# What about the Schools?

## Factors Contributing to Expanded State Investment in School Facilities – Executive Summary

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### Purpose of the Study & Research Questions

The design of this study is based on the hypothesis that there are multiple pathways states can take to expand their support for and investment in equitable facilities construction and maintenance. While the overall dollar amount that states invest in educational facilities is of critical importance, other factors also contribute to the resulting quality and equity of school facilities as well and merit study. Research questions include:

1. What factors contribute to expanded state investment in equitable public school facilities?
2. How can those factors be leveraged to encourage states that make minimal investments to expand their support for facilities funding?

### Importance of Educational Facilities

Increasingly, scholars are calling attention to the importance of facilities investment for teaching and learning. Dozens of recent studies have linked ongoing investment and upkeep of facilities to a number of mediating factors that directly affect students and teachers. Research on investment in educational facilities has confirmed earlier findings (Uline, & Tschannen-Moran, 2008) that there were moderate to strong relationships between the quality of facilities and school climate (Uline, Devere Wolsey, Tschannen-Moran, & Lin, 2010) and that school building conditions were linked to test scores, mediated by school climate and student attendance (Maxwell, 2016). Scholars have also examined relationships between physical disorder (e.g., broken windows and poor building conditions), fear, collective efficacy, and social disorder in schools (Plank, Bradshaw, & Young, 2009), pointing to the need for ongoing maintenance. In addition, deficient building conditions have also been found to impact teacher absenteeism (Buckley, Schneider & Shang, 2005) and student absenteeism (Duran-Narucki, 2008). Other scholars found that "teachers in satisfactory buildings also have more positive attitudes about their classrooms and how that space influences them and their students" (Earthman & Lemasters, 2009, p. 333), and additional studies have confirmed the effects of facilities on teacher retention (Buckley, Schneider & Shang, 2005).

In one survey study attempting to disentangle student demographics from other characteristics of teaching jobs that are amenable to policy influences, Horng (2009) found that school facilities were more than twice as important to teachers as the student demographic variables when teachers select schools (p. 706), and school facilities were 30 percent more important to teachers than salary (p. 707). Horng (2009) concluded that "previously documented teacher mobility patterns are more likely due to teachers moving away from poor working conditions, such as unclean and unsafe facilities, than to teachers moving away from low-income and non-White students" (p. 709). These studies, and many others, underscore the far-reaching implications of investment—and underinvestment—in educational facilities. Perhaps most importantly, however, the quality of educational facilities signals to children the extent to which society is willing to adequately invest in them, provide them with access to equitable resources, and ultimately ensure their equal educational opportunity.

### Methods

Data collection consisted of a literature review of existing research on educational facilities taxation mechanisms, spending practices, and public debt policies; case study data collection included policy document analysis and 44 interviews with school finance and facilities experts, including researchers, lawyers, consultants, practitioners, and state level staffers. Five case study states included Massachusetts, New Jersey, Ohio, Texas, and Wyoming. The conceptual framework utilized the lenses of critical policy analysis and fiscal sociology.

### Findings

The *Equity Investment Typology* categorizes factors that contribute to expanded state investment in equitable public school facilities. Factors are broken down into three categories: state spending/aid, taxation (sources of funding), and public debt. In each of the three categories, I included the most highly documented and cited factors (specifically, the policies, programs, and practices) from the literature and interviews with school finance experts. The typology includes descriptions of the range of each factor, ranging from "low" investment in equity to "moderate" to "high." The criteria for "low," "moderate," and "high," were based on the extent to which the factor promotes equitable investment in educational facilities, as determined by data collected in the first phase of the project. "Low," "moderate," and "high," distinctions were also determined relative to one another on a spectrum. For example, for the factor "state share," I included descriptions ranging from less than 25 percent state share (categorized as low), to 25 percent to 50 percent state share (categorized as moderate), to greater than 50 percent state share (categorized as high).

## Equity Investment Typology

| | Low | Moderate | High |
|---|---|---|---|
| **State Spending/Aid Policies** | | | |
| **Aid formula/ funding program(s)** | Aid formula/funding programs do not consider equity | Aid distributed based on one or two relevant factors | Aid distributed based on comprehensive set of factors, including local ability to pay and facilities need |
| **State share** | Less than 25 percent state share | 25-50 percent state share | Greater than 50 percent state share |
| **Adequacy** (FY1994-2013 (2014$) Annual avg. School-construction capital outlay per 2013 student) | Less than $950 per student | Between $950-$1,200 per student | Greater than $1,200 per student |
| **Technical assistance** | State provides little to no technical assistance | State provides some technical assistance for some districts | State provides in depth-technical assistance for all districts |
| **Stability** | Revenue sources are inconsistent from year to year | Revenue sources are somewhat stable | Revenue sources are predictable and guaranteed year after year |
| **Taxation Policies (Sources of Funding)** | | | |
| **Tax Caps/Limits** | Low tax caps that prevent districts with facilities needs from issuing debt to fund facilities | High tax caps that typically allow districts to issue debt when necessary | Legislature and local districts have unlimited taxation power to fund schools |
| **Diversity of revenue sources** | Vast majority of funding comes from one source, such as local property taxes | Funding for facilities comes from two sources | Funding for facilities comes from a variety of sources |
| **Statewide vs. local tax collection** | Taxes are collected locally, with little or no redistribution | Taxes are collected both statewide and locally | Taxes for facilities are collected statewide |
| **Public Debt Policies** | | | |
| **Credit enhancements** | Districts cannot use state's credit rating | | Districts can use state's credit rating |
| **Debt payment assistance programs** | State has no programs specifically structured to help districts pay their debt | State has small programs to help school districts pay their debt | State has comprehensive programs to help school districts pay their debt |
| **Debt vs. pay-as-you-go** | Heavily reliant on debt | Mix of debt and pay-as-you-go | Heavily reliant on pay-as-you-go system |

## Application of Equity Investment Typology to Case Study States

| | Texas | Wyoming | New Jersey | Massachusetts | Ohio |
|---|---|---|---|---|---|
| **State Spending/Aid Policies** | | | | | |
| **Aid formula/ program(s) consider/s equity** | **Moderate**: aid distributed based on property wealth sliding scale | **High**: aid distributed based on capacity and building condition | **High**: aid distributed based on property wealth and need | **High**: aid distributed based on project need, urgency, and wealth | **Moderate**: aid distributed based on district wealth |
| **State share** | **Low**: 9 percent state share | **High**: 63 percent state share | **Moderate**: 32 percent state share | **High**: 67 percent state share | **Moderate**: 27 percent state share |
| **Adequacy** (FY1994-2013 (2014$) Annual avg. School-construction cap outlay per 2013 student) | **Moderate**: $1,101 | **High**: $1,416 | **Moderate**: $1,007 | **High**: $1,383 | **Moderate**: $1,084 |
| **Technical assistance** | **Low**: no facilities department and very limited assistance | **High**: State provides in depth-technical assistance | **Moderate**: State provides in depth-technical assistance for high-need districts | **High**: State provides in depth-technical assistance | **High**: State provides in depth-technical assistance |
| **Stability** | **Low**: IFA program is not consistently funded by the Legislature | **Moderate**: Coal lease bonuses were previously stable, but state is now looking for new funding | **Moderate**: The state has run out of funding in the past, though it has always allocated more | **High**: State consistently allocates portion of sales tax | **High**: State consistently allocates funding to educational facilities |

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| **Taxation Policies: Sources of Funding** | | | | | |
| **Tax Caps/Limits** | **Moderate**: $0.50 per $100 of property value | **High**: Legislature has unlimited taxation power to fund schools | **Moderate**: Regular operating school districts have tax caps, but can tap into municipal valuation if necessary | **Moderate**: MSBA has a debt limit of $10 billion. Local communities can issue up to 5 percent of their equalized assessed valuation. | **Moderate**: Ohio has the authority to issue bonds equal to 5 percent of the total revenue fund. The debt limit is on unvoted debt only; no limit on voter approved debt |
| **Diversity of revenue sources** | **Low**: Vast majority of funding comes from local property taxes (91 percent) with only 9 percent from state general revenues | **Moderate**: Coal lease bonuses have been used, but the state can use bonds as well | **Moderate**: Majority of funding comes from state and local bonds, but also includes state income taxes | **High**: Revenue comes from sales tax, statewide bonds, and local bonds | **Moderate**: Revenue comes primarily from state and local bonds, but also some one-time funds |
| **Statewide vs. local tax collection** | **Low**: Local property tax only, no redistribution | **High**: Taxes are collected statewide | **Moderate**: Taxes are collected both statewide and locally | **Moderate**: Taxes are collected both statewide and locally | **Moderate**: Taxes are collected both statewide and locally |
| **Public Debt Policies** | | | | | |
| **Credit enhancements** | **High**: Districts can use state's credit rating, and state has established a guaranteed fund to ensure debt | **High**: Districts can use state's credit rating | **High**: State has established a guarantee fund for school district debt | **High**: Districts can use state's credit rating | **Low**: Districts cannot use state's credit rating |
| **Debt payment assistance programs** | **Moderate**: State has small programs to help school districts pay their debt | **High**: Debt payment assistance programs with equity considerations (programs no longer exist, but only because there is no longer a need) | **High**: The state offers a floor of 40 percent debt assistance aid for regular operating districts. High-needs districts have no debt | **High**: MSBA paid off the majority of school districts' debt held under old system and now helps school districts minimize overall debt | **Low**: State has no programs specifically structured to help districts pay their debt. |
| **Debt vs. pay-as-you-go** | **Low**: heavily reliant on debt | **High**: pay-as-you-go system | **Low**: heavily reliant on debt | **Moderate**: partial pay-as-you-go system, partial debt | **Low**: heavily reliant on debt |

## Leveraging Factors to Encourage States to Expand Facilities Support

- States with various constraints and policy preferences have taken different policy pathways to expand their investment in educational facilities and maintenance.
- No state has a perfect system for funding educational facilities, though states exceled in certain areas.
- Two states stand out as having the most equitable systems: Wyoming and Massachusetts. Both states provided over 60 percent of funding for educational facilities between 1993-2013 according to U.S. Census of Governments F-33 Fiscal surveys, while Wyoming's share has been higher since the implementation of its current system.
- Facilities funding systems based primarily on local property values are inherently less equitable.

## Ensuring Equitable State Spending and Aid Policies

- When developing or updating policies for how the state will spend money on facilities and/or target state aid through programs, there are two main processes to consider.
    - First, the state should develop a ranking system to determine the order in which to address school districts' needs. Best practices include ranking districts based on need, urgency, capacity, and growth rate as determined through the statewide inventory and long-range demographic planning.
    - Second, the state must determine how much money to provide for each school district. If the state is not providing full funding, such as Wyoming or New Jersey for SDA districts, then best practices include developing a sliding scale based on measures of local wealth.
- Even equity-centered funding formulas based on wealth will result in inequitable facilities statewide if the overall level of funding is inadequate.
- The level of state spending should not only provide for new construction and major renovations, but also provide ongoing funds for maintenance of all facilities that is tied to industry best practices at a level that protects facilities investments.
- The state legislature can also provide state departments of education with enough funding and capacity to hire and retain individuals with the expertise to provide all school districts in the state with technical assistance for

facilities planning, design, construction, and maintenance.

- Finally, ensuring equitable state spending requires the establishment of a dedicated, stable funding source, specifically allocated for facilities. The legislature should also take steps to protect funding from economic fluctuations by setting an annual minimum spending amount.

## Improving the Equity of Taxation Mechanisms and Sources of Revenue

- When raising revenue to fund equitable facilities investment, it is necessary to consider that facilities are not a one-time cost, but an ongoing expense as they require regular maintenance. Therefore, states must be in the practice of consistently and predictably raising revenue to fund facilities across the state.
- States should also consider diversifying their taxation mechanisms and revenue sources to protect against economic fluctuations over time.
- States would do well to draw from a combination of funding sources that alleviate pressure from local property tax payers such as statewide general revenues, a statewide property tax, sales taxes, severance taxes, and so-called sin-taxes.
- Many states are carved into too many school districts with uneven tax bases. Consolidation of districts would even out disparities in local property values.

## Enhancing the Equity of Public Debt Policies

- Ideally, states would move away from debt financing as it is costlier in the long-run and is tied to property wealth, which at the local level, is inequitable.
- However, because many states will likely rely on at least some level of debt financing for infrastructure investments, either because of a lack of other funding or a deeply rooted statewide penchant for debt, there are a few policies that states can put in place to ensure that their debt policies are more equitable.
  - First, the state can provide credit enhancement for local school districts, such as allowing school districts to use the state's credit rating.
  - Second, the state can provide state debt assistance programs that distribute money in a way that makes up for inequitable local investment, such as by adjusting for local wealth.
  - Third, states can set their debt limits at a level that allows fast-growth districts to access the funds they need to prevent students from spending too much time in portable facilities.

## Additional Best Practices

- States should push for increased federal funding for educational facilities.
- Whenever possible, equity advocates and parents should pursue school finance litigation including and even focusing on educational facilities.
- State departments of education can also provide guidelines to help school districts navigate relationships with private consultants and contractors.
- Regarding motivation, equity advocates would do well to acknowledge that states might not want to take the first step of conducting a statewide inventory because then they would be pressured to find the resources to address the problem. Therefore, equity advocates and school districts might want to pursue funding for an external, objective source that can collect the data and serve as the initial impetus for state action.
- Advocates for funding equity should also disseminate the empirical academic literature documenting the importance of facilities for teaching and learning.

## Conclusion

Then President-elect Trump declared in his speech on election night that he intended to rebuild the nation's infrastructure, including school buildings. Facilities advocates should push for federal funding for educational facilities as an integral part of national investment in infrastructure, as well as for policy changes at the state level that include adequate and equitable state investment in facilities construction and maintenance. Currently, the quality of a child's school building is directly related to the decisions their state's policymakers have made in the past. Examining state facilities policies reveals important insights about how policies promoting equity have developed in certain states and points to opportunities to improve equitable access to facilities for students in other places. Furthermore, investment in educational facilities is tied to broader health and safety concerns. Outrage over outdated lead pipes poisoning water in Flint was a reminder of the importance of investing in infrastructure. While wealthy communities have the ability to adequately maintain their facilities, persistent patterns of racial and socioeconomic segregation have long-lasting implications for equitable infrastructure investment, particularly when funding is still tied to local property wealth in most states. Given the recent evidence on the importance of educational facilities for school climate, student attendance, and teacher attrition, which directly affect teaching and learning, as well as the continued focus on school finance equity in many states around the country, this is a timely and important policy area with long-term implications for the schooling of millions of children.

**See the full report and state highlights at http://budurl.com/IDRAsymposium.**

*The IDRA José A. Cárdenas School Finance Fellows Program honors the memory of IDRA founder, Dr. José Angel Cárdenas. The goal of the program is to engage the nation's most promising researchers in investigating school finance solutions that secure equity and excellence for all public school students. An assistant professor of education and community leadership at the Texas State University College of Education, Dr. Marialena Rivera was named the 2016 José A. Cárdenas School Finance Fellow.*