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ABSTRACT

The primary purpose of this study was to determine the provisions for equality and liberty in the funding of school capital expenditures in each of the 50 states. More specifically, the following issues were analyzed: (1) the extent to which state policies provide equality in funding school facility construction; (2) the extent to which state policies provide local boards liberty in decisions on funding school facility construction; and (3) categorization of the 50 states with respect to provision of liberty and equality for capital outlay funding. A descriptive database of the capital outlay funding systems for each of the 50 states was developed. A descriptive survey research procedure was used. Data were collected from August through November 1999 using a survey instrument developed by the author. Usable data were received from all states. States were categorized as high, moderate, or low with regard to their potential to achieve funding equality and liberty for local districts. Only one state, Hawaii, ranked low in liberty; however, 18 states ranked low in equality. Six states ranked high in both liberty and equality. The following conclusions were formulated: (1) states that continue to rank low in equality are likely to face future litigation; (2) the courts have tolerated some degree of inequality to preserve liberty; (3) politics and not economics often determined how state legislatures responded to equality concerns; (4) differences among the states are far greater with respect to equality than they were with respect to liberty; and (5) many states will continue to experience considerable conflict over funding school construction because of the inevitable tensions between liberty and equality. (Contains 79 references.) (Author/EV)

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ED 476 047

EQUALITY AND LIBERTY IN STATE POLICY FOR THE FUNDING OF SCHOOL CAPITAL EXPENDITURES

A DISSERTATION

SUBMITTED TO THE GRADUATE SCHOOL

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS

FOR THE DEGREE

DOCTOR OF EDUCATION

BY

ROBERT E. SCHMIELAU

DISSERTATION ADVISOR: DR. THEODORE KOWALSKI

BALL STATE UNIVERSITY

MUNCIE, INDIANA

FEBRUARY 2000

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JANUARY 2000

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The following conclusions were formulated: (a) states that continue to rank low in equality are likely to face future litigation; (b) the courts have tolerated some degree of inequality to preserve liberty; (c) politics and not economics often determined how state legislatures responded to equality concerns; (d) differences among the states are far greater with respect to equality than they were with respect to liberty; (e) many states will continue to experience considerable conflict over funding school construction because of the

inevitable tensions between liberty and equality.

Further study was recommended in both the 18 low equality states and the six states that ranked high in both equality and liberty. The purpose should be to identify legal, political, and economic variables that affected school construction finance policies in those states.

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R.E.S.

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Equality and Liberty in State Policy for the Funding of School Capital Expenditures

Chapter One

Indiana Governor Evan Bayh, in his 1994 State-of-the-State address, asserted that "many [facility] projects include extravagant extras not essential to educating students" and that some local school boards have built "Taj Mahals in the cornfield." Governor Bayh continued by calling for a reduction in the maximum tax rate for the Capital Projects Fund and limits on the Debt Service and Transportation funds (Indiana Education Policy Center, 1996).

Public education policy has been guided by the pursuit of both equality and liberty. That is, government officials and the courts have attempted to balance equal educational opportunities and local autonomy. This goal has almost always produced tensions, because efforts to increase equality typically involve centralization of state authority—a condition that de facto reduces liberty for local school boards (Kowalski, 1999). Governor Bayh's call for fiscal constraints in the area of capital outlay, however, failed to address either of these metavalues and their potential political and economic consequences.

Statement of the Problem

The responsibility for providing public elementary and secondary education is given to the states by the Tenth Amendment of the United States Constitution. A deep concern for liberty resulted in the creation of a truly unique system of public education in the United States, one in which considerable authority was relegated to local district school boards. The states, however, retained legal responsibility for ensuring that

education was provided in accordance with their respective constitutions and in a manner that did not violate any provisions of the United States Constitution.

The 50 states have not uniformly granted or limited the liberty of local school boards in the area of capital outlay. Consequently, vast differences in capital outlay policy probably exist among the states. Although there have been studies of inequities in school facilities within the given states, far less attention has been given to studying the extent to which liberty and equality are stressed in all states.

The failure of some states to provide measures to ensure a reasonable degree of equality has resulted in litigation. For example, in Tennessee (Tennessee Small School Systems v. McWerter, 1993), Arizona (Roosevelt Elementary School District 66 v. Bishop, 1994), and Ohio (DeRolph v. State, 1997) state supreme courts have ruled that school finance systems were unconstitutional. These decisions were partially based on perceived inequities in school facilities. There are still approximately 22 states requiring that all or virtually all of the cost of capital outlay be covered by tax revenues from local property (Burrup, Brimley, & Garfield, 1999). Indiana is one of those states.

Resolving inequities in capital outlay in Indiana – that is, creating some degree of fiscal neutrality – is likely to become a higher priority for state officials as low wealth districts exert legal and political pressures. Policymakers and educational leaders who seek to resolve inequities, however, are hampered by the lack of a national database revealing how each of the 50 states funds capital outlay and how such projects are approved.

Purpose of the Study

The general purpose of the study is to determine how states address the metavalues of equality and liberty in capital expenditure for facilities.

More specifically, the study has five objectives:

1. To determine state policy regarding the funding of capital outlay in each of the 50 states;

2. To develop rubrics to evaluate liberty and equality provisions in policies for funding capital outlay;

3. To analyze equality provisions in existing policies for funding capital outlay;

4. To analyze liberty provisions in existing policies for funding capital outlay;

5. To categorize states according to liberty and equality provisions for funding capital outlay.

Significance of the Study

School administrators, especially superintendents, are increasingly expected to advise local school boards and to lobby legislators concerning school funding issues. Findings and conclusions in this study could serve to inform them and policymakers who fashion laws and regulations for funding capital outlay. Moreover, the results contribute to the professional literature where a major void exists. In addition, the findings and conclusions provide a national profile of the potential of liberty and equality provisions in current state laws, an important contribution given recent federal interest in funding part of the cost of school facility improvement. Finally, this research may spawn other projects that examine the funding of capital outlay.

Delimitation of the Study

For the purposes of this study, the following parameters were established:

1. The study was limited to funding and capital expenditures for facility projects.

2. The study was limited to policy covering public school districts.

3. The study was limited to state policy potential for balancing equality and liberty interests.

4. For the purposes of this study, adequacy of school facilities and efficiency of school facility construction processes were assumed.

5. The study was limited to state policies in effect on July 1, 1999.

Limitation of the Study

Data from the study were gathered primarily from a review of the literature, state statutes, and state departments of education. The methods and findings of the study were limited by a number of factors that are influenced by the following:

1. Values, such as equality and liberty, are subject to interpretation and judgment and need precise definition before being applied to state policies for facility construction processes.

2. A third metavalue, adequacy, was assumed in analysis of state capital funding systems.

3. Accuracy of the data was dependent upon the respondent to the questionnaire.

Research Questions

The following research questions were explored:

1. To what extent are state policies providing equality in funding school facility construction?

2. To what extent are state policies providing local school boards liberty in decisions on funding school facility construction?

3. How are the 50 states categorized with respect to liberty and equality provisions for funding capital outlay?

Definition of Important Terms

The following terms were specifically defined for use throughout this study to ensure clarity of understanding and uniformity of meaning.

Adequacy. For the purposes of this study, adequacy means sufficient quality of school facilities to meet educational needs and requirements as defined by individual state statutes and regulations. When state supreme courts have ruled upon the adequacy of school facilities, supreme court holdings define school facility adequacy.

Americans with Disabilities Act (ADA). The Americans with Disabilities Act (ADA) is a federal statute that prohibits discrimination against persons with disabilities. This includes access to school facilities.

Assessed Valuation (AV). Assessed Valuation (AV) is an official valuation of property for the purposes of taxation.

Capital expenditure. Capital expenditure means the collection of revenue and expenditure for the long term maintenance, remodeling of existing buildings, or new

school construction. Capital expenditure does not include expenditure for furniture, instructional equipment, or technology, such as the purchase of computers.

Equality. Equality means equal access to and use of adequate school facilities. Equality does not mean equal treatment for the purposes of this study. For example, the application of the same or equal maximum property tax rate across school districts with differing assessed property values would yield unequal or inequitable resources for construction of school facilities.

Fiscal Neutrality. Equality is reached when the distribution of educational services, including capital outlay, is determined solely by the preferences of taxpayers for education, and not by their ability to pay, as measured by wealth, income, or some broader variable. This concept of fiscal neutrality is also referred to as wealth neutrality (Alexander & Salmon, 1995).

Full State Support. Full state support is state funding of 80% or more of the construction cost of a school facility.

Guideline. A guideline is an outline of government policy or direction for conduct.

Liberty. Liberty means the authority of local school boards to fund school facilities within state and federal requirements.

Local School board. Local school board means any local governmental entity with the power to levy taxes to provide educational services for all or part of grades kindergarten through twelve. In some instances, a city council or county governmental unit may serve as the local school board.

Policy. Policy means statutes, regulations, and rules with the force of law that determine a definite course or method of action with regard to school facility construction.

Policymaker. A policymaker is any state legislator or state administrative agent who has the authority to pass statute or promulgate rules with the force of law regarding school capital expenditures. Courts are not be considered policymakers for the purposes of this research.

Regulation. Regulation means state department of education regulation or administrative rules governing school facility construction.

Rubric. Rubric means an explanatory commentary which describes behaviors, performances, or processes for purposes of assessment. A rubric contains criteria which measure performances against a defined standard. Such performances may then be given a numerical score and placed upon a continuum from low to high. For the purposes of this study, rubrics measure state facility construction processes with regard to equality and liberty.

School district. School district means any local governmental unit with the primary function of providing educational services for all or part of grades kindergarten through twelfth grade. Such units may be called corporations, parishes, or by other names in different states.

School facility construction processes. School facility construction processes is defined as state school capital expenditure laws, administrative rules, regulations and requirements for either remodeling or new construction.

State school board. State school board means the state board or commission that is responsible for the direction of a state department of education and the authority to promulgate rules or regulations with the force of law.

Statute. Statute is defined as state statute or code passed by the state legislature for the purpose of construction of school facilities.

Description of Methodology

The methodology and procedures for the collection and analysis of data were as follows:

1. A rubric was developed by the author that provided criteria for the assessment of equality provisions in state policy on capital outlay. (See Appendix A)

2. A rubric was developed by the author that provided criteria for the assessment of liberty provisions in state policy on capital outlay. (See Appendix B)

3. A questionnaire was developed to gather data on liberty and equality provisions in state policies on capital outlay. (See Appendix D)

4. The questionnaire was sent to and collected from the department of education of each of the 50 states. When state departments of education were unresponsive, questionnaires were sent to and collected from state professional organizations.

5. Responses to questionnaires were evaluated using the rubrics, and each state was classified as low, moderate, or high for the variable of equality and liberty.

6. Description of state policies for capital outlay were developed using information from the questionnaires. These descriptions provide a national data base for capital outlay policies.

Chapter Two

Review of the Literature

Introduction

This chapter presents a review of the literature relating to liberty and equality in the funding of school capital outlay for facility remodeling and construction. The metavalues of adequacy and efficiency are also defined because of their relationship to both equality and liberty. The historical background of liberty, defined as local control, and equality is presented. Within the last quarter of this century, litigation concerning the relationships among these metavalues and facility funding have been increasingly defined by federal and state court findings. Court findings are included in the review of the literature. Common state strategies for funding school construction and their relationship to adequacy and liberty are also provided.

Metavalues

Public education policy is the result of interaction among deeply held American societal values. These values, called metavalues, include liberty, equality, efficiency, adequacy, and fraternity (Guthrie & Reed, 1991; Kowalski, 1999). Although all are interrelated, the first four are especially cogent to current concerns for the problems that surround school facilities in America. Discussion of these concerns, at the local, state, and federal levels, has been influenced by these metavalues (Kowalski, 1999).

At a macro policy level, the federal and state governments recently have focused on liberty interests of local districts, especially through political debates about local control. Theoretically, however, state governments must either limit local choice or redistribute wealth in order to ensure a reasonable level of equal opportunity for citizens.

Thus, policy for school facilities often is made difficult by the continuing tensions between liberty and equality.

Adequacy

Equality and adequacy are related metavalues. The latter plays a specific role in the provision of the former. Thompson, Stewart, and Honeyman (1989) proposed that adequacy is a precondition of equality.

Minorini (1994) stated that educational adequacy focuses directly on inadequacies in the level of educational opportunities offered by one or more districts in a state. Adequacy theory targets adequate education as measured by state-defined or contemporary educational standards. As such, adequacy theory applies to any school system with substantial educational inadequacies, regardless of its relative wealth (Hunter & Howley, 1990; Minorini, 1994).

Adequacy can be addressed through two models: the average practice model and the estimated needs model. The average practice model enables every district to fund facilities at least at the average level (Education Policy Studies Division, 1998; Thompson, Honeyman, & Stewart, 1988b; Thompson et al., 1989). The estimated needs model provides full funding of needs as estimated by local districts (Thompson et al., 1988b; Thompson et al., 1989).

Adequacy has historically been defined by average practice. Average practice may, however, be quite different from average need. An average practice model is useful for comparisons among districts, but average practice may be below minimum standards for adequacy if funding is initially or inherently inadequate. In addition, average practice

may drastically underestimate need because it does not address current or long term inadequacies. There has been continuing evidence that funding practice has fallen far short of actual facility needs in many states. Average practice has been affected by limited resources, voter resistance to bond issues, and state funding schemes that depend on local wealth and set a low debt limit. Adequacy may better be defined through an estimated needs model that addresses estimates of facility construction needs based on current conditions (Thompson et al., 1988b; Thompson et al., 1989).

Crampton and Whitney (1996) discussed the interaction between equality and adequacy as measured by minimum outcomes. Historically, equality has been focused on inputs. For example, one definition of equality used by William Clune was that equality means the provision of equal resources with the implication that each district or school receives the same amount of resources as any other in the state. There has, however, been a shift from equality to adequacy driven by the courts and an emerging consensus that high minimum outcomes should be the goal of both policy and finance (Crampton & Whitney, 1996; Education Policy Studies Division, 1998; Swanson & King, 1997).

Equality in Funding of School Capital Outlay

A review of the literature for funding capital outlay must include a review of the general principles of equal access and fiscal neutrality. These principles for provision of equality in school facilities are the same as those for operations or any other educational need. As a review of the literature, taxation principles, such as ex post and ex ante fiscal neutrality, are defined and used in the context of state funding schemes for school construction.

In the late 1980s, most states had statutory provisions for facility funding. The legal mechanisms chosen to meet facility needs ranged from great potential for providing equal access and fiscal neutrality to those with little effect. Funding systems granting true aid by reducing local costs or providing greater local choice about facility options provided the most potential for equality, but their impact has been a condition of the level of state support (Thompson et al., 1988b).

Crampton and Whitney (1996) concluded that if equality were defined as a fair and just method of distributing resources among schoolchildren, equality could be measured by looking at the variation in revenue and spending across school districts that is not attributable to a legitimate cost factor (e.g., special education) or the relationship between revenue and local wealth. An equitable funding system also produced a low variation in revenue and spending, or produced a moderate variation in revenue and spending if the relationship to wealth was low and the relationship to tax effort was high. Using spending as an indicator of equal opportunity, however, has been difficult because of the considerable variation in per pupil expenditures within and among states.

Horizontal and Vertical Equality

Assessing the equality of a school finance system requires determining the type of equality to be achieved. Delivery of resources to students can be defined in two ways: horizontal and vertical. Horizontal equality is defined as equal treatment of equals. This principle states that every student is of equal value and should receive the same amount of funding and resources. If student equality is preferred, horizontal equality seeks to ensure all districts a similar starting point (Crampton & Whitney, 1996).

Vertical equality is the unequal treatment of unequals. This principle states that there can be rational reasons for providing differing levels of per pupil funding based on the needs of individual students (Crampton & Whitney, 1996). Vertical equality may require additional funding for handicapped students because of mandates in the ADA. Vertical equality may also require a security factor for urban districts or sparsity factor for small rural districts (Thompson et al., 1989). In theory, vertical equality should be secondary because adequacy and horizontal equality are considered as a prior conditions to the achievement of vertical equity (Thompson et al., 1988b; Thompson et al., 1989). Consequently, any funding scheme for capital outlay should be fiscally neutral by providing resources in inverse proportion to local wealth or should provide resources sufficient to overcome inadequate local tax yield (Thompson et al. 1989).

Equal Opportunity Standards: Accessibility and Fiscal Neutrality

The extent of state provisions for equality in funding school facilities has been dependent on several factors. Equality may refer to the treatment of different groups of individuals, such as students and taxpayers. One task of state legislators has been the struggle to find an equitable balance between those who provide the taxes for schools and those who benefit and depend on them (Crampton & Whitney,1996).

The concepts of resource accessibility, ex post fiscal neutrality, and ex ante fiscal neutrality provide equal opportunity standards against which alternative funding schemes may be judged. Resource accessibility and ex post fiscal neutrality apply to equal access and opportunities for students. Ex ante fiscal neutrality applies to an equalized tax effort for the taxpayer. Together, these three concepts make it possible to judge whether or not

resources are impartially available for both students and taxpayers (Sielke, 1998; Thompson et al., 1988b; Thompson et al., 1989).

Resource accessibility requires equal availability of resources to meet student needs throughout the state. Ideally, resource accessibility is achieved when average practice or estimated needs are fully funded (Sielke, 1988; Thompson et al., 1988b; Thompson et al., 1989).

Ex post fiscal neutrality requires the elimination of positive linkages between wealth and residence so that differences in per pupil spending can be attributed to local choice rather than the adequacy of the local tax base. Achievement of ex post fiscal neutrality would require states to neutralize the effect of local wealth on available resources for funding student educational needs (Sielke, 1998; Thompson et al., 1988b; Thompson et al., 1989). Ex post fiscal neutrality is achieved when funding for average practice or estimated need is provided without regard to local wealth or when funding is provided inversely to the ability to pay (Thompson et al., 1988b; Thompson et al., 1989).

The third concept of equality applies to taxpayers who are providing the resources. Crampton and Whitney (1996) defined the measure of taxpayer equality as the amount of property or other taxes that taxpayers pay compared to those paid by taxpayers in other communities for public education in comparison to their property or other wealth. Achieving this taxpayer equality is dependent on ex ante fiscal neutrality. Ex ante fiscal neutrality is based on the provision of equal yield for equal effort and is achieved when districts levy uniformly and receive sufficient funding to provide for average practice or estimated needs without regard to local wealth or ability. As with ex post

fiscal neutrality, ex ante fiscal neutrality may also be achieved when funding is inversely related to the ability to pay (Sielke, 1998; Thompson et al., 1988b; Thompson et al., 1989).

Honeyman, Thompson, and Wood (1989) provided a description of the sources of and interaction between local and state funding. The operation of schools, including facility construction and maintenance, require state and local districts to raise revenue for that purpose. Income, sales, and property taxes account for nearly all the funds used in public education. The majority of state tax support has been derived from a combination of state income and sales tax. Excise taxes on motor vehicles, utility and mining taxes, inheritance taxes, and various licenses and fees have also been commonly used by states to support schools. Some states have also designated revenues from lotteries for public education.

Property taxes have generated almost all local funding for schools. Property tax is very stable. It is not generally subject to large changes in value over short periods of time. Taxes on real property are easy to administer because avoidance of payment is almost impossible. Although property tax is subject to local approval including referenda, funds can be raised by local districts in a relatively short period of time. District need is recognized locally, and funding is not subject to state and federal political processes (Burrup et al., 1999).

Despite its qualities, the property tax has been arguably the most hated tax in America. Kowalski and Small (1995) provided variables that intensify taxpayer concern. Both the size and costs of school facilities have continued to increase, and there is a

general revolt against taxation across the nation. These two factors provide a nexus with property tax because most of the revenue for new school facilities has been generated by that tax. Additionally, primary objections have been raised concerning the regressive nature of the property tax: large property owners, such as farmers and businesses, are taxed disproportionately; and the tax may be unfair to the poor. Honeyman et al. (1989) disagreed stating that property tax is not generally a regressive tax because there has been a strong correspondence between citizen's wealth and the value of their property. While that may superficially be true, several factors contribute to the regressive nature of the property tax. The ability-to-pay principle of taxation may be violated at both the high and low levels of taxpayer wealth. Without tax credit plans or other tax circuit breakers, low-income families, especially the elderly, may have to pay a larger portion of their wealth through the property tax. Surplus wealth may now be invested in stocks or bonds rather than real property thereby evading the tax. While other forms of local wealth may be taxed as personal property, stocks, bonds, and mutual funds are difficult to assess. (Burrup et al., 1999).

When the policy goal is the provision of equality, local property tax funding in itself lacks the ability to produce fiscal neutrality because it makes education a factor of local wealth rather than state wealth. Because school districts usually vary in assessed valuation wealth per pupil (AV/PP), funding districts through local wealth usually results in inequalities in the distribution of resources (Burrup et al., 1999; Kowalski, 1995).

Despite taxpayers' dislike for the property tax, state policymakers have been reluctant to substitute statewide taxes for the local property tax for capital outlay. State

funding formulas are politically charged, and state level capital outlay funding would be expensive. If the state were to assume the costs of school construction, policymakers would be faced with sorting out taxpayer objections generally to any tax increase, specifically the property tax, or the proposed school building project. As a result, state policymakers have generally failed to adequately address equality in funding capital outlay, and local districts have been forced to raise large amounts of capital through the property tax to maintain and renovate facilities (Kowalski, 1995; Kowalski & Small, 1995).

Once state revenues have been determined, local districts must raise the remainder of the necessary funding as the local share. Districts, however, have been bound by either statute, government regulation, or a state funding formula. For example, most states allow the local levy to be set within parameters determined by a specific formula. When state funding is inadequate, heavy reliance on local property taxes perpetuates funding problems through widely varying tax rates (Lewis, 1989; Honeyman et al., 1989).

An example of the interdependence of the state level of support and facility needs was evident in a 1988 study conducted of rural Kansas school districts with less than 800 enrollment. Kansas, in 1988, did not provide any state funding for facility construction. The study concluded that local rural districts were unable to fund capital outlay at levels needed to keep facilities adequate, safe, and handicapped accessible. When comparisons were made of bond, loan, state equalization aid, grants, and local resources as contributions to capital outlay, the study indicated a direct relationship between a

district's ability to pay and the condition of its school facilities. Districts with low taxing ability showed the highest dependence on bonding and the greatest levels of deferred maintenance (Honeyman et al., 1989; Thompson, 1988; Thompson et al., 1988b).

Historical Background of Equality as a Tradition in State Funding

Thompson et al. (1989) concluded that adequacy and equality in funding school facilities have become a focal point for state and national policy for several reasons. Equality of educational opportunity has been affected by all aspects of the educational process including access to adequate facilities. School facility maintenance and construction problems have been exacerbated because of their high cost in relation to other educational expenses and limited or non-existent state funding resources.

Systems for funding school construction have generally been neglected or given low priority by the states. Absent or limited state funding for capital outlay has been rooted in a long tradition that dates back to a time when a smaller percentage of children attended school and building costs were less. Before the turn of the century, school buildings were locally owned and protected, often built by volunteers on donated land with donated materials. Simpler educational programs made building obsolescence practically nonexistent. In a largely rural and agricultural society, the competition for funding governmental services other than schools was minimal; so schools did not impose an inordinate burden on local property wealth (Financing, 1999; Lewis, 1989; Thompson, 1988; Thompson, Camp, Horn, & Stewart, 1988a, 1988b; Thompson et al., 1989). During that age, property tax operated as a direct tax with most people

understanding its purposes. It provided a direct linkage for many citizens between local governmental services like schools and the cost of those services (Burrup et al., 1999).

At the turn of the century, the nation moved from an agricultural to an industrial economy. Rapidly expanding cities created rapid growth in school enrollments making bonding for facility construction imperative. Issues concerning the adequacy of tax bases and assessed valuation of property for funding school programs emerged. Despite these critical issues concerning the need for larger revenues and an expanded tax base, many states continued to fund school facilities as they traditionally had done in the past (Thompson, 1988; Thompson et al., 1988a, 1988b; Thompson et al., 1989).

After World War I and the early 1920s, the Great Depression nearly halted school construction, and a backlog of facility needs was created that had to be addressed after World War II (Thompson, 1988). During the 1950s and 1960s, a baby boom created an accelerated demand for school construction. Schools were often built cheaply and quickly cutting corners on construction costs (Lewis, 1989).

Kowalski (1995) stated that it was after World War II before schools were viewed as anything but shelters. Facility use was reconceptualized along with the purposes of schooling as definitions of workplace knowledge and skills changed. Laws and regulations including special education, Title IX, and the ADA changed requirements for building use and design. Additional state mandates, such as class-size reduction programs in Indiana and Texas, created greater demands on classroom space. The quality and quantity of space in schools was also redefined by increasing social pressures on schools to broaden their services. For example, increased demands for counseling, health, and

community services significantly changed demands on school facilities (Kowalski & Small, 1995; Lewis, 1989).

After World War II and through the 1960s, increasing operational costs, demands for new programs, and population mobility absorbed nearly all available local revenue. State involvement was necessary because of the need for enhanced revenue sources. As a result of these increasing revenue needs, several states began to assist school districts with funding for capital outlay (Burrup et al., 1999; Lewis, 1989; Thompson, 1988; Thompson et al., 1988a, 1988b; Thompson et al., 1989).

Westbrook (1989) agreed that years of interest in the reform of the American education system and the inequality of resource provision resulted in the overhaul of many state school financing systems. Most reforms, however, ignored the infrastructure side of investment, placing emphasis on measuring and assessing the degree of educational improvement measured by test scores and attributed to increased input of state dollars.

As schools struggled to meet minimum state standards for educational programs, they were forced to defer maintenance and capital outlay to replace aging facilities. Studies conducted of school facilities through the 1980s reported growing facility needs and resource inadequacy. These reports demonstrated national evidence of an overwhelming inability of local districts to fund capital outlay at levels needed to keep buildings adequate, safe and accessible to all students. Although some states and districts monitored needed repairs and replacement of facilities, others delayed costs until total replacement was required (Financing, 1999; Frazier, 1993; Hansen, 1992; Honeyman et

al., 1989; Lewis, 1989; Thompson et al., 1988b; Thompson et al., 1989; Westbrook, 1989). In 1983, the American Association of School Administrators (AASA), in cooperation with the Council of Great City Schools and the National School Board Association (NSBA), reported estimates of maintenance backlog in excess of $25 billion in the nation's schools (Hansen, 1992; Lewis, 1989; Thompson et al., 1988b). As buildings aged and maintenance was postponed, the cost of deferred maintenance quadrupled. In 1989, maintenance and repair costs were estimated at $41 billion (Hansen, 1992; Lewis, 1989). Those costs had climbed to over $100 billion by 1991 (Hansen, 1992). These studies indicated that inattention to systems for facility maintenance and construction had resulted in a greater accumulation of significant facility needs that had not been adequately addressed (Financing, 1999; Frazier, 1993; Hansen, 1992; Lewis, 1989; Thompson et al., 1988a, 1988b; Thompson et al., 1989).

A study of the condition of school facilities in 38 states was reported by the Education Writers Association in 1989. Lewis (1989) in Wolves at the Schoolhouse Door reported that 25% of public school buildings were "shoddy places for learning" (p. 1) lacking sufficient space, suitability, safety and maintenance. A key element of in the deterioration of the infrastructure was the age of schools. One fifth of schools were more than 50 years old. More than 50% of schools in use were built during the 1950s and 1960s. Although newer, these schools were generally constructed rapidly and cheaply in a time of rapid enrollment growth with a building life expectancy of only 30 years. Of the buildings that were reported as inadequate in the study, 61% needed maintenance or

repairs, 43% were obsolete, 42% had environmental hazards, 25% were overcrowded, and 13% were structurally unsound (Lewis, 1989).

Three years later in 1992, AASA compiled known data on public school facilities in its Schoolhouse in the Red project report. The study revealed that three-fourths of school buildings were past their life expectancy and one building in eight or 13,200 schools were inadequate places for learning. Five million students were attending classes in substandard buildings. The study also indicated growing concerns about poor indoor air quality and escalating energy consumption and costs (Hansen, 1992).

In 1996, the federal General Accounting Office (GAO) estimated that districts nationwide needed to spend $112 billion to repair or upgrade schools into good overall condition. About one-third of the students in America, approximately 14 million, attended districts with one inadequate school building. Approximately 25 million students, 60%, attended schools with at least one inadequate feature or at least one unsatisfactory environmental condition. Among the states, the percentage of districts reporting at least one adequate school ranged from 14.5 % in Mississippi to 39.5% in West Virginia (General Accounting Office, 1996).

Kowalski (1995) concluded that the failure to address school facility remodeling and replacement was a critical element in the failure of school reform. A school's physical and material features have directly affected the ability of teachers to reconfigure instruction and student learning. Outdated and often inflexible facilities created a barrier to interactive student learning, use of technology, or gaining the knowledge and skills necessary for the information age.

Richard Riley, U. S. Secretary of Education, discussed the importance of the physical structures of schools and student achievement in an interview in September, 1999. Secretary Riley stated:

> If you are going to reach high standards in all of our schools, a lot of things have to be included, and one of those things is the entire environment of the school. If you have a school that is out-of-date, that's run down and the halls are dark, and you don't have access to technology; you have poor air quality; you have leaking roofs; and you have over-crowded conditions, all of these things are interfering with the school day. And then the principals, who are the leader of the school, spend a good portion of their time worrying about how they're going to have four shifts to go to the cafeteria; or to handle some leaking roof rather than spending their time with teachers making sure that the kind of learning is taking place that they are interested in being present (Riley, 1999).

The failure to address outdated and inadequate facilities affects equality of opportunity for student learning in two ways. The increased funding necessary for maintenance, including energy costs, draws resources from general operations including the educational program of schools. Inflexible and outdated facilities also provide barriers to educational reform including the improvement of programs and instruction (Hansen, 1992; Kowalski, 1995; Lewis, 1989). Hansen (1992) in Schoolhouse in the Red cited Maureen Edwards' comparison of achievement scores to building conditions of Washington, DC, schools in 1991. Edwards found that students assigned to facilities in poor condition could be expected to fall 5.5 percentage points below students in buildings in fair condition and 11 points below those in schools in excellent condition (Hansen, 1992). The report concluded that:

> As a nation, our school facilities are not keeping up with growing expectations for American education. As we reshape education in America, we must also reshape our school facilities. Schools should be

> built for productivity. Every school building must be efficient, flexible, and functional enough to serve the changing dynamics of American education.
>
> Equity issues are often directly reflected in the condition of school facilities --- and those structural inequities can persist through the entire life of a school building (Hansen, 1992, p. 7).

Litigation on Funding School Facilities

States faced litigation resulting from the distribution of declining resources. When resources were plentiful, society was reluctant to challenge traditional methods of financing schools, including construction. As demands on resources accelerated or resources declined, fiscal distress accelerated the propensity toward legal challenges to school funding schemes (Crampton & Whitney, 1996; Thompson, 1988; Thompson et al., 1988a, 1988b; Thompson et al., 1989). As local constituencies continued to resist additional burdens placed on overtaxed property wealth, the ability of school systems to fight for scarce resources in competition with other civil service agencies was diminished. As a result, issues of wealth neutrality, adequacy, and equality were subject to continuing litigation (Swanson & King, 1997; Westbrook, 1989).

Funding to build school facilities, also referred to as school district capital outlay, has traditionally been almost totally dependent on local property taxes and voter approved levies. Litigation in states such as Arizona, New Jersey, Ohio, Texas, Vermont, and West Virginia indicated that states must participate in the funding of school facilities. The courts have broadened their view of equality to include the condition of school buildings in the determination of equitable finance systems (Crampton & Whitney, 1996; Education Policy Studies Division, 1998).

Similar equality suits in Missouri, North Dakota, and New Hampshire have yielded similar results. The courts uniformly found disparities in the distribution of wealth within their respective states and a resulting inequality in educational opportunities available for children. The courts also ruled that the school funding structures failed to provide equal and adequate educational resources including capital projects such as equipment or facilities (Minorini, 1994).

Cases Based on Federal Constitutional Provisions

Provision of public education has been left to the states by the Tenth Amendment of the United States Constitution. Initial litigation such as the Serrano v. Priest I (1971) in California and Rodriguez v. San Antonio Independent School District (1973) in Texas and ultimately the U.S. Supreme Court focused on the equal protection clauses of the U.S. Constitution and their respective state constitutions (Kowalski, 1995; Orland & Tan, 1995; Thompson, 1988; Thompson et al., 1988b; Thompson et al., 1989; VanSlyke, Tan, Orland, & Danegger, 1994). In Serrano I (1971), the California Supreme Court found that the state funding system for education violated the equal protection clauses of both the U.S. Constitution and the California State Constitution. This was based on the argument that the relationship between education spending and local district property wealth violated the equal protection clause because the provision of education was not fiscally neutral within California (Thompson et al., 1988b; Thompson et al., 1989; VanSlyke et al., 1994). Serrano I (1971) established the principle that equality requires education to be a function of the wealth of the state as a whole and that the state's failure to correct extreme variations in funding represented an abdication of the state's

constitutional requirement to provide an adequate educational system for all its residents (Thompson et al., 1988b; Thompson et al., 1989).

The California Supreme Court's finding that the state system of school finance violated the equal protection clause of the U.S. Constitution was short lived. In March, 1973, the U.S. Supreme Court in Rodriguez (1973) held that the Texas system did not violate the Equal Protection Clause of the Fourteenth Amendment because "the system bears a rational relationship to a legitimate state purpose" (Rodriguez, 1973, p. 2). School funding issues were effectively the legitimate purpose of the state rather than the federal government.

Cases Based on State Constitutional Provisions

After Rodriguez, litigation regarding school finance had to rely on the language in state constitutions (Orland & Tan, 1995; VanSlyke et al., 1994). Supreme courts in more than half of the states have considered constitutional challenges to public education finance systems. These challenges have typically fallen into two categories: the equal protection clause or the education clause. Equal protection clause cases typically seek to provide equal or near equal funding levels for school districts. Education clause cases typically focus on the quality of education (i.e., adequacy issues) and the need for additional resources for districts that cannot meet a constitutionally-mandated standard (Swanson & King, 1997; VanSlyke et al., 1994).

State Constitutional Equal Protection Clause Cases

Litigation in state courts during the 1970s through the early 1980s used reasoning that closely followed federal equal protection analysis. After Rodriguez, Serrano II

(1976) in California reestablished that the state must provide an adequate educational system with a direct reference to capital outlay (Thompson, et al., 1988a). VanSlyke et al. (1994) noted that winning a case for education financing reform required the courts to find that "(1) education is a fundamental right under the state's constitution;... (and) (2) wealth is a suspect class; or (3) the particular financing scheme is irrational" (p. 3). After the 1970s, equality arguments met limited success, and fewer dealt with school facility issues.

State Constitutional Education Clause Cases

An education clause requiring a system of free public education is present in all state constitutions. These clauses vary greatly among the states. Challenges to school funding systems based on these state constitutional clauses became increasingly effective when litigation addressed whether the school funding system violated the state's constitutional mandate to provide that free public education. The wording of education clauses and the resulting constitutional mandate varies from state to state; so the burden placed by the constitution on the state also varies (VanSlyke et al., 1994).

State court cases based on equality, adequacy, and efficiency have continued since the 1970s. Plantiffs have often included equal and adequate funding for facility maintenance and construction as part of their complaints. State courts, in turn, have increasing found that adequate school facilities are required for an adequate education (Swanson & King, 1997; Thompson, 1988; Thompson et al., 1988a, 1988b).

Finance equality and educational adequacy

Equality issues have not been entirely abandoned. The courts have found that equality, adequacy, and efficiency are related metavalues. Minorini (1994) stated that finance equality claims focused primarily on the disparities in funding of schools in high-wealth and low-wealth districts within a state. Generally, states with moderate to high reliance on local property taxes for funding day-to-day operations, facilities, curriculum, textbooks, or other educational services have had this disparity in funding (Minorini, 1994).

Litigation based upon adequacy theory targets adequate education as measured by state-defined or contemporary educational standards. A greater obligation is placed on the states that have a defined minimum level of quality, such as "thorough and efficient." Cases that have overturned state funding systems have served to define the minimal requirements for those states (Swanson & King, 1997; VanSlyke et al., 1994).

Adequacy and efficiency

Adequacy and efficiency are related metavalues that have been positively linked in state school funding litigation. Successful court challenges since the late 1970s have focused increasingly on adequacy and efficiency issues rather than equality. That is, litigation has sought to provide adequate funding for education rather than equivalent revenue (Hunter & Howley, 1990; Swanson & King, 1997; Thompson, 1988; Thompson et al., 1988a, 1988b). Ohio is one example of a state that has court findings defining the interrelationship of efficiency, adequacy, and equality. Ohio has constitutional provisions that require a "thorough and efficient system of common schools" (DeRolph, p. 2). Based

upon the definition of efficiency as the maximization of effective operation, the Ohio State Supreme Court found that inadequate systems cannot be efficient and are not equitable. The court concluded that within the constitutional requirement for a thorough and efficient system of schools, "state funding of school districts cannot be considered adequate if the districts lack sufficient funds to provide their students a safe and healthy learning environment" (DeRolph, p. 13).

The court cases in the following paragraphs have served to define the need for equal state provision for capital outlay and access to adequate facilities:

Shoftstall v. Hollins (1973)

In Arizona, the courts found that funds for capital outlay were more closely tied to district wealth than operating funds. The capacity of a district to raise revenue by bond issue was a function of assessed valuation; so the funding scheme was not fiscally neutral. (Thompson, 1988; Thompson et al., 1988a, 1988b).

Robinson v. Cahill (1973/1975/1976)

The New Jersey court found that capital expenditures were required for educational opportunity but were not provided (Thompson, 1988; Thompson et al., 1988a, 1988b; Westbrook, 1989).

Serrano II (1976)

After Serrano I (1973) was struck down by Rodriguez, the California Supreme Court established that the state must provide an adequate educational system in Seranno II (1976). Capital outlay and deferred maintenance funds were required by the court (Thompson, 1988; Thompson et al., 1988a; Westbrook, 1989).

Board of Education of the City of Cincinnati v. Walter (1977)

The court found that a "thorough and efficient" system of schools as required by the Ohio State Constitution was not provided if any schools lacked funding for teachers, buildings, or equipment (Thompson, 1988; Thompson et al., 1988a, 1988b).

Diaz v. Colorado State Board of Education (1977)

The court found that some districts were better able to provide facilities under Colorado's funding system because of unequalized variations in local property wealth (Thompson, 1988; Thompson et al., 1988a, 1988b).

Pauley v. Bailey (1982)

Filed as a concern about inaccessibility to a quality education in West Virginia, Pauley was the first case in which a court defined equal opportunity in part by adequate school facilities (Sielke, 1998; Thompson et al., 1988b). The West Virginia Supreme Court found that education was a constitutional right that required high quality across the state. The court further found that the state's finance scheme was flawed because of a reliance on local property wealth for providing a quality education, including school facilities (Thompson et al., 1988b).

Lujan v. Colorado State Board of Education (1982)

The Colorado courts ruled that the fiscal capacity of districts to raise bond revenue and capital reserve was a function of local property wealth (Thompson, 1988; Thompson et al., 1988a, 1988b).

Jenkins v. the State of Missouri (1987)

The court ordered the issue of $150 million in capital improvement bonds to correct facility conditions that the court described as "...literally rotted" (Thompson et al., 1989).

Edgewood Independent School District v. Kirby (1987)

A Texas court issued a court order requiring funds for school facilities sufficient to satisfy the court (Sparkman & Carpenter, 1994; Thompson, 1988; Thompson et al., 1988a, 1988b). In 1991, the Texas State Supreme Court concluded that the goals of equality and efficiency are both satisfied when local control is encouraged within an equalized finance plan (Swanson & King, 1997).

Helena Elementary School District et al v. State of Montana et al (1988)

The Montana State Supreme Court found that the absence of state funding for capital outlay caused a wealth dependency because the ability of school districts to raise funds for capital outlay was dependent on the local tax levy (Thompson, 1988; Thompson et al., 1988a, 1988b).

Kenai Peninsula Burrough and Jerry Anderson v. State of Alaska (1988) and

Matanuska-Susitna Burrough v. State of Alaska (1988)

Equality claims sought to force the state to build schools in rural communities to reduce the reliance on boarding schools. Alaska agreed to build rural schools and to reimburse rural and urban communities for debt retirement (Thompson, 1988; Thompson et al., 1988a).

Harper v. Hunt (1993)

A county circuit court in Alabama found the entire school system to be unconstitutional because it was both inadequate and inequitable. The state chose not to appeal the decision. Harper effectively combined equality theory and adequacy theory (Minorini, 1994). In addition, Harper was an unusual case because it declared more than just the funding system unconstitutional (VanSlyke et al., 1994). Harper also included infrastructure, such as buildings, in the definition of adequacy as part of equality in declaring the school funding system as unconstitutional (Minorini, 1994).

Tennessee Small School Systems v. McWerter (1993)

The Tennessee Constitution mandates "substantially equal educational opportunities to all students" (VanSlyke et al., 1994, p. 6). On March 22, 1993, the Tennessee Supreme Court declared the state's school funding formula unconstitutional on the basis of both equality and adequacy claims. In Tennessee Small School Systems (1993), the supreme court ruled that funding failed to provide equal opportunities for all students to acquire knowledge and to develop the powers of reasoning and judgment (Minorini, 1994). The court expanded the definition of equal opportunities beyond funding day-to-day operations to equal access to adequate laboratory facilities, computers, and adequate buildings (Minorini, 1994; Thompson et al., 1988b; Thompson et al., 1989).

Roosevelt Elementary School District 66 v. Bishop (1994)

The Arizona State Constitution guarantees "general and uniform" public schools in its education clause. Roosevelt was unique because the plaintiffs charged that the

state's funding system for school construction was unequal and therefore unconstitutional (Sielke, 1998; VanSlyke et al., 1994). The Arizona State Supreme Court went much further than declaring the capital funding system unconstitutional because of inequities in property taxes revenues available across school districts. The court ruled that entire school finance structure was unconstitutional (VanSlyke et al., 1994).

Brigham v. State (1996)

The Vermont Supreme Court on appeal from the Lamoille Superior Court found that the "current system for funding public education in Vermont, with its substantial dependence on local property taxes and resultant wide disparities in revenues available to local school districts, deprives children of an equal opportunity in violation of the Vermont Constitution" (Brigham, p. 1). The Vermont Supreme Court went on to find that Vermont had adopted a funding system that provided limited ability for districts to receive assistance with costs above foundation costs, primarily for debt service from capital construction projects. The Vermont Supreme Court ruled favorably on the provision of equal access for pupils but declined to rule on ex ante fiscal neutrality for taxpayers (Brigham, 1996).

DeRolph v. State (1997)

On March 24, 1997, the Ohio Supreme Court found that the system of school finance "violates numerous provisions of the Ohio Constitution, including Section 2, requiring a thorough and efficient system of common schools throughout the state" (DeRolph, 1997, p. 2). The court went on to uphold the trial court order for the Superintendent of Public Instruction and State Board of Education to prepare legislative

proposals for the General Assembly that would "eliminate wealth-based disparities among Ohio's public school districts" (DeRolph, 1997, p. 2).

In the brief prepared by the plaintiffs, a large number of educational problems resulting from funding disparities were listed. Among the categories noted were the operation of the school foundation plan, district financial stress, district borrowing, facilities, educational inputs and outputs, special education, unserved students, and transportation. One example provided concerning school facilities was as follows:

> The Northern Local School District's Somerset Elementary School was closed as unsafe, and all teachers and students were ordered removed. The building inspector testified that "the mere passage of school buses may cause the building to vibrate and force the building walls to collapse" (DeRolph, 1997, p. 147).

The court also reviewed findings based in the 1990 Ohio Public School Facility Survey, which were echoed in the federal GAO report in 1996. John Theodore Sanders, Superintendent of Public Instruction, was quoted in 1993 after visiting Ohio school buildings as saying that some students were "making do in a decayed carcass from an era long passed" (DeRolph, 1997, p. 11), and that other students were being educated in "dirty, depressing places" (DeRolph, 1997, p. 11). Based on the evidence, the court concluded that "state funding of school districts cannot be considered adequate if the districts lack sufficient funds to provide their students a safe and healthy learning environment" (DeRolph, 1997, p. 13).

Abbott v. Burke (1985/1990/1994/1998)

Abbott (1998) is an example of continuing litigation over funding adequacy and equality in some states. More than 17 years after the New Jersey state finance funding

scheme was found unconstitutional in the original case of Robinson v. Cahill (1973), the New Jersey Supreme Court ruled in Abbott II (1990) that the state must provide every student with "a certain level of educational opportunity, a minimal level, that will equip the student to become a citizen and ... competitor in the labor market" (Minorini, 1994, p. 4). Facilities had been cited by an administrative judge in the lower court as a statewide problem that were generally in need of modernization (Honeyman et al., 1989). Among the necessary changes noted by the judge was combining a high foundation aid plan with comparable aid to funding facilities (Thompson et al., 1988b; Thompson et al., 1989). New Jersey Supreme Court decisions in Abbott III (1994) and Abbott IV (1998) further underscored the need for facility construction and repair in New Jersey's poorest districts.

In 1997, a report by the New Jersey Department of Education to the legislature included the continuing need to renovate facilities for educational programming, increased enrollment, neglected maintenance, and safety, citing buildings in need of massive repair (New Jersey Department of Education, 1997).

On May 21, 1998, the New Jersey Supreme Court handed down an unanimous decision on Abbott IV (1998). The court held that that New Jersey Commissioner should:

> ... 8) secure funds to cover the complete cost of remediating identified life-cycle and infrastructure deficiencies in Abbott school buildings, including making available necessary temporary facilities; and 9) initiate promptly effective managerial responsibility over school construction, including necessary funding measures and fiscal reforms as may be achieved through amendments to the Educational Facilities Act (p. 1).

Almost 30 years after Robinson (1973) and 13 years after Abbott I (1985), the court went on in Abbott IV (1998) to find that "the school buildings in Abbott districts are crumbling and obsolescent and that this grave state of disrepair not only prevents children from receiving a thorough and efficient education, but also threatens their health and safety. Windows, cracked and off their runners, do not open; broken lighting fixtures dangle precipitously from the ceilings; fire alarms and fire detection systems fail to meet even minimum safety codes standards..." (p.20).

As the Robinson and Abbott cases indicate, successful litigation does not necessarily guarantee that adequacy or equality issues for funding school facilities will be resolved quickly or at all. Despite past findings of inadequate facilities, the court ruled that, given the time constraints that it faced, the state of New Jersey had adequately complied with the facilities mandate in Abbott IV (1998) because of the submission of a "reasonably feasible plan" (p. 23).

The history of federal and state rulings on school funding systems revealed varying degrees of court activism and differing standards derived from constitutional provisions. In school finance reform, the judiciary has served two important functions. The courts have served as a check on legislative actions, testing whether funding systems met constitutional requirements. The courts have also served as a catalyst for policy change. The courts, however, have been reluctant to step out of their role of judicial review to assume the role of policymaker. Swanson and King (1997) noted that "A tradition of judicial deference to legislative processes assures that a representative body develops policies involving taxation and allocation of public funds" (p. 309). As part of

the deference to the legislative process, the courts have recognized that there are many constitutionally permissible ways of solving complex problems in a state school funding system (Swanson & King, 1997).

In states where courts held that school funding plans were invalid under constitutional mandates, state supreme courts have typically required the legislature to develop necessary remedies. Moving the reform agenda from the courts to the legislature, however, has permitted individual legislators that represent special interests of school districts and other constituencies to reshape funding policy. In the legislature, decision making may yield to political interests and compromise rather than be subject to economic principles. Fiscal limitations and political processes may result in a school funding system that is more rational by political or social standards but is not necessarily more equitable by the criteria set by the courts (Swanson & King, 1997).

Equality in funding or total fiscal neutrality has not always been required by the courts. Many state court decisions have validated school funding systems with expenditure variations when states demonstrated that local control objectives fell within the prerogative of legislators (Swanson & King, 1997). State supreme court rulings have also evolved from the standard of fiscal neutrality as the standard for equality to an emphasis on the quality of students' education. Courts have placed as great an emphasis on the adequacy of school resources as on equality in their distribution (Swanson & King, 1997).

Federal and state courts have accepted the goal of maintaining local control as a legitimate interest in satisfying the rational basis test of a constitutional provision. The

value of liberty is evidenced in many state school funding systems through provisions that permit local voters to determine spending levels. The result has been the development of foundation programs in which the finance system is fiscally neutral because local wealth is equalized by the state. Under this type of plan, fiscal neutrality tolerates variations in tax effort and spending levels if the result is that districts choosing to exert the same effort have the same total per pupil revenue available. Disparities in revenue, therefore, are a function only of local decision making (Swanson & King, 1997).

Liberty and Local Control in Funding School Facilities.

Liberty is permission granted by the state to local governmental entities to choose within state specified limits. With regard to capital outlay, liberty is the permission of the state for the local school board to plan and build adequate school facilities. This liberty is dependent on the specified limits set by the state. Common state limits on local liberty have included total state control, limitation of the amount and length of local bonding indebtedness, requirement of a voter referenda, and project limitations (Financing, 1999; Kowalski & Small, 1995; Thompson et al., 1988b; Thompson et al., 1989).

Thompson et al. (1989) argued that local control over spending must be a feature of any workable tax plan. Policies that provide new state aid for facilities should develop meaningful state and local partnerships that restore a measure of local initiative (Thompson et al., 1988a). For policymakers a central problem has been balancing state goals and standards while preserving local discretion and control (Crampton & Whitney, 1996).

Trying to achieve equality and liberty involves tradeoffs. Although the concept of equality refers to equal access to resources, communities do not necessarily spend equal amounts of resources to support education, including school construction. Thus it is extremely difficult for a state to impose equitable spending patterns while embracing the concept of local autonomy (Crampton & Whitney, 1996).

Historical Background of Liberty as Local Control

Liberty and the concept of local control have been traditional values in American education. The Bible provided the basis for the first ideology used in North America to justify placing control of the schools in the hands of the people. After the colonial period, the philosophies of Locke, Rousseau, and Jefferson replaced theology as the means for justifying people's sovereignty over education. This long tradition, derived from the British model, placed education in the hands of communities that were given a great deal of leeway in the running of their school systems. The British established schools in the colonies that were conducted in the vernacular and had the objective, not to convert colonists, Africans or Indians into Englishmen, but to permit them to develop their own culture and national identity. Underlying the British and ultimately the American model was a commitment to division of powers and to systems of checks and balances. An important element of those systems and balances was local control of government, including schools (Bowers, Housego, & Dyke, 1970).

American educational reformers in the second quarter of the nineteenth century, who became concerned with upgrading the education for all regardless of social background, recognized that to do this would require a considerable measure of central

control. The model of a centralized school, which influenced American educational reformers, was that of conservative Prussia. The Prussian model was not concerned with cultural heterogeneity but with training members of the lower social and economic classes in the skills necessary to build a modern economy. These reformers were dealing in part with the American need to deal with a large immigrant population (Bowers et al., 1970).

The demands for centralization were opposed to the egalitarian values fostered by the American Revolution. During the early part of the nineteen century, liberals, epitomized by Jackson's Democratic Party, saw increased power of the central government as a threat to freedom and held that the state should not intervene in favor of some groups over others. This movement ultimately culminated in the common school fostered by Horace Mann and others. During the last half of the 1800s and most of the 1900s , conservatives tended to glorify the virtue of local control of school districts. Since the 1970s, both liberals, who have seen what they perceive to be the failure of governmental intervention, and conservatives have espoused providing local school boards liberty in decision making about their schools (Bowers et al., 1970).

State Methods of Limiting Local Liberty

Liberty, as a metavalue, implies free will or freedom of choice of the individual. In school construction funding, the individual is the local board or district. If total liberty were the full range of choice for local districts to fund school construction, actions taken by states to limit local decision making and control must be used to define the actual provision of liberty for school construction.

States have used several means to control local decision making. These range from the limitation of the amount and length of local bond indebtedness to total state control. Voter referenda and project limitations are additional means of controlling construction projects (Financing, 1999; Lewis, 1989; Thompson et al., 1988b; Thompson et al., 1989).

Debt Limitations

In 1990, a vast majority of states (38) limited local autonomy by setting debt limitations on local districts. Debt limitations were commonly set as a percentage of the district's assessed valuation (AV) and ranged from 3-45% (Honeyman et al., 1989; Thompson, 1990).

Theoretically the assumption could be made that the percentage of AV available for debt as a measure of local control should be inverse to the amount of state aid for school construction. For example, districts in states that provided no state aid would have to raise more local revenues for maintenance, remodeling or new construction. Debt limitation as a percentage of AV, however, did not prove that assumption to be accurate or follow a predictable pattern in 1990. Districts in states that provided no state aid for school construction had the combined problem of little or no state aid and a severe limitation on the ability to raise resources locally. No aid states such as Idaho with a debt limitation of 5% AV, Iowa (5% AV), Ohio (9% AV), Oklahoma (10% AV), and South Dakota (10% AV) limited local districts to indebtedness in a lower range of 10% or less (Thompson, 1990).

Several states that provided limited to extensive aid also set debt limits at or below 10% AV. North Carolina (8% AV), South Carolina (8% AV), and West Virginia (5% AV) provided flat grants. Delaware, which used a percentage matching program, limited local districts to 40% of construction costs up to 10% AV. Equalization grants were provided by Rhode Island (3% AV), New Mexico (6% AV), Georgia (10% AV) and Wyoming (10% AV) (Thompson, 1990). Florida, which virtually fully funded school construction, limited district debt to 10% AV but required a local mill levy (Financing, 1999).

Provision of more local choice in borrowing for capital outlay proved to be more consistent with the assumption that more resources must be developed at the local level as state funding decreased. Several states with more than a 10% limitation on indebtedness provided no or little state aid for school construction. Kansas (14% AV), Colorado (20% AV), Louisiana (25% AV), Nevada (15% AV), and Montana (45% AV) provided no state aid in 1990. North Dakota (15% AV) provided local districts with a state loan program but no additional state funding. A flat grant of $18 per pupil in Mississippi (20% AV) was so inadequate that local districts were required to fund almost the complete cost of facility construction (Thompson, 1990). Utah, which provided an equalization grant, established a debt limit of 20% AV. Michigan, which provided no direct aid for facility construction or maintenance, set a bonded indebtedness limit of 15% AV. In Michigan, the debt limit could be exceeded, but statute included a 13 mill rate limit (Sielke, 1998).

Thompson (1990) noted that some states provided different debt limitations for different types of districts in 1990. Nebraska, a primarily rural state that provided no state aid, set the debt limit at 14% AV on smaller districts with less than 1000 enrollment and no limit on larger districts. Wisconsin limited its state loan program to funding up to 10% AV for K-12 districts, 5% in other districts, and 2% in Milwaukee. West Virginia set a 5% AV debt limit but provided flat grants only for countywide school districts; therefore further reducing local bonding capacity and control to force consolidation (Thompson, 1990). The Virginia funding program limited district loan and building authority borrowing to 10% AV for cities but set no debt limit for counties. Massachusetts, which provided equalization grants to governmental entities on a similar basis, limited indebtedness to 2.5% AV for cities and 5% AV for towns. New Hampshire, also an equalized grant state, limited debt to 7% AV for towns and 10% AV for cooperative districts. The equalized aid program in New Jersey limited debt by district type: 3% for K-8; 2.5% for K-6; 3.5% for 7-12; and 8% for first class cities. Maryland, which provided full funding for school construction in 1990, set no debt limit with the exception of a 10% AV limit in charter counties (Thompson, 1990).

The bases for debt limitation varied among the states. For three states, a variation on the percentage of AV was the basis for the limitation. In 1990, the Vermont debt limitation was equal to 10 times 1% AV of true market value. Washington limited debt to 5% AV with a limit of 2.5% for construction. Hawaii was unique as a state district because of debt limitation set at 18.5% of the state AV (Thompson, 1990).

Other states set unique limits to indebtedness for local districts. An Alabama school district's debt could not exceed 80% of annual local tax. Arkansas limited capital outlay to eight voted local mills and set total debt limits on borrowing from a permanent state loan fund to 18% AV and 10% interest. Oregon limited debt to .55% of full market value for grades K-8 and .75% for 9-12. Connecticut provided a debt limitation of 450% of a district's prior year's tax receipts (Honeyman et al., 1989; Thompson, 1990).

In Indiana school boards may incur debt and raise property taxes to remodel existing facilities or for new construction. Statutory limitations have been placed on the liberty of local school boards to incur debt or to build facilities. For example, the sale of general obligation (GO) bonds in Indiana has been limited to 2 % of AV (Rund, 1998; Thompson, 1990).

States have chosen to limit the length of debt as well as the amount. For example, Florida limited bond debt to 20 years (Financing, 1999; Thompson, 1990). In 1998, Michigan limited the length of bonds to 30 years (Sielke, 1998).

Referenda

A mechanism used by the states to allow for more local choice or liberty has been voter referenda or other local means to allow local districts to take on a greater tax effort. In 1990, bonding in Kansas required simple voter approval. In 1998, Michigan also provided a referendum process (Sielke, 1998). Texas allowed voters to exceed a state rate limit by referendum in 1994 (Sparkman & Carpenter, 1994). Despite almost full state funding from state utility and vehicle taxes in 1990 through an equalization formula,

Florida authorized local bond elections for facility construction beyond the state requirements (Financing, 1999; Herrington & Trimble, 1997; Thompson, 1990).

Some states chose to provide different standards than a simple majority vote. In 1990, Arkansas limited capital outlay to eight voted local mills, but local taxpayers could pass a referendum to approve a tax of 3% of current costs or 2 mills for plant operations. Idaho required a two-thirds majority vote to pass a bonding referendum. Delaware required a local referendum to authorize the local costs of the 40% percentage match for facilities (Thompson, 1990). In Indiana, taxpayers who wished to remonstrate against a building project in excess of $2 million could do so by filing a petition with the signatures of 250 or 10% of local real property owners. A 30 day petition drive was then held with both those for the project and those opposed carrying petitions. After verification of the county auditor, the side bearing the most approved signatures won. If remonstrators won the petition drive, the project was delayed for one year (Rund, 1998).

Hawaii and Maryland maintained full state control over bonding. As a statewide school district; Hawaii maintained total state control over its own bond debt. In Maryland, another full funding state, school districts were county dependent and only the state had authority to approve bond issues in 1990 (Thompson, 1990).

Project limitations

Project limitations have been another method of state restriction of local liberty. Almost all states have safety, health, space, and size requirements for building construction. These requirements often exceed those of common building codes for private or other public buildings (Lewis, 1989).

State funding for construction projects may not take those requirements into account. For example, North Dakota would not provide state loans for gymnasiums or auditoriums unless they were in new schools (Thompson, 1990). Walker and Sjoquist (1996) described Georgia's facility standards that exemplified the types of limitations or standards placed by some states. Funding 20-90% of facility construction through an equalization grant, the Georgia Department of Education (GDOE) provided detailed regulations and controlled each step of approval and building. The GDOE required local reports from districts on programmatic changes, enrollment, and priorities as part of the process. The state set minimum building enrollments by elementary, middle, and high school, allowable instructional units, and standards for sizes of classrooms, labs, and other education spaces. The state also set eligible cost per square foot for different instructional units. Cost in excess of the minimal standards or cost per square foot were born by the local district.

In 1997, New Jersey had extensive school construction codes and approval of plans and specifications. The New Jersey Division of Finance required written specifications prior to submission of plans. Architectural schematic plans and specifications, designed by a licensed New Jersey architect, were to be submitted to the state prior to local funding. The state also retained approval of acquisition and disposal of land, acquisition of existing building and closings, and private schools for handicapped students. The state mandated a model uniform construction code that included general descriptions of instructional space to specific regulations and requirements. For example, the code required that guardrails must be 42 inches above tread nosing, inner courts must

have a minimum inner width of 20 feet, and minimum ceiling height for a cafeteria was 12 feet (School Facility Planning Service, 1997).

State by State Methods of Financing Educational Facilities

States have used several strategies to gain equality including appropriation of additional state aid to low-spending districts, capping the amount of money that wealthy districts can spend, and capturing "excess" local revenues from wealthy districts for statewide school funding purposes. Crampton and Whitney (1996) noted that a majority of states have increased the amount of state revenues for low-spending districts. Other methods of providing equalization have had difficulty either politically or in the courts. Caps placed on additional revenue have been designed to keep high-wealth districts from disproportionately increasing their revenue above that of low-wealth districts or "leveling down." (Crampton & Whitney,1996, p. 6). Recapture is a feature in state school finance whereby local districts that raise more revenue from local taxes than they can legally spend must make the excess amount available to the state for redistribution to other school districts. These provisions have been generally unpopular with local taxpayers, and a recapture provision was found unconstitutional in Wyoming in 1993.

Public policy for financing capital outlay differs among the 50 states. Six mechanisms have commonly been used for state financing of school facilities. Funding schemes included building authorities, loans, flat grants, percentage matching grants, equalization grants, and high level state funding. Property tax, however, has almost always played a critical role in most funding schemes for debt retirement (Burrup et al., 1999; Kowalski & Small, 1995; Lewis, 1989; Thompson, 1990).

State funding schemes vary in their ability to provide equalization. Loans or building authorities generally do not provide fiscal neutrality. The mechanisms that have the potential to provide some level of equalization include flat grants, matching grants, and equalization grants, including a guaranteed tax base and power equalization (Burrup et al., 1999; Education Policy Studies Division, 1998; Sielke, 1998; Thompson, 1990). Full state funding, of course, provides the greatest potential for equalization of opportunity for students to attend an adequate school facility (Thompson, 1990).

If equality were defined as fiscal neutrality (i.e., the degree to which state wealth is redistributed rather than dependence on local wealth), the following funding categories ranged from lowest potential for equality to highest:

No state aid

In 1990, Colorado, Idaho, Iowa, Kansas, Louisiana, Michigan, Missouri, Montana, Nebraska, Nevada, Ohio, Oklahoma, Oregon, South Dakota, and Texas provided no state aid (Honeyman et al., 1989; Thompson, 1990). Two states attempted to provide some funding for construction during the 1990s. Texas attempted to provide equalization aid for capital outlay in 1993 because of continuing litigation in Edgewood (1987) (Sparkman & Carpenter, 1994). Michigan created a School Bond Loan Program to assist local districts with construction costs (Sielke, 1998).

State or local building authorities

Building authorities provide means for private capital to construct, lease, or lease purchase school facilities. Building authorities provide local funds for construction with less concern for debt limitations (Lewis, 1989; Thompson et al., 1988b; Thompson et al.,

1989). These arrangements typically have no debt limits as a percentage of AV because the debt is accrued to private investors rather than as a state obligation (Thompson, 1990; Thompson et al., 1988b; Thompson et al., 1989).

The major advantage of a building authority is the ability to raise funds unrestricted by a low AV or tax base. Bonds sold by state or local authorities are intended to be profitable for investors; so they frequently raise large sums of capital. Because of the profitability of these bonds, higher interest and net costs are a potential disadvantage (Thompson, 1990; Thompson et al., 1988b; Thompson et al., 1989).

Several states have made provisions for building authorities. In November 1988, the South Carolina Supreme Court found that school districts could acquire facilities through lease-purchase without seeking voter approval. The South Carolina School Boards Association formed a non-profit corporation to sell bonds for construction projects that the corporation leased back to districts (Lewis, 1989). Indiana and Virginia permitted both building authorities and provided state loans for facility construction in 1990. The Virginia Public School Bonding Authority guaranteed loans repaid by local districts. Indiana provided districts with building authority without restrictive requirements of referenda or debt limits (Thompson, 1990). Indiana, however, added a petition remonstrance process in 1995 (Rund, 1998). In 1995, Florida allowed school districts to use revenues acquired through a capital outlay millage rate for facilities under a lease-purchase agreement, as long as the funding did not exceed one-half of the levy from that millage rate (Financing, 1999; Maiden & Wood, 1995).

State loans

Low interest state loans have been provided in several states. Districts must qualify for state loans, and qualification has usually been based on need. Districts with lower assessed valuation per pupil (AV/PP) have been more likely to qualify under most state funding plans (Thompson, 1990). State loans usually provided favorable interest rates, and districts repaid the principal and interest to the state. When bonding was involved in state loans, strong security ratings were usually provided for investors. In some instances, loans have been forgiven if the district was unable to repay (Thompson et al., 1989). Permanent loan funds, however, tend to be modest with the state establishing control over the amount or the number of districts that may receive funding (Lewis, 1989).

One of the advantages of state loans is the distribution of funds to districts through state channels. State provisions for low interest and higher security ratings have reduced repayment costs. Loan mechanisms, however, generally did not address either true adequacy or equality concerns (Thompson et al., 1988b; Thompson et al., 1989).

The primary disadvantage of state loans has been the detrimental relationship between district wealth and the ability to repay the debt. Funding through state loans did not address fiscal neutrality among districts of varying property wealth. In fact, districts with the greatest need have been the least able to repay principal and the added expense of interest (Thompson et al., 1988b; Thompson et al., 1989).

In 1990, several states provided districts access to state loans for school construction. Arkansas had two loan funds: a revolving permanent fund and a revolving

certificate fund. Indiana also provided two loan funds. The Common Building Fund was limited to $2,000 per pupil and required local effort equal to 2% of district AV. The Veterans Memorial Fund was limited to $250,000 with waiver permitted for need or disaster (Thompson, 1990).

State loans in some states carried requirements for local tax levies. Michigan enacted a School Bond Loan Program during the 1990s that provided up to 90% of funds needed to make annual bond payments at low interest rates. Michigan districts were required to levy a minimum of 7 mills for both principal and interest of the bonds (Sielke, 1998). Minnesota provided equalization grants and loans for unmet needs, but districts were required to carry a minimum 16 mill levy to qualify for the loan fund. North Dakota provided a State School Construction fund limited to $1 million at 2.5% interest. Districts, however, were required to bond to the 15% limit and to maintain a minimum 10 mill levy for capital outlay (Thompson, 1990).

Three other states provided loans independently or in conjunction with grants or aid. In Virginia, the Literary Loan Fund provided up to $2 million with 2-6% interest on a sliding scale based on ability to pay. Wisconsin provided loans approved by State Board of Commissioners of Public Lands and voters. Wyoming provided loans for amounts in access of 80% of district debt capacity (Thompson, 1990).

Flat grants

Flat grants offer districts a set amount of funding that is legislatively determined on a distribution scheme. All districts receive the same aid per distribution unit. Flat grants are often distributed on a per pupil, per teacher or per classroom basis (Burrup et

al., 1999; Education Policy Studies Division, 1998; Honeyman et al., 1989; Lewis, 1989; Thompson, 1990; Thompson et al., 1988b; Thompson et al., 1989).

The advantage of a flat grant program has been that the district's cost for facilities was reduced by the amount of the state grant. This relieved local tax effort and provided the district with the opportunity to supplement local choices on school construction (Burrup et al,, 1999; Thompson et al., 1988b; Thompson et al., 1989).

Although flat grants have been politically expedient, they have not addressed inequalities in the distribution of wealth (Thompson, 1990). Flat grants distributed scarce resources to the wealthiest districts as well as the poorest. As such, achievement of equality has been unaided as disparities in wealth were minimally preserved and frequently increased (Honeyman et al., 1989; Thompson et al., 1988b; Thompson et al., 1989).

State flat grant provisions varied considerably. Three states provided a relatively low level of support in 1989 and 1990. Alabama provided a flat grant of $58.50 per classroom. Indiana provided $40 per pupil, and Mississippi provided $18 on Average Daily Attendance (ADA). In 1990, South Carolina provided $30 for ADA for grades 1-12 and $15 for kindergarten. West Virginia provided flat grants for school construction through the School Building Authority in an effort to force consolidation into countywide school districts (Honeyman et al., 1989; Thompson, 1990).

Other states provided a comparatively high level of funding through flat grants. Through the School Facilities and Construction Commission, Kentucky issued bonds that provided $1800 per classroom for districts that met a 25 cent local tax levy requirement

for capital outlay (Honeyman et al., 1989; Thompson, 1990). Florida funding was by classroom unit computed by district program cost factors and student enrollment at 23 per classroom unit in 1990. Sparsity and density factors were also weighted for funding purposes (Thompson, 1990). North Carolina, which used statewide bond issues to fund capital outlay, provided a flat grant based on enrollment determined by A Days Membership (ADM) matched in a 1:3 ratio by local districts. The Commission on School Facility Needs provided additional grants to counties based on need (Lewis, 1989; Thompson, 1990).

Percentage-matching grants

Thompson (1990) defined a percentage-matching grant program as a legislatively determined cost-share ratio for all districts. A more secure form of power equalization, the percentage-matching grant provides a mechanism by which state funding can be capped. Percentage-matching grants provide funding on the same cost-share basis but with a fixed level of state participation. Under some funding schemes, local districts qualify for additional funding for increased local effort (Thompson et al., 1988b; Thompson et al., 1989).

Burrup (1977) stated that percentage grants are not commonly used in school funding programs because they do not provide the degree of equalization available in other funding models. Although matching grants provided additional funding for poorer districts, the final distribution of funds had the potential to decrease equality if poorer districts could not develop the capital necessary for the match (Thompson, 1990).

Overtly capping facility expenditures also reduced equality and local choice (Thompson et al., 1988b; Thompson et al., 1989).

One advantage of percentage grants was that they allowed school districts to plan ahead. If the grants were open-ended, local districts had greater liberty in facility planning (Thompson, 1990).

In 1990, there was limited use of percentage-matching grants for funding school construction among the states. Delaware paid 60% of approved projects and 100% of vocational and special schools. Missouri had a limited matching grant that funded 50% of vocational programs and facilities (Thompson, 1990).

Equalization grants

Equalization grants are a funding mechanism by which aid increases as the ability to pay declines. Equalization grants for facilities have had the advantage of being consistent with the principles of wealth neutrality while retaining some local control and incentive. That is, they retained some requirement for local effort while adjusting state support based on local property wealth. Equalization grants are a variation of percentage-matching grants and may include a foundation program, such as a guaranteed tax base, or power equalization (Burrup et al., 1999; Thompson, 1990; Thompson, et al. 1988b; Thompson et al., 1989).

Equalization grants for capital outlay may be similar to foundation programs used to fund operations or general funds that provide a minimum foundation level with state aid in proportion to local property wealth (Burrup, 1977; Crampton & Whitney, 1996; Honeyman et al., 1989; Thompson et al., 1989). Burrup (1977) stated that education is

legally a function of the state; so "there is no justification for financing capital outlays on a different basis from that of financing current expenditures" (p. 238). State provision of adequate funds for operations in all districts and denial of good education programs and facilities for some because of low assessed valuations and state debt limits is paradoxical (Burrup, 1977).

Provision of a foundation program to achieve equalization of educational opportunity should be relatively simple but is usually complex in operation. State formulas should include a calculation of the district fiscal need necessary to reach the state guaranteed minimum program. Need should be objectively measured by weighted pupils or other needs such as a sparsity factor, and funded at a level of support that the state is willing to guarantee. The formula must include a determination of the amount of local revenue to be collected according to a state-established tax rate levied against the district's assessed valuation. Wide variations in assessment practices, however, may produce differing levels of tax effort when using a common rate. The formula then sets the state allocation as the difference between the guaranteed foundation and the anticipate local tax yield (Burrup et al., 1999; Education Policy Studies Division, 1998; Maiden & Wood, 1995). Minimum foundation programs theoretically require local taxpayers to pay a fair share of costs, and the state contributes equalization funds so that poorer local districts are not overtaxed when providing funding at the minimum level (Burrup et al., 1999; Crampton & Whitney, 1996; Honeyman et al., 1989; Lewis, 1989).

Because a foundation program is designed to promote equality, local discretionary levies are problematic because they have the potential to disequalize

funding (Burrup, 1977, Maiden & Wood, 1995). If there was a need to finance locally above the state minimum, equalization might be lost as poorer districts were forced to build to minimum standards while wealthy districts could build to higher standards. If the levy were discretionary, poorer districts' spending could be lessened because the levies were not equalized with wealthier (Maiden & Wood, 1995: Walker & Sjoquist, 1996). For example, unequalized discretionary levies and capital outlay funding sources in Florida resulted in decreased wealth neutrality when they were added to the foundation resources (Maiden & Wood, 1995).

Under percentage equalizing and guaranteed tax base programs, the state shares the cost determined by the local district. The two programs differ on whether or not the adjustment is on the expenditure or tax side of the equation (Education Policy Studies Division, 1998; Honeyman et al. 1989).

Power equalization programs provide a local district the opportunity to increase its contribution and qualify for corresponding increases in state aid. In a power equalization program, the state established a foundation program with a determination of the percentage to be paid by each individual district. The state provides a greater percentage of aid to poorer districts and a lesser percentage to wealthier districts to establish fiscal neutrality. Once the ratio of state aid to local tax revenue has been established for a district, that funding percentage match is provided for the total cost of the school program or facility project. Each local board of education maintains local control to set the budget and levy for their district (Burrup et. al., 1999). A major advantage of power equalization is that it increases aid as ability to pay declines and has

the potential to provide true fiscal neutrality. A major concern about power equalization has been that the state may not be able to adequately fund the formula to meet identified needs. Districts in the greatest need, therefore, may not be able to afford the local contribution required to receive the higher funding ratio created by open-ended local choice (Burrup, 1977; Thompson et al., 1988b; Thompson et al., 1989).

Historically, only a few states with extremely wealthy and extremely poor districts have implemented power equalization formulas because of the common use of wealth recapture provisions. Under a recapture or "Robin Hood" provision, every district with an assessed valuation greater than the state guarantee pays the state the additional property tax revenue raised by a common state-wide rate. The intent of power equalization plans has been to equalize the spending power generated by taxable unit rather than the actual spending or ability to pay of the local district. Additional problems have existed with power equalization formulas because of different local assessment practices. Inequalities in assessment practices have often resulted in complex formulas used to adjust local assessed valuations (Burrup et al., 1999; Honeyman et. al., 1989). In 1990, 17 states provided funding for school construction using some form of equalization formula. The percentage of equalization aid among the states differed significantly (Thompson, 1990).

A few states provided a relatively low level of support. New Mexico provided an equalization grant up to $70 per pupil. Districts qualified for general capital outlay funds by bonding to 75% of a district's debt limit and passing a two mill improvement levy. Improvement funds were equalized as the difference between local tax yield and $35 per

mill on a one or two mill tax levy. New Hampshire provided equalization grants that funded between 30% and 50% of principal and interest (Thompson, 1990).

The majority of states using equalization funding programs provided moderate to high levels of support in 1990. Thompson (1990) described several state equalization funding systems for school construction. Connecticut provided funding for 40% to 80% of approve construction costs including equalization aid for pre and post 1976 debts. In Illinois, the Capital Development Board provided equalization aid with a state share between 20% and 70%. The Board also managed state bond sales with the state share controlled legislatively through appropriation, and the balance of costs were funded by local districts. The state funding share in Tennessee was based upon local district wealth in relation to a 42.5% local share of construction costs. In Vermont, state funds were provided for construction aid and debt service. District aid was computed on the same basis as the foundation percentage for the general fund ranging from 5% to 75%. Washington provided equalized aid inversely to local district wealth and bonding strength through the Common School Construction Fund. The funding range was from 20% to 90%. In Wyoming, equalization grants were provided by classroom unit times a dollar amount minus the yield of a four mill local levy (Thompson, 1990).

Florida funding was by classroom unit computed by district program cost factors and student enrollment at 23 per classroom unit in 1990. Sparsity and density factors were also weighted for funding purposes (Thompson, 1990). In 1997, Florida had a highly equalized resource distribution formula that provided substantial inter-district equality. The state provided two sources for capital construction: the Public Education

Capital Outlay (PECO) program and a local capital outlay millage (Financing, 1999; Herrington & Trimble, 1997).

In Georgia, each district developed a required five year facility plan, and aid was provided equal to the approved project cost less a 10% to 25% local equalized share based on ability to pay (Thompson, 1990). Walker & Sjoquist (1996) described the Georgia program for state approved facility construction that established standards for new construction, additions, or renovation of older buildings. State funding for school construction was approved for enrollment increases, aging buildings, safety, programming, and facility consolidation. Local participation was established by two factors: a local ability ratio (i.e., local property tax base per student divided by the state's total assessed value) and debt service. If the local ability ratio was one or more (i.e., greater than the state average wealth per pupil) the local district was required to contribute 25% of the project costs. No district was required to contribute more than 25% with a local participation minimum set at 10% by the state. Annual state authorization was allocated to school districts on the basis of each district's facility need relative to the total needs of all districts. When districts did not receive funding, entitlements accrued annually. When a project was approved, the funding mechanism was simply an appropriation by the legislature based upon district application.

Setting minimum standards and construction costs by the state have the potential to change the equalization component of the funding scheme. Because of the construction limitations and the minimum standards, Georgia's share of actual cost was less than the 75% to 90% established in the 1996 funding scheme. Allowable construction costs were

too low to meet even the minimum standards set by the state. Equalization was lost as poorer districts were forced to build to minimum standards because of the need to raise local resources above the state minimums while wealthy districts could afford to build to higher standards. The funding scheme also failed to fund needs of districts with older buildings that exceeded the state minimum standards (Walker & Sjoquist, 1996).

In 1990, equalization funding schemes often used complex formulas that included weighted factors such as grade level, enrollment, or the type of governmental unit. Arizona, for example, provided a Capital Outlay Revenue Limit (CORL) based upon a formula calculation that included weights for grade level structure, enrollment, and a sparsity factor. Massachusetts provided equalization grants from 50% to 65% for cities, townships, and partial regions; 60% to 75% for full regions; and debt service funding at 50%. In New York, aid was equalized on a complex formula using a base year, current approved expenditures, and a funding ratio. Funding was based on the cost of new construction in relation to pupil capacity. Expenditures were limited to a schedule of cost per pupil related to differing costs for K-6, 7-9, and 10-12 grade levels. The local share was the remaining balance subject to 10% full value limit for non-city schools and New York City, and 5% or 9% for cities based on population (Thompson, 1990).

In 1993, the Texas legislature passed Senate Bill 7, which was similar to the New York and other state foundation plans. The Texas funding system provided state and local funding on the three tiered plan. Tier 1 provided a foundation or basic allotment of $2,300 per student on ADA, and required a local property tax rate of $.86 per $100 AV. Tier 2 was a guaranteed yield program that allowed property poor districts the

opportunity to receive equalization funding for local effort above the required $.86. Tier 2 guaranteed yield funds could be used for any legal purpose, including capital outlay and debt service. Tier 3 allowed districts the opportunity to increase local effort without state equalization aid. The state set a nominal tax rate limit of $1.50 for maintenance and operations plus debt service. The $1.50 limit, however, could be exceeded by referendum (Sparkman & Carpenter, 1994).

Thompson (1990) described the Minnesota funding system. Minnesota used a combination of equalization, flat grants, and loans. Facilities revenue was provided at $130 per weighted ADM. The local levy was then equalized using a district' s Adjusted Gross Tax Capacity per weighted ADM to 70% of a foundation amount called the General Education Equalizing Factor. State support was the difference between the required revenue and the local levy. The remaining funds came from the local levy or a state loan.

New Jersey provided an equalization grant based upon the prior year's district wealth. Districts were reimbursed for debt service on approved projects, according to an ability to pay ratio determined by an equalized district wealth factor (Honeyman et al., 1989; Thompson, 1990). New Jersey districts were permitted to calculate the total debt service plus budgeted capital outlay for the year. The state share was then funded according to the district's "state support ratio" (Honeyman et al., 1989, p. 28)

In Rhode Island, the minimum state share of school construction was 30%. Equalization aid was computed using a complex formula using a "housing aid ratio"

(Thompson, 1990, p. 13) that incorporated the difference between 75% of debt costs and the yield of a three mill tax levy (Thompson, 1990).

Utah provided equalization grants using three components. Through the Continuing Aid Component formula, the state funded costs beyond the revenue of a 13.5 mill local levy. A Critical Needs Component provided additional funding through a complex formula, and a Revolving Fund made construction loans (Thompson, 1990).

High level of state support

Thompson (1990) categorized full state support as the "major assumption of costs by the state" (p. 6). State support has the advantage of using the entire wealth of the state providing the broadest tax base and access to state resources (Education Policy Studies Division, 1998; Honeyman et al., 1989; Thompson et al., 1988b; Thompson et al., 1989). In principle, full state support maximizes tax neutrality. Loss of local control or liberty, however, has often been the result of the state's major assumption of school construction costs (Thompson, 1990).

Under full state support, the state levies, collects, and administers facility funding under completely uniform conditions. Facility construction must compete for state resources, however; so the focus of the funding system may change from achievement of adequacy and equality to acceptability (Lewis, 1989; Thompson et al., 1988b).

In 1990, Alaska provided high levels of state support for construction after the litigation of Matanuska (1988) and Kenai (1988). Aid was provided for both debt service and specific construction. Projects begun before July 1, 1987, were fully funded, and projects begun on or after that date were funded at 80%. Specifically approved projects

did not require local effort (Thompson, 1990). California provided construction aid roughly equivalent to project cost. Cost was offset by a developer's fee for residential and commercial property (Lewis, 1989; Thompson, 1990).

Maine provided nearly high levels of state support for debt service through approved lease agreements (Honeyman et al., 1989; Thompson, 1990). Maryland provided high levels of state support for all construction projects after July 1, 1971, and principal and interest on all capital debt prior to June 10, 1967 (Honeyman et al., 1989; Thompson, 1990). Pennsylvania provided high levels of state support for construction and rental through a complex formula based upon grade level construction costs. Computations were based on the size and class of the school district (Thompson, 1990). As a statewide district, Hawaii fully funded capital outlay on a project by project basis (Education Policy Studies Division, 1998; Honeyman et al., 1989; Lewis, 1989; Thompson, 1990).

Summary

The review of the literature indicated that the metavalues of equality and liberty, in the form of local control, have been traditional components of any discussion concerning funding of education in America, including facility construction. Adequacy has also been a metavalue debated by policymakers.

Liberty, by definition, must be defined as state limitation of local decision making, and placing the control of schooling into the hands of local communities has been a tradition handed down from the colonial system. State methods of limiting local control of school capital outlay have included total state control, debt limitation, voter

referenda, and project limitations. State by state limitations of local control were reviewed.

Equality has also been the subject of much debate. Provision of funding for adequate school facilities uses the same principles of equal access and fiscal neutrality necessary to meet any function of education. These principles include student accessibility, horizontal and vertical equality, and ex post and ex ante fiscal neutrality.

Equality of student access and fiscal neutrality have been increasing defined by the courts. Litigation, which has included access to adequate facilities, since the 1970s was chronicled.

Funding mechanisms used by the states were defined and applied to capital outlay. State by state provisions for equality in capital outlay were described.

Chapter Three

Research Methods

This study focused on the provision of equality and liberty in state funding systems for school facility construction. The study also established a national data base for state funding of school capital outlay. This chapter outlines methods that were used to collect and process data. It is organized into the following sections: (a) study population; (b) research design; (c) instrument employed for data collection; (d) data collection procedure; and (e) treatment of data.

Study Population

The population of this study was defined as state department of education employees who had knowledge of or responsibility for state funding of school capital outlay in each of the 50 states. Executive directors or knowledgeable employees of the state superintendents association, state school business officials association, or state school board association were used as secondary resources when a state department of education was non-responsive. State departments of education were identified by a web page on the Indiana Department of Education Access Network (1999). Executive directors for professional organizations were gathered from the web sites of the American Association of School Administrators (1999), the Association of School Business Officials International (1999), and the National School Boards Association (1999).

Research Design

The overall research design selected for this study was a descriptive survey research procedure with evidence collected by a questionnaire. Descriptive survey research involves the subjects of the study answering questions concerning the present status of that population with respect to one or more variables. Descriptive survey research study provides a framework in which to search for accurate information about the characteristics of institutions or situations. The research study design is a cross-sectional study and national census of the 50 states funding systems for capital outlay (Cohen & Manion, 1994; Keeves, 1997). Standards were established by the development of rubrics that measured state equality and liberty provisions of those funding systems. This study followed the cycle of research activities that Keeves (1997) described: (a) formulation of research questions, (b) definition of a conceptual framework, (c) development of survey instruments, (d) collection of data, (e) preparation of data for analysis, (f) conduct of analyses, and (g) report of findings.

Instrument Used for Data Collection

The instrument used for gathering information for this study is a self-reporting questionnaire developed by the author. Pre-study application of the instrument was completed by having it examined by a panel of experts. They included: (a) Dr. Bobby Malone, professor of school facilities, Department of Educational Administration, Ball State University; (b) Dr. Marlin Creasy, Superintendent of Muncie Public Schools and instructor for school finance, Ball State University; (c) Dr. Philip Dubbs, Superintendent of Randolph Southern School Corporation and retired Ohio school superintendent, and (d) Dr. Tim Long, Superintendent of the Monroe Central School Corporation.

Suggestions provided by the author's doctoral committee members were also incorporated into the development of the questionnaire.

The questionnaire was developed to provide data to answer three research questions described in Chapter One. Part A of the questionnaire was designed to collect data on the first research question. Data on the second research question was collect in Part B. Analyses of state by state responses on Parts A and B were used to derive data to answer the third question.

Data Collection Procedure

Data were collected from surveys completed by employees of state departments of education, state superintendents associations, state school business associations, and state school board associations. Through the Indiana Department of Education Access Network (1999), each state department of education Internet web site was accessed. State department employees and job responsibilities were found through personnel directories on each state web site. Surveys were sent on August 3, 1999, to an identified employee of each of the fifty state departments of education. Subjects were asked to complete the survey or give the survey and information to another qualified person if they did not wish to complete the questionnaire or could not do so accurately. The initial mailing included a cover letter (see Appendix C); a copy of the instrument (see Appendix D); and a self-addressed, stamped envelop. The cover letter guaranteed confidentiality for respondents participating in the study. Responses were not anonymous because the questionnaire included the name of the state to assure accurate reporting of data. In addition, state department of education questionnaires were color coded using gray paper and

professional organization questionnaires were color coded using ivory to assure use of department of education surveys as primary sources of data.

Due to the nature of the study, the target response was 100% of the states surveyed. Questionnaires mailed on August 3, 1999, were requested to be returned by September 1. Of the 50 states, 24 state department of education surveys were returned within the time requested. On September 3, packets of letters, questionnaires, and self-addressed envelopes were mailed to the 26 state departments of education that had not responded. Packets were also mailed to executive directors of state superintendents, school business officials, and school board associations of those states. Responses were requested by October 1, 1999. By the first week in October, questionnaires from 44 states had been received. On October 9, follow-up packets were mailed to the remaining six states. A brief description of the state's past funding scheme from the literature review was added to the packet. Packets were mailed to two employees from the state department of education of each remaining state, the original subject and an additional employee selected from a review of the personnel directory. Follow-up survey packets were also mailed to subjects in the professional organizations. On November 12, responses from 48 states had been received, and packets were mailed to three employees of the state department of education of each of the remaining two states. Additional survey packets were mailed to subjects in professional organizations. Follow-up telephone calls were made during the week of November 15. Written survey results and telephone interviews were used to complete the census survey of the states.

Treatment of Data

After all returns were recorded and organized, the questionnaires were analyzed using the rubrics for equality (see Appendix A) and liberty (see Appendix B). Responses to Part A (see Appendix D) of the questionnaire were analyzed to establish the type of state funding mechanisms used and the percentage of state contribution within a range. The state funding mechanism with the highest rank was used to determine high, moderate, or low provision of equality for the state's funding scheme for capital outlay. Because additional funding tends to increase provision of equality, states that provided a combination of funding mechanisms were ranked on the total percentage of state funding provided for school capital outlay. Responses to Part B (see Appendix D) were analyzed using a weighted formula. Because the number of responses varied among the categories and ranks, average scores were used to determine high, moderate, or low provision of liberty based on each state's restriction of local district control over capital outlay and facility construction. Survey responses, telephone interviews, and reports submitted by respondents were used to create a description of the funding and control system that each state used for capital outlay.

Chapter Four

Analysis of Data

Objectives of this chapter are to report and analyze data collected from the survey of state governmental units responsible for administration of the school capital outlay funding program. When state governmental data were not available, data from state professional educational organizations were reported and analyzed. The chapter is organized into five sections: (a) description of the population and response rate, (b) questionnaire analysis, (c) secondary analysis using rubrics to determine state provision for equality and liberty, (d) a state database of school capital outlay funding systems, and (e) summary.

Description of the Population and Response Rate

This study's population consisted of the department of education or other state governmental unit responsible for administration of the school capital outlay funding system. Survey contacts were identified through each state's department of education Internet site. A total of 42 responses was received from state departments of education or state governmental agencies. If a state governmental unit was not responsive after multiple contacts, the executive directors of state professional organizations were surveyed. State survey contacts were identified through the Internet sites of the AASA, NSBA, and Association of School Business Officials International (ASBOI). Twelve responses were received from the state AASA contacts. Five responses were received from the state NSBA contacts, and three responses were received from the state ASBOI contacts. A total of 62 surveys was received, representing 100% of the state population. When multiple surveys were received from one state, the state department of education

response was used for analysis. Table 1 presents the number and percentages of questionnaires returned.

Table 1

Total State Questionnaire Response Rate

	Number Mailed	Percentage Mailed	Usable Number	Usable Percentage
Department of Education	112	100	42	84
Superintendents Association	18	100	5	10
School Boards Association	18	100	2	4
School Business Officials	12	100	1	2
Total	160	100	50	100

Questionnaire Analysis

The responses to the survey questionnaire were analyzed. Frequencies and percentages for each survey questionnaire item were reported. Responses by individual states to questionnaire items were reported.

State Funding Contribution

The type and amount of state funding for school construction were analyzed from Part A of the survey questionnaire. Part A consisted of eight sections. Each section described a different type of school capital outlay funding system.

High level of state support

State responses indicating a high level of state support were the percentage of school facilities constructed in the state that receive funding for 80% or more of construction costs. Only Hawaii, as a statewide district, provided funding for 100% of construction costs. Other states provided a significant portion (i.e., 80%) of construction costs for some schools. For example, Alaska funded 80% or more of construction costs for 70% or more of the schools constructed in that state. Nevada funded 80% or more or construction costs for less than 35% of the schools constructed.

In each table, frequency refers to the number of states that provide the funding response option, and percentage refers to the percentage of states that provide the funding response option. Table 2 provides the breakdown of the frequency, percentages, and states for responses on high level of state support. All respondents were given three choices. If a response was not checked, it was assumed that the state did not provide that response option.

Table 2

States Providing a High Level of State Support for School Construction

Response Option	Frequency	Percentage	State Response
High level of state support for 70% or more of school facilities constructed in the state.	6	12	Alaska Arizona Hawaii Kentucky Utah Wyoming
High level of state support for less than 70% and more than 35% of school facilities constructed in the state.	6	12	California Maine Michigan New Jersey New Mexico Washington
High level of state support for 35% or fewer of school facilities constructed in the state.	5	10	Nevada New Hampshire Tennessee Texas Vermont
Total	17	34	

No state support

Table 3 reports the frequency, percentage, and states that provide no state support for school construction. All respondents were given this choice. If that response was not checked, it was assumed that the state provided state funding by some method.

Table 3

States Providing No State Support for School Construction

Response Option	Frequency	Percentage	State Response
No state funding for school construction.	7	14	Colorado Iowa Louisiana Missouri Oklahoma Oregon South Dakota

Matching grants

Matching grants were defined as "State provides funding through a proportional match to a local contribution." Table 4 reports frequency, percentage, and states that provide matching grants to fund school construction. All respondents were given three choices. If a response was not checked, it was assumed that the state did not provide a matching grant.

Table 4

States Providing Matching Grants for School Construction

Response Option	Frequency	Percentage	State Response
Matching grants which pay 70% or more of the cost share of school facility construction.	3	6	Maine Maryland Massachusetts
Matching grants which pay less than 70% and more than 35% of the cost share of school facility construction.	6	12	California Illinois New Hampshire New Jersey North Carolina Pennsylvania
Matching grants which pay 35% or less of the cost share of school facility construction.	3	6	Montana Washington Virginia
Total	12	24	

Flat grants

Flat grants were defined as "State provides funding based on a common criterion (e.g., enrollment)." Table 5 reports frequency, percentage, and states that provide flat grants to fund school construction. All respondents were given three choices. If a response was not checked, it was assumed that the state did not provide a flat grant.

Table 5

States Providing Flat Grants for School Construction

Response Option	Frequency	Percentage	State Response
Flat grants which pay 70% or more of the cost share of school facility construction.	2	4	Arizona Florida
Flat grants which pay less than 70% and more than 35% of the cost share of school facility construction.	2	4	Alabama Virginia
Flat grants which pay 35% or less of the cost share of school facility construction.	11	22	Idaho Indiana Mississippi Nevada New Mexico North Carolina Pennsylvania South Carolina Utah Vermont Washington
Total	15	30	

Planning and categorical assistance grants

Planning and categorical assistance grants were defined as "State provides funding for specific needs." Table 6 reports frequency, percentage, and states that provide planning and categorical assistance grants to fund school construction. All respondents were given two choices. If a response was not checked, it was assumed that the state did not provide a planning or categorical assistance grant.

Table 6

States Providing Planning and Categorical Assistance Grants

Response Option	Frequency	Percentage	State Response
Planning and/or other categorical assistance grants totaling more than 35% of the cost share of school facility construction.	5	10	California Georgia Hawaii Ohio Virginia
Planning and/or other categorical assistance grants totaling an amount equal to 35% or less of the cost share of school facility construction.	5	10	Connecticut New Mexico North Carolina Washington West Virginia
Total	10	20	

State loan programs

State loan programs provide zero percent (0%) or low interest loans to districts for school construction. Table 7 reports frequency, percentage, and states that provide loans to fund school construction. All respondents were given two choices. If a response was not checked, it was assumed that the state did not provide a loan program for school construction.

Table 7

States Providing a Loan Program for School Construction

Response Option	Frequency	Percentage	State Response
Zero percent (0%) loans for school construction.	4	8	Georgia Maine Mississippi Nebraska
Low interest loans for school construction.	12	24	Arkansas Florida Indiana Michigan Minnesota Nebraska North Carolina North Dakota Ohio Utah Virginia Wisconsin
Total providing state loans.	15*	30	

*Nebraska provides both a low interest and zero percent (0%) interest loan program based on need and property wealth.

State Control of Local School District Decision Making

State control of local decision making was analyzed from Part B of the survey questionnaire. Part B consisted of eight sections. Analyses of the eight sections were separated into three categories: approval of capital outlay, facility site and design, and capital outlay funding.

Approval of Capital Outlay

Approval of capital outlay reported state restrictions on the decision and approval for capital outlay expenditure. Use or requirement of a referendum, petition drive, or similar process was analyzed as part of capital outlay approval.

Table 8 provides the breakdown of the frequency, percentages, and states for the items regarding local board approval of capital outlay expenditure.

Table 8

State Restriction of Capital Outlay Approval

Response Option	Frequency/Percentage		State Response	
The state permits local school boards to decide and/or approve capital outlay provisions.	32	64	Alabama Alaska* Arkansas California Colorado* Connecticut Florida* Georgia* Indiana* Iowa Kentucky Louisiana Maryland* Michigan Mississippi Missouri	Nevada New Jersey* New Mexico* New York North Carolina Oklahoma Pennsylvania* Rhode Island South Carolina South Dakota Tennessee Texas Utah Virginia Washington Wyoming
The state decides and approves capital outlay for school construction.	16	32	Alaska* Arizona Colorado* Delaware Florida* Georgia* Hawaii Indiana*	Maryland* Minnesota New Jersey* New Mexico* North Dakota Pennsylvania* Vermont West Virginia
No response	11	22	Idaho Illinois Kansas Maine Massachusetts Montana	Nebraska New Hampshire Ohio Oregon Wisconsin
Total	59*			

*Duplication in state responses indicated local school board initiation and approval subject to final state approval. Nine states - Alaska, Colorado, Florida, Georgia, Indiana, Maryland, New Jersey, New Mexico, and Pennsylvania - indicated both local school board initiation and approval and final state approval.

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Table 9 provides the breakdown of the frequency, percentages, and states for the items regarding use of a referendum, petition drive, or similar process prior to approval.

Table 9

Referendum, Petition Drive, or Similar Process

Response Option	Frequency/Percentage		State Response	
The state permits local school boards to decide whether to have a referendum and/or participate in a petition drive or similar process.	26	52	Alabama Arizona California Colorado* Connecticut Delaware Florida* Georgia* Kansas Kentucky Minnesota* Mississippi Missouri	Montana Nebraska Nevada New Mexico Ohio Rhode Island South Carolina Tennessee Utah Virginia Washington West Virginia Wyoming
The state requires a referendum and/or petition drive or similar process prior to approval.	17	34	Colorado* Florida* Georgia* Idaho Illinois Indiana Louisiana Maine Massachusetts	Michigan Minnesota* New Hampshire New Jersey North Carolina Oregon Texas Wisconsin
No response.	11		Alaska Arkansas Hawaii Iowa Maryland New York	North Dakota Oklahoma Pennsylvania South Dakota Vermont
Total	54*			

* Four states - Colorado, Florida, Georgia, and Minnesota - indicated that participation in a referendum or petition drive was both a local decision and a state requirement under certain conditions.

Facility Site and Design

Facility site and design reported state restrictions on the decision and approval for selection of architects, facility site selection, and building design. Forty-nine (49) states permitted the local selection of architects. Hawaii, as a state school district, was the only state that did not permit local selection.

Table 10 provides the breakdown of the frequency, percentages, and states for the items regarding state restrictions on facility site and design.

Table 10

State Restrictions on Facility Site and Design

Response Option	Frequency/Percentage		State Response	
The state makes no restrictions on school facility site or design.	16	32	Colorado Idaho* Illinois* Indiana* Iowa* Louisiana Michigan Montana	Nebraska Nevada New Mexico Oklahoma Oregon South Dakota Washington* Wisconsin
The state provides guidelines for school facility site or design.	32	64	Alabama Alaska Arizona # Arkansas California ^ Delaware Florida # Georgia # Hawaii Idaho* ^ Illinois* Indiana* Iowa* Kansas Maine Maryland	Massachusetts # Minnesota # Mississippi Missouri # New Hampshire# New York # North Carolina ^ Pennsylvania Rhode Island Tennessee Texas Utah Virginia # Washington* West Virginia # Wyoming #

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Table 10: State Restrictions on Facility Site and Design (continued)

Response Option	Frequency/Percentage		State Response	
The state provides regulations for classroom size, library-media space, gymnasiums and other facility issues.	17	34	Arizona # Florida # Georgia # Kentucky Massachusetts # Minnesota # Missouri # New Hampshire# New Jersey	New York # North Dakota Ohio South Carolina Vermont Virginia # West Virginia # Wyoming #
The state provides common design(s) for building types and sizes which the local district may add to or improve as a local choice.	3	6	California ^ Idaho ^ North Carolina ^	
The state requires common design(s) for building types and sizes.	0	0		
No response.	1	2	Connecticut	
Total	69	* # ^		

* Responses from four states - Idaho, Illinois, Indiana, and Washington - indicated that the state did not set restrictions but provided guidelines for school facility site and design.

Responses from 11 states - Arizona, Florida, Georgia, Massachusetts, Minnesota, Missouri, New Hampshire, New York, Virginia, West Virginia, Wyoming - indicated that the state provided both guidelines and regulations for school facility site and design.

^ Responses from three states - California, Idaho, and North Carolina - indicated that common school facility designs were provided in addition to regulations.

Capital Outlay Funding

State restrictions on local funding for capital outlay was reported in five sections from Part B of the survey questionnaire. Responses were reported for state control over the property tax levy and rate, length of indebtedness, total indebtedness, local district bonding, and local participation in a building authority or holding company to lease-purchase facilities.

PROPERTY TAX LEVY AND RATE CONTROL

Table 11 reports state restriction and control over local board control of the property tax levy and rate.

Table 11

State Control of District Property Tax Levy and Rate

Response Option	Frequency	Percentage	State Response	
The state does not restrict local board control of property tax levy and/or rate.	17	34	Alaska Arkansas Connecticut Kansas Louisiana Maine Mississippi Missouri Montana	Nebraska New York North Carolina Tennessee Utah Vermont Virginia Washington
The state restricts local board control of property tax levy and/or rate but allows additional local effort through referendum and/or petition drive process.	20	40	Arizona California Delaware Florida Georgia Illinois Indiana Iowa Kentucky Michigan	Minnesota New Mexico North Dakota Ohio Oregon Pennsylvania South Carolina South Dakota West Virginia Wisconsin
The state controls the local property tax levy and/or rate.	7	14	Alabama Colorado Hawaii Idaho	Nevada Oklahoma Wyoming
No response.	6	12	Maryland Massachusetts New Hampshire	New Jersey Rhode Island Texas
Total	50	100		

LENGTH OF INDEBTEDNESS

Table 12 reports state restriction and control over the length of indebtedness for funding capital outlay expenditures.

Table 12

State Restriction on Length of Indebtedness

Response Option	Frequency	Percentage	State Response	
The state does not restrict length of indebtedness.	13	26	Arizona California Colorado Kansas Nebraska Nevada New Hampshire	Oregon Pennsylvania Rhode Island Texas Utah Washington
The state allows length of indebtedness to 20 years or more.	23	46	Alabama Alaska Arkansas Georgia Hawaii Illinois Indiana Iowa Kentucky Louisiana Maine Michigan	Minnesota Missouri New Mexico New York North Dakota Ohio South Dakota Tennessee Virginia West Virginia Wisconsin
The state restricts length of indebtedness to less than 20 years.	8	16	Connecticut Delaware Florida Idaho	Montana Oklahoma Vermont Wyoming
No response	6	12	Maryland Massachusetts Mississippi	New Jersey North Carolina South Carolina
Total	50	100		

TOTAL INDEBTEDNESS

Total indebtedness was defined as total district debt from loans, general obligation bonds, and lease-purchase bonds. Table 13 reports state restriction and control over total district indebtedness for funding capital outlay expenditures.

Table 13

State Restriction of District Total Indebtedness

Response Option	Frequency/Percentage		State Response	
The state allows total indebtedness to a percentage of 30% or more of Assessed Valuation.	8	16	Indiana Louisiana Michigan Montana	Nebraska Ohio South Carolina Virginia
The state restricts total indebtedness to a percentage of less than 30% and more than 10% of Assessed Valuation.	7	14	Arkansas Colorado Illinois Kansas	Mississippi Nevada North Dakota
The state restricts total indebtedness to a percentage of 10% or less of Assessed Valuation.	16	32	Arizona Delaware Georgia Iowa Minnesota New Hampshire New Mexico New York	Oklahoma Oregon South Dakota Texas Washington West Virginia Wisconsin Wyoming
No response.	19	38	Alabama Alaska California Connecticut Florida Hawaii Idaho Kentucky Maine Maryland	Massachusetts Missouri New Jersey North Carolina Pennsylvania Rhode Island Tennessee Utah Vermont
Total	50	100		

LOCAL DISTRICT BONDING

Local district bonding was defined as the local district's ability to let bonds for capital outlay. Due to the nature of the response choices, the results of responses on local district bonding could not be analyzed.

BUILDING AUTHORITIES AND/OR HOLDING COMPANIES

The use of a building authority or holding company was defined as state control over a local district's use of a public or private corporation to sell bonds and sell a school facility to the district through lease-purchase or other arrangement. Table 14 reports state restriction and control over local districts' ability use a building authority or holding company to lease-purchase school facilities.

Table 14

State Restriction on Use of Building Authorities and/or Holding Companies

Questionnaire Item	Frequency/Percentage		State Response	
The state does not restrict local board decisions to lease-purchase through a building authority and/or holding company.	21	42	Arkansas California Colorado Connecticut Florida Illinois Minnesota Mississippi Missouri Montana New Hampshire	New Jersey South Dakota Tennessee Texas Utah Vermont Virginia Washington West Virginia Wisconsin
The state regulates and approves local board decisions to lease-purchase through a building authority and/or holding company.	5	10	Indiana Nevada North Dakota Pennsylvania Wyoming	
The state does not permit local board decisions to lease-purchase through a building authority and/or holding company.	13	26	Georgia Iowa Kentucky Louisiana Maine Michigan Nebraska	New Mexico New York North Carolina Oklahoma Oregon South Carolina
No response.	11	22	Alabama Alaska Arizona Delaware Hawaii Idaho	Kansas Maryland Massachusetts Ohio Rhode Island
Total	50	100		

Secondary Analysis

Secondary analysis of data was conducted using rubrics to determine provisions for equality and liberty in individual state funding systems for school remodeling and construction.

Equality in State Finance Systems for School Construction

An item analysis for each state was conducted using the rubric for equality (See Appendix A). State responses for Part A of the survey questionnaire (See Appendix D) were categorized by the type and amount of capital outlay funding provided by the funding system. States were rated as high, moderate, or low on equality based on the potential of the funding system to provide fiscal neutrality in the funding of capital outlay for school construction. State funding systems that provided support for less than 35% of the cost share of school construction, state loan programs, or no state aid were ranked low on their potential to provide equality. State funding systems that provided support for between 35% and 70% of school construction costs were ranked moderate on potential to provide equality. State funding systems that provided more than 70% of the cost share of school construction or a high level of state support for more than 70% of the schools constructed were ranked high on the potential to provide equality. If a state provided funding in more than one category, the category with the highest ranking was used for the ranking of that state except for two states. California and Georgia were ranked high because they provided a combination of state funding that funded more than 70% of the cost of school construction.

Table 15 reports state ranking on the potential for the state funding system to provide equality.

Table 15

State Funding System Potential for the Provision of Equality

	Ranking		
	Low	**Moderate**	**High**
Funding level:	**0%-35%**	**>35% & <70%**	**70%-100%**
	Arkansas	Alabama	Alaska
	Colorado	Illinois	Arizona
	Idaho	Kansas	California
	Indiana	Minnesota	Connecticut
	Iowa	Mississippi	Delaware
	Louisiana	New Hampshire	Florida
	Michigan	New Jersey	Georgia
	Missouri	North Carolina	Hawaii
	Montana	Pennsylvania	Kentucky
	Nebraska	Tennessee	Maine
	Nevada	Utah	Maryland
	New Mexico	West Virginia	Massachusetts
	North Dakota		New York
	Oklahoma		Ohio
	Oregon		Rhode Island
	South Carolina		Texas
	South Dakota		Virginia
	Vermont		Washington
			Wisconsin
			Wyoming
Frequency	18	12	20
Percentage	36	24	40

Liberty in State Finance Systems for School Construction

State restrictions were categorized in three categories: capital outlay approval, restrictions on facility site and design, and capital outlay funding. Capital outlay approval consisted of state restrictions on approval of capital outlay expenditures and the use of a referendum, petition drive, or similar process as part of the approval process. Restrictions on school facility site and design included selection of architects, facility guidelines, regulations, and common facility plans. Capital outlay funding consisted of debt restrictions and local use of building authorities or holding companies as part of the funding process.

A response analysis for each state was conducted using the rubric for liberty (See Appendix B). State responses for Part B of the survey questionnaire (See Appendix D) were categorized by the type and extent of state restrictions on categories of local decision making provided in the funding system. States were rated as high, moderate, or low on liberty based on the potential of the system to provide local choice in the funding of capital outlay for school construction using a weighted formula. Because liberty is defined as the amount of local control allowed by the state, the weighted numerical scores used for calculating liberty were 1.55 for responses ranked high on the rubric for liberty (i.e., little or no state limitation or control), 0.875 for responses ranked moderate (i.e., moderate state limitation or control), and zero (0) for responses ranked low (i.e., significant state limitation or control). Numerical scores for high and moderate responses were weighted because of a differing numbers of response items on the rubric among the three ranks. State responses on state control over local district bonding were not used in the calculation because due to the nature of the response choices, the results of responses

on local district bonding could not be analyzed. Because states varied in the number of responses provided, an average score was used to rank state capital outlay systems on their potential to provide liberty.

All states provided a range of item responses among the three categories and ranks. Frequencies of responses for each were tabulated by rank, given a weighted score, and averaged. States that had an average score between zero (0) and 0.75 were ranked low on provision of liberty. States that had an average score greater than 0.75 and less than 1.15 were ranked moderate on provision of liberty. States that had an average score of 1.15 or more were ranked high on provision of liberty.

Table 16 reports state ranking on the potential for the state funding system to provide liberty.

Table 16

State Funding System Potential for the Provision of Liberty

	Ranking		
	Low	**Moderate**	**High**
State (Rubric Score)	Hawaii (0.61)	Alabama (1.11)	Alaska (1.18)
		Arizona (0.99)	Arkansas (1.36)
		Colorado (1.11)	California (1.38)
		Delaware (0.79)	Connecticut (1.29)
		Florida (0.94)	Illinois (1.21)
		Georgia (0.81)	Indiana (1.33)
		Idaho (0.91)	Kansas (1.44)
		Iowa (0.88)	Louisiana (1.19)
		Kentucky (1.00)	Maryland (1.16)
		Maine (1.07)	Massachusetts (1.21)
		Michigan (1.10)	Mississippi (1.45)
		Minnesota (0.88)	Missouri (1.38)
		New Hampshire (1.14)	Montana (1.33)
		New Jersey (1.11)	Nebraska (1.33)
		New Mexico (0.88)	Nevada (1.19)
		New York (0.99)	Ohio (1.21)
		North Carolina (1.14)	Rhode Island (1.55)
		North Dakota (0.85)	South Carolina (1.19)
		Oklahoma (0.78)	Tennessee (1.45)
		Oregon (0.91)	Texas (1.23)
		Pennsylvania (1.14)	Utah (1.55)
		South Dakota (1.14)	Virginia (1.21)
		Vermont (0.92)	Washington (1.38)
		West Virginia (0.98)	
		Wisconsin (1.04)	
		Wyoming (0.95)	
Frequency	1	26	23
Percentage	2	52	46

State Database of Capital Outlay Funding Systems

A descriptive database for state capital outlay funding for school construction was reported. Funding system descriptions were based on survey questionnaire responses, current articles, and reports submitted by respondents.

Alabama

Equality and liberty ranking

The Alabama school capital funding system ranks moderate on equality and moderate on liberty.

State capital outlay funding system

Alabama provides state funding through a flat grant at a share of less than 70% and more than 35% of the costs of school facility capital outlay. The funding mechanism is through issuance of bonds. Funds are distributed on a per student formula. Bond revenue has two sources. The Alabama legislature authorized the School Bond Issue (Act #98-373) in 1998. The Public School Fund generates bond revenue through a voluntary pooling program for public school systems. In 1999, 42 of Alabama's 128 districts participated in the bond pooling program (Alabama Department of Education, 1999).

Revenue distribution is controlled by the Public School and College Authority (PSCA). The PSCA authorizes funding for construction, alteration and improvement of public buildings and other facilities for public educational purposes. The governor, state superintendent of education, and state finance director compose the PSCA (Alabama Department of Education, 1999).

The state permits local school boards to initiate and approve capital expenditure. The state permits local boards to decide whether to participate in a referendum, petition

drive, or similar process. The state controls the local property tax levy and rate. Bonded indebtedness may exist for 20 years or more. Districts are not restricted from using a building authority or holding company to lease-purchase facilities.

School facility site and design

Local school districts may select architects for construction projects. Alabama does not restrict school facility site or design, but state guidelines are provided.

Alaska

Equality and liberty ranking

The Alaska school capital funding system ranks high on equality and high on liberty.

State capital outlay funding system

Alaska provides construction funding for 70% or more of school facilities constructed in the state. State equalization grants are provided for construction and major maintenance under Alaska statute 14.11. Local districts that rank in the 25% wealthiest districts receive 70% funding. Local districts that rank from the 75% to 51% wealthiest districts receive 90% funding. Local districts that rank from median to the 26% wealthiest districts receive 95% funding. Local districts that rank in the poorest 25% in property wealth receive 98% funding.

Local districts are permitted to initiate and approve capital outlay. Local board requests are reviewed and approved by the state for eligibility and ranked. Alaska does not restrict local board control of the property tax levy and rate. Length of debt is allowed to exceed 20 years.

School facility site and design

Local school boards select architects for construction projects. The state provides guidelines for school facility site and design including maximum eligibility requirements for space.

Arizona

Equality and liberty ranking

The Arizona school capital funding system ranks high on equality and moderate on liberty.

State capital outlay funding system

Arizona funds 100% of necessary school construction for growth and replacement. The system also provides funding for facility renewal.

Arizona decides on and approves capital outlay for school construction. The local property tax levy and rate are controlled by the state, but local boards may use a referendum, petition drive, or similar process to increase local effort. Total district indebtedness is restricted to less than 10% of AV. The state does not restrict the length of indebtedness.

School facility site and design

Local school districts may select architects for construction projects. Arizona sets guidelines for school facility site or design, including regulations for facility issues such as classroom size, library-media space, and gymnasiums.

Arkansas

Equality and liberty ranking

The Arkansas school capital funding system ranks low on equality and high on liberty.

State capital outlay funding system

The Arkansas capital outlay funding system provides low interest loans for school construction. Local school boards are permitted to initiate and approve capital outlay expenditure. The state does not restrict local board control of the property tax levy and rate. Total district indebtedness is limited to a percentage of less than 30% and more than 10% of AV. The state allows district indebtedness of 20 years or more. Districts may participate in a lease-purchase program through a building authority or holding company.

School facility site and design

Local school boards select architects for construction projects. Arkansas provides guidelines for school facility site and design. The state also provides regulations for classroom size, library-media space, gymnasiums, and other facility space.

California

Equality and liberty ranking

The California school capital funding system ranks high on equality and high on liberty.

State capital outlay funding system

The California capital outlay funding system is managed by the Office of Public School Construction in the California Department of General Services. The funding program provides partial support for 70% or more of school facilities constructed in the

state. California provides funds through matching grants which pay less than 70% and more than 35% of the cost share of school construction. California also provides planning or categorical grants that total more than 35% of construction costs. The state contributes 50% of the cost of new construction and 80% of the cost of modernization, regardless of the wealth of the district. Some districts may qualify for additional funding due to the financial condition of the district and its history of generating funds for state funded projects.

Local districts are permitted to initiate and approve capital outlay. California restricts local board control of the property tax levy and rate but allows local boards to provide additional local effort through a referendum, petition drive, or similar process. The state does not restrict the length of indebtedness. Districts may participate in a lease-purchase program through a building authority or holding company.

School facility site and design

Local boards select architects for construction projects. California's approval process for the school facilities funding program includes state approval of site, preliminary plans, and final plans. The state also provides common designs for building types and sizes that the district may add to or improve as local choice. Facility regulations vary among elementary, middle school, and high school buildings. For example, square footage of all standard classrooms is regulated at 960. Multi-purpose rooms are regulated as 5.3 square feet per pupil with a minimum of 3,500 square feet for elementary schools, 5.3 square feet with a 4,500 minimum for middle schools, and 6.3 square feet with a minimum of 7,500 square feet for high schools (California Department of Education, 1999).

Colorado

Equality and liberty ranking

The Colorado school capital funding system ranks low on equality and moderate on liberty.

State capital outlay funding system

The Colorado capital outlay funding system provides no state aid for school construction. Local districts are permitted to initiate and approve decisions for capital outlay. The state has final approval on the decision for school construction. The Colorado approval system requires a referendum, petition drive, or similar process.

The State of Colorado controls the local property tax levy and rate. The Colorado system provides two debt caps. Total district indebtedness is limited to 20% of AV. A debt cap of 6% of actual value also exists but has not been implemented because it may violate a state constitutional provision. The state allows district indebtedness of 20 years or more. Districts may participate in a lease-purchase program through a building authority or holding company.

School facility site and design

Architects for construction projects are selected by the local school board. Colorado makes no restrictions on school facility site or design.

Connecticut

Equality and liberty ranking

The Connecticut school capital funding system ranks high on equality and high on liberty.

State capital outlay funding system

Connecticut provides equalization grants for school capital construction that range from 80% funding for the districts which rank in the 25% poorest to 20% funding for the 25% wealthiest. Interdistrict magnet schools, regional vocational, and regional special education centers may be eligible for 100% reimbursement. Additional planning or other categorical grants totaling an amount equal to 35% or less of the cost of capital construction are provided. These grants provide for conditions which promote interdistrict attendance, class size reduction, school readiness, and full-day kindergarten.

Local districts are permitted to initiate capital outlay expenditures. Connecticut requires approval of local applications by the state legislature. Legal requirements concerning authorization of expenditures, referenda, town meetings, or other decisions are a function of the local town or city charter rather than the state.

Connecticut does not restrict the local property tax levy and rate. The state limits the length of district indebtedness to less than 20 years for school construction. There are statutory limits on total local indebtedness. The state does not restrict local board participation in lease-purchase agreements or building authorities. Under this type of arrangement, only actual purchase costs are eligible for reimbursement and only when the purchase is actually executed.

School facility site and design

Local school boards select architects for construction projects. The state does not restrict school facility site and design. Costs eligible for reimbursement are capped based on a maximum floor area and site size.

Delaware

Equality and liberty ranking

The Delaware school capital funding system ranks high on equality and moderate on liberty.

State capital outlay funding system

Delaware provides equalization grants for school capital construction that range from 60% to 80% funding for districts based on local property wealth. State funding for poorer districts is provided at 80% of construction cost. The districts which rank in the wealthiest 20% in property wealth are funded at 60%.

The State of Delaware decides on and approves capital outlay after the passage of a referendum. The state restricts local board control of the property tax levy and rate but allows additional local effort through the referendum process. Total indebtedness is restricted to a percentage of 10% or less of AV. Length of debt is restricted to less than 20 years.

School facility site and design

Local school boards select architects for construction projects. The state provides guidelines for school facility site and design, including regulations for facility issues such as classroom size, library-media space, and gymnasiums. A common size of building is required based on capacity and grade level.

Florida

Equality and liberty ranking

The Florida school capital funding system ranks high on equality and moderate on liberty.

State capital outlay funding system

Florida provides flat grants for school capital outlay that pay 70% or more of the cost share of school facility construction. In addition, Florida contributes a high level of state support for less than 70% and more than 35% of school facilities constructed in the state. Local districts are also provided low interest loans.

Local districts are permitted to make initial decisions and approval for capital outlay. The state, however, retains the final decision and approval concerning school construction. The state controls the local property tax levy and rate. A referendum is required prior to state approval. Local districts may also use the referendum process to increase local effort. Districts may lease-purchase facilities through a building authority or holding corporation.

School facility site and design

Local school boards select architects for construction projects. The state provides guidelines for school facility site and design, including regulations for facility issues such as classroom size, library-media space, and gymnasiums.

Georgia

Equality and liberty ranking

The Georgia school capital funding system ranks high on equality and moderate on liberty.

State capital outlay funding system

Georgia provides equalization grants for school capital construction that pay less than 70% and more than 35% of the cost share of school construction. Districts that rank in the poorest 25% in property wealth are funded at 50% to 75% of facility construction costs. Districts that rank between the 26% and 50% in wealth are funded between 40% and 60%. Districts that rank between 51% and 75% in property wealth are funded between 40% and 50%. Districts that rank in the 25% wealthiest are funded between 25% and 40%. In addition, Georgia provides planning or categorical grants that fund greater than 35% of the cost of facility construction. Zero interest loans are available under certain circumstances.

In Georgia, local districts are permitted to make the initial decision and approval for capital outlay. Georgia requires a five year plan to make application for funding entitlement. The state, however, makes the final decision and approval for school construction. Georgia requires a referendum, petition drive, or similar process prior to approval. The state restricts local board control of the property tax levy and rate but allows additional local effort through the referendum or similar process. Total indebtedness is restricted to a percentage of 10% or less of AV. Length of debt is restricted to less than 20 years. Local districts are not permitted to lease-purchase through a building authority or holding company.

School facility site and design

Local school boards select architects for construction projects. The state provides regulations for school facility site and design including classroom size, library-media space, and other facility issues.

Hawaii

Equality and liberty ranking

The school capital funding system for Hawaii ranks high on equality and low on liberty.

State capital outlay funding system

The State of Hawaii provides full state support for all school construction. Hawaii is unique as the Board of Education is a state-wide organization. As such, the state decides on and approves capital outlay. The Department of Education provides recommendations for construction to the Board of Education, and requests are forwarded to the state legislature for modification and appropriation. Full state support is in the form of flat grants that are funded by the sale of GO bonds issued by the state. Length of indebtedness may be for 20 years or more. No funding is required from counties or the local district, including any school tax. In Hawaii, property tax is not used to fund school construction. In addition to the flat grants, the state provides planning or other categorical grants that fund greater than 35% of the cost of school construction. Matching grants are also available that fund less than 35% of the cost share of construction.

School facility site and design

Hawaii sets strict standards and retains approval of architects for construction projects. The state provides guidelines for school facility site and design.

Idaho

Equality and liberty ranking

The Idaho school capital funding system ranks low on equality and moderate on liberty.

State capital outlay funding system

The Idaho capital outlay funding system provides flat grants that pay 35% or less of the cost of school facility construction. Flat grant funding is through a portion of lottery revenue. Local school boards decide on and approve capital outlay expenditures. Prior to approval, the Idaho system requires a vote with a 66 2/3% majority for approval.

The State of Idaho controls the local property tax levy and rate. Local districts are permitted to issue GO bonds to 5% of AV. The state restricts the length of indebtedness to less than 20 years. Districts may lease-purchase using a building authority or holding company under state controls.

School facility site and design

Architects for construction projects are selected by the local school board. Idaho makes no restrictions on school facility site or design, but guidelines are provided. In addition, common designs for building types and sizes are provided to which the local district may make additions or improve as a local choice.

Illinois

Equality and liberty ranking

The Illinois school capital funding system ranks moderate on equality and high on liberty.

State capital outlay funding system

The Illinois capital outlay funding system provides matching grants that fund less than 70% and more than 35% of the cost of school facility construction through a weighted formula. The weighed formula, called a grant index, is calculated as one minus the ratio of the district's equalized AV/PP in ADA to the equalized AV/PP in ADA of the district located at the 90th percentile for all districts of the same type. The grant index can be no less than 35% and no greater than 75% for each district. The grant index is zero (0) for districts at the 99th percentile of wealth per pupil.

The State of Illinois restricts the local property tax levy and rate but allows additional effort through a referendum process. Voter approval through a referendum is normally required to build a new school or to borrow money for construction. Improvements or additions to existing schools may be initiated without voter approval. Debt limits for GO bonds are set by the type of district. Elementary district (K-8) and high school district (9-12) bonding are limited to 6.9% of their equalized assessed value. A unit district (K-12) is limited to 13.8%. Total district indebtedness is limited to a percentage of less than 30% and more than 10% of AV. The state allows district indebtedness for 20 years or more. Districts may participate in a lease-purchase program through a building authority or holding company.

School facility site and design

Architects for construction projects are selected by the local school board. Illinois makes no restrictions on school facility site or design, but guidelines are provided.

Indiana

Equality and liberty ranking

The Indiana school capital funding system ranks low on equality and high on liberty.

State capital outlay funding system

The Indiana capital outlay funding system provides flat grants which pay 35% or less of the cost of school facility construction. Flat grant funding is $40 per ADA. Indiana also provides two low interest loan funds, the Common Building Fund and Veterans Memorial Fund. The Indiana system includes a petition remonstance process. In Indiana, taxpayers who wished to remonstrate against a building project in excess of $2,000,000 can do so by filing a petition with the signatures of 250 or 10% of local real property owners. A 30 day petition drive is then held with both those for the project and those opposed carrying petitions. After verification of signatures by the county auditor, the side bearing the most approved signatures wins. If remonstrators win the petition drive, the project is delayed for one year (Rund, 1998).

In Indiana school districts may initiate and approve initial capital outlay for school construction. The state, however, has final approval for school construction through the School Property Tax Control Board. The sale of GO bonds by local school districts in Indiana is limited to 2% of AV (Rund, 1998). The state allows local districts to sell bonds through a holding company to lease-purchase a facility. Sale of bonds

through a lease-purchase arrangement is also subject to state regulation through the School Property Tax Control Board. Total indebtedness is allowed at a percentage of 30% or more of AV. The length of indebtedness is allowed for 20 years or more.

School facility site and design

Architects for construction projects are selected by the local school board. Indiana provides guidelines for school facility site or design.

Iowa

Equality and liberty ranking

The Iowa school capital funding system ranks low on equality and moderate on liberty.

State capital outlay funding system

The Iowa capital outlay funding system provides no aid for school construction. The State of Idaho restricts local district control of the local property tax levy but allows additional local effort through a referendum process. Total district indebtedness is limited to 5% of actual valuation. The state allows the length of indebtedness to extend 20 years or more. Districts may not lease-purchase using a building authority or holding company.

School facility site and design

Architects for construction projects are selected by the local school board. Iowa makes no restrictions on school facility site or design, but guidelines are provided. The state sets construction regulations for building issues such as fire, life safety, and energy.

Kansas

Equality and liberty ranking

The Kansas school capital funding system ranks moderate on equality and high on liberty.

State capital outlay funding system

The Kansas capital outlay funding system provides equalization grants that fund less than 70% and more than 35% of the cost share of school facility construction. Funding is based on the valuation per pupil of the median district. The median district receives 25% state aid. For each $1000 valuation per pupil more than the state median district, the district receives 1% less funding. For each $1000 valuation per pupil less than the median, the district receives 1% more funding. Zero percent aid currently occurs at the 85th percentile in district wealth measured as valuation per pupil.

Kansas does not restrict local board control of the property tax levy and rate. Local districts are permitted to decide whether to have a referendum, or a referendum may be required under certain circumstances. Districts may lease-purchase using a building authority or holding company. Debt service payments for lease-purchase must be paid from the operating budget. Total indebtedness is limited to a percentage of less than 30% and more than 10% of AV. Total debt above 14% must be approved by the State Board of Education. The length of indebtedness is not restricted.

School facility site and design

Architects for construction projects are selected by the local school board. Kansas provides guidelines for facility site and design.

Kentucky

Equality and liberty ranking

The Kentucky school capital funding system ranks high on equality and moderate on liberty.

State capital outlay funding system

Kentucky provides construction funding for 70% or more of school facilities in the state through a restricted biennial and annual appropriation for debt service. Through a state appropriation and approval process, the state decides on and approves capital outlay for school construction. Biennial appropriations are established by October 1 on odd calendar years. Appropriations are weighted to address attendance, wealth, at risk students, special education, transportation, and the condition of infrastructure (Kentucky Department of Education, 1999).

The local district is required to levy a five cent ($.05) equivalent tax for debt service on facility bond issues, new facilities, or major renovations of existing school facilities. The five cent ($.05) equivalent tax is in addition to a minimum 30 cent ($.30) equivalent tax. The five cent ($.05) equivalent tax is equalized at 150% of the state average per pupil assessment. The eligibility calculation for the Facilities Support Program of Kentucky (FSPK) is based on current certified assessment and the prior year's adjusted average daily attendance (AADA). The state requires that debt service be within $10,000 of or exceed the five cent equivalent tax by October 1 of each odd numbered year (Kentucky Department of Education, 1999).

Kentucky permits local school boards to initiate and approve capital construction projects. Local boards are permitted to decide whether to have a referendum or

participate in a petition drive or similar process to exceed the five cent equivalent tax. In some cases, the state requires a referendum or petition drive.

The School Facilities Construction Commission (SFCC) coordinates the state school construction system. Each district receiving FSPK funds is required to establish a school building fund. Districts must demonstrate unmet facility needs through a facilities plan approved by the Kentucky Department of Education. Funding is provided for unmet facility needs less local available revenue. Local available revenue is defined as the balance of the school building fund, 80% of the capital outlay allotment (i.e., capital outlay allotment of $100 per AADA), the capital outlay fund balance, and general fund balances above 10% of general funds restricted for building purposes. The SFCC provides state allotments based on available state funding and the percentage of a district's unmet facility needs compared to total statewide needs (Kentucky Department of Education, 1999)

Kentucky restricts local board control of property tax levy and rate. Additional effort is allowed through a referendum or petition drive process. The state limits the length of debt to 20 years. The state makes no provision for lease-purchase of school facilities through a building authority or holding company.

School facility site and design

Local school boards select architects for construction projects. The state sets regulations for classroom size, library-media space, gymnasiums, and other facility spaces.

Louisiana

Equality and liberty ranking

The Louisiana school capital funding system ranks low on equality and high on liberty.

State capital outlay funding system

Louisiana provides no state aid for school facility capital outlay. The state permits local school boards to initiate and approve capital expenditure. The state does not restrict local control of the property tax levy and rate. A referendum or petition process is required before approval. Bonded indebtedness may exist for 20 years or more. Total indebtedness may exceed 30% or move of AV. Districts are not permitted to lease-purchase facilities through a building authority or holding company.

School facility site and design

Local school districts select architects for construction projects. Louisiana does not restrict school facility site or design with the exception of health and fire codes.

Maine

Equality and liberty ranking

The Maine school capital funding system ranks high on equality and moderate on liberty.

State capital outlay funding system

The Maine School Facilities Finance Program provides matching grants that fund 70% or more of the cost share of school facility construction, renovation and maintenance of school facilities. School administrative units receive funding through a statutory debt service program and zero percent loans. The State of Maine has established

the Maine School Facilities Bond Program administered by the Maine Municipal Bond Bank to provide funding for school construction. The Revolving Renovation Fund uses proceeds from the sale of municipal bonds to provide renovations in three categories: health and safety compliance, repairs and improvements, and learning space upgrades. Annual state total payments range from a 30% minimum to 70% maximum. Minimum and maximum percentages are equal to the legislature's debt service limit (Governor's School Facilities Commission, 1998; Maine Department of Education, 1998).

School administrative units are required to establish a maintenance and capital improvement program for all school facilities, utilizing a maintenance template and software provided by the Department of Administrative and Financial Services, Bureau of General Services. Each school administrative unit is then required to annually allocate a minimum percentage of the replacement value of its real estate to facility maintenance, capital improvement, or capital reserve accounts. The Department of Education establishes a minimum percentage in consultation with the educational community (Governor's School Facilities Commission, 1998; Maine Department of Education, 1998).

In addition to the statutory debt service program, Maine provides a zero percent (0%) loans through the School Revolving Renovation Fund. Loans may be forgiven based upon the district's state share percentage of debt service costs. The Department of Education establishes a priority list for loan funding based on approved facility plans.

Maine has a circuit breaker program that controls local district bonding and total indebtedness. Bonding and indebtedness are under local control. If a district's debt is over the debt limit in the circuit breaker, debt service funding is provided by the state at

100% until the excessive debt is retired. When debt is at or below the circuit breaker, the local district funds its share (An act to implement, 1998; Governor's School Facilities Commission, 1998; Maine Department of Education, 1998).

Maine does not restrict the local property tax levy and rate. A referendum is required for state funded projects prior to state approval. Length of indebtedness is restricted to 20 years for state funded projects. Local units may fund interest for an extended period, usually six to 18 months.

School facility site and design

Architects for construction projects are selected by the local school board, but a state procurement process must be followed. Maine provides guidelines by square footage per student for school facility site and design.

Maryland

Equality and liberty ranking

The Maryland school capital funding system ranks high on equality and high on liberty.

State capital outlay funding system

The Maryland capital outlay funding system provides matching grants that fund more than 70% of the cost share of school facility construction. Maryland provides funding through county governmental units that also function as school districts. Regular construction programs are funded at 50% to 80% of eligible costs, including architectural engineering. Funding for the actual costs of a project range from 42% to 72%. Funding also varies by county government. For example, funding for Baltimore City is provided at 90% for the first 10 million and 75% for additional costs. Funding for Prince Georges

County provides 75% for the first 35 million and 60% for additional costs. Under an aging school program, districts receive an allotment for maintenance. The allotment is based on a complex formula using wealth and size of system as factors.

Each Maryland district is required to have an Educational Facility Master Plan. Maryland permits local boards to initiate and make planning approval for capital outlay. The state, however, has final approval for school construction. As county districts, the state requires a letter from the county commissioners. Total indebtedness is controlled as the total indebtedness of the county and varies. The state maintains the authority to restrict the length of indebtedness. Lease-purchase using a building authority or holding company is very limited and has been used for only one project in the state.

School facility site and design

Architects for construction projects are selected by the county districts. The state provides guidelines, which are close to standards. Facility site and design are subject to state review and approval.

Massachusetts

Equality and liberty ranking

The Massachusetts school capital funding system ranks high on equality and high on liberty.

State capital outlay funding system

The Massachusetts capital outlay funding system provides equalization and matching grants that fund more than 70% of the cost share of school facility construction. The grants also provide a high level of state support for less than 70% and more than 35% of school facilities constructed in the state. Funding is provided through the School

Building Assistance Act that provides funding under three categories. Category 1 is for districts seeking reimbursement to correct racial imbalance in a school or schools. Reimbursement under category 1 is 90% of total project costs. Category 2 is for districts seeking reimbursement to add on to an existing building or to build a new building. Category 2 expenditures are limited to projects required because of a need for space for students or "to provide full range of educational programs and to maintain full accreditation" (Massachusetts Department of Education Regulation, 1997, p. 1). Category 3 is for districts seeking reimbursement for other projects to meet significant facility needs. Districts must apply under one of the categories. Applications are prioritized according to need using a formula developed by the State Board of Education. Once the project is approved, the state assumes 50% to 90% of project costs, depending on the wealth of the community. Funding includes both the principal or actual cost of construction and interest over a five to 20 year period. If all projects are not funded in a given year, the priority list is frozen for the upcoming fiscal year (Massachusetts Department of Education Regulation, 1997)

Funding is based on site and program standards for capital construction. Funding varies by building type. In 1999, proposed standards costs for elementary schools were $158 per square foot, $169 for middle schools, and $180 for high schools (Massachusetts Department of Education Regulation, 1997).

Local governmental units including cities, towns, or regional districts are permitted to initiate planning for school construction. These units are required to have a referendum prior to approval.

School facility site and design

Architects for construction projects are selected by the local governmental unit. Massachusetts provides standards for facility site and design. Standards include program design, planned enrollment, a per pupil allowance and space allowance by activity. Program standards also vary for elementary schools, junior high and middle schools, and secondary schools. For example, elementary classroom sizes are set at 900 to 1000 square feet (Massachusetts Department of Education Regulation, 1997).

Michigan

Equality and liberty ranking

The Michigan school capital funding system ranks low on equality and moderate on liberty.

State capital outlay funding system

Michigan provides low interest loans for bonded debt service. The state permits local school boards to decide on and approve capital expenditure for debt less than 5% of the Taxable Value (TV). A referendum or petition drive is required for debt over 5% of the TV. Bonded indebtedness may exist for 20 years or more. Total indebtedness may exceed 30% or move of the TV. Districts are not permitted to lease-purchase facilities through building authorities.

School facility site and design

Local school districts may select architects for projects. Michigan does not restrict school facility site or design. The State School Code defines general purposes for which capital outlay funds can be used.

Minnesota

Equality and liberty ranking

The Minnesota school capital funding system ranks moderate on equality and moderate on liberty.

State capital outlay funding system

The Minnesota capital outlay funding system provides equalization grants that fund less than 70% and more than 35% of the cost of school facility construction. Support is based on an equalized debt service levy. Minnesota also provides low interest loans for school construction. The state decides on and approves capital outlay for construction. A referendum is required prior to approval.

The State of Minnesota controls the local property tax levy and rate, but local districts are allowed to provide additional local effort through the referendum process. The state sets a gross bonding limit using a market value formula: (98 market value / 98 sales ratio) x 10%. Total indebtedness is restricted to a percentage of 10% or less of AV. The state restricts the length of indebtedness to 20 years or more. Districts may lease-purchase using a building authority or holding company.

School facility site and design

Architects for construction projects are selected by the local school board. Minnesota provides guidelines for school facility site and design, including regulations for facility issues such as classroom size, library-media space, and gymnasiums.

Mississippi

Equality and liberty ranking

The Mississippi school capital funding system ranks moderate on equality and high on liberty.

State capital outlay funding system

The Mississippi capital outlay funding system provides a high level of state support for less than 70% and more than 35% of school facilities constructed in the state. Mississippi also provides flat grants which pay 35% or less of the cost of school facility construction and zero percent (0%) loans.

The State of Mississippi permits local school boards to initiate and approve capital outlay. Local boards may decide to participate in a referendum, petition drive, or similar process prior to approval.

Mississippi does not restrict the local property tax levy and rate. Total indebtedness is restricted to a percentage less than 30% and greater than 10% of AV. Districts may lease-purchase using a building authority or holding company.

School facility site and design

Architects for construction projects are selected by the local school board. Mississippi provides guidelines for facility site and design.

Missouri

Equality and liberty ranking

The Missouri school capital funding system ranks low on equality and high on liberty.

State capital outlay funding system

Missouri provides no state aid for school construction. Missouri permits local boards to initiate and approve capital outlay. Local boards are permitted to conduct a referendum, petition drive, or similar process prior to approval. The State of Missouri does not restrict the local property tax levy and rate. Length of indebtedness is allowed for 20 years or more. Districts may lease-purchase using a building authority or holding company.

School facility site and design

Architects for construction projects are selected by the local school board. Missouri provides guidelines for school facility site and design, including regulations for facility issues such as classroom size, library-media space, and gymnasiums.

Montana

Equality and liberty ranking

The Montana school capital funding system ranks low on equality and high on liberty.

State capital outlay funding system

Montana provides equalization grants that pay 35% or less of the cost of school construction. This includes 35% or less of the cost share of the poorest 25% of Montana school districts. No funding is provided for districts above median property tax wealth.

For example, in 1997, Montana facility funding represented 7% of total local debt service payments (Montana Office of Public Instruction, 1999).

Montana permits local boards to initiate and approve capital outlay. Local boards are permitted to conduct a referendum, petition drive, or similar process prior to approval. The State of Montana does not restrict the local property tax levy and rate. Limitations are placed on the bond issue rather than the property tax rate. Montana allows total indebtedness to a percentage of 30% or more of AV. Length of indebtedness is restricted to 20 years or less. Districts may lease-purchase using a building authority or holding company.

School facility site and design

Architects for construction projects are selected by the local school board. Montana makes no restrictions on school facility site and design.

Nebraska

Equality and liberty ranking

The Nebraska school capital funding system ranks low on equality and high on liberty.

State capital outlay funding system

Nebraska provides zero percent (0%) and low interest loans for school construction. Nebraska permits local boards to initiate and approve capital outlay. Local boards are permitted to conduct a referendum, petition drive, or similar process prior to approval. The State of Nebraska does not restrict the local property tax levy and rate. Nebraska permits total indebtedness at a percentage of 30% or more of AV. Length of

indebtedness is not restricted. Districts are not permitted to lease-purchase using a building authority or holding company.

School facility site and design

Architects for construction projects are selected by the local school board. Nebraska makes no restrictions on school facility site or design.

Nevada

Equality and liberty ranking

The Nevada school capital funding system ranks low on equality and high on liberty.

State capital outlay funding system

Prior to July 1, 1999, Nevada provided no state aid for school construction. Passage of Assembly Bill No. 597 created governmental administration and provisions for construction and financing of school facilities. The statute created a state planning commission for new construction, design, maintenance, and repair of school facilities to manage the new funding system. The commission is required to develop a plan "pursuant to which each school district in this state (Nevada) may adequately finance the costs of designing and constructing new school facilities and maintaining and repairing existing school facilities in each school district." (Assembly Bill 597, 1999, p. 11).

Funding is provided by a flat grant based on need. Revenue for funding is provided by an additional sales tax to pay the cost of extraordinary maintenance, repair, and improvement of school facilities under certain circumstances. The sales tax is an extension of an existing county sales tax with a maximum rate of one-eighth (1/8) of one cent. The state authorized the issuance of GO bonds by the state board of finance to assist

school districts in financing capital improvements. Initial bond sales were in an amount not to exceed $16 million. Bond revenue is placed in the state treasury and administered by the director of the department of administration (Assembly Bill 597, 1999).

Nevada permits local boards to initiate and approve capital outlay expenditures. The Board of Trustees of a district may apply to the department of administration for a grant if emergency conditions exist. Emergency conditions are defined by the state as including three conditions. The first condition is that the AV of taxable property in the county is declining and all other resources available to the school district for financing capital improvements are diminishing. Second, the combined county sales tax rate is at maximum rate of one-eighth of one cent. Third, school facilities must meet emergency condition requirements. Districts meet emergency standards if at least one school building is condemned. Districts may also qualify if a facility is unsuitable for use because of structural defects, barriers to accessibility, or hazards to life, health or safety. Districts may also qualify if the cost of renovating a facility would exceed 40 percent of the cost of new construction (Assembly Bill 597, 1999).

Local boards are permitted to sell GO bonds to finance capital outlay. Issuance of bonds requires a two-thirds affirmative vote of the governing body. If an objecting petition is presented to the governing body within 60 days after publication of the bond resolution, a special election or referendum must be held. The petition requires signatures of at least 5% of voters who own not less than 2% of the AV in the municipality. If the bond issue is approved, the district may sell bonds for a period of 10 years after the approval date of the voters. Bond sales are subject to approval of the debt management

commission and oversight panel for school facilities in that county (Assembly Bill 597, 1999).

The State of Nevada controls the local property tax levy and rate. By state statute, the property tax rates are set as: $3.64 / $100 AV. Property is assessed at 35% of market value. Total indebtedness is restricted to 15% of AV. Length of indebtedness is not restricted. Districts may lease-purchase using a building authority or holding company, but local board decisions are regulated by the state.

School facility site and design

Architects for construction projects are selected by the local school board. Nevada makes no restrictions on school facility site or design. This may be changed by the state planning commission that has been charged with providing a plan that provides "for the efficient use of resources in design, construction, maintenance and repair of school facilities" (Assembly Bill 597, 1999, p. 11).

New Hampshire

Equality and liberty ranking

The New Hampshire school capital funding system ranks moderate on equality and moderate on liberty.

State capital outlay funding system

The New Hampshire capital outlay funding system provides equalization grants that fund between 30% and 55% of the cost of school facility construction. Support is based on district organization rather than property wealth. Regional tech centers are funded at 100% using flat grants. The state decides on and approves capital outlay for construction for those tech centers.

New Hampshire requires a referendum with a two-thirds (2/3) majority prior to approval for capital outlay. Total indebtedness is restricted to a percentage of 10% or less of AV. The state does not restrict the length of indebtedness. Districts may lease-purchase using a building authority or holding company, but no state building aid is provided until the district has title to the property.

School facility site and design

Architects for construction projects are selected by the local school board. New Hampshire provides guidelines for school facility site and design, including regulations for facility issues such as classroom size, library-media space, and gymnasiums.

New Jersey

Equality and liberty ranking

The New Jersey school capital funding system ranks moderate on equality and moderate on liberty.

State capital outlay funding system

New Jersey provides a high level of state support for 35% or fewer of school facilities constructed in the state. A high level of state support is provided to the poorest 25 districts as a result of the Abbott litigation. If fully funded, the New Jersey capital outlay funding system provides equalization grants that fund from ten percent (10%) to less than 70% of the cost of school facility construction. Funding is made in the form of debt service aid, and debt is incurred through bonding. Minimum funding is 10% of debt service costs. The equalization formula bases district qualification on income and property wealth factors.

Local districts are permitted to initiate and approve capital outlay. A referendum is required prior to approval. Districts may lease-purchase using a building authority or holding company with state commissioners' permission.

School facility site and design

Architects for construction projects are selected by the local school board. Architects must be certified by the state. The New Jersey Department of Education operates the School Facility Planning Service under New Jersey statute. The planning service provides regulations and procedures for district application, facility planning, architectural plans and specifications, bidding, site approval, disposal of land, and acquisition of an existing building. School facilities are subject to a uniform construction code. Planning standards include minimum room size by use, flooring, ceiling height, safety, lighting, and plumbing (New Jersey Department of Education, 1998).

New Mexico

Equality and liberty ranking

The New Mexico school capital funding system ranks low on equality and moderate on liberty.

State capital outlay funding system

The New Mexico capital outlay funding system provides flat or planning and categorical grants that fund less than 35% of the cost of school construction. New Mexico also provides full state support for fewer than 35% of school facilities constructed in the state.

New Mexico permits local boards to initiate and approve capital outlay. The state retains the final decision and approval. The state restricts local board control over the

property tax and rate but allows additional local effort through a referendum, petition drive, or similar process. Total indebtedness is restricted to a percentage of 10% or less of AV. The state restricts the length of indebtedness to 20 years or more. Districts are not permitted to lease-purchase using a building authority or holding company.

School facility site and design

Architects for construction projects are selected by the local school board. New Mexico makes no restrictions on school facility site or design.

New York

Equality and liberty ranking

The New York school capital funding system ranks high on equality and moderate on liberty.

State capital outlay funding system

The New York capital outlay funding system provides equalization grants that fund approximately 73% to 75% of all public school construction in the state. The 1999-2000 building aid ratio provides 0% to 93% funding for school construction. Zero percent (0%) to 76% funding is provided for districts that rank in the wealthiest 25% in property wealth. Funding between 37% and 79% is provided for districts that range between the 75% and 51% wealthiest in property wealth. Funding between 63% and 86% is provided for districts that rank between the 50% and 26% wealthiest. Funding is provided between 72% and 93% for districts that rank in the poorest 25% in property wealth.

New York permits local school districts to initiate and approve capital outlay. A referendum, petition drive, or similar process is required prior to approval. New York

does not restrict local board control of the property tax levy and rate. Total indebtedness is restricted to a percentage of 10% or less of Full Valuation. Length of indebtedness varies from five to 30 years depending on the period of probable usefulness of the facility. Districts are not permitted to lease-purchase using a building authority or holding company.

School facility site and design

Architects for construction projects are selected by the local school board. New York provides guidelines for school facility site and design, including regulations for facility issues such as classroom size, library-media space, and gymnasiums.

North Carolina

Equality and liberty ranking

The North Carolina school capital funding system ranks moderate on equality and moderate on liberty.

State capital outlay funding system

The North Carolina funding system provides a high level of state support for less than 70% and more than 35% of school facility construction through a matching grant program. State funding is provided through state bond sales. The distribution formula for the matching grants provides state bond revenue based on ADM, district property wealth, district size and growth. In 1996, the sale of $1.8 billion in bond sales was approved over four years.

North Carolina provides three additional funding programs. An additional flat grant per ADM that funds 35% or less of the cost share of capital outlay is provided from the Public School Building Fund. Planning or categorical grants also provide funding that

total less than 35% or less of the cost share of school construction. North Carolina provides low interest loans for school construction from a small fund.

Local school boards are permitted to initiate and approve expenditures for capital outlay. The State of North Carolina does not restrict local board control of the local property tax levy and rate. A referendum is required for approval. The debt limit is 8% of AV. The state does not restrict length of indebtedness. Districts may not participate in a lease-purchase program through a building authority or holding company without legislative approval.

School facility site and design

Architects for construction projects are selected by the local school board. North Carolina provides guidelines for school facility site and design. Common designs for building types and sizes are offered to local districts. Districts may add to or improve on those designs as a local choice.

North Dakota

Equality and liberty ranking

The North Dakota school capital funding system ranks low on equality and moderate on liberty.

State capital outlay funding system

North Dakota provides low interest loans for school construction. Loans are for up to one-third (1/3) of approved projects. Interest rates are based on need and vary from one percent (1%) to 4.5%. Districts may take 20 to 25 years to repay loans.

North Dakota decides on and approves capital outlay for school construction. The state restricts local board control of the property tax levy and rate but allows additional

local effort through a referendum, petition drive, or similar process. North Dakota allows total indebtedness to a percentage of less than 30% and more than 10% of AV. Length of indebtedness is allowed for 20 years or more. Districts may lease-purchase using a building authority or holding company with state regulation and approval.

School facility site and design

Architects for construction projects are selected by the local school board. North Dakota provides regulations for facility issues such as classroom size, library- media space, and gymnasiums.

Ohio

Equality and liberty ranking

The Ohio school capital funding system ranks high on equality and high on liberty.

State capital outlay funding system

The Ohio capital outlay funding system provides equalization grants that currently provide a high level of state support for 35% or fewer of the school facilities constructed in the state. Current funding for qualifying districts is 80% of the cost of school construction.

The Ohio funding system for school capital outlay includes an equalization grant program that has not been fully implemented. Initial funding is provided using a priority list that begins with the poorest districts. When fully implemented, the equalization grant program will provide 0% to 93% funding for school construction. Approximately zero percent (0%) to 25% funding will be provided for districts that rank in the wealthiest 25% in property wealth. Funding between 25% and 50% will be provided for districts

that range between the 75% and 51% wealthiest in property wealth. Funding between 50% and 75% will be provided for districts that rank between 50% and 26% wealthiest. Funding is currently provided between 75% and 90% for districts that rank in the poorest 25% in property wealth. The percentage funding formula roughly approximates the inverse of percentile ranking for the property wealth of school districts.

Ohio provides flat grant, categorical grant, and low interest loan programs. A small flat grant program provides funding for emergency repairs. The categorical assistance grant program provides more than 35% of the cost share of facility construction for emergency repair, urban repair, and ADA implementation. A small low interest loan program is also provided.

Local boards initiate and approve participation in the equalization grant program for facility construction. Districts are required to pass a referendum to approve the local share of the levy. The state restricts local board control of the property levy and rate but allows additional local effort through a referendum. Ohio does not limit total indebtedness. Most indebtedness is subject to state oversight. Without referendum approval, debt is limited to one-third (1/3) of 1% of AV. Ohio allows length of indebtedness of 20 years or more.

School facility site and design

Architects for construction projects are selected by the local school board. The state selects construction managers to administer projects. Ohio provides regulations for facility issues such as classroom size, library-media space, and gymnasiums. Districts are permitted to add to or improve on state facility regulations as local choice.

Oklahoma

Equality and liberty ranking

The Oklahoma school capital funding system ranks low on equality and moderate on liberty.

State capital outlay funding system

The Oklahoma capital outlay funding system provides no state aid for school construction. Local districts are permitted to initiate capital outlay expenditure and hold a referendum of patrons prior to approval.

The State of Oklahoma controls the local property tax levy and rate. Local districts are permitted to bond to a percentage of 10% of net valuation. Total district indebtedness is also limited to 10% of net valuation. The state restricts district indebtedness to less than 20 years. Districts are not permitted to lease-purchase using a building authority or holding company.

School facility site and design

Architects for construction projects are selected by the local school board. Oklahoma makes no restrictions on school facility site or design.

Oregon

Equality and liberty ranking

The Oregon school capital funding system ranks low on equality and moderate on liberty.

State capital outlay funding system

The Oregon capital outlay funding system provides no state aid for school construction. Local districts are permitted to initiate capital outlay expenditure. A referendum, petition drive, or similar process is required prior to approval.

The State of Oregon restricts the local property tax levy and rate but allows additional effort through the referendum, petition drive, or other process. Total district indebtedness is limited to less than 10% of AV. The state does not restrict the length of indebtedness. Districts are not permitted to lease-purchase using a building authority or holding company.

School facility site and design

Architects for construction projects are selected by the local school board. Oregon makes no restrictions on school facility site or design.

Pennsylvania

Equality and liberty ranking

The Pennsylvania school capital funding system ranks moderate on equality and moderate on liberty.

State capital outlay funding system

The Commonwealth of Pennsylvania's capital outlay funding system provides equalization grants that fund less than 70% and more than 35% of the cost share of

school construction. A complicated funding formula pays a percentage of costs up to a fixed statutory cap. District wealth is measured in market value to determine the district market value aid ratio (MVAR).

The percentage provided by the state varies by project on the number and grade level of students to be served in the space. The funding formula uses a rated pupil capacity for every building, including renovations and additions, and the district aid ratio. For example, the following is a calculation of reimbursement for a new elementary building or renovated elementary building with a full time capacity of 500 that is converted to a rated pupil capacity of 700. The example includes project costs of $4,000,000, and a district market aid ratio of .65. The maximum reimbursable formula amount is the full time equivalent capacity (500) multiplied by the rated pupil capacity (i.e., 500 x 1.4 = 700). The rated pupil capacity is multiplied by the legislated per pupil amount for elementary (i.e., 700 x $3,900 = $2,730,000). Specified ancillary costs including architectural fees, site acquisition and preparation, and sanitary sewage disposal are funded at actual costs of $63,000. The total reimbursable amount is $2,793,000. The reimbursable amount is then divided by the total project costs minus a bond discount and original issue discount to determine a reimbursable percentage (i.e., $2,793,000 / $4,000,000 - $48,000 = $3,952,000 = 70.67%). A one-half percentage point in the reimbursable percentage reduction (i.e., 70.67% - .5% = 70.17%) is made until the project accounting based on final costs, when the project is reviewed and approved by the Department of Education. The reduced percentage is multiplied by the district's bond issue, including principal and interest, to determine the level of commonwealth participation in the cost of the project. For this example, semi-annual payments of

$200,000 multiplied by a reimbursable percentage of 70.17% and multiplied by a district market value aid ratio of .65 would yield a commonwealth share of $91,221 (Pennsylvania Department of Education, 1998).

Reimbursement for school construction is dependent on a multiple step process called Plancon. The initial step is project description and justification of need. The second step is a schematic design conference to review conceptual drawings, site plan, and educational specifications. The third step is site acquisition if necessary. Step four is project accounting based on estimated project costs. At this stage the district conducts the required public meetings, and various tests are made to determine the district's financial capacity. Step five is a conference to review architectural aspects of the project after the design has been fully developed. Step six is project documentation for verification of compliance with state and local agency requirements. At step six, the Department of Education authorizes the district to receive bids and enter into construction contracts. At step seven, project accounting based on bids is conducted, and the project's eligibility for reimbursement is determined. Step eight addresses project financing, including the calculation of a temporary reimbursement percentage for the project. In step nine, interim reports are made concerning change orders and supplemental contracts during construction. Step ten is the final accounting for the project. This includes calculation of the permanent reimbursable percentage for the project. The final step, if necessary, is used for project refinancing if a reimbursable bond issue is refunded, refinanced or restructured (Pennsylvania Department of Education, 1998).

Pennsylvania permits local school districts to initiate and approve capital outlay. Pennsylvania restricts local board control of the property tax levy and rate but allows

additional local effort through a referendum, petition drive, or similar process. The state restricts total local district borrowing based on a history of its revenue rather than AV. Length of indebtedness is not restricted. Districts are permitted to lease-purchase using a building authority or holding company with commonwealth approval and regulation.

School facility site and design

Architects for construction projects are selected by the local school board. Pennsylvania provides guidelines for school facility site and design.

Rhode Island

Equality and liberty ranking

The Rhode Island school capital funding system ranks high on equality and high on liberty.

State capital outlay funding system

The Rhode Island capital outlay funding system provides equalization and matching grants that range from 30% to 89% of the cost share of school facility construction. The minimum reimbursement is 30% of the costs of capital outlay. Rhode Island funds the wealthiest 25% in property wealth at the 30% minimum. Districts that rank between 51% and 75% highest in property wealth are funded at 30% to 30.2%. Districts that rank between 26% and 50% wealthiest are funded at 31% to 49%. Districts that rank in the poorest 25% are funded between 56% and 89% of construction costs. Of 36 Rhode Island districts, the three poorest districts receive 73%, 73% and 89% funding. District wealth is computed annually as community wealth per student.

Local districts are permitted to initiate planning and approval for school construction and to have a referendum, petition drive, or similar process prior to

approval. The state has final approval of the project prior to qualification for reimbursement. The debt limit is 3% of AV. Debt limitation, bonding capacity, and length of indebtedness are controlled by the Rhode Island Department of Administration rather than the Department of Education.

School facility site and design

Architects for construction projects are selected by the local school board.

South Carolina

Equality and liberty ranking

The South Carolina school capital funding system ranks low on equality and high on liberty.

State capital outlay funding system

The South Carolina capital outlay funding system provides flat grants which fund less than 35% of the cost of school construction. Flat grants are based on student population and district wealth.

Local school boards are permitted to initiate and approve capital outlay expenditure. The state restricts local board control of the property tax levy and rate, but local boards are permitted to provide additional local effort through a referendum, petition drive, or similar process. Total district indebtedness is limited to a percentage of 30% or more of AV. The state does not restrict the length of indebtedness. Districts are not permitted to participate in a lease-purchase program through a building authority or holding company.

School facility site and design

Local school boards select architects for construction projects. South Carolina provides guidelines for school facility site and design. The state also provides regulations for classroom size, library-media space, gymnasiums, and other facility space.

South Dakota

Equality and liberty ranking

The South Dakota school capital funding system ranks low on equality and moderate on liberty.

State capital outlay funding system

The South Dakota capital outlay funding system provides no state aid for school construction. Local districts are permitted to initiate capital outlay expenditures.

The State of South Dakota restricts local control of the local property tax levy and rate but allows additional local effort through a referendum, petition drive, or similar process. Total district indebtedness is limited to a percentage of 10% or less of AV. The state allows district indebtedness of 20 years or more. Districts may participate in a lease-purchase program through a building authority or holding company.

School facility site and design

Local school boards select architects for construction projects. South Dakota makes no restrictions on school facility site or design.

Tennessee

Equality and liberty ranking

The Tennessee school capital funding system ranks moderate on equality and high on liberty.

State capital outlay funding system

The Tennessee capital outlay funding system provides equalization grants that fund less than 70% and more than 35% of the cost share of school facility construction. Funding is allocated to local education agencies through the basic education program. Capital outlay is a non-classroom component within the formula. Average state funding for non-classroom components is 50% of cost. The amount that the local district receives from the state is based on the district's county and fiscal capacity (i.e., ability to raise local revenue). The dollars generated for capital outlay are not earmarked for that purpose. Local districts do not have to spend the funding for that purpose; so local boards of education have the flexibility to use the funding based on local need.

Local school boards are permitted to initiate and approve capital outlay expenditures. Local boards of education, however, do not have local taxing authority. That authority resides with local governmental units such as the county commission or city council. Tennessee does not restrict local governmental unit control of the property tax levy and rate. Local governmental units are permitted to hold a referendum, petition drive, or similar process prior to funding. Limitation on bonding and indebtedness, therefore, apply to those governmental units rather than local school boards. The state allows length of indebtedness of 20 years or more. Local governmental units may lease-purchase using a building authority or holding company.

School facility site and design

Architects for construction projects are selected by the governmental unit. Tennessee does not restrict facility site and design except for fire and health codes.

Texas

Equality and liberty ranking

The Texas school capital funding system ranks high on equality and high on liberty.

State capital outlay funding system

The Texas capital outlay funding system provides equalization grants that currently fund a high level of state support for local districts that rank in the 25% poorest in local property wealth. The equalization grant program has not been fully implemented in Texas because of inadequate appropriation by the legislature.

When fully funded, the equalization grant program will provide 0% to 85% funding for school construction. Zero percent (0%) funding is provided for districts that rank in the wealthiest 25% in property wealth. Funding between 40% and 60% will be provided for districts that range between the 51%% and 75% wealthiest in property wealth. Funding between 60% and 75% will be provided for districts that rank between 50% and 26% wealthiest. Funding is currently provided between 75% and 85% for districts that rank in the poorest 25% in property wealth.

Funding for schools is a three tiered system in Texas. Beginning in 1997, districts receive funds from a guaranteed yield program for facilities to be used either for construction or lease-purchase of new instructional facilities under the Instructional Facilities Act (IFA). In a guaranteed yield program, the state specifies a revenue yield

that it will guarantee in terms of revenue per student per penny of local effort. After districts adopt tax rates and levies, the state makes up the difference between what each district levies locally per student and the guaranteed yield per student. Under the Texas plan, districts that have passed a voter referendum to sell bonds may apply for assistance from the state. Assistance is based on the amount needed to service debt and is limited to the lesser of the annual debt service payment or $250 per ADA. State assistance for facilities funding is equalized. Low wealth districts receive more IFA aid than higher wealth districts. For example, districts with wealth above $295,000 per weighted ADA (WADA) do not qualify for the assistance program.

In 1999, the Texas Legislature appropriated funds to help schools pay for old debt. Tier 3 of the foundation program guarantees school districts $35 per penny per student up to a maximum of $0.12 of debt service taxes to service debt for which the district levied taxes in the 1998-99 school year. Although tiers one and two are subject to a property tax recapture provision, wealthier districts are exempt from the recapture provision under the third tier of the IFA program. (Texas Center for Educational Research, 1999).

Local boards initiate and approve capital outlay expenditure for facility construction. The state requires a bond election prior to approval. Statutory limits are set on local property tax rates but additional local effort is allowed through referendum. Maintenance and operations tax rates are limited to $1.50 per hundred. Districts with rates lower than $1.50 may raise the rate a limited amount (e.g., $.03 in 1999). If the district wishes to exceed this amount, a referendum must be held to ratify the higher rate. Debt service taxes are limited to $.50 per hundred. Total indebtedness is restricted to less

than 10% of AV. Texas does not restrict the length of indebtedness. The state does not restrict local board decisions to sell bonds through a building authority or holding company to lease-purchase a facility.

School facility site and design

Architects for construction projects are selected by the local school board. The state provides guidelines for school facility site and design.

Utah

Equality and liberty ranking

The Utah school capital funding system ranks moderate on equality and high on liberty.

State capital outlay funding system

The Utah capital outlay funding system provides equalization grants that fund less than 35% of the cost share of school facility construction with the exception of the poorest districts. Funding is provided at 75% for local districts that rank in the poorest 25% of property wealth. Districts that rank between 26% and 50% receive approximately 25% funding. No funding is provided above the 50th percentile in property wealth. Utah also provides low interest loans for construction from a revolving fund.

Utah permits local school boards to initiate and approve capital outlay expenditures. Local boards may have a referendum, petition drive, or similar process prior to approval. Utah does not restrict local board control of the property tax levy and rate. Total indebtedness, including bonding, is set at 4% by the state constitution. The length of indebtedness is not restricted. Districts may lease-purchase using a building authority or holding company.

School facility site and design

Architects for construction projects are selected by the local school board. Utah provides guidelines for facility site and design.

Vermont

Equality and liberty ranking

The Vermont school capital funding system ranks low on equality and moderate on liberty.

State capital outlay funding system

The Vermont capital outlay funding system provides flat grants that fund less than 35% of the cost share of school facility construction. Aid is provided at 30% of allowable costs. Funding is available to public schools that meet urgent need criteria. Vermont also funds vocational-technical centers at 100% funding.

Vermont decides on and approves capital outlay for school construction. Vermont did not restrict local board control over the property tax levy and rate prior to 1997. Under Vermont Act 60, a tax equalization program for towns was introduced and implemented in stages over three years. In 2000, the tax rate is fixed under this program. This tax equalization program does not permit districts to draw more than an equalized yield. Revenue above the equalized yield is subject to a recapture provision for debt service. Debt prior to 1997 is subject to a hold harmless provision. The length of indebtedness is limited to less than 20 years. Districts may lease-purchase using a building authority or holding company but are not eligible for state construction aid under that arrangement.

School facility site and design

Architects for construction projects are selected by the local school board. Vermont provides regulations for facility site and design, including such issues as classroom size, library-media space, and gymnasiums.

Virginia

Equality and liberty ranking

The Virginia school capital funding system ranks high on equality and high on liberty.

State capital outlay funding system

The Virginia capital outlay funding system provides equalization grants that fund 20% to 81.4% funding for school construction. Twenty percent (20%) to 57.2% funding is provided for districts that rank in the wealthiest 25% in property wealth. Funding between 57.6% and 64.7% is provided for districts that range between the 75% and 51% wealthiest in property wealth. Funding between 65.2% and 69.8% is provided for districts that rank between 50% and 26% wealthiest. Funding is provided between 69.9% and 81.4% for districts that rank in the poorest 25% in property wealth. Virginia also provides low interest loans for school construction.

Virginia permits local school districts to initiate and approve capital outlay. A referendum, petition drive, or similar process is required prior to approval. Virginia does not restrict local board control of the property tax levy and rate. Local districts are not permitted to bond. Bonding is the responsibility of local governmental units. There are no bonding or total indebtedness limits on counties. Cities and towns are limited to 10%

of AV. Length of indebtedness is allowed for 20 years or more. Districts may lease-purchase using a building authority or holding company.

School facility site and design

Local school boards select architects for construction projects. The state provides guidelines for school facility site and design, including regulations for facility issues such as classroom size, library-media space, and gymnasiums.

Washington

Equality and liberty ranking

The Washington school capital funding system ranks high on equality and high on liberty.

State capital outlay funding system

Washington currently provides matching grants that fund less than 35% of the cost share of school construction. If fully funded, the Washington capital outlay funding system provides matching grants that fund up to 90% of the cost share of school facility construction. Washington also provides planning grants that fund less than 35% of the cost of school construction. Districts are required to submit plans that demonstrate need as the eligibility factor. A criterion of need defined in the program is 'unhoused students.' Districts with 'unhoused students' include rapidly growing districts and districts with condemned or aging schools. Matching grants are then provided based on demonstrated need rather than the wealth of the district.

Washington permits local boards to initiate and make planning approval for capital outlay. A referendum, petition drive, or similar process is required prior to state approval. The state does not restrict local board control over the property tax levy and

rate. Total indebtedness is restricted to a percentage of 10% or less of AV. The length of indebtedness is not restricted. Districts may lease-purchase using a building authority or holding company.

School facility site and design

Architects for construction projects are selected by the local school board. Washington provides guidelines for school facility site and design.

West Virginia

Equality and liberty ranking

The West Virginia school capital funding system ranks moderate on equality and moderate on liberty.

State capital outlay funding system

The West Virginia capital outlay funding system provides a high level of state support for less than 70% and more than 35% of school facilities constructed in the state. West Virginia also provides matching and planning or categorical grants that fund less than 35% of the school construction costs.

West Virginia decides on and approves capital outlay provisions. Approval is based on a county ten year Comprehensive Educational Facilities Plan (CEFP). The CEFP must include all plans to alter instructional square footage or exceed $25,000 in cost. Plans are submitted and approved by the State Board of Education and the School Building Authority of West Virginia (West Virginia Department of Education, 1999). The state restricts local board control over the property tax levy and rate but allows additional effort through a referendum or petition drive. Total indebtedness is restricted

to a percentage of 10% or less of AV. Length of indebtedness is allowed for 20 years or more. Districts may lease-purchase using a building authority or holding company.

School facility site and design

Architects for construction projects are selected by the local school board. West Virginia provides guidelines for school facility site and design. A comprehensive set of regulations are set by policy. Regulations based on educational specifications include classroom size, library-media space, gymnasiums, kitchens, laboratories, and other facility issues (West Virginia Department of Education, 1999).

Wisconsin

Equality and liberty ranking

The Wisconsin school capital funding system ranks high on equality and moderate on liberty.

State capital outlay funding system

The Wisconsin capital outlay funding system provides equalization grants that range between 10% and 80% of school construction cost. Average state support is 66% of cost. Ten percent (10%) to 15% funding is provided for districts that rank in the wealthiest 25% in property wealth. Funding between 25% and 30% is provided for districts that range between the 75% and 51% wealthiest in property wealth. Funding between 50% and 65% is provided for districts that rank between 50% and 26% wealthiest. Districts that rank in the poorest 25% in property wealth receive funding between 65% and 80% of school facility costs. State aid for capital debt is calculated using a formula based on the previous year's expenditure, tax base, and student population. Wisconsin also provides low interest loans for school construction.

Wisconsin restricts local board control of the property tax levy and rate. A referendum is required prior to approval, but local districts are allowed to provide additional local effort and to exceed revenue limits through that process. The state restricts total indebtedness to 10% of AV. The state allows length of indebtedness of 20 years or more. Districts may lease-purchase using a building authority or holding company.

School facility site and design

Architects for construction projects are selected by the local school board. Wisconsin does not restrict local decisions about school facility site and design.

Wyoming

Equality and liberty ranking

The Wyoming school capital funding system ranks high on equality and moderate on liberty.

State capital outlay funding system

The Wyoming capital outlay funding system provides a high level of state support for 70% or more of school facilities constructed in the state.

Wyoming permits local school board to make initial decisions and approval for capital outlay. The state makes the final decision and approval for school construction. Local boards are permitted to have a referendum, petition drive, or similar process. The state restricts total indebtedness to 10% of AV. The state does not restrict the length of indebtedness for standard bonds. Length of indebtedness for "mill levi bonds" is less than 20 years. Districts may lease-purchase using a building authority or holding company with state approval and regulation.

School facility site and design

Architects for construction projects are selected by the local school board. Wyoming provides guidelines for school facility site and design, including regulations for facility issues such as classroom size and library-media space.

Summary

This chapter reported and analyzed the results of the survey questionnaire items for this study. Summary data presented in the tables in this chapter portray state provisions for capital outlay funding for school construction and state restrictions on local school board decision making. Analyses of state provisions for the metavalues of equality and liberty were reported based on item analysis using the rubrics in Appendices A and B. A descriptive database of state capital outlay funding systems was reported. The following chapter presents conclusions drawn from this study with recommendations for further investigation.

Chapter Five

Summary, Conclusions, and Recommendations

The purpose of this research was to examine provisions for equality and liberty in state funding systems for school remodeling and construction. This chapter is divided into four sections: (a) summary of the study, (b) summary of the findings, (c) conclusions, and (d) recommendations.

Summary of the Study

Public education policy is the result of interaction among deeply held American societal values. These values, called metavalues, include liberty, equality, efficiency, adequacy, and fraternity (Guthrie & Reed, 1991; Kowalski, 1999). Discussion of concerns about the problems that surround school facilities has been influenced by the metavalues of equality and liberty at the local, state, and federal levels. A natural tension exists between liberty and equality, and state governments must either limit local choice or redistribute wealth in order to ensure a reasonable level of equal opportunity for citizens. Thus, funding policies for school facilities that rely entirely or partly on local property tax revenues result in some degree of conflict between liberty and equality (Kowalski, 1999).

Summary of Findings

Findings are reported in relationship to the research questions stated in Chapter One.

Question 1

To what extent are state policies providing equality in funding school facility construction? State rankings on equality were based on the funding system's potential to

provide fiscal neutrality and equality of opportunity. State policies exhibit that states varied considerably with respect to equality provisions. In 1999, 20 or 40% of the states ranked high on their potential for providing equality for funding school capital outlay. Twelve (24%) states ranked moderate, and 18 (36%) states ranked low on provision of equality for school construction funding.

Question 2

To what extent are state policies providing local school boards liberty in decisions on funding school facility construction? State rankings on liberty were based on state restrictions of local decision making in three categories: capital outlay approval, school facility site and design, and capital outlay funding. State policies exhibited that moderate or high levels of liberty provisions were provided in 49 states. Twenty-three states (46%) ranked high on provision of local liberty. Twenty-six states (52%) ranked moderate. One state, Hawaii, ranked low on provision of liberty.

Question 3

How are the 50 states categorized with respect to liberty and equality provisions for funding capital outlay? Each state was ranked high, moderate, or low on the potential of state policy to provide equality and liberty for the funding of school construction. Analyses of state paired rankings for equality and liberty demonstrate a great amount of variability. Frequencies, percentages, and state listings are provided in the following three sections.

Comparison of states ranked high on potential for equality with ranking for liberty

Ten states (20%) ranked high on the potential for state policy to provide both equality and liberty. Nine states (18%) ranked high on equality and moderate on liberty. One state, Hawaii, ranked high on equality and low on liberty.

Table 17 reports states ranking by potential to provide high equality and their rank for the potential for the funding system to provide liberty.

Table 17

Comparison of States Ranking High on Equality with Rank on Liberty

Ranking	Frequency	Percentage	State
States ranking high on the potential to provide equality and high on the potential to provide liberty.	10	20	Alaska California Connecticut Maryland Massachusetts Ohio Rhode Island Texas Virginia Washington
States ranking high on the potential to provide equality and moderate on the potential to provide liberty.	9	18	Arizona Delaware Florida Georgia Kentucky Maine New York Wisconsin Wyoming
States ranking high on the potential to provide equality and low on the potential to provide liberty.	1	2	Hawaii

Comparison of states ranked moderate on potential for equality with ranking for liberty

Five states (10%) ranked moderate on provision for equality and high on provision for liberty. Seven states (14%) ranked moderate on both equality and liberty. No state ranked moderate on equality and low on liberty.

Table 18 reports states ranking by potential to provide moderate equality and their rank for the potential for the funding system to provide liberty.

Table 18

Comparison of States Ranking Moderate on Equality with Rank on Liberty

Ranking	Frequency	Percentage	State
States ranking moderate on the potential to provide equality and high on the potential to provide liberty.	5	10	Illinois Kansas Mississippi Tennessee Utah
States ranking moderate on the potential to provide equality and moderate on the potential to provide liberty.	7	14	Alabama Minnesota New Hampshire New Jersey North Carolina Pennsylvania West Virginia
States ranking moderate on the potential to provide equality and low on the potential to provide liberty.	0	0	

Comparison of states ranked low on potential for equality with ranking for liberty

Eight states (16%) ranked low on provision for equality and high on provision for liberty. Ten states (20%) ranked low on equality and moderate on liberty. No state ranked low on equality and low on liberty.

Table 19 reports states ranking by potential to provide low equality and their rank for the potential for the funding system to provide liberty.

Table 19

Comparison of States Ranking Low on Equality with Rank on Liberty

Ranking	Frequency	Percentage	State
States ranking low on the potential to provide equality and high on the potential to provide liberty.	8	16	Arkansas Indiana Louisiana Missouri Montana Nebraska Nevada South Carolina
States ranking low on the potential to provide equality and moderate on the potential to provide liberty.	10	20	Colorado Idaho Iowa Michigan New Mexico North Dakota Oklahoma Oregon South Dakota Vermont
States ranking low on the potential to provide equality and low on the potential to provide liberty.	0	0	

Conclusions

Based on the findings of this study, the following conclusions were made:

1. Data analyses of state funding systems for capital outlay indicated that 18 states ranked low on their potential to provide equality. Since the 1970s, there has been increasing litigation over the provisions for equality, adequacy, and efficiency in state school funding systems. Since 1973, state supreme courts have handed down judgments in 13 states requiring that the state capital outlay funding systems be changed to address fiscal neutrality and equality of opportunity for students. There already has been litigation in some states that provide no or minimal state funding for school facility construction, and this litigation has required legislative revisions to state funding formulas. Therefore, it is likely that funding systems for school capital outlay in the 18 states that still provide no or minimal equalization are likely to be challenged in the courts.

2. Past litigation clearly has not resolved equality concerns related to funding capital outlay. Despite litigation in several states, the court decisions have not provided policy guidelines applicable to all states. In large measure, continuing inequalities may reflect the reality that legislation in this area has been determined almost entirely by political variables, while legal and economic principles may have had little influence.

3. Data analyses show liberty as a strong societal metavalue, and all but one state have provided local school boards or other governing bodies moderate to high levels of local control over school capital outlay. All states, except Hawaii, fund school capital outlay to some extent with local property tax revenues. Because the need for school construction is substantial in the United States and because local control over funding for

school capital outlay is given and controlled by the state, it is likely that there will be substantial legal and political debates over school construction formulas.

4. Data show a large variability in state rankings for provision of equality. In part, variability may reflect the tendency of the courts to tolerate some degree of inequality in order to preserve liberty. State supreme court decisions that have defined equality in individual states have not produced a definition of equality that is accepted nationwide. Thus, both policymaking and litigation are not expected to be based on a national standard for equality.

5. Data analyses show that 32 states ranked moderate or high on equality and 49 states ranked moderate or high on liberty. As state legislators have developed policy for state funding of capital outlay expenditure, it appears that state policies have been weighted toward provision of liberty. Because of the tension between provisions for liberty and equality, it is likely that there will be political and legal debates over balancing liberty and equality in school capital outlay funding.

Recommendations

Based on a review of the literature and related research, and the findings and conclusions reported here, the following recommendations are made:

1. Because there has been extensive litigation since the 1970s and 18 states continue to rank low on equality, state and national policymakers should study existing capital outlay funding policies. The study should include factors sustaining policies that provide low potential for providing equality in those 18 states.

2. Through the legislative process, funding formulas appear to have been developed and funded more by political process and compromise than by economic or

legal principles. Consideration should be given to developing a model decision-making process that balances economic and legal principles with political variables.

3. Six states - Alaska, Connecticut, Maryland, Massachusetts, Rhode Island, and Virginia - had the most ideal conditions for funding capital outlay. Provisions for liberty and equality ranked high, and the state systems were fully funded. The tenets, concepts, and other elements of the capital outlay funding systems from these six states should be studied by policymakers in other states.

4. Equality provisions still vary considerably across the states. Thus, further study should be conducted to examine the net effect of low equality provisions on the condition of existing facilities in those states.

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Appendix A

Appendix A

Rubric 1 - Equality in State Capital Finance Systems

State equality provision and rank

Description	Rank
State contribution provides: a. High level of state support for 70% or more of school facilities constructed in the state. b. Equalization grants which provide funding in an inverse proportion to local property wealth, including 70% or more of the cost share of school facility construction for all local districts which rank in the 25% poorest. c. Matching grants which pay 70% or more of the cost share of school facility construction. d. Flat grants which pay 70% or more of the cost share of school facility construction.	High

State equality provision and rank (Continued)

State contribution provides: a. High level of state support for less than 70% and more than 35% of school facilities constructed in the state. b. Equalization grants which provide funding in an inverse proportion to local property wealth, including less than 70% and more than 35% of the cost share of school facility construction for all local districts which rank in the 25% poorest. c. Matching grants which pay less than 70% and more than 35% of the cost share of school facility construction. d. Flat grants which pay less than 70% and more than 35% of the cost of school facility construction. e. Planning or other categorical assistance grants greater than 35% of the cost of school facility construction.	Moderate

State equality provision and rank (Continued)

State contribution provides: a. High level of state support for 35% or fewer of school facilities constructed in the state. b. Equalization grants which provide funding in an inverse proportion to local property wealth, including 35% or less of the cost share of school facility construction for all local districts which rank in the 25% poorest. c. Matching grants which pay 35% or less of the cost share of school facility construction. d. Flat grants which pay 35% or less of the cost of school facility construction. e. Planning or other categorical assistance grants which pay 35% or less of the cost of school facility construction. f. No interest loans. g. Low interest loans. h. No state aid.	Low

Equality in State Capital Finance Systems

Potential for policy to provide equality is based upon the provision of fiscal neutrality in the state finance system. Historically, states have addressed fiscal neutrality through funding schemes which to a greater or lesser degree offset disparities in local property wealth.

High level of state support. High level of state support is the major assumption of costs by the state. High level of state support differs from other funding schemes because it addresses state funding for both the percentage of districts and schools which qualify for funding at 80% or more of cost of school construction and the percentage of school buildings constructed at this high level of funding. High level of state support was defined in the questionnaire as "Full state support - State provides funding for 80% or more of the cost of construction." Response choices request data on the percentage of school facilities constructed at that level of funding. For example, a state which provided a high level of state support for 90% of local districts was ranked high on equality. A state which provided a high level of state support for 10% of local districts was ranked low.

Questionnaire items: High level of state support

Initial Score	Item
High	• Full state support for 70% or more of school facilities constructed in the state.
Moderate	• Full state support for less than 70% and more than 35% of school facilities constructed in the state.
Low	• Full state support for 35% or fewer of school facilities constructed in the state.

Equalization grants. Equalization grants are provided in an inverse relationship to the ability to pay. Since most local taxes are property taxes, ability to pay depends on the amount of property wealth (i.e., Assessed Valuation) in the local district. Equality for equalization grants is based up the proportion of state contributions to districts as they are ranked by quartiles in order of property wealth (i.e., 25% poorest - 25% wealthiest). Two variables were considered as assessment criteria for equalization grants – state contributions to the poorest 25% of local districts and inverse proportional payments to all districts on the basis of local property wealth.

Questionnaire items: Equalization grants

Initial Score	Item
High	• Equalization grants which pay 70% or more of the cost share of school facility construction for all local districts which rank in the 25% poorest in local property wealth.
Moderate	• Equalization grants which pay less than 70% and more than 35% of the cost share of school facility construction for all local districts which rank in the 25% poorest in local property wealth.
Low	• Equalization grants which pay 35% or less of the cost share of school facility construction for all local districts which rank in the 25% poorest in local property wealth.

Questionnaire items: Equalization grants range of percentage of state contribution

• _____-_____% for local districts which rank as the wealthiest 25% in property wealth.
• _____-_____% for local districts which rank between 75%-51% wealthiest in property wealth.
• _____-_____% for local districts which rank between 50%-26% wealthiest in property wealth.
• _____-_____% for local districts which rank as the poorest 25% in property wealth.

States ranking high in equality provided mathematically inverse proportions of state funding to facility construction. For example, a state providing 25%-10% of school construction funding for the wealthiest districts and 75%-100% for the poorest was ranked high in equality.

For this rubric, the data on equalization grants and range of percentage of state contribution were considered together. States which provided a mathematically inverse proportional contribution but did not provide a minimum contribution of at least 70% to the poorest districts were ranked according to the checklist criteria.

Matching grants. In a matching grant program the state legislature determines a cost-share ratio for all districts. For example, a state which contributed 80% of the funding for school construction with a 20% match by each local district was ranked high. A state which contributed 30% of the funding with a 70% match by each local district was ranked low.

Questionnaire items: Matching grants

Initial Score	Item
High	• Matching grants which pay 70% or more of the cost share of school facility construction.
Moderate	• Matching grants which pay less than 70% and more than 35% of the cost share of school facility construction.
Low	• Matching grants which pay 35% or less of the cost share of school facility construction.

Flat grants. All districts receive the same aid. Distribution of the aid may be based upon a common criterion, such as per pupil. For example, a state which contributed 70% to the cost of a school facility's construction through a flat grant was ranked high. A state which contributed 35% of the cost of a school facility's construction was ranked low.

Questionnaire items: Flat grants

Initial Score	Item
High	• Flat grants which pay 70% or more of the cost share of school facility construction.
Moderate	• Flat grants which pay less than 70% and more than 35% of the cost share of school facility construction.
Low	• Flat grants which pay 35% or less of the cost share of school facility construction.

Planning and categorical grants. States may provide categorical funding for planning, environmental issues, programs (e.g., technology cabling), or other categorical funding. For the purposes of this study, the total of categorical funding was considered as a flat grant.

No and low interest loans. States may provide no interest or low interest loans for school construction. Although loans may lessen the burden of local effort, loan programs do not address fiscal neutrality and, therefore, were considered as low equality for the purposes of this study.

No state aid. States which did not provide state funding for school facility construction were ranked low.

Other. States may chose to provide some state funding for school facility construction for various reasons, including lower local property tax. For the purposes of this study, states which provide aid but have not adopted one of the funding schemes listed above were considered as providing a flat grant.

State finance systems for funding school facility construction vary considerably among the 50 states. A state system may be high on provision of an equalization grant and provide a planning grant or other categorical aid as well. When components of a finance system had differing initial scores, the final rank on the rubric was derived from the primary system for construction funding. For example, a state which provided an equalization grant with 90% funding for the poorest districts (high) and planning grants for 10% of construction costs (low) was ranked high.

Appendix B

Appendix B

Rubric 2 - Liberty in State Capital Finance Systems

State liberty provision and rank

Description	Rank
The state: a. Permits local school boards to decide on and approve capital outlay. b. Permits local boards to decide whether to have a referendum and/or participate in a petition drive or similar process. c. Makes no restrictions on school facility site or design. d. Provides guidelines for school facility site or design. e. Allows local selection of architects. f. Does not restrict local board control of property tax levy and/or rate. g. Allows total indebtedness to a percentage of 30% or more of Assessed Valuation. h. Does not restrict length of indebtedness. i. Does not restrict local board decisions to sell bonds through a building authority or holding company to lease-purchase a facility.	High

State liberty provision and rank (continued)

The state: a. Requires a referendum and/or petition drive or similar process prior to approval. b. Provides regulations for classroom size, library-media space, gymnasiums and other facility issues. c. Provides common design(s) for building types and sizes to which the local district may add or improve as a local choice. d. Provides for a choice of state approved architects. e. Restricts local board control of property tax levy and/or rate but allows additional local effort through referendum and/or petition drive or similar process. f. Restricts total indebtedness to a percentage less than 30% and greater than 10% of Assessed Valuation. g. Allows length of indebtedness of 20 years or more. h. Regulates and approves local board decisions to lease-purchase through a building authority or holding company.	Moderate

State liberty provision and rank (continued)

The state: a. Decides and approves capital outlay for school construction b. Requires common design(s) for building types and sizes. c. Sets strict standards and has approval of architects. d. Controls local property tax levy and/or rate. e. Restricts total indebtedness to a percentage of 10% or less of Assessed Valuation. f. Restricts length of indebtedness to less than 20 years. g. Does not permit local boards to lease-purchase through a building authority or holding company.	Low

Liberty in State Capital Finance Systems

Potential for liberty is based upon the provision for local school district control and effort in the state finance system. The measure of local control for school construction processes is one measure of local liberty. Local liberty is theoretically inversely related to state centralization of power and control. For the purposes of this rubric, liberty was assessed as a measurement of state control.

State limitations on local district liberty are related to several variables. For this rubric, limitations on local decisions were grouped under three constructs – approval of capital outlay for school construction, school facility site and design, and capital outlay

funding. The frequency of response options were totaled by rank. A formula using the average of the sum of weighted scores was used to determine rank on the liberty rubric. Higher scores were attributed to greater liberty in local decision making.

Approval of capital outlay for school construction. The state may allow local boards to decide on the need and approve school facility construction. The state may also require approval through a referendum or petition drive (e.g., remonstrance), or reserve the decision and approval to itself. For example, a state which permitted a local board to approve capital outlay for school construction was ranked high in liberty. A state which retained approval to itself was ranked low.

Questionnaire items: Approval of capital outlay for school construction

Initial Score	Item
High	• Permits local school boards to decide and/or approve capital outlay provisions. • Permits local boards to decide whether to have a referendum and/or participate in a petition drive or similar process.
Moderate	• Requires a referendum and/or petition drive or similar process prior to approval.
Low	• Decides and approves capital outlay for school construction.

School facility site and design. States may control and regulate school facility site and design by several means. For example, state policies which allowed local selection of school design were ranked high in liberty. States which mandated common school designs were ranked low.

Questionnaire items: School facility site and design

Initial Score	Item
High	• Makes no restrictions on school facility site or design. • Provides guidelines for school facility site or design. • Allows local selection of architects.
Moderate	• Provides regulations for classroom size, library-media space, gymnasiums and other facility issues. • Provides common design(s) for building types and sizes (e.g., 500 student elementary building) which the local district may add to or improve as a local choice. • Provides for a choice of state approved architects.
Low	• Requires common design(s) for building types and sizes. • Sets strict standards and has approval of architects.

Capital outlay funding. Funding for the purposes of this rubric refers to state control over local board decisions about funding school construction. These decisions may include restrictions on total indebtedness, length of indebtedness, and use of building authorities or holding companies to lease-purchase facilities.

Questionnaire items: Capital outlay funding

Initial Score	Item
High	• Does not restrict local board control of property tax levy and/or rate. • Does not restrict length of indebtedness. • Allows total indebtedness to a percentage or 30% or more of Assessed Valuation. • Does not restrict local board decisions to lease-purchase through a building authority and/or holding company.
Moderate	• Restricts local board control of property tax levy and/or rate but allows additional local effort through referendum and/or petition drive process. • Allows length of indebtedness to 20 years or more. • Restricts total indebtedness to a percentage of less than 30% and more than 10% of Assessed Valuation. • Regulates and approves local board decisions to lease-purchase through a building authority and/or holding company.
Low	• Controls the local property tax levy and/or rate. • Restricts length of indebtedness to less than 20 years. • Restricts total indebtedness to a percentage of 10% or less of Assessed Valuation. • Does not permit local boards to lease-purchase through a building authority and/or holding company.

A response analysis for each state was conducted using the rubric for liberty (See Appendix B). State responses for Part B of the survey questionnaire (See Appendix D) were categorized by the type and extent of state restrictions on categories of local decision making provided in the funding system. States were rated as high, moderate, or low on liberty based on the potential of the system to provide local choice in the funding of capital outlay for school construction using a weighted formula. Because liberty is defined as the amount of local control allowed by the state, the weighted numerical scores used for calculating liberty were 1.55 for responses ranked high on the rubric for liberty (i.e., little or no state limitation or control), 0.875 for responses ranked moderate (i.e., moderate state limitation or control), and zero (0) for responses ranked low (i.e., significant state limitation or control). Numerical scores for high and moderate responses were weighted because of a differing numbers of response items on the rubric among the three ranks. State responses on state control over local district bonding were not used in the calculation because due to the nature of the response choices, the results of responses on local district bonding could not be analyzed. Because states varied in the number of responses provided, an average score was used to rank state capital outlay systems on their potential to provide liberty.

All states provided a range of item responses among the three categories and ranks. Frequencies of responses for each were tabulated by rank, given a weighted score, and averaged. States that had an average score between zero (0) and 0.75 were ranked low on provision of liberty. States that had an average score greater than 0.75 and less than 1.15 were ranked moderate on provision of liberty. States that had an average score of 1.15 or more were ranked high on provision of liberty.

Although state responses on state control over local district bonding were collected, the data were not used in the calculation because analyses indicated that the data might not be reliable.

Questionnaire items: Local district bonding

Initial Score	Item
High	• Allows local district bonding to a percentage of 10% or more of Assessed Valuation.
Moderate	• Restricts local district bonding to a percentage less than 10% and more than 3% of Assessed Valuation.
Low	• Restricts local district bonding to a percentage of 3% or less of Assessed Valuation.

Appendix C

August 3, 1999

[Business Address]

Dear _____:

The enclosed questionnaire is a part of my doctoral dissertation that is being sent to each State Department of Education or state governmental agency which is responsible for school facility remodeling and construction. Responses to this questionnaire will be used to develop a national data base describing state capital funding policies and procedures. Responses will also be analyzed for state provision for equality (i.e., fiscal neutrality) and liberty (i.e., local control). As a doctoral student at Ball State University, I will use the results of this questionnaire as findings for my dissertation.

The enclosed instrument should take only a few minutes of your time to check those statements which apply to school facility funding in your state. Each survey is identified by state for follow up purposes only. Your responses will be treated as confidential with no reference made in oral or written reports that could link you to the study. Your response is voluntary and failure to provide some or all the requested information will not in any way affect you adversely. The information from the questionnaires will be stored securely and will be made available only to persons responsible for completion of the study. If you cannot complete the survey for some reason, please pass this letter and the survey material on to someone who can do so.

Your knowledge and experiences with your state's funding of school construction are most valuable and your responses are critical to this research. It would be appreciated if you would complete and return the questionnaire in the enclosed stamped, self-addressed envelope before September 1, 1999. Any comments or additional information that you have regarding this study would be greatly appreciated.

Thank you very much for your participation in the study and the completion of the survey instrument. If you wish, a copy of the completed findings will be mailed to you upon completion of the study.

Sincerely,

Robert E. Schmielau
Ball State University
Doctoral Student

Dissertation Advisor:
Theodore J. Kowalski, Ph.D.
Department of Educational Leadership
Ball State University
Muncie, IN 47306-0590
765-285-1528

Appendix D

STATE OF INDIANA: Department of Education

Completed by: _____ Title _____
(Optional)

DIRECTIONS: Answers on this questionnaire will be used to create a national data base on state laws and regulations (i.e., policies) for the remodeling and/or construction of school facilities. All statements are based on *state* policies and funding.

PART A - STATE FUNDING CONTRIBUTION ***(Please Check all that apply.)***

✓ **The state contribution to school construction provides:**

Full state support - State provides funding for 80% of more of the cost of construction.

☐ Full state support for 70% or more of school facilities constructed in the state.

☐ Full state support for less than 70% and more than 35% of school facilities constructed in the state.

☐ Full state support for 35% or fewer of school facilities constructed in the state.

No state support

☐ No state funding for school construction.

Matching grants - State provides funding through a proportional match to a local contribution.

☐ Matching grants which pay 70% or more of the cost share of school facility construction.

☐ Matching grants which pay less than 70% and more than 35% of the cost share of school facility construction.

☐ Matching grants which pay 35% or less of the cost share of school facility construction.

Flat grants - State provides funding based upon a common criterion (e.g., enrollment).

☐ Flat grants which pay 70% or more of the cost share of school facility construction.

☐ Flat grants which pay less than 70% and more than 35% of the cost share of school facility construction.

☐ Flat grants which pay 35% or less of the cost share of school facility construction.

Planning and categorical assistance grants - State provides funding for specific tasks.

☐ Planning and/or other categorical assistance grants totaling more than 35% of the cost share of school facility construction.

☐ Planning and/or other categorical assistance grants totaling an amount equal to 35% or less of the cost share of school facility construction.

BEST COPY AVAILABLE

STATE OF INDIANA: Department of Education

State loan programs

☐ Zero percent (0%) interest loans for school construction.

☐ Low interest loans for school construction.

Equalization grants - State provides funding in an inverse proportion to local districts' local property wealth (e.g., Assessed Valuation per pupil or other state measure of local wealth).

☐ Equalization grants which pay 70% or more of the cost share of school facility construction for all local districts which rank in the 25% poorest in local property wealth.

☐ Equalization grants which pay less than 70% and more than 35% of the cost share of school facility construction for all local districts which rank in the 25% poorest in local property wealth.

☐ Equalization grants which pay 35% or less of the cost share of school facility construction for all local districts which rank in the 25% poorest in local property wealth.

Please complete the following statements by filling in the range of percentage of state contribution.

Equalization grants only - Description of proportional distribution for school construction.
The state contribution to school construction generally provides:

- _____-_____% for local districts which rank as the wealthiest 25% in property wealth.
- _____-_____% for local districts which rank between 75%-51% wealthiest in property wealth.
- _____-_____% for local districts which rank between 50%-26% wealthiest in property wealth.
- _____-_____% for local districts which rank as the poorest 25% in property wealth.

Other state contributions or comments: Please describe. _____

_____

_____

_____

_____

_____

Robert Schmielau, Superintendent
Randolph Eastern School Corporation
907 Plum Street
Union City, IN 47390

Ball State University
Muncie, Indiana

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STATE OF INDIANA: Department of Education

PART B - STATE CONTROL OF DECISION-MAKING *(Please check all that apply.)*

✓ **The state:**

Approval of capital outlay for school construction.

- ☐ Permits local school boards to decide and/or approve capital outlay provisions.
- ☐ Permits local boards to decide whether to have a referendum and/or participate in a petition drive or similar process.
- ☐ Requires a referendum and/or petition drive or similar process prior to approval.
- ☐ Decides and approves capital outlay for school construction.

Facility site and design.

- ☐ Makes no restrictions on school facility site or design.
- ☐ Provides guidelines for school facility site or design.
- ☐ Provides regulations for classroom size, library-media space, gymnasiums and other facility issues.
- ☐ Provides common design(s) for building types and sizes (e.g., 500 student elementary building) which the local district may add to or improve as a local choice.
- ☐ Requires common design(s) for building types and sizes.

Selection of architects.

- ☐ Allows local selection of architects.
- ☐ Provides for a choice of state approved architects.
- ☐ Sets strict standards and has approval of architects.

Property tax levy and rate control.

- ☐ Does not restrict local board control of property tax levy and/or rate.
- ☐ Restricts local board control of property tax levy and/or rate but allows additional local effort through referendum and/or petition drive process.
- ☐ Controls the local property tax levy and/or rate.

Length of indebtedness.

- ☐ Does not restrict length of indebtedness.
- ☐ Allows length of indebtedness to 20 years or more.
- ☐ Restricts length of indebtedness to less than 20 years.

STATE OF INDIANA: Department of Education

Total indebtedness - Loans, general obligation bonds, and lease-purchase bonds.

☐ Allows total indebtedness to a percentage of 30% or more of Assessed Valuation.

☐ Restricts total indebtedness to a percentage of less than 30% and more than 10% of Assessed Valuation.

☐ Restricts total indebtedness to a percentage of 10% or less of Assessed Valuation.

Local district bonding - Local district's ability to let bonds for capital outlay.

☐ Allows local district bonding to a percentage of 10% or more of Assessed Valuation.

☐ Restricts local district bonding to a percentage less than 10% and more than 3% of Assessed Valuation.

☐ Restricts local district bonding to a percentage of 3% or less of Assessed Valuation.

Building Authorities and/or Holding Companies - State allows a public or private corporation to sell bonds and sell the school facility to the district through lease-purchase or other arrangement.

☐ Does not restrict local board decisions to lease-purchase through a building authority and/or holding company.

☐ Regulates and approves local board decisions to lease-purchase through a building authority and/or holding company.

☐ Does not permit local boards to lease-purchase through a building authority and/or holding company.

Other state controls or comments. Please describe. _____

_____

_____

_____

Thank you for your contribution.

☐ May I contact you for clarification of this information if necessary?

☐ Do you want a copy of the completed data base?

If so, please provide the following information:

Name _____ Title _____

Address _____ City _____

State _____ Zip _____ Phone _____

Robert Schmielau, Superintendent
Randolph Eastern School Corporation
907 Plum Street
Union City, IN 47390

Ball State University
Muncie, Indiana

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