

**State Board of Education
November 15, 2011
Item G**

**DEPARTMENT OF EDUCATION
Montpelier, Vermont**

TEAM: Finance / School Construction

ITEM: Will the State Board of Education approve the FY 2013 school construction aid request for presentation to the House and Senate Institutions Committees in January 2012?

RECOMMENDED ACTION: That the State Board of Education approve the FY 2013 school construction aid request for presentation to the House and Senate Institutions Committees in January 2012.

STATUTORY AUTHORITY: Title 16 V.S.A. §3448 and §3453a.

BACKGROUND INFORMATION:

1. By January 15 of each year the State Board is to present the House and Senate Institutions Committees with its annual school construction funding request.
2. In 2007, faced with a growing gap between available funding and the state's obligation to school districts, the legislature suspended school construction aid for most types of projects. With the exception of emergency projects and facility consolidations, only projects which received voter approval prior to March 7, 2007 are eligible for school construction aid.
3. Last year, the appropriation for school construction aid was \$7.4 million against an outstanding state aid obligation of nearly \$28 million. Including all known eligible projects, the current total outstanding state aid obligation is \$20.2 million.
4. The attached document lists all outstanding state aid obligations, an estimated amount needed to cover emergencies, and the department's FY13 recommended funding request. The request is based upon the assumptions that the suspension on construction aid approvals and criteria for exceptions remain in place, and that the legislature will appropriate funds toward the outstanding balance of current obligations as indicated in the most recent legislative session.

COST IMPLICATIONS:

1. Statute defines the percentage the state contributes to the approved cost of a school construction or renovation project. Funding has traditionally been provided through the Capital Bill and involves state bonded debt, although general fund appropriations have also been used to meet school construction aid needs. The total recommended funding request for FY13 is \$7,425,000 which represents approximately 37% of the remaining balance owed.

2. If aid is not available when an eligible project is completed, the district typically incurs additional debt service costs for borrowing in anticipation of the state share. Project costs not covered by construction aid are paid for out of the Education Fund. Reduced access to construction aid could increase the homestead property tax rate in districts that have construction projects in the future.

STAFF AVAILABLE: Cathy Hilgendorf, School Construction Coordinator
Bill Talbott, CFO