



**Date:** December 6, 2023

**Source of Report:** [LD 1415 – PL 2023 Chapter 462](#): An Act to Expand Access to School Construction Funding

**Topic:** Study: recommendation on researching and identifying alternative pathways or revenue sources to finance school construction needs in the State.

### **Context**

LD 1415, An Act to Expand Access to School Construction Funding, directs the Department of Education (DOE) to conduct a study regarding the financing of school construction. This section states “the Commissioner of Education shall conduct a study for the purpose of making recommendations on researching and identifying alternative pathways or revenue sources to finance school construction needs in the State. The commissioner shall report the recommendations of the study, including any necessary implementing legislation, to the Joint Standing Committee on Education and Cultural Affairs no later than December 6, 2023”. The most recent thorough review of school construction occurred through the Governor’s School Facilities Commission in 1998. Additionally, there was a Maine School Building Authority defined in Title 20-A, Chapter 607 created in 1967 and repealed in 1993.

The need for enhanced school construction funding is great, as evidenced by applications for limited state funding in the previous cycles of the Major Capital School Construction Program. In 2010-2011, 71 schools applied for major capital construction projects and only 16 were selected for funding. In 2017-2018, the next rating cycle, 74 applications were submitted, with only seven projects funded. The next application cycle will be initiated in calendar year 2024. While many communities are applying for this funding, the amount of funding available is not sufficient to meet their needs. With an aging stock of school buildings throughout the state, we anticipate continued high demand for state support in shouldering the cost burdens of school renovation and new construction on local municipalities.

In this report, the Office of School Facilities staff is tasked with exploring information for meeting this great need throughout the state, including previous research and established best practices. Key to informing this report and recommendations is *50-State Comparison: K-12 School Construction Funding*, issued by the Education Commission of the States in June 2023.

### **Findings**

To complete this report, the Director of the Office of School Facilities for the Maine DOE conducted a review of the *50-State Comparison: K-12 School Construction Funding*. This report illustrates the variety of ways that funding for public school construction is provided in states across the country including grants, loans, and bonds. The percentages of state contributions vary

from 0% to 100%, with 90% of states offering some level of assistance. State revenue sources include property tax revenues (primarily for local amounts), state general funds, sales taxes, lottery revenues, and excise taxes. The report further identifies that 28 states incorporate an equity component within their appropriation policies.

According to the report, in the New England region there are significant differences in state school construction funding. Vermont provides very little state assistance to school districts for new construction while Maine, Rhode Island, and Massachusetts provide significant state support. Maine is in the minority, regionally and nationally, in that funding is not conditioned on local wealth. Here are some key takeaways relevant to Maine construction funding, as well as comparisons to Vermont and Colorado, other local control states.

#### *Financial Assistance:*

- Twenty-eight states, including Maine, provide both appropriations and financing options, while ten states solely offer appropriations, and seven states along with the District of Columbia provide financing options.
- Maine is one of five locations, including the District of Columbia, Hawaii, Rhode Island, and Wyoming, that funds projects to 100%.
- Colorado provides appropriations (30% to 100%) and Vermont provides both appropriations and financing options (30%).

#### *Revenue:*

- At least 19 states have established dedicated revenue sources for school construction funding. This includes sales and use taxes, excise taxes, lottery revenue, and proceeds from the sale and use of state lands. Maine does not have this specified in state policy.
- Nationally there are six states that use sales tax to fund school construction. In the New England region, Massachusetts funds school construction using 1% of its sales tax to assist local school districts in funding projects.
- Colorado revenue sources include state land proceeds, state lottery proceeds, and revenues from the state marijuana excise tax.

#### *Appropriations:*

- Thirty-eight states including Maine, provide aid to school districts for upfront planning or construction costs through appropriation. Five states, including Vermont, have programs established in law that are not currently active. Payments take the form of direct grant aid to defray the costs incurred by projects or to reimburse locally issued debt, without requiring school districts to repay the state.

- Twenty-eight states, including Colorado but not including Maine, incorporate an equity component within their appropriation policy. This means they prioritize or provide more funding for projects for school districts with lower levels of property wealth.

*Financing:*

- Thirty-five states, including Maine, employ various financing mechanisms, such as bond issuance, to fund school construction costs.
- Colorado does not offer financing options. Vermont has a program established in law that is not currently active.

*Oversight and Prioritization:*

- School districts seeking state appropriations or financing support typically require approval from the state or designated authority. This is true in Maine, Vermont, and Colorado.
- In many cases, voter approval is necessary at the state and/or local level to issue debt for financing school construction projects. Thirty-five states, including Maine, Vermont, and Colorado require some level of voter approval for such debt issuance.

## **Recommendations**

To find the most fiscally responsible and equitable method of funding public school construction in Maine a commission should be created to thoroughly review all options and implications involved in school construction funding.

This commission’s review should include consideration of increasing revenue sources. In conjunction with additional revenue sources, transitioning from long-term bonds to a “build-with-cash model” should be considered as well as the benefits of an independent School Building Authority to manage and administer the program.

Ideally, this commission should include a broad range of participants that mirrors the 1996 State Board of Education School Construction Study Group, and includes representative stakeholders from across the state.

## **References**

- Debt service limit MRS, Title 20-A §15905
- Chapter 61: *State Board of Education Rules for Major Capital School Construction Projects*

- Education Commission of the States, *50-State Comparison: K-12 School Construction Funding*: <https://www.ecs.org/50-state-comparison-k-12-school-construction-funding-2023/>

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