, 236.09, 236.13, and 242.05 Florida Statutes 1941 as amended by section 31 and to a more limited extent by sections 26, 27, 29, 33, and 45 of chapter 23,276 Laws of Florida Acts of 1947 and sections 4, 5, and 6 of chapter 25,363 Laws of

⁴ A constitutional amendment adopted by the 1951 legislature, subject to approval of voters in the fall of 1952 and effective January 1, 1953, provides that the first proceeds from the sale of motor-vehicle license tags shall be placed monthly in the county capital outlay and debt service fund to be administered annually to counties by State board.

Amount is to be set aside yearly up to \$400 per instruction unit in each county. After county school board requests issuance of bonds or tax anticipation certificates, State board of education is empowered to pledge all or any part of anticipated revenues for payment of such bonds or certificates, including refunding bonds, without the necessity of approval by qualified electors. Bonds or certificates may mature not later than 20 years from date of issuance.

State board may limit issues of any county to 75 percent of its anticipated share of receipts.

There are several provisions in the proposed amendment for proper use of distributable funds which are named in order of their priority based on their fiscal importance in safeguarding the funds according to recognized principles, experience, and best practices.

Florida Acts of 1949; also regulations of the State board of education pertaining to these sections.

3. *When established.*—First established on limited basis in 1945; on full operating basis in 1947.

4. *Amount of fund.*—The amount included in the foundation program from State and local funds for capital outlay and debt service purposes is \$400 per instruction unit each year. The percent of this amount provided by the State ranges from about 94 percent in the least wealthy county (which constitutes the local school district in Florida) to about 61.3 percent in the most wealthy, but the average for the entire State is about 77.5 percent from State sources—the same as for other parts of the foundation program fund. The actual amount provided by the State this year for State capital outlay and debt service portion of the fund will approximate \$5,991,981 and by the counties \$1,728,811, or a total of approximately \$7,720,792. The total amount guaranteed each year through this program increases or decreases as the number of instruction units in the respective counties and in the State increases or decreases. Increases are also occasioned by improvement in training and increments for experience of teachers.

5. *Expiration date.*—This fund is established as a continuing appropriation from year to year with no expiration date. However, the maximum amount of State funds that may be used for the entire foundation program during the 1949-51 biennium is limited to \$99,793,000. The amount actually needed will be determined by the number of instruction units and the local tax-paying ability and will approximate the amount allotted for the biennium.

6. *Kind of fund.*—This fund is an integral part of the State foundation program fund and is not established as a separate fund or appropriation. However, the capital outlay and debt service portion, including the part provided by the counties, is required to be set aside in a special fund each year and used for designated purposes as indicated below.

7. *Source of fund.*—The entire State portion of the foundation program fund is paid from current State revenues appropriated from the State general fund. The county portion is paid from county or county-wide district current revenues for schools. While the county constitutes the local school administrative unit and the county board may levy up to 10 mills of tax for school purposes, there is also authorized by law because of a constitutional provision, a county-wide district which may vote biennially an additional school tax up to 10 mills for current expenses.

8. *Percent and kind of districts participating.*—All districts in the State which meet requirements prescribed by State law and State board regulations participate in these funds. There are only 67 districts in the State and all are meeting the requirements so all are participating in this portion as well as in the other portions of the foundation program fund.

9. *State plan for administration of fund.*—The State board of education is charged by law with the responsibility for prescribing necessary policies and regulations for administering this entire fund and program. The actual administration is carried out by the State superintendent of public instruction and the State department of education. No other State agency has any responsibility for the administration of any part of this program except that the funds are actually distributed by the State comptroller upon certification and authorization of the State superintendent of public instruction. The State department of education provides the necessary consultative, supervisory, and other services needed from the State level to implement this program except that arrangements have been made with the State university to assist in carrying out the required surveys.

10. *State requirements to be met.*—First of all, counties participating in this portion of the fund must meet the requirements prescribed for participating in the entire founda-

tion; program fund including (a) maintaining adequate records and making required report; (b) operating all schools for a term of at least 180 actual teaching days; (c) notifying in writing all instructional personnel concerning reemployment by the time prescribed by law, providing written continuing contracts for all personnel entitled to such contracts, providing for 12 calendar months of service for principals and other instructional personnel, and requiring 10 calendar months of service for all members of the regular instruction staff; (d) employing at least one qualified supervisor of instruction for the full calendar year; (e) maintaining a class load which does not exceed maximums prescribed by the State board; (f) expending funds for instructional salaries in accordance with salary schedule or schedules adopted by the county board; (g) observing fully all requirements relating to budgets; (h) making the minimum financial effort required for the support of the program; (i) having a five-member county board elected from residence districts by county-wide vote, serving as a policy-determining body and after July 1, 1951, receiving only the compensation authorized by general law; (j) having only one county-wide district in the county.

In addition, participating districts are required (a) to have a county-wide school plant survey made in 1947 or later or under the direction of the State department of education in accordance with the regulations of the State board; (b) to adopt an adequate plan and program for using the funds; (c) to establish a separate capital outlay fund, including both the State and county portions of the foundation program fund for capital outlay and debt service purposes; and (d) to use the funds only for the purposes authorized by law or by regulations of the State board as explained below.

11. Procedures to be used by districts in qualifying.—All districts which meet the requirements explained above and follow the procedures set forth below are automatically eligible for participation in these funds and need not make any special application for participation in the funds. In addition to meeting the requirements previously explained, including the county-wide survey, each county board is required to take the following steps:

a. Prepare and submit to the State department and have approved an adequate plan and program for using the funds. This is a long-range program based on the survey and designates the permanent elementary and secondary school centers and indicates the estimated construction and cost of construction needed at each center. It also shows the portion of the program which is to be financed from current funds and the portion from bond issues.

b. Have approval in writing from the State superintendent for all projects on which capital outlay and debt service funds are to be expended either directly or by payment of principal and interest on bond issues or loans. This approval is based on the plan and program submitted or on amendments to that program. The amount included in the program for any project may not be exceeded unless the statement is amended and further approval obtained.

c. Include in the budget all projects for which expenditures are to be made during a given year.

d. Submit plans and specifications for such projects as for all other capital outlay projects which must be approved by the State department of education before contracts are let.

e. Have any project on which foundation program capital outlay funds are used inspected by the State department to insure that plans and specifications are observed. Before the final 10 percent is paid to the contractor, the county board and county superintendent are required to submit a certification to the effect that all plans and specifications have been observed and to receive from the State superintendent a certificate based on a final inspection.

12. Procedures used in determining district need.—Since the amount included in the foundation program for capital outlay and debt service is based on the number of instruction units in the county, the first step in determining the capital outlay need is to determine the number of instruction units. The general plan for determination of instruction units is set forth in the law and is based on 1 such unit for each 27 pupils or major fraction thereof in average daily attendance in all elementary schools and in junior, senior, or 4-year high schools and junior colleges in the county having an average daily attendance of 300 or more pupils; 1 unit for each 26 pupils in average daily attendance in all schools in the county having from 200 to 300 pupils; and 1 unit for each 25 pupils in average daily attendance in all schools of the county having an average daily attendance of from 120 to 200 pupils. Schools having fewer than 120 pupils in average daily attendance are classed as isolated, temporarily isolated, and nonisolated. Objective standards for determining isolation are prescribed by the regulations of the State board of education. The instruction units for nonisolated schools are computed as for schools having more than 300 in attendance. For isolated and temporarily isolated schools 1 instruction unit is allotted for each 1-teacher school; 1 unit for each 17 pupils or major fraction thereof for schools having fewer than 60 pupils; 1 unit for each 20 pupils or major fraction thereof for schools having 60 to 90 pupils; and 1 unit for each 22 pupils or major fraction thereof for schools having 90 to 120 pupils. Computation is made on the basis of the total average daily attendance in all the schools in any one class in the county, rather than for individual schools.

In addition (a) 1 unit is allowed for each 25 pupils or major fraction thereof in attendance in kindergartens, except 20 pupils is used for isolated kindergartens; (b) 1 unit for each separate class organized for 10 or more exceptional children with adjustments allowing 1 unit for as few as 5 pupils in isolated areas; (c) 1 unit for each qualified full-time vocational teacher-teaching class having enrollments at least equal to standards prescribed by the State board; (d) 1 unit for teachers of adult classes having enrollments meeting requirements prescribed by the State board; (e) 1 unit for each 8 instruction units in the above categories, for administrative and special instructional service personnel; and (f) 1 unit for each supervisor of instruction employed for each 100 or more teachers up to a maximum of 7 per county.

The total of these instruction units constitutes the total number of units used in determining need for capital outlay. Four hundred dollars is then included in the program from State and county funds for each such instruction unit.

13. Local effort required.—The amount required for capital outlay and debt service, determined as explained above, is added to the objectively determined amount required for instructional salaries, for other current expenses, and for transportation in accordance with the formula prescribed by law.

From the total of these amounts is subtracted the calculated yield for a 6-mill levy based on average assessment practices in the State (5 percent more millage is added to this requirement if kindergartens are maintained and another 5 percent is added for all counties maintaining a junior college program). Because assessment practices vary widely throughout the State, an index of taxpaying ability is used to determine the amount which would be provided from these levies if assessment ratios were uniform.

14. Determining the amount of State funds for individual districts.—The amount to be provided from the required local effort is subtracted from the total cost of the foundation program to determine the amount to be provided by the State for the entire program of each local school system. Since the total amount for capital outlay is \$400 per instruction unit, the ratio between the State amount for capital outlay and the State amount for the entire foundation program is used to determine the county funds to be set aside to supplement the State funds for capital outlay purposes.

15. *When funds apportioned.*—The apportionment for each county is made annually. The tentative allocation to the county is certified before budgets are prepared. Adjustments are made during the fall, if necessary, for attendance increases of 10 percent or more over the attendance of the previous year and the final allocation is certified by March 1. One-twelfth of the total amount of the apportionment to each county is distributed the 15th of each month during the year beginning with July 15.

16. *District use of funds.*—The foundation program capital outlay and debt service funds may be used only as follows:

a. For purchase and improvement of additional property for sites; for water supply and sewage for existing sites; for new school buildings and site improvements for new school buildings; for equipment for new buildings; and for major improvements, alterations, or additions to existing school buildings at permanent centers.

b. For payment of principal and interest on bonds for new capital outlay projects which have met all requirements, provided such bonds have been issued subsequent to July 1, 1947, and are callable if the interest rate is 3 percent or greater. Proceeds of interest and sinking fund levies for such bonds may be used for part or all of the county's portion of the capital outlay and debt service fund provided the plan is set forth in the program adopted by the county board and approved by the State superintendent.

c. When all major capital outlay needs in a county have been met and that fact is recognized by the State board, payments thereafter may be made on debt service for other county or district bonds issued for capital outlay purposes in accordance with plans included in the program submitted by the county board and approved by the State superintendent.

d. Any portion of the fund not needed during any fiscal year may be carried forward in ensuing budgets as a part of the school building and bus reserve fund for expenditure during subsequent years. Any portion of the fund may be temporarily invested as prescribed by law for the investment of district bond construction funds.

17. *Repayment provisions.*—These funds are provided as grants to local school systems and therefore no provision is made for repayment of any portion of the funds by the district except if any district should expend any portion of the capital outlay and debt service part for purposes not authorized by regulations of the State Board that portion must be repaid.

18. *How program operates.*—The capital outlay and debt service portion of the foundation program fund, including State and local funds, is designed to meet minimum capital outlay needs in all counties over a period of years. It is based on a calculated minimum cost of \$16,000 per classroom unit. The \$400 per classroom, therefore, is sufficient to permit replacement or major alteration of all classroom units in the State over a period of 40 years. A number of the larger counties will be able to take care of their minimum needs largely on a pay-as-you-go basis. Thus a county which has 500 instruction units will have available from this fund for capital outlay purposes \$200,000 a year. This sum may be used during the current year or may be accumulated for a period of years. If there are building needs which cannot be met with this amount, the county-wide district may vote and issue bonds in order to obtain sufficient funds for immediate construction. The county school board may, when the program is approved, use the capital outlay portion of the foundation program fund to assist in retiring these bonds. In effect, therefore, the capital outlay portion of the foundation program may operate to broaden the tax base so that bond issues can be retired in part at least from the proceeds of this fund rather than entirely from ad valorem taxes. Under

this program all counties have now developed a long-range school plant program and are proceeding to carry it out.

In addition to the capital outlay and debt service portion of the foundation program fund any county may set aside additional funds for capital outlay purposes as explained below. These funds may be used to go beyond the foundation program or to meet any capital outlay needs which cannot be met from foundation program funds.

19. *Local taxing and financial leeway.*—In counties which are assessing property at the average ratio found in the State only the proceeds from a 6-mill levy are required for the county's contribution toward the cost of all phases of the foundation program. Each county board of education may levy a total of 10 mills' tax without a vote and each of the voters of each county-wide district may vote to levy an additional 10-mill tax or as much thereof as is needed for current expense for a 2-year term. In addition, most counties have a substantial amount of racing commission funds which can be used for school purposes.

Under the provisions of law and regulations of the State board, any county board of public instruction may set aside the proceeds from 2 mills of the county school tax, over and above the required 6 mills but within the 10-mill limit, for a school building and bus reserve fund. Furthermore, the voters of any county-wide district may vote to levy a county-wide district tax of not to exceed 4 mills, within the 10 mill limit for the county-wide district, which may also be set aside for the school building and bus reserve fund. The proceeds of these levies may be used for any capital outlay purpose, including purchase of buses, if such is approved in the resolution of the county board or in the notice of election. Proceeds from insurance adjustments and from sale of land or buildings belonging to the district are also to be included in this fund.

20. *Local bonding provisions and leeway.*—Under the constitution of the State it is possible for any county-wide district to issue school bonds in an amount up to 20 percent of the nonexempt assessed valuation of property in the district. However, regulations of the State board limit the bonds to 10 percent of the nonexempt assessed valuation except where a higher percentage is specifically approved by the State board. The millage required for retiring the bonds is unlimited except State board regulations provide that the bonds issued shall not require more than the proceeds of a 6-mill levy unless otherwise approved by the State board.

Before any county-wide district may issue school bonds, a district-wide study involving the preparation of spot maps and information showing economic and population trends is necessary and this must have been done or brought up to date within the preceding 12 months. The county board is also required to determine the permanent, probable, and temporary school centers. When these steps have been taken, an application is submitted to the State superintendent showing the necessity for a bond issue. Approval by the State superintendent enables the board to proceed with the steps necessary to vote and issue the bonds. All bonds issued must be serial in nature, must be retired within a period of 20 years, unless otherwise specifically authorized by the State board of education, and the payments each year on new and old bonds must be approximately equal. As indicated above, bonds can be issued when necessary to provide for immediate construction of buildings in accordance with a plan that will permit the capital outlay and debt service portion of the foundation program fund of the county for each year to be used to assist in retiring these bonds.

MARYLAND

1. *Name of fund.*—School building incentive fund and State grant-in-aid fund for public-school construction.

2. *Legal references.*—Incentive fund: Section 199 C of article 77 of the Annotated Code of Maryland and chapter 190 of the Laws of Maryland, 1947.

Grant-in-aid fund: Chapter 502 of the Laws of Maryland, 1940, as amended by chapter 52 of the Laws of Maryland, 1950.

3. *When established.*—Incentive fund: In 1947.

Grant-in-aid fund: First established April 29, 1949, and extending for a period of 5 years.

4. *Amount of fund.*—Incentive fund: The total amount provided by the State was \$1,301,432 for 1949, and \$1,278,553 for 1950.

Grant-in-Aid Fund: The General Assembly of Maryland enacted legislation authorizing the issuance of bonds in the amount of \$20,000,000 to be made available to the counties and the city of Baltimore on a one to three matching basis. The part provided by the State constitutes one-quarter of the total amount which will be available for public-school building construction. The remaining three-quarters or \$60,000,000 will be provided by the counties and the city of Baltimore.

5. *Expiration date.*—Incentive fund: Permanent and continuous.

Grant-in-aid fund: The present law expires April 29, 1954.

6. *Kind of fund.*—Incentive fund: This is a special-purpose fund established specifically for the purpose of aiding the local political subdivisions in public-school building construction. The fund has no relationship to other public-school appropriations.

Grant-in-aid fund: This constitutes an emergency special-purpose grant to enable the counties and the city of Baltimore to meet the need for new school building construction brought about by the abnormal increase in the school population.

7. *Source of fund.*—Incentive fund: The annual appropriation for this fund is made from the State general fund. There are no earmarked monies for this particular fund. Local funds required for building schools are derived from local taxes.

Grant-in-aid fund: This fund is derived from the sale of bonds by the State, authorized by the State legislature.

8. *Persons and kind of districts participating.*—Incentive fund: All local school districts (the counties and the city of Baltimore) are eligible to participate in this fund to the extent to which the pupil enrollment and the assessed valuation permits.

Grant-in-aid fund: All of the counties and the city of Baltimore are permitted to participate in this fund on the same basis.

9. *State plan for administration of fund.*—Incentive fund: This fund is administered by the State department of education through its executive officer, the State superintendent of schools.

Grant-in-aid fund: The administration of the grant-in-aid fund is the responsibility of the State department of education under the direction of its executive officer, the State superintendent of schools.

The board of public works, consisting of the governor, the State treasurer, and the State Comptroller is required to process all applications for grant-in-aid assistance before payments may be made to the counties and the city of Baltimore. This kind of information is needed by the board as a basis for the periodic issuance of State bonds. The Board of public works, is authorized and empowered to pass resolutions from time to time determining and setting forth:

a. The proportion of the total loan authorized which shall be issued at any particular time.

b. The form of the certificates of the loan or any part thereof so authorized to be issued at any particular time, including any interest coupons to be attached thereto, and provisions for the issuance of certificates in registered form, provisions for the

registration of any coupon certificate as to principal of loan and for the reconversion into coupon certificates of any certificates registered as to principal.

c. The denomination or denominations of the certificates to be issued at any particular time, which may be not less than \$100 but may be in sums of \$100 or any suitable multiple thereof, and the place or places of payment of principal and interest thereof.

d. The rate of interest of the certificates to be issued at any particular time, not exceeding in any case 3 percent per annum, payable semiannually.

e. The date of the certificates issued at any particular time, and within the limits prescribed by article III, section 34, of the Constitution of Maryland, the redemption dates of said certificates.

10. *State requirements to be met.*—Incentive fund: In determining the extent to which any county or Baltimore city is qualified to participate in this incentive fund, the State superintendent of schools is required to make the following findings of fact:

a. The number of pupils enrolled in the public schools in each such county and in Baltimore city.

b. The taxable basis of each such county and of Baltimore city.

c. The total levy above that required to pay the costs of the State minimum program of education made by each such county and in Baltimore city by the aforesaid levy.

d. That said tax revenues are being or are to be dedicated by each said county and by Baltimore city for the purpose of financing the construction of public-school facilities.

Grant-in-aid fund: Before making a grant-in-aid for an approved school project under the provisions of the law, the State department of education requires a statement of the following information:

a. The number, class, type, location, and character of all public-school buildings or public-school facilities required by the said county or the said city for which funds are currently unavailable.

b. The amount, type, location, and character of real estate necessary in conjunction therewith.

c. The total estimated cost of said school buildings, school facilities, and real estate.

d. The total amount of money from all sources currently available to and dedicated by each of said counties and the city of Baltimore for the purpose of financing the construction of public-school buildings and public-school facilities and the purchase of public-school lands.

e. Such other information as may be required by regulations passed by the State board of education.

Before a project may be approved for a State grant-in-aid allocation, an application must be made to the State department of education containing the following information:

Part I. School building needs by individual school buildings.

a. General description of the building.

b. Number of the rooms or teacher stations.

c. Type of construction.

d. Estimated cost of construction.

e. Proposed methods of financing the project.

f. Status of the building program.

g. Certified copies of the official resolutions of the local board of education and the local fiscal authorities approving a specific project and agreeing to conform to the terms of the grant-in-aid law.

Part II. Financial Data.

- a. Total funds currently available for public-school construction.
 1. Local income.
 2. Bonded indebtedness.
 3. State contributions.
- b. Bonded indebtedness as of the date of application.
- c. Assessed valuation as of the last date of finality.
- d. A projection of the anticipated pupil enrollment for a 7-year period, including 5 years from the date of the application.

11. Procedures to be used by districts in qualifying.—Incentive fund: In order to qualify for participation in the State incentive fund, each county and the city of Baltimore must certify that the requirements in item 10 have been met.

Grant-in-aid fund: In addition to the information required in 10 above, each county and the city of Baltimore is required to follow the procedures and meet the requirements set forth below to qualify for aid.

- a. File with the State department of education and the board of public works a statement of intention concerning the construction of new school buildings and new school facilities for which financial assistance is requested.
- b. Submit an application form referred to above which includes the educational specifications and the general characteristics of the building.
- c. File with the State department of education and the board of public works a plot plan and a topographical map of the proposed school site. The site chosen must have the approval of the State superintendent of schools and meet the requirements of the State code.
- d. File with the State department of education the preliminary plans of the proposed building, prepared by a registered architect. These plans must receive the written approval of the State superintendent of schools.
- e. Submit final plans and specifications for the approval of the State superintendent of schools.
- f. When final plans and specifications, as approved by the local board of education and the State superintendent of schools, have been duly advertised for bids and a bid has been accepted, the local boards of education must secure the approval of the State superintendent of schools before the contract can be validated. Upon completion of the building, the local board of education certifies to the State superintendent of schools that the building has been completed in accordance with the plans and specifications. The local board of education may make formal application for that portion of the total cost which has been approved by the State department of education and the board of public works to be paid from the State grant-in-aid fund, when three-fourths of the total cost of the approved project has been paid from local funds.

12. Procedures used in determining district need.—Incentive fund: This fund does not require a determination of need other than that contained in the formula.

Grant-in-aid fund: Each of the local county boards of education and the city of Baltimore has made a thorough survey of the school-building needs for the next 5 years. While the amount of State financial assistance is not predicated upon the establishment of need, it should be pointed out that prior to the action by the general assembly making the \$20,000,000 fund available, all the local county boards of education and the city of Baltimore were able to show that there was great need in all of the local political subdivisions.

Each county and the city of Baltimore is limited to an amount equal to \$60 multiplied by the number of pupils enrolled in said counties or the city of Baltimore, providing

that the grant of financial assistance for each of the counties and the city of Baltimore be made upon a matching basis of one to three.

13. Local effort required.—Incentive fund: Each county and the city of Baltimore is required to levy 5 cents or fraction thereof on each \$100 of assessed valuation taxed at the full rate for county or Baltimore city purposes. Since assessed valuations have been equalized by the State tax commission during the past 5 years, there is no significant problem concerning inequities in payments between local political subdivisions.

Grant-in-aid fund: In order to be eligible to participate in the State grant-in-aid fund for building construction each of the counties and the city of Baltimore must provide from local funds \$3 for every dollar received from the State up to a limitation of \$60 per pupil from the State.

According to this requirement, school districts with less wealth must make the greater efforts if they are to participate to the maximum.

14. Determining the amount of State funds for individual districts.—

Incentive fund: The amount which the respective counties or the city of Baltimore will receive from the incentive fund is the difference between \$2 per pupil enrolled and the amount raised by the levy of each 1 cent per \$100 assessed valuation taxable at the full rate for county or Baltimore city purposes, up to a limit of 5 cents. "Number of pupils enrolled" as used in this formula refers to the highest average number of pupils enrolled in the public schools in any one month of the school year in which payments from the incentive fund are to be made. The amount which the respective counties or the city of Baltimore will receive from the incentive fund is the difference between \$2 per pupil enrolled and the amount raised by the levy of 1 cent per \$100 assessed valuation taxable at the full rate for county or city purposes.

The amount may be reduced according to the following scale: (a) For each 1 cent levied on each \$100 of taxable basis the local unit will receive the difference between \$2 per pupil enrolled and the amount raised by the levy of 1 cent on the taxable basis. In like manner the amount is proportionately increased for each additional cent levied up to the maximum of 5 cents.

Grant-in-aid fund: The amount of the total grant-in-aid to which the county or the city of Baltimore may be entitled is determined by multiplying the number of pupils enrolled in the school in the month having the highest average pupil enrollment in the school year in which the financial assistance is requested by \$60. This is predicated upon the matching amount having been provided by the counties or the city of Baltimore.

15. When funds apportioned.—Incentive fund: Beginning in August of each year this fund is made available in bimonthly payments to the counties and the city of Baltimore. Actual calculations are made for the December and June payments. The other four payments are based upon estimates.

Grant-in-aid fund: These funds are available to the counties and the city of Baltimore at such time as the local boards of education may forward a memorandum agreement signed by the proper officials of each of the counties and the city of Baltimore indicating the total amounts of funds which are available for matching purposes, the source from which these funds are derived, and the manner in which said funds are being held on deposit. State funds are then apportioned as soon as approval has been given by the State department of education.

16. District use of funds.—Incentive fund: The counties and the city of Baltimore use the proceeds of this fund together with the local matching part of the fund, in whole or in part, to defray any expenses incurred in the purchase of land for school-building sites, in the preparation of plans for new school buildings or for remodeling existing buildings, or for the provision of new and additional school facilities. The fund may not be used for the replacement of existing facilities, or for the purchase of busses.

Grant-in-aid fund: These funds may be used by the counties or the city of Baltimore for school-building construction or for the provision of school facilities. Beginning on or after April 2, 1949, the local boards of education are required to expend this money for the projects outlined in the application to the State board of education and the Board of Public Works.

The State grant-in-aid fund is for the construction of new classrooms and the provision of school facilities; it is not available for remodeling purposes unless additional classrooms result from the remodeling.

17. Repayment provisions.—Incentive fund: There is no provision for repayment. This is an outright grant of State aid to the counties and the city of Baltimore.

Grant-in-aid fund: This grant of financial assistance to the counties and the city of Baltimore is absolute and there is no obligation upon the part of any of the counties or the city of Baltimore to repay the amount at any time.

18. How program operates.—Incentive fund: Each local superintendent of schools is required to certify to the State superintendent of schools the use to which the local board of education plans to make of the incentive fund in each year. The approval of the State superintendent of schools is required before the counties and the city of Baltimore are allowed to spend the incentive fund money. No certification is required after the money has been expended.

Grant-in-aid fund: These funds are designed primarily to supplement local funds for school-building construction during the present emergency. Generally speaking, the following is the procedure followed:

a. An application for State financial assistance be made to the State department of education and the board of public works before the construction of a school building is begun.

b. The local boards of education are expected to bear at least 75 percent of the cost of the approved project.

c. The State grant-in-aid fund is for the construction of new classrooms and is not available for remodeling purposes unless additional classrooms result from the remodeling.

d. Grant-in-aid money is available when the above conditions have been met.

e. In view of the above, State grant-in-aid financial assistance is not available to meet the obligations of the local subdivisions for bonded indebtedness for projects completed or under construction on or before April 2, 1949.

19. Local taxing and financial leeway.—Incentive fund: There is no limitation on the general property tax rates for local purposes prescribed in the constitution or statutes of the State of Maryland, however, the counties and the city of Baltimore are required to levy from 1 cent to 5 cents on each \$100 of assessed valuation taxed for county or Baltimore city purposes in order to participate in the incentive fund.

Levies for the counties and the city of Baltimore must be approved by the county commissioners. If additional levies over and above those required for participation in regular State aid funds are approved for building purposes, such levies may be considered as local leeway.

Grant-in-aid fund: There is no limitation on the general property tax rates for local purposes prescribed in the constitution or statutes of the State of Maryland, nor is there a provision that a fixed rate must be levied in order to qualify for participation in the State grant-in-aid fund. The only obligation which the law establishing the grant-in-aid fund imposes upon the local political subdivisions is to match the State financial assistance upon a 1 to 3 basis, that is, \$3 must be made available to and dedicated by each of the counties and the city of Baltimore for the purpose of financing public-school buildings, public-school facilities, and the purchase of public-school lands for each \$1 to be provided by the State for the same purpose.

20. *Local bonding provisions and leeway.*—Incentive fund: There is no relationship between the incentive fund and public-school building construction and local bonding provisions. Bonds are not required to be issued, but if they are not issued this resource constitutes local leeway.

Grant-in-aid fund: Bonds for public-school purposes in Maryland may be issued by the local political subdivisions, that is, the counties and the city of Baltimore. They are issued upon the credit of the particular county or the city of Baltimore as municipal bonds and not as school bonds. There are no State-wide constitutional or statutory limitations on the amount of bonds that the local counties or the city of Baltimore may issue. There are, however, local laws that limit in some instances the extent of the bonded indebtedness. The law establishing the grant-in-aid fund establishes no limitation upon the bonding authorities in the counties or the city of Baltimore.

MASSACHUSETTS

1. *Name of fund.*—State school construction grant for capital outlay and debt service.

2. *Legal references.*—Chapter 645, Massachusetts Acts of 1948, as amended by chapters 637 and 741, Acts of 1949, and by chapters 490, 508, and 528, Acts of 1950; chapter 71 of the General Laws (relating to the formation of regional school districts) as amended by chapter 638, Acts of 1948; also regulations of the school building assistance commission.

3. *When established.*—First established in 1948; amended and extended in 1949 and 1950.

4. *Amount of fund.*—The Massachusetts Legislature appropriated \$600,000 for the fiscal year ending June 30, 1950, but none of this was actually expended that year. An additional appropriation amounting to \$1,000,000 was made available for the fiscal year ending June 30, 1951. Payments of about \$500,000 had been made from those two appropriations up to December 1, but the entire amount is expected to be expended during the school year. The part provided by the State constitutes about one-third of the total, the other two-thirds being provided by the districts.

5. *Expiration date.*—The present law expires June 30, 1953, except that the provisions of sections 9 and 10, chapter 645, require the State treasurer to make annual payments for approved project during the life of the bonds, but not to exceed 20 years, as represented by the approved schedules, subject to appropriation by the legislature.

6. *Kind of fund.*—This constitutes a special-purpose equalizing fund appropriated by the General Court (legislature) to aid in school construction authorized by the act.

7. *Source of fund.*—This fund is derived from annual appropriations by the State Legislature from the general fund of the State.

8. *Percent and kind of districts participating.*—Theoretically, all city, town, and regional school districts which meet the requirements prescribed by the State law and State school building assistance commission are eligible to participate in this fund. Regional school districts consist of two or more towns which agree to organize a special district for the purpose of operating a regional school. Thus far, 175 projects have been approved in 1950 out of a total of 351 districts in the State.

9. *State plan for administration of fund.*—Administration of the State program is the responsibility of the temporary school building assistance commission which was established in 1948 (ch. 645) for that purpose. The commission, which is established in, but is not subject to the control of, the State department of education, consists of five

members, three of whom are chosen by the governor and two by the State board of education. The chairman is appointed by the governor. The commission is required to employ an administrator who serves as executive officer.

The general powers and duties of the commission are to encourage and foster the establishment and building of consolidated and regional or union public schools in and among the cities and towns of the commonwealth, to conduct surveys and studies relative thereto, and to administer the provisions of the act relative to grants to cities and towns for the planning and construction of school buildings. The commission also has the responsibility of making contracts for surveys or other technical services within the scope of its duties; of providing legal, architectural, or other technical advice and assistance to cities and towns or to joint committees; and of recommending needed legislation.

The cost of operating the office of the commission is financed by a special appropriation for that purpose. No other State agency has any responsibility for the administration of any part of this program except that the funds are actually disbursed by the State treasurer upon authorization of the State building assistance commission.

10. State requirements to be met.—Before making a State construction grant for an approved school project under the provisions of chapter 645, Acts of 1948, as amended, the school building assistance commission requires evidence clearly showing compliance with law and regulations as follows:

a. Evidence that the project has been properly authorized consists of a certified extract of the minutes of a town meeting or other appropriate body authorizing a committee to construct a public school and approve bills for payment. The certificate further names the persons appointed to such committee and indicates the method agreed upon for contracts and bills. The school building committee usually is not the same group of persons identified as the local school board or school committee.

b. Evidence of indebtedness legally incurred consists of signed originals or photostatic copies of all contracts with architects, contractors, or suppliers. All change orders altering the contract sum should be submitted. These should bear all the signed approvals required by the contracts. All costs for which reimbursement is requested must be covered by the contracts submitted in support of the application. An explanation of the details of local indebtedness requirements is given under topic 13 of this report.

c. All costs for which reimbursement is requested must be supported by signed original and photostatic or certified true copies of receipted invoices.

d. Evidence of the acceptance of the completed project by the town, consisting of a certified extract of the minutes of the body authorized to accept the building on behalf of the city or town.

11. Procedures to be used by districts in qualifying.—In addition each qualifying district must follow the steps and procedures and meet the requirements given below. The building assistance commission states that "assistance and leadership in planning better schools, not control of the planning process, is the objective . . ." The procedures which a local school or school building committee must follow in qualifying for State aid, and those followed by the commission, are as follows:

a. File with the commission a "statement of intention" by using Form A as soon as a decision is made to construct a school building or an addition. A separate form must be prepared for each building. The purpose of Form A is to open a file in the commission office on each proposed project, and to enable the commission to foresee, in general, the amount of planning and financial assistance to be requested.

b. File the "education specifications" for the proposed building, prepared by the superintendent of schools and approved by the school committee. The "educational specifications" are a statement of the educational job to be done. It is intended to inform those responsible for designing the building that the new school building will

house the educational program planned. This statement deals not only with the number of children to be accommodated, but with the varied space and equipment needs of the activities that will be conducted.

Upon receipt of the exhibits comprising the educational specifications approved by the school committee, the commission writes the superintendent approving the statement or offering suggestions for clarifying it. Consultants from the commission may help in planning the educational specifications.

c. File with the commission a plot plan and a topographical map of the proposed school site, along with a map of the town showing the location of the site in relation to other schools and to the area the new schools will serve. The site chosen must have the approval of the school committee. If the proposed site is clearly adequate to accommodate the proposed educational activities, the commission will so advise the building committee. If not, the commission will withhold approval at this stage, advising the applicant why approval is not given. Form C outlines the basic information that should appear on the exhibits.

d. File with the commission preliminary plans of the proposed building prepared by a registered architect. Form D gives an outline of basic data that should appear on the preliminary plans. Upon receipt of preliminary plans and outline specifications, the commission's staff studies them and within approximately 10 days it approves the plans or disapproves them with reasons therefor.

e. The outline specifications, Form E, when used, is prepared by the architect in conference with the school committee. The outline specifications are studied along with the preliminary plans.

f. File Form F, showing cost estimates and approved financial plan, as soon as rough estimates are available. An amended Form F should be filed as soon as cost estimates are altered. Form F consists of a breakdown of cost estimates and plans for financing.

g. Submit final plans and specifications for the commission's approval. These will be based on the preliminary plans and outline specifications previously submitted and approved by the commission. The commission then notifies the school committee of its approval or rejection of final plans and specifications, and in the event of their rejection, gives the reasons therefor.

h. When final plans and specifications, as approved by the commission, have been duly advertised for bids and a bid has been accepted, the local school committee must notify the commission, certifying to the commission the amount of such contract price, filing a final Form F showing costs and financing plans, and requesting the commission to determine an approved cost for the building.

i. Upon completion of the building, the legally authorized body certifies to the commission (1) that the building has been completed in accordance with approved plans and specifications; and (2) that they have formally accepted the building. Also, the architect must certify that the building was constructed according to the plans and specifications approved by the commission.

12. *Procedures used in determining district need.*—The amount of construction a local district needs is recommended by a competent survey staff or, if a survey is not needed, by the school building assistance commission and the local school committee. Part of the approved cost of a survey, when such a step is recommended, may be reimbursed by the State (50 percent of the approved cost of the survey with a maximum of \$1,000).

13. *Local effort required.*—The net amount of funds required by local districts to apply toward the cost of a building project is the difference between the cost of adequate facilities as approved by the commission and the amount of the State construction grant. The town or city must pay at least 50 percent, and possibly as much as 80 percent of the cost of the project.

14. *Determining the amount of State funds for individual districts.*—The total construction grant for an approved school project in any regional school district is one-third the approved cost of the project multiplied by the equalized valuation per pupil in net average membership for the entire commonwealth divided by the equalized valuation per pupil for the total net average membership of the towns comprising such district; provided, however, that no grant shall be approved for any amount less than 35 percent or more than 65 percent of such approved cost. The formula is as follows:

$$\frac{\text{Cost of project}}{3} \times \frac{\text{equalized valuation per pupil in State}}{\text{equalized valuation per pupil in regional district}}$$

The same formula is used for city or town districts except that the total construction grant is only one-fourth instead of one-third of approved cost of the project multiplied by the above ratio of per pupil valuations, but no grant shall be approved for an amount less than 20 percent or more than 50 percent of such approved cost.

15. *When funds apportioned.*—Any city, town, or regional school district committee may apply to the commission for reimbursement of any expenses incurred on or after January 1, 1946. Total construction grants, for any project to be financed from the proceeds of any sale of bonds or notes to the extent of 50 percent or less of the approved cost thereof, shall be paid in five equal annual installments, beginning in the calendar year in which the construction of such project has been commenced. In all other projects, such total construction grant shall be paid in equal parts to be determined by dividing such total grant by the number of years during which any indebtedness incurred therefor shall remain outstanding, which may not exceed 20 years. Such annual payments shall begin in the calendar year in which the first payment of the principal and interest on account of such indebtedness shall become due and payable, or in 1949, whichever is later. These provisions are effective until 1953, except that the payments provided by the schedule shall be continued by the State treasurer on certification of the commissioner of education.

16. *District use of funds.*—Any city, town, or regional school building committee may apply to the commission for reimbursement, in whole or in part, of any expense incurred on or after July 1, 1946, in the preparation of preliminary studies, plans, drawings, and estimates for a consolidated or a regional school and the commission may approve the payment of such amount, not exceeding such expense, as it deems proper.

State grants may be authorized and used to pay in part the cost of any approved school project or the service of any debt incurred therefor. An approved school project is defined to mean a project for the construction or enlargement of a regional or consolidated school or of any public schoolhouse the construction for which has been authorized after January 1, 1946, and which has been approved by the commission. Enlargement of a schoolhouse is interpreted to mean the construction of additional building space for use as a classroom, cafeteria, gymnasium, auditorium, utility room, boiler room, or special activity room.

17. *Repayment provisions.*—State funds to be apportioned to local and regional districts for approved capital outlay projects are definite grants and there is no requirement or provision for repayment by the district of funds received.

18. *How program operates.*—The capital outlay and debt service grants from the State are designed to help finance the construction of school buildings on projects accepted until 1953 by the State school building assistance commission. The program is also intended to encourage the organization of regional school districts by providing that those districts may receive a larger proportion of the total cost than other districts. Details of the plan are still incomplete as only about \$500,000 of the \$1,600,000 appropriation has actually been apportioned to the districts. It may be said, however, that applications for State aid must be made before construction of a school building is begun.

The commission has approved projects totaling more than 46 million dollars, of which the State will eventually share approximately 15 million dollars, the sum now available being simply the current payment on the State share. Under present provisions, appropriation of funds to finance the program from State sources will be a moral obligation rather than a legal obligation. However, it is generally agreed that the necessary appropriations will be made during coming years. If the State should fail to make any of its annual payments, the districts would have to assume the obligation of making the necessary payments on the bonds.

Funds from the State grant are used to pay for bonds or notes which the district has issued to finance the construction of school buildings. In the event the bond issue is less than 50 percent of the cost of the project, the State grant is to be made in five equal payments, but for other projects, the grant is to be made in equal payments until the bonds or notes have been retired.

19. *Local taxing and financial leeway.*—No limitations on the general property tax rates for schools are prescribed in the Massachusetts constitution or in the statutes, nor is there provision that a fixed rate must be levied to qualify a district for a State construction grant.

20. *Local bonding provisions and leeway.*—Bonds for school purposes in Massachusetts must be issued as town or municipal bonds and not as school bonds. All town bonds are limited to 5 percent and city bonds to 2½ percent of the assessed valuation of the governmental unit, unless a higher limit is approved upon application to the State emergency finance board or to the legislature. Bonds must be serial in nature and may not be issued for more than 20 years. However, the School Construction Act provides that the part of any indebtedness incurred by any city or town for the purpose of an approved school project as authorized by the act which is represented by or equal to the estimated amount of the construction grant payable on account of such project is to be outside this limit of indebtedness, upon certification of the estimated grant by the commission.

Bond issues for school and general purposes must be approved by two-thirds of the qualified voters voting in the city or town, and the proceeds must be used for designated capital outlay purposes. The millage required for retiring the bonds is not limited and is determined by the schedule of maturities and interest rate. The dollar volume of funds to be derived from bond issues to be used for capital outlay purposes for approved projects must be approved by the school building assistance commission, and must be shown on the approved form.

MISSISSIPPI

1. *Name of fund.*—State grant for capital outlay.

2. *Legal references.*—Senate Bill No. 398, Mississippi Laws of 1944, as amended by Senate Bill No. 253 and No. 254, Laws of 1946, and further amended by Senate Bill No. 298, Mississippi Laws of 1948; also rules and regulations of the State building commission.

3. *When established.*—The State fund for public-school capital outlay aid was first made available in 1946. Additional funds have been appropriated at each biennial session of the legislature since that time.

4. *Amount of fund.*—The first State appropriation was \$3,000,000 for the biennium, the second for \$2,000,000 for the biennium, and these required dollar for dollar matching by local funds. The present appropriation is for \$2,000,000 for the current biennium and requires \$1 of local funds for every \$2 of State funds. The amount of local funds is,

therefore, \$1,000,000 or more for the biennium. It is estimated that funds actually used by participating local school systems for capital outlay during the past 4 years will approximate \$16,000,000.

5. *Expiration date.*—The present appropriation will expire on June 30, 1952, unless renewed.

6. *Kind of fund.*—This fund is a special purpose State matching grant to public-school districts having emergency school building needs.

7. *Source of fund.*—The State fund is provided by an appropriation from the State general fund. District funds to be used in qualifying for participation in the State fund may be derived from the proceeds of county or district bond issues, tax levies, or other available public funds or from contributions of money actually paid into the county depository to the credit of local school authorities, but neither donated materials nor labor can be included.

8. *Percent and kind of districts participating.*—Any county consolidated school district, special consolidated school district, municipal separate school district, rural separate school district, or other school district may make written application for State aid. However, of a total of 3,759 school districts in the State, only about 590 have received grants from the State appropriation thus far.

9. *State plan for administration of fund.*—The State building commission is responsible for the general administration of the plan. This commission consists of the governor, as ex officio chairman; the chairman of the committee on finance in the State senate; chairman of the appropriations committee of the house of representatives; one member of the senate and one from the house, appointed by the lieutenant governor and the speaker of the house, respectively.

This commission has full power to employ architects or other persons needed to make inspections, prepare plans and specifications, and supervise the construction of any building financed from State funds. The State department of education must make surveys and recommendations concerning each project for which an application has been made before the building commission can make a grant. Apportionments of the State fund are deposited to the credit of the district in its legal depository and are withdrawn by the district with certificates issued by the county superintendent of schools on order of the local school board.

10. *State requirements to be met.*—Before making any State funds available for the purposes set out in the program, the State requires that:

- a. A survey or report be made by the State department of education giving reasons why such project should be given a State grant.
- b. This survey must be based upon a request for State aid by the district.
- c. The commission must have received from the local district (1) plans and specifications for the proposed construction, as approved by the State department of education; (2) bids for such construction; and (3) a declaration from the local school board to the effect that the district's part of the construction funds required to complete the construction of such school buildings will be made available by the time of the payment of the State's part of the fund.

11. *Procedures to be used by districts in qualifying.*—In order to qualify for a State grant, the school board of the local unit must meet in a regular session and make application for a State grant. It must include with the application a detailed statement, as required on the form, concerning the program of education, present facilities, proposed construction, funds available, and the amount of State funds needed.

In addition to this detailed information, the district board must show evidence that district funds to be used for the project are available or will be available as needed. Evidence must also be included which will show that the proposed new building or buildings will be useful in serving the long-time needs of the county or school district. All participating districts must keep detailed records of all expenditures and make these records available to the commission.

12. *Procedures used in determining district need.*—Determination of need is based upon the information submitted by the district and on the judgment of the survey staff of the State department of education, subject to approval by the State building commission.

13. *Local effort required.*—The amount of local funds required is the difference between the cost of the project and the amount provided by the State which cannot exceed \$2,000 per classroom. The local effort required to raise this amount depends on the wealth of the district.

14. *Determining the amount of State funds for individual districts.*—The regulations of the State building commission limit the amount of State aid to a sum not to exceed \$2,000 per classroom, and in no event to exceed 50 percent of the cost of the project. Approval of the commission is necessary before any amount within this limit may be apportioned.

15. *When funds apportioned.*—The entire amount of State aid granted to the district may be paid to the school depository of the local district as soon as the application is approved, or the payment may be made in installments as the work progresses.

16. *District use of funds.*—State aid may be granted only for the construction of new school buildings, for the construction of additions to buildings which have already been constructed, or for approved major alterations to school buildings when such alterations result in additional space. State funds may not be used for repair of school buildings, remodeling of buildings, or for the construction of gymnasiums, lunchrooms, or teachers' homes.

17. *Repayment provisions.*—The State fund is a direct grant to districts for approved school building projects and there is no requirement for repayment of any portion unless funds are improperly expended, then the entire amount may be required to be refunded.

18. *How program operates.*—The program is administered by the State building commission with the aid and advice of the State department of education on certain educational matters. The funds are provided only on application to school districts having very limited financial resources and having emergency school-building needs and then only in the amounts indicated above.

19. *Local taxing and financial leeway.*—In local consolidated and unconsolidated districts, the tax levy for school maintenance purposes may reach a maximum equal to the difference between the county-wide levy and 20 mills (the county-wide levy cannot be greater than 10 mills but may be less). In the independent school districts, the limit for maintenance purposes is 15 mills or under certain conditions may be 20 mills without a vote of the people. The proceeds of these levies are customarily used chiefly for current expense, but relatively small amounts may be used for capital outlay and to meet the local matching requirement for participation in these funds. As much as 2 mills may be levied county-wide (exclusive of independent districts) for capital outlay purposes. These funds may be used for matching State grants.

20. *Local bonding provisions and leeway.*—School bonds may be issued for capital outlay purposes up to 15 percent of the assessed valuation of the district. Bond issues

must be approved by 60 percent of the qualified electors who participate in a special election for authorizing the bond issues. All bonds must be serial in nature and must be retired over a period of not to exceed 20 years. Such part of the bonding capacity as is found to be necessary may be used for the local contribution necessary to qualify for State funds.

MISSOURI

1. *Name of fund.*—No school construction funds, as such, are established by law. The abandonment building aid and central building aid are appropriated from the State school moneys; the reorganization building aid is appropriated from general revenue.

2. *Legal references.*—Section 165.697; 161.110 (10463); 161.130 (10499); 165.110 (10366); 165.203 (10419) Revised Statutes 1949.

3. *When established.*—Central Building aid was established in 1913; the abandonment building aid fund was established in 1931; act providing reorganization building aid was passed in 1948.

4. *Amount of fund.*—For the school year of 1949-50, abandonment building aid amounted to \$123,000; central building aid to \$14,000; and reorganization building aid to \$50,000. Local funds used for school-building projects receiving State aid during the school year 1949-50 amounted to approximately \$8,500,000.

5. *Expiration date.*—These are continuing laws contingent upon appropriation of funds by the general assembly.

6. *Kind of fund.*—All are special-purpose flat-grants to school districts which meet the requirements for participation.

7. *Source of fund.*—The State funds are apportioned from earnings of the permanent school fund and legislative appropriations. The local funds are derived from taxation of assessable property, sale of school bonds and school property. Additional funds are derived from county sources. They are receipts from taxes levied on utility assessments.

8. *Percent and kind of districts participating.*—All districts meeting the requirements may participate in the programs. During the year 1949-50, abandoned building aid was provided for the abandonment of 123 rural schoolhouses located in 40 districts, and reorganization building aid was provided for projects in 2 school districts of the 6,347 districts in the State.

9. *State plan for administration of fund.*—The administration of the funds is a responsibility of the State board of education. The State board approves applications for aid from the fund and notifies the State comptroller to make apportionments when the applications have been approved. The apportionments are forwarded to the county treasurer who turns the money over to school district treasurers. The law provides that building aid shall be credited to the building fund. The State board of education is responsible for directing the procedures for allocation of the State funds and for approval of applications for central building aid.

10. *State requirements to be met.*—A school district becomes eligible for an apportionment from the abandonment building aid fund when:

a. A consolidated or enlarged school district erects a central elementary school building the plans for which were approved by the State board of education.

b. A consolidated or enlarged school district uses temporary facilities until the new central school building is completed, or, a district is annexed to a consolidated district in which a new central school building has been constructed.

c. A district is annexed to a consolidated or enlarged school district in which a new central building has been erected.

d. A common school district is formed with the written approval of the State board of education and the county superintendent, and results in the abandonment of two or more school buildings. The district shall not at the same time or on the same building program receive aid from the central building aid fund.

To receive aid from the central building aid fund, a district must secure a site of not less than 5 acres and construct a central high-school building thereon in accordance with plans approved by the State board of education. The building must contain one large assembly room for the meeting of the citizens and be equipped with a modern heating and ventilating system.

To receive assistance under the reorganization aid program the district must be enlarged under the provisions of the Reorganization Act of 1948 and the erection of a new central school building or an addition to a present building must be provided under the plan developed by the county board of education, approved by the State board of education, and adopted by a majority of the voters of the proposed enlarged district. The plan of reorganization shall be based upon studies of: Assessed tax valuation under existing and proposed districts; size, geographical features, and boundaries of proposed districts; pupils attending school and population of proposed districts; location and condition of buildings and accessibility to pupils; location and conditions of roads, highways, and natural barriers; high-school facilities of the county; and other conditions affecting welfare of teachers and pupils.

11. *Procedures to be used by districts in qualifying.*—After complying with the requirements listed above, a district becomes eligible for a State apportionment by following the procedure given below.

a. For abandoned building aid, a district submits an application giving the following information: (1) Approval of plans and specifications for abandonment aid by the State department of education; (2) whether district transportation was voted and, if so, date; (3) whether disposal of rural buildings and approval of new building have been approved by the State department of education; (4) source of district funds and amount; (5) cost of the building; (6) name and disposition made of abandoned school buildings; and (7) amount of State aid for which application is made.

b. For central high-school building aid, a district submits an application and provides the following information: (1) size of tract purchased for the school site; (2) certification that the building was constructed according to plans and specifications approved by State department of education; (3) source of funds used and amount; and (4) the amount of State aid the district considers it should be entitled to receive.

c. To receive reorganization act funds the district submits an application stating that the reorganized district has contracted for erecting and equipping a building project the plans and specifications of which were approved by the State board of education. It further certifies the division of costs of the new building or addition and equipment.

12. *Procedures used in determining district need.*—Apportionments from the State funds are not made on the basis of need, but on information submitted by the local districts in their application and other information which the State board of education may request. Payments are made only on approval and recommendation of the State board of education.

13. *Local effort required.*—The local district is required to finance the cost of construction from local funds. In the case of the abandoned building aid and the central high-school building aid the building must be erected before application is made for State aid. For the reorganization act aid the district must have entered into contract for erecting and equipping the building before making application.

14. *Determining the amount of State funds for individual districts.*—The State provides: (a) under the abandoned building aid program, \$1,000 for each rural schoolhouse abandoned; (b) under the central high-school building aid program one-fourth the cost but not to exceed \$2,000 per building; (c) under the reorganization act program State aid is provided in the amount of one-half the cost of said building and equipment, but not to exceed \$25,000 for any one district.

15. *When funds apportioned.*—Abandoned building aid funds are apportioned in August of each year; central building aid and reorganization aid funds are apportioned within a reasonable time after the approval of the application by the proper State agencies.

16. *District use of funds.*—The State funds are to encourage construction of central school buildings, or additions to approved central buildings, and for equipment. The abandoned building aid is to encourage the erection of central elementary buildings; the central building aid is to encourage central high schools; and the reorganization aid is to assist in providing buildings needed as a result of reorganizations of districts.

17. *Repayment provisions.*—All these funds are grants to the districts. No repayments are required.

18. *How program operates.*—The function of these funds is to encourage the consolidation of schools and school districts and to improve school facilities in central schools. For the abandoned building aid and the central building aid the State makes the grant only after the officers of the district certify that the building has been constructed and that certain specific provisions have been made. A district may apply for and receive a State grant under the reorganization aid program upon certification that the contract has been awarded and that the plans and specifications have been approved by the State board of education. Following receipt of applications for aid the State board of education studies them and approves or disapproves. If approved by the State board of education payment is made by the State finance officers.

19. *Local taxing and financial leeway.*—The Missouri constitution limits district levies which may be made without a vote of the people to 6.5 mills in rural districts and to 10 mills in cities and towns, except in St. Louis, where the maximum is 8.9 mills. Additional levies for specified purposes such as a buildings fund, for a period not to exceed 4 years, without any prescribed limit may be made if approved by a two-thirds majority of the electors voting thereon.

A recent amendment to the constitution of 1945 makes possible the voting of levies not to exceed \$3 in city, \$2 in village districts, and \$1.95 in common-school districts by a majority vote for a period of 1 year. The funds provided from district tax levies may be used for capital outlay or for other expenses as the statutes do not require any particular percentage to be used for specific purposes except those levied beyond the constitutional limits which must be voted for specific purposes.

20. *Local bonding provisions and leeway.*—School bonds may be issued up to 5 percent of the assessed valuation of the district. It is recommended, but not required, that they be serial in nature. They may be issued for a maximum of 20 years. Bond issues must be approved by two-thirds of the qualified electors who participate in the election. When bonds are legally voted and issued, no subsequent assent of voters is necessary to authorize a tax levy to meet annual interest charges and to provide funds for repayment of principal.

NEW YORK

1. *Name of fund.*—All payments are made from the local assistance fund. However, three separate apportionments for school building construction are identified as (a) State

school building quota fund for central districts; (b) former district's indebtedness; (c) emergency school building fund.

2. *Legal references.*—(a, b) Section 1806 of the Education Law, and (c) article 73 of the Education Law as amended by chapter 611 and 741 of the Laws of 1950; Rules and Regulations of the State Education Department.

3. *When established.*—(a) This assistance for central school districts was established in its present form in 1941, and follows a previous plan enacted in 1925 whereby one-fourth of the building cost was paid by the State for capital outlay projects in central school districts. (b) In 1948 provision was made to make payments under certain conditions to central districts which include former school districts which are making payments on indebtedness. (c) In 1950 an appropriation was made to assist in the financing of emergency school building requirements.

4. *Amount of fund.*—(a) The legislature has provided that State funds are to be apportioned to central school districts on the basis of a formula providing State and district participation. The dollar volume of building quotas apportioned from 1941-42 to 1947-48 by the State was \$5,020,539.47, and an additional amount estimated at \$2,750,000 will be spent from the State fund by the end of the fiscal year 1950-51. (b) In 1949 approximately \$300,000 was available to cover payments based on amortization of bonded indebtedness of former school districts now a part of central districts for such year. (c) The "emergency" school building aid program provided an initial \$300,000 from the general fund.

5. *Expiration date.*—(a) Central district building aid is established as a continuing appropriation from year to year with no expiration date given. (b) The aid for amortization of indebtedness of former districts will expire as such indebtedness is eliminated. (c) The emergency building aid program has an expiration date of April 1, 1951, for submission of applications, though the State's responsibility for meeting a share of the approved projects may run for 30 years.

6. *Kind of fund.*—(a) This program of assistance to central school districts provides grants to districts for approved projects. Under the program the State pays its share of principal and interest charges for each year the indebtedness of the district continues. If no indebtedness is incurred, the State pays its share of the cost in one grant. (b) The assistance to former districts for amortization of indebtedness is a grant. (c) The emergency building aid program has certain repayment provisions. It provides "advances" to local districts meeting certain requirements to reduce local taxes for net debt service.

7. *Source of fund.*—All State funds are appropriated from the general fund of the State. The district funds are derived from the sale of district bonds or from property tax levies.

8. *Percent and kind of districts participating.*—(a) Only central school districts are eligible to receive aid from the State central building aid quota. Of the 411 central districts approximately 280 have received aid during the last 5 years. (b) Former school districts now part of a central district may receive aid for amortization of indebtedness incurred prior to July 2, 1947. (c) All districts meeting the requirements may participate in the emergency school building program, e. g., may receive "advances" to reduce local taxes for debt service. No districts of the nearly 3,200 in New York State are yet receiving assistance under this program, though applications are currently being processed.

9. *State plan for administration of fund.*—(a) The State commission of education is charged with the general responsibility of administration of the central school building aid program. He must approve the proposed building or remodeling, approve the plans and specifications, and receive reports on costs. The cost unit per pupil used to deter-

mine the State share of the cost is \$450 increased or decreased by the commissioner of education in proportion to fluctuations in the cost of materials and labor after October 1, 1940. Schedules of such fluctuations are prepared by the State industrial commissioner quarterly and delivered to the commissioner.

(b) The indebtedness fund for former districts is administered by the commissioner of education.

(c) The emergency building aid program is administered by the commissioner of education. He prepares the necessary forms of application for submitting information needed. He must determine: The pupils for which the districts have emergency requirements; the maximum allowable cost; the maximum amount of bonds which may be issued; the schedule of maturities of bond issues; whether net debt service exceeds the estimated amount of a 7-mill levy; and whether the total amount to be raised by local tax for schools equals or exceeds a 15-mill levy. He makes these determinations in accordance with education department standards or by standards established by the commission which is composed of 14 members appointed by the governor on July 17, 1950. Each year the commissioner computes the net debt service of each district under the program, notifies the district of the same and pays any district qualifying for an advance. Money is payable from the State treasury on audit and warrant of the controller.

10. *State requirements to be met.*—(a) The central district building aid law establishes the following requirements:

The number of pupils to be housed must be ascertained by the commissioner. The approved cost based upon an adjusted pupil unit cost must be determined. The commissioner of education must approve the plans and specifications for the proposed erection, enlargement, remodeling, or permanent repair. A statement of the costs of the construction must be submitted.

(c) The emergency building aid program requires:

The submission of an application and preliminary plans. The determination of emergency building requirements by the commissioner, including number of pupils in need of emergency provisions, allowable cost, maximum bonds which may be issued, schedule of maturities of bonds, net debt service in relation to estimated return on 7-mill levy, whether total local tax equals or exceeds an estimated 15-mill levy.

The district must certify details concerning bonds issued and previous indebtedness. The computation of net debt service of the district and the determination of the return of a 7-mill levy on the full valuation of the assessment roll for the fiscal year.

Repayment of advances at any time in 30 years if it can be done on the 7-mill levy. Maintenance of a 15-mill levy for all school purposes each year.

11. *Procedures to be used by districts in qualifying.*—(a) To qualify for assistance under the central district building aid loan the district must:

Contribute to the cost of the building an amount equal to 6 percent of the actual value of taxable property of the district.

Secure the approval of plans and specifications by the commissioner of education.

Submit information requested by commissioner of education.

Present to the commissioner of education a statement as to the amounts expended by the district for the project.

(c) To qualify for assistance under the emergency building aid law the district must:

Secure the adoption of the proposed improvement at a school district meeting by a vote of not less than two-thirds of the voters voting thereon prior to applying for aid.

File an application and preliminary plans with the commissioner.

Submit detailed information as to financial status of district.

Certify to commissioner of education the bonds issued, with amortization schedule and also records of other outstanding bonds of district.

In adopting the annual budget vote a 7-mill levy for net debt service.

Notify the commissioner immediately upon the completion of the assessment roll for each fiscal year as to the amount of real property subject to taxation by the district.

12. Procedures used in determining district need.—(a) Under the central district building aid program need relates to a determination reached by ascertaining the number of pupils enrolled, adding a probable kindergarten enrollment and adjusting 5 percent if desirable to compensate for population trend.

(c) The emergency building program is to aid districts to provide facilities required in order to accommodate increasing enrollments; to replace destroyed, seriously damaged, or seriously hazardous structures; or to accommodate pupils of a reorganized district. The commissioner determines what must be provided for pupils residing in the district, for whom provision cannot otherwise be made, and which must be constructed for occupancy before or during the school year beginning July 1, 1951. The commissioner must determine the number of pupils for whom the district has emergency requirements in accordance with standards established by the commission. He prepares essential forms for collecting essential data in making these determinations.

13. Local effort required.—(a) The district must contribute to the cost of the approved building an amount equal to 6 percent of the actual value of taxable property in the district in order to receive assistance under the central district aid program.

(b) Assistance under the former indebtedness aid program is granted only if the debt service exceeds the return of a 3-mill levy on full valuation.

(c) The emergency building aid program requires the local district to levy at least 7 mills for debt service on full valuation.

14. Determining the amount of State funds for individual districts.—

(a) For the central district aid a total construction cost is computed by multiplying the calculated pupil enrollment by a per pupil cost unit. This unit was set at \$450 based upon cost of labor and material as of October 1, 1940. It is adjusted in proportion to fluctuations since that date. The State contributes the part of the total calculated construction cost remaining after the district contributes an amount equal to 6 percent of the actual value of property in the district. If the building exceeds the "calculated cost," the district must pay all the excess.

If a school district decides to plan for only a part of the enrollment, either in new buildings or in an addition to existing buildings, the building formula will be applied except that the local district and State shall contribute in terms of the ratio established if a structure for the entire enrollment had been planned. If it is found possible to modernize and alter existing buildings, the cost is divided in the same ratio as for new buildings. Such computed costs must not exceed \$100 per pupil.

(b) State aid under the former district indebtedness amortization program is determined by subtracting the return of a 3-mill levy on the full valuation of the property of the former district.

(c) The State costs under the emergency building aid program are determined by calculating the maximum cost allowances per pupil. These were set at not more than \$1,100 for a building having 240 or more pupils in grades K-6, or more than \$1,500 for a building housing 700 or more pupils in grade 7-9, or more than \$1,600 for a building housing 700 or more pupils in grades 7-12. If sites, site improvement, equipment, or furniture must be provided, 20 percent may be provided for grades K-6 and 25 percent for grades 7-12. Corrections may also be made based upon index numbers of changes in costs and materials in relation to costs as of August 1949.

The unit cost is multiplied by the number of resident pupils for which the district has emergency requirements to determine maximum allowable costs. Bonds may then be authorized for an amount determined by deducting from the maximum allowable cost any building reserve funds, insurance proceeds, or gifts available to the district for building purposes. After the allowed bonds are issued the commissioner computes the net debt service to be paid by the district in the next year. This must exceed 7-mill levy on full valuation if the district is to qualify for aid. The State pays the excess of debt service over the proceeds of the 7-mill levy; provided that the State advance shall be reduced by any excess of a 15-mill levy over the amount actually raised by local taxation for school district purposes.

The State also makes advances toward debt service of districts if incurred on or after July 1, 1946, and before May 1, 1950, to meet emergency school building requirements if the net debt of the district exceeds 15 percent of the full valuation of the district at the time the application is filed. Further, the commissioner may allocate an amount not to exceed 1.2 percent of the estimated cost of an emergency building to assist in planning construction if the district has a full valuation of less than \$6,500 per pupil residing in the district and if the district appears to be qualified for an advance.

15. *When funds apportioned.*—(a) Central school building aid is apportioned annually for projects which have been approved. If bonds have been issued by the district the quota is paid each year on the basis of the principal and interest paid by the district.

(b) The former district debt amortization act is paid annually.

(c) Advances are determined and paid under the emergency building aid program annually.

16. *District use of funds.*—(a) State school district building aid may be used for any purpose although it is based upon the debt service.

(b) Former district debt amortization funds are available to meet debt service costs.

(c) Under the emergency building aid program all advances are to be used for the payment of debt service, except that the commissioner may make an allocation to a district to pay the cost of preparing preliminary plans for construction.

17. *Repayment provisions.*—(a) The funds paid central school districts to aid them in constructing new buildings and to assist in the amortization of indebtedness of former districts now in the central districts are grants. There is no provision for repayment.

(c) The emergency building aid program provides that: In any year when net debt service as certified by the commissioner shall be less than 7 mills, no advance shall be made. The district must repay the State in each such year the difference between a 7-mill levy and the amount of net debt service provided the sum of the repayment shall not exceed advances received and that no repayments shall be made after 30 years from the date of the first advance. During this period the district must continue to maintain a 15-mill levy for all purposes. Net debt service means the amount of principal and interest on school building bonds to be paid in any school district fiscal year after deducting therefrom the amount of building quota and any other State aid paid or to be paid to the district in such fiscal year on account of such debt service.

18. *How program operates.*—(a) The State school building quota fund is a fund provided to aid central school districts. The fund encourages reorganization of common or union free school districts in New York. The district first secures the approval of the commissioner of education for the proposed project and submits plans and specifications for approval. When the approved cost has been determined the district may proceed with the construction. After completing the project the district submits a detailed breakdown of construction costs and of debt amortization program.

(c) For the emergency school building aid law the district makes application for assistance and submits preliminary plans for the proposed structure. If of limited

wealth, the commissioner may advance funds to be used by the district in developing plans. The commissioner then studies the present facilities, the needs and the ability of the district in detail, and determines maximum cost allowances and the amount of indebtedness which may be incurred under the program. After the district issues the bonds it certifies the data and amounts of maturities of principal, interest rates, and interest payment dates of this issue as well as of previous indebtedness. The commissioner then determines the net debt service and the State assistance for the ensuing year. Provision is also made for State advances in the case of districts which are very heavily indebted as a result of meeting emergency needs in the years just prior to the passage of this act.

19. *Local taxing and financial leeway.*—(a) The central district must contribute a sum equal to 6 percent of the true value of the property in the district to the approved project. This it would generally do through the sale of bonds. It would need to provide for their retirement.

(c) Under the emergency building aid program the district agrees to devote a 7-mill levy on full valuation to indebtedness incurred under the program.

Whatever additional funds a district acquired from taxes or other sources, except as indicated above, may be used as the district decides. While unrelated to the capital outlay aids a 1949 statute provides that a minimum amount must be allotted for capital purposes in order to receive full State aid.

The constitutional limit on property taxes for school purposes in city school districts in cities under 125,000 population in New York is 1.25 to 2 percent of the 5-year average of full valuation. There is no tax limit in school districts outside of cities.

20. *Local bonding provisions and leeway.*—Bonds for school purposes must be serial in nature and cannot be issued for a period to exceed 30 years. In cities the constitutional debt limit for all local purposes, including schools, is 9 percent of a 5-year average of the assessed valuation. A pending amendment would give city school districts a debt limit for school purposes of 5 percent of a 5-year average of full valuation. In other districts the statutory limit for schools is 10 percent of the full valuation, but it may be exceeded by a two-thirds vote of the people and the approval of the Board of Regents. Bonds issued for school and other general purposes must be approved by a majority of the qualified voters of the district, and must be used only for the purposes stated at the bond election. Central schools use the amount of building aid to determine whether or not the district has an excess of 10 percent bonded indebtedness. Bond issues for capital outlay purposes must be indicated on the forms provided by the State department of education and the amount to be paid annually on the redemption of the bonds must be shown on the proper forms.

NORTH CAROLINA

1. *Name of fund.*—School plant construction, improvement and repair fund; State literary fund.

2. *Legal references.*—Chapter 1020, chapter 1249, section 22½, and chapter 1295, Acts of 1949; also rules and regulations of the State board of education; constitution.

3. *When established.*—The school plant construction, improvement and repair fund was established in 1949 "to settle a long standing debt owed by the State to the counties of the State." It was established on the assumption that local tax funds had been required by the State to be "diverted" to help support the local current expense program for the schools which should have been supported by the State, and, therefore, the counties should be reimbursed for these funds.

4. *Amount of fund.*—The State school plant fund amounts to \$50,000,000. Although no local funds are required for participation, the several counties have recently voted approximately \$75,000,000 in bonds for capital outlay purposes.

5. *Expiration date.*—The school plant funds are to remain available until used. The introduction to the law indicates that "the settlement of this debt will . . . discharge the State of all future responsibility for school plant construction and repair."

6. *Kind of fund.*—The school plant fund is a special-purpose flat-grant fund for capital outlay purposes.

7. *Source of fund.*—Twenty-five million dollars were appropriated from the postwar reserve fund. The remainder of the school plant fund was derived from the sale of State bonds after authorization by the legislature and approval by the majority of the qualified electors in the State at an election held in 1949 in connection with the election for the approval of a bond issue for road improvement. The State bonds are serial in nature, and mature within a 20-year period from the date of issue. The interest rate, payable semiannually, was set at not to exceed 4 percent but actually averages 1.413 percent.

8. *Percent and kind of districts participating.*—The school plant fund is allocated on two bases to the 100 counties of the State, to be expended and disbursed for the purposes authorized by law under the direction and supervision of the State board of education. Part of the funds allotted to counties are in turn allotted to cities in accordance with regulations of the State board of education.

9. *State plan for administration of fund.*—The State board of education is responsible for the general direction and supervision of the State fund. The State superintendent of public instruction and the department of public instruction provide the advisory and consultant services necessary for the operation of the program. The proceeds from the sale of bonds are placed by the State treasurer in a special fund known as the "school plant construction, improvement and repair fund." The controller of the State board of education (not under the State superintendent), subject to the approval of the board, allots funds for individual projects and certifies funds monthly for each approved project based on the request for funds filed with the State board of education by the administrative units. No other State agency has any responsibility for the administration of the program.

10. *State requirements to be met.*—The law does not prescribe any requirements for participation in the school plant fund, but provides that all expenditures and disbursements are to be made under the direction and supervision of the State board of education. The State board has established the following requirements to be met before funds are certified and made available for use by an administrative unit:

a. Three survey requirements must be met. (1) A field survey of the local school system must have been completed by regular survey committees of the State department or approved by the department. (2) Each administrative unit must furnish requested data on survey forms and maps to the Division of Schoolhouse Planning and Surveys. (3) The plan of each administrative unit must be presented to a review panel of the board which makes recommendations concerning its approval to the State board of education.

b. There must be a just and equitable expenditure of funds within the counties for each race.

c. All plans and specifications for proposed projects must be submitted to the division of schoolhouse planning and surveys for approval by the State superintendent of public instruction.

d. Application for money from the State fund must be made to the State board of education. There must be a separate application for each project, and this must be approved by the division of schoolhouse planning and surveys of the State department of public instruction.

e. For each construction project there must be contracts which meet all requirements of law.

11. *Procedures to be used by districts in qualifying.*—The procedures used by local administrative units in qualifying for funds from the State grant are as follows:

a. On the basis of a survey, the local board must submit a program showing proposed permanent centers, attendance areas, consolidation and the proposed plan for expending all funds for the school plant program for a more advantageous school system.

b. Survey Forms Nos. 1, 2, and 3 and requested maps and photographs are filed with the division of schoolhouse planning and surveys, and contain detailed information of the schoolhouse facilities and program offered.

c. A prescribed application form is used by each county or city board to apply for the State grant for specific projects. This form is used to submit information relating to (1) cost and description of the project; (2) sources of income for the project; (3) a description of available facilities; and (4) school enrollment figures and other general information.

d. A form is submitted certifying that the information requested in the application is correct, that formal application is made, and that a resolution for State aid was voted in a regular meeting of the county board of education or city board of trustees.

e. Certificates of approval are submitted to the State board of education as follows: (1) Certification of correctness of school board minutes; (2) certificate of attorney that the administrative unit board has clear title to property on which the project is to be constructed; (3) certificate of approval of the project and of the plans and specifications by the division of schoolhouse planning and surveys.

f. The review panel of the State board of education meets with the superintendent and board members of the administrative unit applying for aid and makes recommendations to the State board of education concerning the projects for which State funds are proposed to be used. Funds to cover each project application are then allotted by the controller subject to approval by the State board.

g. After funds have been allotted, contracts let, and construction begun, the local board requests funds monthly as needed for each project. These funds when certified by the controller are deposited with the State treasurer to the credit of the local school system.

h. Fifteen percent of the State fund allotted to each project must be withheld by the controller until the completed project has been inspected and approved by a representative of the State department of public instruction.

12. *Procedures used in determining district need.*—There is no specific procedure prescribed for determining need for capital outlay. The formula presumes that each county regardless of size or population has the same basic need (for \$250,000) and that other needs are proportionate to the average daily membership during the year 1947-48.

13. *Local effort required.*—The formula does not use any local measure of ability. No local funds are required to match or to supplement the State fund.

14. *Determining the amount of State funds for individual districts.*—From the \$50 million fund, \$250,000 is allocated as a flat grant to each of the 100 counties and the remaining \$250,000,000 is allocated on the basis of average daily membership of the schools of each county during 1947-48 as shown on the records of the State superintendent of public instruction. With a total membership of approximately 860,000 pupils in the public schools, the per capita apportionment amounts to about \$29 per pupil.

Funds allocated to counties are reallocated to any independent city districts within the county on the basis of the ratio of average daily membership in such cities and in the entire county in 1947-48, except that a readjustment in this allocation may be made when approved by the county board of education, the city board of trustees, the county board

of commissioners, and the State board of education. However, as provided by the law, the State board of education has deducted one-fourth of 1 percent of the total, that is \$125,000, for surveys and plans and has also deducted approximately \$15,000 to cover the cost of voting and selling the State bonds.

15. *When funds apportioned.*—The allocation to each county in the State was made as prescribed by the formula in the law, soon after the bonds were voted in 1949. After surveys and individual project applications have been completed and approved by the State board of education, funds to cover each project application are allocated to local administrative units. Funds are then certified and made available to the credit of the local board each month on applications showing need.

16. *District use of funds.*—The State school plant fund is limited to the construction, improvement, and repair of approved school plant facilities, and for purchasing necessary equipment. Only repairs which constitute major alterations and capital outlay rather than maintenance expenditures can be included. Buildings under construction before the State fund was provided are eligible for aid from the State fund if they meet the State requirements and if sufficient local funds are not available to complete the construction.

17. *Repayment provisions.*—The school plant funds are provided as a State grant and no repayment by local administrative units is required.

18. *How program operates.*—Twenty-five million dollars were appropriated by the legislature from the postwar reserve fund and, in addition, the legislature authorized and the voters of the State approved the issuance and sale of \$25,000,000 in State bonds to provide funds which are used as a grant to counties for approved school plant purposes. Of this sum, \$25 million is apportioned as a grant of \$250,000 to each county. The other approximately \$25 million is to be apportioned on the basis of the average daily membership of the pupils in 1947-48. Within each county the funds are allocated on the basis of average daily membership in the cities and in the county, unless otherwise agreed upon and approved. One-fourth of 1 percent of the fund is retained by the State board for administration and \$15,000 is retained for the expenses of the State bond sale. All school systems in the State participate in the fund. Thus far local school systems have applied and qualified for use of approximately \$30,000,000.

Although the funds are allocated on the basis of the formula, no money is actually made available for use until local school systems have completed a survey, adopted a program, filed applications for individual projects and had plans and specifications approved. When individual project applications have been approved and the other requirements have been met, the amount, within the total allocation to the local school system, needed to cover the approved individual project applications is set aside in the State treasury to the credit of the local board. Even then it cannot be drawn upon, but an application must be submitted monthly certifying the amount needed during the month for projects under way. When these applications have been approved and the money set aside, the local school system may issue vouchers within this amount against the funds credited to its account in the State treasury. These vouchers must be properly supported by architects' certificates and contractors' monthly estimates and invoices for equipment. No money is actually sent to local school systems, and all payments are made from the State treasury on individual vouchers drawn by the local school systems.

19. *Local taxing and financial leeway.*—In North Carolina the program of school finance assumes that the State should provide funds for the 9 months' foundation program and that local school systems should provide maintenance, fixed charges, capital outlay and debt service, and supplementary services above the foundation program. All budgets must be approved by the county board of commissioners before being submitted to the State. If services or expenditures to supplement the foundation program are

desired, the funds must be obtained from a supplementary levy which must be approved in a special election.

Administrative units or districts in the county having a school population of 1,000 or more may vote a supplement of not to exceed 5 mills. The levy cannot even then be made unless approved by the county board of commissioners. Proceeds from this levy may be used in part for capital outlay, if such use is approved, but usually are used chiefly for current expense and minor capital outlay items.

20. *Local bonding provisions and leeway.*—Bond issues for school purposes must be voted on by the qualified electors, be serial in nature, limited to 8 percent of the assessed valuation less present indebtedness of the county administrative unit including the cities and be retired over a period which cannot exceed 30 years. The issuance of local school bonds is not required for participation in the State fund. Authorities of the local administrative units, therefore, have available the local bonding capacity to use in supplementing the funds provided by the State for capital outlay purposes.

OHIO

1. *Name of fund.*—School plant rehabilitation fund.

2. *Legal references.*—Section 4848-11, Ohio General Code; also regulations of the State controlling board and State department of education.

3. *When established.*—First established in 1945. In continuous operation since that time. Similar appropriations were approved by legislatures extending back to 1928.

4. *Amount of fund.*—The State fund amounts to \$3,000,000 for the current biennium, and local funds used for State-aided capital outlay projects during the year 1950 amounted to approximately \$1,260,000.

5. *Expiration date.*—No expiration date is given for the fund, but it is dependent on continuing appropriations for each fiscal biennium.

6. *Kind of fund.*—This is a special-purpose fund available to local districts with limited local financial resources.

7. *Source of fund.*—The State fund is generally appropriated by the legislature from the State general revenue fund. The current \$3,000,000 appropriation, however, was from the State surplus fund. Local funds for capital outlay use are derived from property taxes and bond sales.

8. *Percent and kind of districts participating.*—Districts which have a tax valuation of less than \$6,000 per pupil in average daily membership in grades 1 to 12 and which have an operating school levy of 6 mills or more or a total tax levy of not less than 8½ mills for all school purposes are eligible, if need is established, to participate. Apportionments from the fund are being made to approximately 1,500 projects in 450 or about one-third of the school districts in the State.

9. *State plan for administration of fund.*—The State controlling board is responsible for approving State department of education proposals for expenditures from the fund. The State controlling board is composed of five members as follows: Governor or his representative, attorney general, auditor, chairman of the senate finance committee, and chairman of the house finance committee. Applications by the boards of local districts are made to the State superintendent of public instruction. A representative of the department of education visits the district after receiving the application to determine whether or not the building or projects are essential or desirable. He studies the financial condition of the district, reviews the estimate of costs, and prepares a written report of his findings. He may recommend changes in the proposed plans to the local

district which may alter its application before action is taken regarding it. The State department considers the cost of repair, the financial condition of the district, the general condition of the school plant, the taxable valuation per child, number of pupils, and local district business practice, and recommends necessary financial assistance for the approval of the State controlling board.

The State department of education makes recommendations on a percentage base which it reserves the right to determine. It does not recommend payment of 100 percent of the cost of any project. The range of percents is based upon the principle that local districts with a more favorable financial condition are better able to take care of their needs than poorer districts. A department of education rehabilitation committee, composed of three members, considers the recommendations of the supervisor of the school plant rehabilitation regarding projects and amounts, and approves or disapproves same. The controlling board approves or disapproves and notifies the State department of education and the auditor of the State of the amount of financial assistance to be granted. The auditor issues his warrants on the State treasurer and an apportionment is made by the State treasurer. The State superintendent is responsible for forms to be used and for directing the procedures of districts in receiving State aid.

10. State requirements to be met.—Districts become eligible, if need exists, for an apportionment of the State fund by meeting the following requirements:

a. The district must have a tax valuation of less than \$6,000 per pupil in average daily membership and an operating school levy of 6 mills or more or a total levy of 8½ mills for all school purposes.

b. The district must make application on an approved form.

c. The application must be accompanied by a complete financial statement of the school districts as at the date of application, a copy of the approved budget for the current school year, a detailed description of the work to be done and an estimate of the cost.

d. Costs may be submitted on an actual material and labor cost basis but generally will be submitted on a contract basis. Two or more contract cost bids are generally required in connection with projects costing over \$250. Very few projects are presented or approved on an actual material and labor cost basis, however.

e. The clerk of the board of education must file with the State superintendent of public instruction a statement of completion indicating the total cost and that all obligations have been paid upon completion of the project. A copy of all paid bills with date of payment and warrant number must be submitted.

11. Procedures to be used by districts in qualifying.—Districts qualify for State aid by meeting the requirements listed above and by complying with the following procedures:

a. The application is completed as requested and contains a statement of the financial condition of the district and a detailed description of each project for which State aid is requested.

b. The order of importance of each project is indicated along with the detailed description of the existing situation and the projects planned in connection with it.

c. Specifications and plans of the project are developed which conform with recommendations of the State department of education.

d. The school board submits any additional information which might be requested by the State agencies involved in the program.

12. Procedures used in determining district need.—The amount of State aid a district needs is determined by information submitted in the application, and by conditions which the State Superintendent or his representative finds when he visits proposed projects. Careful examination of the financial condition, ability of the district, the condition of its school plant, and the need for the buildings or projects under consideration is made.

13. *Local effort required.*—Local districts are expected to assume the entire cost of projects when (a) the cost is less than \$100 or (b) the district tax valuation per pupil in average daily membership is \$6,000 or more. Projects which qualify for State aid are financed from local funds except for assistance described in the State distribution plan below. In no case is the amount of assistance to be more than the difference between the amount the district can pay and the total cost of project repairs or improvements. Districts with no tax levy for bond retirement or with a limited amount of outstanding bonds when applying for assistance on major cost projects are asked to bear a substantial part of the cost by voting improvement bonds.

14. *Determining the amount of State funds for individual districts.*—The State department of education establishes percents of approved cost for which it recommends payment. For example, for districts with a property valuation of less than \$2,000 per pupil, the State provides funds amounting to 90 percent of the approved cost; for each \$500 increase in valuation per pupil there is a decrease of 5 percent in the proportion of cost to be borne by the State, down to 50 percent. In 1950, the percents ranged from 90 to 50 percent. These payments are made only if the need for the facility is established, plans are satisfactory, district is financially in need, and costs are approved.

15. *When funds apportioned.*—Payments are made from the State fund when a project has been approved by the State controlling board for financial assistance.

16. *District use of funds.*—The State law provides that funds are to be used for repairing, improving, remodeling, or constructing school plants to which boards of education have legal title. In 1949-50, because of the use of the word rehabilitation in the appropriation act, no funds were available for new construction. Because of the limited appropriations made during the years the law has been in effect, funds have been made available only for repairs and improvements to existing school plants. The State funds received by any district may be used only for the projects for which State funds have been approved.

17. *Repayment provisions.*—No provision is made for the repayment of the apportionments from the State fund directly to the State treasurer. However, if the clerk of the board of education fails to file the required reports regarding the completion of the project within 2 years from the date of the approval of the grant, the superintendent of public instruction is required to deduct the total amount of the grant from any distributions due to the district.

If the cost proves to be less than the amount it was determined the district was able to pay, plus the State grant, the superintendent of public instruction is required to deduct from any distribution due the district, the full amount of such difference.

18. *How program operates.*—The legislature has appropriated \$3,000,000 for the current biennium to be apportioned as a grant for rehabilitation of school buildings to districts having an assessed valuation of less than \$6,000 per pupil in grades 1 through 12. Districts which participate in the program are expected to finance projects as much as possible from local funds. The aid is rather definitely determined through the percents established. Consideration is given to the number and cost of projects proposed in determining the percent. The amount to be received from State funds depends upon local financial ability, local needs, and a State distribution plan. The program is organized to continue for an indefinite period of time, but is subject to the appropriation of funds for each fiscal biennium.

The local district makes an application after which a representative of the State department visits the district and makes a comprehensive study of the local situation. He may recommend changes in the plans to the local district. After consideration of recommendations by the local board and action by it, the State department representative prepares a detailed report on the proposed project or projects. He recommends a

course of action to the department rehabilitation committee which determines whether approval shall be granted and a proposal made to the State controlling board. Following approval by the State controlling board the funds to be provided by the State are available.

19. *Local taxing and financial leeway.*—The constitution of the State provides a maximum of 10 mills for all local government purposes without a vote of the people. A county budget commission determines the allocation of the 10 mills. Tax levies exceeding 10 mills may be voted for current operating expenses by a majority of the electors at a regular election or by 55 percent at a special or primary election.

20. *Local bonding provisions and leeway.*—In Ohio, local school bond issues are limited to 8 percent of the taxable valuation of the district under temporary legislation enacted in 1949. Prior to the enactment of this law the debt limit was 6 percent. Bonds must be serial in nature and limited to 25 years. Bonds may be issued up to one-tenth of 1 percent of assessed valuation without vote of the people. The bond vote requirement for approval is 55 percent of those voting at a special or primary election.

Approval for submitting a bond proposal to the people for vote must be secured (a) from the State department of taxation if approval of the issue would result in net indebtedness of more than 4 percent of the district's valuation and (b) from the State department of education if resulting net indebtedness would exceed 6 percent of the district's valuation. Upon approval of a bond issue a tax must be levied each year until the bonds are retired to meet interest and principal retirement charges.

PENNSYLVANIA

1. *Name of fund.*—There is no fund as such provided in Pennsylvania. However, there are three appropriations by the State which make funds available for financing of capital outlay. They are:

a. Approximately \$70,000 to \$75,000 is available annually from the State school fund. It is used to assist districts of limited financial ability to repair or to provide needed buildings and equipment. This money is by direct action of the State council of education following application and study of the proposed project by a representative of the State department of public instruction. In the following paragraphs no further reference will be made to this fund.

b. State funds provided to assist the State public school building authority in carrying on its work.

c. Appropriation to pay part of rental due to State public school building authority.

2. *Legal references.*—General Assembly Act No. 498, Pennsylvania Statutes of 1947; as amended by General Assembly Act No. 14, Act No. 142, Act No. 296 and Act No. 557, Statutes of 1949; regulations of State public school building authority.

3. *When established.*—The State public school building authority was established by the 1947 session of the general assembly. The authority was activated in February 1948. State participation in meeting rental charges due the authority was first provided in 1949.

4. *Amount of fund.*—In creating the State public school building authority, the general assembly appropriated \$100,000 for the payment of costs and expenses incurred in commencing the work of the authority. The 1949 session of the general assembly appropriated \$600,000 for the payment of administrative costs of the authority during the biennium of 1949-50. The 1949 act provided for participation by the State in meeting the rental costs of local districts under obligation to the State public school building authority. The act appropriated the sum of \$500,000 for this purpose.

5. *Expiration date.*—The State public school building authority was established "to have perpetual existence as a corporation." The 1949 act providing State participation

in payment of rental costs provides that the commonwealth shall pay annually an amount which is determined by the application of a formula. These payments are to continue as long as a lease exists between a school district and the authority or so long as the district is indebted to the authority under a lease.

6. *Kind of fund.*—There is no fund established by the State for the State public school building authority, but only a sum to provide for the direct administrative costs of said body. The appropriation to assist local districts in meeting their rental charges is from the general funds of the legislature.

7. *Source of fund.*—The State public school building authority receives funds to meet its direct administrative costs through appropriation by the State. The funds which it employs to purchase sites, to construct and to equip buildings, and to carry out its other powers are derived through the sale of bonds. These bonds are authority bonds which do not in any manner pledge the credit or taxing power of the commonwealth or of any of its school districts. The debts and obligations of the authority are not obligations of the commonwealth nor of any of its school districts. While the authority may sell bonds through other procedures, it has at present entered into an agreement for the purchase of authority bonds by the State public school employees retirement fund as the funds are required by the authority to construct the projects. The retirement fund agreed to purchase bonds under the following conditions:

- a. Interest rate of 3 percent.
- b. All bonds to mature on October 1, 1989.
- c. Bonds redeemable at par as a whole at any time and in part on any interest date at the option of the authority.
- d. Contingent and incidental expense may not exceed 8 percent of the cost of the project.
- e. Rate to be based upon total cost of project to the authority and to be sufficient to pay interest on the bonds, amortize the principal by October 1, 1989, plus 20 percent of this amount; in other words the rental will equal 120 percent of the amount of the debt service. The agreement further provides that the authority shall accumulate from rentals an interest reserve fund equal to 2 years' interest on outstanding bonds. Assuming that there is no default in rental payments, the net result will be to reduce the number of years necessary to amortize the bond issue.

The funds to pay the State's share of the rental costs of local school districts which have entered into an agreement with the authority are appropriated from the general funds of the commonwealth.

8. *Percent and kind of districts participating.*—Under the existing law any school district may apply to the authority for its services. All districts having an agreement with the authority have a part of their rental costs borne by the State. State participation in meeting rental costs may encourage more districts to apply to the authority for its services. In general, districts which have financial means are encouraged to undertake projects on their own responsibility. The Commonwealth of Pennsylvania has 2,524 school districts. Of these districts approximately 165 have entered into agreement with the authority providing for the erection of 90 school building projects. The excess of districts over projects is explained by the fact that in many instances districts have formed joint boards for the erection of a single project.

9. *State plan for administration of fund.*—The legislature created the State public school building authority to promote education; to issue bonds; to construct projects; and to fix and collect fees, rentals, and charges for the use of properties. This authority consists of the governor, the State treasurer, the auditor general, the superintendent of public instruction, the secretary of property and supplies, the president pro tempore of the senate, the speaker of the house of representatives, the minority leader of the senate,

the minority leader of the house of representatives, and their respective successors in office.

The authority issues and sells its own bonds in order to raise money to pay for school projects requested by school boards and approved by the authority. The authority may not proceed with any project until the proposed project has been approved by the department of public instruction. The authority is empowered to sue and be sued; to make bylaws for the management and regulation of its affairs; to appoint officers, agents, and employees, and to prescribe their duties and fix their compensation; to fix its fees, charge and collect rentals and other charges; to make contracts of every name and nature; to have the power of eminent domain; to do all acts and things necessary for convenience to carry out the power granted to it by this act.

The reimbursement on account of rental costs to be borne by the State is determined and approved by the State superintendent of public instruction in accord with the formula stated in the statute. The payments are made annually to the districts in a manner similar to that employed for State appropriations for the support of the foundation program.

10. *State requirements to be met.*—Upon receipt of an application from a local school board, the authority makes a preliminary study of the data submitted, particularly as to completeness. It then assigns a docket number to the application and checks the estimated cost and annual rental. The application is then forwarded to the department of public instruction.

The statute provides that all contracts between the authority and school districts "shall be conditioned upon the presentation of general plans for the ordinary development of improved attendance areas and administrative units and for the improved housing of the public schools of the commonwealth. These plans shall be prepared cooperatively by local, county, and State school authorities in accordance with standards and regulations prescribed by the department." The department of public instruction reviews all projects to determine: (1) The extent to which they conform to general county and State plans; (2) the amount of improvement to be brought about in attendance areas and administration units; (3) the adequacy of the proposed building with reference to educational design, location, usefulness for community activities, safety, comfort, and convenience; and (4) the ability of the local school district or districts to amortize the cost of construction and to defray the cost of operation and maintenance."

If the department of public instruction gives specific written approval to the project the authority then considers the application to determine whether or not the project is to be undertaken. No contracts are executed between the authority and the school districts without the specific written approval of the department. Each project which is undertaken by the authority and financed under the agreement with the State public school employees retirement fund must be approved by that fund.

11. *Procedures to be used by districts in qualifying.*—The local board must first pass a resolution authorizing its president and secretary to sign and submit an application for a project costing not in excess of a designated amount. This constitutes no contractual obligation. The application must be approved by the county board if the district involved is under the jurisdiction of the county superintendent. In submitting the application the president and Secretary must also submit (1) a form supplying general information such as estimated cost of project with breakdown, data relative to site, architectural services and plans and how equipment is to be provided; (2) a form indicating detailed information as to need showing organization to be served by project, attendance areas to be served, schools to be closed if any, enrollment trends during last 10 years and estimated 1955 enrollment, size and types of rooms; (3) a form furnishing financial data showing assessed valuation, tax rate, outstanding bonds and temporary loans for each of the last 5 years, schedule showing principal and interest payable each year on indebtedness, income of district from taxes other than on real

estate, estimated educational costs to district if project is completed; (4) copy of current annual budget; (5) certified copy of written contract between the architect and school district; (6) certified copy of joint board agreement if more than one district is involved; (7) list of furniture requested.

The board must pass a resolution authorizing the following actions: (1) The president and secretary to enter into a tripartite contract between the board, the architect, and the authority for the design of the project; (2) the president and secretary to enter into a contract to lease the facilities to be provided by the authority; (3) the president and secretary to enter into a lease upon completion of the project (contract forms for 1, 2, and 3 above are provided by the authority); (4) the transfer to the authority of title to real estate on which the project will be located if owned by the district. (5) If not owned by the district, a resolution to the effect that the amount to be paid for the site is correct, just, and acceptable to the board and compares favorably with prices for similar sites in the immediate locality; (6) a member or members of the board authorized to approve the architect's plans and specifications for the board; (7) a member of the board authorized to act for the board on questions which might arise during construction and to attend meetings between contractors, architect, and authority.

While the above procedures are required if the district is to enter into an agreement with the authority, it should be noted if that agreement has been entered into, there are no specific requirements which the district must meet in order to participate in the funds made available by the State to assist in meeting the rental costs.

12. Procedures used in determining district need.—The need for additional or new facilities to be provided by the authority is to be determined through plans developed cooperatively by local, county, and State school authorities. Detailed information as to need must be furnished by the local district to be reviewed by the department of public instruction and by the authority. The department of public instruction must give specific written approval to the project after reviewing it before a contract can be executed between the authority and the school district.

In determining the extent to which districts that have entered into an agreement with the authority will have the rental costs paid by the State, a formula is applied. This involves multiplying the district's standard reimbursement fraction by half and by the annual rental charge as fixed by the State public school building authority. The standard reimbursement fraction of each local district is computed by subtracting from the amount guaranteed per teaching unit for the minimum foundation program the yield of a 4-mill tax multiplied by the market value of real property per teaching unit divided by the amount guaranteed per teaching unit. It should be noted that for wealthy districts this fraction for determining reimbursement for rental costs may be zero.

13. Local effort required.—The opportunity to enter into a contract with the authority for the erection of a school project is open to all districts in the State. If the district wishes, it may provide some part of the cost directly and thus reduce the rental payments which it must make. There is no requirement that the local district must be indebted or must be unable to carry forward a building project on its own borrowing power. However, it is likely that many districts will be able to finance a project directly at a lower interest rate than that charged by the authority and there is little reason to believe that districts would have turned to the authority as established in 1947 unless unable to carry through a project on their own. This situation may be changed by the act of 1949 providing that the State shall reimburse school districts for a part of the rental costs for buildings provided by the authority.

The act provides that the district must agree to pay the amount of the annual rental which is determined by multiplying the total cost of the project which is financed through the authority by 0.05413. In addition to meeting this rental cost the district also assumes the cost of operation, maintenance, and insurance of the facilities throughout the period

of the lease. The provision in 1949 for the State to assume a part of the rental costs of all districts entering into contract with the authority has reduced the local effort which will be required to meet rental costs. This reduction is quite large for the poorer districts and relatively small for wealthier districts.

14. *Determining the amount of State funds for individual districts.*—The authority provided whatever funds are necessary to carry through a project beyond the part of the cost of the project which is provided by the local district. The amount of State funds for rental costs is determined by the application of a formula as outlined in "12."

15. *When funds apportioned.*—The authority apportions no State funds to local districts for capital outlay projects, but rather it enters into contracts providing for the construction of facilities which are then leased to the school district. The authority in accordance with contracts entered into makes payments for these projects after they have been approved by the State public school employees retirement fund, if it is purchasing the bonds for the project, or as soon as bonds have been sold by the authority. The part of the rental which is paid by the State is paid annually to the school districts by the commonwealth.

16. *District use of funds.*—The authority may enter into a contract for the purpose of the purchase and improvement of sites, construction of new buildings, construction of additions and renovation of existing facilities, furniture, and movable equipment, payment of architects' and consultants' fees. The authority is authorized to make payments for all essential expenditures for making a school facility ready for use. Payments by the commonwealth of a part of the rental charge due the authority from a local district are made only for the purpose of aiding in meeting the rental costs.

17. *Repayment provisions.*—The local district is required to pay the authority through the rental charges the total cost of the work done except for administrative expenses of the authority itself. These rental payments provide for the amortization of the loan in full in a period not to exceed 40 years. While the general assembly in 1949 provided for State participation in the payment of rental costs, this does not affect the contractual obligation of the local district to make repayment in full to the authority.

18. *How program operates.*—This program was provided by the State to make it possible for school districts to have needed buildings and equipment regardless of local borrowing power. However, it requires that the district give evidence of being able to pay rental charges for buildings erected. Under this program local districts in need of housing may apply to the State public school building authority.

If the application is approved by the State department of public instruction and by the authority, bonds are sold by the authority and the necessary facilities are constructed by it in accordance with plans and specifications developed by an architect selected by the district. The district pays an annual rental for a term not to exceed 40 years. The district pays the cost of maintenance, operation, and insurance on the facilities provided. The authority wishes to render its services and provide facilities at a cost not in excess of that which would have been incurred by the school district if the project had been undertaken by the district itself.

19. *Local taxing and financial leeway.*—Local districts receive revenue from property taxes based on assessed valuation as follows: Districts of the first class, maximum, 11.7 mills; districts of the second class, maximum, 20 mills; districts of the third and fourth classes, maximum, 25 mills. Districts may exceed such maxima if it is necessary to do so in order to provide services which statute mandates. In addition to property taxes, districts of the second, third, and fourth classes may levy taxes of any type provided that the object of the tax is not already subject to taxation by the State and that it does not violate constitutional provisions.

The local district has leeway in determining the portion of funds derived from State and local sources which are to be applied to capital outlay and current expenses, respectively, except that it must meet such costs as mandated salary levels. The program of capital outlay financing outlined here does not interfere with local taxing and financial leeway except to the degree which the rental charge becomes an annual cost for which provision must be made. The participation of the State in meeting the rental costs since 1949 should serve to increase local financial leeway of districts which have entered into a contract with the authority.

20. Local bonding provisions and leeway.—Local school districts may issue serial bonds for capital outlay purposes. The first-class districts are limited to 2 percent of the assessed valuation; in other districts the limit is 2 percent of assessed valuation without approval of the people, that is, by action of the board of education, and 7 percent upon vote of the people. Authorization to issue bonds must be approved by a majority of those voting on the question in an election.

The local bonding leeway of a district is not interfered with in any way by the entrance of that local district into a contract with the authority for the erection of school buildings. The effect of the authority plan outlined herein is thus to increase greatly the ability of a local district to secure housing facilities provided only that it can give assurance of being able to meet the rental costs for such provisions.

TENNESSEE

1. Name of fund.—State capital outlay fund; also to a limited extent, certain residues of the State foundation program fund.

2. Legal references.—Section 20, section 18, and to a limited extent, certain other sections of chapter 9, Public Acts of 1949; also, rules and regulations of the State board of education.

3. When established.—This fund was established in 1949. It replaces an earlier and somewhat similar fund established in 1947.

4. Amount of fund.—The annual appropriation for the State capital outlay fund is \$6,300,000. Any part of the fund distributed to equalization county, city, and special school districts for "other current expenses" may be used for capital outlay or debt service purposes in any of these administrative units with the approval of the State commissioner of education. However, little if any of this portion is being used or is likely to be used for capital outlay purposes.

If there is any undistributed portion of the State fund remaining after all obligations have been met on the basis of the distribution formula, this may also be distributed at the discretion of the governor for capital outlay purposes. However, there has been no undistributed portion thus far and is not likely to be.

Counties and districts are not required to provide any local funds as a basis for participating in the State capital outlay fund, but must raise local money, as explained below, for participation in the State foundation program fund.

5. Expiration date.—The funds from State sources are continuing annual appropriations without any expiration date.

6. Kind of fund.—The State capital outlay fund is a special-purpose, equalizing grant.

7. Source of fund.—The State appropriations for schools, including the appropriations for capital outlay, are paid from the State general fund, but actually the proceeds of certain taxes earmarked for schools are used first (80 percent of the 2 percent sales tax, and tobacco tax) to pay the appropriation. The balance (about \$10,500,000 for 1949-50) is paid from the general fund.

8. *Percent and kind of districts participating.*—The school districts in Tennessee are classified for the foundation school program as equalizing counties (that is, counties including the cities and special districts in these counties which meet the requirements and conditions prescribed by law to participate in the State equalizing funds) and the nonequalizing counties, cities, and special school districts (that is 5 of the 95 counties, including the 4 large-city counties, and several independent cities in the State which receive greater benefit from participation in the general aid portion of the foundation program than in the equalizing portion; also any school district that does not meet the requirements for participation in the equalizing fund). All of the counties and, through them, all the school districts in the State participate in the State fund for capital outlay purposes.

9. *State plan for administration of fund.*—The State board of education is charged with the responsibility of prescribing rules and regulations for administering the entire fund and program. The responsibility for the actual administration is vested in the State commissioner of education. Amounts to be apportioned to the various districts are determined by the State commissioner of education on the basis of the formula prescribed by law and rules and regulations of the State board of education, and the funds are apportioned on his certification by the State director of accounts to the counties.

10. *State requirements to be met.*—There are no requirements to be met by any of the counties, cities, or special school districts for participation in the State capital outlay fund, but certain requirements must be met in connection with the use of the fund as explained later. The equalizing counties, including the city and special school districts in those counties, must meet the following requirements as a basis for participating in the equalizing part of the foundation program fund and as a basis for making application for the use of any portion of that fund for capital outlay:

a. Raise the local funds required for participation in the program as explained under 13 below. City and special school districts in any such county must raise and expend annually for the current operation of their schools an amount of money in addition to the amount required to be raised by the county which is at least equal to the proceeds of a 15 cent tax on each \$100 of taxable property in the district for the year 1948.

b. Pay salaries to teachers, principals, and other school employees at least equal to those prescribed by the State salary schedule.

c. Have only one tax levy and fund for the support of schools rather than separate levies for elementary and secondary schools, or for other specific school purposes.

d. Operate all schools for a term of at least 9 months or 175 days.

e. Apportion funds to city and special school districts in the county on the basis of the formula prescribed by law.

f. Elect teachers, principals, and other school personnel by May 1 and file with the State department of education by June 1 a report giving the required information on which salary needs are to be computed.

g. File with the State department of education by the designated dates, copies of the budgets and annual financial reports.

h. Individual schools are required to operate for a minimum of 7 clock hours per day, to include in the school program courses prescribed by the State board, and to employ only teachers and principals who hold Tennessee teachers' certificates.

11. *Procedures to be used by districts in qualifying.*—All county, city, and special school districts in the State participate in the State capital outlay fund automatically and do not have to make any special application. All equalizing counties and the city and special school districts in those counties which have met the requirements for partici-

patron in the equalizing portion of the foundation program fund are eligible to make application for use of any part of the transportation or current expense portion of the fund for capital outlay purposes, and this application must be approved in writing by the State commissioner of education before any of these funds can be so used.

12. *Procedures used in determining district need.*—The need of counties for capital outlay funds is presumed to be proportionate to the ratio between the total true valuation of property in the State and the total true valuation of the property in the county. The need of city and special districts in the county for capital outlay funds is presumed to be proportionate to the allowed number of teaching positions as related to the total number in the county, including the cities and special districts. The need for equalizing counties to use portions of the foundation program fund for capital outlay is presumed to be shown by an application filed with the State commissioner of education. The measures of need are thus indirect rather than direct.

13. *Local effort required.*—No local effort is required or prescribed for county, city or special school districts for participating in the State capital outlay fund. Equalizing counties which participate in the foundation program fund, whether or not they make application for use of any portion of this fund for capital outlay purposes, are required to make a prescribed local effort which is determined as follows:

a. The State board of education calculates for each county its portion of the total assessed valuation of property in the State as set forth in the tax aggregate for the year 1946, with such corrections as may be made at the discretion of the State board of education to reflect property equivalent valuations for funds received for such purposes from the Federal Government.

b. The State board of education calculates for each county its percent of the total estimated true valuation of property in the State.

c. The State board of education adds for each county its percent of the total assessed valuation of the State as calculated in "a" above and its percent of the estimated true valuation of the property in the State as calculated in "b" above and divides the sum of these percents by 2. The resultant quotient is considered the "average index of financial ability" of each county which is used in determining the local support toward the foundation program.

The State board then determines the amount which each county must raise to apply toward the support of the foundation program by multiplying this average index of financial ability of the county by \$19,500,000 which is the total amount which must be raised from county funds in the State. However, no county during the present biennium is required to raise more money locally for school purposes than it raised locally during the school year 1946-47.

14. *Determining the amount of State funds for individual districts.*—The amount of State capital outlay funds apportioned to each county, including the city and special school districts in the county, is determined by the ratio between the estimated true value of property per pupil in average daily attendance in 1947-48 in grades 1 to 12 in the State and the estimated true valuation of property per pupil in average daily attendance during that year in grades 1 to 12 in the county. This ratio is applied to the total State capital outlay fund amounting to \$6,300,000 each year to determine the amount to be apportioned to each county. No local funds are required to be subtracted.

The amount of the foundation program funds to be apportioned to each equalizing county is determined by subtracting the local required contribution, calculated as explained above, from the total cost of the foundation program for the county, including the city and special school districts in the county. While city and special school districts are required to raise an amount equal to a levy of 15 cents on each \$100 of taxable

property in the city or district for the year 1948, this amount is not subtracted in determining the State funds to be provided.

As a means of encouraging the consolidation of small schools, the State commissioner of education is authorized to allocate funds to any county, city, or special school district in which such consolidation occurs, in the amount of \$500 per teaching position maintained in the schools at the time they are transferred to the larger center. This is provided for 1 year only and may be used for capital outlay or other purposes at the discretion of the district.

15. *When funds apportioned.*—Apportionments for the State capital outlay fund are made in two installments—one by January 15 and the other by April 15 of each year. The foundation program fund is apportioned as follows: Approximately one-third of the estimated total for the school year or before August 15; approximately one-third on or before November 15; approximately two-ninths on or before February 15; the balance due is apportioned after all records required by the State commissioner have been filed with him and the remaining amount due has been calculated.

16. *District use of funds.*—Capital outlay funds from State sources may be used for the purchase and improvement of school sites, the construction of school buildings, the major repairs of buildings, the purchase of equipment for buildings, the purchase of pupil transportation equipment, and for the payment of principal and interest on any bonds or other form of indebtedness of a capital outlay nature issued by the district for school purposes since July 1, 1947; and, in the discretion of the quarterly county court, for the operation of privately owned pupil transportation equipment on a contract basis.

Equalizing counties, cities, and districts may use portions of the foundation program fund for the same purposes if their application for such use is approved by the State commissioner of education. However, neither State capital outlay nor foundation program funds may be used for new buildings in these counties except at centers where the sites and the buildings constructed conform to rather detailed minimum standards prescribed by the State board of education.

17. *Repayment provisions.*—The State capital outlay and State foundation program funds are provided as grants, and no provision is made for repayment of any part of these funds by the county, city, or special districts unless funds have been apportioned in error or parts of the fund have been used for purposes not authorized by law.

18. *How program operates.*—The State capital outlay fund is apportioned to counties on the basis of a formula prescribed by law, that is, the ratio between the estimated true valuation of property or pupils in average daily attendance in grades 1 through 12 and estimated true valuation of property per pupil in average daily attendance in 1947-48 in grades 1 through 12 in the county multiplied by \$6,300,000. These funds are paid to the county trustees and are required to be apportioned between the county and any city and special school districts in the county which are operating schools, on the basis of number of teacher positions allowed and maintained in grades 1 through 12 during the preceding school year in such county and in the respective cities and special school districts in the county. Thus, the funds are apportioned to counties on the basis of the ratio of estimated true valuation of property in the State and in the county, and are then distributed within the county on the basis of the ratio of teaching positions allowed in the cities, special districts, and in the county. The apportionment is made twice each year and funds may be used for the purposes authorized by law.

The foundation program funds are likewise apportioned to equalizing counties on the basis of a formula prescribed by law for such apportionment. The amount made available to each county is the difference between the total allowable cost of the program and the

amount to be provided from the required local effort. These funds in turn are apportioned by the county, to the county schools, the cities, and the special school districts in the county on the basis of the following formula:

a. All local school funds raised or collected by the county are apportioned by the county trustee on the basis of the average daily attendance maintained in grades 1 through 12 during the preceding school year by the county, the city, and special school districts in the county.

b. The amount of State equalizing funds to be distributed is determined by subtracting the amount of the pro rata share of the county, the city, and special school districts therein of local funds required to be contributed by the county, from the total cost of the foundation program in the county, the city, or the special school districts. These funds are distributed four times a year and portions may be used for capital outlay only when application is made to the State commissioner of education for such use and approved by him in writing.

19. *Local taxing and financial leeway.*—Approximately 75 percent of the local school funds are derived from county sources. Most of these funds come from the general property tax. Counties and school districts are fiscally dependent on the county court or the city council, as the case may be, which must determine the levies to be made. In nonequalizing countries local levies for schools may be used for capital outlay or current expense purposes, as the district chooses. In equalizing counties any amount raised in excess of the required local contribution to the foundation program fund, and in equalization cities and districts in those counties, any amount raised in excess of the required 51 cents levy per \$100 on assessed property, is unrestricted and may be used for capital outlay or other purposes at the discretion of the local officials.

20. *Local bonding provisions and leeway.*—The law provides that counties may issue serial bonds up to 10 percent of the assessed valuation of the district. Bonds may not be issued for more than 25 years. Bond issues in cities must be authorized by the State legislature. There are no requirements that school districts provide local funds from the sale of bonds to participate in the State capital outlay fund or the foundation program fund. Each county or district, therefore, may use all or part of its bonding capacity entirely as local leeway to finance its school plant program.

VERMONT

1. *Name of fund.*—Standardization of schools fund; community schoolhouse fund.

2. *Legal references.*—No. 30, Acts of 1931; No. 32, Acts of 1947; section 4410, Vermont Statutes, 1947.

3. *When established.*—The standardization of schools fund was established in 1921 and the community schoolhouse fund was established in 1931.

4. *Amount of fund.*—Approximately \$10,000 are available in the standardization of schools fund and approximately \$3,000 are available in the community schoolhouse fund.

5. *Expiration date.*—These are continuing funds with the amount to be appropriated for each determined every 2 years by the legislature.

6. *Kind of fund.*—These are special-purpose flat-grant funds.

7. *Source of fund.*—The State funds are appropriated from the State general fund. Local funds for capital outlay are provided from general property taxes, poll taxes, and from the sale of school district bonds.

8. *Percent and kind of districts participating.*—Only districts having one or two-teacher schools participate in these State funds. During the 1949-50 school year 215 school districts were eligible for aid from the funds, but only 82 districts received aid.

9. *State plan for administration of fund.*—The State board of education has the responsibility of administration of the State funds. Apportionments to the districts are expended under the direction of the local school boards. Apportionments are made by the State auditor of accounts with warrants certified by the State board of education.

10. *State requirements to be met.*—The projects must be approved by the State board of education, and details of proposed improvements must be submitted to the State board prior to making the improvements before a district may receive apportionments.

11. *Procedures to be used by districts in qualifying.*—The districts must prepare a detailed statement of the proposed improvement and submit it to the State department of education for approval prior to doing the work.

12. *Procedures used in determining district need.*—State aid is determined in light of information submitted by the rural districts on required application forms. The aid is available to all rural districts which qualify until the appropriated funds are exhausted.

13. *Local efforts required.*—To participate in each fund the district must spend from local funds an amount equal to the State apportionment. For the community fund it is necessary for the local expenditures to be provided from sources other than receipts from taxation. The standardization fund may be used to match local funds raised from taxation.

14. *Determining the amount of State funds for individual districts.*—A district cannot receive more than \$100 per year from the community schoolhouse fund. The number of districts which may be aided is determined by the appropriation. The law specifies that money furnished by the State must be matched with local funds with a maximum of \$100 being furnished by the State. A community spending an amount less than \$100 receives a similar amount from the State which is also less than the \$100 maximum. Districts participating in the standardization of schools fund receive \$1 for each dollar provided locally up to a maximum amount determined by the limits of the fund and the number of receipted bills filed for approved projects.

15. *When funds apportioned.*—Apportionments are made from both the community schoolhouse fund and the standardization of schools fund when the receipted bills for the expenditures are filed for approved projects.

16. *District use of funds.*—The State and local funds are used for the purpose of furnishing and improving rural school buildings or school grounds.

17. *Repayment provisions.*—These funds are grants with no repayment required.

18. *How program operates.*—The State has provided two separate funds to be used for the improvement and furnishing of rural school buildings and grounds. The amount a district may receive is extremely restricted and must be matched dollar for dollar from local funds. Districts participate in the State funds by submitting applications which must be approved by the proper State agencies.

19. *Local taxing and financial leeway.*—Practically all the local school funds come from the general property tax or the poll tax. Such tax levies as are necessary may be certified by the school board and do not need to be approved by a vote of the people.

20. *Local bonding provisions and leeway.*—School districts may provide funds from bond issues limited to 10 percent of the assessed valuation of the district. The maximum time limit for payment of bonds is 20 years. The use of the bond revenue is unrestricted by the State. When a town school district finds it necessary to bond for public improvements beyond the debt limit as mentioned above, it is necessary to secure special permission from the legislature.

VIRGINIA

1. *Name of fund.*—The State department of education refers to the appropriation as constituting the *School Construction Fund*. Another State fund, the literary fund still continues to make loans for construction purposes.

2. *Legal references.*—The program of State aid for public-school buildings was provided by House Bill No. 96, approved February 11, 1950, which became chapter 14, 1950, Acts of the Virginia General Assembly.

3. *When established.*—This fund was established on February 11, 1950.

4. *Amount of fund.*—House Bill No. 96 appropriated from the general funds of the State treasury the sum of \$45,000,000. Of this amount, the sum of \$30,000,000 is available for immediate allocation and the remaining \$15,000,000 is for the fiscal year from July 1, 1951, to June 30, 1952. Ten percent of the appropriations, or \$4,500,000, are reserved for an equalization fund.

5. *Expiration date.*—Operations under the act would stop on June 30, 1952. However, there is a provision that funds allocated to a county or city according to the act and not needed for a building program or for debt service, would be held in trust by the State until such time as further school construction may become necessary.

6. *Kind of fund.*—The State fund for schoolhouse construction is considered to be a special-purpose flat grant except for the 10 percent which would be a special-purpose equalization fund. Funds are for the purpose of meeting an emergency need for school construction caused by a cessation of building during the war and by an increase in school population.

7. *Source of fund.*—The appropriation was made from "general funds of the State treasury."

8. *Percent and kind of districts participating.*—The fund is provided by the general assembly to assist all of the counties and cities in the construction of school buildings. This includes 100 percent of the school districts of the State.

9. *State plan for administration of fund.*—The school construction fund is administered by the State department of education. Detailed procedures have been mimeographed and transmitted to all school districts.

10. *State requirements to be met.*—In order to participate in the State distribution of funds for capital outlay local school districts are required to observe the following procedure:

- a. Submit to the State department of education a well-planned school construction program projected after careful study.
- b. Certify by board resolution that all school construction needs have been met if the board wishes to use the funds for the payment of indebtedness.
- c. Use the State-prescribed forms in requesting funds for construction or for debt service.
- d. The school board and the treasurer or other officer vested with the authority for the receipt, custody, and disbursement of funds should set up on their books a new fund entitled "School Building Construction Fund." The school board and the above-mentioned officer should account through this fund for all receipts and expenditures in connection with the school building construction program.

11. *Procedures to be used by districts in qualifying.*—To qualify for State funds local school districts are required to submit a school building program which includes plans for new construction. They must also prepare an application for funds according to the procedure announced by the State department of education.

12. *Procedures used in determining district need.*—For the flat-grant portion of the State funds for school construction the need is determined by the number of pupils and the allotment is fixed in proportion to the enrollment.

The need for equalization funds is considered to be \$600 per elementary pupil plus \$800 per secondary school student, less any funds allocated by other parts of the act.

13. *Local effort required.*—State funds for construction or debt retirement are distributed without any requirement on local effort.

14. *Determining the amounts of State funds for individual districts.*—Of the amounts appropriated, 90 percent shall be allocated among the counties and cities of the commonwealth on the basis of the actual enrollment of school children of school age, not including those attending kindergarten, existing in the public-school system of the several counties and cities on December 1, 1949, in the case of the first 30 million dollars hereby appropriated and on December 1, 1950, as to the 15 million dollars appropriated for the fiscal year beginning July 1, 1951, the share of each county and city to be in the same ratio which the actual school enrollment therein bears to the total school enrollment in the State.

Of the amounts appropriated 10 percent less such amount as is expended for buildings and equipment for aiding the development of vocational education as provided in paragraph 6 of this act, shall constitute an equalization fund to be made available to those counties and cities where the need is greater and in which a reasonable effort has been made by the local authorities to meet their own needs. The equalization funds herein provided for shall be distributed on the basis of \$600 per pupil in actual elementary enrollment and \$800 per pupil in actual secondary enrollment for whom the State board of education is satisfied that new construction is needed, less any funds allocated to the county or city under paragraph 2 of this act.

15. *When funds apportioned.*—The portion of State aid for school construction which is based upon enrollment is allocated to the local school districts according to an allocation plan prepared immediately after enactment. Additional amounts are apportioned on the basis of the applications. Actual distributions to funds are to be made following the receipt of Form SCF No. 3, the Requisition for Payment from State School Construction Fund. Equalization funds are allocated along with flat-grant funds.

Upon request of the county or city school board on forms to be prescribed and furnished by the State board of education, State funds may be applied to payment of temporary loans, the proceeds of which were expended for the construction of, or additions to, new public-school buildings.

State funds to be distributed during the second year of the biennium may be used to repay short-term loans made by the county or city school board to secure funds to supplement the funds allotted during the first year to be used for school construction; State funds to be distributed during the second year of the biennium may also be used to repay literary fund notes or bonds provided such notes or bonds were signed subsequent to the application for such State funds made available under this act, and provided further, that the locality at the time it makes application for funds the first year fully advises the State Board of Education of the procedure being adopted.

If a county or city, which the State board of education finds has met its school construction needs as defined by the act and in accordance with these regulations, has no existing school building indebtedness, the State board of education shall hold in trust the funds to which such county or city may be entitled until such time as further school construction may become necessary. Each county or city shall furnish such information as may be necessary on forms prescribed and furnished by the State board of education.

16. *District use of funds.*—Money received from the State school construction fund can be used only for the construction of buildings, addition, and for the repayment of

debt incurred in the construction of building. It cannot be used for purchasing sites and equipment.

17. *Repayment provisions.*—There are no provisions for the repayment to the State of any portion of the funds granted for school construction or for debt service.

18. *How program operates.*—In the operation of the program the State and local school districts observe the following steps:

a. Submit report of actual enrollment as of December 1, 1949, for the distribution of 90 percent of \$30,000,000, and submit report of actual enrollment as of December 1, 1950, for the distribution of 90 percent of \$15,000,000.

b. Submit four-year program for school construction.

c. After approval of four-year program, submit application for specific projects accompanied by plans and specifications.

d. After approval of application for specific projects, certified copy of contract, performance bond, and insurance policy should be submitted.

e. Upon the completion of requirements under (d), first installment will be sent to local treasurer.

f. Installment payments will be made on the basis of construction progress in the ratio of State participation to the total cost of the specific project.

19. *Local taxing and financial leeway.*—All school taxes are levied by the board of supervisors in the county, and by the city council in the city. Under the law, not more than \$3 per \$100-of assessed valuation may be levied for operation and an additional \$2.50 per \$100 of assessed valuation may be levied for current capital outlay for schools. Levies for debt service may be voted in addition to the above-mentioned rates. However, the bonded indebtedness in cities and towns is limited to 18 percent of assessed valuation.

20. *Local bonding provisions and leeway.*—School bonds may be issued only for capital outlay purposes. In cities, all bond issues, including school bond issues, are limited to 18 percent of the assessed valuation. In counties, there is no prescribed limit. The maximum time limit for payment of bond is 30 years. Serial bonds are not required. School bonds may be sold on a fixed interest basis or a yield basis.

All bonds are required to be approved at a special election by vote of a majority of the qualified electors who participate in the election. Since no bonds are pledged for participation in the school construction fund, the entire bonding capacity may be considered as local leeway. Loans obtained from the literary fund do not require a vote of the people.

WASHINGTON

1. *Name of fund.*—State funds for assisting local school districts with the construction of school buildings are appropriated from the State general fund.

2. *Legal references.*—Chapter 278, Laws of Washington, 1947.

3. *When established.*—First established on a limited basis in 1941 and on a full operating basis in 1947.

4. *Amount of fund.*—The School Building Aid Law, in section 9, appropriated \$20,000,000 to the State board of education for school construction purposes in 1947. In November 1950, the electors approved a State bond issue of \$40,000,000 to provide State aid for school buildings. For the State as a whole, the total amount provided from local district revenues is approximately equal to the amount provided from State funds.

5. *Expiration date.*—The State law providing aid for school construction is presumed to be permanent and appropriations are made biennially. All funds which have been appropriated to date have been used, but this does not include the \$40,000,000 from the State bond issues which has recently been voted.

6. *Kind of fund.*—The State aid for school buildings is considered to be a special-purpose equalization fund. No special or separate fund is provided, but all payments are made from funds appropriated by the legislature from general funds.

7. *Source of fund.*—Income sources for the school building aid are primarily sales taxes, business and occupation taxes, and liquor taxes. Appropriations are made from the State general fund. With the approval of the State bond issue in November 1950, the issuance of State bonds will provide another source of revenue for school building aid to the local school districts.

8. *Percent and kind of districts participating.*—All districts in the State which make application and which meet the requirements prescribed by the State board of education can participate in these funds. However, only those which have provided the required local funds and have shown that the construction is urgently needed have been assisted by the State. To the present time, approximately 20 percent of the local districts have participated.

9. *State plan for administration of fund.*—The State board of education is charged by law with the responsibility for prescribing necessary rules and regulations for administering this entire fund and program. Actual administration is the responsibility of the State superintendent of public instruction and the State department of education. No other State agency has any responsibility for the administration of any part of this program except that the funds are actually distributed by warrants of the State auditor upon certification and authorization of the State superintendent.

10. *State Requirements to be met.*—Allotments of State funds are made subject to the following conditions:

a. Local funds for financing the school district's share of the project must be made available, and only such local funds as are derived from excess tax levies and from bond issues to be serviced by excess levies are considered matchable under the statutory formula. This avoids diversion of current expense funds to school building purposes.

b. The school district must have an unlimited title to the site upon which a school plant is constructed.

c. Upon approval of a grant by State authorities, the board of directors of the grantee district must proceed promptly with the preparation of construction plans and the beginning of construction.

d. A State assistance grant must be used exclusively for financing the specific project for which the grant was made and no additional costs connected therewith can be obligated by the authorities of the grantee district, unless otherwise authorized in writing by the State board.

e. To participate, a local district must pledge proceeds from bond issues representing 2.5 percent of the equalized valuation. However, it may include the full 5 percent toward the cost of the building if it chooses.

11. *Procedures to be used by districts in qualifying.*—In addition to meeting the requirements explained above, each school district is required to take the following steps:

a. Prepare preliminary construction plans within the limit of funds available (as computed by the State superintendent) and submit the plans to the State superintendent's office for examination and approval. Along with such plans the district authorities must submit a formal application for State assistance, which application must contain an estimate of costs and indicate a plan for financing the project in conformity with the percentage relationship as determined by law.

b. After a commitment of State funds has been made, prepare final plans and specifications and submit them to the State superintendent for approval. Upon

approval of such plans the local board of school directors calls for bids on the building project.

c. Tabulate all bids received and submit a summary of the total cost of the project to the State superintendent, along with recommendations of the board of directors of the district respecting the awarding of a contract or contracts. Authorization to the board of directors to award a contract or contracts is then given by the State superintendent.

12. Procedures used in determining district need.—Need is determined in accordance with school plant load, which is based on the number of educational units within the State, the number of certificated employees, including teachers and professional administrators and supervisory personnel. Thus a school district with 200 educational units has approximately twice the school plant load of a school district with 100 educational units. The load factor is adjusted to give "extra weight" for additional units constituting a sudden increase over the previous year.

Since appropriations currently available are not sufficient to "match" all local funds, projects for State assistance are approved on the basis of relative urgency of need. Conditions governing the determination of urgency are:

a. Facilities have been destroyed by fire or are definitely known to be hazardous to the health and safety of children, provided that the pupils affected cannot be housed elsewhere without overcrowding or undue inconvenience.

b. Crowded conditions prevail as evidenced by the use of regular classroom purposes of unsatisfactory basement, attic, or corridor space, rented quarters, and the like.

c. Improvement of service systems is necessary in connection with the construction, particularly improvement in water supply, sewer and heating systems, and plumbing and sanitary facilities essential to the health and comfort of children.

d. Necessary special-purpose facilities are entirely lacking or extremely inadequate. Among the facilities in this category are lunchrooms, health units, and laboratory and shop facilities in districts where drastic curtailment or elimination of an established service has been necessary because of lack of space.

e. Proposed facilities conform to reasonable standards respecting the number and capacity of dimensions of classrooms, special-purpose and auxiliary facilities, and installations in relation to the school population to be served.

13. Local effort required.—The equalized assessed valuations have been adopted as the measure of fiscal capacity. Assessments are made by locally elected county assessors and practices are not uniform from county to county. The valuations are therefore equalized by the State tax commission and the equalized valuations are used in the school building aid formula. The total State assessed valuation in 1949 was approximately 1,600,000,000 and there were in the schools of the State about 12,398 educational units (certificated employees). Accordingly, the amount that the average school district can raise by a maximum bond issue is about 5 percent of the assessed valuation, or approximately \$95,465 per educational unit.

The amount of bonds voted locally does not need to reach this 5 percent. School districts are required to vote only a sufficient amount to provide the local share. The State guarantees \$5,000 per classroom when 2.5 percent of the bonding capacity is used. The other 2.5 percent may be used toward the cost of the building, but the State does not provide additional matching funds for that additional 2.5 percent.

14. Determining the amount of State funds for individual districts.—State assistance for school building purposes is provided to all applying school districts in the State for approved projects on the basis of the following formula:

(200,000 times number of educational units) minus valuation
 (200,000 times number of educational units) plus valuation

Actually the formula is not set forth in the law but a table of figures calculated upon the basis of the formula is included in the statutes. This table is as follows:

<i>Ratio of equalized assessed valuation to number of educational units</i>	<i>Percent of State assistance</i>
\$28,570 or less to 1.....	75.0
\$30,000 to 1.....	73.9
\$35,000 to 1.....	70.2
\$40,000 to 1.....	66.7
\$45,000 to 1.....	63.3
\$50,000 to 1.....	60.0
\$55,000 to 1.....	36.9
\$60,000 to 1.....	53.8
\$65,000 to 1.....	50.9
\$70,000 to 1.....	48.1
\$75,000 to 1.....	45.5
\$80,000 to 1.....	42.9
\$85,000 to 1.....	40.4
\$90,000 to 1.....	37.9
\$95,000 to 1.....	35.6
\$100,000 to 1.....	33.3
\$105,000 to 1.....	31.1
\$110,000 to 1.....	29.0
\$115,000 to 1.....	27.0
\$120,000 or more to 1.....	25.0

The law provides for additional assistance if the increase in school population has been abnormal, but in no case may the State assistance be less than 25 percent or more than 75 percent of the total cost of the project.

15. *When funds apportioned.*—Allocations are made as projects are approved and allocated funds are disbursed upon the basis of claims for work completed on the project.

16. *District use of funds.*—Funds allocated by the State to a local school district for school buildings must be used for capital outlay purposes on the approved project. These purposes may include the cost of the site, construction, and equipment.

17. *Repayment provisions.*—State funds allowed to local school districts for school construction are grants and there are no provisions for repayment to the State.

18. *How program operates.*—The formula for State school building aid gives the State percentage necessary to guarantee every school district \$5,000 per educational unit plus half of a local contribution of 5 percent of its assessed valuation to a school building project. Half of this local contribution will be equalized to produce \$5,000 per classroom unit and the other half of the local contribution is unequalized local leeway and will be available in addition to the guaranteed minimum of \$5,000 per classroom.

It is obvious that \$5,000 per classroom is not sufficient to build a modern school building. However, a local school system normally does not replace the entire school plant at one time, and additional funds may be obtained by special levies which are also "matched." The computed percentage is the essential part of the formula and any amount of local contribution is "matched" in accordance with the computed percentage rate provided the proposed school building project is not regarded as extravagant or unnecessary in terms of State school building standards. It is these features that give the program flexibility for meeting emergency capital outlay needs when they occur. Special tax effort over and above the regular current expense levy is required as a local contribution.

The inclusion of the 25 percent and 75 percent minimum and maximum rates of State contribution shows a desire of the State legislature to give some State aid to all school districts and to avoid paying virtually the entire cost of a building from State sources in some districts. Most of the school districts which receive only the 25 percent rate are small districts located in wealthy farming areas of the State. The only large district which is affected by the 25 percent minimum is Seattle, which would receive only 20 percent State school building aid if the formula were used without modification. The establishment of minimum and maximum State percentage contributions in the law has only a slight effect upon the distribution of State school building funds.

The balance of any grant remaining after the cost of a project has been paid in full must revert to the unallotted item of the appropriation, becoming subject to reallocation by the State board.

State funds are distributed to local school districts upon the basis of claims filed with the State department of education as the construction progresses.

19. Local taxing and financial leeway.—In levying taxes for school purposes, local school districts are limited by an over-all constitutional property tax limitation of 40 mills and within this over-all limitation the legislature allocates to the various subdivisions the rates which may be levied by them. The school board in a district maintaining elementary and secondary schools is authorized by law to levy 10 mills for school purposes. One-fifth of this amount may be used for capital outlay or to accumulate a capital outlay fund. Levies in excess of 10 mills may be made if such levies are approved by a 60 percent majority of those voting. There are no property qualifications for participating in a school bond or special levy election. Excess levies must be authorized every year. Levies for debt service are in excess of the 10-mill authorization and are levied each year as required. There is no limit on the amount of school levy which may be approved by the electors of any school district.

Extra levies for current expense funds can be used for capital outlay purposes if they are voted for such purposes.

20. Local bonding provisions and leeway.—School building bonds must be of the serial type and are limited to 23 years except in first-class districts where the serial bonds may run as much as 40 years. The total amount of the indebtedness that may be created for school purposes is limited to a maximum of 5 percent of the taxable valuation. A proposition to increase this debt limit to 10 percent was disapproved by the electors in November 1950. Valuations for taxation purposes are required by law to be established by county assessors on the basis of 50 percent of true and fair values. However, in actual practice the assessed valuations fall below this standard in most instances.

Before school bonds may be issued a special election must be held in which 60 percent of the qualified electors participating in the election vote in favor of the bond issue. It is also required that at least 40 percent of the voters from the district participating in the preceding general election must vote in the school bond election.

Districts must use 2.5 percent of their bonding capacity as a condition for receiving State assistance. The remaining 2.5 percent of the bonding capacity is regarded as bonding leeway. It can be used on the same construction toward which the State is making an allowance or it may be used for additional facilities at a later date.

WEST VIRGINIA *

1. *Name of fund.*—State aid for repair and construction of public-school buildings.
2. *Legal references.*—Article 9-3 of chapter 18, of the Code of West Virginia.
3. *When established.*—First established in 1949.

* The 1951 session of the legislature did not make any changes in this plan of State assistance for school construction, but it did fail to appropriate State funds for the next biennium.

4. *Amount of Fund.*—The State has provided \$10,000,000 for the biennium beginning July 1, 1949, and ending June 30, 1951. The amount from local sources to be provided by county boards of education is left to the discretion of those boards.

5. *Expiration date.*—The present appropriation expires June 30, 1951. However, the legislature which will be in session early in 1951, will be asked to appropriate a similar amount for the next biennium.

6. *Kind of fund.*—This fund is not a part of the State foundation school program. It was established as a special-purpose flat-grant and matching fund.

7. *Source of fund.*—The funds for this purpose were appropriated from an accumulated surplus in the State general fund.

8. *Percent and kind of districts participating.*—There are 55 county unit districts in West Virginia. All of these school districts are participating in the fund.

9. *State plan for administration of fund.*—The State board of school finance is charged with the responsibility of administering the fund and program. This board is composed of the State superintendent of schools, the State budget director, and the tax commissioner. The State board of education has no direct responsibility for this program.

10. *State requirements to be met.*—There are no requirements to be met in connection with the flat-grant portion of the fund (\$50,000 per county), so all counties automatically participate in this portion. To be eligible to participate fully in the other portion of the fund, a county board must:

a. Levy the maximum tax rates provided by law for general current expense (2.11 mills on class I property, 4.22 mills on class II property and 8.44 mills on class III and IV property), for the permanent improvement fund (1.5 mills on class I property, 3 mills on class II property, and 6 mills on class III and IV property), and for all necessary debt service (1.5 mills on class I property, 3 mills on class II property, and 6 mills on class III and IV property).

b. Have available for expenditure for school purposes during the year, either from a special levy, or from private endowments and gifts, or from the sale of bonds prior to the effective date of the act, or from funds deposited with the sinking fund commission to the credit of its permanent improvement fund prior to the effective date of the act, or from any combination of these four, an amount equal to funds that would be realized that year from an additional levy of 10 mills on class I property, 20 mills on class II property, and 40 mills on class III and IV property. However, the above requirements are varied when a county has increased its assessed valuation at least 20 percent over the valuation in 1948 or at least 50 percent between the years 1941 and 1951.

11. *Procedures to be used by districts in qualifying.*—Although no formal application for participation is required, all districts which use any of these funds must meet the following conditions:

a. Meet the requirements set forth in item 10.

b. Expend the funds only for the purposes authorized.

c. Keep separate accounts, as prescribed by the State board of school finance, setting forth accurately and in detail the purposes for which the funds were expended and the amount expended for each purpose, and make a report at the end of the year to the board of school finance in such form and detail as may be prescribed by that board.

d. Use funds for purchase of school sites approved by the board of school finance.

e. Use funds for construction or additions totaling more than \$10,000 only after the plans and specifications have been approved by the State board of school finance, or conforming to standards prescribed by law and regulations of the State board of education.

12. *Procedures used in determining district need.*—The law does not prescribe any procedure for determining need, but assumes that need is related to the amount of funds made available to each county under the formula prescribed by law.

13. *Local effort required.*—While each county must be making the maximum local effort authorized by law for support of its schools and provide the additional matching funds required, or must have increased the assessed valuation as a basis for participation in the matching portion of the State funds, these local funds are not required to be used for capital outlay purposes, therefore, no specific local effort to finance the capital outlay program is required.

14. *Determining the amount of State funds for individual districts.*—Each county receives half of 1 percent of the total amount appropriated for the biennium as a flat grant. For the present biennium in which \$10,000,000 was appropriated, this amounts to \$50,000 per county, or a total of \$2,750,000 for the State.

The board of school finance then apportions the remainder of the total appropriation for the biennium (\$7,250,000) among the various counties on the basis of the rate of net enrollment of each county for the fourth month of the preceding school year to the total net enrollment in the State for the same month. In order for the county to receive all or any of this second portion, its eligibility must be established. If a county does not provide sufficient funds or make the levies necessary to participate fully in the matching portion of the fund, it is entitled to a proportionate share of the amount based on the ratio of the sum in hand to the amount which would be required for full participation.

15. *When funds apportioned.*—The flat-grant portion of the fund was allocated (\$50,000 per county) at the beginning of the biennium and was available for payment to county boards and was distributed to all county boards soon after the beginning of the biennium. Half of each county's share of the matching portion of the fund was made available for distribution to eligible counties at the beginning of each year of the biennium. However, the State board of school finance was authorized to release the full amount of the apportionment for the biennium to any county board, on application, from the board, during the first year of the biennium, if the board of school finance was satisfied that all requirements would be met during both years.

16. *District use of funds.*—State school building funds may be used for repair, renovation, or construction of public-school buildings, or for the purchase or preparation of school-building sites. The State board of school finance must approve the use of State school funds on any project on which these funds are to be used.

17. *Repayment provisions.*—This fund operates as a grant and there is no provision for repayment of any part of the fund unless provisions of the law are violated. The board of school finance is authorized to withhold a like amount from any future State capital outlay aid to which the county would otherwise be entitled under the provisions of this article where there are violations. The board may also in its discretion withhold such amount from any future State aid to which the county would otherwise be entitled under any provision of law.

18. *How program operates.*—Under this program every county has received \$50,000 of State funds for capital outlay purposes from the flat-grant portion of the fund provided during the biennium. In addition, 51 counties have received all of their share of the matching part of the fund. This share is determined by multiplying the amount available for apportionment on this basis (\$7,250,000) by the ratio between the net enrollment in the county for the fourth month of the preceding school year by the net enrollment in the State at that time.

While counties must make the local levies prescribed, the local funds may be used for any proper school purpose as determined by the local board. Actually, therefore, the only amount required to be used for capital outlay purposes during the biennium is

the \$10,000,000 provided by the State. Actually, most counties are devoting some local funds to capital outlay and several counties are using a substantial amount of their additional required local funds for this purpose. This entire program at the State level is the responsibility of the State school finance board rather than of the State board of education.

A county which desires to apply a portion of its State capital outlay aid funds toward the later financing of its school building program rather than to spend all of it during the current biennium, may, with the approval of the board of school finance, deposit such portion with the sinking fund commission to the credit of its permanent improvement fund, and withdraw it later when needed.

19. Local taxing and financial leeway.—There is an over-all constitutional tax rate limitation and the legislature allocates levies for schools and for other purposes within this limitation. Maximum rates for current school support for the four classes of property are given under item 10. The proceeds from these levies are used chiefly for support of the current expense portions of the program. Additional school levies up to 50 percent of the established limitation may be authorized for a 3-year period at an election by a 60 percent favorable vote. These may be used for the purpose for which voted, including capital outlay. The additional levies or local funds required for participation in the matching portion of the State fund for repair and construction of school buildings are usually used for capital outlay purposes.

20. Local bonding provisions and leeway.—The State constitution provides that a county board of education may issue bonds for not more than 20 years up to 5 percent of the total assessed valuation of the county. In order for a county to make a levy in the amount sufficient to service these bonds, the voters must, at a special election, approve such bonding by favorable vote of 60 percent or more of the voters participating in the election. However, the constitution also sets the maximum local rates of levy that may be applied to each classification of property. The supreme court some years ago ruled that this maximum levy rate could not be exceeded for any purpose and consequently counties were unable to make levies which would finance a maximum (5 percent of assessed valuation) bond issue.

At the election in November of 1950, the voters of the State passed a school bond amendment which will in effect modify the original constitutional provision. The recent amendment provides that a county may approve levies above the maximum provided by the constitution to enable them to service bonds up to 3 percent of the total assessed valuation of the county. Since county boards are not required to issue bonds of pledge bond funds for participation in the State capital outlay aid funds, each board has all of its bonding capacity as local leeway for the financing of its capital outlay program.

OTHER STATE PROVISIONS

In addition to the 19 State plans described in this bulletin there are 3 other States that from time to time provide some limited State assistance in the financing of capital outlay in one way or another. These are Minnesota, Oklahoma, and Rhode Island. Minnesota does not have any definite aid for capital outlay, but has a provision in its constitution authorizing the permanent school fund to be used as a loan fund at 5 percent interest for school districts. The Minnesota plan does not go beyond this limited indirect form of assistance. Among the States that have State aid funds for capital outlay, Arkansas, North Carolina, and Virginia have also used their permanent funds as loan funds to school districts for construction purposes, and several other States, notably Idaho, have used their permanent funds in part at least for this purpose.

Oklahoma has no State plan for financial assistance for school plant construction, but from time to time in the past has provided "school building disaster" funds for.

specific districts through special legislative act. Under this plan no district was eligible to receive an appropriation more than once and grants were made in very limited amounts as included in the appropriation bill for specific districts that had suffered a disaster. Oklahoma has \$200,000 in a revolving fund which is used on a loan basis to purchase busses for needy school districts.

Rhode Island uses its limited income from the permanent school fund, approximately \$12,000 a year, from time to time to provide aid for school repairs or for surveys in needy districts. However, the fund is so small that the amount of aid even over a period of years has been insignificant.

Several other States, including Kentucky, Louisiana, Michigan, New Hampshire, and Oregon have provisions in their State aid laws that permit districts under certain conditions to use a limited amount of State aid funds for capital outlay purposes. However, the assistance thus authorized is more theoretical than practical because experience has shown that all of the State aid funds provided are needed by districts for current expenses. Thus far few districts in these States have been able to use any of the funds for capital outlay. Several States, either by implication or by direct provision in the State laws such as is found in New Jersey, prevent districts from using any of the State support funds for schools for any capital outlay or debt service purposes.

Thus it will be seen that at present 19 States provide some form of direct State support for capital outlay purposes although the amount provided in a few of these States is still so limited that it has little significance. In addition 3 other States have attempted to provide some limited assistance from time to time either through loans or limited grants. Several States theoretically permit some of the State funds for schools to be used by local districts for capital outlay purposes, but in most instances this has no significance because districts are not in position to use such funds for other than current expense purposes. In most States the laws providing general State aid imply that the funds are to be used for current expense purposes and in a few of them the laws specifically provide that State funds are not to be used for capital outlay or debt service purpose.

LEGISLATION DURING 1951

Footnotes on preceding pages indicate changes enacted by the 1951 legislatures. In addition to these improvements noted for several States the legislatures of Georgia, Indiana, South Carolina, and Utah have enacted new programs of State assistance for schoolhouse construction. It is too early to describe details of administration since they are new but some information about them can be obtained from the new laws.

Georgia State School Building Authority

Numerous attempts have been made by the Georgia Legislature in past years to develop equal and adequate educational facilities and services. The legislature has recently sought the solution to the problem by the establishment of a dual program. The foundation program was established in 1949,¹ becoming effective in 1951. This program is designed primarily to provide adequate current funds for the general operations of the school system and also to provide annually additional funds to be used for capital improvement. In 1951 the legislature created the State school building authority² for the purpose of providing a method for long-term financing

¹ Georgia Laws 1949, p. 1408 ff., as amended.

² Georgia Laws 1951, p. 241-261.

of a large-scale capital improvement program by issuing negotiable revenue bonds without creating an unconstitutional debt either by the State or by a local school unit. The acts establishing the two programs are correlated so that the capital outlay funds provided in the foundation program shall be available to pay part of the principal and interest on revenue bonds issued by the State school building authority.

The State school building authority was created to do two things: First, to build school facilities; and, second, to finance the construction of school facilities over a term of years without creating unconstitutional debt.

Section 4 (5) of the State School Building Authority Act gives the authority power to execute contracts, leases, and all other instruments including contracts for construction. It also gives boards of education authority to enter into agreements with the authority obligating the school districts to continue leases of buildings and to maintain school facilities provided by the authority.

Section 4 (6) gives the authority the power to "construct, erect, own, repair, remodel, maintain, add to, extend, equip, operate, and manage projects, . . . to be located on property owned or leased by the authority, the cost of any such project to be paid in whole or in part from the proceeds of revenue bonds of the authority or from such proceeds and any grant from the United States of America or any agency or instrumentality thereof, or from any other source." Revenue bonds issued by the authority are not regarded as a debt of the State. The faith and credit of the State are not pledged to their repayment. Repayment of the debt is to be made from State appropriations and from payments received from boards of education.

Section 27 gives the authority power to fix rentals and lease payments to be made by boards of education for the use of facilities provided by the authority.

Indiana State School Building Authority

This authority was created as a part of the public-school system by the approval of House Enrolled Act No. 390 passed by the 1951 General Assembly. It is given power to acquire, own, and hold school sites; to construct and equip school buildings on these sites; and to finance these operations through the issuance of bonds and the collection of rentals.

In determining what improvements to make the authority shall take into consideration all recommendations of school building surveys, but it cannot construct any building without first receiving from the State superintendent of public instruction a certification that such building is needed and that the school corporation cannot provide the necessary funds. Land upon which school buildings are to be constructed must be conveyed in fee simple to the authority.

After construction is completed, the building is to be leased to the local school corporation and the rentals used to retire bonds issued by the authority.

South Carolina Support for Capital Outlay

The 1951 legislature approved a significant new plan of State support for capital outlay. For each pupil in average daily attendance \$15 is to be provided annually. This money is to be used for capital outlay at permanent centers. Since the amount to be provided annually will be too limited for much construction to be undertaken within the next few years in most of the local school systems, the legislature has authorized the State board of finance to issue up to \$75,000,000 in bonds, the proceeds of which may be used for advances or loans to local school systems. Funds are to be made available for use at permanent centers in districts which are organized in accordance with criteria proposed in a survey to be conducted under the direction of the county board of education. An application may then be filed for a loan which may not exceed 75 percent of the \$15 allotment per pupil in the district times the number of years for which the loan may be granted, not to exceed 20 years. The proceeds from the \$15 annual allotment may then be used insofar as necessary each year to repay the principal of the loan plus interest at 2½ percent.

Utah Appropriation for Capital Outlay

The 1951 Utah State Legislature appropriated \$2,000,000 of State funds to assist local school districts in the construction of school buildings. These funds are classified as "emergency supplemental State aid." Money will be appropriated by the State board of education to the districts that qualify. Qualification of a district will be determined by a special temporary school building survey commission of three appointed by the Governor from a list prepared by the Utah Legislative Council after consultation with the State board of education. A local district shall be eligible to receive State aid if it demonstrates a need beyond its ability to finance the need locally. A local district must bond to its legal maximum of 10 percent of assessed valuation and levy a tax of either 12 mills for 4 years or 10 mills for 5 years for debt service, capital outlay for sites, and buildings or furnishings.

The building need index for each district qualifying for emergency supplemental building aid shall be determined by dividing the number of full-time teachers, or equivalent, for elementary and high school purposes included in the list of building projects by the total number of full-time teachers, or equivalent, for elementary and high school teaching in the district. In determining the number of teaching units to be included in the dividend of the formula, the number of teachers for any project for remodeling of a building shall be reduced by the same percent that the cost of remodeling the building or buildings is estimated to be of the cost of their replacement with new facilities.

As soon as the building need index for each school district reported by the school building survey commission to be in need of supplemental building aid has been determined by the State board of education, the State board

shall make a list of the need index of all districts qualifying for supplemental building needs, placing the highest index number first and other numbers thereafter in descending order. After thus determining the list of priority needs of the districts, the board shall place each district included in the upper third of the list into a special group known as class I Districts. The board shall then approve the allocation of sufficient funds to each such class I District, which, together with such local school district funds as may be available, as will be necessary to meet the estimated cost of the first priority building project recommended for that district by the school building survey commission. After these approvals have been made, the building need index for each school district shall be again calculated, omitting the teaching units in the dividend of the formula for the building projects for which approvals have been made, and adding these unweighted teaching units to the divisor, provided these units are not already included therein. A new list of class I Districts shall then be made of the upper one-third of the districts in the new index list, and approval of funds shall again be made in the manner provided. This procedure of priority classification, authorization of funds, reclassification and reapproval shall continue until there are insufficient funds for all highest priority projects in the classification. The board shall then approve funds to each district in order of priority of rating within the class, until the available funds are exhausted, provided, that no approval shall be given unless there are sufficient funds available from any or all sources to complete the project according to the estimated cost made by the school building survey commission.

Analysis of State Programs for Financing Capital Outlay

DETAILED 20-point descriptions of each of 19 State plans for financing capital outlay have been presented. In this chapter an attempt is made to bring together pertinent facts regarding these programs and to examine them. To the greatest degree possible, an attempt has been made here to record these facts in tables showing various aspects or characteristics of the programs.

Tabulations concerning the operation of 19 State plans for financing capital outlay, presented in this chapter, pertain to the 1949-50 school year. In several States, the 1951 sessions of the legislatures have enacted changes that will apply to operations for succeeding years. These modifications should be recognized in determining the true status of present or future operations.

In considering the developments which have occurred in the State financing of capital outlay costs, attention is first turned to the types of funds which have been established. They are listed in table 5. It should be noted that each of the funds in the various States has been designated by a title. Some of these titles are given in the statutes. The titles indicate the nature of the program or the purpose of the program which is provided. Some States did not officially designate a State capital outlay fund as such. For these the title of the fund was chosen to describe the function of the particular program in question.

TABLE 5.—Establishment of State plans for financing capital outlay

Name of fund	Date established		Kind of aid plan		
	First building aid	Present plan	Continuing program	Definite period ending	Continuing obligation
1	2	3	4	5	6
<i>Alabama</i>					
Capital outlay portion of foundation program	1901	1935	X		
<i>Arkansas</i>					
(a) State school building fund		1909	X		
(b) Revolving loan fund	1931	1931	X		
<i>California</i>					
Public school building fund	1946	1949			
<i>Connecticut</i>					
Public school building fund	1945	1949		1950	X
<i>Delaware</i>					
School construction fund	1919	1919		1951	
<i>Florida</i>					
Capital outlay and debt service portion of foundation program fund	1945	1947	X		

See footnotes at end of table.

TABLE 5.—Establishment of State plans for financing capital outlay—Continued

Name of fund	Date established		Kind of aid plan		
	First building aid	Present plan	Continuing program	Definite period ending	Continuing obligation
1	2	3	4	5	6
<i>Maryland</i>					
(a) School building incentive fund	1947	1947	X		
(b) State grant-in-aid for public school construction	1949	1949		1954	
<i>Massachusetts</i>					
State school construction fund	1948	1948		1953	X
<i>Mississippi</i>					
State grant for capital outlay	1946	1946		1952	
<i>Missouri</i>					
(a) Abandoned school building aid	1931	1931	X		
(b) Central building aid	1913	1913	X		
(c) Reorganization building aid		1948	X		
<i>New York</i>					
(a) State school buildings quota fund for central districts	1925	1941	X		
(b) Former districts indebtedness fund		1948	3		
(c) Emergency school building fund		1950		1952	X
<i>North Carolina</i>					
(a) School plant construction, improvement, and repair:					
(1) From bonds	1949	1949		(*)	
(2) From appropriations	1949	1949		(*)	
(b) State Literary Fund	1903	1943	X		
<i>Ohio</i>					
School plant rehabilitation fund	1928	1945	X		
<i>Pennsylvania</i>					
(a) State appropriation for capital outlay		1949		(*)	
(b) Public school building authority	1947	1947	X		
(c) Rental assistance appropriations		1949	X		
<i>Tennessee</i>					
(a) State capital outlay fund	1947	1949	X		
(b) Portion of foundation program fund	1947	1949	X		
<i>Vermont</i>					
(a) Standardization of schools	1921	1921	X		X
(b) Community school fund	1931	1931	X		X
<i>Virginia</i>					
(a) School construction fund		1950		1952	
(b) Literary fund	1906	1906	X		
<i>Washington</i>					
School building fund	1941	1947	X		X
<i>West Virginia</i>					
State school building fund	1949	1949		1951	

* Has been amended.

† Inoperative during 1949-50.

‡ Fund discontinued when approved indebtedness is paid.

§ When used.

Kinds of Programs

When the dates of establishing existing programs in this field are examined, the recency of the present programs becomes quite apparent. A glance at columns 2 and 3 indicates 1947, 1948, and 1949 as years when especially large numbers of the present programs were established. In these particular States, the first State building-aid program was established only shortly before the present one. This is not true of Alabama, Arkansas, Delaware, Missouri, New York, Ohio, and Vermont. All of the others, however, made little provision for State financing of capital outlay costs before 1945, except Washington, which began its program in 1941. These facts indicate that present programs are to a rather striking degree the result of a recognition of need which developed in the last 5-year period.

Considering the recency of these plans and the fact that in most instances they developed as a result of great need in the various States, it is not at all surprising that they are characterized by great variety. So great is the variety of provisions for financing and administering these programs that classification of them was an exceedingly difficult matter.

In column 4 of table 5, attention is given to the question of whether they are continuing programs. Nineteen funds provided by 13 States are of the continuing type. Others were established for varying periods of years or until a certain appropriation had been expended. Some of those which were established for a definite period only have placed upon the State a continuing obligation. Thus the plans in Connecticut, Massachusetts, and the emergency school building program of New York provide that the State shall continue to meet its share of the cost of retiring bonds issued until the debt has been paid. In these States, however, under present legislation the State will not continue to incur obligations to participate in the cost of programs after an established date. In States which do not have continuing programs, it is assumed that this appropriation will meet the needs during what might be considered an emergency period.

In table 6, attention is given to the kind of State appropriation approved for the program. In general, the appropriations are of three types. The open-end appropriation places upon the State the obligation of meeting its share of the costs for whatever number of units of need exist. This type of appropriation would appear to be the most desirable type. It constitutes a clear recognition of the State's continuing responsibility to participate in the meeting of capital outlay needs. The annual or biennial appropriation of a specific amount, which is found in a large number of States, does not give the assurance of continuation. Of course, through the reconsideration annually or biennially of the amount of the appropriation, it is possible through this type of financing, for the State to meet its obligations for capital outlay.

TABLE 6.—Appropriations and funds for financing capital outlay

Name of fund	Kind of appropriation			Kind of fund			
	Open end ¹	Annual or biennial	Fixed amount	Part of foundation program	Separate fund or appropriation	Loan	State construction local rental
1	2	3	4	5	6	7	8
<i>Alabama</i>							
Capital outlay portion of foundation program.....		X	X	X			
<i>Arkansas</i>							
(a) State school building fund ²		X	X		X		
(b) Revolving loan fund.....			X			X	
<i>California</i>							
Public school building fund.....			X			X	
<i>Connecticut</i>							
Public school building fund.....		X	X		X		
<i>Delaware</i>							
School construction fund.....		X	X		X		
<i>Florida</i>							
Capital outlay and debt service portion of foundation program fund.....	X			X			
<i>Maryland</i>							
(a) School building incentive fund.....	X	X			X		
(b) State grant-in-aid for public school construction.....			X		X		
<i>Massachusetts</i>							
State school construction fund.....		X			X		
<i>Mississippi</i>							
State grant for capital outlay.....		X	X		X		
<i>Missouri</i>							
(a) Abandoned school building aid.....	X				X		
(b) Central building aid.....	X	X			X		
(c) Reorganization building aid.....	X	X			X		
<i>New York</i>							
(a) State school buildings Quota fund for central districts.....	X	X			X		
(b) Former districts indebtedness fund.....	X	X			X		
(c) Emergency school building fund.....		X	X			X	
<i>North Carolina</i>							
(a) School plant construction, improvement and repair:							
(1) From bonds.....			X		X		
(2) From appropriations.....			X		X		
(b) State literary fund.....						X	

¹ Specific amount per unit which determines the total required.

² Inoperative during 1949-50.

³ Portion not repaid after 30 years from a specified tax rate becomes a grant.

⁴ Repayments for 30 years if they can be made from returns on specified levy minus debt service charges of the district.

TABLE 6.—Appropriations and funds for financing capital outlay—Con.

Name of fund	Kind of appropriation			Kind of fund			
	Open end ¹	Annual or biennial	Fixed amount	Part of foundation program	Separate fund or appropriation	Loan	State construction local rental
1	2	3	4	5	6	7	8
<i>Ohio</i>							
School plant rehabilitation fund.....		X	X		X		
<i>Pennsylvania</i>							
(a) State appropriation for capital outlay.....			X		X		
(b) Public school building authority.....		X	X				X
(c) Rental assistance appropriations.....		X	X		X		
<i>Tennessee</i>							
(a) State capital outlay fund.....		X	X		X		
(b) Portion of foundation program fund.....	X	X		X			
<i>Vermont</i>							
(a) Standardization of schools.....		X	X		X		
(b) Community school fund.....		X	X		X		
<i>Virginia</i>							
(a) School construction fund.....		X	X		X		
(b) Literary fund.....	X	X			X	X	
<i>Washington</i>							
School building fund.....		X	X		X		
<i>West Virginia</i>							
State school building fund.....		X	X		X		

¹ Only for expenses of administration of authority.

² As to amount to be used for capital outlay.

The least desirable kind of appropriation would appear to be that which provides a specific amount for a definite period only. This type of appropriation, of course, indicates to a greater degree than either of the other two that the grant is for emergency purposes only and that upon the expenditure of the fixed amount the need will be satisfied unless further appropriations are requested. Fixed amount appropriations tend to be associated with early developments in the field of schoolhousing; that is, developments which precede a well-defined program of State participation in the financing of capital outlay costs.

Kinds of funds which are provided are also indicated in table 6. The types of funds reported are grants, loans, and authority funds. The only one of these which constitutes a true recognition of the responsibility of the State for the financing of capital outlay costs are the grant funds. In these the State is assuming a share of the cost of capital outlay. Grants by the

State may be a part of the foundation program as they are in Alabama, Florida, and Tennessee, or they may be separate fund appropriations. The latter is by far the most common. This probably results from the fact that as yet most States have not recognized capital outlay as a continuing responsibility of the State which can be provided through the foundation program. The large demands for capital outlay funds have tended in many instances to suggest the desirability of separate appropriations because of what appears to be the emergency nature of the need. It is probable that as the immediate emergencies are met, and the States have more time to develop long-range plans for financing capital outlay, there will be a trend toward incorporating the financing of capital outlay into the State's foundation program.

Loans represent one of the early types of State provisions for assisting local districts in financing capital outlay. The straight loan program has been used less in recent years than formerly. Of particular interest in the loan field is the public-school building fund in California, and the emergency-school building fund in New York. In both of these, the local district is required to repay annually to the State an amount on the loan provided that the cost of the obligation does not require a tax levy beyond a certain rate. The limitation introduces an equalization feature. As such, these plans represent a departure from the traditional loan program which was intended to offer money to the local district at a low interest rate but which would be repaid entirely by the local district.

The "authority" plan of Pennsylvania also has an equalization feature which makes it far more attractive than it would otherwise be. Except for the equalization feature through which the State participates in the payment of rental charges, the plan would be little more than a provision whereby districts could legally exceed the maximum bonding limits.

Amount of Funds

In table 7, consideration is given to the amount of State funds assured for capital outlay in the State plans for financing capital outlay costs. In this table no information is given about locally provided funds which are not required by the State plan. Probably the most striking thing about the table is the relatively small amount of money which is provided for the State part of the program in most States. This observation may be made even though the last decade has been one in which tremendous changes have appeared in the attitude of States toward the capital outlay problem. When it is recognized that more than 1 billion dollars of schoolhousing construction must be provided in each year of the next decade, neither the continuing programs such as represented by Alabama and Tennessee nor the fixed amounts provided by States such as California, Maryland, and North Carolina appear to be adequate if the need is to be met.

It is true that California has provided 250 million dollars, North Carolina 50 million dollars, Maryland 20 million dollars, Virginia 45 million dollars, and Washington 40 million dollars. However, these amounts need to be thought of as being spent over a number of years. It must, of course, be recognized that in some instances the amounts of State money committed are considerably larger than indicated in table 7 since the State funds are devoted to the payment of a portion of the debt service incurred by local districts and thus will continue and will probably increase at least in some instances over a long period of years.

TABLE 7.—Amount of State and local funds assured for capital-outlay (thousands)

Name of fund	Current obligation: amount for current year			Amount for period established by law		
	State	Estimated local	Total	State	Estimated local	Total
1	2	3	4	5	6	7
<i>Alabama</i>						
Capital outlay portion of foundation program.....	\$1,530	\$250	\$1,780			
<i>Arkansas</i>						
(a) State school building fund ¹	1,000	(?)	(?)			
b) Revolving loan fund.....	(?)			\$3,576	(?)	(?)
<i>California</i>						
Public School building fund.....				250,000	(?)	(?)
<i>Connecticut</i>						
Public school building fund.....				1,450	\$30,000	\$31,450
<i>Delaware</i>						
School construction fund.....	13,711	5,591	19,302			
<i>Florida</i>						
Capital outlay and debt service portion of foundation program fund.....	5,992	1,729	7,721			
<i>Maryland</i>						
(a) School building incentive fund.....				1,279	(?)	(?)
(b) State grant-in-aid for public school construction.....				20,000	60,000	80,000
<i>Massachusetts</i>						
State school construction fund.....	1,000	(?)	(?)	(?)	(?)	(?)
<i>Mississippi</i>						
State grant for capital outlay.....				2,000	1,000	3,000
<i>Missouri</i>						
(a) Abandoned school building aid.....	123		123			
(b) Central building aid.....	14					
(c) Reorganization building aid.....	50					
<i>New York</i>						
(a) State school buildings quota fund for central districts.....	2,750		2,750			
(b) Former districts indebtedness fund.....				250		250
(c) Emergency school building fund.....				300		300

See footnotes at end of table.

TABLE 7.—Amount of State and local funds assured for capital outlay (thousands)—Continued

Name of fund	Current obligation: amount for current year			Amount for period established by law		
	State	Estimated local	Total	State	Estimated local	Total
1	2	3	4	5	6	7
<i>North Carolina</i>						
(a) School plant construction, improvement, and repair:						
(1) From bonds.....				\$25,000	\$37,000	\$62,000
(2) From appropriations.....				25,000	38,000	63,000
(b) State literary fund ¹						
<i>Ohio</i>						
School plant rehabilitation fund.....				3,000	1,260	4,260
<i>Pennsylvania</i>						
(a) State appropriation for capital outlay.....				75		75
(b) Public school building authority.....				600		600
(c) Rental assistance appropriations.....				500		500
<i>Tennessee</i>						
(a) State capital outlay fund.....	\$6,300		\$6,300			
(b) Portion of foundation program fund.....	(²)		(²)			
<i>Vermont</i>						
(a) Standardization of schools.....	10		10			
(b) Community school fund.....	3		3			
<i>Virginia</i>						
(a) School construction fund.....				45,000		45,000
(b) Literary fund.....						
<i>Washington</i>						
School building fund.....				40,000	40,000	80,000
<i>West Virginia</i>						
State school building fund.....				10,000	(³)	(³)

¹ Inoperative during 1949-50.

² Indefinite.

³ For loans only.

⁴ Expires in 1953, except for commitments for indebtedness.

While noting the apparent inadequacies of these funds in the great majority of instances in terms of need and the State's obligation in the field of capital outlay financing, it must also be observed that the 19 States reported are the leaders in assuming this obligation. Considering the fact that no provisions were made in many of them as late as 5 years ago, perhaps the amounts should be regarded as initial commitments which will be expanded in the years ahead so that the States may assume a more reasonable part of the cost of housing the children.

Sources of State Funds

An examination of table 8 which presents the sources of State funds for capital outlay programs indicates that the majority of States are depending upon appropriations from the general fund. In a few instances the funds

are from earmarked taxes or from a combination of earmarked taxes and appropriations from the general fund. In a few instances also the interest from the permanent school fund is used for this program. The amount of such income is exceedingly small and, consequently, a large percent of current revenue which is devoted to financing capital outlay is appropriated from the general funds of the States.

TABLE 8.—Sources of State funds for the capital-outlay programs

Name of fund	Current revenues		State bond issues		
	From general fund	Earmarked taxes	Authorized by the legislature	Approved by voters	"Authority" bond issue
1	2	3	4	5	6
<i>Alabama</i>					
Capital-outlay portion of foundation program	X	X			
<i>Arkansas</i>					
(a) State school building fund	(1)				
(b) Revolving loan fund		(7)			
<i>California</i>					
Public-school building fund			X	X	
<i>Connecticut</i>					
Public-school building fund	X				
<i>Delaware</i>					
School construction fund			X		
<i>Florida</i>					
Capital-outlay and debt service portion of foundation program fund	X				
<i>Maryland</i>					
(a) School building incentive fund	X				
(b) State grant-in-aid for public school construction			X		
<i>Massachusetts</i>					
State school construction fund	X				
<i>Mississippi</i>					
State grant for capital outlay	X				
<i>Missouri</i>					
(a) Abandoned school building aid	X				
(b) Central building aid	X				
(c) Reorganization building aid	X				
<i>New York</i>					
(a) State school buildings quota fund for central districts	X				
(b) Former districts indebtedness fund	X				
(c) Emergency school building fund	X				
<i>North Carolina</i>					
(a) School plant construction, improvement, and repairs					
(1) From bonds			X	X	
(2) From appropriations				X	
(b) State literary fund	X				
	(7)				

¹ Inoperative during 1949-50, revenues would come from permanent school funds.

TABLE 8.—Sources of State funds for the capital-outlay programs

Name of fund	Current revenues		State bond issue		
	From general fund	Ear-marked taxes	Authorized by the legislature	Approved by votes	"Authority" bond issue
1	2	3	4	5	6
Ohio					
School plant rehabilitation fund.....	X				
Pennsylvania					
(a) State appropriation for capital outlay.....		X			
(b) Public-school building authority.....					X
(c) Rental assistance appropriations.....	X				
Tennessee					
(a) State capital outlay fund.....	X	X			
(b) Portion of foundation program fund.....	X	X			
Vermont					
(a) Standardization of schools.....	X				
(b) Community school fund.....	X				
Virginia					
School construction fund.....	X				
Washington					
School building fund.....	X		X	X	
West Virginia					
State school building fund.....	X				

Though much less frequently employed, State bond issues also have been an important source of State funds for meeting the State's share of capital outlay costs. This is particularly true in the States of California, Maryland, North Carolina, and Washington. In some States these bonds have been authorized by the State Legislatures while in others approval by the voters has been required. The authority bond issue of Pennsylvania is technically not a State bond issue but only a bond issue of the "authority" which erects buildings for the respective districts. There are no limits as to the issue, the "authority" being authorized to issue bonds to the extent needed to provide all approved buildings. Paying the rentals for these buildings is then shared by the State through current appropriations from the general fund. It is fortunate that most of the States which have capital-outlay programs are financing them through appropriations from the general fund, since such appropriations suggest a much greater probability of establishing a continuing type of program than for States having State bond issues approved by the legislature or the people for specific purposes and amounts.

Districts Which Participate

One of the important problems related to State plans for financing capital outlay pertains to the districts which may qualify for State capital-outlay funds. Many students of the problem hold that a desirable plan should

provide for participation by all districts. In expressing this point of view they, of course, are thinking of participation by all districts which operate schools, and for all districts which should be continued as administrative units. Most people agree that State capital-outlay funds for districts which cannot be recognized as relatively permanent administrative units would be most unfortunate since it would tend to perpetuate undesirable district organization, perhaps even more than do some of the State funds given to these districts for current expense purposes. As in providing State funds for current expense, it can well be argued that a long-range plan of financing capital outlay should provide for participation by all satisfactorily organized school districts. This, of course, can scarcely be expected of emergency programs which have been established to stimulate a certain type of development such as consolidation or the reorganization of school districts.

TABLE 9.—Kinds of districts which may qualify for State capital-outlay funds

Name of fund	Having low wealth	Having urgent needs	Recently reorganized	Having heavy debt	All school districts	Percent of districts participating
1	2	3	4	5	6	7
<i>Alabama</i>						
Capital outlay portion of foundation program.....					X	100
<i>Arkansas</i>						
(a) State school building fund ¹		X			X	21
(b) Revolving loan fund.....						
<i>California</i>						
Public-school building fund.....	X	X		X		(?)
<i>Connecticut</i>						
Public-school building fund.....					X	
<i>Delaware</i>						
School construction fund.....					X	100
<i>Florida</i>						
Capital outlay and debt service portion of foundation program fund.....					X	100
<i>Maryland</i>						
(a) Schoolbuilding Incentive Fund.....					X	100
(b) State grant-in-aid for public-school construction.....					X	100
<i>Massachusetts</i>						
State school construction fund.....					X	50
<i>Mississippi</i>						
State grant for capital outlay.....		X				15

¹ Inoperative during 1949-50.

² Small percent participating.

TABLE 9.—Kinds of districts which may qualify for State capital-outlay funds—Continued

Name of fund	Having low wealth	Having urgent needs	Recently reorganized	Having heavy debt	All school districts	Percent of districts participating
1	2	3	4	5	6	7
<i>Missouri</i>						
(a) Abandoned school building aid.....					X	(d)
(b) Central building aid.....					X	
(c) Reorganization building aid.....					X	(e)
<i>New York</i>						
(a) State school buildings quota fund for central districts.....			X			5
(b) Formerly districts indebtedness fund.....				X		
(c) Emergency school building fund.....					X	0
<i>North Carolina</i>						
a) School plant construction, improvement, and repair:						
(1) From bonds.....					X	100
(2) From appropriations.....					X	100
(b) State literary funds.....		X				
<i>Ohio</i>						
School plant rehabilitation fund.....	X	X				43
<i>Pennsylvania</i>						
(a) State appropriation for capital outlay.....	X					
(b) Public-school building authority.....					X	8
(c) Rental assistance appropriations.....					X	
<i>Tennessee</i>						
(a) State capital outlay fund.....					X	100
(b) Portion of foundation program fund.....	X	X				(f)
<i>Vermont</i>						
(a) Standardization of schools.....					(g)	31
(b) Community school fund.....					(g)	31
<i>Virginia</i>						
School construction fund.....					X	100
<i>Washington</i>						
School building fund.....					X	35
<i>West Virginia</i>						
State school building fund.....					X	100

^g Having 1- or 2-teacher schools.

An examination of table 9 indicates considerable variation in practice as to the kinds of districts which may qualify for existing State capital-outlay funds. A number of States allocate the funds to districts of limited wealth, specifying a minimum in terms of such a factor as assessed valuation per child. Some of the same States which provide funds for districts of low

financial ability also make provision for districts with urgent needs. Each of these factors may operate alone or they may function simultaneously so that districts of low wealth but with large needs receive the State aid.

It is interesting to note that in a few States funds are continuing to be used to stimulate consolidation or reorganization of school districts. However, the percent of total State capital-outlay funds provided to stimulate redistricting today is far less than it was 20 years ago. This may not be so largely due to the discontinuance of funds to stimulate reorganization, as it is the result of the development of more comprehensive programs which may include reorganized districts, but not single them out for special treatment. In 15 of the States included in this study, all districts may now participate in the State capital-outlay funds and in 8 of them all districts are participating. These eight are chiefly large district States. It would appear that it may be unwise, undesirable, and highly unlikely that a program of participation by all districts in the State capital outlay funds will be developed in States having very small school districts. This suggests that these States have a more difficult problem in developing a general-purpose long-range State capital-outlay assistance program. The large district States need give little or no attention to the problem of providing assistance to districts which should not continue as independent administrative units. They may wish to encourage the development of satisfactory attendance areas, but this is within the jurisdiction of the boards of education. To prescribe improved attendance areas they have the help of local authorities which can study the needs of the various areas and plan for the schoolhousing requirements of such attendance areas.

Administration of the Program

The development of a State capital-outlay program has raised a question concerning the agency which should be responsible for the program. This is understandable in view of the newness of the program and the substantial sums of money required. It is stimulated by the type of program developed. For example, a program which is developed as a part of the foundation program of education would appear more certainly to be the responsibility of the State board of education than would a large bond issue which might require administrative services by the State director of finance or other financial officers of the State.

Table 10 indicates the agencies responsible for State capital-outlay programs. Except for California, Connecticut, Massachusetts, Mississippi, Ohio, Pennsylvania, and West Virginia, the State board of education or the State commissioner of education is the responsible agency for the program which has been developed. Even in these States, except for Massachusetts and West Virginia, the State education agency is responsible for recommending the need. Considering the types of programs which have developed in many of the States as well as the newness of the program, it is significant that

the responsibility for the program has been placed so largely in the State educational agency.

States in which the administration of the program has been farthest removed from the State education agency have experienced difficulties of administration. As the long-range program is developed in the various States, there is every reason to believe that responsibility should and will be lodged with the State education agency. As the States come to see the State provision of a part of the cost of the capital outlay program as a responsibility just as truly as the current expense program, there would appear to be no reason for creating special agencies to handle the State participation in the capital-outlay program or to use other regularly established but noneducational agencies.

TABLE 10.—State agencies responsible for the State capital-outlay program

Name of fund	State board, department, or commissioner of education			Other regular agency or specially created authority		
	Admin- isters program	Recom- mends need	Approves need	Admin- isters program	Recom- mends need	Approves needs
1	2	3	4	5	6	
<i>Alabama</i>						
Capital outlay portion of founda- tion program.....	X	X	X			
<i>Arkansas</i>						
(a) State school building fund ¹	X	X	X			
(b) Revolving loan fund.....	X					
<i>California</i>						
Public school building fund.....		X		⁴ X		⁶ X
<i>Connecticut</i>						
Public school building fund.....		X		⁴ X		⁶ X
<i>Delaware</i>						
School construction fund.....	X	X	X			
<i>Florida</i>						
Capital outlay and debt service portion of foundation program fund.....	X					
<i>Maryland</i>						
(a) School building incentive fund.....	X	X	X			
(b) State grant-in-aid for public school construction.....	X	X	X			
<i>Massachusetts</i>						
State school construction fund.....				⁴ X	⁶ X	⁶ X
<i>Mississippi</i>						
State grant for capital outlay.....		X		⁴ X		⁶ X

¹ Inoperative during 1949-50.

² State allocation board.

³ State director of finance.

⁴ State school building commission.

⁵ State school building assistance commission.

⁶ State building commission.

TABLE 10.—State agencies responsible for the State capital-outlay program—Continued

Name of fund	State board, department, or commissioner of education			Other regular agency or specially created authority		
	Admin- istrators program	Recom- mends need	Approves need	Admin- istrators program	Recom- mends need	Approves needs
1	2	3	4	5	6	7
Missouri						
(a) Abandoned school building aid						
(b) Central building aid	X	X	X			
(c) Reorganization building aid	X	X	X			
New York						
(a) State school buildings quota fund for central districts	X	X	X			
(b) Former districts independent fund	X	X	X			
(c) Emergency school building fund	X	X	X			
North Carolina						
(a) School plant construction, improvement, and repair: (1) From bonds	X	X	X			
(2) From appropriations	X	X	X			
(b) State literary fund						
Ohio						
School plant rehabilitation fund		X		X		X
Pennsylvania						
(a) State appropriation for capital outlay	X	X	X			
(b) Public-school building authority		X	X	X		
(c) Rental assistance appropriations	X	X	X			
Tennessee						
(a) State capital outlay fund	X	X	X			
(b) Portion of foundation program fund	X	X	X			
Vermont						
(a) Standardization of schools	X	X	X			
(b) Community school fund	X	X	X			
Virginia						
School construction fund	X	X	X			
Washington						
School building fund	X	X	X			
West Virginia						
State school building fund				X	X	X

¹ State controlling board.

² Public-school building authority.

³ State board of school finances.

Requirements for Participation

As the State programs for participation in capital-outlay costs are developed, it is to be expected that detailed State requirements which shall be met as a basis for the allocation of funds may well decline. When the alloca-

tion of funds for capital outlay becomes part of an established long-range program in which the State shares responsibility with the local district, the only requirements which would appear to be necessary are similar to those required for district participation in the foundation program. However, because of the recency of developments in this field and the extent to which they are characterized by emergency conditions, a considerable number of State requirements have been set up as the basis for the allocation of funds. These are of various types.

Fourteen of the States require that the district make a prescribed financial effort. This, of course, is similar to the qualifying tax which districts must levy to participate in the foundation program for current expense. There can be little question about the desirability of this provision. Five States also require that an approved survey be made to determine such things as schoolhousing needs, location of permanent school centers, and the recommendation of a school plant program for the district. These provisions requiring periodic surveys and the adoption of a plant program appear to be highly desirable. They are, it should be noted, not restrictive but rather stimulatory. They do not in general indicate the type of school to be built or details concerning educational organization, but rather require that under the leadership of competent people the entire problem of schoolhousing be studied and that as the result of a study a plant program be adopted.

TABLE 11.—State requirements to be met for participation in State funds

Name of fund	Name	Make prescribed minimum effort	Have survey made	Adopt school plant program	File application showing need	Other
1	2	3	4	5	6	7
<i>Alabama</i>						
Capital outlay portion of foundation program		X	X	X		X
<i>Arkansas</i>						
(a) State school building fund ¹		X		X	X	
(b) Revolving loan fund		X			X	
<i>California</i>						
Public-school building fund		X		X	X	X
<i>Connecticut</i>						
Public-school building fund				X	X	X
<i>Delaware</i>						
School construction fund		X			X	
<i>Florida</i>						
Capital outlay and debt service portion of foundation program fund		X	X	X		X
<i>Maryland</i>						
(a) School building incentive fund		X		X		
(b) State grant-in-aid for public-school construction		X		X	X	

¹ Inoperative during 1949-50.

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TABLE 11.—State requirements to be met for participation in State funds—Continued

Name of fund	None	Make prescribed minimum effort	Have survey made	Adopt school plant program	File application showing need	Other
1	2	3	4	5	6	7
<i>Massachusetts</i>						
State school construction fund.....		X		X	X	X
<i>Mississippi</i>						
State grant for capital outlay.....		X	X	X	X	X
<i>Missouri</i>						
(a) Abandoned school building aid.....					X	X
(b) Central building aid.....					X	X
(c) Reorganization building aid.....				X	X	
<i>New York</i>						
(a) State school buildings quota fund for central districts.....		X		X	X	
(b) Former districts indebtedness fund.....		X			X	
(c) Emergency school building fund.....		X		X	X	
<i>North Carolina</i>						
(a) School plant construction, improvement, and repair:						
(1) From bonds.....			X	X	X	
(2) From appropriations.....			X	X	X	
(b) State literary fund.....						X
<i>Ohio</i>						
School plant rehabilitation fund.....		X		X	X	
<i>Pennsylvania</i>						
(a) State appropriation for capital outlay.....						
(b) Public-school building authority.....			X		X	
(c) Rental assistance appropriations.....			X	X	X	
<i>Tennessee</i>						
(a) State capital outlay fund.....	X					
(b) Portion of foundation program fund.....		X			X	X
<i>Vermont</i>						
(a) Standardization of schools.....				X	X	
(b) Community school fund.....				X	X	
<i>Virginia</i>						
School construction fund.....		X		X	X	
<i>Washington</i>						
School building fund.....		X		X	X	
<i>West Virginia</i>						
State School Building Fund ⁴		X				

¹ Grant given for each building abandoned if a new one is constructed.

² Payable to all districts for which public school building authority has erected buildings.

⁴ The flat-grant portion of the fund (\$50,000 per county) is provided with no requirements for participation. The matching portion is provided as checked.

More indicative of the emergency nature of State programs and of the short period of experience with them is the requirement that an application be filed showing need. This provision at the present time is found in 16 States as shown in column 6 of Table 11. The wisdom of such a provision depends greatly upon the treatment which is given to the application. It should be noted that if local districts are adequate in both lay and professional leadership, it should not be necessary for any State agency to examine detailed applications of need nor to arrive at a decision as to whether or not a district should participate on the basis of rather subjective matters such as are frequently contained in application forms. It is to be hoped that if this program expands there will be much less dependence upon the filing of applications, which at least in some instances have been processed in the order filed with considerable preference given those filed early. Rather the State should encourage and assist local units to study their needs and develop a schoolhousing program. In a few instances the State does not allocate its funds to the district until the building program has been completed. In others, a part of the fund is distributed on some unit basis such as number of children or so much per county, while the remainder is distributed on the basis of an application or of need as determined in some specified manner.

Procedures To Be Observed

The procedures which districts must observe in obtaining State aid for capital-outlay purposes are presented in table 12. As previously indicated, an application is a requirement in a large majority of the States. Only a few States, including Alabama, Florida, and West Virginia, does the State money become available in a manner similar to State funds for current expenses without a specific application on the part of the districts. In addition to submitting an application, various other reports are required in a considerable number of States. The most common of these reports is one which describes the building plans and building program which have been adopted by the district. These building plans and program vary from rather simple plans pertaining to the particular project under consideration to comprehensive long-range school-plant programs developed by an adequate local administrative unit.

In addition to the building program, 15 States require a financial report indicating the general financial condition of the district. These reports also vary considerably from relatively brief general statements as to the financial condition to exceedingly detailed reports which are checked by a representative of the State department who visits the districts and goes over all financial records in the development of the final financial report. Various States which make grants for specific projects also require that the building site be secured and that an architect be employed as conditions of having a project approved for State aid. A number of States require that progress

reports be submitted during construction. Some States also require that upon the completion of a specific project a completion report be filed indicating that the local board of education has accepted the structure. In only two instances are the local districts required to submit a final financial statement concerning the project, including copies of the bills which have been paid for the improvement.

TABLE 12.—Procedures to be used by districts in qualifying for capital-outlay aid

Name of fund	Submit written application	Submit building program	Submit financial report	Secure building site	Employ architect	Submit progress or completion report	Other
1	2	3	4	5	6	7	8
<i>Alabama</i>							
Capital outlay portion of foundation program.....		X	X			X	X
<i>Arkansas</i>							
(a) State school building fund ¹	X	X				X	
(b) Revolving loan fund.....	X						X
<i>California</i>							
Public school building fund.....	X	X	X			X	X
<i>Connecticut</i>							
Public school building fund.....	X	X		X	X	X	
<i>Delaware</i>							
School construction fund.....	X	X				X	
<i>Florida</i>							
Capital outlay and debt service portion of foundation program fund.....		X	X			X	
<i>Maryland</i>							
(a) School building incentive fund.....		X					
(b) State grant-in-aid for public school construction.....	X	X	X	X	X	X	
<i>Massachusetts</i>							
State school construction fund.....	X	X	X	X	X	X	X
<i>Mississippi</i>							
State grant for capital outlay.....	X	X	X	X		X	X
<i>Missouri</i>							
(a) Abandoned school building aid.....	X	X	X				
(b) Central building aid.....	X	X	X	X		X	
(c) Reorganization building aid.....	X	X	X	X		X	
<i>New York</i>							
(a) State school buildings quota fund for central districts.....	X	X	X			X	
(b) Former districts indebtedness fund.....	X		X				
(c) Emergency school building fund.....	X	X	X			X	X

¹ Imperative during 1949-50.

² Districts must certify bonds issued, amortization schedule, assessment roll.

TABLE 12.—Procedures to be used by districts in qualifying for capital-outlay aid—Continued

Name of fund	Submit written application	Submit building program	Submit financial report	Secure building site	Employ architect	Submit progress or completion report	Other
1	2	3	4	5	6	7	8
<i>North Carolina</i>							
(a) School plant construction, improvement, and repair:							
(1) From bonds.....	X	X	X	X		X	X
(2) From appropriations.....	X	X	X	X		X	X
(b) State literary fund.....	X						
<i>Ohio</i>							
School plant rehabilitation fund.....	X	X	X			X	X
<i>Pennsylvania</i>							
(a) State appropriation for capital outlay.....	X	X					
(b) Public school building authority.....	X	X	X	X	X	X	X
(c) Rental assistance appropriations.....							X
<i>Tennessee</i>							
(a) State capital outlay fund.....							X
(b) Portion of foundation program fund.....	X	X	X				
<i>Vermont</i>							
(a) Standardization of schools.....	X	X				X	
(b) Community school fund.....	X	X					
<i>Virginia</i>							
School construction fund.....	X	X	X	X	X	X	
<i>Washington</i>							
School building fund.....	X	X	X	X	X		
<i>West Virginia</i>							
State school building fund.....	X	X	X				

In considering the procedures to be used by districts participating in State aid, the question might well be raised as to whether the State is not exercising more control over detail than would appear to be desirable in dealing with adequate local administrative units. This is probably the result in many instances of the emergency nature of the program and of the fact that the State is participating in financing specific projects rather than in the financing of capital outlay needs in light of carefully developed long-range schoolhousing programs.

Bases for Determining Need

The bases for determining the need of districts for building and for State assistance in meeting capital outlay costs are presented in tables 13 and 14. In a few States, building need is determined largely in terms of number of pupils or classroom units. However, a majority of them determine need in

TABLE 13.—Bases for determining school building requirements of school districts

Name of fund	No. direct measure	Number of pupils or classroom units	Data in application	Approved survey	Other
1	2	3	4	5	6
<i>Alabama</i>					
Capital outlay portion of foundation program		X			
<i>Arkansas</i>					
(a) State school building fund ¹			X		X
(b) Revolving loan fund			X		
<i>California</i>					
Public-school building fund			X		X
<i>Connecticut</i>					
Public-school building fund				X	
<i>Delaware</i>					
School construction fund				X	
<i>Florida</i>					
Capital outlay and debt service portion of foundation program fund		X		X	
<i>Maryland</i>					
(a) School building incentive fund		X			
(b) State grant-in-aid for public-school construction				X	
<i>Massachusetts</i>					
State school construction fund			X	X	
<i>Mississippi</i>					
State grant for capital outlay			X	X	
<i>Missouri</i>					
(a) Abandoned school building aid			X		
(b) Central building aid			X		
(c) Reorganization building aid			X		
<i>New York</i>					
(a) State school buildings quota fund for central districts		X	X		
(b) Former districts indebtedness fund		X	X		
(c) Emergency school building fund					
<i>North Carolina</i>					
(a) School plant construction, improvement, and repair: ²					
(1) From bonds		X	X	X	
(2) From appropriations		X	X	X	
(b) State literary fund					
<i>Ohio</i>					
School plant rehabilitation fund			X	X	
<i>Pennsylvania</i>					
(a) State appropriation for capital outlay			X	X	
(b) Public-school building authority			X	X	
(c) Rental assistance appropriations					

¹ Inoperative during 1949-50.

² Building need is based on an approved square footage of space per pupil and unit costs approved to furnish the amount of building space needed to bring the particular school up to the approved number of square feet per pupil.

TABLE 13.—Bases for determining school building requirements of school districts—Continued

Name of fund	No direct measure	Number of pupils or classroom units	Data in application	Approved survey	Other
1	2	3	4	5	6
<i>Tennessee</i>					
(a) State capital outlay fund.....	X				
(b) Portion of foundation program fund.....		X			
<i>Vermont</i>					
(a) Standardization of schools.....			X		
(b) Community school fund.....			X		
<i>Virginia</i>					
(a) School construction fund.....			X		
(b) Literary fund.....			X		
<i>Washington</i>					
School building fund.....		X	X		
<i>West Virginia</i>					
State school building fund.....	X				

¹ Need assumed to be represented by funds allotted.

TABLE 14.—Bases for determining amount of State funds needed for capital outlay

Name of fund	County or district	Enrollment or attendance	Number of classroom units	Financial ability	Financial effort	Indebtedness
1	2	3	4	5	6	7
<i>Alabama</i>						
Capital outlay portion of foundation program.....			X	X	X	
<i>Arkansas</i>						
(a) State school building fund ¹					X	
(b) Revolving loan fund.....					X	X
<i>California</i>						
Public school building fund.....		X		X	X	X
<i>Connecticut</i>						
Public-school building fund.....		X		X	X	
<i>Delaware</i>						
School construction fund.....		X				
<i>Florida</i>						
Capital outlay and debt service portion of foundation program fund.....					X	

¹ Inoperative during 1949-50.

² Evidence required that town can meet its share of proposed cost. If town is unable to participate, emergency grant may be made.

TABLE 14.—Bases for determining amount of State funds needed for capital outlay—Continued

Name of fund	County or district	Enrollment or attendance	Number of classroom units	Financial ability	Financial effort	Indebtedness
1	2	3	4	5	6	7
<i>Maryland</i>						
(a) School building incentive fund		X		X	X	
(b) State grant-in-aid for public-school construction		X			X	
<i>Massachusetts</i>						
State school construction fund		X		X	X	
<i>Mississippi</i>						
State grant for capital outlay		X		X	X	
<i>Missouri</i>						
(a) Abandoned school building aid					X	
(b) Central building aid					X	
(c) Reorganization building aid					X	
<i>New York</i>						
(a) State school buildings quota fund for central districts		X		X	X	X
(b) Former districts indebtedness fund						X
(c) Emergency school building fund		X		X	X	X
<i>North Carolina</i>						
(a) School plant construction, improvement, and repair:						
(1) From bonds	X	X				
(2) From appropriations	X	X				
(b) State literary fund						
<i>Ohio</i>						
School plant rehabilitation fund		X		X	X	
<i>Pennsylvania</i>						
(a) State appropriation for capital outlay				X		
(b) Public school building authority						
(c) Rental assistance appropriations				X		
<i>Tennessee</i>						
(a) State capital outlay fund				X		
(b) Portion of foundation program fund			X	X	X	
<i>Vermont</i>						
(a) Standardization of schools					X	
(b) Community school fund	X				X	
<i>Virginia</i>						
(a) School construction fund		X				
(b) Literary fund				X		
<i>Washington</i>						
School building fund			X	X		
<i>West Virginia</i>						
State school building fund	X			X	X	

¹ State assistance is given to help pay the rental charges by use of a formula based on district's standard reimbursement fraction and annual rental charge.

a somewhat more complex manner through information contained either in the application or in the approved survey. This information frequently includes facts on the condition of the existing plant and on estimates of pupil population for a few years ahead. The detail which is required to determine building needs is also related to the fact that much of the program is of an emergency nature. If the plan were developed as a part of the foundation program of the State, probably much less detail would be needed or required since the determination of building needs would be based upon consideration of the long-term needs rather than emergency needs. However, as has been indicated, the immediate needs are so pressing that the majority of States which are active in this field have not as yet developed what might be regarded as a long-range program in which building needs might be viewed largely as other educational services.

In considering financial need, it should be noted that North Carolina and West Virginia grant a certain percent of their funds on a flat basis providing so much to each district or county. Ten States use the enrollment or attendance as an indication of the financial need. Others allocate funds in proportion to numbers of classroom units. Several States determine financial need through some measure of local financial ability and effort. The details of these plans are presented in tables 15 and 16. In considering financial need it should be noted that a few States regard indebtedness, or the exhaustion of borrowing power, as an index of financial need or as one of the elements used in determining State assistance.

The bases upon which financial need is determined are varied. In some States a relatively simple single measure is used. In other States a combination of three or four factors is employed to determine the amounts of State aid districts should receive. The financial ability concept is used in a different form in Connecticut than in other States. In this State a district is not eligible to participate in the regular program unless it can supply evidence that it can meet its share of the cost. For districts which cannot supply evidence, emergency grants may be made by the State. In some other States, while there is no specific requirement of this type, the application of a matching principle may operate to deny assistance to the poorest districts which cannot meet the required local part of the program.

Required Local Financial Effort

The local financial effort which is required for participation in the program is presented in table 15. Local effort required may vary from no effort to a situation in which the local district is required to make an extremely large tax effort and to bond itself up to its statutory or constitutional maximum. A few States which employ what might be regarded as a flat grant procedure do not require any local contribution. The districts receive the money for housing without regard to the effort which they have made or are making to provide schoolhousing. In Maryland a part of the State aid is distributed

on a matching basis, whereby the State allocates one dollar for each three dollars provided by the district up to a fixed limit per pupil. In some States the local district is required to make such effort as is needed to supply the amount beyond that provided by the State which is needed to complete the project. In those instances where the State grant is little more than a token, this means that the local district assumes practically the entire responsibility for schoolhouse construction.

TABLE 15.—Local financial effort required for participation in State program

Name of fund	Local funds required				Basis for determining effort		
	Fixed match- ing ratio	Amount to com- plete project	Other	None	Assessed valua- tion	Equalized assessed valua- tion	Index of taxpaying ability
1	2	3	4	5	6	7	8
<i>Alabama</i>							
Capital outlay portion of foundation program			X				X
<i>Arkansas</i>							
(a) State school building fund			X		X		
(b) Revolving loan fund		X			X		
<i>California</i>							
Public-school building fund			X		X		
<i>Connecticut</i>							
Public-school building fund		X			X		
<i>Delaware</i>							
School construction fund		X			X		
<i>Florida</i>							
Capital outlay and debt service portion of foundation program fund			X				X
<i>Maryland</i>							
(a) School building incentive fund			X				X
(b) State grant-in-aid for public-school construction	X						X
<i>Massachusetts</i>							
State school construction fund		X			X		
<i>Mississippi</i>							
State grant for capital outlay		X			X		
<i>Missouri</i>							
(a) Abandoned school building aid		X					
(b) Central building aid		X					
(c) Reorganization building aid		X					

¹ Inoperative during 1949-50.
² The requirement is that the district furnish \$3 for each dollar of the State up to a \$50 per pupil limit from the State.
³ The State allotment is limited to \$2,000 per classroom.
⁴ The State allotment is limited to \$2,000 per building.
⁵ The State allotment is limited to \$25,000 for one district.

TABLE 15.—Local financial effort required for participation in State program—Continued

Name of fund	Local funds required				Basis for determining effort		
	Fixed matching ratio	Amount to complete project	Other	None	Assessed valuation	Equalized assessed valuation	Index of taxpaying ability
1	2	3	4	5	6	7	8
New York							
(a) State school buildings quota fund for central districts.....			X			X	
(b) Former districts indebtedness fund.....						X	
(c) Emergency school building fund.....			X			X	
North Carolina							
(a) School plant construction, improvement, and repair:							
(1) From bonds.....				X			
(2) From appropriations.....				X			
(b) State literary fund.....		X					
Ohio							
School plant rehabilitation fund.....		X			X		
Pennsylvania							
(a) State appropriation for capital outlay.....		X					
(b) Public-school building authority.....			X				
(c) Rental assistance appropriations.....						X	
Tennessee							
(a) State capital outlay fund.....				X			
(b) Portion of foundation program fund.....			X				X
Vermont							
(a) Standardization of schools.....	X						
(b) Community school fund.....	X						
Virginia							
(a) School construction fund.....				X			
(b) Literary fund.....				X			
Washington							
School building fund.....		X				X	
West Virginia							
State school building fund.....		X		X	X		

⁶ The district is expected to levy an amount sufficient to make annual rental payment.

⁷ No local effort is required for participation in the flat-grant portion of the fund (\$50,000 per county).

In those States which require that the local district make a minimum tax effort in order to participate in the State program, three bases are employed for determining effort. They are (a) unequalized assessed valuation of the district, (b) equalized assessed valuation, and (c) an index of taxpaying ability. In a considerable number of States the base is still the unequalized assessed valuation of property. This places considerable heavier burdens

upon some districts than others because of variations in the relation between true value and assessed valuation. The equalized assessed valuation base and the index of taxpaying ability represent attempts to improve this situation.

TABLE 16.—Local effort required in terms of minimum tax rate and minimum indebtedness

Name of fund	Minimum tax effort			Bond effort	
	Tax levy in mills	Fixed uni-form levy	Adjusted levy	Percent of assessed valuation	None
1	2	3	4	5	6
<i>Alabama</i>					
Capital outlay portion of foundation program	15		X		X
<i>Arkansas</i>					
(a) State school building fund	26	X ⁽¹⁾		X	
(b) Revolving loan fund					
<i>California</i>					
Public-school building fund	13	X		X	
<i>Connecticut</i>					
Public-school building fund	X			X	
<i>Delaware</i>					
School construction fund					X
<i>Florida</i>					
Capital outlay and debt service portion of foundation program fund	16		X		X
<i>Maryland</i>					
(a) School building incentive fund	1-5				X
(b) State grant-in-aid for public-school construction	X			X	
<i>Massachusetts</i>					
State school construction fund		(1)		X	
<i>Mississippi</i>					
State grant for capital outlay		(1)		X	
<i>Missouri</i>					
(a) Abandoned school building aid				X	
(b) Central building aid	X			X	
(c) Reorganization building aid	X			X	
<i>New York</i>					
(a) State school buildings quota fund for central districts		X		X	
(b) Former districts indebtedness fund	3	X			
(c) Emergency school building fund	7	X			
<i>North Carolina</i>					
(a) School plant construction, improvement, and repair:					
(1) From bonds					X
(2) From appropriations					X
(b) State literary fund					X
			X		

See footnotes at end of table.

TABLE 16.—Local effort required in terms of minimum tax rate and minimum indebtedness—Continued

Name of fund	Minimum tax effort			Bond effort	
	Tax levy in mills	Fixed uniform levy	Adjusted levy	Percent of assessed valuation	None
1	2	3	4	5	6
<i>Ohio</i>					
School plant rehabilitation fund		X		X	
<i>Pennsylvania</i>					
(a) State appropriation for capital outlay					
(b) Public school building authority	X ¹				X
(c) Rental assistance appropriations		X			
<i>Tennessee</i>					
(a) State capital outlay fund					
(b) Portion of foundation program fund			X		X
<i>Vermont</i>					
(a) Standardization of schools	X				X
(b) Community school fund					X
<i>Virginia</i>					
(a) School construction fund	X				
(b) Literary fund					
<i>Washington</i>					
School building fund					X ¹¹
<i>West Virginia</i>					
State school building fund	2.11	X ¹⁰			X

¹ Average required for participation in the entire foundation program. Actual levy determined by index.
² Inoperative during 1949-50.
³ Reduces as valuation increases.
⁴ Whatever necessary to finance program.
⁵ Varies.
⁶ 5 percent of 90 percent of the assessed valuation of the district or within \$25,000 of legal bonding capacity of the district for each level (elementary, high school, and junior college).
⁷ For all city or county purposes.
⁸ The district must contribute an amount equal to 6 percent of the actual value of taxable property.
⁹ This levy is for debt service only.
¹⁰ The 2.11-mill levy applies only to class I property. The minimum levy is 2.44 mills on class II property and 8.44 mills on class III and class IV property.
¹¹ Local funds raised from excess local levies.

Having established the base, States vary in their procedures regarding the minimum tax effort which is required. In some instances the local district must make such tax levy as will produce sufficient funds to provide its share of the cost of the program. In other instances there is a fixed uniform levy which determines the amount or proportion the local district must provide. In a few instances the minimum uniform effort which a district must make is based on an adjusted levy. Only 2 States require that a certain indebtedness be incurred to qualify a district for participation in the State program. In actual practice districts in many States need to bond themselves to the maximum in order to raise the share of the total cost which is the responsibility of the local district. The undesirability of setting up a situation so that a district must be bonded to capacity should be recognized. For such

districts participation eliminates the bonding leeway of the district in the development of its program, and may be an excessive burden making it difficult for the district to provide for current expenses in a reasonable manner.

Bases for Allotting Funds

In tables 17 and 18 the bases for allotting State funds are shown. These bases include flat-grants, matching funds, and equalizing procedures. The flat-grants may be made in terms of a fixed payment per building erected, as in Missouri; a flat or fixed sum per district which is the system employed for one of the North Carolina funds and a part of the State money in West

TABLE 17.—Bases for allotting State flat-grant and matching funds

Name of fund	Flat grant		Matching grant		
	Unit used	Amount per unit	Unit used	Amount of State money	Amount of local money
1	2	3	4	5	6
<i>Alabama</i>					
Capital outlay portion of foundation program.					
<i>Arkansas</i>					
(a) State school building fund. ¹					
(b) Revolving loan fund					
<i>California</i>					
Public-school building fund					
<i>Connecticut</i>					
Public-school building fund	Enrollment	\$300-450			
<i>Delaware</i>					
School construction fund			Building cost	Varies in districts.	Varies in districts.
<i>Florida</i>					
Capital outlay and debt service portion of foundation program fund.					
<i>Maryland</i>					
(a) School building incentive fund.					
(b) State grant-in-aid for public-school construction.			Pupil	Up to \$60 per pupil.	\$3 for \$1 from State.
<i>Massachusetts</i>					
State school construction fund.					
<i>Mississippi</i>					
State grant for capital outlay.			Classroom	\$2,000 or one-half cost.	Difference between cost and \$2,000.

¹ Inoperative during 1949-50.

² Or one-third cost of the project, whichever is less.

TABLE 17.—Bases for allotting State flat-grant and matching funds—Continued

Name of fund	Flat grant		Matching grant		
	Unit used	Amount per unit	Unit used	Amount of State money	Amount of local money
1	2	3	4	5	6
Missouri					
(a) Abandoned school building aid.	Building	\$1,000			
(b) Central building aid.			Building	One-fourth cost not to exceed \$1,000.	Total cost minus State aid.
(c) Reorganization building aid.			do	One-half cost not to exceed \$21,000.	Do.
New York					
(a) State school buildings quota fund for central districts.					
(b) Forward districts indebtedness fund.			Property valuation.	Amount beyond 3-mill tax.	3 mills.
(c) Emergency school building fund.			Per pupil valuation.	Amount beyond 7-mill tax.	7 mills.
North Carolina					
(a) School plant construction, improvement, and repairs					
(1) From bonds	A.D.M.	\$9			
(2) From appropriations.	County	\$50,000			
(b) State literary fund					
Ohio					
School plant rehabilitation fund.			Approved building cost.	50 to 90 percent	Total cost minus State aid.
Pennsylvania					
(a) State appropriation for capital outlay.	Building cost	Indefinite			
(b) Public school building authority.					
(c) Rental assistance appropriations.			Formula ¹	Varies	Varies.
Tennessee					
(a) State capital outlay fund.					
(b) Portion of foundation program fund.			(9)		
Vermont					
(a) Standardization of schools.			Building	\$100	\$100.
(b) Community school fund.			do	\$100	\$100.
Virginia					
School construction fund.	Enrollment (90%)	Varies among counties.			
Washington					
School building fund.			Cost of project	25 to 75 percent	Total cost minus State aid. ¹
West Virginia					
State school building fund.	County	\$50,000	Formula ¹	Varies	Varies.

¹ Formula which involves multiplying the district's standard reimbursement fraction by one-half and by the annual rental charge as fixed by the State school building authority.

² Formula based on the ratio between the estimated true value of property per pupil in the State and the estimated true value of property per pupil in the county.

³ \$7,250,000 of the State fund is allotted to the various counties on the basis of the ratio of the net enrollment of the county for the fourth month of the preceding school year to the total net enrollment in the State for the same month.

Virginia; or a fixed sum per pupil enrolled. The matching procedure may be on the basis of a building or on the basis of a certain amount per pupil up to a stated maximum, or on the basis of the teaching units for which housing is needed. Equalizing funds are found in those States which have made provision for capital outlay as a part of the foundation program. They are also provided in certain other States in which a formula for determining the State share of the costs is employed, which considers the equalized valuation in the district in relation to the equalized valuation per pupil in the State. Equalizing features characterize the provision made in New York for central districts and for meeting the debt service costs of districts which carry forward building under the emergency building fund program. The appropriation to assist in paying current rental expenses of local districts due the Pennsylvania Public School Building Authority is also distributed on the basis of equalization principles.

TABLE 18.—Bases for allotting State equalizing funds for capital outlay

Name of fund	Local effort required	
	Unit used	Amount assessed per unit
1	2	3
<i>Alabama</i>		
Capital outlay portion of foundation program.....	Teacher unit.....	\$77.
<i>Arkansas</i>		
(a) State school building fund ¹	Formula ²	Formula. ³
(b) Revolving loan fund.....		
<i>California</i>		
Public-school building fund.....	Pupil.....	Varies.
<i>Connecticut</i>		
Public-school building fund.....	do.....	Do.
<i>Delaware</i>		
School construction fund.....		
<i>Florida</i>		
Capital outlay and debt service portion of foundation program fund.....	Teacher unit.....	\$400.
<i>Maryland</i>		
(a) School building incentive fund.....	Pupil.....	\$2 to \$10.
(b) State grant-in-aid for public-school construction.....		
<i>Massachusetts</i>		
State school construction fund.....	Formula ⁴	Varies.
<i>Mississippi</i>		
State grant for capital outlay.....		

¹ Inoperative during 1949-50.

² Determined by a formula based on average daily attendance and assessed valuation of the district.

³ An indefinite amount based on the formula. Only a few less wealthy districts participate.

⁴ The formula is:

$$\frac{\text{Cost of project}}{4} \times \frac{\text{Equalized valuation per pupil in State}}{\text{Equalized valuation per pupil in regional district}}$$

The denominator is 3 for regional school districts.

TABLE 18.—Bases for allotting State equalizing funds for capital outlay—Con.

Name of fund	Local effort required	
	Unit used	Amount assured per unit
1	2	3
<i>Missouri</i>		
(a) Abandoned school building aid		
(b) Central building aid		
(c) Reorganization building aid		
<i>New York</i>		
(a) State school buildings quota fund for central districts	Pupil	Cost minus local effort.
(b) Former districts indebtedness fund		
(c) Emergency school building fund		
<i>North Carolina</i>		
School plant construction, improvement, and repair		
<i>Ohio</i>		
School plant rehabilitation fund		
<i>Pennsylvania</i>		
(a) State appropriation for capital outlay		
(b) Public-school building authority		
(c) Rental assistance appropriations		
<i>Tennessee</i>		
(a) State capital outlay fund	Formula ¹	Varies.
(b) Portion of foundation program fund	do ¹	Do.
<i>Vermont</i>		
(a) Standardisation of schools		
(b) Community school fund		
<i>Virginia</i>		
School construction fund	Enrollment (10%)	\$600 to \$800 per pupil.
<i>Washington</i>		
School building fund	Rest of cost	25 to 75 percent.
<i>West Virginia</i>		
State school building fund		

¹ Formula based on the ratio between the estimated true value of property per pupil in the State and the estimated true value of property per pupil in the county.

In a number of States the formula for allotting State funds for capital outlay includes both the matching principle in accord with which the State guarantees a certain amount or pays a certain percent of the cost up to a stated amount as well as an equalizing factor which within certain limits provides for State participation proportioned to local financial ability of the district. The combination of matching and equalizing emphasize the feature that the district itself should make some contribution and that in all instances the State should also make some contribution. In a sense this development of a combination of matching and equalizing provisions is similar to the developments in State assistance for current expense whereby the State makes some contribution to all districts and equalizes up to a defined foundation level. Unfortunately in most of the States which rely heavily

upon matching, the burden which falls upon some of the less wealthy local districts may be too great for them to provide reasonably adequate school-housing.

Use of Funds

The uses which may be made of State funds received by local districts are presented in table 19. In 12 States the funds may be used to provide for any one of a considerable number of legitimate capital-outlay purposes. These include the purchase of sites, the payment of architects, the payment of construction costs, and payments for debt service. In a few instances the State funds may be used only for construction of schoolrooms or schoolhouses in permanent centers. In others emphasis is placed upon the construction of new classrooms and rehabilitation work would not be approved. In Ohio, on the other hand, the funds may be used only for rehabilitation. Some States are quite specific in their statements as to the purposes for which State funds may be used, while others make broad general provisions giving to the local district considerable authority in the use of funds. For adequate, local administrative units, there would seem to be little reason for many restrictions on the use of these funds provided they were employed to advance the schoolhousing needs of the district either directly for construction costs or indirectly through the retirement of debt.

TABLE 19.—Use of State funds allocated for capital outlay

Name of fund	Any bona-fide capital outlay use	Capital outlay in permanent centers	Retirement of old debt	Retirement of new debt	Payment of rental
1	2	3	4	5	6
<i>Alabama</i>					
Capital outlay portion of foundation program.....		X	X	X	
<i>Arkansas</i>					
(a) State school building fund.....				X	
(b) Revolving loan fund.....	X				
<i>California</i>					
Public-school building fund.....	X	X			
<i>Connecticut</i>					
Public-school building fund.....	X				
<i>Delaware</i>					
School construction fund.....	X				
<i>Florida</i>					
Capital outlay and debt service portion of foundation program fund.....		X	X	X	
<i>Maryland</i>					
(a) School building incentive fund.....	X				
(b) State grant-in-aid for public-school construction.....	X				

See footnotes at end of table.

TABLE 19.—Use of State funds allocated for capital outlay—Continued

Name of fund	Any bonds capital outlay use	Capital outlay in permanent centers	Retirement of old debt	Retirement of new debt	Payment of rental
1	2	3	4	5	6
<i>Massachusetts</i>					
State school construction fund		1 X			
<i>Mississippi</i>					
State grant for capital outlay		1 X			
<i>Missouri</i>					
(a) Abandoned school building aid		1 X			
(b) Central building aid		1 X			
(c) Reorganization building aid		1 X			
<i>New York</i>					
(a) State school buildings quota fund for central districts		1 X			
(b) Former districts indebtedness fund			X		
(c) Emergency school building fund				X	
<i>North Carolina</i>					
(a) School plant construction, improvement and repair:					
(1) From bonds	X	X			
(2) From appropriations	X	X			
(b) State literary fund	X				
<i>Ohio</i>					
School plant rehabilitation fund	(6)				
<i>Pennsylvania</i>					
(a) State appropriation for capital outlay	X				
(b) Public-school building authority	X				
(c) Rental assistance appropriations					X
<i>Tennessee</i>					
(a) State capital outlay fund	X			X	
(b) Portion of foundation program fund		X	X	X	
<i>Vermont</i>					
(a) Standardization of schools	X				
(b) Community school fund	X				
<i>Virginia</i>					
(a) School construction fund	(7)		X	X	
(b) Literary fund	X				
<i>Washington</i>					
School building fund	X				
<i>West Virginia</i>					
State school building fund	X				

1 Inoperative during 1949-50.
 2 Emphasis on new classrooms.
 3 May be used only in city, town, or regional school districts.
 4 May be used for plant construction only.
 5 Only on consolidated, reorganized, or central districts.
 6 Limited at present to rehabilitation.
 7 Cannot be used for purchase of site and equipment.
 8 Only after all major capital outlay needs have been met.

Attention is given in table 20 to the time at which funds are apportioned. The time of apportionment may be considered in relation to the number of apportionments payable in the course of the year or in relation to the stages of development of a schoolhousing project. The actual payment of funds to local districts is made annually in a majority of States. In Alabama, Florida, and North Carolina the funds are payable monthly while various times ranging between monthly and annually are found in other States. In 11 States the funds are apportioned for a project or set aside for it when the application is approved. In some States actual payment of the fund is made at this time. Several make no payment until the project is completed or until a considerable period of time has elapsed after approval of the project. In a few instances, the State does not distribute any funds until the bills for the work are submitted to the State for approval. This procedure suggests considerable State control over the details of the specific capital-outlay projects.

TABLE 20.—When State funds for capital outlay are apportioned

Name of fund	Monthly	Quarterly	Annually	When application approved	When bills submitted and approved	Other
1	2	3	4	5	6	7
<i>Alabama</i>						
Capital outlay portion of foundation program.....	X					
<i>Arkansas</i>						
(a) State school building fund ¹				X		
(b) Revolving loan fund.....				X		
<i>California</i>						
Public-school building fund.....				(*)		
<i>Connecticut</i>						
Public-school building fund.....			X	X		
<i>Delaware</i>						
School construction fund.....					X	
<i>Florida</i>						
Capital outlay and debt service portion of foundation program fund.....	X					
<i>Maryland</i>						
(a) School building incentive fund.....						X
(b) State grant-in-aid for public-school construction.....				X		
<i>Massachusetts</i>						
State school construction fund.....			X	X		

¹ Inoperative during 1949-50.

² Apportionment becomes final 9 months after application approved.

³ Distributed bimonthly.

TABLE 20.—When State funds for capital outlay are apportioned—Continued

Name of fund	Monthly	Quarterly	Annually	When application approved	When bills submitted and approved	Other
1	2	3	4	5	6	7
<i>Mississippi</i>						
State grant for capital outlay				X		
<i>Missouri</i>						
(a) Abandoned school building aid			X			
(b) Central building aid				X	X	
(c) Reorganization building aid				X		
<i>New York</i>						
(a) State school buildings quota fund for central districts			X			
(b) Former districts indebtedness fund			X			
(c) Emergency school building fund			X			
<i>North Carolina</i>						
(a) School plant construction, improvement, and repair:						
(1) From bonds	X				X	
(2) From appropriations	X				X	
(b) State literary fund				X		
<i>Ohio</i>						
School plant rehabilitation fund				X	X	
<i>Pennsylvania</i>						
(a) State appropriation for capital outlay				X		
(b) Public school building authority						X
(c) Rental assistance appropriations			X			
<i>Tennessee</i>						
(a) State capital outlay fund						X
(b) Portion of foundation program fund		X		X		
<i>Vermont</i>						
(a) Standardization of schools					X	
(b) Community school fund					X	
<i>Virginia</i>						
(a) School construction fund				X		
(b) Literary fund				X		
<i>Washington</i>						
School building fund				(7)		
<i>West Virginia</i>						
State school building fund			X			

⁴ When project is completed.
⁵ Apportionments are not made to the district but buildings are constructed and leased to the district.
⁶ Semiannually.
⁷ Flat grant money is apportioned when appropriated and matching grant is apportioned annually.
⁸ Tentative allocation is made when contract is let.

Apportionment Procedures

In table 21 consideration is given to the procedures employed in paying the State apportionment and to provisions for repayment for those State funds which provide a repayment feature. In approximately half of the States, the apportionment is made directly to the district without special requisition. In the others, in general, it is made on application. Only in North Carolina and Pennsylvania does the State directly pay bills which are incurred in construction, while in one other State the public-school building authority makes the payments for the project which it constructs.

TABLE 21.—How State apportionment is paid out and provisions for repayment by school districts

Name of fund	How payments are made			Repayment requirements			
	Direct apportionment	Requisition on application	Bills paid by State	No repayment	Repayment over period of years	Interest included in repayment	Other
1	2	3	4	5	6	7	8
<i>Alabama</i>							
Capital outlay portion of foundation program.....	X			X			
<i>Arkansas</i>							
(a) State school building fund ¹		X		X			
(b) Revolving loan fund.....		X			X	X	
<i>California</i>							
Public-school building fund.....		X			X	X	
<i>Connecticut</i>							
Public-school building fund.....	X	X		X			
<i>Delaware</i>							
School construction fund.....		X		X			
<i>Florida</i>							
Capital outlay and debt service portion of foundation program fund.....	X			X			
<i>Maryland</i>							
(a) School building incentive fund.....	X			X			
(b) State grant-in-aid for public-school construction.....		X		X			
<i>Massachusetts</i>							
State school construction fund.....		X		X			
<i>Mississippi</i>							
State grant for capital outlay.....		X		X			

¹ Inoperative during 1949-50.

² Repayments are made for not to exceed 30 years.

³ District must pay interest on the loan for not to exceed 25 years.

TABLE 21.—How State apportionment is paid out and provisions for repayment by school districts—Continued

Name of fund	How payments are made			Repayment requirements made			
	Direct apportionment	Requisition on application	Bills paid by State	No repayment	Repayment over period of years	Interest included in repayment	Other
1	2	3	4	5	6	7	8
<i>Missouri</i>							
(a) Abandoned school building aid.....		X		X			
(b) Central building aid.....		X		X			
(c) Reorganization building aid.....		X		X			
<i>New York</i>							
(a) State school buildings quota fund for central districts.....	X			X			
(b) Former districts indebtedness fund.....	X			X			
(c) Emergency school building fund.....	X				X		
<i>North Carolina</i>							
(a) School plant construction, improvement, and repair:							
(1) From bonds.....			X	X			
(2) From appropriations.....			X	X			
(b) State literary fund.....		X			X		
<i>Ohio</i>							
School plant rehabilitation fund.....		X					X
<i>Pennsylvania</i>							
(a) State appropriation for capital outlay.....		X		X			
(b) Public-school building authority.....			X				X
(c) Rental assistance appropriations.....	X			X			
<i>Tennessee</i>							
(a) State capital outlay fund.....	X			X			
(b) Portion of foundation program fund.....		X		X			
<i>Vermont</i>							
(a) Standardization of schools.....	X			X			
(b) Community school fund.....	X			X			
<i>Virginia</i>							
(a) School construction fund.....		X		X			
(b) Literary fund.....		X			X	X	
<i>Washington</i>							
School building fund.....		X		X			
<i>West Virginia</i>							
State school building fund.....	X			X			

¹ Only when local net debt cost is less than amount provided by 7-mill district tax levy on full valuation for 30-year period.

² Repayment if paid bills are not submitted.

³ Amortization through rental charges.

Repayment of State Funds

In the great majority of instances there is no provision for repayment of funds. In these instances it is assumed that the aid represents the State's participation in meeting the costs of capital outlay and, as a result, the district has no obligation to repay the amount allotted. In the States which have repayment provisions, they are operative only when the costs of servicing the local indebtedness falls below a certain point within the financial ability of the local district. For these plans repayments which have not been made after a certain period of years are cancelled. In Pennsylvania the district agrees to pay rent to the public-school building authority over a period of years necessary to amortize the cost. However, through current appropriations the State helps to pay these rental costs. Ohio, which exercises a detailed supervision over projects requiring State rehabilitation funds, demands repayment of the difference to the State if the actual cost is less than that allocated or if the received bills are not submitted.

Bonding Limits and Leeway

The bonding limitations and the bonding leeway of local districts are reported in table 22. Despite recent developments regarding State participation in the financing of capital outlay costs, the major responsibility

TABLE 22.—*Bonding limitations and debt requirements for participation in capital outlay funds*

Name of fund	Limitations on bond issues		Bonds required for participation	
	No limit	Percent of assessed valuation	None	Percent of assessed valuation
1	2	3	4	5
<i>Alabama</i>				
Capital outlay portion of foundation program	X		X	
<i>Arkansas</i>				
(a) State school building fund ¹		15	X	
(b) Revolving loan fund		15		(?)
<i>California</i>				
Public-school building fund		5-15		5-15
<i>Connecticut</i>				
Public-school building fund		10	X	
<i>Delaware</i>				
School construction fund		7	X	
<i>Florida</i>				
Capital outlay and debt service portion of foundation program fund		10-20	X	
<i>Maryland</i>				
(a) School building incentive fund	X		X	
(b) State grant-in-aid for public school construction	X		X	

See footnotes at end of table.

TABLE 22.—Bonding limitations and debt requirements for participation in capital outlay funds—Continued

Name of fund	Limitations on bond issues		Bonds required for participation	
	No limit	Percent of assessed valuation	None	Percent of assessed valuation
1	2	3	4	5
<i>Massachusetts</i>				
State school construction fund.....		5		(1)
<i>Mississippi</i>				
State grant for capital outlay.....		15		(1)
<i>Missouri</i>				
(a) Abandoned school building aid.....		5	10 X	
(b) Central building aid.....		5	10 X	
(c) Reorganization building aid.....		5	10 X	
<i>New York</i>				
(a) State school buildings quota fund for central districts.....		10	X	
(b) Former districts indebtedness fund.....		10		
(c) Emergency school building fund.....		10	X	
<i>North Carolina</i>				
(a) School plant construction, improvement, and repair:				
(1) From bonds.....			X	
(2) From appropriations.....			X	
(b) State literary fund.....				
<i>Ohio</i>				
School plant rehabilitation fund.....		8	11 X	
<i>Pennsylvania</i>				
(a) State appropriation for capital outlay.....		7	X	
(b) Public-school building authority.....			X	
(c) Rental assistance appropriations.....			X	
<i>Tennessee</i>				
(a) State capital outlay fund.....		10	X	
(b) Portion of foundation program fund.....		10	X	
<i>Vermont</i>				
(a) Standardization of schools.....		10	X	
(b) Community school fund.....		10	X	
<i>Virginia</i>				
(a) School construction fund.....			X	
(b) Literary fund.....	X	18	X	
<i>Washington</i>				
School-building fund.....		5		
<i>West Virginia</i>				
State school building fund.....		5	X	

¹ Warrants may be issued in an amount which will not jeopardize the minimum school term provided the amount required to retire the warrants does not exceed 80 percent of the calculated annual yield of the tax pledged for their retirement.

² Inoperative during 1949-50.

³ Varies.

⁴ 5 percent for each level; 15 percent for all three levels. 95 percent of the bonding capacity is required to be encumbered.

⁵ Applies to bonds issued for all governmental purposes.

⁶ If beyond 10 percent must be approved by State board.

⁷ Maximum.

⁸ Applies only to county districts.

⁹ Applies only to city districts.

¹⁰ None, if money is available from other sources.

¹¹ District must vote bonds to secure aid on major improvements.

for capital outlay in the great majority of States, including most of those in which the State participates in meeting capital outlay costs, remains with the local districts. The limitations on bond issues are expressed, in practically all States, in terms of a percent of the assessed valuation of property in the district. This is not true in Alabama, which expresses the debt limitation in terms of the calculated annual yield of taxation pledged for their retirement rather than in terms of a percent of assessed valuation.

In the great majority of States the bond limits remain rather rigid because of the failure of assessed valuation to be adjusted upward along with changing true value and because the statutory or constitutional percent has remained relatively unchanged. This suggests that many school districts in most of the States probably do not have sufficient bonding power to meet necessary capital outlay costs at the present time. It should also be observed that while in most States no bonds are required to make it possible for the district to participate in the State capital outlay funds, in actual practice many districts must bond themselves to the limit in order to participate in State funds. This would suggest that while the significance of developments in State financing of capital outlay should be recognized, there must also be an awareness of the fact that dependence for schoolhousing is still associated with rigid bond limits of districts with widely varying wealth. It suggests that while some districts have sufficient wealth to provide for their schoolhousing needs, many other districts are required to make an excessive effort and even when doing so are unable to provide reasonably satisfactory housing. This is true also in those States which are making provisions for State participation in capital outlay costs.

Conclusions

In concluding this analysis of operational programs in the field of State participation in the financing of capital outlay costs, certain observations appear to be justified. Notable developments have occurred in recent years. A surprising amount of activity is apparent in many States. Much of the thinking continues to deal with emergencies rather than the long-range program. Great variety is found in regard to many phases of the program. Some plans show little recognition of commonly accepted principles of State financing of education. There is, however, in the plans now in operation a significant recognition of the State's responsibility for participation in financing capital outlay costs, and there are in practice procedures which should point the way toward the development of long-range programs that will meet the capital outlay needs and avoid the present practice of meeting emergencies. It may be expected that a long-range program developed in light of sound principles of educational finance should emerge in many States in the next decade.

Developing a Satisfactory State Program

WHILE State programs for financing capital outlay are characterized by their differences more than by their similarities at the present time, coming years should bring about increasing similarities in certain basic respects. This does not mean that all programs will or should be identical. In fact, as long as some States continue to have a large proportion of local school districts that are improperly organized or have a large proportion of districts with urgent needs, the development of similar programs for all States would probably be impractical, although the same basic principles might well be used.

It should be obvious that there can and should be far more similarities in State programs than are found at the present time. Experience has shown that certain practices are less defensible and desirable than others. School housing authorities are now able to recognize certain basic criteria that can safely be used for guidance in any State. Those criteria should be more generally observed in the future than they have been in the past with the result that more State programs will have a larger proportion of satisfactory features and will come nearer meeting the needs than some of the programs operating at the present time.

Procedure in Developing State Programs

Capital outlay programs require such substantial outlays of funds and have such marked effects on the educational services that the development of State financing plans should not be left to chance or based on expediency. Every such program should be based upon comprehensive, scientific studies. Only when programs are developed in this manner are they likely to be sound and satisfactory for long-range solutions to school housing problems.

The following two reasonably defensible ways of approaching the study and solution of the State-wide school construction problems may be used:

Average annual costs.—It is possible to attempt to determine what reasonably adequate school plant facilities should cost per classroom unit, per square foot, or other defensible unit; to determine approximately how long the school plant facilities should last without major alteration or replacement; and then to determine what it would cost per unit, annually and over a period of years, to assure satisfactory facilities throughout the State.

District requirements.—Another approach would center attention on the urgent needs that exist in various parts of the State and what it would take to meet those needs annually in each permanent school district for a period of years.

The difference in these approaches is largely in emphasis, objectives, and probable State controls. Both approaches require careful assembling of valid information to be used as a basis for determining needs and providing funds.

In developing a sound program it would be desirable for any State to undertake comprehensive studies in all districts to determine building needs and financial abilities. However, most States up to the present time have not been in position to undertake or complete such comprehensive studies. With the funds provided by the Federal Government under Public Law 815 enacted in 1950, it should now be possible for all States to plan studies on a State-wide basis and to look forward to their completion within a reasonable period of time.

Pending the completion of such studies which are essential to assure the proper use of funds, it is possible for States to develop a sound program for financing capital outlay by assembling, analyzing, and properly using information such as the following:

1. General and school population trends in various parts of the State.
2. Facilities needed to provide properly for elementary and high schools ranging from those with small enrollments to those having perhaps a thousand or more pupils.
3. Unit construction costs for schools of various sizes and types.
4. A detailed study of facilities needed in representative districts of the State.
5. The ability of such districts to provide facilities needed.

Such studies should be conducted cooperatively under the leadership of the State department of education. If these studies are properly planned and the information is used as it should be, a State would be in position to develop a sound program for determining needs and apportioning funds.

Studies in Local School Systems

Before a program can be put into satisfactory operation, however, it will be necessary for studies to be completed for every local school system in the State. If funds are distributed only on the basis of applications submitted, there will be some needs which will be overemphasized while others are likely to be neglected. Moreover, there will be no assurance that the funds provided will be wisely and economically used in all districts. The program cannot be fair, equitable, and defensible until comprehensive studies have been completed and objective information is available covering all districts in the State. The completion of such studies should make it possible for the program to be administered with a minimum of State controls and standards and should leave more leeway for the exercise of local initiative and responsibility than might otherwise be possible.

*Criteria for Local Studies*⁹

Several States have already satisfactorily completed comprehensive studies of the kind needed. On the basis of the experiences of these States and of other information which is available, it is possible to propose criteria which should be useful to all States and local school systems in planning school housing studies. Some of the most important of these criteria are as follows:

Study situation in all districts.—As a basis for developing satisfactory local school plant programs and for assuring that funds which are provided are used economically and efficiently, comprehensive studies of school plant needs and costs should be conducted covering every school administrative unit in the State.

Consider large areas.—Local studies should be organized to include areas which are sufficiently large to permit the consideration of all desirable possibilities. All areas of the State must be included in such studies regardless of the district organization. In most States the minimum area for any local study should be the county. Studies confined to individual small districts will not meet the needs.

Secure wide participation.—All studies should provide for widespread participation, that is, they should be planned and conducted cooperatively. A program that is based on a study by out-of-state authorities may not be the most useful kind to a local school system. A program must be adopted by the local school officials, and be supported by the lay citizens if the program is to become effective. Consequently, it is necessary that local school officials, staff members and lay citizens participate in assembling, studying, and interpreting the information. Outside authorities may be needed for the study, but they should serve largely as consultants.

Use State colleges and universities.—The State department of education should provide leadership in planning these cooperative studies, but arrangements should be made for the cooperation and participation of representatives from appropriate State colleges and universities. Not only the State department of education but the institutions of higher learning should have a vital concern in such a program and each should have a contribution to make.

Coordinate studies and surveys.—The responsibility for coordinating the studies and surveys, for helping with the development of appropriate forms, and, when necessary, for organizing and directing local school plant studies should be assigned to some competent member of the staff of the State department of education. The person to whom this responsibility is assigned should not only know school plants needs, but in addition should have a background which will enable him to understand and help to interpret all of the other factors and problems involved. By all means this person must be able to work with people and provide guidance in working through studies of this type.

Establish local responsibility.—The actual responsibility for assembling information and operating the studies should be vested in local committees organized with the approval of the local school boards. While these local committees should be responsible for the studies, they should be expected to use consultative services provided by the State department of education and the institutions of higher learning.

Use noneducational agencies.—While school plant studies should be under the direction of competent educators, the cooperation of nonschool agencies should be sought in obtaining needed information and arriving at conclusions. State and local highway or street departments, welfare agencies, health groups, and, in fact, many other agencies will have much valuable information which should be considered in connection with these studies. The continuous cooperation of representatives of all such appropriate agencies is essential for satisfactory school housing studies.

Gather all pertinent information.—In planning and conducting these local studies, emphasis should be placed on the assembling and interpretation of all pertinent information as a basis for conclusions and recommendations. This information should include studies of population trends, the preparation of spot maps showing the location of existing schools and pupils by grade levels, transportation route maps, detailed information on existing plant facilities, and data concerning the existing financial effort and ability.

Be guided by the facts.—Attention should always be centered on arriving at conclusions and recommendations on the basis of the facts or pertinent evidence. When attention is centered on the facts and what they mean, there will be less basis for controversy than when local groups begin to speculate without a thorough study of the facts. Differences can usually be resolved when all facts are assembled and properly summarized.

Reexamine the educational program.—At the same time the school plant studies are being made, it will be necessary to assemble information and project plans for the educational program and for the reorganization of districts as a basis for planning a satisfactory plant program. Decisions will need to be reached regarding the plan for the organization of the schools; kindergartens, junior colleges, and special facilities to be provided; and the class sizes which are desirable for a satisfactory program. Many members of the teaching staff will need to be consulted in the development of the educational program. Participation of laymen in thinking through basic policies regarding the educational program is also essential.

Agree on permanent school centers.—In the course of the study it will be necessary for local groups to agree upon recommendations regarding the location of permanent elementary, secondary, and junior college centers and the boundaries for desirable districts. As a basis for these decisions, criteria will need to be developed which can be used for guidance. It will be fairly easy to determine where permanent centers are needed. In certain

instances some of the smaller schools may be considered as temporary centers until more information concerning population trends is available. The permanent centers should be the only ones at which permanent construction should be contemplated.

Classify the small schools.—Particular attention will need to be given to the small schools. The facts available show that small schools are expensive to operate and can be justified only for areas that are isolated. It should be possible to classify all small schools, those having fewer than 200 or perhaps 300 pupils, as isolated, temporarily isolated, or non-isolated.

Project needs uniformly.—A uniform plan for projecting needs should be developed in each State. Unless a uniform plan is used throughout the State, the recommendations for plant facilities for one administrative unit are likely to be on a different basis from those for another unit. Standards and criteria can be developed which will be useful for guidance in determining minimum needs. Committees, of course, should be free to project local needs in accordance with their desires, but the minimum adequate needs will be used as a basis for projecting the State program.

Develop measures of local ability.—Uniform measures of local ability will need to be developed as a basis for determining the funds which should be provided by the local school system toward carrying out the continuing program. Variations in assessment practices will necessarily be considered in connection with these studies.

Interpret findings and conclusions.—Provision should be made in each local school system for explaining and interpreting the information and conclusions to citizens. Information should be made available generally as it is assembled and interpreted, and should not be delayed until a study has been completed. Recommendations, of course, cannot be made until all of the information has been assembled and properly interpreted. Widespread participation on the part of staff members and lay citizens is essential to this type of interpretation.

Plan restudies.—It will be necessary to develop a plan for revising these local studies and bringing them up to date from time to time as conditions change. Such restudies will be particularly important in rapidly growing areas, in areas where population has been declining or centers which have been classified as temporary and where changes in the educational program are contemplated.

Major Characteristics of a Satisfactory Program

Any program of State support for capital outlay can be reasonably acceptable, definitely unsatisfactory, or have some acceptable and some unsatisfactory features. A program which is highly subjective would, for example, be considered less satisfactory than a program which is relatively objective. A program which makes possible or encourages needless or unwise construction would be less satisfactory than one which has safeguards to assure that

funds will be used only for construction of facilities which will be satisfactory for use over a period of years.

On the basis of experience it is possible to list those characteristics which can be used for guidance in developing a satisfactory program in any State or which can be applied to determine the extent to which an operating program is satisfactory. Among the most important characteristics which may be used to indicate the major features of a satisfactory State program are the following:

Each State should make provision for State assistance in the financing of capital outlay programs

Theoretically if sufficient State funds were provided to assure adequate financing for the public schools, all districts should be able to provide needed school plant facilities. Practically, however, funds have not been adequate to meet the needs of all districts and, under present conditions, it seems essential that State plans include definite provisions for financing capital outlay as a means of assuring that desirable facilities will be provided. If a State fails to provide funds for capital outlay or definitely prohibits any local school system from using State funds for capital outlay purposes, there will be some school districts in every State that will not be able to function effectively because they are not able to provide adequate school plant facilities. State funds provided for teachers' salaries or for any other phase of the program are not likely to be used most effectively in districts which are not in position to provide satisfactory facilities to house the program.

The State program for financing school buildings should be scientifically developed

A program developed on the basis of expediency or merely as a means of satisfying the most aggressive districts is not likely to be fair or equitable and will present many problems. Only when a sound plan is worked out on the basis of comprehensive studies which provide all pertinent evidence in a manner to assure that all needs will be equitably met, will the program be considered satisfactory from a long-range point of view.

State plans for financing capital outlay should be developed as an integral part of the foundation program of education

Whether capital outlay is financed from a separate special purpose fund or from a comprehensive foundation program fund is not too important as long as proper balances and relationships are preserved. However, it is important to regard the financing of capital outlay as one essential aspect of the State system for financing education.

Any acceptable program should provide adequately and equitably for all essential school plant needs

The school plant problems of the State cannot be solved merely by developing a plant which helps to meet some of the needs. A sound State program cannot assure State funds in sufficient amounts to meet all desires of all communities, but the funds provided through the program must be sufficient to meet all basic requirements.

Provision should be made in the program for some State grants rather than for loans alone

While State loans may assist some districts to meet emergency needs, the least wealthy districts will not be in position, without excessive tax effort, to repay loans which are generous enough to permit the construction of all necessary school plant facilities. If these districts were in position to provide school plant facilities through local financial effort, they would not need State loans except for the slight benefit that might come from lower interest rates or the possibility of exceeding debt limitations. The State program, therefore, must provide grants in proper relation to need and ability although provision may be made in some States for loan-grant funds and for districts to repay a proportion of the amount provided in accordance with their respective abilities.

The State plan should provide for both Emergency and long-range needs

A State plan that undertakes to provide annually sufficient funds to meet all needs over a period of years will be inadequate to the extent that existing bonding and taxing limits prevent certain districts from meeting emergency needs which should be met during the next few years. The State plan must be sufficiently elastic to permit all needs to be met as those needs arise. As a means of helping to assure that needed facilities will be provided it may be necessary to authorize districts to borrow funds within reasonable limits in anticipation of State grants and to use such grants later to retire indebtedness thus incurred, as well as to use the funds to pay directly for meeting bona fide current capital outlay needs.

The program should be financed through an equitable combination of State and local revenues

The evidence seems to indicate clearly that partnership plans of financial support for all phases of the school program are much more satisfactory than plans which provide State funds with the assumption that local districts will make the necessary local effort to provide needed facilities. Further-

more, the partnership approach assures that the school plant program will have a broad base of support and will not depend entirely on the proceeds of local taxes on general property. There is just as much reason for broadening the tax base for school plant programs as for the current expense phases of the school program.

Funds should be derived chiefly from current State and local revenues

State bond issues are justified for emergency needs, but such issues should be unnecessary for the continuing support of the long-range requirements. Current revenues should be used to finance a part of the emergency program and all of the long-range program.

The program should be administered by the State department of education

The responsibility for the State administration of the program should clearly be vested in a single State agency to avoid conflict and confusion. The logical agency to assume this responsibility is the State department of education which should be in better position than any other State agency to administer the program in accordance with the provisions of law and the regulations of the State board of education with due consideration to the effect of the financial provision on the educational services.

An objective formula for apportioning funds should be incorporated in law

Subjective formulas tend to result in inequities and injustices and are more likely to subject local school systems to undesirable State controls than objective formulas included in the statutes. The law should incorporate the basic provisions for apportioning funds. It should provide effective measures of need and ability so that all properly organized local school systems will be assured of funds in accordance with their needs.

The program should provide for equitable tax effort

Equitable determination of the local contribution requires that assessment practices be uniform throughout the State or that some plan for determining assessment ratios in the various local jurisdictions be developed and used.

Each local school system should have a reasonable margin of local tax leeway or bonding capacity

If the State program requires the maximum local tax effort permitted or the maximum local bonding capacity authorized, many communities will not be able to go beyond the standard assured through the State program. Many communities in every State will desire better building facilities than

those assured by the basic program. Each community should be permitted to make additional tax or bond effort to provide better facilities if it desires to do so.

The program should place maximum emphasis on local responsibility and State leadership

This means that only the basic requirements should be prescribed by the State and that they should be in the form of broad and essential standards which must be observed as a means of assuring maximum efficiency and economy and of guaranteeing that the minimum plant facilities required to meet the needs will be provided. Local districts should have the responsibility for the development and operation of the local program. They should be encouraged to provide a superior school program.

Comprehensive local school plant studies should be required

Insofar as possible decisions and recommendations should be reached by local groups on the basis of standards and criteria prescribed by the State and the evidence available through the local studies. These studies should include a sufficient area to provide for the proper location of permanent school centers regardless of existing district boundaries. Comprehensive local school plant studies should be required to be made by some competent educational agency in accordance with regulations prescribed by the board of education as a basis for participation in State funds.

Each local school system should develop and adopt a long-range program

The long-range program adopted in each district should show the location of permanent elementary and high-school centers, and the steps to be taken in providing adequate school housing at these centers and in planning for the necessary State and local funds for school construction. The adoption of a long-range program should be one of the requirements for participation.

The State program should assure all necessary facilities in all permanent school centers

When all districts are eligible to participate in accordance with needs, there is a far greater community of interest in the program than when only the less wealthy or the districts with most urgent needs are permitted to participate. Furthermore, there is far less danger of the development of undesirable State controls when all districts are participating than when only a few participate. In the interest of economy and efficiency, districts which are improperly organized should not participate directly in the program, but funds should be assured for constructing needed facilities at permanent centers which will meet the needs of children from these areas.

The Continuing Program

Major emphasis in all States should be placed on the development of a long-range or continuing program which will meet the needs over a period of years. These needs will not be met by an emergency program which is designed only to care for the most urgent needs. In fact, when a State develops an emergency program, it is likely to be so concerned with meeting urgent needs from year to year that relatively little emphasis will be placed either by the State or by local school systems on the development of adequate long-range plans. However, any satisfactory continuing program must either provide adequately for meeting emergency needs or an emergency program must be developed to supplement the long-range program. The more emphasis placed by a State on a continuing or long-range program the less the need will be after a few years for the emergency aspects.

The long-range program might well be developed by determining how long the average classroom of the school plant should be useful without major alteration or replacement. That period of service will probably be approximately 40 years in most States. The current cost of construction per pupil or per classroom can then be determined by dividing the cost per unit by the number of years of expected useful life. Thus the average amount needed each year from State and local funds to finance the program at existing construction costs can be determined. For example, if the amount necessary to provide minimum adequate plant facilities is \$25,000 per classroom unit and classrooms are expected to last 40 years, the annual amount needed per classroom would be \$625. If this amount were assured from a combination of State and local funds, every classroom in the State could be replaced over a period of 40 years and needed facilities provided to meet increased enrollments during that period.

In many States the apportionment of State school building funds annually to all districts irrespective of their immediate needs may be inadvisable because of present emergency conditions or because of unsatisfactory district organization. Under these conditions there are advantages in distributing State building funds as needed using an objective equalizing and matching formula to determine the amount of State aid to be provided for each administrative unit.

For such a plan to work satisfactorily a large proportion of the districts in the State should be of sufficient size that they can be considered as satisfactory school units having 1,500 or more pupils. Furthermore, districts must either have sufficient bonding capacity to borrow funds to meet urgent needs or be of sufficient size and wealth that they can plan their plant programs at least partly on a pay-as-you-go basis, using State and local funds to meet the current costs. Adjustments must also be made in bonding limitations so a district, in effect, can borrow funds in anticipation of State support for capital outlay and can then use part of the anticipated capital outlay funds from year to year to retire the indebtedness. If these conditions cannot be met, the

long-range program may require objectively determined State contributions to specific projects. If such grants are provided the matching ratios can be adjusted to achieve flexibility and equalization of school plant resources among school districts.

Emergency Programs

Because many districts in a number of States are too small and other districts will not be in position to meet their needs satisfactorily during the next few years, some emergency provision will probably be required where the continuing program lacks flexibility to meet immediate needs. Funds required for such emergency needs might well be provided through State and local bond issues in accordance with a plan that will permit the repayment of all or most of these funds over a period of years in connection with the long-range program.

Even emergency funds, however, should be provided on the basis of a formula which assures objective measures of need and taxpaying ability. Applications for emergency funds will probably be necessary whereas applications for continuing funds may not be required. The former funds will normally be paid as needed for financing school construction projects, while the latter funds may be apportioned annually irrespective of immediate needs. Whether State building funds should be held in the State Treasury until needed by a local school district or distributed annually to all districts depends upon such factors as district size, debt limitations, and urgency of school construction needs.

Funds can be provided by the State for the emergency program on a combination loan and grant basis. The plan should not require any districts to make excessive financial efforts either through the issuance of bonds or through local tax levies. The formula might well provide that the districts will pay back to the State in accordance with their ability over a period of years a part or all of the funds advanced. Any funds which cannot be repaid over a period of years in accordance with the formula might then be considered a grant. This plan would have the effect of increasing the bond capacity and thus would make it possible for all districts to meet emergency needs without waiting for funds to become available through the long-range program.

In lieu of this plan some States may consider the development of a holding company plan. Such a plan might authorize a specially created State authority to issue the necessary bonds and require local districts to make payments each year toward retiring those bonds. For such a plan to be effective, however, it must be carefully integrated with a long-range financing program so that capital outlay funds provided currently by the State can be used toward retiring those bonds. If that is not done the least wealthy districts will not be in position to provide the facilities needed because they will not be able to make the necessary payments toward retirement of the bonds.

Administration of the Program

Any program of State support for capital outlay will have administrative functions to be exercised at the State level and others at the local level. There is always a question regarding what should be done by the State and what should be done by the local school system. There is likewise danger that the State, in administering any phase of the school program, will establish such detailed controls that there is little opportunity for local responsibility and initiative.

One question that might well be raised is whether a State should get into the construction business, as far as local school buildings are concerned. Thus far only one State has attempted to establish a State agency which actually takes responsibility for the construction of local school buildings.

The construction of local school buildings has traditionally been considered a local responsibility. There seems to be no reason why it should be taken over by the State. A State might well, as several States now do, prescribe minimum standards and requirements to be met, but until there is more evidence available it cannot safely be assumed that the construction should be arranged by any State agency. In fact, with such a development there will probably be danger that the State agency responsible for the construction will, because of features incorporated in school plants constructed under the direction of the agency, tend to dictate many phases of the local educational program. There is always danger that the educational program will be determined by the plant facilities that are provided instead of the educational program determining plant facilities that are needed. Whether any program could be developed which will permit local officials, teachers, and citizens to determine educational needs and have those needs translated at the State level into a satisfactory housing program still remains to be seen.

Assuming that the actual responsibility for school plant construction will continue to be recognized in most States as a local responsibility, subject to necessary standards and requirements prescribed by the States, the question still remains as to what State agency should administer the program for financing school capital outlay and what requirements and controls should be established by the State.

The evidence seems to be clear cut that there should be a single State agency responsible for administering the school plant financing program. If the responsibility is divided among two or more State agencies, there is likely to be competition and perhaps conflict at the State level and this is almost certain to result in delay, confusion, and dissatisfaction at the local level.

By State Department of Education

It would seem that the logical agency for administering any such program should be the State Department of Education. The State department should have specialists who understand the entire schoolhousing field, other specialists who understand school finance, and still others who understand the educa-

tional program. The knowledge and insight of all of these specialists will be necessary for satisfactory administration of the program.

Several States have set up special agencies to administer school plant finance programs which presumably have been established on an emergency basis. There is always danger that such special agencies may become permanent, particularly in view of the fact that some emergency schoolhousing needs are likely to occur from year to year. There should be no more need for a special agency to administer the housing program than for such an agency to administer any other phase of the school program.

The State board of education should be the State agency in best position to prescribe minimum standards and requirements which are needed to supplement acts of the legislature. These should be adopted by the State board upon recommendation of the chief State school officer and his staff after consultation with appropriate persons including local school officials and staff members. The State superintendent and his staff should determine local needs and abilities in accordance with the formula prescribed by law and on the basis of this determination should certify to the State treasurer the funds that are to be made available to each local school system for capital outlay purposes. The major emphasis at the State level should be on leadership and coordination rather than on standards and controls. In the long run, chief reliance must be placed on local responsibility, initiative, and leadership. The program, in the final analysis, will be no better than can be administered by local school officials. However, the State can and should provide considerable leadership and stimulation which will help local school officials grow in their ability to understand possibilities and to do effective planning.

Any plans or applications which are to be submitted to the State should go to the State department of education. This department should be responsible for clearing the plans with the health department concerning sanitary standards, with the fire marshall concerning fire safety provisions, and, in fact, with any other State agency which may be concerned with any phase of safety. It should not be necessary for local school officials to deal directly with any of these other State agencies.

Requirements for Participation

In the interest of assuring that adequate school plant facilities will be provided where needed at an economical and equitable cost, it appears necessary that the State prescribe certain requirements for participation in school plant funds. As a means of encouraging local planning and responsibility and of safeguarding against undesirable State controls, it seems that only the following four requirements for participation in capital outlay funds should be established:

Study of Local Requirements

Each district which participates in the program should have completed a bona fide study of its school plant needs in accordance with regulations pre-

scribed by the State board of education. This study should include not only the territory within the boundaries of the district, but all territory which should properly be served by permanent elementary and secondary school centers of the area.

Adopt Long-Range Program

Each district board should adopt a long-range program based on this study showing the location of permanent elementary and secondary school centers, the facilities to be constructed at each center and the estimated cost and plans for financing the needed program not only during the ensuing year but over a period of years.

Arrange for Local Funds

Each district must be making the local effort required for participation in State funds. It should provide the funds required from local sources which, when supplemented by State funds, will assure that the facilities needed can be provided.

Submit Plans and Specifications

Building plans and specifications should be submitted to the State department of education for checking as to conformity to minimum standards. The State department should not have blanket authority for approval but should be authorized only to require that plans and specifications meet the minimum standards which the State finds it necessary to prescribe to safeguard the children, the school program, and the investment.

If the State attempts to go much beyond these requirements, it is likely to find itself in the position of interfering with desirable local initiative and responsibility. This danger is as great in the school plant field as it is for other phases of the education program. All necessary standards and requirements should be stated objectively, and subjective authority of the State should be strictly limited.

Use of Construction Funds

The State should probably prescribe some requirements regarding use of funds, but these likewise should be kept to the minimum. Generally speaking, the requirements on use of funds that seem necessary at the present include the following four:

Use Currently or Accumulate

Except for funds provided strictly for emergency programs, districts should be permitted to use capital outlay funds provided through the program either during the current year or to place such funds on deposit so they can be accumulated over a reasonable period of years and used as needed. When there are emergency capital outlay needs to be met, however, districts should be expected to use the funds to meet these emergency needs.

Use for Permanent Centers Only

The State and local funds for the minimum capital outlay program should be available for use only at recognized permanent elementary and secondary school centers. A possible exception is for funds authorized for necessary alteration or the provision of sanitary, lighting, or heating facilities and equipment at temporary centers which may need to be used for a few more years. Supplementary local funds which local school systems choose to provide beyond the capital outlay funds required for participation in the State program should be permitted to be used for other purposes according to the discretion of the district.

Use for Capital Outlay Purposes

The State and local capital outlay funds should be required to be used for bona fide capital outlay. The capital outlay purposes should include purchase and improvement of sites that meet minimum standards prescribed by the State, architect's fees, construction of new buildings, additions to buildings, major alterations of old buildings, purchase of equipment and probably the purchase of school busses.

Use for Debt Service

The capital outlay funds should be permitted to be used for debt service only (a) to retire obligations incurred after the fund has been established when the district has found it necessary to issue bonds to meet emergency needs at permanent centers, or (b) to retire existing capital outlay indebtedness after provision has been made for meeting all bona fide capital outlay needs.

Local Responsibility

Each local school district should clearly have the responsibility for administering the program in the district except in those instances where districts are not properly organized and construction is needed at permanent centers in those areas. In such instances some special local arrangement with either the county school office or with the boards of the local districts will be necessary.

The local school system should be responsible for (a) making needed studies to determine school plant needs; (b) adopting a long-range capital outlay program based on these studies; (c) determining the educational program to be housed; (d) proposing the educational specifications for buildings to be constructed; (e) having the necessary plans and specifications prepared in accordance with requirements and standards established by the States; (f) contracting for the construction after plans have been approved by the State; and (g) expending and accounting for the State and local funds provided for the capital outlay program.

The Formula for Distributing Capital Outlay Funds

The formula to be used in determining need and apportioning funds for capital outlay purposes should be prescribed by law in accordance with prin-

ciples which will assure adequate school plant facilities with equitable effort. The amount of discretion which is left to the State board or State superintendent should be reduced to a minimum. When necessary the State board of education should be expected to prescribe regulations needed to supplement the provisions of State law.

Measures of Local Need

The formula should prescribe a definite and equitable plan for measuring local school plant requirements. For a long-range or continuing program, local need can be determined on the basis of pupil or classroom units provided classroom units are properly defined to include an equitable number of pupils per unit at both large and small school centers. Adjustments should be made for small school centers only when such centers are isolated as determined by objective standards and the pupils cannot readily be transported to another center of more adequate size.

The plan for measuring local need should be based on valid measures of need. These measures should be objective rather than subjective. Furthermore, they should measure bona fide need rather than some approximation of need. Any plan using rough measures, such as an amount per school, per district, or per pupil enrolled, without considering local ability is too rough to be considered satisfactory.

The formula may provide that funds for capital outlay purposes are to be made available as an integral part of a comprehensive foundation program or to be provided as special purpose capital outlay funds. For either plan the amount to be available from State and local sources from the capital outlay portion of the program must be definitely determined and set aside for the purpose authorized. Some States will choose to meet capital outlay needs through their foundation program rather than through special purpose funds. Either plan, if properly developed, can be equitable and adequate to meet the needs.

After valid units for measuring need are determined, it becomes possible to apply a cost figure to each of these units to determine the total amount of cost to be used in the program. This does not represent the amount to be provided from State funds or local funds, but only the total cost. If dollar values did not fluctuate, the application of a simple cost measure would suffice, but the evidence indicates that fluctuations in dollar values must be considered. For that reason some index of construction costs should probably be used to provide for year to year adjustments in the amount authorized per unit.

Measures of Local Ability and Effort

The most common measure of local effort used at the present time is a uniform tax levy applied to the assessed valuation of the district. This plan is satisfactory only when assessment practices are uniform throughout a State.

In most States the ratio between assessed and actual valuation varies greatly from district to district. In such situations it is necessary that steps be taken to assure uniformity of assessment practices or that some adjustment be made to recognize assessment ratios. Several States now determine assessment ratios and use these ratios as a basis for determining funds which should be provided through local effort. Thus a district which chooses to maintain a low assessment ratio would have to make a higher levy to provide the funds than would be necessary if it maintained a higher assessment ratio.

In certain other States an index of taxpaying capacity has been developed in lieu of assessment ratios to determine funds which should be provided through local effort. If properly developed this plan also works satisfactorily and promotes equity.

Under any equitable plan districts should be permitted to issue bonds or to borrow funds from a State bond issue to meet emergency needs. Where bonds are issued the proceeds from the local effort required may, together with the funds provided by the State, be used in part for retiring the bonds as they become due.

Funds To Be Provided by the State

The funds to be provided by the State should constitute the difference between the cost of the capital outlay program determined in accordance with the formula and the funds required to be provided from the uniform local effort. Unless the State plan provides that funds are to be available on this basis there can be no assurance that sufficient funds will be available from State and local sources to meet the needs of the capital outlay program.

Operation of the Program

The operation of a program is of great importance. A procedure that appears ideal on paper may not operate satisfactorily for one reason or another. The final test of any program must be the extent to which it accomplishes its purposes and operates with a maximum amount of satisfaction and equity for all concerned.

One of the outstanding characteristics of a satisfactory program for financing capital outlay will be the fact that it operates with a minimum of State controls and places maximum emphasis on local initiative and responsibility. While the State will prescribe certain necessary minimum requirements and standards, the emphasis at the State level will be on the provision of competent leadership and consultative services. State officials will help local school officials plan and conduct studies, assemble and interpret required information, arrive at proper conclusions regarding the plant program, develop sound plans for housing the educational program, and project workable plans for financing the entire capital outlay program as an integral part of a comprehensive well-balanced system for financing public education.

Local school officials will work directly with the State department of education which in turn will deal with other State agencies when necessary. All

funds for the long-range program will be apportioned on the basis of an objective formula which will assure that all properly organized local school districts will receive funds in recognition of their needs and abilities. Provision will also be made to assure the construction of needed plant facilities at recognized permanent centers even in areas which are not yet properly organized. Districts will not need to apply for funds provided for the continuing or long-range program, but applications may be necessary for centers at which provision must be made for emergency needs.

Local school officials will be responsible for planning and conducting needed studies and for developing a sound and defensible program on the basis of these studies. They will be able to determine on the basis of a formula what funds will be provided from State sources and what funds are required from local sources. They will need to file with the State department of education copies of the plan for their proposed capital outlay and financing programs, copies of plans and specifications for all proposed buildings, and reports which will provide essential information regarding the operation of the program.

Local school officials will be encouraged to plan their programs on a long-range basis and will be in position to use capital outlay funds as they are provided or, if they have no emergency needs, will be permitted to accumulate those funds until they have a sufficient amount for a construction project. If they have urgent needs which cannot be met from the current funds assured through the capital outlay program, they will be authorized to issue bonds or to borrow funds from the State in sufficient amount to meet those needs. The bonding limitation will be sufficiently elastic that districts can, in effect, anticipate the State and local capital outlay funds over a period of years and plan to use a part of those funds each year to retire the bonds. Each district will thus be in position to meet its most urgent needs either through current funds or through the issuance of some type of bonds and will have the assurance that those bonds can be retired without depending entirely upon receipts from local taxes. In addition to the funds guaranteed through the partnership State and local capital outlay program, each local district will be permitted to levy additional taxes or issue additional bonds, if it desires to do so, to provide better facilities than those which would be assured through the guaranteed program.

Provision will also be made for areas which are not now properly organized to cooperate in developing a plan that will assure needed construction at permanent centers in those areas. Funds for such construction will either be provided on a partnership basis through the long-range or continuing program or will be provided through a supplementary emergency program. If the funds provided through the continuing program are not adequate to enable all districts to meet emergency needs of any type, special funds will be provided through a supplementary emergency program, through a holding

company plan, or through some similar plan which will assure that needs can be met as they develop.

Each properly organized district will thus be assured that if its housing program is planned on a long-range basis, its minimum needs can be met through the partnership program. It will also be assured that sufficient funds will be available from State and local sources to permit all classrooms to be replaced or completely rehabilitated on an average of every 40 to 50 years.

Each district will be expected to set aside in a special capital outlay fund all monies received through the guaranteed program for capital outlay purposes. It will be permitted to use those funds for any bona fide capital outlay purpose at any recognized permanent center in accordance with its officially adopted program. Each district will account fully for all funds received and expended and will make an annual report to the State regarding the status and use of those funds.

Provisions for Evaluation of the Program

Few, if any, States will be in position to develop a program that operates perfectly from the very beginning. Even though such an ideal situation were possible, each State should still be interested in developing a plan which would assure continuous study and evaluation of the program in the light of changing conditions. Information will need to be assembled which will show in detail conditions which prevailed before the program went into operation and changes which occurred through the operation of the program. State requirements and controls will need to be studied continuously to determine whether any of them are interfering with desirable local responsibility. Local needs and ability will change from time to time and information will need to be assembled to determine what changes occur and the respects in which the program is not operating equitably.

To the extent that a State is in position to develop a program on the basis of scientific studies in the beginning and is successful in assembling information regarding the operation of the program to be used as a basis for needed revisions, the program is likely to be sound and defensible. A State that succeeds in developing a program which is generally recognized by the citizens as adequate and equitable should be able to continue the program and to meet all needs satisfactorily.

There are, of course, many details in any program for financing capital outlay which need to be studied continuously. While the criteria and proposals recommended in this chapter can safely be used for general guidance, each State will need to study its own problems carefully to determine how best to implement these proposals or to adapt them to its own needs. It will also need to carry on a series of supplementary studies to determine how the specific phases can best be developed to meet the existing situation.

If every State faces this problem of financing its school capital outlay program realistically within the next few years, it should be possible for each State to develop a program which will assure that the needs will be met equitably and satisfactorily in all districts regardless of their wealth or poverty. In some States this may include both emergency and long-range programs properly integrated; in others a carefully developed long-range program should meet the needs.

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