WHY SCHOOL FACILITIES MATTER

And what we can do to fix the disparities

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The quality of school facilities can have a major impact on the education that our children receive and whether they succeed in school. Research, court decisions, and states have long recognized that disparities in access to basic school facilities can lead to differences in educational outcomes, especially for low-income students. This brief makes the case that state funding for school facilities should be increased to meet the needs of all districts. The official standard, that facilities need only be warm, safe, and dry, is not good enough.

The state of Arkansas, for example, has defined adequate facilities as those meeting a minimal standard of warm, safe, and dry. But in some wealthier zip codes in the state, students have access to state-of-the-art facilities that promote hands on, experiential based learning, e.g., television broadcast facilities, performing arts centers, and health careers rooms with computerized, college-quality equipment.

Auditorium at Maumelle Highschool, from www.arktimes.com

In contrast, students in low property-wealth areas of the state are typically educated in outdated, no-frills facilities that do no more than meet minimal state standards for being warm, safe, and dry. They often do not have access to state-of-the-art facilities that do more to enhance learning. This creates an opportunity gap that limits the success they can have in the competitive environments of college and careers. These inequities don't just occur from one side of the state to the other. They occur within the same county and even within the same school district.

School Facilities

The current school facilities programs are the result of a 2002 Arkansas Supreme Court ruling in the Lake View lawsuit over inadequate school funding. The Special Masters, a committee of three former judges who reported to the Supreme Court in 2005 cited language in Act 1426 of 2005, "in order to satisfy the constitutional expectations of the Supreme Court, the state should: (1) provide constitutionally appropriate public school academic facilities for the education of each similarly situated child in the public schools of Arkansas, regardless of where that child resides within the state." The outcome of that suit placed responsibility on the state to ensure adequate academic facilities are available for all students. Prior to that time, school facilities were solely the responsibility of the local district. This resulted in significant inequities from district to district because of the variation in property wealth among districts. To reduce but not eliminate these inequities, the state set up a system of school facility funding programs to assist districts in meeting newly-developed minimum standards.

Old restroom facilities at a high school in southeast Arkansas pale in comparison to newer, automated facilities at other schools.

Originally there were four programs but two of those were designed to meet temporary needs while transitioning from the old system of facility funding to the new system. Those two programs have expired. The two remaining programs are the Catastrophic and the Partnership Programs. The Catastrophic program is for unusual losses of school facilities such as those resulting from fire or tornadoes. In practice, school districts' insurance is sufficient for most of those expenses.

Partnership Program

Under the Partnership Program, the Division of Public School Academic Facilities and Transportation works with schools to develop master plans for building needs. The Division provides a state facilities funding match based on a district's wealth index, where the state pays a larger percentage of poorer districts' construction costs than it pays for wealthier districts. This doesn't mean the poorer district necessarily gets more funds than the higher-income district. In most cases the higher-income districts construct much more expensive projects and even their reduced state share can be larger than a poor district's share because of the size of the overall project.

There are two types of projects that qualify for Partnership Program funding.

- Warm, Safe and Dry Projects, such as a new roof, HVAC system, plumbing system or electrical system.
- Space Projects, such as new schools, building additions, and converting existing space to a different use.

Facilities Distress

Arkansas law (A.C.A. § 6-21-811) and related rules provide that the Commission for Arkansas Public School Academic Facilities and Transportation may take a series of steps to place a district in facilities distress for violations or failures such as:

- Material failure to properly maintain academic facilities
- Material failure to comply with state laws regarding purchasing, bid requirements, or school construction
- Material default on any district debt obligation

After a district has been placed in facilities distress, the Commission can take a number of actions, such as prohibiting the district from spending money on any activity that is not part of providing an adequate education as described in A.C.A. § 6-20-2302. According to the Facilities Division, only one district has been placed in facilities distress. That action occurred in 2008 and ended in 2009. It resulted from building code and procurement law violations associated with a renovation project.

Partnership Funding

The Partnership program funds new construction projects and major renovations. General repair and maintenance are financed through state foundation funding provided at the same level per student for all districts. The minimum project cost to qualify for Partnership funding is $150,000 total or $300 per student, e.g., a district with 400 students could

PARTNERSHIP PROGRAM FUNDING PRIORITIZATION PROCESS		2015-17 and 2017-19	2019 - 21----
First Priority	Project Type:	Warm, Safe, Dry (System Replacement)	Space (Growth, Suitability)
		$10M per Year	
	Ranking Factors:	Wealth Index	
		District Student Enrollment (3rd Quarter ADM)	10-Year Enrollment Growth %
Second Priority	Project Type:	Space (Growth, Suitability)	Warm, Safe, Dry (Space Replacement or Total Renovation)
	Ranking Factors:		Campus Value Ranking
			Wealth Index
		10-Year Enrollment Growth %	
Third Priority	Project Type:	Warm, Safe, Dry (Space Replacement or Total Renovation)	Warm, Safe, Dry (System Replacement)
	Ranking Factors:	Campus Value Ranking	
		Wealth Index	Wealth Index
			District Student Enrollment (3rd Quarter ADM)

qualify for a $120,000 project but a district with 500 students could not. However, those cost restrictions may be waived for projects addressing a safety hazard (e.g., repair of unsafe wiring).

Space projects are then analyzed to estimate their costs and the state's share of those costs, using the state standards. Districts may choose to add space above the minimum requirements without that additional cost being shared. The Facilities Division

Total Eligible Cost	Wealth Index	Percent Funding	State Share
$1,200,000	0.20	80%	$960,000
$4,500,000	0.65	35%	$1,575,000

calculates the total amount of space needed based on the student count. For expansions, the same calculation is used, subtracting the amount of existing space serving those students. The project's square footage is then multiplied by a market-based cost per square foot, e.g., 10,000 square feet times $120 per square foot would cost $1.2 million. Two examples are provided above.

To determine funding, projects are sorted by project type. Warm, Safe, and Dry projects are the first priority in the 2013-15 cycle. The second priority is Space projects. In the future Warm, Safe, and Dry projects will be divided into two groups—one for system replacement only and another for space replacement or total renovation. See the chart above for coming changes in the priorities.

Additional ranking factors rank the projects within the three major priorities. One factor is a facility condition index (the cost to renovate the facility divided by the cost to replace the facility; generally a facility should be replaced if the facility condition index is greater than .65). The project ranking will determine which projects are actually funded when total cost of all projects exceeds the amount of funding available.

Program Cycle	# of Projects	Committed State Share (millions)
2006-07	1,158	$205.3
2007-09	378	$265.0
2009-11	244	$107.3
2011-13	219	$163.3
2013-15	177	$213.2

The table above shows the number of approved projects for the past four program cycles and the state's financial commitment for those projects.

Not all of the committed funds have been spent yet because it sometimes takes years to complete a construction project. Through 2013 only $649.6 million from the Educational Facilities Partnership Fund had actually been spent for the approximately $740.9

Differences in school facilities can come down to the simplest things, like awnings.

million in commitments. The following chart makes it easy to see that annually Arkansas far outspends the amount of revenue invested each year since the one-time windfall of $501.1 million invested in FY2008. Now that this amount is almost depleted, the current level of funding annually can't be maintained, and Arkansas will be unable to continue to meet its public school facility needs, without additional state funding.

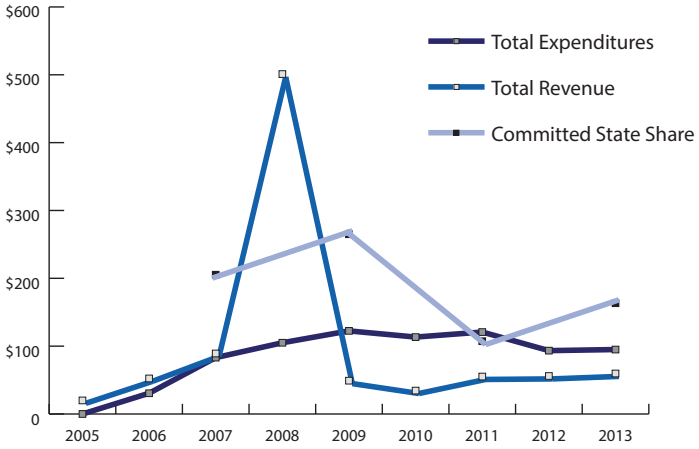
Fiscal Year	Total Revenue (millions)	Total Expenditures (millions)
FY2005	$20.0	$0
FY2006	$52.4	$30.6
FY2007	$89.2	$83.1
FY2008	$501.1	$105.0
FY2009	$49.1	$122.5
FY2010	$34.5	$113.4
FY2011	$55.2	$120.8
FY2012	$56.0	$93.4
FY2013	$59.7	$94.8

This chart further demonstrates the relationship of state funding to facilities expenditures and to the state share committed for the approved projects.

The total revenue is made up of 1) general revenue funding allocated annually (the 2013 amount was $34.8 million), 2) $455.6 million of 2008 revenue was from a one-time General Improvement Fund Set-Aside, and 3) general revenue that districts received for limited facility support prior to the

FACILITIES COMMITMENTS, EXPENDITURES AND REVENUES

Expressed in millions



partnership program. That support is still funded at the same level despite dwindling obligations. Direct district payments are winding down, allowing the remaining balance each year to be placed into the fund for the Partnership Program (the amount was $24.9 million in 2013.)

The Division says that all qualified facilities projects to date have been funded. In 2011-13, school districts applied for funding for 302 projects. Of those, 219 were approved for funding, and 83 were disapproved. In the 2013-2015 project funding cycle, there were 381 applications and 263 projects were approved. It is anticipated that if the 2014 legislative fiscal session provides the budgeted funding, that all of the 2013-2015 approved projects will receive funding.

One of the intended purposes of the Partnership Program was to pay for systems (plumbing, roof, electrical) replacement, not systems repair. Districts

Some high schools in Arkansas can afford high-tech health teaching tools while others can barely prevent leaky ceilings.

are supposed to use that portion of foundation funding provided for school operation and maintenance to finance systems and roof repairs. An unintended consequence is that some districts may decide to stop maintenance of those systems and structures so they qualify sooner for a system replacement through the program according to program administrators.

Local Funds or Millages

The local share of school construction is primarily raised through passage of a millage increasing the property tax rate in a school district. In Arkansas, property is assessed at 20 percent of its market value. The tax rate is then applied to the assessed value. Property tax rates are known as millage rates because the taxes are set in "mills." A mill is one one-thousandth (0.001) of a dollar. The following chart shows the computations.

Market Value of House	$100,000
Assessed Value	20% x $100,000=$20,000
Property tax rate = 1 mill	$20,000 x 0.001 = $ 20

The issue of school district "wealth" and the ability to fund projects is complex. The Academic Facilities Wealth Index measures a district's wealth by comparing the district's value of one mill per student to the value of one mill per student for the 95th percentile district. Districts gain or lose wealth in the wealth index as they gain or lose assessment value and students. The index provides a uniform process of computing state financial participation percentage in Partnership Program projects.

An example of the struggle that low-property wealth districts have in raising funds for facilities is the difference in assessed property values for Fort Smith and Hartford. Both districts are located in Sebastian County. Hartford has more debt service (to pay off construction bonds) mills than Fort Smith. Fort Smith's property assessments are equal to approximately $108,000 per student while Hartford's are just under $70,000 per student. This means that even with their lower debt millage rate of 11.5 mills Fort Smith can raise far more facilities funding per student than Hartford with their 14.3 mills. The state increases its share of the cost for districts like Hartford because of the difference in the value of assessed property.

Unlike the Uniform Rate of Taxation (URT) of 25 mills for school district operations, there is not a uniform rate for debt service mills and there is a wide variation of debt service millage rates. For example, the five lowest 2012 debt service millage rates were for the school districts of Gosnell (0 mills), Lee County (1.30 mills), West Memphis (2.00 mills), DeQueen (2.30 mills), and Hughes (2.40 mills). The five highest 2012 debt service millage rates were for Fouke (23.90 mills), Genoa Central (22.00 mills), Poyen (21.70 mills), Fayetteville (20.65 mills), and Pottsville (20.20 mills). The median debt service millage rate is 11.60 mills.

Low ceilings and cramped spaces are the norm at this Arkansas high school.

Limited Opportunities

One of the requirements for state funding is preparation of a master plan for each district. That planning often leads to success in receiving Partnership Program funding. District leadership on strategies for facility development also impacts the results. Some districts have assistant superintendents with doctorates heading their facilities program while others have experienced construction personnel as facility leaders.

If districts with lower property wealth get more state funding than wealthier districts—why are they behind?

1. The facilities funding formula is applied to a very basic building structure meeting minimal state requirements known as the Program of Requirements (POR). Wealthier districts have money left over for the bells and whistles. Districts with little property wealth struggle to meet their obligation for the basic building.
2. Low-wealth districts seldom are able to build new facilities. Many cannot afford their share of significant renovations of existing structures and cannot build new modern facilities.
3. Many school buildings in all school districts are more than 50 years old. Some are depression-era public works projects or older. Wealthier districts have been able to modernize and maintain those buildings more readily than low-wealth districts.
4. The quality of the original construction also impacts a district's ability to continue to renovate and expand existing buildings into quality educational settings.

Future Funding Concerns

Arkansas has depleted the large one-time funding provided in 2008 for the state's share of school facilities' cost. The general revenue funding provided by the state annually is not sufficient to sustain the current level of effort beyond the current 2013-15 cycle. Projected funding levels are about $120 to $130 million per two-year cycle while approved projects for the most recent cycles are about $151 million and $210 million according to the Facilities Division.

The priorities for Partnership funding were changed in July, 2013. According to the Facilities Division Director, Dr. Charles Stein, "the Division's recom-

New construction at one Arkansas high school. Rotted wood tops one building at another.

mendation and the Commission's determination was based on discussions with members of the Task Force and legislators who stated that the intent of the program was for construction of new facilities after the districts' immediate repair needs were addressed by the Immediate Repair and the Transitional Programs. Renovations and repairs could be addressed by the 9 percent of foundation funding. The actual trend of the program was for more districts to apply for warm, safe, and dry systems, particularly HVAC systems, as districts sought to gain efficiencies in their energy requirements. With a continuing trend for more warm, safe, and dry system projects, funding may not have been available for growth/suitability projects or for replacement of facilities.

Recommendation

Low-wealth districts say they would not be where they are today without the state's current support. The discussion about adequate facilities should not be limited to structural safety of the school buildings and continued functioning of outdated physical plant just because that's all the money the state has. The amount of funding should be increased to meet the needs of all school districts. The standard of warm, safe, and dry is far too low to set the bar for determining adequacy.

The state must assess and redevelop minimum facilities needs for today's students in the age of technology. All students deserve equitable opportunities to learn—opportunities to enter college or career on a level playing field with their peers. Facilities standards should include consideration of new strategies for learning such as New Tech programs and other project-based learning programs that require more space for collaborative activity linked to academic study.

Sources

Arkansas Acts 1426 of 2005 and 1202 of 2007

Amended Report on Legislative Hearings for the 2012 Interim Study on Educational Adequacy, April 2, 2013

Arkansas Department of Education, Division of Public School Academic Facilities and Transportation

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