CAPITAL OUTLAY AND/OR DEBT SERVICE

Alabama
Amount per student adjusted for wealth of LEA as determined by the value of 1 mill of ad valorem tax per student.

Alaska
State reimburses municipalities up to 70% of debt service costs for pre-approved construction projects over $25,000. Direct construction appropriations are made for schools outside organized municipalities.

Arizona
No information provided.

Arkansas
6-20-2503 Bonded debt assistance: (b)(1) ... the state shall provide eligible school districts with financial assistance for the purpose of retiring outstanding bonded indebtedness in existence as of January 1, 2005. (2) The amount of financial assistance under this section is based on: (A) The total amount required to satisfy a school district's outstanding bonded indebtedness in existence as of January 1, 2005; (B) The annual amount due on a fiscal year basis from the school district in accordance with the principal and interest payment schedule in effect and on file with the Department of Education on January 1, 2005, for the outstanding bonded indebtedness identified under subdivision (b)(2)(A) of this section; and (C) The calculation in subdivision (b)(3)(A) or (b)(3)(B) of this section. (2)(A) In addition to the financial assistance provided under subsection (b) of this section, a school district shall receive in accordance with subdivision (e)(2)(B) of this section state financial assistance equal to all or a portion of the general facilities funding that the school district received or would have received under the Supplemental School District Funding Act of 2003, § 6-20-2401 et seq. [repealed], during Fiscal Year 2005. (B) The commission shall phase out state financial assistance under this subsection over a ten-year period by reducing the amount received by a school district under this subsection after Fiscal Year 2006 by 1/10 in each year of the ten-year period with the savings distributed through the Educational Facilities Partnership Fund Account in accordance with rules promulgated by the commission. (f)(1) If a school district elected to receive supplemental millage incentive funding under the Supplemental School District Funding Act of 2003, § 6-20-2401 et seq. [repealed], during Fiscal Year 2005, the commission shall compute the difference between the amount of supplemental millage incentive funding that a school district received in Fiscal Year 2005 and the amount of debt service funding supplement and general facilities funding that the school district would have received under the Supplemental School District Funding Act of 2003, § 6-20-2401 et seq. [repealed], in Fiscal Year 2005. (2)(A) In addition to the financial assistance provided under subsection (b) of this section, a school district that elected
to receive supplemental millage incentive funding under §6-20-2401 et seq. [repealed], shall receive in accordance with subdivision (f)(2)(B) of this section state financial assistance equal to all or a portion of the amount of supplemental millage incentive funding that exceeded the amount that the school district would have received under debt service funding supplement and general facilities funding under § 6-20-2401 et seq. [repealed]. (B) The commission shall phase out the state financial assistance under this subsection over a ten-year period by reducing the amount received by a school district under this subsection after Fiscal Year 2006 by 1/10 in each year of the ten-year period with the savings distributed through the Educational Facilities Partnership Fund Account in accordance with rules promulgated by the commission. Projects after January 1, 2005 may receive funding under Arkansas Code § 6-20-2501 - the "Arkansas Public School Academic Facilities Funding Act".

**California**

California has a statewide school building program supported by statewide bond measures. Statewide bond measures require a simple majority (50% plus one to pass. Local school districts can also issue school construction bonds and levy property taxes to pay for them, provided they get voter approval. In November 2000 California voters passed Proposition 39, which allows school bonds to be approved with a 55% “super-majority” (with restrictions on the amount of the bond and greater accountability requirements). Since the passage of Proposition 39, districts have had the choice of whether to seek two-thirds or 55% approval. Local elections that rely on 55% approval have been more successful, with more than 80% passing.

School districts also have the authority to levy developer fees on residential and commercial construction or reconstruction, but statewide these fees generate significantly less money than bonds. The money may be used only for school facilities, including portable classrooms. These fees are charged both to developers of new residential and commercial properties and to property owners who add square footage to existing homes. No fee is assessed if there is no change in square footage or for residential additions of less than 400 square feet.

Current estimates are that from 2009 through 2014, California school districts will need more than $7.8 billion in state matching funds to build almost 22,000 new classrooms. Another $3.5 billion will be needed to modernize more than 35,000 classrooms that are 25 years or older. State bond measures passed in 2004 have provided almost $10 billion in funding for public school facilities projects designed to meet K–12 school facility needs through 2008-09. See our School Facilities Fingertip Facts Web page at [http://www.cde.ca.gov/ls/fa/sf/facts.asp](http://www.cde.ca.gov/ls/fa/sf/facts.asp) for more information. The state matching requirement for new construction requires an equal local contribution. Modernization is 60 percent state-funded and 40 percent locally funded. State contributions are based on specific criteria.

**Colorado**
The bonding limit is 20% of assessed valuation. In a district with rapid enrollment growth, 25% of assessed valuation is the limit. Rapid enrollment growth is defined as 2.5% or more increase in enrollment per year for at least three years.

**Connecticut**
The state pays 20-80 percent of approved projects, inversely related to district wealth. For regional districts, the state pays an additional 10 percentage points on an equalized basis, but such districts may not receive more than 85 percent reimbursement. In addition, the state pays 95 percent for approved interdistrict magnet schools, agricultural science centers and regional special education facilities. Bonded indebtedness may not exceed 160 percent of the current year estimated tax receipts.

**Delaware**
The state pays between 60% and 80% of approved projects; 100% for special schools and vocational schools. Bond issue must be approved by referendum. Bonded indebtedness is limited to 10% of the assessed valuation of the district.

**Florida**
Pursuant to Article XII, Section 9(d), of the Florida Constitution, the first proceeds from the tax on motor vehicle licenses are available to school districts and state colleges for capital outlay purposes. The number of instructional units determines the annual allocation of Capital Outlay and Debt Service funds for each school district and state college. A school district or state college may elect to bond its allocation or receive the funds as cash (commonly referred to as “flow-through”).

**Georgia**
The state provides grants based on increased growth and consolidation. Bonded indebtedness may not exceed 10% of a school district’s total assessed property.

**Hawaii**
The State Legislature appropriates funds for public school system capital improvements. The appropriation varies depending on annual decisions; however, the major components are:

- New school construction projects
- Construction of new classrooms or other facilities on existing campuses
- Major repairs and maintenance, such as roofing, remodeling, etc.
- Whole school renovations, prioritized based on age of the campuses
- Compliance with the Americans with Disabilities Act (ADA requirements and other health and safety regulations, including noise/heat abatement).
- Electrical upgrades
As part of landmark legislation in 2004, several school construction and repairs/maintenance functions were transferred from another state agency to the public school system. As a result of the successful implementation of this transfer, the public school system achieved significant improvements in service levels, response time and efficiencies in providing services to schools.

Idaho
Bonded indebtedness may not exceed 5% of total assessed market value of property. Some elementary school districts have a limit of 2%.

Illinois
Funds are annually appropriated for capital construction projects. However, due to a lack of available revenues to support these appropriations, funds are regularly re-appropriated until such time as revenues become available.

Indiana
Does not apply.

Iowa
Debt is limited to 5% of assessed property valuation.

Capital outlay is provided by a local property tax levy/income surtax, a local bond issue, or a statewide one-cent sales and services tax for school infrastructure. No supplemental state aid is provided.

Kansas
Districts may make a mill levy of up to 8 mills for capital projects and equipment. The state provides state aid to school districts based upon the amount of taxes levied. The state aid rate for each district is computed based on the assessed valuation per pupil of the district, with the lower valuation per pupil districts getting a higher state aid rate.

Kentucky
The state provides $100 per aggregate average daily attendance (AADA) in its biennial budget for school districts to use for priority projects approved on the district facility plan or for payment of debt service. These are restricted funds.

School Facilities Construction Commission issues and pays principal and interest on bonds based on the funding allotted in the biennial budget for that purpose. The allocation of funds is distributed to districts based on the district’s unmet need percentage relative to the total district unmet need of the state.
Louisiana
No State Aid Provided.

Maine
All expenditures for school construction that are approved by the State Board of Education are subsidized by the State.

Maryland
School construction is shared State/local costs. Some school construction costs or projects are exclusively the responsibility of the local jurisdiction. They include site acquisition; architectural and engineering fees; utility connections; regional or central administrative offices; permits; and movable furniture and equipment. The State funds its share of school construction primarily through the issuance of general obligation bonds and PAYGO operating funds. The State also provides an annual grant for Aging Schools.

Massachusetts
School building assistance is calculated based on a formula that weighs a community’s property value and income against state wide averages and includes a poverty factor based on the district’s proportion of low income students. State bonds are issued backed by a penny of the state’s five-cent sales tax to support actual building expenses. Payments are made to communities for approved school projects as expenses are incurred, mitigating the state’s obligation on interest costs.

Michigan
Michigan does not allocate additional funding for capital outlay/debt service. Districts must pass a dedicated millage for these items or use their general funds.

Minnesota
The capital outlay revenue program include four major components not requiring voter approval: operating capital revenue, health and safety revenue, alternative facilities revenue and lease levies. Operating capital revenue, which is part of the general education revenue program, equals $173 plus $1 times the lesser of 50 or the district’s average school building age per weighted ADM, and is funded with an equalized levy. Health and safety revenue equals the approved cost of health and safety projects, and is also funded with an equalized levy. Alternative facilities revenue allows 24 large school districts to make an annual levy or issue bonds for the approved costs of deferred maintenance, health & safety or disabled access, and allows other districts to make an annual levy or to issue bonds for the approved costs of health & safety projects exceeding $500,000 per site. Additionally, a district may also levy for the approved cost of renting or leasing facilities, not to exceed $150 per pupil unit. Charter schools receive building
lease aid equal to the lesser of $1,200 per weighted ADM or 90% of approved building lease costs.

Two programs require voter approval: issuance of general obligation bonds, which are repaid with an annual debt service levy, and capital project referendum levies. For debt service, a district may levy an amount equal to 105% of the amount needed to make principal and interest payments on general obligation bonds. The levy is equalized by the state using a two-tiered equalization formula. Additionally, a district may levy the local tax rate approved in a capital project referendum for facilities and equipment purposes. No state equalization is provided for this levy.

Further, a district may levy without voter approval 105% of the amount needed to make principal and interest payments on certificates of indebtedness or capital notes issued for certain facilities projects or the purchase of specified capital equipment. The amount levied under this program is subtracted from the general fund levy of the district.

Finally, a limited loan program, requiring specific legislative approval for individual projects, exists to assist districts with unusually high debt service effort.

**Mississippi**
State provides $18 per year per pupil in ADA. Bonded indebtedness limit is 15% of assessed property valuation. Additional authority for Notes and Certificates of indebtedness is limited to the amount a three mill tax levy for 10 years will repay, including interest.

**Missouri**
There is no state funding specifically for capital outlay or debt service. However, a portion of each district's state aid comes through the Classroom Trust Fund. This fund consists of money generated by state riverboat gaming operations and unclaimed lottery prize money. This money may be placed in any fund at the discretion of the local school board, including Capital Projects and Debt Service, and used for any purpose.

School districts in Missouri may take advantage of the state's credit rating when issuing general obligation bonds, thus obtaining a lower interest rate than would otherwise likely be available to the district. Districts choosing this option have a portion of their monthly state payment redirected to a selected bank that manages the principal and interest payments on the bonds.

Due to funding constraints, districts may transfer previously accrued funds from Captial Outlay back to either the Incidental or Teacher Fund. This allowance applies until such time the Foundation Formula again becomes fully funded.

**Montana**
Bonded indebtedness may not exceed 50% of taxable property value of the district. District may issue bonds for limited purposes after an election. State facilities acquisition program assists districts in repaying bonds by providing subsidies to districts having lower than statewide average taxable valuation per pupil. The 2009 Legislature appropriated $34 million in FY2010-11 for grants to school districts for infrastructure under the Quality Schools Facilities Program. The purpose of the program is to distribute grants to public school districts to assist schools in addressing major deferred maintenance, energy efficiency, critical infrastructure needs, emergency facility needs, and technological improvements.

**Nebraska**
There are no limits on school districts.

**Nevada**
Bonded indebtedness may not exceed 15% of assessed valuation.

**New Hampshire**
For single town districts the state pays 30%-60% of annual payment of bonded principal for approved construction and renovation projects. For cooperative districts the range is 40%-60%. Rates are based on the number of towns within the cooperative and the equalized valuation per pupil and median family income of those towns. Limitations based on capacity needs and a per square footage rate apply to new construction. Up to an additional 3% may be awarded for projects that meet New England’s Collaborative for High Performance Schools.

**New Jersey**
Debt service is available to any district with qualifying outstanding debt from school construction or renovation projects. The SFRA defines the debt service state share percentage as the ratio of Equalization Aid to the Adequacy Budget.\(^1\) In addition, with the enactment of the Education Facilities Construction and Financing Act (EFCFA) in fiscal year 2000, districts could choose to receive grants of no less than 40% of department approved eligible construction costs, or their debt service state share described above.

**New Mexico**
Guarantee of $62.04 per mill per program unit less two mills, other by application. Bonding limit of 6% of net assessed property valuation. Mill levy of (10) less two mills and debt service.

**New York**

\(^1\) While the SFRA includes the above calculation, the state has actually used the same state share percentage for debt service aid for every district since FY 2002.
State Building Aid is based on and paid on an Assumed Amortization Schedule. Depending on whether the work done is reconstruction, additions or new buildings, aid is paid to school districts over 15, 20 or 30 years, respectively. Aid is provided primarily for debt service. The formula is wealth-equalized based on real property wealth of the district with a selection of aid ratios back to 1981-82. Limits for bonded indebtedness are based on the relationship of debt to full value of district property. Limit is 10% of property valuation for non-city school districts and New York City; 5% for city schools under 125,000 population; and 9% for city school districts over 125,000.

**North Carolina**
State Literary Loan fund provides a maximum loan for any one county in a fiscal year of five hundred thousand dollars ($500,000).

The rate of interest on loans shall be based on 95% of the Bond Buyer 20-Bond Index that is published at the time the loan is approved by the State Board of Education not to exceed eight percent (8%).

**North Dakota**
Capital projects for North Dakota school districts are ultimately funded solely by local property taxes. For major projects, the local school board may request authority from the voters to issue bonds. A supermajority (60%) of the qualified voters voting on the proposed project is necessary for approval. Total outstanding bonds cannot exceed 10% of the total assessed valuation in the district. The voters confer authority to incur indebtedness at a specified amount, to then sell bonds to raise funding for the proposed project, and finally to establish a sinking and interest fund and associated levy to raise revenue to pay interest and amortize the outstanding principal (N.D. CENT. CODE § 21-03). School boards may also secure authority from the voters to establish and maintain a building fund (N.D. CENT. CODE § 57-15-16). This authority may be approved to a maximum of 20 mills per year. Since 1985, school boards have had the authority on their own initiative to sell bonds and then pay interest and amortize the principal from proceeds of the building fund levy. A number of restrictions and requirements apply to such action (N.D. CENT. CODE § 21-03).

**Ohio**
Permissible local bonded indebtedness is 9% of assessed property valuation unless a district is declared to be “special needs.”

State has a School Facilities Commission (separate from the Department of Education) that funds school facilities projects for school districts, with the percentage of state funding inversely proportional to the relative wealth of the district, based on local property valuation. For more information, see [http://www.osfc.ohio.gov/](http://www.osfc.ohio.gov/)
Oklahoma
Bonded indebtedness cannot exceed 10% of total assessed valuation.

Oregon
One of the four components in the school equalization includes a limited grant program for classrooms. Please see the facilities grant program described above).

Pennsylvania
The state provides subsidies to school districts for the construction, renovation or purchase of school buildings on the basis of approved expenditures, which are based on the rated pupil capacity of the building as approved by the Department of Education.

The limit for school district indebtedness is based on the level of the borrowing base, which is the average of a district’s total revenues for the three years preceding the year in which such debt will be incurred. Non-voted debt cannot exceed 250% of the borrowing base, except in Philadelphia where the limitation is 100%. The limitation goes to 300% of the base when new lease rental debt is included (150% in Philadelphia).

Rhode Island
The Housing Aid program provides partial reimbursement of school construction projects. The reimbursement share ratio is based on a district’s wealth compared to the aggregate state wealth, with a minimum share of 30%. The minimum increases to 35% for FY 2012 and 40% for FY 2013 and beyond. Incentive bonuses are built into the formula for energy conservation, handicapped accessibility, and asbestos abatement projects. Regional districts are also entitled to an additional incentive bonus. The Board of Regents and state legislature must approve all school construction projects prior to implementation.

South Carolina
Bonded indebtedness limited to 8% of assessed valuation unless a referendum is held for the increase. For FY2006-07 the state appropriated $10.3 million for school buildings.

South Dakota
The Capital Outlay funding level is limited to $3.00/$1,000 in taxable valuation. Debt service is based on the level approved by voters. Bonding limit is 10% of a district’s taxable value less outstanding bonds.

Tennessee
The cost of capital outlay is not computed in the BEP. The computation is included in the Non-Classroom component. The state’s share of support for the Non-Classroom category is 50%.

- 100 sq ft per total K-4 ADM x $121/sq ft
- 110 sq ft per total 5-8 ADM x $125/sq ft
- 130 sq ft per total 9-12 ADM x $123/sq ft

Add equipment (10% of sq ft cost)
Add architect’s fee (5% of sq ft cost)
Add debt service (20 yrs @ 6.00%)
Divide total by 40 yrs = annual amount

**Texas**

The state provides a bond guarantee program that provides school districts with the backing of the Permanent School Fund on the bond market. The program provides a AAA rating for school district bonds that results in favorable market conditions for districts when they issue bonds.

The 2009 legislative session created a new credit enhancement program for approved charter schools to perform the same function for charter schools as the bond guarantee program does for regular school districts, using funds from the foundation school program.

The state also provides two tax rate equalization programs to assist districts with the repayment of long-term debt.

The Instructional Facilities Allotment (IFA) program was authorized in 1997. This program assists districts with the repayment of annual debt service on bond issues and lease-purchase agreements that are used by districts to fund instructional facilities. Districts submit applications for this program after they receive authorization from voters to issue the long-term debt, but before the debt's issuance. Districts that receive awards begin receiving state assistance during the first year after the debt is issued. The state assistance is provided through tax rate equalization. The program effectively equalizes tax effort to the equivalent of $350,000 per ADA per penny of tax effort.

The Existing Debt Allotment (EDA) program was authorized in 1999. This program assists districts with the repayment of debt service on bonds that the district has issued and paid on as of a date certain in statute. The Texas Legislature has rolled forward that eligibility date by two years during each session since 1999 and established a permanent roll-forward provision in 2009. Currently, bonds that were issued and had at least one payment made on or before August 31, 2009, are eligible. This program also provides tax equalization that provides the equivalent of $350,000 per ADA per penny of tax effort.
The primary difference between the IFA and EDA programs is related to the timing of state assistance. With the IFA program, districts that receive IFA awards begin receiving state assistance as soon as the eligible debt is issued. With the EDA program, school districts typically issue the debt and make payments for up to two years before receiving state assistance, depending on the timing of the bond issuance. Also, the EDA program does not provide state assistance for lease-purchase agreements.

Utah
The full faith and credit of the State of Utah is behind every general obligation bond now issued by Utah school districts. Please see Utah School Bond Guarantee Act. The state also provides $14,499,700 to school districts FY 2010-11 for the Capital Outlay Foundation Program and the Capital Outlay Enrollment Growth Program. Here is a description of the two programs from the USOE web site. School district general obligation debt is limited to four percent of the fair market value of the school district. Under the “School District Bond Guarantee Act” the State of Utah stands behind every school district General Obligation Bond with full faith and credit—that is, each school district has the AAA rating that the state enjoys—thereby saving schools districts funding as they negotiate interest rates on the G.O. Bonds.

Vermont
The state pays 30% of approved construction costs. Debt service payments for the balance become part of a district’s spending per pupil amount.

Virginia
- Literary Fund Loans are available from the state with a ceiling of $7.5 million per project and with interest rates determined by a school division’s Composite Index (fiscal equalization mechanism). Due to availability of funds, Literary Fund Loans have not been issued since January 2008.

- Virginia Public School Authority (VPSA) offers school divisions a credit rating and lower interest rates to secure loans that school divisions might not have otherwise been able to obtain. The VPSA also enables divisions to sell their bonds often without voter approval at a lower interest rate.

- Lottery Funds not designated for specific programs (listed above) are provided to school districts to support the state share of the lottery per adjusted pupil in average daily membership amount which is determined by the school district’s Composite Index of local ability to pay. However, there are restrictions on how these funds may be expended. No more than 50% of lottery funds can be used for recurring costs, i.e., current expenditures, and at least 50% must be spent on nonrecurring expenditures, including school construction, additions, infrastructure, site acquisition, renovations, technology, and other expenditures related to modernizing
classroom equipment, and debt service payments on school projects completed in the last ten years.

**Washington**
Approved projects on percentage equalizing basis, with 50% aid in district with average assessed value per student; minimum 20%, maximum 100%; uniform space criteria is basis of need. Total debt limit is 5% of assessed property, 2.5% of this is for capital construction.

**West Virginia**
The funding formula does not provide funds for either capital outlay or debt service.

**Wisconsin**
Capital outlay financed directly from taxes is included in a district’s shared cost calculation for equalization aid purposes. Long-term indebtedness is limited to 10% of equalized valuation in K-12 districts, 5% in other districts, and for Milwaukee, 5%, plus an additional 2%.

**Wyoming**
School Facilities Commission (SFC), a separate state agency, now handles the construction of new schools and also a portion for capital outlay for those buildings requiring remodeling or major maintenance. There are also some funds available through SFC for emergency funds needed for the schools. Districts can still pass bond issues with voter approval for enhancements in excess of the state building adequacy standards.