

## SCHOOL CONSTRUCTION INITIATIVE QUESTIONS & ANSWERS

### Need for the Program; Federal Role

Question: Why is a Federal school construction program needed? Why is this an appropriate Federal role?

Answer: School construction has been, and will remain, primarily a State and local responsibility. The vast majority of school facility needs will have to be met with non-Federal resources. However, America is facing a school facilities crisis and State and local governments have not been able, on their own, to deal with their construction and renovation needs.

The General Accounting Office has found that one-third of the Nation's schools, serving more than 14 million students, need extensive repair or renovation of one or more buildings. About 60 percent of schools have at least one major building feature in need of repair. More than half have at least one unsatisfactory environmental condition, such as poor ventilation, heating, or lighting. Almost half have inadequate electrical wiring for computers and other technology. And finally, just to meet growing enrollments, school districts will need to build some 6,000 more schools by the year 2006.

We owe it to our children to do something about these problems. But the purpose of our proposal is not to take over the responsibility from States and localities. Instead, our bill would provide limited, one-time support in a manner that spurs States, communities, and even the private sector to shoulder the burden and provide adequate school facilities for all children.

### Number of Schools and Children Affected

Question: How many schools would be built or repaired, and how many children would be affected?

Answer: According to the GAO, the average school reported needing about \$2 million to repair and upgrade to good overall condition. The average new elementary school costs about \$6 million to construct and the average secondary school costs about \$15 million. Assuming that about one-quarter of the construction generated under this initiative is new schools and the rest is repair and upgrading of existing schools, a \$5 billion investment that leverages \$20 billion in new construction would pay for approximately 500 new schools and 7500 major repair projects. This would mean that over 4 million students would be learning in safer, healthier, more up-to-date classrooms.

## Interest Subsidy vs. Direct Support for Construction

Question: Why would the program fund interest subsidies rather than providing direct support for school construction?

Answer: Given the scope of the school facilities infrastructure problem -- \$112 billion, by GAO estimates, for repairs and replacement alone -- a limited grant program to cover the full cost of school construction projects could not begin to make an impact on the problem. By using the Federal dollars to leverage increased State and local support, we can generate a much bigger "bang" for our "buck." Through a traditional direct grant program, \$5 billion would buy only \$5 billion in construction.

But with a \$5 billion appropriation to subsidize the interest on construction bonds and similar financing mechanisms, we can "leverage" approximately \$20 billion in construction.

### Federal Leveraging

Question: How will a \$5 billion program result in \$20 billion in construction?

Answer: Under the bill, Federal grants would pay for up to one-half the interest cost on school construction bonds, or an equivalent portion of the cost if a different financing mechanism is used; the remainder of the cost would come from non-Federal sources (State, local, private sector). Assuming that States and localities will pay for construction using 25-year bonds that have a 5 percent interest rate (approximately the current average maturity and interest rate for municipal bonds), then one-half the interest cost, calculated on a "net present value" basis, is equivalent to about one-quarter of the total cost of construction. Thus, every dollar of Federal subsidy will "leverage" three dollars in non-Federal support, and the \$5 billion appropriation will support \$20 billion in total construction.

## Will this Supplant State and Local Effort?

Question: Won't this initiative merely pay for what States and localities would be doing anyway?

Answer: No, in order to ensure that the Federal program does not merely replace non-Federal effort, the bill would **prohibit** grantees from using the Federal funds to supplant State and local support for school construction. In addition, in order to receive a grant, each State or locality would have to assure the Secretary that it will increase by 25 percent, over a four-year period, the amount of school construction it undertakes with non-Federal funds, compared to the level of expenditures for the preceding four-year period. These provisions would ensure that the Federal funding results in **additional** construction, not construction that would have taken place anyway.

## Impact on Total Construction Funding

Question: What impact would your initiative have on overall construction funding nationally?

Answer: Complete, current data on the level of school construction activity nationally are unavailable. The most recent reliable data, from the Census Bureau, indicate that localities and States spent about \$14 billion on construction in 1992. Other reports indicate that school construction has picked up in recent years; the current level may be close to \$20 billion. If we assume a \$20 billion level, then non-Federal activity without the Federal program would be \$80 billion over the four-year period 1998-2001. Thus, the additional \$20 billion attributable to the Federal program would increase national construction funding by 25 percent.

## Encouraging Local Activity

Question: How will this initiative address the problem of local taxpayers voting down bond issues for construction?

Answer: We can't -- and don't want to -- force local communities to spend money they don't want to spend, but we can encourage and reward responsible behavior on the part of local communities that choose to increase their efforts to upgrade their school facilities. By subsidizing increased spending for school construction, this program is structured to encourage and reward those communities that choose to increase their efforts to improve school facilities. Communities that refuse to do their fair share to address the problem would not receive these Federal funds.

## Impact on Current Activity

Question: What effect will this have on existing and pending bond activity? (I.e., will States and localities defer issuing bonds because they may be able to get a credit subsidy after this bill passes?)

Answer: The proposal, as it is structured, should not cause any delays in State and local borrowing or construction activity. Grantees would be permitted to use their Federal grants to support construction projects they elect to initiate any time beginning July 11, 1996 (the date on which the President announced the initiative) and ending on September 30, 2001.

## Uses of Construction Funds

Question: What kind of construction projects would the funds be used for? Would the bill give certain types of activities a priority?

Answer: The bill is very flexible in defining the types of construction projects that could be supported. Allowable activities would include: (1) construction needed to ensure the health and safety of students (e.g., removal of environmental hazards, improvements in air quality, electrical systems, or plumbing); (2) construction needed to ensure the access of individuals with disabilities; (3) construction to make school facilities more energy efficient; (4) construction to facilitate the use of modern educational technologies; (5) construction of new facilities to accommodate enrollment growth; and (6) construction projects to facilitate the establishment of charter schools and community schools.

The bill does not set priorities among these types of construction projects. Instead, each State or local grantee would be required to undertake a survey of its construction needs and then to use the Federal subsidy to help meet its highest-priority needs. It would be inappropriate for the Federal Government, rather than the States and localities, to determine what are the most urgent construction projects in individual States and school districts.

## Funding for School Construction Only?

Question: Would your bill support construction only of schools? What about school district central facilities? And what about football stadiums and other fancy athletic facilities?

Answer: Because we believe the national need is to have adequate school buildings for all children, the bill would provide Federal subsidies only for construction projects at schools -- not for central offices or other school district facilities. In addition, the bill would expressly prohibit the use of Federal funds to support construction of athletic stadiums and other athletic facilities used primarily for events for which admission is charged to the general public.

## State and Local Financing Mechanisms

Question: Would the many school districts that do not use construction bonds to finance school construction be able to participate in the program?

Answer: Yes, the bill would be flexible enough to accommodate the wide variety of financing mechanisms in use in the States and localities. In addition to school construction bonds, recipients could use the Federal grant to subsidize general obligation bonds, certificates of participation, lease-purchase arrangements, and other debt-based financial instruments. States would be permitted to use the Federal grant to establish school construction revolving funds. States and localities could use the Federal funds to "buy down" their bonds or to subsidize financing mechanisms that don't involve debt (such as increases in the property or sales tax).

Whichever method recipients use, the maximum Federal subsidy would be the equivalent of 50 percent of the interest cost on bonds, assuming a standard amortization.

## Will the Program Help Poor Communities?

Question: If the program would subsidize only the equivalent of 50 percent of interest costs (or roughly one-quarter of the total cost of construction), how would it help poor communities that cannot afford to pay the remainder of the costs?

Answer: The bill would not require school districts to come up with the non-Federal share from their own resources. They would be able to draw on whatever State, private sector, or local funds are available for construction.

Few school districts are totally lacking in resources for construction. Rather, many have failed to keep up with their construction needs because the State has not funded school construction or because the taxpayers have voted down bond issues. The availability of Federal subsidies should encourage governments and citizens at all levels to take more responsibility for this problem. Along with the infusion of \$5 billion in Federal funds, this would be a major benefit of the program.

In addition, the bill would cause States to give a priority to the needs of poor districts. Specifically, in determining how to use their grant funds, States would give highest priority to localities with the greatest needs, as demonstrated by inadequate educational facilities coupled with a low level of local resources available to meet school construction needs. The school districts that fall within this priority will inevitably be among the poorest in each State. This priority reflects another key principle behind the legislation: driving limited Federal funds to the communities least able to meet their school construction needs with their own resources.

## Why a Hybrid Program?

Question: Why is the Administration proposing a two-tiered program, with some of the money flowing through the States and the rest going out as grants from Washington to the big-city school districts?

Answer: The GAO data show that the need for assistance with school construction is especially great in the cities, especially cities with high poverty. The two-tiered approach will ensure that the program addresses the needs of communities that have the greatest need for Federal assistance.

## Allocation of the Funds

Question: How would the bill divide the money between State grants and the direct grants to urban districts?

Answer: Of the total amount of money available, the Department would distribute, by formula, 35 percent to the 100 school districts that educate the greatest numbers of children from poor families. The Department would use an additional 15 percent for competitive grants to those same districts. The remaining 50 percent would be distributed to the States.

## Needs of Urban Districts

Question: How can you justify giving half the money to only 100 urban districts?

Answer: Data from the General Accounting Office demonstrate that school facilities problems are heavily concentrated in urban districts: A 1996 GAO report found that 38 percent of central city schools had at least one inadequate building, compared to 29 percent of schools in suburbs and large towns and 30 percent of small town and rural schools. The report also found 67 percent of central city schools (compared to 57 percent of suburban/large town schools and 52 percent of small town/rural schools) had at least one building feature, such as a roof, plumbing, or heating and air conditioning, needing repair or replacement.

As the GAO pointed out, urban districts must spend disproportionate sums to meet the special instructional needs of poor and immigrant students, and thus must often forgo construction spending. What construction dollars are available must often be spent on emergency repairs, leaving little or nothing for the kind of modernization really needed to bring schools into the "Information Age."

The situation in some particular cities illustrates the dire situation that many of them face. Philadelphia needs more than \$764 million in construction in order to bring its 257 schools up to standard. Los Angeles has a maintenance and construction backlog of over \$600 million; in that

city, 245 schools need roof replacement, 152 schools need new fire alarm systems, and 58 need new boilers.

Some of the urban districts are often among those LEAs most affected by rising enrollments. The Broward County (Ft. Lauderdale) schools are absorbing an additional 10,000 students each year. The district would have to build a new school every month in order to serve its students adequately. Enrollment in Santa Ana, California, a smaller district (but still on the list of the top 100) has grown by 67 percent since 1980, with most of the growth attributable to immigrants; the district has responded by instituting year-round schedules in most of its schools and purchasing 534 portable classrooms, but still faces a substantial facility crisis.

### **Access of the 100 Largest Districts to State Funds**

Question: Would the large districts be able to obtain funds from the State formula grants, in addition to their direct grants from the Department?

Answer: Yes, the bill would not prohibit the cities from receiving support from both types of grants. However, in conducting their surveys and need analyses, the States would take into consideration the support that the cities would receive directly from the Federal Government.

### **What about the Rural Districts?**

Question: How would the program address the needs of rural districts, which frequently have the most critical construction needs and the smallest economic base from which to meet those needs?

Answer: The bill would require States, in determining how to use their funds, to pay particular attention to the school construction needs of their rural districts. In addition, by authorizing States to use the Federal funds to subsidize State bonds and State revolving funds, the program would be sensitive to the needs of rural communities. Many of those communities are so small that they cannot issue bonds or other financial instruments on their own. States, with Federal support, would be able to issue bonds, in amounts large enough to be viable, that meet the needs of a number of rural districts within their borders.

## State Formula

Question: What type of formula will the Department of Education use to distribute funds to the States?

Answer: The formula would be modeled after the ESEA Title I Basic Grants formula. That is, State shares would be based on:

(1) each State's number of children from families below the poverty level; and (2) each State's per-pupil expenditure for education. In order to avoid double-counting, the count of children from poor families would not include the children in the districts that would receive direct Federal grants.

## Formula for Local Grants

Question: Would you use the same formula to distribute funds to the 100 largest cities?

Answer: We would use a similar mechanism. Each district's share of the money would be the same as its share of Title I Basic Grant funds in the most recent year.

## Criteria for Competitive Grants

Question: How will the Department select applications for competitive grants to the 100 urban districts?

Answer: The urban districts would be selected to receive competitive grants on the basis of: (1) their need for the funding; (2) the level of effort they are making in support of education; and (3) the commitment they are willing to make to provide additional non-Federal resources for school construction. In other words, the competitions would reward communities that are most willing to use their own resources to meet their construction needs. In addition, the Secretary would have the authority to make grants in amounts that reflect the relative sizes of different districts.

## State and Local Administration

Question: Which agency would be responsible for administration of the program at the State and local levels?

Answer: This would probably vary by State, because some States handle school construction through the State educational agency, others do it through an independent State bond bank or school construction authority, and some may use a different mechanism entirely. The bill would make the funds available to whatever agency the Governor, with the agreement of the chief State school officer, designates as best qualified to administer the program.

Similarly, a direct grant to a locality would go to the local educational agency (LEA) or to another public agency if the LEA identifies such an agency as better equipped to carry out the program.

## Community Schools

Question: Will your program help school districts build schools that meet a variety of community needs, such as providing a site for after-school tutoring, recreation, and social services?

Answer: Yes, the bill would allow districts to use the Federal funds to subsidize construction of "community schools" that serve as centers for after-school and summer programs and the delivery of education, tutoring, cultural, and recreational services, in addition to serving students during the normal school day and year.

## Davis-Bacon Act

Question: Would your program drive up school construction costs by requiring grant recipients to pay unrealistically high union wages, as mandated under the Davis-Bacon Act? Won't this result in taxpayers paying more for schools and students getting less?

Answer: As is the standard with Federal construction programs, this program would be covered by the Davis-Bacon Act, which requires that laborers and mechanics who work on the construction projects be paid wages at rates not less than the "prevailing wages" as determined by the Secretary of Labor.

The Davis-Bacon requirement ensures that Federal construction programs do not have the unintended consequence of depressing construction workers' wages in a locality. Without this protection, local contractors might have an incentive to lower wages in order to become the lowest bidders on federally supported construction contracts. Contractors who did not take this action would be at a competitive disadvantage. Davis-Bacon thus prevents this situation from occurring.

Recent studies have not demonstrated an impact of Davis-Bacon rules on overall construction costs. Although the Act ensures that contractors pay the locally prevailing wage, higher wages do not necessarily result in higher construction costs because those wages may attract more skilled and productive workers. Nor does Davis-Bacon always require contractors to pay meet union wage scales. Currently, only 29 percent of the Labor Department's Davis-Bacon "schedules" are set at union wage levels.

### Why a Mandatory Program?

Question: Why is the Administration proposing to make this program a mandatory Federal expenditure? Doesn't this type of action erode the budgetary discipline that occurs through the normal appropriations process?

Answer: In order for this program to its intended impact on State and local activity, it is important that States and communities know that the money will be available up front. Without a guarantee of the funding, if annual funding is subject to the regular appropriations process, States and communities may be unable to initiate bonds and other financing vehicles, thus undermining the purposes of the program.

### Offsets

Question: Does this program have a budget offset? Are you planning to pay for it through the sale of a portion of the television spectrum?

Answer: When the President announced this initiative during the course of Congressional deliberations over the 1997 budget, he was required to identify an offset because the program had not been included in the Administration's budget submission. At that time (July of 1996), we identified the sale of a portion of the VHF television spectrum as the offset.

Now, because the proposal fits within the President's overall plan for eliminating the budget deficit, as enunciated in the 1998 budget, a specific offset is not needed. Therefore, this proposal is no longer tied to the spectrum sales.

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## CASE STUDIES Broward County/Ft. Lauderdale

### I. The Problem

Broward County is located in Southern Florida and is the fifth largest school district in the nation. Its schools suffer from severe overcrowding:

- 34,000 students without permanent desks
- Approximately 10,000 new students in school system each year.
- In the past nine years, Broward has built 36 new schools and rebuilt 23 schools, and continues to have a difficult time meeting its demand.

Broward would have to build a new school every month to meet this demand adequately. With approximately 2,000 portable classrooms, the budget director for the county public schools described Broward as "the portable capital of the world." One high school, for example, has 46 portable classrooms in use during this school year.

### II. Needs Versus Available Resources

A recent needs analysis estimated Broward's capital construction needs at \$2.4 billion, \$200 million of which is needed for technology improvements alone. The last bond approved for school construction was a 1987 bond for \$317 million. Mobilizing local support for new tax or bond referenda has been difficult. In September, 1995, a tax referendum to increase the sales tax by one penny to raise \$1 billion for school construction was defeated.

### III. The Potential Impact of the Partnership to Rebuild America's Schools Act

*Under the President's legislative proposal, approximately \$16.4 million would be allocated to the county school district, Broward could use these funds to subsidize interest costs for a local bond to cover a substantial part of its school construction costs. This funding could support nearly \$70 million in leveraged funds to assist in rebuilding a number of local schools.*

These new funds would be used primarily to ease overcrowding in schools by funding new schools, and renovations and additions to existing schools that would expand seating capacity. Broward also wants to move away from portable classrooms due to the fact that -- with a life expectancy of approximately 20 years -- portables are not a good long-term investment compared to a traditional school structure. In addition, portables cannot be wired for technology the same way as a traditional classroom.

# Los Angeles Unified School District

## I. The Problem

The Los Angeles Unified School District is one of the largest institutions of any kind in the nation with an enrollment of 670,000 students. The prevalence of aging school facilities in Los Angeles poses a number of expensive problems for the district, which estimates its current deferred maintenance costs at more than \$600 million. A majority of Los Angeles school buildings are more than 40 years old. As a result, most schools are not wired for technology, and most are not equipped with modern security systems, telecommunications systems, or air conditioning. Many facilities face similar repair needs --roof replacement is needed for 245 schools, repainting at more than 600 schools, boiler replacement at more than 50 schools, and playground re-pavement at almost 400 schools.

A rebounding economy and an influx of immigrants is driving steady growth in the Los Angeles schools. The number of students grew by 18,000 this year, and school officials predict enrollment will grow another 15,000 next year.

A State of California mandate to lower class size in the earliest grades consumed the limited number of vacant classrooms that existed. The need for more classrooms is illustrated by the fact that the district transports about 12,000 students a day to more distant schools because of overcrowding in their area school.

## II. Needs versus Available Resources

The State of California school construction program uses two mechanisms to provide funds to local districts for new construction and modernization. In the more common approach, the state pays one-half of the "allowable" costs as defined by the state. Otherwise, the state pays the full bill, but in a very limited number of projects. Additionally, the state offers a small deferred maintenance program in which it provides matching funds of up to one-half of 1 percent of the district's general funds. In recent years, the Los Angeles district has been eligible for about \$17 million through this program, but the state has not fully-funded it in recent budgets.

District officials in Los Angeles report that a significant impediment to raising funds for construction is the requirement imposed the state Constitution, which requires a two-thirds majority vote for the passage of school bonds financed by property tax increases. The last time the Los Angeles Unified School District passed a bond measure was 1971. (This vote came shortly after the Sylmar earthquake closed many schools and raised serious safety questions about others. The measure received 66.5 percent of the vote, but under state law, this bond required only a majority vote because it pertained to buildings deemed structurally unsafe.)

## III. The Impact of the Partnership to Rebuild America's Schools Act

A \$2.4 billion school bond measure on the ballot in November 1996 for school construction and modernization received 65.5 percent of the vote, just missing the two-thirds majority needed for passage. In December 1996, the Board of Education voted to put another \$2.4 billion bond measure on the ballot in April 1997. The President's initiative could accelerate the development of the long overdue projects that would be financed by this bond, or, in the event that the bond fails, could allow for some work to be done that would otherwise continue to be deferred.

## The State of Maine

### I. The Problem

Maine is struggling to cope with two major factors related to school facilities -- a booming economy driving explosive growth in the southern part of the state, and the continued use of one-room schools and other antiquated buildings -- some dating 100 years -- throughout the state.

The Bowdoin Community School offers an instructive example. The dozen portable classrooms now in use exceed the number of permanent classrooms inside the main structure. A proposed expansion of the school has been shelved since 1987 because of insufficient state funding to support the project.

### II. Needs versus Available Resources

Support from the state of Maine for local school construction projects is restricted to debt service subsidies, and the level of available support is extremely limited. In fiscal 1998, school districts requested such subsidies for 83 projects. However, the \$65.8 million authorized by the state is expected to be consumed by the four projects given the highest priority.

School districts in Maine are generally successful in getting voter approval for bond measures, but most districts in the state cannot cover the total cost of the bond. The lack of support from the state for debt service is cited as the leading reason why school districts fall short in raising financing, leading to the deferment of these sorely needed projects.

### III. The Potential Impact of the Partnership to Rebuild America's Schools Act

The executive director of the Maine Municipal Bond Bank noted that the President's school construction initiative could help Maine schools in two ways. The state could choose to use its allocation all at once to supplement its debt service subsidy program, or it could use that money to establish a revolving loan fund that would commit its revenues to debt service subsidies.

## The State of Maryland

### I. The Problem

There are two primary problems facing Maryland school facilities: aging structures and rising enrollments.

A review of the list of Capital Improvement requests to the state for the coming year reveals the extent of aging school facilities. Requests are filled with descriptions of items in need of repair or replacement, such as roofs as much as 44 years old, HVAC systems that are 25 years old or more, boilers and chillers that date to the 1950s, and windows and doors in use since the 1960s.

Over the last decade, enrollment in Maryland schools has grown by approximately 150,000 students. State officials expect enrollment to continue climbing by another 30,000 or so annually over the next five to ten years. Overall, local districts requested approximately \$310 million for 459 construction and renovation projects for FY 1998. While a district might request more than one project for a school, these figures suggest that districts are seeking assistance with construction and renovation projects that could affect a third of the state's 1,280 schools.

### II. Needs versus Available Resources

The Maryland State Public School Construction Program is designed to help local districts with costs related to planning and funding of school construction and renovation projects.

Early in the program, the state covered 100 percent of eligible costs for approved projects. However, since the mid-1980s, the state has used a sliding scale based on need to determine how much assistance a district receives.

Since the program's inception, the amount of funds requested each year by local districts has exceeded program allocations. For example, in FY 73, the program funded 72 percent of district requests -- the highest proportion in the program's history. In FY 89, the state supported an all-time low of 24 percent of requests. In the current fiscal year, the state funded 51 percent of requests, totaling \$274 million.

### III. The Potential Impact of the Partnership to Rebuild America's Schools Act

State officials see three possibilities for the use of federal funds from the proposed School Construction Initiative.

First, the funds could subsidize additional state general obligation bonds. Therefore, the amount of assistance going to local districts with eligible costs would increase, and more projects would be funded. The federal funds could be targeted at poorer districts with larger projects that have been delayed due to fiscal constraints. It should be noted that an increase in the state funds for the Public School Construction Program might lead more districts to seek state assistance for additional projects. At this time, there are projects for which local districts do not submit requests because the district senses these projects will be deferred due to state fiscal constraints.

A second option would allow the state to use a portion of the funds to subsidize a combination of additional state bonds and county general obligation bonds. Finally, the state could use all the federal funds to subsidize additional county general obligation bonds.

## New York City School District

### I. The Problem

New York is experiencing enrollment growth of 20,000 to 23,000 students a year. In addition, more than half of the over 1,000 school buildings are 50 years old or more. The district must upgrade these facilities and accommodate its burgeoning student population.

There are limits to the amount of money the district can raise through general obligation bonds, and this mechanism is not sufficient to meet the district's needs. There is a state constitutional limit on the amount of debt the district can issue (as a percentage of total assessed property value), and the district is running up against this limit.

The fiscal year 1997 capital expenditures budget for the Board of Education is just over \$1 billion, out of a total city capital budget of just over \$4 billion. A proposed 10-year capital plan has just been put forth for \$12.6 billion, which includes an amount contingent on receipt of federal funds. One of the main emphases of this plan is to address the district's overcrowding, using strategies such as new construction, other ways of handling seating capacity, and converting some schools to a year-round schedule, which could increase seating capacity by 25 to 33 percent.

### II. The Potential Impact of the Partnership to Rebuild America's Schools Act

New York expects that it could leverage federal funds to address several needs. Among the most dire needs is for additional seats for children. The district's proposed 10-year plan was increased by about \$700 million to address seating capacity needs. The district envisions six different avenues for the use of this money to increase seating capacity: Leasing new facilities, transportables, modular construction, rehabilitation of existing facilities to increase size, new construction, and converting schools to a year-round schedule (which necessitates putting in air-conditioning).

## Philadelphia School District

### I. The Problem

The Philadelphia story has two strands. First, the district estimates that it will need about two-thirds of a billion dollars to bring its 257 existing building sites up to standard. This includes major renovations, repairs, improvements, and technology needs (schools need to be wired for computers, but 60 of Philadelphia's schools are over 70 years old.)

Second, to accommodate expected population growth, approximately one-quarter of a billion dollars in additional funding may be necessary. In the past five years, the public school population has grown 9.2 percent, and in the past seven years it has grown 12.6 percent. The district expects this growth to continue by 1.4 percent in the next year and by 2.5 percent the following year. In one area, the district deals with overcrowding through a combination of classrooms under stairwells, walling off the ends of hallways to create classrooms, and portables.

### II. Needs Versus Available Resources.

The district knows that its capital needs in the next 5 to 10 years seriously exceed its current budgeted capital capacity. A Long Range Facilities Plan is being developed, and it is expected that the total need will ultimately be between \$1-\$1.4 billion.

### III. The Potential Impact of the Partnership to Rebuild America's Schools Act

The district says that federal funds could be extremely helpful by supporting preventive maintenance projects. With shrinking operating budgets, it is preventive maintenance that gets cut from the budget. These projects include minor roof and gutter repair, HVAC system cleaning, and yearly boiler maintenance. These activities get pushed aside for emergency projects and educational needs. Yet today's preventive maintenance project is tomorrow's capital project. Roofs, boilers, and heating systems wear out years before their time because preventive maintenance funds are scarce. The failure of these systems also causes additional capital damage, such as water and pipe damage. Much of this could be avoided and long-term capital budgets could be brought down with additional resources for preventive maintenance.

## Santa Ana Unified School District

### I. The Problem

Santa Ana is an extremely densely populated area. In its 24 square miles, there are 350,000 residents, and 52,000 students. There is a school approximately every two blocks.

The primary problem in the district is school overcrowding, the result of a lack of construction funding during a period of rapid enrollment growth. The district has grown from 31 thousand student in 1980 to 52,000 students in 1996.

The school district has converted 22 of 31 elementary schools and four of seven intermediate schools to multi-track, year-round schedules. Although other school districts in California and around the country use year-round schooling, it is unusual to have such a high percentage of schools on this track. The district has 534 portable classrooms on existing sites, which is the equivalent of 24 free standing elementary schools. Santa Ana estimates that it now spends \$1 million to lease portable classrooms.

A secondary, but also severe problem is maintaining ill-equipped and deteriorating facilities. The District prepared a state-mandated five-year plan of deferred maintenance needs, which is updated annually -- the current version projects a \$15 million need.

### II. Needs versus Available Resources

Santa Ana Unified has a need for three elementary schools plus a new high school. Enrollment growth has averaged over 1300 students annually since 1980. The need is accentuated by the fact that the State School Building Program is, "broke" and it is not clear when there will be another bond measure.

### III. The Potential Impact Of the Partnership to Rebuild America's Schools Act

President Clinton's initiative would potentially provide major benefits to the Santa Ana community. The district needs adequate classrooms equipped with up-to-date education technology for its rapidly growing student population. If the district received an estimated six million dollars from the federal government, it could leverage those funds to pay for additional elementary schools.



**THE WHITE HOUSE  
Office of the Press Secretary  
Saturday, March 15, 1997**

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**RADIO ADDRESS OF THE VICE PRESIDENT TO THE NATION**

**The White House**

**THE VICE PRESIDENT:** Good morning. This is Vice President Al Gore. President Clinton asked me to fill in for him this morning as he recovers from yesterday's successful operation to repair a torn tendon in his knee.

The President's doing great, he's resting comfortably and he'll be back on his feet -- both of them -- very soon. He wanted me to thank all of you who have sent your prayers and best wishes for a speedy recovery.

Over the past four years, our country has made real progress. The American economy has produced nearly 12 million new jobs. Family incomes are going up and the poverty rate is going down, and we've had the biggest drop in the welfare rolls in our nation's history.

But we face new challenges in a competitive global economy. And the one thing that will most determine our success or failure is the quality of the education we give to all of our children. That is why President Clinton has made education our nation's number one priority for the next four years. And in recent days, he and I have traveled the country to stress the importance of all Americans working together to make American public education the very best in the entire world.

Here's our goal: By the year 2000, every eight-year-old can read. Every 12-year-old can log onto the Internet. Every 18-year-old can go to college, and every American can keep on learning for a lifetime. And the President has proposed a plan of action to reach this goal and to improve American education.

We must start by focusing on our youngest children. The President's balanced budget plan will expand Head Start to one million children. And this week the President and the First Lady announced that they will host the first White House Conference on Early Childhood Development and Learning. We also must open more charter schools that stay open as long as they meet high standards. And we must make the 13th and 14th years of schooling as universal as high school is today.

And the cornerstone of this plan is to raise standards so we make sure our children master the basics. We have challenged every state to adopt high national academic standards, and then by 1999 to test fourth graders in reading and eighth graders in math so that all of our children, no matter where they live or what their backgrounds, will have the same chance to make the most of their lives and their futures.

Last month, the first two states, Michigan and Maryland, announced plans to adopt these tests. And on Thursday, President Clinton spoke before the North Carolina Legislature where Governor Jim Hunt announced that North Carolina would become the third state to adopt these standards.

The national government is also taking responsibility for the schools it controls. The Department of Defense runs a school system as big as that of the State of Delaware, educating 115,000 American children at bases here and around the world. This week, the Department of Defense schools asked that their students be among the first to take the new tests when they become available. Starting in 1999, students in American classrooms from Wiesbaden to Okinawa to Camp Lejeune will learn the same rigorous material and take the same national test as students throughout the country.

On Thursday, as the President was traveling to North Carolina, I traveled to California and spoke to that state's legislature about another element of our education crusade, a national effort to reinvent the way we finance public education, to reorganize our schools in harmony with the principles of the knowledge economy. This reinventing public education effort will begin not in Washington but in communities across America. Its goal is to enlist everyone concerned about the education of children, from parents to school administrators to students themselves, to begin asking some fundamental questions about their public school systems -- in particular, how school dollars are spent.

In an age of tight budgets, we should be spending public funds on teachers and children, not on unnecessary overhead and bloated bureaucracy. Yet any educational progress we achieve is at risk if our children are asked to learn in a landscape littered with peeling paint and broken glass. With student populations at an all-time high, many of our schoolhouses are now at an all-time low -- rundown, overcrowded, and stuck with ancient technology or no technology at all.

One-third of our schools now need major repair or outright replacement. Sixty percent need major building repairs to fix sagging roofs or to repair cracked foundations. Forty-six percent even lack the basic electrical wiring to support computers, modems, and modern communications technology.

This has become a national problem and it demands national action. That is why yesterday the President sent new legislation to the Congress to provide federal assistance to help local communities and states rebuild the nation's schools. The Partnership to Rebuild America's Schools Act will provide \$5 billion over the next four years to help upgrade old schools and build new schools. This will spur \$20 billion in investments for school modernization by states, localities, and the private sector.

We urge Congress and communities to step up to this challenge. We simply cannot ask our teachers to build up children in buildings that are literally falling down. Our children deserve to be held to the highest standards, to learn from school systems that focus on teaching and not bureaucracy, inside school buildings that shine as brightly as their hopes.

On all these fronts, we are working hard to prepare our people for the 21st century. We will keep at it, and we ask for your help. Thanks for listening.

END 10:12 A.M. EST

Impact of Inadequate School Facilities on Student Learning

A number of studies have shown that many school systems, particularly those in urban and high-poverty areas, are plagued by decaying buildings that threaten the health, safety, and learning opportunities of students. Good facilities appear to be an important precondition for student learning, provided that other conditions are present that support a strong academic program in the school. A growing body of research has linked student achievement and behavior to the physical building conditions and overcrowding.

**Physical Building Conditions**

Decaying environmental conditions such as peeling paint, crumbling plaster, nonfunctioning toilets, poor lighting, inadequate ventilation, and inoperative heating and cooling systems can affect the learning as well as the health and the morale of staff and students.

*Impact on student achievement*

- A study of the District of Columbia school system found, after controlling for other variables such as a student's socioeconomic status, that students' standardized achievement scores were lower in schools with poor building conditions. Students in school buildings in poor condition had achievement that was 6% below schools in fair condition and 11% below schools in excellent condition. (Edwards, 1991)
- Cash (1993) examined the relationship between building condition and student achievement in small, rural Virginia high schools. Student scores on achievement tests, adjusted for socioeconomic status, was found to be up to 5 percentile points lower in buildings with lower quality ratings. Achievement also appeared to be more directly related to cosmetic factors than to structural ones. Poorer achievement was associated with specific building condition factors such as substandard science facilities, air conditioning, locker conditions, classroom furniture, more graffiti, and noisy external environments.
- Similarly, Hines' (1996) study of large, urban high schools in Virginia also found a relationship between building condition and student achievement. Indeed, Hines found that student achievement was as much as 11 percentile points lower in substandard buildings as compared to above-standard buildings.
- A study of North Dakota high schools, a state selected in part because of its relatively homogeneous, rural population, also found a positive relationship between school condition (as measured by principals' survey responses) and both student achievement and student behavior. (Earthman, 1995)
- McGuffey (1982) concluded that heating and air conditioning systems appeared to be very important, along with special instructional facilities (i.e., science laboratories or equipment) and color and interior painting, in contributing to student achievement. Proper building maintenance was also found to be related to better attitudes and fewer disciplinary problems in one cited study.

- Research indicates that the quality of air inside public school facilities may significantly affect students' ability to concentrate. The evidence suggests that youth, especially those under ten years of age, are more vulnerable than adults to the types of contaminants (asbestos, radon, and formaldehyde) found in some school facilities (Andrews and Neuroth, 1988).

### *Impact on teaching*

- Lowe (1988) interviewed State Teachers of the Year to determine which aspects of the physical environment affected their teaching the most, and these teachers pointed to the availability and quality of classroom equipment and furnishings, as well as ambient features such as climate control and acoustics as the most important environmental factors. In particular, the teachers emphasized that the ability to control classroom temperature is crucial to the effective performance of both students and teachers.
- A study of working conditions in urban schools concluded that "physical conditions have direct positive and negative effects on teacher morale, sense of personal safety, feelings of effectiveness in the classroom, and on the general learning environment." Building renovations in one district led teachers to feel "a renewed sense of hope, of commitment, a belief that the district cared about what went on that building." In dilapidated buildings in another district, the atmosphere was punctuated more by despair and frustration, with teachers reporting that leaking roofs, burned out lights, and broken toilets were the typical backdrop for teaching and learning." (Corcoran et al., 1988)
- Corcoran et al. (1988) also found that "where the problems with working conditions are serious enough to impinge on the work of teachers, they result in higher absenteeism, reduced levels of effort, lower effectiveness in the classroom, low morale, and reduced job satisfaction." Where working conditions are good, they result in enthusiasm, high morale, cooperation, and acceptance of responsibility."

A Carnegie Foundation (1988) report on urban schools concluded that "the tacit message of the physical indignities in many urban schools is not lost on students. It bespeaks neglect, and students' conduct seems simply an extension of the physical environment that surrounds them." Similarly, Poplin and Weeres (1992) reported that, based on an intensive study of teachers, administrators, and students in four schools, "the depressed physical environment of many schools... is believed to reflect society's lack of priority for these children and their education."

### **Overcrowding**

Overcrowded schools are a serious problem in many school systems, particularly in the inner cities, where space for new construction is at a premium and funding for such construction is limited. As a result, students find themselves trying to learn while jammed into spaces never intended as classrooms, such as libraries, gymnasiums, laboratories, lunchrooms, and even closets. Although research on the relationship between overcrowding and student learning has been limited, there is some evidence, particularly in high-poverty schools, that overcrowding can have an adverse impact on learning.

- A study of overcrowded schools in New York City found that students in such schools scored significantly lower on both mathematics and reading exams than did similar students in underutilized schools. In addition, when asked, students and teachers in overcrowded schools agreed that overcrowding negatively affected both classroom activities and instructional techniques. (Rivera-Batiz and Marti, 1995)
- Corcoran et al. (1988) found that overcrowding and heavy teacher workloads created stressful working conditions for teachers and led to higher teacher absenteeism.

Crowded classroom conditions not only make it difficult for students to concentrate on their lessons, but inevitably limit the amount of time teachers can spend on innovative teaching methods such as cooperative learning and group work or, indeed on teaching anything beyond the barest minimum of required material. In addition, because teachers must constantly struggle simply to maintain order in an overcrowded classroom, the likelihood increases that they will suffer from burnout earlier than might otherwise be the case.

## SCHOOL CONSTRUCTION CONSULTATIONS

- **Locations**

Washington DC -- 10/16 US Department of Education, Secretary's Conference Room 6200  
600 Independence, SW 10:30 - 12:30

San Francisco -- 10/21 Hyatt Regency San Francisco Airport  
Burlingame, CA

10-11:30

TC Conference?

New York City-- 11/1 Department of Education Regional Office  
75 Park Place, 12th Floor 10-12:30

- **Welcoming Comments/Introductions**  
Gerry Tirozzi or Mozell Thompson

- **Explanation of the School Construction Initiative**  
Tom Corwin

- **Discussion of the Issues**  
Encouraging net increases in construction activity  
Alternative financial arrangements  
Management accountability  
Performance standards  
Recipient of funds  
Other issues?

- **Staffing of meetings**

- Recorder
- Timekeeper
- Facilitator

- **Follow-up**

Need more time -

Need the funds?

# SCHOOL CONSTRUCTION CONSULTATIONS

## LIST OF INVITEES

WASHINGTON, DC -- OCT 16

| Name                | Organization                                      | Response |
|---------------------|---|----------|
| Thomas Queenan      | Treasurer<br>City of Philadelphia                 | Yes      |
| Allen Abend         | School Facilities Branch<br>Maryland Dept of ED   | No       |
| Yale Stenzler       | Maryland Facilities Authority                     |          |
| Brad Furry          | Pennsylvania Construction Chief                   |          |
| Clarence Armbrister | Managing Director<br>Philadelphia School District | Yes      |
| Mike Casserly       | Director<br>Council of Great City Schools         | Yes      |
| Laurie Westley      | National School Boards Association                | Yes      |
| Arnold Fege         | National PTA                                      |          |
| Bruce Hunter        | AASA (school administrators)                      |          |
| Skipp Sanders       | Deputy Superintendent<br>Maryland Dept of ED      | Yes      |
| Robert Conovan      | Coalition for Adequate School Housing             | Yes      |
| Connie Clark        | Asst Superintendent, Facilities -- Wash, DC       |          |

SAN FRANCISCO, CA - OCT 21

| Name                    | Organization   | Response           |
|-------------------------|--|--------------------|
| Daniel Gottlieb         | Riddell, Williams, Graham & James                              |                    |
| Peter Schaafsma         | California Debt Advisory Commission                            |                    |
| Steve Shea              | California Debt Advisory Commission                            |                    |
| John Stanford           | President, Seattle Board of Education                          |                    |
| Laura Walker            | California School Board Association                            |                    |
| Thomas Gallegos         | Chief Operations Officer<br>Sacramento Unified School District |                    |
| Bob Hedley/Debbie Moore | CEFPI  | Not in until 10/15 |
| Mamie Starr             | Coalition of Adequate School Housing                           | Yes                |

*OU CA Unified?*

NEW YORK CITY – NOV 1

| Name                  | Organization  | Response |
|-----------------------|---|----------|
| Linda Fan             | Principal,<br>Morgan Stanley  |          |
| Robert Lenna          | Executive Director, Maine Health and<br>Higher Education Facilities Authority |          |
| Anthony Shorris       | Former Finance Commissioner and<br>Deputy Budget Director - NYC               |          |
| Wallace Turbeville    | Director of Public Finance<br>Goldman Sachs                                   |          |
| William Thompson      | President, NYC Board of Education   |          |
| Barbara Chernow       | Deputy Director of Administration<br>NYC Construction Authority               |          |
| Susan Whetstone       | School Construction Director,<br>New Haven Public Schools                     |          |
| Robert Buxbaum        | New York City Board of Education,<br>School Facilities Division               |          |
| Richard Krissing      | State of Connecticut Education Department                                     |          |
| Beverly Donahue       | Chief Finance Officer<br>New York City Board of Education                     |          |
| Rick Mills            | NY State Schools Chief  |          |
| Leo Klagholz          | NJ State School Chief   |          |
| [NEED NAME]           | NYC Board of ED<br>Deputy Chancellor  |          |
| Lofton P. Holder      | Vice President,<br>JP Morgan  |          |
| Barbara Bassier Bigio | Vice President,<br>Goldman Sachs  |          |
| Marvin Marcus         | Paine Webber  |          |



UNITED STATES DEPARTMENT OF EDUCATION

WASHINGTON, D.C. 20202-\_\_\_\_\_

Dear Colleague:

The U.S. Department of Education, together with the Treasury Department, is in the process of soliciting input from experts, practitioners, and other interested parties on how to implement President Clinton's school construction initiative. We are writing to invite you to participate in a roundtable discussion on Wednesday, October 16, 1996, at the U.S. Department of Education, 600 Independence Avenue, Room 6200, Washington DC, from 10:30 a.m. to 12:30 p.m.. A list of topics to be discussed at the meeting is enclosed.

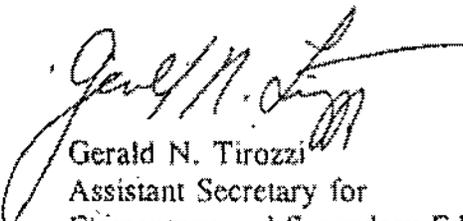
The School Construction Initiative would provide financial support for school districts to repair existing K-12 schools or build new schools to replace old ones or to accommodate increased enrollments. The key elements of this initiative will be:

- A reduction in interest costs on new school construction and renovation projects of up to 50%, with a sliding subsidy scaled according to need;
- An emphasis on supporting construction or renovation that would not have otherwise occurred;
- \$5 billion in federal subsidies over the next four years;
- A two-pronged funding distribution, under which states would receive the bulk of the funding by formula (for further distribution to school districts) while 100-125 large, high-need districts would receive direct funding from the Department.

We are especially interested in your thoughts and ideas on how to structure the subsidy so that it best meets the objective of "jump-starting" new construction and renovation, within the parameters outlined above.

Please return the attached form via fax by October 11, 1996 to confirm your attendance. If you have any questions, please call Tanya Oubre at the U.S. Department of Education, at 202-205-0687.

We look forward to meeting with you.

  
Gerald N. Tirozzi  
Assistant Secretary for  
Elementary and Secondary Education  
U.S. Department of Education

  
Mozelle W. Thompson  
Principal Deputy Assistant Secretary for  
Government Financial Policy  
U.S. Department of the Treasury



U.S. Department of Education

U.S. Department of the Treasury

**SCHOOL CONSTRUCTION MEETING**

**October 16 in Washington, DC**

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

ORGANIZATION \_\_\_\_\_

I will \_\_\_\_\_ will not \_\_\_\_\_ be able to attend the meeting.

**Please fax this form to:**

Tanya Martin Oubre

Special Assistant

Office of the Deputy Secretary

U.S. Department of Education

FAX: 202-401-4353

E-Mail - [tanya\\_oubre@ed.gov](mailto:tanya_oubre@ed.gov)

Phone - 202-205-0687

## TOPICS FOR CONSIDERATION

- How to promote "new" bond issues and encourage projects that result in net increases in construction activity
- Whether or not to structure the program so that funds could be used for alternative financial arrangements that also bring down costs
- What management accountability should be required of state/district?
- What are the appropriate performance standards and how should they be built into the program?
- What entity in the state and/or locality should be the recipient of the funds (for example, a state bond bank, state education authority, community development bank)? What are the advantages and disadvantages of each?



UNITED STATES DEPARTMENT OF EDUCATION

THE SECRETARY

March 13, 1997

Honorable Albert Gore, Jr.  
President of the Senate  
Washington, DC 20510

Dear Mr. President:

Enclosed for consideration of the Congress is the Partnership to Rebuild America's Schools Act of 1997, a bill that would provide a one-time Federal stimulus to help States and localities bring all public school facilities up to acceptable standards and build the additional schools needed to serve increasing enrollments. Also enclosed is a section-by-section analysis summarizing the contents of the bill. I am sending an identical letter to the Speaker of the House.

Mr. President, a number of factors have led the Administration to conclude that the Federal Government must assist the States and localities in providing the school facilities that our children will need if they are to achieve to challenging educational standards. First of all, recent General Accounting Office reports have documented the deplorable condition of too many of the Nation's schools. According to the GAO, one-third of all schools, serving more than 14 million students, need extensive repair or renovation of one or more buildings. Students are attending schools that have antiquated heating, plumbing, and electrical systems and even fail to meet local health and safety codes. Some schools do not provide full access to individuals with disabilities, and many do not have the infrastructure needed to adopt new educational technologies. All of these problems are most prevalent in urban districts.

In addition to making repairs and renovations to their existing schools, many districts will have to build new schools in order to accommodate increasing enrollments. In fact, the Department has projected that States and localities will need to build 6,000 more schools in order to serve an additional 2.9 million students who will enroll in the next decade. This need will put further pressure on already strained school budgets.

Clearly, school construction is, and will remain, primarily a State and local responsibility, and the vast majority of facilities needs will have to be met with non-Federal resources. Unfortunately, however, for a variety of reasons State and local governments have not been making substantial progress even in clearing the existing backlog of construction needs. The Federal Government can play a crucial role in addressing this problem by providing limited resources, on a one-time basis, in a manner

that spurs States, communities, and even the private sector to bear the burden and provide adequate school facilities for all children. That is the purpose of the enclosed legislation.

In order to have maximum impact, our bill would leverage State, local, and private support for school construction, rather than paying for 100 percent of the cost of construction projects. The proposal would provide interest subsidies for school construction bonds, or other financing mechanisms, to States and major urban school districts. States would, in turn, pass these subsidies along to localities, use them to reduce the servicing costs of State bonds or other financing vehicles, use them to capitalize State revolving funds for school construction, or use them for other, similar purposes. The maximum amount of Federal subsidy would be the equivalent of 50 percent of the interest cost on bonds. Through this mechanism, every dollar of Federal money would be matched by a minimum of three dollars of State, local, or private money.

The Federal Government would not determine the specific construction projects that would be funded. Rather, States and localities would use the Federal subsidy for the costs of construction projects that reflect their highest needs, such as addressing health and safety problems or problems with air quality, plumbing, heating, and lighting; removal of architectural barriers in order to ensure access for individuals with disabilities; projects to increase energy efficiency; construction to facilitate the use of modern educational technologies; and new construction needed to accommodate increased enrollments. While the State and local recipients would have the flexibility to determine which of these types of construction activities are their highest priority, they would have to base their use of the Federal funds on a thorough survey of State or local school construction needs and use the funds in a manner consistent with several other general criteria such as, at the State level, awarding the subsidy to communities with the greatest construction needs and the least ability to meet those needs with their own resources.

Under the program, the Department would allocate one-half of a \$5 billion mandatory appropriation to States using the existing "Title I" basic grants formula. The remainder would flow directly to the 100 districts that enroll the greatest numbers of children living in poverty; those urban districts, according to the GAO data, have far and away the greatest school construction needs. Of the amount available for direct assistance to urban districts, the Department would allocate seventy percent by formula, again on a Title I basis, and make the remainder available competitively to districts that have particularly severe needs and are willing to provide the most support for infrastructure improvements from non-Federal resources.

Under both the State and local programs, a critical objective would be to spur additional construction paid for with non-Federal dollars. For this reason, the bill would prohibit recipients from using the Federal funds to supplant State and local support for school construction. In addition, each State or locality receiving assistance would have to assure the Department that it will increase, over a four-year period, the amount of school construction paid for with non-Federal funds compared to the level expended during the preceding four-year period. These provisions would ensure that a one-time Federal stimulus has an impact far beyond the immediate benefit attributable to the Federal expenditures.

Administration of the program would be kept simple. The Department would make a single award to each State and locality receiving direct assistance. We would allow the recipients to invest the Federal funds in a prudent manner, and use the returns from that investment to meet bond payments and other costs. All of the mandatory appropriation would become available in fiscal year 1998, and all the payments would be made within a four-year period.

To summarize, our bill reflects the following principles:

- (1) The Federal Government should make available a one-time \$5 billion mandatory appropriation to address the major national problem of inadequate school infrastructure;
- (2) The Federal funds will have their greatest impact if they are used to leverage additional State, local, and private effort rather than for direct support for the entire cost of construction projects;
- (3) Because the largest cities have the most school construction needs, and often the fewest resources for meeting those needs, they should receive a major share of the funding; and
- (4) States and localities should have the flexibility to use the Federal subsidy to carry out the construction projects they deem most important, but they should do so only after completing a careful survey of their construction needs. Further, both the States and the Federal Government should direct the subsidy to the most needy communities.

I urge the Congress to take prompt and favorable action on this proposal. Its enactment would spur States and communities nationwide to bring their school facilities up to the standard our children need and deserve.

The Office of Management and Budget advises that there is no objection to the submission of this proposal to the Congress and

Page 4 - Honorable Albert Gore, Jr.

that its adoption would be in accord with the program of the President.

Yours sincerely,

  
Richard W. Riley

Enclosures

## Modernize Schools for the 21st Century

In order for students to learn and to compete in the global economy, schools must be well-equipped and they must be able to accommodate smaller class sizes. To address these and other critical needs, the President's FY 99 Budget proposes Federal tax credits to pay interest on nearly \$22 billion in bonds to build and renovate public schools. This is more than double the assistance proposed last year, which covered up to half the interest on an estimated \$20 billion in bonds. The new proposal provides tax credits in lieu of interest payments for investors in two types of School Modernization Bonds: Qualified School Construction Bonds (a new proposal) and expansion of the Qualified Zone Academy Bonds (created last year). The Department of the Treasury estimates that the revenue loss associated with the bonds would be \$5 billion over 5 years and over \$11 billion over 10 years.

### Qualified School Construction Bonds

\$19.4 billion in zero-interest bonds (\$9.7 billion in 1999 and \$9.7 billion in 2000) is proposed for construction and renovation of public school facilities. The Department of the Treasury would allocate the rights to offer these special 15-year bonds to States, territories, and certain school districts that have submitted school construction plans to the Secretary of Education.

Half of the bond authority would be allocated to the 100 school districts with the largest number of low-income children, in proportion to their share of funds under the Title I Basic Grant formula in the preceding year. In addition, up to 25 additional school districts that are in particular need of assistance, such as districts with a low level of resources for school construction or a high level of enrollment growth, could receive these allocations. These funds would be spent in accordance with the school district's plans.

The other half would be allocated to States and territories to provide to school districts in need of assistance in accordance with each State's plan. The bond authority would be allocated in proportion to each State's share of funds under the Title I Basic Grant formula in the preceding year, after subtracting the Title I shares of the 100-125 school districts (above).

**School Construction Plans:** In order to receive a bond allocation, States, territories, and the eligible 100-125 school districts would be required to submit a plan to the Secretary of Education. The plans would (1) demonstrate that a comprehensive survey has been undertaken of the construction and renovation needs, such as the need to provide access to students with disabilities, in the jurisdiction and (2) describe how the jurisdiction will ensure that the bond funds are used for the purposes intended by this proposal, including the requirement that they will supplement, not supplant, amounts that would have been spent on construction and renovation in the absence of the bonds. State plans would also describe how they will ensure that localities with the greatest need -- as demonstrated by inadequate facilities coupled with a low level of resources to meet the needs -- would be served.

### Qualified Zone Academy Bonds

This program, created by the Taxpayer Relief Act of 1997, provides a tax credit to pay interest on bonds for a variety of expenses (including building renovation) related to certain public school-business partnerships. The FY 99 Budget would expand these bonds to cover school construction, and would increase and extend the bond authority by \$2.4 billion (an additional \$1 billion, to \$1.4 billion, in 1999, and \$1.4 billion in 2000). This bond authority is allocated to States on the basis of their respective populations of individuals with incomes below the poverty line.

**DRAFT** *by vsm*

MEMORANDUM

TO: Bob Shireman, NEC  
Through: Mike Smith \_\_\_\_\_  
Tom Skelly \_\_\_\_\_

NOV 19 1997

FROM: Tom Corwin  
Director, OUS/DESYA, Department of Education

SUBJECT: Options for School Construction Initiative.

Background

On March 13, 1997 the Administration submitted to Congress the Partnership to Rebuild America's Schools Act, the Administration's proposal to provide a one-time stimulus to jump-start State and local efforts to improve school infrastructure.

During the spring of 1997, the proposal received support from a wide range of interests, including major groups representing education, labor, and business/construction. Some groups endorsed the bill subject to certain caveats (e.g., Davis-Bacon requirements for business groups); others supported it without qualification. In Congress, the bill picked up over 100 House sponsors, including at least two Republicans. The proposal, however, did not make it into the final budget agreement because of Republicans' opposition. Subsequent to the budget deal, the President pledged to continue to fight for Federal assistance on school construction.

The 1997 Tax Relief Act included the Rangel "Education Zone Academy Bonds" initiative. Under these provisions, the Federal Government will allocate, in 1998 and in 1999, authority to issue \$400 million in bonds to support the establishment of "academies" in low-income areas. The bonds will finance school rehabilitation and repair (but not construction of new buildings), as well as purchases of equipment, curriculum development, and staff professional development. Financial institutions that purchase the bonds will receive tax credits in amounts equivalent to the interest that would otherwise be paid; the availability of the tax credits will thus allow school systems to issue the bonds interest free. This fall, Rep. Rangel proposed, in the Ways and Means Committee, an expansion of this authority as an alternative to the Coverdell "Education IRAs" proposal.

On September 10, Senators Daschle and Moseley-Braun, and Rep. Gephardt, introduced the "Educational Facilities Improvement Act," which embodies many of the same principles as the Administration's bill. It would provide a one-time mandatory appropriation of \$1.9 billion, offset by changes in the tax treatment of foreign tax credits.

OPTIONS

Option 1 -- Support the Administration's current proposal

Description: The President's bill would provide a mandatory, one-time appropriation of \$5 billion for grants to States and localities to pay for up to one-half the cost of repayment of school construction bonds, or an equivalent amount in cases where an alternative financing mechanism is used. One-half of the funding would flow directly to the 100 large urban districts that educate the greatest numbers of children living in poverty (and thus have the greatest need for construction assistance); the other half would flow to States. Of the portion available for direct grants to urban districts, 70 percent would flow by formula and 30 percent would go competitively to the districts with the greatest neediest and willingness to increase their own school construction effort.

Recipients would be authorized to use the funds for new construction, renovation, correcting urgent health and environmental problems, energy conservation, making facilities accessible to the disabled, etc., and would enjoy complete flexibility in allocating the funds among those purposes. However, the State grants would be targeted to the communities with the greatest school construction needs and the least ability to meet those needs with their own resources.

The bill would prohibit recipients from using the Federal funds to supplant State and local support for school construction. In addition, each State or locality would have to increase, over a four-year period, the amount of school construction paid for with non-Federal funds compared to the level expended during the previous four-year period. The Administration has estimated that, through these provisions, the \$5 billion Federal appropriation would leverage \$20 billion in new construction over four years.

### Pros

- Bill embodies the Administration's objectives for the program: jump-starting school construction activity; spurring additional State and local effort; targeting funds on the most needy communities; and leveraging a limited amount of Federal money into a substantial amount of construction.
- The Department would probably find it relatively easy to pick up the pieces with the broad coalition that originally supported the bill -- both the outside groups and the Congressional sponsors.
- By targeting heavily on the large urban districts, the bill was a key component of the Administration's urban agenda, and was especially popular with the Congressional Black Caucus and other Members from urban districts.

### Cons

- Because it targeted so heavily on urban districts, the bill ran into at least partial opposition from Members with rural constituencies -- Sen. Daschle, Sen. Harkin, and

especially Rep. Obey, who was preparing his own bill at the time the budget agreement temporarily took the issue off the table. In addition, some of the constituency groups, such as the Council of Chief State School Officers, were uncomfortable with the urban-rural mix.

- This proposal would have to be authorized by the Education and Labor Committee in the House, but paid for with an offset from another committee (most likely Ways and Means). Without a reconciliation bill as a vehicle, it is difficult to move this type of "pay-as-you-go" tradeoff. In addition, the tax committees are more inclined to pay for initiatives that they authorize than for ones in other committees' domains.

Option 2 -- Go forward with the original proposal, but with minor modifications

Description: In a recent e-mail, Jonathan Schnur recommends incorporating into the proposal incentives for reducing class size, such as providing a priority for LEAs and SEAs that would use their construction funds to reduce class size. He also recommends providing a priority for recipients that would use the funds to create facilities that house after-school programs.

Pros

- Addresses major national concerns, particularly the concern about overcrowded classes.
- Addresses a major problem that States and LEAs are facing in reducing class sizes: that they lack the classroom space to do so. To some extent, may also address a problem faced by schools that desire to establish after-school programs: because teachers often don't want after-school programs operating out of their classrooms, schools must often hold those programs in separate spaces.
- Because of the widespread interest in these issues, explicitly adding them to our bill might build support for the overall proposal (and might make it more popular than competing ideas like vouchers).

Cons

- To some extent, albeit not explicitly, the Administration's bill already addresses the two concerns. It would authorize construction of new facilities needed to accommodate growth in school enrollments (the same growth that generally leads to overcrowded classrooms) and it authorizes construction projects needed to facilitate establishment of "community schools" (which provide, among other services, after-school programs).
- The new proposals would substitute Federal prescription for local flexibility in determining the highest-priority construction projects. The current bill would require both State and direct local recipients to conduct surveys of their school construction

needs and then to use the funds to meet the highest priorities identified in those surveys. The two new priorities would, in effect, say that projects to reduce class size or create space for after-school programs would have a higher priority than the needs identified in the surveys (even projects that, for instance, remediate threats to student safety).

- The priorities would also involve the Federal Government more in local decision making, and place it in more of an enforcement role, than is contemplated in the current bill. The Department of Education might have to address, through regulations or guidance, such issues as what constitutes an allowable after-school program (e.g., after-school learning, or just day care), how much is enough class size reduction, and, since the construction projects would have a life cycle of 30 or more years, how long a facility would have to commit to maintaining smaller class sizes or operating after-school programs in order to qualify for the priority.
- To some extent, the new priorities might reduce the targeting of resources under the program. The current proposal would direct funds to localities with the greatest needs, as demonstrated by inadequate educational facilities, coupled with a low level of resources available for school construction -- i.e. the neediest communities. Including equal priorities for class size reduction and after-school programs could deflect funds to other, much less needy schools.
- The Administration and the Department have largely stayed out of the class size issue. Most of the research conducted over the past couple decades has found that reducing class size has a minimal, if any, impact on educational outcomes, except when the student-teacher ratio falls to a very small level (15 or less). Many people believe that funds that could be used to reduce class size are better spent on curriculum reform, professional development, and other elements of systemic educational reform. (Anthony Alvarado of Community School District #2 in New York City made this point very forcefully in an ED seminar this week.) Including a class size reduction priority in the bill would place us on the record as favoring reductions, without the research evidence to support that position.
- The Department is already proposing to support the development of after-school learning programs through a separate after-school learning initiative. We are more likely to spur development of the kind of quality programs we want if we go at it directly, rather than through a priority in the construction bill.

### Option 3 -- Support the Daschle-Gephardt Bill

**Description:** As noted above, Daschle-Gephardt would appropriate \$1.9 billion, compared to \$5 billion under the Administration's bill. It would provide one-third of the money to the largest urban districts, instead of one-half. Other major differences between this bill and the

Administration's are that: (1) It would require States and localities to obtain a waiver if they wish to use the funds for any purpose besides subsidizing bond interest; (2) It provides an explicit sliding scale for determining the amount of the Federal subsidy (up to 50 percent of interest costs) but then allows payment of 80 percent of the cost if recipients receive a hardship waiver; (3) All direct grants to the urban districts would be made competitively; (4) the State formula would be less targeted; (5) State and local surveys would not be required; (6) No requirement for recipients to increase their own effort by 25 percent (although they would have to maintain effort); (7) States would be required to match the Federal funding; and (8) Direct grants would go not only to the 100 districts with the largest numbers of poor children, but to 25 additional districts selected by the Secretary.

### Pros

- Bill embodies the same principles as the Administration's and is sponsored by the Congressional Democratic leadership.
- The two-thirds/one-third split in State vs. direct urban grants is more acceptable to the more rural Members and to portions of the constituency. This may also make it possible to pick up more Republican support. A two-thirds/one-third split is probably close to where the original debate would have ended up, anyway.
- The requirement for dollar-for-dollar State matching would encourage States to become more active in supporting school construction.
- An alternative to this option would be to endorse Daschle-Gephardt "in principle" (rather than in total, or going forward with our own bill). This strategy might enable the Administration to achieve needed improvements in the bill later on in the process.

### Cons

- Bill is less flexible than Administration's, and would be more cumbersome to administer. Considering waiver requests from many States and districts would be time-consuming and difficult. Administering the entire direct LEA grants portion of the program through competitive grants would also tax ED resources.
- By permitting Federal funding to cover up to 80 percent of interest costs, and not requiring States and localities to increase their own effort, the bill would not achieve anything near the amount of leveraging projected under the Administration bill. We simply could not estimate that a dollar of Federal funding would generate four dollars in construction; two to one would be more likely.
- The lack of a requirement for State and local surveys would mean that we would lose a mechanism for using the State program to build State and local support for construction.

In addition, because States and locals would not be required to measure, in an open manner, their construction needs, the allocation of resources by those entities could end up being more political (rather than need based).

- The Department would have difficulty identifying 25 additional LEAs to receive direct grants; there would likely be significant political pressures on ED during this process.
- While the change in the urban/rural split would make the proposal more palatable to the rural interests, it would be a disappointment to the urban people and would make the program less of an "urban initiative." In addition, while the normal negotiations process might have resulted in a two-thirds/one-third split anyway, if we start out at two-thirds/one-third we may end up with a bill that gives even less money to the urban districts.

Option 4 -- Support an expansion of the Rangel initiative or another tax-side alternative

Description: Under the Education Zones Academy Bonds authority, the Treasury Department will allocate \$800 million in bonding authority to States in 1998 and 1999. The States will then sub-allocate the authority to "qualified zone academies" (or directly issue bonds in support of those academies). Qualified zone academies are defined as public schools that are designed in cooperation with business, seek to strengthen academics and improve graduation and employment outcomes, and either (1) are located in an empowerment zone or enterprise community or (2) have a reasonable expectation of enrolling a student population of which at least 35 percent receive a free or reduced-price lunch.

In order to issue a bond, qualified academies would also have to have commitments from private businesses to contribute, to the program of the academy, an amount equal to at least 10 percent of the amount of the bond. Contributions can be in the form of equipment, technical assistance, services of employees (such as through mentorships), internships and other opportunities for students, or other property or services.

Academies will be able to use the bond proceeds for rehabilitation and repairs (but not new construction), as well as equipment, curriculum development, and teacher training.

Eligible purchasers of the bonds are banks, insurance companies, and other financial institutions "actively engaged in the business of lending money." These purchasers will receive tax credits equivalent to the amount of interest they would otherwise receive from the lender. The availability of the credits will thus permit the academies to issue the bonds interest free.

In addition to the Rangel provisions, other Members have introduced legislation that would address the school construction problem on the tax side. Senator Moseley-Braun's "School Repair and Construction Act" (S. 1472) would allocate the Federal budget surplus (up to \$1 billion annually) to States for reallocation as tax credits. Builders and developers would receive

tax credits, on a sliding scale, of up to 30 percent of the total cost of construction. The 100 LEAs with the largest numbers of poor children would be guaranteed their share of the funding. Rep. Sanchez's "Expand and Rebuild America's Schools Act" (HR 2695) would use the Rangel framework to channel support to low-income schools in growing, overcrowded districts and would support new construction (as well as equipment purchases).

From the perspective of the Treasury Department (which has strong reservation about tax-side approaches in general), an option that builds on the Rangel provisions is preferable to other tax-side alternatives because of the major effort that Treasury will already have to make to regulate and implement Rangel. Although the Moseley-Braun approach is in most respects "cleaner" than Rangel, it would require an additional, parallel effort.

### Pros

- Expanded Rangel bill would build on legislation that has already been accepted by Congress, might thus be easier to enact.
- Current Rangel program will be complex and fairly difficult to implement, in exchange for a very small amount of school infrastructure assistance. Expanding the program would make the effort more worthwhile.
- Expanded Rangel bill, or another tax-side approach, provides a counter to Coverdell, tuition tax credit, or other private school funding proposals that will come through the Ways and Means/Finance committees. In addition, Republicans may be friendlier to tax-side alternatives than to direct expenditures.
- Rangel-type program is consistent with Administration goal of getting the private sector more involved in helping the public schools.
- My understanding is that Davis-Bacon requirements do not apply to programs financed through the tax code, which would make the proposal more saleable to business and Republicans (but, of course, less so to labor and Democrats).
- A tax-side bill would be authorized and paid for by the same committees, eliminating the procedural hurdles discussed under Option 1

### Cons

- Current Rangel program will not do much for school infrastructure, because it will fund professional development, curriculum, etc. and won't support new construction. Substantial revisions would be needed to make it a real construction initiative.
- Treasury may find the Rangel program difficult to administer. For example, it may be be

difficult to place dollar value on the technical assistance, mentoring, and other in-kind contributions from business in order to determine if those contributions meet the requirement for a 10 percent private-sector match. It may also be difficult to determine if there is a "reasonable expectation" that an academy will have a 35 percent enrollment of students eligible for free or reduced-price or that the proposed academies meet the academically related requirements of the law.

- The Moseley-Braun bill, as introduced, would not generate support for construction unless there is a budget surplus.



THE SECRETARY OF EDUCATION  
WASHINGTON, D.C. 20202

July 2000

Dear Friend of Education:

I am pleased to announce the U.S. Department of Education's first ever **Building Better Schools Week**, a new initiative to promote safe, healthy and modern schools for America's children.

On August 21, I will be launching this effort when I release the U.S. Department of Education's annual **Baby Boom Echo Report** in Las Vegas, Nevada, one of the fastest-growing school districts in the country. This event marks the fifth year of our reporting on the Baby Boom Echo, the tremendous growth in school enrollments that began in 1984 and is expected to continue through the coming decade. This year's report focuses on the widespread nature of this growth, affecting urban, suburban and rural communities throughout our country.

Half of our 80,000 public schools have at least one building feature -- such as the roof, electrical system, or fire alarm -- that is inadequate. To highlight this need, the U.S. Department of Education will work with local schools and educators, parents and community leaders in **Building Better Schools Week**. During the week of August 21-26, events across the country are being encouraged to draw attention to the need for school modernization, renovation and repair.

According to a recent report from the National Center for Education Statistics, our schools need \$127 billion in repairs. Eleven million students attend schools with at least one inadequate building, and 3.5 million students attend schools that need major repairs or replacement. A fact sheet summarizing the key findings of this report, entitled *Condition of America's Public School Facilities: 1999*, accompanies this letter. The full text of the report is available on the Department's School Construction Web site at <[www.ed.gov/inits/construction/](http://www.ed.gov/inits/construction/)>.

This Administration is deeply committed to helping communities respond to the challenges of modernizing their schools. That is why we have called on Congress to pass two school construction proposals: \$24.8 billion in School Modernization Bonds and \$6.5 billion in Urgent Renovation Loans and Grants, to modernize and repair thousands of schools nationwide. A description of these programs and the way they would work to help modernize our nation's schools is included with this letter. I also believe that parents, teachers, education leaders and a broad range of community members must be actively involved in planning and designing schools to make them centers of communities. To help schools and communities work together to achieve this goal, we have published *Schools as Centers of Community: A Citizen's Guide for Planning and Design*, which is available on the U.S. Department of Education's School Construction Web site at [www.ed.gov/inits/construction/ctty-centers.html](http://www.ed.gov/inits/construction/ctty-centers.html).

Those who work day to day to improve education for our nation's children know about the needs facing communities throughout America. However, many people are not aware of these urgent needs, and many communities lack the tools and resources to respond to these needs. **Building Better Schools Week** provides a new opportunity for us to work together to educate our communities about both the national need for school modernization and the unique needs facing many local school districts as they accommodate growing numbers of students.

In order to highlight the needs of your local schools, I suggest you do the following:

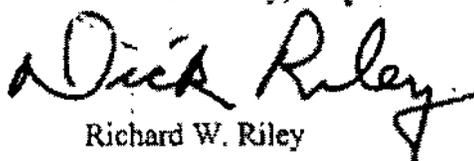
- **Organize various "bus trips"** for community members and the media to visit 3-4 schools that need to be upgraded or to demonstrate overcrowding.
- **Organize a school forum/town hall meeting** with members of the community -- parents, students, PTA members, business leaders, educators, retired citizens and others -- in order to showcase the need for school construction, renovation and repairs.
- **Write an op-ed article or letter to the editor** addressing the need for repairs and renovations in your local elementary or high school.

If you decide to participate, I have attached registration forms that you may complete and return so that we can send you material as it becomes available to assist your efforts. The U.S. Department of Education will provide media support, publications and other assistance as part of this national effort. For more information on **Building Better Schools Week** or U.S. Department of Education resources to help educate your community about the need for school construction, please contact Sara Mead at (202) 401-8450 or visit our Web site at [www.ed.gov/inits/construction/](http://www.ed.gov/inits/construction/).

cc: to subject submission

Please join me and educators across the nation to make **Building Better Schools Week** a success.

Yours sincerely,

  
Richard W. Riley

The United States Department of Education

# ***BUILDING BETTER SCHOOLS WEEK***

August 21 – 26, 2000  
Participation Reply Form

ORGANIZATION \_\_\_\_\_

CONTACT NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

PHONE # \_\_\_\_\_ FAX # \_\_\_\_\_

E-MAIL ADDRESS \_\_\_\_\_

**SUGGESTED SITES IN YOUR AREA TO HOLD EVENTS:**

SITE \_\_\_\_\_ CONTACT \_\_\_\_\_ PHONE NUMBER \_\_\_\_\_

SITE \_\_\_\_\_ CONTACT \_\_\_\_\_ PHONE NUMBER \_\_\_\_\_

SITE \_\_\_\_\_ CONTACT \_\_\_\_\_ PHONE NUMBER \_\_\_\_\_

**PLEASE COMPLETE THIS FORM AND FAX TO:**

Sara Mead (202) 401-0596

**IF YOU HAVE ANY QUESTIONS OR COMMENTS PLEASE CONTACT**

Sara Mead at (202) 401-8450 or e-mail Sara\_Mead2@ed.gov.

# Fifth Annual Baby Boom Echo Report Kicks Off Building Better Schools Week

## The Baby Boom Echo Report

On August 21<sup>st</sup>, Secretary Riley will release the fifth annual Baby Boom Echo Report. The report tracks the effects on America's schools of the tremendous increase in the number of children attending our nation's schools and will project future increases to 2010. As a result, many of our schools are overcrowded and deteriorating, and the sight of portable classrooms filling up school playgrounds is increasingly common.

This year's report emphasizes the impact the Baby Boom Echo is having on urban, suburban and rural schools in all regions of the country. The report will highlight the enrollment pressures on schools in 7 of the nation's largest and fastest growing metropolitan areas: Atlanta, GA; Los Angeles, CA; Chicago, IL; Miami, FL; the Washington, DC metro area; Boston, MA and Las Vegas, NV.

## Building Better Schools Week

*"What kind of message do we send our students and teachers when we send them into rundown, overcrowded schools? As we enter this new century, let's show our children that they are our priority. Let's build schools for them."*

Secretary Riley, Remarks to National Education Association, July 4<sup>th</sup>, 2000

In light of the enrollment growth described in the Baby Boom Echo report, many communities throughout the United States face an urgent need for school modernization, renovation and repair to accommodate rising enrollments. In an effort to emphasize this growing need, Secretary Riley has declared the Week of August 21-26, 2000 as Building Better Schools Week.

### *All Types of Schools, All Across the Country*

This need is being felt in urban, suburban, and rural schools alike, and by communities in all regions of the country. Following Building Better Schools Week, Secretary Riley will travel along the Mississippi River on his second annual "Success Express" Bus Tour. On his trip, the Secretary will visit schools in Louisiana, Mississippi, Arkansas, Tennessee, Kentucky, Missouri and Illinois to highlight the issues, including school construction, that face our nation's schools as students return this fall.

### *Schools as the Centers of Community*

The U. S. Department of Education encourages educators, parents, advocates and leaders at all levels of government to take advantage of this week to educate their communities and leaders about their school construction, repair and modernization needs. Building Better Schools Week is also an opportunity to celebrate communities' successes in building and modernizing schools. It is important to highlight the innovative strategies being taken by communities across the country to create school buildings that make schools the centers of community.

### *Join Secretary Riley and the U. S. Department of Education*

For more information on Building Better Schools Week and how you can be involved, or on Department of Education Resources to help educate your community about the need for school construction, please contact Sara Mead at (202) 401-8450 or visit the Building Better Schools Week Website at: [www.ed.gov/inits/construction/](http://www.ed.gov/inits/construction/).

# THE ADMINISTRATION'S PLAN TO MODERNIZE AMERICA'S SCHOOLS

July 26, 2000

Students cannot be expected to reach high standards in substandard school buildings. After years of deferred maintenance and growing enrollments, a significant new investment is needed to prepare our school facilities for the 21<sup>st</sup> century. Half of our public schools need repairs -- totaling \$127 billion, according to a recent U.S. Department of Education report. To help communities nationwide modernize their schools, President Clinton has called on Congress to pass his school construction proposals: \$25 billion in School Modernization Bonds and \$6.5 billion in Urgent School Renovation Loans and Grants.

**\$25 BILLION IN SCHOOL MODERNIZATION BONDS.** In the U.S. House of Representatives, Reps. Charles Rangel (D-NY) and Nancy Johnson (R-CT) introduced bipartisan legislation (H.R. 4094) based on the President's proposal. In the Senate, Sen. Charles Robb has introduced a similar bill. **The Johnson-Rangel America's Better Classrooms Act now has 224 cosponsors -- more than half the members of the U.S. House of Representatives.** The proposal would create \$24.8 billion in school construction bonds that would be interest-free for school districts and would help modernize 6,000 schools nationwide.

- **How School Modernization Bonds Work.** Bondholders would receive federal tax credits rather than interest payments from school districts, allowing districts to borrow interest-free for school construction. A similar mechanism has been used successfully for Qualified Zone Academy Bonds (QZABs). Districts could use these 15-year bonds to modernize existing schools as well as build new ones. The proposal would cost \$2.4 billion over five years. The bill's innovative financing mechanism is a cost-effective approach to leveraging local construction that avoids a new bureaucracy. All decisions regarding which schools to build or repair would be left to states and local school districts.
- **How Bonds Would Be Allocated.** Of the \$24.8 billion in school construction bonding authority: \$2.4 billion would be allocated to expand the existing Qualified Zone Academy Bonds program, \$400 million to Bureau of Indian Affairs schools, \$13.2 billion to states based on enrollment, and \$8.8 billion to the 125 school districts with the largest number of low-income children.

**LOANS AND GRANTS FOR URGENT REPAIRS.** President Clinton proposed a \$1.3 billion initiative to make \$6.5 billion in grants and interest-free loans for emergency repairs at 5,000 schools a year. Sen. Harkin and Rep. Clay have introduced urgent school repair legislation.

- **A Five-Year Effort to Help 25,000 Schools.** Over five years, the initiative would help 25,000 schools -- more than one-fourth of all schools -- repair roofs, heating and cooling systems, and electrical wiring. These repairs can help make schools safer and more energy efficient, as well as improve access to technology.
- **Complements School Modernization Bonds.** Urgent School Renovation Loans and Grants would complement the School Modernization Bonds proposal, including the bipartisan bill introduced by Reps. Johnson and Rangel that now has 224 cosponsors. School Modernization Bonds would fund major renovation projects and new buildings, while loans and grants would be available faster and with a financing structure that is better suited to repair projects.
- **Targets Funds to Meet Need.** Of the \$1.3 billion in renovation funds:
  - \$125 million in grants would be provided to other high-need school districts with little or no capacity to borrow money for emergency repairs. The smaller grant program would provide direct funding to the neediest school districts unable to finance the capital expenditures associated with school renovation;
  - \$50 million in grants would fund repairs and construction at school districts where half or more of students live on Indian lands;
  - The remaining \$1.125 billion would fund \$6.5 billion in interest-free, seven-year loans.

## CONDITION OF AMERICA'S PUBLIC SCHOOL FACILITIES: 1999

The report published by the National Center for Education Statistics (NCES) provides national data about the condition of public schools in 1999 based on a survey conducted using the NCES Fast Response Survey System (FRSS). The FRSS results based on a nationally representative sample indicate that even though most school facilities are in good condition, many are in less than adequate condition, and 3.5 million children attend schools where at least one building is nonoperational or significantly substandard. The report provides information about the condition of school facilities, school plans for renovations, the age of public schools, and overcrowding. Key findings include the following:

- Three-quarters of schools reported needing to spend money on repairs, renovations, or modernizations to put the school's buildings or building features into good overall condition.
  - ◊ The total amount needed for this work was estimated to be \$127 billion.
  - ◊ Among the schools needing to spend money, the average dollar amount needed per school was about \$2.2 million.
- Twenty-four percent of schools reported that at least one type of building was in less than adequate condition. Approximately 11 million children were enrolled in about 19,000 schools reporting at least one type of onsite building in less than adequate condition.
- Fifty percent of schools reported that at least one of nine building features (roofs; framing, floors, and foundations; exterior walls, finishes, windows, and doors; interior finishes and trim; plumbing; heating, ventilation and air conditioning; electric power; electrical lighting; and life safety features) at the school was in less than adequate condition. Schools in central cities and schools with the highest concentration of poverty were most likely to report at least one building feature as less than adequate.
- Twenty percent of schools rated the condition of their life safety features (e.g., fire alarms and sprinkler systems) as less than adequate.

Ventilation was the environmental condition most likely to be reported unsatisfactory. One-fourth of schools reported needing air-conditioning. Schools in rural areas and small towns were more likely than schools in large towns and urban fringe areas to report that at least one of their environmental conditions was unsatisfactory.

- Over half of the schools reporting less than adequate conditions of at least one building feature had no plans for improvement.
- The most accurate indication of a school's age is not the actual age of the building, but the functional age, which takes into account the history of its maintenance and renovations. The functional age is defined as the age of the school based on the year of the most recent renovation or the year of construction of the main instructional buildings if no renovation has occurred. The average age of public schools in 1999 was 43 years, based on years since original construction. The average functional age of schools was 16 years. Schools that were relatively old in terms of functional age were more likely than newer schools to report inadequate or unsatisfactory conditions.
- About a quarter, 17,400 schools, were overcrowded (enrollment more than 5 percent above their capacity). Large schools were more likely than other schools to be seriously overcrowded, and small schools were most likely to be seriously underenrolled. Schools with a high minority enrollment (more than 50 percent) were most likely to be seriously overcrowded. Schools that were classified as overcrowded were more likely than other schools to report at least one type of onsite building in less than adequate condition. Thirty-six percent of schools reported using portable classrooms, and 20 percent reported using temporary buildings. Most reported using portable and temporary instructional space as a result of overcrowding.

This report can be found on the Department of Education's School Construction Website at:  
[www.ed.gov/inits/construction/](http://www.ed.gov/inits/construction/)

## BETTER SCHOOL BUILDINGS MAKE BETTER STUDENTS

A growing body of research has linked student achievement and behavior to the physical building conditions and crowding. Good facilities appear to be an important precondition for student learning, provided that other conditions are present that support a strong academic program in the school.

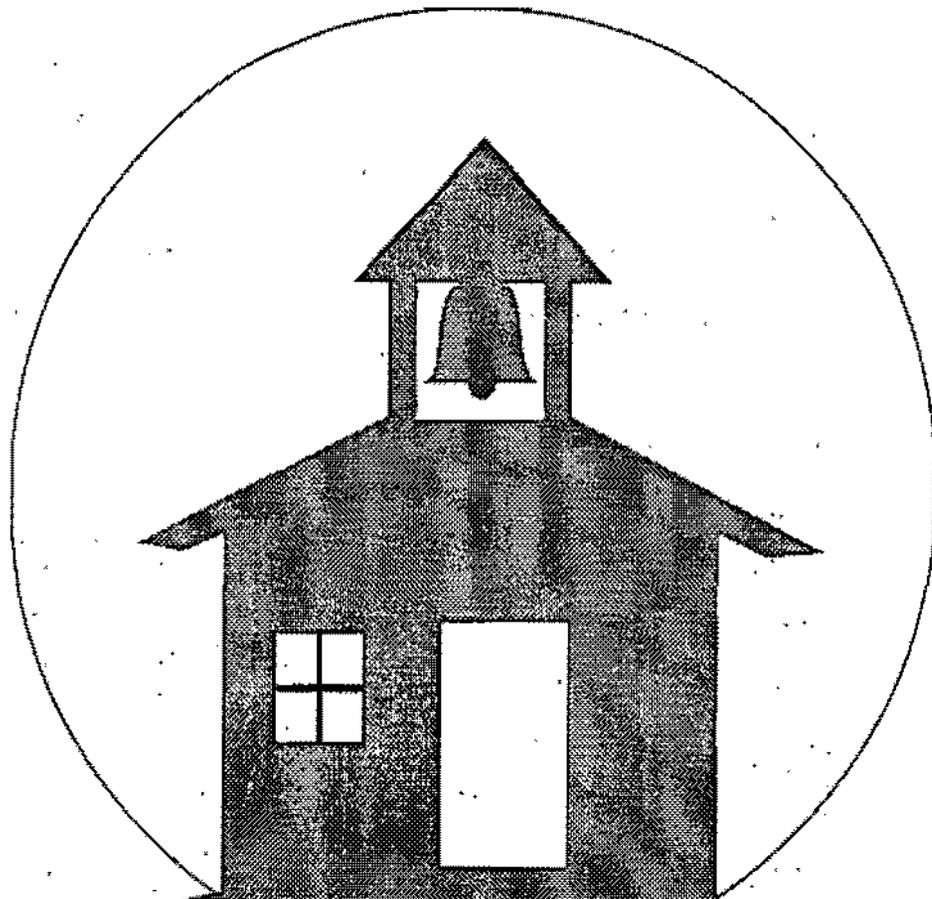
- Studies of schools in the District of Columbia, rural and urban Virginia, and North Dakota found higher test scores in schools in better condition. Students in poor school buildings scored five to 11 percent lower on standardized tests. One study found that poorer achievement was associated with specific building features such as substandard science facilities, air conditioning, locker conditions, classroom furniture, more graffiti, and noisy external environments (See Edwards, 1992; Cash 1993; Hines 1996; and Earthman, 1996).
- Heating and air conditioning systems, facilities like science laboratories and equipment, and color and interior painting appear to be very important to student achievement. Proper building maintenance is also related to better attitudes and fewer disciplinary problems (McGuffey, 1982).
- Research also indicates that the quality of air inside public school facilities may significantly affect students' ability to concentrate. The evidence suggests that youth, especially those under ten years of age, are more vulnerable than adults to the types of contaminants (asbestos, radon, and formaldehyde) found in some school facilities (Andrews and Neuroth, 1988).
- A Carnegie Foundation (1988) report on urban schools concluded, "the tacit message of the physical indignities in many urban schools is not lost on students. It bespeaks neglect, and students' conduct seems simply an extension of the physical environment that surrounds them." Poplin and Weeres (1992) reported that, based on an intensive study of teachers, administrators, and students in four schools, "the depressed physical environment of many schools... is believed to reflect society's lack of priority for these children and their education."

When the problems with working conditions are serious enough to impinge on the work of teachers, they result in higher absenteeism, reduced levels of effort, lower effectiveness in the classroom, low morale, and reduced job satisfaction. Where working conditions are good, they result in enthusiasm, high morale, cooperation, and acceptance of responsibility (Corcoran et al., 1988).

- A study of overcrowded schools in New York City found that students in such schools scored significantly lower on both mathematics and reading exams than did similar students in underutilized schools. In addition, when asked, students and teachers in overcrowded schools agreed that overcrowding negatively affected both classroom activities and instructional techniques (Rivera-Batiz and Marti, 1995).

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# Building Better Schools for America:

## The President's School Modernization Proposal

"Today, the sun is shining on America, and the roofs that need most fixing in America are the roofs of our nation's schools. Anyone who visits schools regularly as I have will not be surprised to learn that a third of all our schools need extensive repairs or replacement. We can't expect our students to meet high academic standards if their schools don't even meet high building standards. Our New Year's resolution is to reach across party lines to help our children reach for the sky."

*President Clinton, January 5, 2000*

## THE URGENT NATIONAL NEED FOR SCHOOL CONSTRUCTION AND MODERNIZATION

October 2000

Communities across the country are struggling to address critical needs to renovate existing schools and build new ones. School construction and modernization are necessary to address urgent safety and facility needs, to accommodate rising student enrollments, to help reduce class sizes, to make sure schools are accessible to all students, and to modernize buildings so they are well-equipped for the 21<sup>st</sup> century.

### AMERICA'S SCHOOLS ARE AGING AND NEED REPAIRS

In June, 2000, the National Center for Education Statistics (NCES) released *Condition of America's Public School Facilities: 1999*, providing information on the condition of school facilities, school plans for renovation, the age of public schools and overcrowding. The report indicates that many schools are in less than adequate condition—and 3.5 million children attend schools where at least one building is nonoperational or significantly substandard. In particular:

- Three-quarters of schools need to spend money on repair, renovation or modernization to bring the schools buildings and building features to good overall condition:
  - One quarter of schools—19,000—report at least one building in less than adequate condition. 11 million children are enrolled in these schools.
  - Half of schools report at least one building feature in less than adequate condition. Schools in central cities and those with high concentrations of poverty were the most likely to report at least one less than adequate feature.
  - One in five schools rated their life safety features, such as fire alarms and sprinkler systems, as less than adequate.
  - One in four schools—26%—have unsatisfactory ventilation, and one in five have unsatisfactory heating, indoor air quality, noise control or physical security systems.
  - The total amount needed for this work is estimated to be \$127 billion.
- About a quarter of schools—17,400—were overcrowded. 36% of schools reported using portable classrooms, and 20% reported using temporary buildings.

### ENROLLMENTS ARE RISING

In August of 2000, the Department of Education released a Back to School Special Report on the Baby Boom Echo entitled *Growing Pains: The Challenge of Overcrowded Schools is Here to Stay*. Findings included:

- A record 53 million children are enrolled in public and private elementary and secondary schools today—a net increase of 8 million schoolchildren in the last 15 years.
- Unlike the “baby boom” in the 1950’s and 1960’s, which was followed by a “baby bust” in the 1970’s, the number of births and students enrolled in school is not projected to decline. Instead, after remaining relatively stable between 2000 and 2010, the number of school-age children is expected to increase steadily for the foreseeable future, rising by 6 percent between 2010 and 2020, and reaching 94 million in 2100, about 42 million more children than in 2000.

## SCHOOL MODERNIZATION BONDS WOULD PROVIDE SIGNIFICANT SUPPORT FOR STATE AND LOCAL SCHOOL MODERNIZATION PROJECTS

The President's school modernization package includes \$24.8 billion in tax-credit bonds over two years to help communities address the long-term needs of aging facilities and increasing enrollments. These bonds can be used for new construction and extensive renovation projects for up to 6,000 schools.

### WHAT ARE TAX-CREDIT BONDS?

- This tax-credit bond would provide interest-free financing to help state and local governments pay for school construction and renovation. Instead of paying the interest and the principal on school construction bonds, the average issuer would be responsible only for repaying the principal. The federal government would provide tax credits to the bond holders in lieu of interest payments.

### TOP REASONS WHY TAX-CREDIT BONDS WILL BE ATTRACTIVE TO INVESTORS AND USEFUL TO ISSUERS

- Tax-credit bonds deliver a more substantial benefit to the issuer than tax-exempt bonds provide. While tax-exempt bonds usually have *lower* interest rates than taxable bonds, tax credit bonds would typically have *no* interest costs for the issuer.
- Tax credits could be used by states and districts that do not issue bonds for school construction and instead use other forms of debt financing. Tax credits could be used to pay interest on all forms of debt instruments for school construction, such as tax anticipation notes, certificates of participation, revenue anticipation notes, bank loans, etc.
- Tax credits allow states to determine who can use the school modernization bonds in their states. Once the bond allocations are made among the states, each state has the discretion to determine how they will be used within the state.
- Tax credits would be valuable to all investors regardless of their tax liability. The proposal includes two options that make tax credits valuable to organizations, such as non-profits and pension funds that do not have tax liability. Stripability allows tax credit payments to be stripped from bonds just as interest payments can be stripped from other financial instruments. Repurchase agreements enable organizations with no tax liability to receive the cash value of the tax by temporarily selling the bond to another organization that can take advantage of the tax credits.
- The interest rate would be a daily rate based on the corporate bond yield. This interest-rate structure will make school modernization bonds attractive to investors because it is closely aligned with fluctuations in the corporate debt market.
- Bond buyers could recognize the tax credits on a quarterly basis. This allows bond holders to adjust quarterly estimated tax payments, rather than waiting until the end of the year to cash in the tax credits.
- Tax credits could be carried over to future taxable years.
- School Modernization Bonds could be used to finance the purchase of land.

### INVESTORS AGREE THAT TAX-CREDIT BONDS WILL BE MARKETABLE

In a Bond Buyer article (4/30/99), members of the financial industry complimented Representative Rangel's bill (which is based on the Administration's new School Modernization proposal) as follows:

- Robert E. Foran, a senior managing director and co-head of the public finance department at Bear, Stearns & Co., said "they are trying to be responsive to what the financial community says [could be] an efficient borrowing" mechanism. Foran believes that allowing tax credits to be stripped from the bonds will result in "something very marketable," and said, "I know we could sell the credits for what is essentially a zero-coupon taxable muni. I know there is a demand for those."
- David Walton, a partner with Jones Hall in San Francisco, said the proposal—especially credit stripping—was "very interesting" because it could create demand for the tax-credit bonds.

# School Construction Initiative

## Distribution of \$24.8 Billion In Bonding Authority

### Initial Estimates for H.R. 4094<sup>1,2</sup>

| State             | Estimated Allocations (000s) |
|-------------------|------------------------------|
| Alabama           | \$354,922                    |
| Alaska            | 53,398                       |
| Arizona           | 337,448                      |
| Arkansas          | 183,516                      |
| California        | 3,109,598                    |
| Colorado          | 296,358                      |
| Connecticut       | 292,085                      |
| Delaware          | 49,070                       |
| D.C.              | 88,904                       |
| Florida           | 1,188,467                    |
| Georgia           | 654,051                      |
| Hawaii            | 77,438                       |
| Idaho             | 93,409                       |
| Illinois          | 1,221,868                    |
| Indiana           | 459,436                      |
| Iowa              | 196,453                      |
| Kansas            | 196,866                      |
| Kentucky          | 295,249                      |
| Louisiana         | 473,051                      |
| Maine             | 84,355                       |
| Maryland          | 395,270                      |
| Massachusetts     | 467,254                      |
| Michigan          | 1,006,867                    |
| Minnesota         | 378,952                      |
| Mississippi       | 237,537                      |
| Missouri          | 452,673                      |
| Montana           | 65,077                       |
| Nebraska          | 131,275                      |
| Nevada            | 92,951                       |
| New Hampshire     | 80,802                       |
| New Jersey        | 660,175                      |
| New Mexico        | 157,627                      |
| New York          | 2,476,435                    |
| North Carolina    | 488,119                      |
| North Dakota      | 46,596                       |
| Ohio              | 1,019,626                    |
| Oklahoma          | 277,839                      |
| Oregon            | 235,626                      |
| Pennsylvania      | 1,044,126                    |
| Puerto Rico       | 378,751                      |
| Rhode Island      | 90,648                       |
| South Carolina    | 284,932                      |
| South Dakota      | 56,180                       |
| Tennessee         | 421,577                      |
| Texas             | 1,998,390                    |
| Utah              | 175,947                      |
| Vermont           | 42,022                       |
| Virginia          | 422,902                      |
| Washington        | 402,308                      |
| West Virginia     | 123,951                      |
| Wisconsin         | 491,648                      |
| Wyoming           | 38,712                       |
| American Samoa    | 15,178                       |
| Guam              | 8,926                        |
| Northern Marianas | 14,027                       |

|                |                     |
|----------------|---------------------|
| Virgin Islands | 13,132              |
| BIA            | 400,000             |
| <b>TOTAL</b>   | <b>\$24,800,000</b> |

Notes:

- 1 Based on best available data as of March 24, 2000.
- 2 Of the total \$24.8 billion in bonding authority proposed, \$2.4 billion would be in Qualified Zone Academy Bonds, distributed to states based on Title I Basic Grant shares, and the remaining \$22.4 billion in School Construction Bonds would be dispersed as follows:
  - \$400 million would be set-aside for Bureau of Indian Affairs schools,
  - \$8.8 billion would go to the 125 school districts with the largest number of children in poverty based on their Title I Basic Grant shares,
  - the remaining \$13.2 billion would be distributed to States, including Puerto Rico, based on population ages 5-17 (outlying areas, however, receive funds in proportion to their share of the population in poverty.

Construction Initiative:  
Distribution of \$24.8 Billion In Bonding Authority  
Initial Estimates for H.R. 4094

| State                |                                      | Estimated<br>Allocations (000s) |
|----------------------|--------------------------------------|---------------------------------|
| Colorado             | School Construction Bonds            |                                 |
|                      | SEA Allocation                       | 225,827                         |
|                      | Denver County                        | 48,249                          |
|                      | QZABS                                | 22,282                          |
|                      | State Total                          | 296,358                         |
| Connecticut          | School Construction Bonds            |                                 |
|                      | SEA Allocation                       | 165,775                         |
|                      | Bridgeport                           | 30,467                          |
|                      | Hartford                             | 45,999                          |
|                      | New Haven                            | 28,196                          |
| QZABS                | 21,628                               |                                 |
| State Total          | 292,085                              |                                 |
| Delaware             | School Construction Bonds            |                                 |
|                      | SEA Allocation                       | 43,090                          |
|                      | QZABS                                | 5,880                           |
| State Total          | 49,070                               |                                 |
| District Of Columbia | School Construction Bonds            |                                 |
|                      | SEA Allocation                       | 0                               |
|                      | District Of Columbia School District | 81,089                          |
|                      | QZABS                                | 7,815                           |
| State Total          | 88,904                               |                                 |
| Florida              | School Construction Bonds            |                                 |
|                      | SEA Allocation                       | 236,594                         |
|                      | Brevard County                       | 27,183                          |
|                      | Broward County                       | 86,350                          |
|                      | Dade County                          | 252,704                         |
|                      | Duval County                         | 63,637                          |
|                      | Escambia County                      | 32,542                          |
|                      | Hillsborough County                  | 82,622                          |
|                      | Lee County                           | 22,427                          |
|                      | Manon County                         | 22,811                          |
|                      | Orange County                        | 53,874                          |
|                      | Palm Beach County                    | 54,626                          |
|                      | Pasco County                         | 20,216                          |
|                      | Pinellas County                      | 50,494                          |
|                      | Polk County                          | 40,874                          |
|                      | Volusia County                       | 28,914                          |
| QZABS                | 112,599                              |                                 |
| State Total          | 1,186,467                            |                                 |

Construction Initiative:  
 Distribution of \$24.8 Billion in Bonding Authority  
 Initial Estimates for H.R. 4094

| State         |                           | Estimated<br>Allocations (000s) |
|---------------|---------------------------|---------------------------------|
| Kentucky      | School Construction Bonds |                                 |
|               | SEA Allocation            | 198,802                         |
|               | Jefferson County          | 56,781                          |
|               | QZABS                     | <u>39,656</u>                   |
|               | State Total               | 295,249                         |
| Louisiana     | School Construction Bonds |                                 |
|               | SEA Allocation            | 195,316                         |
|               | Caddo Parish              | 37,565                          |
|               | East Baton Rouge Parish   | 40,511                          |
|               | Jefferson Parish          | 41,096                          |
|               | Orleans Parish            | 99,129                          |
|               | QZABS                     | <u>59,434</u>                   |
| State Total   | 473,051                   |                                 |
| Maine         | School Construction Bonds |                                 |
|               | SEA Allocation            | 74,473                          |
|               | QZABS                     | <u>9,882</u>                    |
| State Total   | 84,355                    |                                 |
| Maryland      | School Construction Bonds |                                 |
|               | SEA Allocation            | 135,948                         |
|               | Baltimore City            | 132,203                         |
|               | Baltimore County          | 31,120                          |
|               | Montgomery County         | 27,194                          |
|               | Prince Georges County     | 36,791                          |
|               | QZABS                     | <u>32,114</u>                   |
| State Total   | 395,270                   |                                 |
| Massachusetts | School Construction Bonds |                                 |
|               | SEA Allocation            | 315,090                         |
|               | Boston                    | 74,099                          |
|               | Springfield               | 31,947                          |
|               | QZABS                     | <u>46,118</u>                   |
| State Total   | 467,254                   |                                 |
| Michigan      | School Construction Bonds |                                 |
|               | SEA Allocation            | 534,884                         |
|               | Detroit                   | 303,117                         |
|               | Flint                     | 39,306                          |
|               | Grand Rapids              | 27,520                          |
|               | QZABS                     | <u>102,040</u>                  |
| State Total   | 1,006,867                 |                                 |

Construction Initiative:  
Distribution of \$24.8 Billion in Bonding Authority  
Initial Estimates for H.R. 4094

| State          |                           | Estimated<br>Allocations (000s) |
|----------------|---------------------------|---------------------------------|
| New Jersey     | School Construction Bonds |                                 |
|                | SEA Allocation            | 427,379                         |
|                | Camden                    | 37,876                          |
|                | Jersey                    | 40,572                          |
|                | Newark                    | 70,788                          |
|                | Paterson                  | 29,712                          |
|                | QZABS                     | <u>53,848</u>                   |
|                | State Total               | 660,175                         |
| New Mexico     | School Construction Bonds |                                 |
|                | SEA Allocation            | 91,390                          |
|                | Albuquerque               | 45,773                          |
|                | QZABS                     | <u>20,454</u>                   |
|                | State Total               | 157,627                         |
| New York       | School Construction Bonds |                                 |
|                | SEA Allocation            | 602,158                         |
|                | Buffalo                   | 72,616                          |
|                | New York City             | 1,487,886                       |
|                | Rochester                 | 55,836                          |
|                | Syracuse                  | 30,806                          |
|                | QZABS                     | <u>226,133</u>                  |
|                | State Total               | 2,476,435                       |
| North Carolina | School Construction Bonds |                                 |
|                | SEA Allocation            | 349,121                         |
|                | Charlotte-Mecklenburg     | 31,576                          |
|                | Cumberland County         | 23,193                          |
|                | Guilford County           | 19,965                          |
|                | Wake County               | 17,892                          |
|                | QZABS                     | <u>46,372</u>                   |
|                | State Total               | 468,119                         |
| North Dakota   | School Construction Bonds |                                 |
|                | SEA Allocation            | 40,616                          |
|                | QZABS                     | <u>5,980</u>                    |
|                | State Total               | 46,596                          |
| Ohio           | School Construction Bonds |                                 |
|                | SEA Allocation            | 578,798                         |
|                | Akron                     | 31,754                          |
|                | Cincinnati                | 62,060                          |
|                | Cleveland                 | 110,209                         |
|                | Columbus                  | 65,064                          |
|                | Dayton                    | 35,032                          |
|                | Toledo                    | 42,037                          |
|                | QZABS                     | <u>94,552</u>                   |
|                | State Total               | 1,019,526                       |

Construction Initiative:  
 Distribution of \$24.8 Billion In Bonding Authority  
 Initial Estimates for H.R. 4094

| State       |                              | Estimated<br>Allocations (000s) |
|-------------|------------------------------|---------------------------------|
| Tennessee   | School Construction Bonds    |                                 |
|             | SEA Allocation               | 235,077                         |
|             | Knox County                  | 21,562                          |
|             | Memphis City                 | 85,771                          |
|             | Nashville-Davidson County    | 37,964                          |
|             | QZABS                        | <u>41,203</u>                   |
|             | State Total                  | 421,577                         |
| Texas       | School Construction Bonds    |                                 |
|             | SEA Allocation               | 972,870                         |
|             | Aldine                       | 29,278                          |
|             | Austin                       | 37,763                          |
|             | Brownsville                  | 48,077                          |
|             | Corpus Christi               | 31,067                          |
|             | Dallas                       | 115,980                         |
|             | Edinburg                     | 18,748                          |
|             | El Paso                      | 63,289                          |
|             | Fort Worth                   | 56,067                          |
|             | Houston                      | 193,552                         |
|             | Laredo                       | 31,179                          |
|             | Lubbock                      | 19,206                          |
|             | McAllen                      | 21,832                          |
|             | Pasadena                     | 19,468                          |
|             | Pharr-San Juan-Alamo         | 22,467                          |
|             | San Antonio                  | 70,790                          |
| Ysleta      | 39,739                       |                                 |
| QZABS       | <u>206,998</u>               |                                 |
| State Total | 1,998,390                    |                                 |
| Utah        | School Construction Bonds    |                                 |
|             | SEA Allocation               | 165,106                         |
|             | QZABS                        | <u>10,841</u>                   |
|             | State Total                  | 175,947                         |
| Vermont     | School Construction Bonds    |                                 |
|             | SEA Allocation               | 36,042                          |
|             | QZABS                        | <u>5,980</u>                    |
| State Total | 42,022                       |                                 |
| Virginia    | School Construction Bonds    |                                 |
|             | SEA Allocation               | 291,294                         |
|             | Fairfax County               | 21,646                          |
|             | Norfolk City                 | 27,752                          |
|             | Richmond City Public Schools | 24,590                          |
|             | Virginia Beach               | 20,716                          |
|             | QZABS                        | <u>35,894</u>                   |
| State Total | 422,902                      |                                 |

December 2000

### Pending School Renovation Agreement

The pending bipartisan budget agreement on school renovation would provide \$1.2 billion for grants to local educational agencies for urgent school renovation, activities authorized under part B of the Individuals with Disabilities Education Act (IDEA), technology activities related to school renovation, and charter school facility financing. Out of this total, nearly \$1.1 billion would be distributed to States based on Title I Local Educational Agency (LEA) grant shares, with a small State minimum of one-half of one percent. The remainder would be reserved for Indian districts, the outlying areas, and charter schools (see below).

The States would distribute 75 percent of their allocation of funds to LEAs for urgent school repairs. States would award these grants on a competitive basis using the following criteria: student-age population; need for school repairs; fiscal capacity to meet repair needs; likelihood that the LEA would properly maintain repaired school facilities; and, for proposals that include charter schools, access of those schools to funds available to other public schools.

States would ensure that high poverty LEAs with 30 percent or greater poverty or with at least 10,000 poor children, in the aggregate, would receive an amount proportional to the amount those LEAs receive under Title I. In addition, States would ensure that rural LEAs receive, in the aggregate, an amount proportional to their share of Title I funds.

In addition, non-profit private schools with student poverty rates of 40 percent or greater would participate in these funds on an equitable basis. These private schools could use these funds to modify school facilities to meet standards under the Americans with Disabilities Act and Section 504 of the Rehabilitation Act and to abate and remove asbestos.

States would distribute the remaining 25 percent to LEAs on a competitive basis for activities authorized under Part B of the IDEA, technology activities related to school renovation, or some combination thereof, at the discretion of the State. The selection criteria for IDEA grants would be: the need for funds to educate students with disabilities whose cost of education substantially exceeds that States' average per-pupil expenditure, the need for additional funds to pay for activities under Part B of the IDEA, the need for assistive technology devices, and the need for additional funds to meet performance goals under the IDEA. States would select technology grant recipients based on the need for funds for technology activities, such as wiring, hardware and software, and computer linkages, associated with school renovation.

In addition to these State grants, \$75 million is reserved for school districts with 50 percent or more of their students residing on Indian lands. These funds could be used for either school renovation or new school construction. They would be distributed on a formula based on the number of children residing on Indian lands. A new Charter

Schools Facilities Financing Demonstration Program would be created and funded at the level of \$25 million. This program would demonstrate innovative methods of financing charter school facilities by providing grants to at least three organizations to demonstrate these methods. In addition, \$3.25 million would be reserved for school renovation in outlying areas.

| <b>Activity</b>                   | <b>Amount of Funds</b> |
|-----------------------------------|------------------------|
| School Renovation                 | \$901 million          |
| IDEA/technology activities        | \$274 million          |
| Charter school facility financing | \$25 million           |