

GREAT SCHOOLHOUSES FOR ALL

A RI-CAN, 50CAN AND PUBLIC IMPACT REPORT



GREAT SCHOOLHOUSES FOR ALL

A PLAN TO MEET RHODE ISLAND'S
SCHOOL FACILITIES NEEDS

This report was published
in February 2014 by RI-CAN:
The Rhode Island Campaign for
Achievement Now in partnership
with Public Impact.

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Design & Layout
house9design.ca

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Foreword

RI-CAN: Launched in December 2010, RI-CAN: The Rhode Island Campaign for Achievement Now is an education advocacy organization working to promote smart public policies to ensure that every Rhode Island child has access to a high-quality education regardless of their address. Learn more at www.ri-can.org.

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About the Author

Daniela Doyle is a senior consultant with Public Impact. Her work addresses a wide range of education issues, including teacher quality, school finance, turnarounds, and redesigning school models and teachers' roles to extend the reach of excellent teachers. Ms. Doyle co-authored *Measuring Teacher Effectiveness: A Look "Under the Hood" of Teacher Evaluation Systems*, which won the 2012 "Most Actionable Research" Eddies! award from the PIE Network. A former elementary school teacher, she is an alumna of Teach For America and Education Pioneers, a nonprofit bringing innovative leaders to education. She holds a bachelor's degree in public policy from Princeton University, a master's degree in science for teachers from Pace University, and a master's degree in public policy from Duke University.

Acknowledgements

RI-CAN would like to thank all of the people who consulted with us for this report. We also thank Bryan C. Hassel and Gillian Locke from Public Impact for their input throughout the writing of this report. Thank you also to Rob Wood from 50CAN for his research assistance.

Executive summary

In its 2013 assessment of the state's schoolhouses, the Rhode Island Department of Education identified a number of challenges to ensuring that schools and districts have the facilities funding they need to provide every student with a clean and safe learning environment.¹ Old and sometimes poorly maintained buildings, shifting enrollments, growing demand for school choice, a moratorium on school housing aid and a recession have combined to create a growing challenge for our state. Many of the state's schoolhouses require major renovation at the same time that numerous buildings are under-used. Now that we know the extent of the problems facing Rhode Island's school facilities, we must take a look at the history of capital funding and how the state can improve its current housing aid program and related policies.

¹ RIDE. 2013. "Public Schoolhouse Assessment." Retrieved from <http://www.ride.ri.gov/Portals/0/Uploads/Documents/Funding-and-Finance-Wise-Investments/School-Facilities/School-Construction-Program/FINAL-SCHOOLHOUSE-REPORT.pdf>

How the current housing aid program falls short

As the number and extent of needed renovations for Rhode Island's school buildings demonstrate, the school housing aid program has not been able to fulfill its goal of guaranteeing all students access to an adequate learning space. We found three main underlying issues with the current system that contribute to the situation described in RIDE's report:

Barriers make facilities funding through the program inaccessible at times. Our analysis found that housing aid is inaccessible at times because there are barriers to obtaining bonded debt, lengthy timelines and processes for approval and low reimbursement rates for public charter schools. At the same time, Rhode Island lacks other state funding sources for capital projects.

The housing aid program does not sufficiently direct dollars to the state's greatest needs and priorities. The approval process for the housing aid program focuses on compliance rather than the strategic allocation of limited resources. There is currently no statewide process for comparing capital projects across districts or determining their impact. Overall, the approval process does not incentivize the behaviors the state would most like to see.

Ongoing funding for school housing aid is unreliable. Housing aid is funded through a general revenue appropriation, which means the General Assembly must approve housing aid as a budget line item each and every year. As a result, housing aid is and will continue to be susceptible to budget cuts and moratoriums, including the one currently in effect.

Recommendations

RIDE's report outlines a series of steps districts can take to optimize school use, fund capital improvements and effectively and efficiently maintain and operate buildings. This report builds on RIDE's report to include steps that the General Assembly and RIDE can take to address the problems identified above and provide every student a safe, healthy and adequate learning space.

Recommendation #1: Improve access to capital funding.

The state can improve LEAs' access to capital funds by:

1. lowering the amount that LEAs must finance to be eligible for housing aid,
2. establishing new programs to ease funding constraints, such as a revolving loan fund or a mechanism for providing credit enhancement, and
3. treating all public school students equitably by using a comparable process to reimburse both traditional district schools and public charter schools.

Recommendation #2: Fund school facilities projects more strategically. To do so, the state should:

1. identify what is most important,
2. allocate funding on a priorities-based rubric that reflects what is most important,
3. incentivize the state's facility priorities, and
4. establish an authority to manage facilities funding and its oversight.

Recommendation #3: Secure sustainable funding for facilities projects. The state should explore the possibility of dedicating a revenue source to school capital projects, developing a state capital reserve fund and encouraging performance contracts as ways to make facilities funding consistent and reliable.

Introduction

In its 2013 assessment of the state's schoolhouses, the Rhode Island Department of Education identified a number of challenges to ensuring that schools and districts have the facilities funding they need to provide every student with a clean and safe learning environment.² RIDE estimated, for example, that only a quarter of district schools were in "good" condition.³ To get the remaining three-quarters of schools in good condition would take \$1.79 billion.⁴

Meanwhile, shifting enrollment in traditional public schools, a growing demand for school choice, and policies that impact different types of public schools differently complicate the school housing landscape further.⁵ Add on a moratorium on housing aid since 2012—set to lift in June 2014—and a drop in state revenues that have yet to rebound to 2008 levels, and the responsibility of providing every student a safe, healthy and adequate learning space is daunting.⁶

The school facilities challenge offers Rhode Island policymakers an opportunity to pause and reflect on current goals and realities related to school facilities, and make improvements that will better serve the state's students into the future. RIDE already took the first step toward that reflection with its schoolhouse report. We now know the extent of the problems facing Rhode Island's school facilities. Now we must figure out 1) how did the state get here? and 2) how can it improve its current facility funding programs and policies?

The Senate Task Force on School Housing Aid, which convened for the first time in January 2014, has already begun working through those questions. To examine further the challenges and potential best practices around the country for school facilities funding, Public Impact worked with RI-CAN in publishing this report. Our findings are grounded in interviews with policymakers and educators from across the state—including representatives from RIDE, traditional school districts, and public charter schools, as well as the Rhode Island Health and Education Building Corporation—and best practices from across the country.

2 RIDE, 2013, "Public Schoolhouse Assessment." Retrieved from <http://www.ride.ri.gov/Portals/0/Uploads/Documents/Funding-and-Finance-Wise-Investments/School-Facilities/School-Construction-Program/FINAL-SCHOOLHOUSE-REPORT.pdf>

3 Districts self-reported ratings. "Good" condition indicates that the building requires just general maintenance and is not in need of renovations.

4 RIDE, 2013.

5 RIDE, 2013; Rhode Island League of Charter Schools, Colorado League of Charter Schools, & National Alliance for Public Charter Schools. (2013). "An analysis of the charter school facility landscape in Rhode Island." Retrieved from <http://www.richarterschools.com/wp-content/uploads/2012/11/Charter-School-Facilities-Report-FINAL-2013-2.pdf>

6 Based on general revenues. State Office of Rhode Island, Office of Accounts and Controls. (2013). "Financial reports." Retrieved from <http://controller.admin.ri.gov/Financial%20Reports/index.php>; Adjusted for inflation using AREPPIM's GDP deflator, retrieved from http://stats.areppim.com/calc/calc_usdlrxdeflator.php

Overall we found three main issues with the current system that underlie the situation described in RIDE's report:

1. Barriers make facilities funding through the school housing aid program inaccessible at times.
2. The housing aid program does not sufficiently direct dollars to the state's greatest needs and priorities.
3. Ongoing funding for the program is unreliable.

We describe each of these problems and potential solutions the state can pursue in the report that follows.

How the school housing aid program works

1

In 1960, Rhode Island enacted the school housing aid program, which was created to “guarantee adequate housing for all public school children and prevent the cost of school housing from interfering with the effective operation of schools.”⁷

The program reimburses LEAs for a portion of eligible facilities projects. Prior to a moratorium that went into effect in June 2011, eligible projects included new construction, repairs and renovations that meet RIDE's rules and regulations.⁸ Under the moratorium, however, only emergency projects needed to insure students' health and safety, as approved by RIDE and the Board of Education, are eligible for housing aid.

LEAs must first complete the Necessity of School Construction application, which includes two parts:

1. LEAs must identify the problem that the facilities project will address and provide a plan for preventative maintenance for the project.
2. Once RIDE approves Stage I of the application, the LEA advances to the second stage, where it develops a plan to solve the problem identified in the first stage. The application for Stage II includes an architectural feasibility study, design and construction cost projections and a financing plan. RIDE must again approve the plan, which then goes before the Board of Education for approval.

⁷ R.I. Gen. Laws, § 16-7-35

⁸ See the Housing Aid Reimbursement Forms and Instructions for a description of eligible projects, available at <http://www.ride.ri.gov/Portals/0/Uploads/Documents/Funding-and-Finance-Wise-Investments/School-Facilities/Housing-Aid/FY14HousingAidInstructions.pdf>

The state calculates a reimbursement rate for each district that ranges from 35 percent to 92.7 percent, based on district wealth and student enrollment. Public charter schools are eligible for a 30 percent reimbursement on eligible projects.⁹ Applicants can also earn bonus points for a number of factors including energy conservation, career and technical renovations and regional school districts.¹⁰

How the current housing aid program falls short

2

As the number and extent of needed renovations for Rhode Island's school facilities make clear, the school housing aid program has not been able to fulfill its goal of guaranteeing all students access to an adequate learning space. At least three flaws limit the program's impact:

1. barriers make facilities funding through the school housing aid program inaccessible at times,
2. the program does not sufficiently direct dollars toward the state's greatest needs and priorities, and
3. ongoing funding for the program is unreliable.

Problem #1: Barriers to state facilities funding makes it inaccessible at times.

At least two barriers make funding through the state's housing aid program is inaccessible to many LEAs: they have difficulty acquiring bonded debt that the state will reimburse and the housing aid process is lengthy. In addition, the reimbursement rate for public charter schools is lower than for any district and Rhode Island lacks other funding sources for capital projects. All of these factors make state facilities funding less accessible than it could be.

Difficulty acquiring bonded debt

Districts can be reimbursed for both the capital reserve funds they put towards approved facilities projects and bonded debt issued through RIHEBC. While there are many benefits to districts establishing a capital reserve fund to finance facility projects, few districts regularly have one in place.¹¹ Districts must therefore often solicit voter approv-

⁹ Senate Fiscal Office, 2011. There are three types of charter schools in Rhode Island: 1) district charter schools, which are created by existing public schools, groups of public school personnel, public school districts, or a group of school districts, 2) independent charter schools, which are created by non-profit organizations in Rhode Island meeting specific criteria, and 3) mayoral academies, schools created by a mayor or any city or town within the State of Rhode Island. District charters are unlike the other two types of charters in that they are eligible for the same reimbursement rate as the district in which they're located and they are considered part of that district's LEA.

¹⁰ Senate Fiscal Office. (2011). "School Housing Aid." Available http://webserver.rilin.state.ri.us/SenateFinance/issue_briefs/IssueBriefSchoolHousingAidFINAL.pdf

¹¹ RIDE, 2013

al to issue bonds for the full cost of eligible improvements, even if the state will reimburse most, or all, of the loan.

A municipality's ability to garner enough local support for new school construction, renovation and repair projects is a limiting factor. Getting voter approval for a bond to cover the work, regardless of the state's reimbursement rate, is difficult.¹² Since the economic crisis hit, Rhode Island's economic growth has been among the lowest in the country, while its unemployment rates have been among the highest.¹³ As a result, municipalities across the state are hard pressed to ask their residents for more money, even for badly needed projects like school renovations.

Housing aid is even less accessible for the state's public charter schools, which often lease their facilities (leases are not generally eligible for housing aid). Charters also lack municipal bonding authority and must be re-authorized every five years, making them a risky investment in the eyes of many lenders even for projects that would be eligible for housing aid.

The housing aid process is time consuming

The timing of the application process and the reimbursement process also limit the efficacy of the state's housing aid program. Although the time to complete this process differs from one project to the next, RIDE reports that it can take up to a year from the time it approves a Stage I application to the time the Board of Education approves the final project.¹⁴ It can also take up to six months from Board of Education approval to local approval. Together, those pieces could take up to a year and a half, and do not include the time it takes the LEA to complete the Stage I application. While due diligence is incredibly important to ensure that taxpayer money is well spent, some interviewees noted that the process of applying for and receiving facilities funding outweighs the benefits. A 2013 survey of all public charter schools in Rhode Island confirm this; nearly half of respondents that underwent a major capital project and did not apply for housing aid.¹⁵

The method for reimbursing LEAs poses another procedural challenge. LEAs must entirely fund the project themselves, and complete the project, before the state begins to reimburse them over the life of the bond. Although the state includes interest costs in their reimbursement calculations so long as RIHEBC issues the bond, Rhode Island's reimbursement process is not as efficient as it could be and places unnecessary demands on districts and charters.

¹² Providence is an exception, as it has historically issued school bonds through its Public Buildings Authority and therefore does not need to get voter approval.

¹³ RIPEC. (2012). "Fiscal stress and municipal bankruptcy: History and implications for Rhode Island." Available <http://www.ripec.org/pdfs/2012-Chapter-9.pdf>; Bureau of Labor Statistics. (2013). "Unemployment rates for states." Available <http://www.bls.gov/web/laus/laumstrk.htm>

¹⁴ RIDE. (2008). "Necessity of school construction: Information and instructions." Available <http://www.ride.ri.gov/Portals/0/Uploads/Documents/Funding-and-Finance-Wise-Investments/School-Facilities/School-Construction-Program/Necessity-of-Construction-Revised-January-08.pdf>

¹⁵ Rhode Island League of Charter Schools, et al., 2013

Low reimbursement rates for public charter schools

The low reimbursement rate public charter schools receive also make housing aid an unattractive option for them. As noted above, charters' reimbursement rate is lower than any district in Rhode Island, even though on average, they serve a higher percentage of students eligible for free or reduced price lunch, and those students often come from districts with some of the highest reimbursement rates.¹⁶

According to the same 2013 survey mentioned earlier, 31 percent of public charter schools that underwent a major capital project and did not apply for housing aid indicated that the "size of the reimbursement package does not warrant the effort required to complete the application."¹⁷

Rhode Island lacks other major state funding sources for capital projects

The shortcomings of the state's housing aid program are exacerbated by the fact that the state does not offer any other major programs by which districts and charters can access facilities funding.¹⁸ For example, the state does not offer a revolving loan fund or a mechanism to provide credit enhancement. These and similar programs would increase accessibility to facility funding, better enabling districts and charters to meet their facility needs.

Problem #2: The housing aid program does not sufficiently direct dollars to the state's greatest needs and priorities

The approval process for the housing aid program focuses on compliance rather than the strategic allocation of limited resources. RIDE's approval process essentially determines whether projects are eligible for school housing aid by meeting a long list of criteria, and if the project does so, it is presented to the Board of Education for final approval. Historically, any project RIDE deems eligible and the Board of Education approves has received funding. In 2007, the state passed the School Construction Regulations, which set standards for design and construction of high-quality school facilities. These regulations are an improvement over the system they replaced, and RIDE estimates that they have saved the state over \$90 million in construction costs.¹⁹ However, the approval process for the housing aid program still focuses on compliance rather than the strategic allocation of limited resources.

There is currently no statewide process for comparing capital projects across districts or determining their impact. Although the state asks for information related to the effective use of space, enrollment projections and maintenance, it is not clear how it uses that information. Overall, the approval process does not incentivize the behaviors the state would most like to see.

¹⁶ National Alliance for Public Charter Schools. (n.d.) "The public charter schools dashboard: Student eligible for free or reduced price lunch, Rhode Island 2012-13."

Retrieved from <http://dashboard.publiccharters.org/dashboard/home>

¹⁷ The report defined a "major capital project" as a project over \$20,000. Rhode Island League of Charter Schools, et al., 2013

¹⁸ The state administers programs on behalf of the federal government that support facilities construction and renovation—the Qualified School Construction Bond program and the Qualified Zone Academy Bond program. Both for these programs provide low or no interest loans. Rhode Island has also sponsored bond initiatives for specific projects that include a facilities component, such as the Wireless Classroom initiative aimed at expanding wireless access to classrooms. Finally, the state had a bond initiative to fund facilities renovations at state-owned career and technical facilities.

¹⁹ RIDE, 2013

Strategically offering incentives could help encourage practices that would improve the state's overall facilities situation. Currently, the state awards bonus points in four areas:

1. energy conservation/handicapped access/asbestos abatement
2. energy efficiency
3. career and technical center renovations
4. regional school districts

But just one of those areas, regional school districts, addresses a challenge RIDE identified in its report—underuse—and there are not incentives for many of the best practices RIDE recommended, such as school closings, operational efficiencies, or the establishment of capital reserve funds at the district level. Consequently, the state is not able to effectively prioritize the areas of greatest need or opportunity. This is not to say that asbestos abatement and energy efficiency are not important. Arguably, handicapped access and asbestos abatement should fall under mandatory renovations while cost-saving efficiencies could reasonably receive funding through other channels, as explained below.

Problem #3: Ongoing funding for the program is unreliable

Housing aid is funded through a general revenue appropriation, which means the legislature must approve housing aid as a budget line item each and every year. As a result, housing aid is and will continue to be susceptible to budget cuts and moratoriums, including the one currently in effect. As described earlier, however, districts across the state are in dire need of funding to renovate aging facilities that continue to deteriorate with each passing year.

In contrast, operating funding for schools now flows on a predictable per pupil formula that enables LEAs to plan ahead. While even operating funding has some degree of unpredictability, it is much more stable compared to housing aid.

Recommendations for improving facility funding at the state level

RIDE's report clearly highlighted that the systems in place to fund school facilities have not created an optimal learning environment for students.

That is not to say it cannot do so in the future, however. This report outlines specific steps the state can take to improve and build upon its current facility policies.

But districts must also take responsibility for their role and take steps to be better stewards of their schoolhouses in the future. School buildings did not deteriorate to their current state overnight. Often decades of poor maintenance, an unwillingness or inability to save for eventual repairs and a challenge to implement cost efficiencies at the district level led to neglect and decay. Some districts are also missing out on opportunities to address the underuse of their facilities by sharing space with other growing LEAs and those with overcrowding issues.

RIDE's report outlines a series of steps districts can take to optimize school use, fund capital improvements, and effectively and efficiently maintain and operate buildings. The school facilities situation across the state can only improve if districts and the state work together and take responsibility for the current state of school facilities. Below we build on RIDE's report to include steps that the General Assembly and RIDE can take to address the problems identified above and provide every student a safe, healthy and adequate learning space.

1 Improve access to capital funding

Representatives from traditional district schools, public charter schools and RIDE all identified access to capital funding as the greatest hurdle to much needed building projects. The state can improve access to capital funding by lowering the amount LEAs must finance to be eligible for housing aid, introducing alternative programs in addition to it, and treating both district and public charter schools equitably under all state facility programs.

Lower the amount LEAs must finance to be eligible for housing aid

Districts and public charters must finance the full amount of the facilities project before the state will reimburse it, even if the state will eventually cover most or all of the project costs.

There are at least two reasons for this. First, school housing aid is intended to be a “reimbursement,” meaning that the LEA must first cover the full amount, rather than just their share. Secondly, it provides assurance that the entirety of the bond will be repaid in the case the state ever ceases paying housing aid in the future. But as neighboring Massachusetts and Connecticut demonstrate, a reimbursement program is still viable if the LEA only secures financing for its share of the project.²⁰ This change would lower the bond amount, likely making it more palatable to taxpayers and lenders, especially in districts with the highest reimbursement rates. It would also reduce the amount of debt and interest costs related to financing, saving money for borrowers and the state.

Lowering the amount that LEAs must finance would require the state to reimburse them in real time as the project goes on. Neighboring Massachusetts takes this approach through its “pay-as-you-build” payment system. The Massachusetts Building Authority, a quasi-independent government authority, runs the state’s school capital improvement projects. Districts submit invoices to the MSBA only on a monthly basis as the project unfolds. The MSBA then audits all invoices and reimburses project costs, usually within 15 days.²¹ Connecticut’s reimbursement process is not as quick, but is also ongoing during the project work.²²

Establish new programs to make capital funding more accessible

In addition to improving the housing aid program, the state should consider new programs and mechanisms to ease funding constraints for facility construction and renovation. Potential programs include:

Revolving loan fund. A revolving loan fund would provide districts and charters access to modest loans at low interest rates. While loans through an RLF are generally modest and could not therefore support major facilities projects, they could still help traditional districts make necessary repairs and renovations that are too small to warrant the issuance of bonds, such as sprinkler or fire alarm system replacement. RLFs could also fund projects housing aid does not cover, such as modifications on a transitional space a public charter school uses temporarily as it expands from serving one grade to serving multiple. Several states offer an RLF for public charter schools, while at least one state—Michigan—offers RLFs to school districts.²³ Ideally, Rhode Island would make an RLF available to any LEA.

20 Massachusetts School Building Authority. (n.d.) “Pro-pay.” Available <http://www.massschoolbuildings.org/programs/pro-pay>; Connecticut General Assembly, Office of Legislative Research. (2008). “Backgrounder: State school construction grants: Process, project requirements, and eligible costs.” Available <http://www.cga.ct.gov/2008/rpt/2008-R-0474.htm>

21 Massachusetts School Building Authority. (n.d.) “Reimbursements (Pro-pay).” Available <http://www.massschoolbuildings.org/building/funding/reimbursements>

22 Connecticut Department of Administrative Services, Division of Construction Services. (2008). “School construction grants.” Available <http://www.ct.gov/dcs/cwp/view.asp?a=4217&q=507552>

23 National Alliance for Public Charter Schools. “Measuring up to the model.” Available <http://www.publiccharters.org/get-the-facts/law-database/>; Michigan Department of Treasury. “School loan revolving fund.” Available http://www.michigan.gov/treasury/0,4679,7-121-1753_56435_56456---,00.html

Credit enhancement. Rhode Island could provide credit enhancement by creating a fund to insure the repayment of bonds, or otherwise “backing” the loan and making it more attractive to investors. Similarly, the state could provide more limited credit enhancement.

Financial hardship funding. In some cases, an LEA may still not be able to levy a bond for the necessary amount, even after making all reasonable efforts to raise local funding. In those cases, the state should consider providing all or part of their funding share for the project. California has a financial hardship program that considers factors such as total district bonding capacity, debt level versus bonding capacity, success of historical voter bond elections audits, expenditure reports, facility utilization and the taxation rate.

Bonding on behalf of the LEA. In some instances, the state may be able to obtain a lower interest rate on a bond compared to the LEA, saving both the LEA and the state money. In those instances, the state could acquire the bond to fund the project and the LEA would pay the state back over the life of the bond. In this scenario, the state and LEA would essentially reverse their current roles.

All of these programs aim at providing more options for financing facilities projects in order to complete the project for the lowest possible cost.

Treat all public school students equitably

Finally, any school funding policy ought to treat public school students, in both district and public charter schools, equitably. This includes providing both types of schools access to the same programs and compensating them according to the same criteria. Most notably, implementing this recommendation would require the state to make the aforementioned programs available to both district and public charter schools. It would also increase the reimbursement rate for all public charter schools above a flat rate of 30 percent. Since public charter school students may reside in any district in the state, we recommend that the state reimburse public charter schools based on the reimbursement rate in the district the schools is located, or the reimbursement rates in students’ home district.

2

Fund school facilities projects more strategically

According to our interviewees at RIDE, the state historically funded all of the facilities projects that RIDE approved prior to the moratorium. Rising costs and limited revenues, however, led to the moratorium that deferred \$600 million in repairs and improvements.²⁴ Consequently, the department was forced to cut off whole strands of work, rather than prioritizing among projects.

We recommend four steps to create a structure for reviewing and approving projects, and incentivizing those with the most impact:

1. identify what is most important,
2. develop a rubric for prioritizing projects,
3. incentivize what is most important, and
4. establish an authority to manage facilities funding and its oversight.

Identify what is most important

The first step to funding school facilities more strategically is identifying what is most important. RIDE already has a list of priorities based on need and urgency in the case of funding limits. This list, however, is mostly reactive. RIDE prioritizes projects that have reached a crisis point—renovations for a building that is not structurally sound, eliminating overcrowding, and preventing the loss of accreditation. In contrast, the state could take a more proactive approach that reflects the type of facilities the state wants to create. RIDE's report highlights a few potential priorities, including:

Improving building use. According to RIDE's analysis, district schools could house an additional 31,000 students than are currently enrolled, an excess capacity of nearly 20 percent. Enrollment projections show that excess capacity in district schools will continue to grow, reaching 22 percent by 2021–2022. Underuse increases the per-student cost of running a facility and makes preventative maintenance more expensive for each square foot.

Minimizing the cost of capital financing. Most LEAs rely on bonds to finance capital projects, often at interest rates of between three and five percent. According to RIDE's schoolhouse report, a 10-year bond to pay for \$4.97 million in capital improvements would cost an additional \$2.5 million more compared to funding the same work through a capital reserve fund as a result of accrued interest.²⁵ However, RIDE found that fewer than half of the state's districts had a capital reserve fund for each of the last five years.

²⁴ Borg, L. (Jan 14, 2014). "Three-year moratorium on school construction in R.I. seen creating 'missed opportunities.'" Providence Journal. Available <http://www.providencejournal.com/breaking-news/content/20140110-three-year-moratorium-on-school-construction-in-r.i.-seen-creating-missed-opportunities.ece>

²⁵ RIDE, 2013

Ensuring adequate and ongoing maintenance. Housing aid applicants must provide a district asset protection plan that includes planned maintenance, performed maintenance, maintenance expenditures, outstanding maintenance and plans for addressing outstanding issues. They must also show how they plan to fund maintenance for the proposed project.²⁶ Nonetheless, RIDE found that age and deferred maintenance on many schoolhouses across the state led to poor condition ratings, making clear the need for greater oversight and accountability for building maintenance.

26 RIDE, 2008

Implementing operational efficiencies. One of the greatest expenses in the life of a building are maintenance and operations costs. When the average school was built nearly 60 years ago, however, many of the energy efficiencies and other cost-saving tools we now have were not available.

Allocate housing aid based on a priorities-based rubric

A dozen states use a ranking system to prioritize funding when the state does not have enough money to fund every eligible project. In Vermont, for example, the state evaluates each project that meets initial eligibility requirements using a rubric that includes five categories: health and safety, the overall condition of the facility, the kind of learning environment the building provides, whether the educational space meets the needs of curriculum and required programs and services, and enrollment versus capacity.²⁷ Projects that indicate the greatest need or deficiency according to this rubric receive the most points and are most likely to receive funding.

27 Vermont Department of Education. (2005). "System for rating proposed school construction projects." Available http://education.vermont.gov/documents/guide_08_10_app_C.pdf

We recommend that Rhode Island create a similar rubric to select among eligible projects, focusing on the needs and priorities identified in RIDE's report and described above. For example, a plan that makes part or all of a district facility available to a public charter school or neighboring district with an overpopulation issue would earn extra points for optimizing building use.

Incentivize the state's facility priorities

There are few incentives built within the housing aid program, and those that exist largely fail to reflect the challenges and priorities highlighted in RIDE's report. Similar to developing a rubric for prioritizing projects, we recommend that policymakers identify behaviors they want to encourage at the district level and build mechanisms for incentivizing those behaviors into the program.

For example, if one of the state's priorities is to minimize the cost of capital financing, RIDE should consider redirecting a portion of the state's cost savings from projects funded in part through capital reserves

back to districts through a higher reimbursement rate for those capital reserve dollars. Similarly, the state could offer to match a percentage of the dollars districts or public charter schools put into a capital reserve fund, presumably from the cost-savings the state would experience later on when the district or public charter does not have to borrow money for needed renovations. Using either of these approaches, the state can leverage more facilities dollars overall by incentivizing districts and public charter schools to save.

At the same time, the state should make sure to clear the way of any policies that might stand in the way of meeting these priorities, including any prohibitions on sharing space or regulations that drive up costs without equally benefitting students.

Establish an authority to manage facilities funding and its oversight

Modifying the housing aid program, adding additional pathways to capital funding, and providing oversight of every dollar awarded is a huge responsibility and requires significant manpower. Currently, just three people work on the state's school construction program, which includes the housing aid program. Yet as the RIDE report makes clear, the facilities challenge facing the state is tremendous and requires significant resources.

Pulling the management and oversight of capital projects out of RIDE and establishing them in a quasi-independent authority would have at least two benefits. First, it would elevate the facilities issues at hand and provide the resources needed to address them. Secondly, it would pull together all of the necessary expertise for what is essentially a financing authority, rather than an educational oversight body.

While policymakers will need to determine the details of how the authority would look and function, we recommend several features:

A diverse board. The board should include representatives from related government agencies, including not only the Department of Education, but also the Office of the General Treasurer, and the Department of Administration, in addition to any appointees that may bring expertise related to building, educational programs or the oversight of capital projects.

Processes focused on efficiency. As detailed above, the current housing aid program lacks efficiencies that make the program as accessible or as impactful as it could be. In building on the systems the department of education has already established, the new authority should keep efficiency at the center of all that it does.

A commitment to transparency. The other recommendations in this report would funnel substantially more funding to the authority compared to the monies the education department currently allocates for capital projects, stressing the need for transparency. All of the authority's work ought to therefore include clear and systematic processes, strong and well-defined oversight and a method for public reporting. At a minimum, we recommend that the authority create an annual schoolhouse report, similar to the one RIDE published in 2013.

Massachusetts took this approach in 2004 when the legislature established the Massachusetts Building Authority. At the time, the Commonwealth's reimbursement program looked very similar to today's housing aid program in Rhode Island, although the program itself was in dire straits. Fewer than five employees in the department of education were responsible for auditing a backlog of 800 projects, causing a funding backup that led to higher interest costs and debt for districts. The MSBA has not only cut through the auditing backlog, but saved hundreds of millions of dollars by improving school oversight and better focusing funding.²⁸

²⁸ MSBA. "About us." Available <http://www.massschoolbuildings.org/about>

3 Secure sustainable funding for facilities projects

The current moratorium on all but emergency projects makes clear that ongoing facility funding is unpredictable, and therefore unreliable, in Rhode Island. The state should explore new options for funding both strategic facilities projects and the operations of a new building authority, described above. Possibilities include:

Dedicating a revenue source to school capital projects. Other states tap into a variety of revenue resources to fund school facility work, including sales revenue, lottery revenues, and even revenues from criminal fines and unclaimed property. In Massachusetts, for example, 1 penny of the state's 6.35 percent sales tax goes to the MSBA to support its work.²⁹ Meanwhile in Missouri, some gaming proceeds support an education fund, to include capital projects.³⁰ Rhode Island should explore the potential to direct new funding streams, or to re-direct an existing funding stream, to explicitly support school facilities.

²⁹ Massachusetts School Building Authority. (n.d.) "About us." Available <http://www.massschoolbuildings.org/about>

³⁰ Texas Legislative Council Research Division. "Facts at a glance: State roles in financing public school facilities." Available <http://www.tlc.state.tx.us/pubspol/OnlineFinancePubSch.pdf>

Develop a state capital reserve fund. A state capital reserve fund would ensure that the state has adequate funding to support approved capital projects. Much like district capital reserve funds, a state version would also save the state and districts money by allowing the state to reim-

burse districts on a much timelier schedule, lowering district borrowing costs, and ultimately, the amount the state reimburses.

Encouraging performance contracts. In a performance contract, the contractor guarantees that improvements will generate enough long-term cost savings to fund the project. Rather than paying for the improvements up front, the district or school therefore pays for the project over the life of the contract out of those cost savings. The contractor only gets paid, however, if he meets the terms of the performance contract. Energy Performance Contracts are the most common kind. With an EPC, the contractor makes improvements designed to lower energy costs in the long-term. If the improvements in fact produce cost savings, the contractor is paid out of that stream of savings. A number of organizations in Rhode Island have engaged in EPCs, including the University of Rhode Island.³¹ In addition, the Rhode Island Office of Energy Resources has developed a list of qualified energy services companies.³² The state could encourage EPCs by identifying facilities projects that may be suitable for performance contracts and working with the Office of Energy Resources to match those projects to approved contractors. Rather than providing additional reimbursements for energy efficiencies or green projects, the state could actually lower its costs for these projects by encouraging EPCs. In addition, the principles underlying EPCs could potentially expand to other building upgrades that reduce maintenance costs. For example, installation of a metal roof would be a possibility since metal roofs require relatively little maintenance and can last more than a century.

³¹ University of Rhode Island. (2007). "URI launches \$18 million energy conservation, efficiency initiative." Available <http://www.uri.edu/news/releases/?id=4256>

³² Rhode Island Office of Energy Resources. (n.d.) "Rhode Island public energy partnership. Available <http://www.energy.ri.gov/pep/index.php>

Conclusion

After decades of use and, at times, neglect, many of Rhode Island's school facilities are costly to maintain and fail to provide students an optimal learning environment. The state's housing aid program provides reimbursement funding to help local education agencies meet their facility needs, but the program's limitations make it inaccessible to some, reducing its impact even before the current moratorium. As policymakers reflect on RIDE's schoolhouse report and determine how to best proceed once the moratorium on school housing aid is lifted, they ought to consider ways to improve the current program, fill holes with new programs and incentivize the behaviors that will position the state and its students for success in the long-term.

About RI-CAN

We founded RI-CAN because all children deserve access to great public schools, regardless of their address, the color of their skin or how much their parents earn. This work has never been more critical in Rhode Island, as our kids face persistent opportunity gaps and our state struggles to redefine itself in a 21st century economy.

The time for change is now.

To bring that change to fruition, RI-CAN runs issue-based policy campaigns that seek to improve state education policy through a combination of top-notch research, policy analysis, advocacy and communications. We will work to bring Rhode Islanders information they can use to make better decisions for their children, advocate for change in their communities and ultimately transform public schools throughout our state.

www.ri-can.org

