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# The Schools our Students Deserve: A Statewide School Facilities Program for Oregon

Oregon School Capital Improvement Planning Task Force

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# THE SCHOOLS OUR STUDENTS DESERVE

## A Statewide School Facilities Program for Oregon

Final Report

Task Force on School Capital Improvement Planning

October 2014

Written by members of the Task Force and edited by Edward Wolf and Shannon Grzybowski

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# Executive Summary

## **OREGON'S CHILDREN DESERVE BETTER SCHOOLS.**

Oregon has adopted “the most aggressive high school and college completion goals of any state in the country” (*Oregon Blue Book*, 2013) without having a plan for the PreK-12 school facilities needed to support those goals. Many Oregon schools are outdated, dilapidated, and hazardous. Without a significant effort to increase statewide capital investment in PreK-12 schools, Oregon’s 40-40-20 goal and ambitions to build a “cradle to career” educational system will remain out of reach.

The **Task Force on School Capital Improvement Planning** calls on legislators to establish a four-part Oregon School Facilities Program:

- 1. Authorize \$125 million in new bonding for PreK-12 matching grants in 2015, maintain or increase this level of funding for the next five biennia, and explore permanent funding arrangements to sustain the commitment to PreK-12 capital needs beyond ten years;**
- 2. Establish and fund an Office of School Facilities in the Oregon Department of Education as a resource for local school districts;**
- 3. Provide technical assistance and small grants to assess district needs, support long-term capital programs, and inform statewide capital planning; and**
- 4. Launch the Oregon School Facilities Database to start building a repository of data for local district and statewide capital planning.**

The Task Force recommends that the existing \$20 million School Facility Grants portion of the State School Fund administered by the Oregon Department of Education be phased out and those funds repurposed to support the functions and programs of the new Office of School Facilities.

Key to the group’s capital funding recommendation is a **funding formula** weighted in favor of school districts with a high percentage of students in poverty and a limited local tax base.

### **The Charge**

In 2010, Oregon voters approved Measure 68, amending the state’s constitution and authorizing new Article XI-P General Obligation bonds to provide matching funds to school districts that win voter approval for local school construction bonds. In 2013, the Legislature passed Senate Bill 540, establishing the **Task Force on School Capital Improvement Planning** and directing the group to recommend: a) funding for PreK-12 capital needs, b) the types of technical assistance required by school districts for capital construction, and c) the appropriate role of the Oregon Department of Education in supporting the system and providing technical assistance. The bill also directed ODE to establish and maintain a public education facility information database.

## Findings

The Task Force finds that the condition of Oregon's K-12 schools reflects a national pattern of under-investment: crumbling buildings, obsolete systems, and deteriorating site conditions. School bonds passed by local voters are not keeping pace, and many districts have had no success with local voters at all. In recent years, more than one-third of the capital dollars requested by school districts have been rejected. More than half the funds rejected have never been brought back before voters in subsequent elections. Consider:

- Deferred maintenance at Oregon's K-12 schools totals at least \$7.6 billion.
- Local voters rejected \$2.2 billion in school facility bond requests during the past 10 years.
- 43 percent of Oregon school districts have tried and failed, or not tried at all, to pass capital bonds since 1997.
- Some districts make three, four, or more attempts to win the approval of local voters before succeeding with a GO bond.
- Oregon is out of step with most other states in not having established statewide planning and funding for the state's local school facilities.

Urgent physical plant needs persist in school districts throughout the state. Stretched by legislative mandates for full-day kindergarten and K-8 physical education, growing emphasis on school-based early learning programs, and changing expectations for security and 21st century teaching and learning, Oregon's school facilities are falling into obsolescence and failing to provide our children with environments for achievement and success.

## Program Benefits

An integrated Oregon School Facilities Program, backed by a long-term commitment to authorize and sell Article XI-P bonds, will incent local matching investments and deliver benefits in four areas:

1. **Health and safety improvements** that result in less illness, stronger buildings, and safer campus environments;
2. **Effective teaching and learning** in spaces designed for accessibility and wired for technology;
3. **Family-wage employment** in the construction and trade jobs needed for school modernization throughout Oregon; and
4. **Fiscal leverage** that can attract local support and help win voter approval for GO bond measures.

The Oregon School Facilities Program is about the school facilities that Oregon students deserve: healthy, safe, and designed and equipped to support achievement.

A copy of the full Task Force report, *The Schools Our Students Deserve: A Statewide School Facilities Program for Oregon*, may be downloaded from:

<http://www.ode.state.or.us/search/page/?id=4014>

# Introduction

**Schools endure.** Close to half of the K-12 school buildings to which Oregon students returned this fall were already in use when Oregon celebrated the state's centennial in 1959. But a trend toward under-investment in school facilities has continued since the property tax limitation measures of 1990 and 1997. Some districts have built new schools since then to handle enrollment in growing communities, but many existing schools have been left on a path to disrepair.

From their classrooms and laboratories to their gyms and cafeterias, most public K-12 schools in Oregon are decades out of date. Some are dreary, dim, and damp; some are hazardous to their occupants. Without renewal, the state's aging infrastructure of schools will prove insufficient to support the state's 40-40-20 goal and unfit to build a unified P-20 educational system serving current and future students.

The time has come to reverse the under-investment in Oregon's school facilities.

Here in Oregon:

- More than 300,000 Oregon students attend classes in buildings considered to be at risk of life-threatening damage in a major earthquake.<sup>1</sup>
- Eighty-five school districts – 43 percent of the state's total – have tried and failed, or not tried at all, to pass capital bonds in the years since 1997.<sup>2</sup>
- Nearly 60,000 students attend school in these 85 districts.<sup>3</sup>
- During the last five biennia, local voters rejected \$2.2 billion in school facilities bond requests.<sup>4</sup>
- Deferred maintenance at K-12 schools now totals at least \$7.6 billion.<sup>5</sup>

How can the State of Oregon help 197 school districts pass local school bonds? What financial and technical assistance could help districts meet their most critical school facilities needs in an equitable way? What does the state need to know about its PreK-12 school facilities, and how should it assemble, organize, and share that information with districts and the general public? This report offers answers to these questions.

## The Problem

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More than half of Oregon's school buildings were built prior to 1974, the year Oregon first adopted a statewide building code (Center for Innovative School Facilities, 2011). As this report will document in detail, too few districts are managing to raise the capital they need to keep their schools up to date.

What happens as schools age in place and as maintenance is deferred on a massive scale? Hazards accumulate. Security erodes. Attendance lags. Inevitably, learning suffers.

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<sup>1</sup> Based on data from the *Statewide Seismic Needs Assessment* (DOGAMI, 2007).

<sup>2</sup> Derived from "Bond and Local Option Election Data" database, Oregon School Boards Association ([www.osba.org](http://www.osba.org)).

<sup>3</sup> *Ibid.*

<sup>4</sup> *Ibid.*

<sup>5</sup> Based on a sampling of 40 district assessments by DLR Group, Portland, OR, private communication.



Among many impacts, one stands out: Chronic **absenteeism** plagues public schools throughout Oregon (Hammond, 2014). Deteriorating school facilities, and the health impacts associated with them, contribute directly to the problem. To cite just one example, more than 10 percent of Oregon's 8<sup>th</sup> and 11<sup>th</sup> grade children suffer from asthma, and poor ventilation and the mold, mildew, and dust common in aging schools can trigger attacks. Asthma causes three times more school absences than any other chronic health condition (Oregon Asthma Program, 2014; Oregon Health Authority, n.d.).

School attendance is so strongly associated with high school graduation rates that both the Oregon Education Investment Board and Oregon's Quality Education Commission now embrace it as a central metric of Oregon's progress toward the 40-40-20 goal and a factor more significant than performance on standardized tests (OEIB, 2014; Quality Education Commission, 2014).

The condition of our PreK-12 school facilities occupies a place not on the margins, but at the very center of Oregon's education challenges.

## The Opportunity

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In 2009, members of the 75th Oregon Legislative Assembly passed House Joint Resolution 13, a bill that would allow the state to issue General Obligation (GO) bonds to provide matching grants to school districts that received voter approval for local school construction bonds. Legislators referred the bill to voters in the next primary election. In May 2010, Oregon voters approved Measure 68, which amended the state's constitution and authorized the new Article XI-P GO bond program.

This bonding authority gives the State of Oregon an opportunity to use matching grants to help **close the capital gap** between the dollars local communities have been willing and able to dedicate to school facility needs and the dollars school districts and school boards believe they need to provide adequate facilities for their children.

Although the Task Force accepts that local investment in school facilities will continue to provide the bulk of funding for building improvements, it finds that the state can be a more strategic partner in efforts to increase total capital investment by following through on the matching grant program already approved by the voters.

Financial incentives and matching funds can motivate voter support, leading to election outcomes that **grow capital investment** in school facilities.

## Senate Bill 540 and the Task Force

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The 77th Oregon Legislative Assembly passed Senate Bill 540, sponsored by Senator Richard Devlin with seven co-sponsors in the Oregon Senate and House and signed into law by Governor Kitzhaber on August 14, 2013. The bill established the Task Force on School Capital Improvement Planning and directed the state's Department of Education to establish and maintain a new information database on public education facilities from preschool through grade 12.

The bill charges the 12 volunteer members of the Task Force with preparing recommendations to the Oregon Education Investment Board (OEIB) and the interim

legislative committees on education regarding **funding** for K-12 capital needs, **technical assistance** that may be required by school districts that undertake capital construction programs, and the appropriate **role for the Department of Education** in supporting the capital infrastructure system and providing technical assistance. In addition to the recommendations, this Task Force offers guidance to the Department of Education on the **facilities database** content, maintenance, and access.

The governor's education strategy, centered on what the *Oregon Blue Book* describes as "the most aggressive high school and college completion goals of any state in the country" (Oregon Secretary of State, 2013), involves interventions and investments made under the direction of a Chief Education Officer and implemented with oversight by the OEIB. One critical weakness of the Governor's P-20 strategy, in the view of this Task Force, is that the OEIB has not addressed the capital needs associated with the public school facilities in which more than 567,000 Oregon students attend classes.

Nine of 11 Rocky Mountain and West Coast states have established some form of school facilities authority with responsibilities for financing and technical assistance at the state level. Oregon has neither funding nor authority to ensure that school facilities in local districts meet minimum standards of safety and performance, let alone that those facilities support the teaching and learning goals that policymakers demand of them.

The result of the "Oregon exception" among our Western neighbors is an uncoordinated system of some 1,296 K-12 public schools comprising more than 2,000 separate buildings overseen by 197 independent local school boards. Deferred maintenance, public safety challenges, obsolete structures and systems, and state mandates (full-day kindergarten beginning in 2015, K-8 physical education beginning in 2017) that are well intended but unfunded, create capital needs that few local school authorities can fully address.

## A Four-Part Program for School Facilities

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Given the compelling need to increase capital investment in school maintenance, repair, and replacement in communities throughout Oregon, how can the Legislative Assembly best authorize and implement the Article XI-P GO bonds to

1. Address the most pressing PreK-12 school facility capital needs statewide, and
2. Use limited state bonding capacity to leverage local voter support for school bonds?

The Task Force recommends **a four-part program** to make state GO bonding an instrument of renewal for our 197 public school districts. The program proposes to do in Oregon what our Rocky Mountain and West Coast neighbors already do: deploy state financial resources and capital planning in support of local school district facilities and, ultimately, in service to the hundreds of thousands of Oregon school children who deserve to learn in healthy and safe environments.

### One. Authorize \$125 million in New Bonding for PreK-12 Facilities Matching Grants

**The Task Force recommends that the Legislative Assembly initiate state matching grants for PreK-12 school facilities capital improvements with a \$125 million bond authorization in 2015.**

*Recommendation 1.1:* Authorize \$125 million in Article XI-P GO bonds to fund matching grants to school districts that pass local GO bonds, beginning in the 2015-2017 biennium.

*Recommendation 1.2:* Commit to a minimum 10-year capital program, and authorize new bonding at \$125 million or more for the PreK-12 Facilities Matching Grant Program during each of the next five biennia accordingly.

*Recommendation 1.3:* Allocate the first 60 percent of funds available in each granting cycle to eligible districts by applying an equity ranking based on property wealth and poverty within the district, and allocate the remaining 40 percent of funds in each granting cycle for awards to eligible districts on a first-come, first-served basis. Carry over any balance of funds not awarded in grants to the next cycle.

*Recommendation 1.4:* Award matching grants to eligible school districts at a maximum of \$8 million per grant, and a minimum of \$2 million per grant, or the par value of local GO bonds that qualify for the match, whichever is less.

## Two. Establish and Fund an Office of School Facilities

**The Task Force recommends that the Legislative Assembly establish a new Office of School Facilities within the Oregon Department of Education to administer all aspects of the school capital planning initiatives recommended in this report.**

*Recommendation 2.1:* Repurpose the biennial \$20 million appropriation for the existing School Facility Grants portion of the State School Fund to establish and fund an Office of School Facilities within the Oregon Department of Education and its grant-making and technical assistance programs. The Office of School Facilities will serve as the state's main repository of PreK-12 school facilities expertise and resources.

*Recommendation 2.2:* Authorize a scope of work for the Office of School Facilities that includes the following responsibilities:

- a) Administer the PreK-12 Facilities Matching Grant Program funded by Article XI-P bonds.
- b) Establish a \$10 million "hardship fund" for districts with critical facilities needs that have experienced three or more failures to pass local school bond measures.
- c) Establish and maintain protocols for facilities assessment, long-range facilities planning, and educational standards to guide districts in application for and expenditure of state matching grants for capital construction programs.
- d) Create and administer a certification program for qualified providers of technical assistance for the purposes specified in 2.2(c).
- e) Establish and maintain the Oregon School Facilities Database.
- f) Provide reimbursement (capped) to school districts for the cost of technical assistance needed to submit application to the PreK-12 Facilities Matching Grant Program. Reimburse up to \$20,000 (based on facility area) per district for physical facility assessment, a lump sum of \$25,000 per district for seismic assessment or other specialized facilities assessments, and a lump sum of \$25,000 per district for long-range facilities planning expenses.
- g) Compile information resources and support regional workshops to help school districts address capital maintenance best practices.

- h) Regularly disseminate information regarding capital funding opportunities and technical assistance resources to all Oregon school districts.

*Recommendation 2.3:* Staff the Office of School Facilities with a Program Director, two Regional Managers for technical assistance, a Program Assistant, and a Database Manager.

*Recommendation 2.4:* Establish an advisory committee to review the K-12 Facilities Matching Grant Program, the technical assistance certification activities, and development of the School Facilities Database, and advise the Deputy Superintendent of Public Instruction on program refinement. Convene the advisory committee at least twice a year during the first biennium, and at least once a year thereafter. Appoint advisory committee members with expertise in finance, architecture, engineering, and construction as well as regional school district representation.

### **Three. Provide Technical Assistance and Grants to Expand School District Eligibility and Participation**

**The Task Force recommends that the Office of School Facilities create and administer protocols to provide technical assistance related to school facility assessment, planning, standards, and resources, and provide subsidies to school districts for certain specified technical assistance costs, for the purposes of implementing the PreK-12 Facilities Matching Grant program and establishing tools and data to improve statewide school facilities planning and funding.**

*Recommendation 3.1:* As a condition of eligibility, and prior to application for state capital facilities matching grants, require each school district to prepare and submit to the Office of School Facilities physical facilities and site assessments. A portion of funds appropriated to the Office of School Facilities shall be allocated to help districts defray the costs of facilities assessments.

*Recommendation 3.2:* As a condition of eligibility, and prior to application for state capital facilities matching grants, require each school district to prepare and submit to the Office of School Facilities a 10-year plan for district facilities that addresses major building components, building systems, and impacts of projected demographics. A portion of funds appropriated to the Office of School Facilities shall be allocated to help districts defray the costs of preparing long-range facilities plans.

*Recommendation 3.3:* Develop advisory state standards of best practice for PreK-12 public education facilities, ensuring equitable physical infrastructure and allowing for regional variations in cost, materials, and demographics.

*Recommendation 3.4:* Certify technical assistance service providers to assist school districts with facility and site assessments, seismic assessments, and long-range facility plans.

*Recommendation 3.5:* Compile and disseminate a directory of other technical service providers and information resources for all phases of capital construction program implementation.

## Four. Launch the Oregon School Facilities Database

**The Task Force recommends that the Office of School Facilities be assigned responsibility for the PreK-12 school facilities database.**

Anticipating that the school facilities database will be established by June 30, 2015 as directed and funded by Senate Bill 540, the Task Force recommends that ODE staff charged with creating and maintaining the Oregon School Facilities Database should:

1. Use a web-based interface for maximum accessibility and versatility;
2. Include district demographic and student performance data to provide an equity lens;
3. Support district-to-district and school-to-school comparative analysis;
4. Be based on data collected annually and updated any time a school district applies for a state facilities matching grant;
5. Associate standards with each data field, where applicable;
6. Include the following data categories in addition to those specified by Senate Bill 540:
  - Broadband/Internet speeds
  - Wireless Capacity
  - Technology
  - Threat Assessment
  - Environmental Health, Fire & Life Safety
  - Age and condition of portable classrooms, if applicable
7. Solicit and incorporate input from school district facilities professionals or business managers, on a regional basis, during design and development of the database.

## The Benefits of an Oregon School Facilities Program

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Benefits of the program will accrue in several areas, for example:

- **Health and safety:** Reduced incidence of asthma and other chronic respiratory illness, stronger and more resilient school buildings, safer campus environments.
- **Student and teacher satisfaction:** More well-lit, warm, and dry learning environments designed for accessibility and wired for current technology.
- **Employment:** Family-wage trade jobs on school modernization projects in communities throughout the state.
- **Fiscal leverage:** Incentives that will encourage voters to support local GO bond measures and increase total capital investment in schools.

The Task Force on School Capital Improvement Planning urges Legislators, the governor, and the Oregon Department of Education to dedicate new effort to the capital planning and funding of PreK-12 schools that are healthy, safe, and designed and equipped to support achievement. It's time to invest in the school facilities that our students deserve.

## About This Report

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This report begins with a review of the state of school facilities in Oregon and a summary of recent school bond successes and failures, followed by an overview of school capital funding policy since 2000. It includes a discussion of existing facilities financing options and two brief case studies showing that the availability of state subsidies and matching funds can influence local funding decisions. A brief summary of existing school facilities programs in Western states sets the stage for detailed presentation of the Task Force recommendations, funding formula, and proposed staffing for the Oregon School Facilities Program. The report concludes with several other considerations that fall outside the scope of the four-part Oregon School Facilities Program that we propose, but relate to long-term challenges and opportunities facing PreK-12 school facilities in Oregon.

# School Facilities in Oregon: Conditions, Improvement Efforts, and Challenges

The current condition of Oregon's K-12 public schools reflects a national pattern of under-investment in school facilities: failing buildings, obsolete systems, and deteriorating site conditions.

Seventy percent of the nation's schools (and nearly half of Oregon's schools) were built during two periods: 1918-1935 (post-World War I) and 1948-1955 (post-World War II). Schools constructed immediately following World War I are now entering a ninth decade showing significant signs of structural fatigue, failing building systems, poor energy performance, and features incapable of supporting the technological requirements of 21st century education. Schools constructed immediately following World War II were primarily built with light-gauge framing and building skins that historically have allowed moisture into building interiors, resulting in premature failures related to mold, deterioration, and unhealthy indoor environments. The designs of these latter structures, though typical of their era, do not support the personalized learning and teaching that educators, administrators, and students expect in 21st century learning settings.

While a small number of older schools have been renovated and modernized, approximately 40 percent of Oregon's school facilities require substantial reinvestment due to age and deterioration alone. The need for new capital investment is dire.

Oregon has roughly 86 million square feet of K-12 school facilities. Based on current industry reports, the average construction cost for a new school building in the Portland market is \$226 per square foot plus 40 percent for development (soft) costs, or a total of \$316 per square foot (Rider Levett Bucknall, 2014). Assuming Portland costs are aligned with costs in Oregon districts with the largest numbers and square footage of school buildings (*i.e.*, in the state's more populous communities), this implies a total replacement value (hard and soft costs) of approximately \$27.2 billion for all Oregon schools.

Based on a sampling of 40 school districts, the average Replacement Cost Index (RCI) for school buildings with obsolete and failing systems is 28 percent of replacement value. Applied to the replacement value of the state's full inventory of school buildings, this percentage yields \$7.6 billion, a figure that reflects deferred maintenance and aging infrastructure only, and does not address instructional needs or student capacity issues (DLR Group, private communication).

Oregon communities are generous to their schools, but they are not uniformly generous and they are not consistently generous. Voters typically reject more than one-third of capital dollars requested by school districts. More than half the funds rejected are never brought back before voters in subsequent elections. Table 1 illustrates the pattern of school bond elections during the last decade.

Eighty-six school districts, more than 43 percent of Oregon's total districts, have failed to raise any capital dollars in bond elections during the past eight biennia. Many districts have been unable to fund significant improvements or upgrades since their schools were constructed.

Some districts make three, four, or more attempts to win the approval of local voters before succeeding with a GO bond. Such repeated efforts stretch the process of capital

improvement over many years, and typically pare the proposed investment back. For example, six Oregon districts passed school bonds after three to seven attempts during the 2004-2014 period, funding just 58.6 percent of their original requests. Over \$50 million of proposed capital projects went unfunded in these six districts alone.

At the county level, how have school districts fared at the ballot box over the past decade? In eight counties with 14.3 percent of state enrollment, school districts that proposed bond measures achieved 100 percent success with their requests.<sup>6</sup> Districts in six counties met with nothing but failure,<sup>7</sup> and no district in five other counties put a bond measure before its

**Table 1. School Bond Elections, 2003-2013**

<b>Biennium</b>	<b>School Districts</b>	<b>Total Requested</b>	<b>Amount Approved</b>	<b>Amount Rejected</b>
2011-13	22	\$ 1.1 billion	\$ 979 million	\$ 112 million
2009-11	25	\$ 1.1 billion	\$ 384 million	\$ 685 million
2007-09	36	\$ 1.4 billion	\$ 797 million	\$ 597 million
2005-07	41	\$ 2.1 billion	\$ 1.4 billion	\$ 701 million
2003-05	10	\$ 218 million	\$ 144 million	\$ 74 million
<i>Totals*</i>	<i>134</i>	<i>\$ 5.9 billion</i>	<i>\$ 3.7 billion</i>	<i>\$ 2.2 billion</i>

\*Totals vary due to rounding.

Source: Oregon School Boards Association, Bond and Local Option Election Data.

voters during that period.<sup>8</sup> Large areas of Oregon served by low-enrollment school districts have a poor record of local support for capital facilities, although rural school districts served by some Education Service Districts (notably High Desert ESD and Columbia Gorge ESD with high success rates, and InterMountain ESD with nine successes out of 19 bond elections during the past decade) prove that voter support can be won.

The introduction of full-day kindergarten in 2015 poses facilities challenges for many Oregon school districts. The Implementation Committee established by Senate Bill 44 (2009) recommended in 2010 that the Legislature “consider preparations for full-day Kindergarten as a priority for Measure 68 funds” (Full-Day Kindergarten Implementation Committee, 2010), but the first of those funds still await authorization four years later. Although districts with stable or declining enrollment may be able to repurpose existing classrooms to accommodate full-day programs, many districts will have to add classroom space; estimates

<sup>6</sup> Benton, Crook, Deschutes, Hood River, Jackson, Lincoln, Morrow, and Wasco counties.

<sup>7</sup> Baker, Clatsop, Gilliam, Josephine, Lake, and Sherman counties.

<sup>8</sup> Curry, Grant, Harney, Wallowa, and Wheeler counties.



of the associated statewide facilities expense range from more than \$14 million (COSA, 2014) to a range of \$50 million to \$100 million.

In addition, the new priority placed on early childhood education raises significant facilities questions for school districts that seek to add early learning programs (Children's Institute, 2010). Two Oregon school districts, David Douglas and Pendleton, have used school bond proceeds to establish early learning centers, and other districts are likely to do the same (Riddle, 2014). Senate Bill 540 makes specific reference to preschool facilities as part of an integrated capital infrastructure system and a component of the education facility information database established by the bill. At present there are neither uniform standards for such facilities, nor a comprehensive assessment of need, nor a plan for the facilities component of the state's Early Learning Hubs strategy, which includes many community and local government partners in addition to school districts. The only certainty is that existing facilities owned by school districts are, in their current state, poorly suited to the significant new responsibility for early childhood programs implicit in a comprehensive and unified P-20 public education system.

Given that a majority of the successful school bond measures of the past were designed to address K-12 district enrollment growth and immediate needs, long-term physical plant needs persist in school districts throughout Oregon. Combined with the need for additional kindergarten classrooms by 2015, the integration of early learning programs in some districts, the arrival of mandatory physical education for K-8 students in 2017, and changing expectations for 21st century education related to project-based learning, collaboration, flexibility, personalized learning, technology-rich platforms, and the balance of security with transparency, Oregon's school facilities are falling into obsolescence.

# A History of School Capital Funding in Oregon

Building and paying for school facilities have historically been matters left to local discretion in Oregon. The statewide Quality Education Model (QEM), introduced in 1999 by the Legislative Council on the Quality Education Model (and refined periodically since then by the state's Quality Education Commission), introduced a concept of Prototype Schools based on optimal enrollment by grade level. This model assumption implicitly acknowledged the need for variation in the physical size of school buildings.

Concluding a Year 2000 report on the QEM with a comment on six critical issues beyond the scope of the Commission's charge, the authors noted, "We must examine the way Oregon addresses school **capital needs** (major capital improvements, routine maintenance, deferred maintenance, building replacement)" (emphasis in original) (Quality Education Commission, 2000).

Legislation passed in 2001 (ORS 455.400) set an aspirational target of January 1, 2032 for the seismic safety rehabilitation of buildings overseen by local school district boards, subject to available funding, and in 2002 Oregon voters amended the state's constitution (Article XI-M) to authorize General Obligation bonding for the purpose of seismic retrofit of "public education buildings," comprising buildings owned by the State Board of Higher Education, school districts, education service districts, community college districts, and community college service districts.

K-12 school facilities, however, received scant attention from legislators until 2005, when Senate Bill 2, sponsored by Sen. Peter Courtney, directed Oregon's Department of Geology and Mineral Industries (DOGAMI) to conduct a Statewide Seismic Needs Assessment of public education and public safety facilities. The assessment, based on a FEMA-recommended Rapid Visual Screening methodology and published in 2007, identified a large proportion of public school buildings that appeared to be candidates for capital investment to reduce serious hazards to building occupants and to meet seismic safety standards (Department of Geology and Mineral Industries, 2007).

The state had constitutional programs (Article XI-G) in place to provide capital funding, backed by GO bonds and typically including a matching requirement, for both community college and higher education facilities. No programs of similar scope existed for K-12 facilities, recognized as the property and responsibility of local school boards. Senate Bill 3, also passed in the 2005 session, directed the state's Office of Emergency Management to establish a new grant program, backed by voter-approved Article XI-M GO bonds, to provide grants of up to \$1.5 million to school districts for the limited purpose of seismic safety retrofit, a small first step toward the January 2032 goal.

Attempts to establish broader capital programs for K-12 facilities like those designed to serve the state's community colleges and universities were unsuccessful during the 2005 and 2007 legislative sessions. House Bill 3141, passed in 2007, mandated physical education for grades K-8 to be implemented beginning in the 2017-18 school year, as a measure to combat childhood obesity. The bill directed the Oregon Department of Education to collect data from school districts on the additional facilities needed to meet the new requirements.

The 2009 legislative session marked a turning point. Legislators passed House Joint Resolution 13, a bill that would allow the state to issue General Obligation (GO) bonds to

provide matching grants to K-12 school districts that received voter approval for local school construction bonds. Legislators referred the bill to voters in the primary election to be held the following May.

Two other 2009 bills, Senate Bill 44 and House Bill 2013, began to engage the issue of K-12 facilities needs. Senate Bill 44 established a Full-Day Kindergarten Implementation Committee, which recommended that all school districts offer full-day kindergarten—including full funding—by the 2015-16 school year. The Oregon Department of Education estimated the cost of additional licensed teachers needed to meet this mandate at \$218.5 million. However, many districts lack sufficient or appropriate classroom space for full-day kindergarten programs, and estimates of the costs of renovation or construction of classroom space range from \$14 million to \$100 million (COSA/OASE, 2014).

House Bill 2013 established an Oregon School Facilities Task Force. The group was directed to:

- Evaluate the existing condition of school facilities;
- Prepare minimum facility standards for school buildings;
- Assess the current and projected capacity and school facility needs, based on those facility standards; and
- Recommend funding mechanisms for the capital needs identified.

That Task Force assigned three subcommittees to address the relevant issues. These groups provided an interim report to the Legislative Assembly in February 2010. During the same period, the Task Force developed a Request for Proposals for private firms to conduct the school facilities needs assessment and develop a database.

In May 2010, Oregon voters affirmed Measure 68, which amended the state's constitution and authorized the new Article XI-P GO bond program. However, the adverse state revenue forecast in September 2010 led the legislature to cancel programs that could not be completed with already-appropriated funding. The Request for Proposals was cancelled and the Oregon School Facilities Task Force disbanded prior to completion of its work.

In 2013, Senate Bill 540 sponsored by Sen. Richard Devlin and seven co-sponsors established the current Task Force on School Capital Improvement Planning. Many questions left over from the prior School Facilities Task Force have informed the work of the current Task Force.

Also in 2013, the Legislature authorized the following GO bond amounts for educational facility capital needs: \$130.4 million for the Oregon University System, \$125.1 million for the Department of Community Colleges & Workforce Development, and \$15 million for seismic grants for K-12 facilities. Legislators made no request for an authorization of new bonds under Article XI-P.

The latest (August 2014) report of the Quality Education Commission circles back to the question of capital for PreK-12 educational facilities, noting that "many school districts have not been able to pass bond levies sufficient to adequately build and maintain high-quality school facilities." The QEC takes note of the charge and forthcoming report of this Task Force on School Capital Improvement Planning (Quality Education Commission, 2014).

# Existing School Facilities Financing Options

Oregon school districts have several options for obtaining funds for capital needs. These options include forms of borrowing, taxation, and grants or loans for specified purposes. This section provides an overview of existing programs. See Appendix A for additional details on these programs.

- **General Obligation Bonds**—General Obligation bonds (“GO bonds”) are a form of municipal borrowing, for which districts must obtain voter approval, which is payable from property taxes levied over and above the property taxes levied for operational purposes. GO bond levies are not subject to Measure 5 and Measure 50 property tax rate limits, and are not subject to “compression,” the name given to the process of reducing the taxes on individual properties if the taxes exceed the Measure 5 limits. Because the delinquency rate on the payment of property taxes is quite low, investors consider these types of bonds to be the most secure form of municipal debt, and thus award the lowest interest rates available for a municipal borrowing. Interest on the bonds is generally exempt from both federal and state income taxes, driving interest rates even lower.

The limit on outstanding GO bond indebtedness equals 7.95% of Real Market Value for school districts. This limit is quite high; no district in the state has come close to hitting it.

Districts may seek voter approval for GO bonds at one of four election dates annually: March, May, September, or November. Only May and November elections are subject to single-majority voter tests. March and September elections require a “double majority,” in which a majority of registered voters must vote and the measure must receive support from a majority of those voting in order for the issue to be approved.

The success rate for the passage of GO bonds in Oregon has historically averaged approximately 50 percent for school districts, but there is significant variation from year to year and among districts. As previously noted, 43 percent of Oregon’s school districts have either failed to pass a GO bond or have not attempted to pass a bond during the past 16 years.

Two state programs have been established to assist local districts with GO bonds:

- **Oregon School Bond Guaranty**—Oregon school districts, education service districts, and community college GO bonds are eligible for the Oregon School Bond Guaranty, a program that allows the state to effectively ‘co-sign’ the GO ‘loan’ of a district. This program, which voters approved in 1998 as a constitutional amendment, pledges that the state will pay debt service should the school district fail to do so. As a result, school districts receive the state’s bond rating (Aa1/AA+), the second highest rating available, resulting in lower interest rates. By lowering their interest rates, the program enables school districts to expand their borrowing capacity at little or no cost to the state. In fact, the state has never been called upon to cover a debt service payment for a local school district. Should that ever occur, the state is authorized to withhold operating funds from the district in order to reimburse itself.

- **Measure 68 – Article XI-P bonds**—In May 2010, voters affirmed Measure 68, a constitutional amendment that added authority for the state to issue GO bonds on behalf of K-12 districts through a matching program. This is similar to the state’s existing Article XI-G authority to issue bonds for Oregon University System and Department of Community Colleges & Workforce capital projects. Article XI-P bonds allow the state to match<sup>9</sup> any GO bond approved by local school district voters. No Article XI-P bonds have yet been authorized by the Oregon Legislature.
- **Full Faith & Credit Obligations**—Full Faith and Credit Obligations (FFCs) are a form of borrowing in which a school district repays debt service from operating funds and provides an unconditional pledge of its existing resources to investors. Because no new taxes are levied, voter approval is not required on these types of obligations. FFC obligations can be used largely for the same purposes as a General Obligation bond, and the repayment term is similarly limited to the useful life of items being financed. There is no legal limit for school districts on how much debt may be issued; however, given that no new resources are available to repay debt service, the true capacity is relatively limited. FFCs are not eligible for either the Oregon School Bond Guaranty program or Article XI-P matching funds.
- **Local Option Capital Levy** — Local option levies authorize districts to levy additional property taxes for operating or capital purposes. However, they are subject to compression under Measure 5 and Measure 50, making the amount collected unpredictable, hard to explain, and inequitable between property owners. Compression occurs when property taxes levied on a property owner by various taxing authorities exceed \$10 per \$1,000 of real market value for non-education taxing districts or \$5 per \$1,000 for schools. When a property is “in compression,” each government’s tax levy is reduced so that the total tax bill equals \$10 per \$1000 of real market value. Since local option levies are subject to the same voter approval requirements as General Obligation bonds, local option levies are generally perceived to be an inferior source of capital funding.
- **Construction Excise Tax** — In 2007, the legislature passed Senate Bill 1036, enabling school districts to impose a construction excise tax (CET) on new construction square footage within the district’s boundaries. Before a school district can pass a resolution implementing these taxes they must develop a long-term facilities plan for capital improvements. Revenues generated through this tax are dedicated to school capital construction. Proceeds may be used for land, new construction or improvements, equipment, furnishings or refinancing of past obligations.

The current tax rate is set by the Oregon Department of Revenue at a maximum of \$1.17 per square foot for residential properties, and \$0.58 per square foot for non-residential properties, with a cap of \$29,200. This amount is subject to annual rate increases based on the construction cost index. The tax is paid at the time a permit is issued.

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<sup>9</sup> In this program, “match” has been interpreted to mean that the local share must be at a *minimum* equal to the state share. The local share can be larger, but cannot be smaller. For example, the state could provide a \$10 million match for a \$25 million local GO bond, but could not provide a \$10 million match for a \$2 million local GO bond.

Although the CET is implemented at the school district's discretion and is not subject to voter approval, the decision to implement the CET can be controversial, due to its perceived impact on the construction industry. Further, revenues have not been significant, particularly during the recent recession. It is therefore not a source of funds that enable school districts to finance major capital projects.

- **Senate Bill 1149 Funding** — In 2001, the legislature approved Senate Bill 1149, which implemented a 3 percent public purpose charge on all Portland General Electric (PGE) and Pacific Power (PP) customers' power bills. Of that amount, the first 10 percent goes to schools within the PGE/PP territory to be used for energy conservation projects. The remaining 90 percent of the funds was used to create the Energy Trust of Oregon to provide low-income housing energy assistance and energy efficiency and renewable energy programs for residential and business customers.

The SB 1149 Energy Efficient Schools Program administered by the Oregon Department of Energy is a reimbursement program. The related Cool Schools initiative (part of ODOE's Small-scale Energy Loan Program) is a loan program, with payback arrangements, including savings on energy bills, designed to reduce the impact of repayment on district operating budgets.

The SB 1149 program has been widely used by districts within the PGE/PP territory, however, it was not available to districts not served by those two utilities, which make up about half of all Oregon school districts. Eligible districts have used funds to pay for comprehensive energy audits, insulation, lighting occupancy sensors, high efficiency water heaters, and similar energy efficiency projects.

- **State Facility Grants** — In 1997, the legislature established the State Facility Grants to provide a portion of State School Fund money to districts for capital expenditures deemed ineligible for bond funding by Measure 50. The grant covers costs to equip and furnish a facility and cannot be used for construction costs. Funds are awarded subject to an application by the district and are provided two to three years after construction is completed. However, Measure 68 expanded the definition of capital costs eligible for funding with bond proceeds to include elements that historically would have been eligible for State Facility Grants.
- **Seismic Rehabilitation Grant Program** — In 2002, voters amended Oregon's constitution to allow General Obligation bonding to fund the seismic rehabilitation of public education facilities (Article XI-M). In 2005, enabling legislation (Senate Bills 2, 3, 4, and 5) established a funding mechanism, the Seismic Rehabilitation Grant Program (SRGP), to make seismic retrofit capital grants of up to \$1.5 million to eligible school districts and community colleges. The legislation also directed the Department of Geology and Mineral Industries (DOGAMI) to conduct a statewide survey of public education facilities and make a comprehensive database of seismic ratings available to the public.

In 2009, the legislature authorized \$15 million for seismic grants to schools and community colleges, an amount later reduced for fiscal reasons before the authorization was fully assigned to projects. A smaller authorization of \$7.5 million for school projects in 2011 kept the SRGP moving forward at a modest scale. The two initial rounds of funding strengthened 22 K-12 schools in 15 Oregon school districts.

In 2013, the legislature authorized \$15 million for school retrofits and moved the program from the Office of Emergency Management to the Oregon Business

Development Department (BusinessOregon), where it has been integrated with other capital programs managed by the Infrastructure Finance Authority. The state has been soliciting applications for funding in 2014, and bond sales for the next round of grants are anticipated in 2015. See Appendix B for additional details.

- **Qualified School Construction Bonds/Qualified Zone Academy Bonds** — The Qualified School Construction Bond (QSCB) and Qualified Zone Academy Bond (QZAB) programs provide incentives to communities to approve school district bonds by providing federal subsidies of the interest cost for public school improvements. The American Recovery and Reinvestment Act of 2009 (ARRA), also known as the federal stimulus package, made QSCBs available for the first time while expanding the authority and tripling the funding for QZABs, resulting in more funds becoming available to Oregon school districts. Both programs provided a direct subsidy of up to 100 percent of the interest cost of a qualifying bond. In Oregon, 36 school districts took advantage of the QSCB program and 15 districts used QZABs between 2009 and 2011, totaling \$254.1 million in federal subsidies to Oregon school facilities during that period.

Districts used these programs as incentives to enlist local voter support for bond measures. Twelve districts passed GO bonds whose interest costs are subsidized by the QSCB program; several districts secured voter approval of bond measures that had previously been unsuccessful, or were able to expand the size of bond requests without undermining public support. Ontario 8C School District's successful experience with the QSCB program is described in the Case Study on page 24. Table 2 lists the 36 Oregon districts that participated in the QSCB program between 2009 and 2012, and the attractive net interest rates the program made possible for them.

## Table 2. Qualified School Construction Bonds, 2009-2012

School District	Credit Type	Principal Amount	Net Interest Rate
Hermiston SD 8R	GO	\$ 31,760,000	1.300%
Salem-Keizer SD 24J	GO	\$ 31,760,000	1.250%
Dallas SD	GO	\$ 8,600,000	0.900%
Klamath County SD	FFCO	\$ 2,000,000	0.370%
North Douglas SD 22	FFCO	\$ 350,000	0.000%
Morrow County SD 1	FFCO	\$ 1,750,000	0.000%
Lane County SD 40	FFCO	\$ 500,000	0.000%
Grant SD 3	FFCO	\$ 690,000	0.000%
Glendale SD 77	FFCO	\$ 540,000	0.000%
Falls City SD 57	FFCO	\$ 375,000	0.000%
Elgin SD 23	FFCO	\$ 1,000,000	0.000%
Douglas County SD 15	FFCO	\$ 600,000	0.000%
Adrian SD 61	FFCO	\$ 170,000	0.000%
Central SD 13J	FFCO	\$ 2,000,000	0.000%
Springfield SD 19	FFCO	\$ 3,000,000	0.000%
Philomath SD 17J	GO	\$ 29,498,267	0.112%
Ontario SD 8C	GO	\$ 18,500,000	0.314%
Winston-Dillard SD 116	FFCO	\$ 750,000	0.250%
Vernonia SD 47J	FFCO	\$ 3,400,000	0.250%
South Umpqua SD 19	FFCO	\$ 500,000	0.250%
Siuslaw SD 97J	FFCO	\$ 900,000	0.250%
Oakridge SD 78	FFCO	\$ 330,000	0.250%
Oakland SD 1	FFCO	\$ 450,000	0.250%
Estacada SD 108	FFCO	\$ 1,100,000	0.250%
Coos County SD 13	FFCO	\$ 8,630,000	0.250%
Imbler SD	GO	\$ 4,000,000	0.330%
Forest Grove SD	GO	\$ 20,000,000	0.460%
Lincoln County SD	GO	\$ 15,000,000	0.000%
Newberg SD	GO	\$ 15,000,000	0.000%
Bandon SD	GO	\$ 1,500,000	0.000%
Tigard-Tualatin SD	GO	\$ 10,000,000	0.000%
Lebanon SD	FFCO	\$ 1,895,000	0.000%
Eugene SD 4J	GO	\$ 15,000,000	0.000%
South Umpqua SD 19	FFCO	\$ 350,000	0.000%
Klamath County SD	FFCO	\$ 2,412,000	0.000%
Corbett SD 39	FFCO	\$ 1,000,000	0.000%
<i>Totals</i>		<b>\$235,310,267</b>	

Note: "GO" = General Obligation bond; "FFCO" = Full Faith and Credit Obligation. Table does not include additional borrowings by 15 other districts under the related Qualified Zone Academy Bonds (QZAB) program. Original market interest rates on these borrowings before QSCB subsidy applied ranged from 2.818% to 5.950%.

Source: Piper-Jaffray – Seattle-Northwest Division



# Case Studies

## Ontario: The Power of an Interest Subsidy

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While some school districts have been successful in passing school bonds to improve their educational facilities, a significant number of Oregon districts have struggled to pass school bonds over multiple years, or in some cases, over decades. The Ontario 8C school district in Malheur County is a prime example of a district that has suffered repeated failures in the attempt to pass capital bonds to support the educational needs of its children.

For more than 30 years, the district made attempts to obtain voter approval to pass General Obligation bonds. Finally in May 2010, Ontario was successful in persuading voters to approve a bond issue of \$18.5 million dollars with a 58 percent “yes” vote. This was a nine-point swing compared with the most recent—and unsuccessful—bond measure vote in 2008. What changed voters’ minds?

Linda Florence, the current superintendent of the Reynolds School District, served as Ontario’s superintendent during the successful May 2010 bond campaign. She credits the following factors for community support:

- A once-in-a-lifetime opportunity to issue zero-interest bonds
- “One-third off” on total bond cost due to the Qualified School Construction Bond (QSCB) interest subsidy
- No change in face value from previous bond
- District mission and vision communicated effectively to the public

The Qualified School Construction Bond (QSCB) program, a federal program that subsidized the interest expense associated with the bond issue (see p.22), made a difference to voters. This low-cost program enabled the district to structure the bond such that the annual cost was nearly \$0.50 less per \$1,000 of assessed value than the previous bond measure for the same face value. The QSCB provisions reduced the total interest expense by over \$10 million, and reduced the bond term from 20 years to 17 years.

Ontario’s experience suggests that the opportunity to realize savings from programs that reduce interest payments or provide matching or supplemental funding can incentivize voters to support General Obligation bonds to improve their public schools.

## Milton-Freewater: A Local-Option Equalization Success

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Milton-Freewater 7 Unified School District in Umatilla County is an Eastern Oregon district with declining enrollment. The district has fewer than 2,000 students, 240 staff, and a community population of approximately 7,050.

The district’s voters have rejected five General Obligation school bonds, each a little different from its predecessor, in local elections since May 2000. The district’s most recent attempt to pass a GO bond was in November 2006; 53 percent of district voters rejected that bond. Table 3 displays the history of recent bond and levy elections in Milton-Freewater.

## Table 3. Milton-Freewater Bond and Levy Election Results, 2000-2013

<b>Election Date</b>	<b>Type</b>	<b>Terms</b>	<b>Percent "Yes" Vote</b>
May 2000	GO Bond	\$ 20,840,000	25.7%
November 2000	GO Bond	\$ 8,000,000	44.8%
November 2004	GO Bond	\$ 14,500,000	40.2%
May 2006	GO Bond	\$ 17,000,000	47.1%
November 2006	GO Bond	\$ 18,750,000	42.7%
May 2013	Local Option Levy	\$1.00/\$1,000/5 years	54.1%

*Source: Oregon School Boards Association, Bond and Local Option Election Data*

Over the course of many years, the district has limited spending, tapped its financial reserves, reduced staffing, acquired loans, grants and donations, and eliminated school days and extra-curricular activities. The district has been unable to maintain student-centered priorities without cutting other essentials, including building maintenance, technology, safety, and security.

In February 2013, Meier Architecture and Engineering conducted a facilities assessment of all district buildings in Milton-Freewater. The assessment revealed approximately \$3.6 million in "critical" deferred maintenance needs requiring immediate attention. In addition, the assessment identified approximately \$24 million in "long-term" maintenance projects that should be addressed over the next 20 years.

After five failed GO bond measures, Milton Freewater voters passed a Local Option Levy in May 2013 with more than 54 percent support. This election marked the first time that the district had sought local option funding for operational and capital projects since the state enacted its Local Option Equalization matching grants program for low-tax-base districts in 2001.

The local option will cost Milton-Freewater property owners \$1 per \$1,000 of assessed property value for a period of five years. The school district will receive approximately \$300,000 each year from local taxes and will be eligible to receive approximately \$350,000 per year from the state of Oregon in equalization payments. Levy and equalization dollars will pay for building maintenance, district security and safety needs, new curriculum materials, and school bus upgrades. Milton-Freewater's levy will expire in 2018.

The Milton-Freewater story demonstrates that an appropriate matching grant formula can provide an incentive sufficient to win local voter support for school district needs. Local option levies have rarely, if ever, been used to fund significant capital construction programs by Oregon school districts. But as this case shows, the local option levy is a tool that can help districts to address deferred maintenance and other capital renewal expenses as well as to supplement limited operating dollars, and the availability of state equalization dollars may help motivate voters to choose that tool.

# State School Facilities Programs: Common Elements

Oregon falls in the bottom fifth of U.S. states in terms of financial support to local school facilities. In the most recent biennium, the Legislature appropriated \$20 million from the State School Fund for the State Facility Grants administered by the Oregon Department of Education. This appropriation amounted to \$17.83 per student for K-12 facilities annually. As a point of comparison, Washington State appropriated more than \$250 per student each year for its K-12 School Construction Assistance Program matching funds in 2011-2013 (Office of the Superintendent of Public Instruction, 2013).

Although arrangements to support capital improvements in local school facilities are as varied among the 40 states that have such programs as the demographics and landscapes of the states themselves, there are consistent elements among them. In a survey of the existing programs for investing in local school facilities, the Task Force has identified the following elements:

- **Direct State Investment**—matching grants, project grants, full funding, debt service subsidy, per student grant, below-market loans, loan guarantees
- **Funding Formula**—property wealth, percent of cost, enrollment growth, community income or other wealth measures, building condition, per pupil
- **Funding Prioritization**—wealth, building condition, rate of enrollment growth, building purpose, application rating
- **Funding Source**—state-issued bond proceeds, lottery revenues, dedicated sales tax, general fund, other dedicated revenue or endowment
- **State Program Administrator**—state Department of Education, independent state authority, other state agency
- **Program Oversight**—appointed board, advisory committee, legislative oversight committee

Even with these common elements, state programs vary greatly in the amounts of state funding, the prioritization process, and the amount of oversight the state provides in the building process and use of the funds. One way to view the different programs is to consider each program's place on a spectrum between highly funded and centralized to lightly funded and decentralized.

Oregon lies on the far side of the lightly funded/decentralized end of the state facility program spectrum. It provides capital support to school facilities only through the limited State Facility Grant monies, the small Seismic Rehabilitation Grant Program, and the guarantee of local school district General Obligation bonds (discussed previously under Existing School Facilities Financing Options, p.19). No state agency or office performs oversight of school facilities, administers state standards for school buildings, or provides technical assistance to school districts for facilities needs. Indeed, the state has no centralized database of local school facilities.

Not surprisingly, the more money a state provides to local districts, the more oversight and standards the state imposes on the use of those funds. Without oversight, the state would

have no way to track the use of funds or to evaluate the successes or failures of the program expenditures. Some state facilities programs have faced extinction after audits revealed lax oversight and lack of accountability for fund expenditures. The flip side of a funding program with no oversight is an oversight program with no funding, also known as an unfunded state mandate. Successful programs combine funding and oversight at levels that are commensurate.

State school facilities programs can provide a mechanism for promoting equity among the state's local school districts. School facilities last a long time and the economic disparities among districts and their respective abilities to fund school buildings do not typically diminish over time. Many states instituted school facilities funding programs only in response to court orders resulting from lawsuits challenging the inequities of school facility quality.

The Task Force surveyed the state school facilities programs of the states west of the Rocky Mountains. All of these states with the exception of Oregon and Nevada have established state school facility programs, and they take a variety of forms. Table 4 provides a summary of those programs, and Table 5 summarizes the elements of the Oregon School Facilities Program recommended in this report. See Appendix C for detailed information on other state programs.

While other states can serve as a useful basis for the elements of a state school facilities program for Oregon, certain aspects of these programs are not feasible for Oregon at this stage of development. For instance, New Mexico makes grant allocations based on a database of facilities condition. At this time Oregon has not collected the data needed to make funding decisions based on facilities condition but over time, as the school facilities database is populated, Oregon's program could evolve in that direction. Additionally, the existing constitutional language for Article XI-P bonds restricts the grant eligibility and size of grant in ways that may not be restricted in other states. Finally, every state program changes and evolves as implementation provides feedback and evidence of effectiveness or unintended consequences.

## Table 4. Western States Facilities Programs

	Program Type	Funding Formula Inputs	Funding Prioritization Method	Funding Source	Program Administrator	Program Oversight
Arizona	<ul style="list-style-type: none"> <li>➤ Project Grant</li> </ul>	<ul style="list-style-type: none"> <li>➤ Capacity/Cost per Square Foot</li> <li>➤ Building Condition/Age</li> </ul>	<ul style="list-style-type: none"> <li>➤ Application/Evaluation</li> </ul>		<ul style="list-style-type: none"> <li>➤ Independent Authority/Board</li> </ul>	<ul style="list-style-type: none"> <li>➤ Standing Appointed Task Force/Board</li> </ul>
California	<ul style="list-style-type: none"> <li>➤ Matching Grant</li> <li>➤ Per-pupil Annual Funding Allocation</li> </ul>	<ul style="list-style-type: none"> <li>➤ Building Condition/Age</li> <li>➤ Enrollment</li> <li>➤ Enrollment Growth</li> </ul>	<ul style="list-style-type: none"> <li>➤ Application/Evaluation</li> </ul>	<ul style="list-style-type: none"> <li>➤ State General Obligation Bonds</li> </ul>	<ul style="list-style-type: none"> <li>➤ Other State Agency</li> </ul>	<ul style="list-style-type: none"> <li>➤ Standing Appointed Task Force/Board</li> </ul>
Colorado	<ul style="list-style-type: none"> <li>➤ Matching Grant</li> <li>➤ Loan Guarantees</li> </ul>	<ul style="list-style-type: none"> <li>➤ Property Wealth</li> <li>➤ Community Income or Other Wealth Indicators</li> <li>➤ Bond Election Record</li> </ul>	<ul style="list-style-type: none"> <li>➤ Programmatic</li> </ul>	<ul style="list-style-type: none"> <li>➤ Lottery Proceeds</li> <li>➤ General Fund and Other State Tax Revenue</li> <li>➤ Dedicated Fund Revenue</li> </ul>	<ul style="list-style-type: none"> <li>➤ Department of Education</li> </ul>	<ul style="list-style-type: none"> <li>➤ Standing Appointed Task Force/Board</li> </ul>
Idaho	<ul style="list-style-type: none"> <li>➤ Matching Grant</li> <li>➤ Per-pupil Annual Funding Allocation</li> </ul>	<ul style="list-style-type: none"> <li>➤ Property Wealth</li> <li>➤ Enrollment</li> <li>➤ Community Income or Other Wealth Indicators</li> </ul>		<ul style="list-style-type: none"> <li>➤ Lottery Proceeds</li> <li>➤ General Fund and Other State Tax Revenue</li> </ul>	<ul style="list-style-type: none"> <li>➤ Department of Education</li> </ul>	
Montana	<ul style="list-style-type: none"> <li>➤ Debt Service Subsidy</li> </ul>	<ul style="list-style-type: none"> <li>➤ Property Wealth</li> </ul>	<ul style="list-style-type: none"> <li>➤ Wealth</li> </ul>		<ul style="list-style-type: none"> <li>➤ Department of Education</li> </ul>	
New Mexico	<ul style="list-style-type: none"> <li>➤ Loan Guarantees</li> <li>➤ Project Grant</li> </ul>	<ul style="list-style-type: none"> <li>➤ Building Condition/Age</li> </ul>	<ul style="list-style-type: none"> <li>➤ Building Condition</li> </ul>	<ul style="list-style-type: none"> <li>➤ Dedicated Fund Revenue</li> </ul>	<ul style="list-style-type: none"> <li>➤ Independent Authority/Board</li> </ul>	<ul style="list-style-type: none"> <li>➤ Standing Appointed Task Force/Board</li> </ul>
Utah	<ul style="list-style-type: none"> <li>➤ Matching Grant</li> <li>➤ Loan Guarantees</li> </ul>	<ul style="list-style-type: none"> <li>➤ Property Wealth</li> <li>➤ Enrollment Growth</li> <li>➤ Enrollment</li> </ul>	<ul style="list-style-type: none"> <li>➤ Local Levy Rate</li> </ul>	<ul style="list-style-type: none"> <li>➤ Dedicated Fund Revenue</li> <li>➤ General Fund and Other State Tax Revenue</li> </ul>	<ul style="list-style-type: none"> <li>➤ Department of Education</li> </ul>	
Washington	<ul style="list-style-type: none"> <li>➤ Matching Grant</li> <li>➤ Loan Guarantees</li> </ul>	<ul style="list-style-type: none"> <li>➤ Property Wealth</li> <li>➤ Capacity/Cost per Square Foot</li> </ul>	<ul style="list-style-type: none"> <li>➤ Application/Evaluation</li> </ul>	<ul style="list-style-type: none"> <li>➤ State General Obligation Bonds</li> </ul>	<ul style="list-style-type: none"> <li>➤ Department of Education</li> </ul>	
Wyoming	<ul style="list-style-type: none"> <li>➤ Matching Grant</li> <li>➤ Loan Guarantees</li> </ul>	<ul style="list-style-type: none"> <li>➤ Building Condition/Age</li> <li>➤ Capacity/Cost per Square Foot</li> </ul>	<ul style="list-style-type: none"> <li>➤ Building Condition</li> </ul>	<ul style="list-style-type: none"> <li>➤ Dedicated Fund Revenue</li> <li>➤ State General Obligation Bonds</li> </ul>	<ul style="list-style-type: none"> <li>➤ Department of Education</li> </ul>	

Source: Task Force analysis

## Table 5. Features of the Proposed Oregon School Facilities Program

	Program Type	Funding Formula Inputs	Funding Prioritization Method	Funding Source	Program Administrator	Program Oversight
Oregon	<ul style="list-style-type: none"> <li>➤ Matching Grant</li> </ul>	<ul style="list-style-type: none"> <li>➤ Property Wealth</li> <li>➤ Community Income or Other Wealth Indicators</li> </ul>	<ul style="list-style-type: none"> <li>➤ Application/Evaluation</li> <li>➤ Wealth</li> </ul>	<ul style="list-style-type: none"> <li>➤ State General Obligation Bonds</li> </ul>	<ul style="list-style-type: none"> <li>➤ Department of Education</li> </ul>	<ul style="list-style-type: none"> <li>➤ Appointed Advisory Committee</li> </ul>

Source: Task Force analysis

# Recommendations

## One—Authorize \$125 Million in New Bonding for PreK-12 School Matching Grants

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*"The task force shall research and recommend to the Oregon Education Investment Board programs and funding sources that allow providers of public education to respond to evolving methods for delivering education and for funding and maintaining capital infrastructures, and establish a more efficient and integrated capital infrastructure system for preschool through grade 12."*

– Senate Bill 540, Section 1 (4)(a)(A), parts i & ii

**The Task Force recommends that the Legislative Assembly initiate state matching grants for PreK-12 school facilities capital improvements with a \$125 million bond authorization in 2015.**

### THE PreK-12 SCHOOL FACILITIES MATCHING GRANTS PROGRAM

**Recommendation 1.1:** *Authorize \$125 million in Article XI-P GO bonds to fund matching grants to school districts that pass local GO bonds, beginning in the 2015-2017 biennium.*

*Amount of Authorization:* The Task Force reviewed the past 10 years of K-12 school bond election data to determine the appropriate target size of the school capital matching fund established by Article XI-P. Our analysis suggests that had the program proposed in this report been in place during the past five biennia, \$125 million in matching grant funds would have allowed the majority of districts that passed local bonds, or that came close to passing bonds, to have received matching grant funding at the levels proposed below.

The intent of the proposed program is two-fold: to provide additional capital in meaningful amounts, and to use the availability of matching funds to leverage local investment by districts.

The question of whether the availability of state matching grants can incent passage of school bonds in local elections is impossible to answer with certainty, but one the Task Force judged reasonable to consider. Between 1999 and 2013, bond measures in 49 Oregon school districts were defeated by margins of 5% or less. The Task Force performed an analysis to assess the impact on election outcomes assuming that the availability of matching funds could sway voter sentiment across a range of percentages from 0.5% to 5.0%. In this necessarily speculative analysis, assuming that availability of state matching funds could increase voter support by 2.5% changed the outcome in 29 districts and yielded \$1.15 billion in local capital investment. Assuming that matching fund availability could increase voter support by as little as 1%, the favorable outcome in 10 districts would have produced \$700 million in local funding for capital projects. These outcomes are many multiples of the state matching-grant investment needed to produce them; the return on investment is highly favorable. Some of the districts in question did succeed with bond measures in subsequent elections, but in most cases the scope of proposed projects was scaled back to attract voter support.

*Allocation during Biennium:* The Task Force recommends that the matching grant funds in each biennium be divided into four equal amounts to be made available for the two May and two November bond elections during that biennium. However, given the likelihood of delay in setting up the initial program in time for the November 2015 bond election, we recommend that the matching grant funds for 2015-2017 be divided into three equal parts for the May 2016, November 2016, and May 2017 school bond elections. Assuming a total authorization of \$125 million, approximately \$41.66 million in matching grant funds would be available to disburse to school districts that pass GO bonds in each of the three election cycles specified above.

*Facilities Assessments and Long-range Plans:* Under the provisions of Article XI-P of the Oregon Constitution, school districts must pass a general obligation capital bond locally to be eligible to receive matching funds. The Task Force recommends that, prior to application for a state matching grant, each school district must prepare and submit a facilities assessment and a long-range facilities plan to the Oregon Department of Education. The Task Force proposes reallocating a portion of the existing School Facility Grants portion of the State School Fund administered by the Oregon Department of Education to help defray the costs of preparing these school facilities assessments and long-range facilities plans. The proposed subsidy for technical assistance is discussed in detail in Part Three of our recommendations, on pages 44-45.

***Recommendation 1.2:*** *Commit to a minimum 10-year capital program, and authorize new bonding at \$125 million or more for the PreK-12 Facilities Matching Grant Program during each of the next five biennia accordingly.*

To allow all of Oregon's 197 school districts to benefit from the availability of state matching grant funds, the Task Force strongly recommends that the Legislative Assembly commit, in principle, to a 10-year program beginning in 2015 and continuing with a GO bond authorization of at least \$125 million for this purpose in each of the five biennia.

Given deferred maintenance and the emerging capital needs for facilities to support all-day kindergarten, early childhood programs, and mandatory physical education at K-8 schools, the need to maximize capital availability through the use of matching funds will be critical throughout the next decade.

***Recommendation 1.3:*** *Allocate the first 60 percent of funds available in each granting cycle to eligible districts by applying an equity ranking based on property wealth and poverty within the district, and allocate the remaining 40 percent of funds in each granting cycle for awards to eligible districts on a first-come, first-served basis. Carry over any balance of funds not awarded in grants to the next cycle.*

The Task Force wanted the matching grant program to provide a strong incentive to local voters to pass capital bonds to meet critical school needs. Members also felt that equity should play a major role in determining the allocation of available funding, and that districts with less capacity should get first priority to receive matching grants if they passed local bond measures. To this end, the Task Force recommends that the first 60 percent of the dollars available in each election-cycle be awarded, in descending order, to eligible school districts that have the lowest assessed value per student (AV/ADMw), adjusted by poverty levels. In other words, the poorest districts, based on property values and poverty incidence, will have first priority for 60 percent of the funding available in each matching grant pot.

All districts will be ranked in a funding formula matrix. Districts will know their ranking and their matching grant eligibility in advance, and will be able to use this information in their bond election planning and public outreach

The remaining 40 percent of the dollars available in each election-cycle fund will be awarded on a first-come, first-served basis to applicant districts that pass local GO bonds, regardless of AV/ADMw and poverty level rankings.

The minimum and maximum amounts provided to each District will be the same regardless of whether they are funded through the 60 percent or 40 percent allocation. Districts within the 60 percent allocation will also be eligible for the 40 percent fund, should insufficient dollars be available to fund all requests through the first fund. Dollars left over from either election-cycle matching grant fund will be rolled over and added to the matching grant fund for the subsequent bond election.

**Recommendation 1.4:** *Award matching grants to eligible school districts at a maximum of \$8 million per grant, and a minimum of \$2 million per grant, or the par value of local GO bonds that qualify for the match, whichever is less.*

While the Task Force acknowledges that these matching amounts are not sufficient to fund all school district needs, we believe the recommended maximum and minimum amounts can provide sufficient additional revenue to incentivize school district voters to pass local bond measures, potentially in larger amounts, thus expanding the pie. Further, the matching grant limits will eliminate the risk that a large district might use the entire matching-fund amount available in any given year.

The exact amount of the matching grant each school district would be eligible to receive through the matching grant program will be determined by a funding formula based on the same criteria used to establish the equity ranking. See Table 5 for details.

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## Table 6. K-12 Facilities Matching Grants: Eligibility, Prioritization, and Relation to Local GO Bonds

- All Oregon school districts eligible to apply for matching funds
- Priority to districts with low relative property value per student and high percentage of students in poverty
- Matching grant amounts based on a sliding scale through a tax base equalization formula
- Matching grant amounts adjusted for percentage of students in poverty
- Prioritization and calculation of grant amounts to be based on official statistics compiled by the Oregon Department of Education
- District contribution (from local GO bond) must equal or exceed the matching grant amount

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Source: Task Force analysis



## MATCHING GRANT FUNDING FORMULA

The Task Force proposes that the matching grant each district would be eligible to receive between the minimum and the maximum allowable amounts specified in Recommendation 1.4 should be determined by applying a “guaranteed tax base” formula similar to the one used in Oregon’s successful Local Option Equalization Grant program, adjusted for the level of poverty within each district.

The proposed funding formula estimates the amount of revenue a school district could theoretically raise from \$1/\$1,000 in local property taxes if the district had property values per student (AV/ADMw) at a fixed, relatively high level (the “Guaranteed Tax Base Amount,” or GTBA). This measurement reflects the notion that those districts with high property values per student can more easily (and affordably) raise general obligation bond proceeds; those with lower ratios will have more difficulty. If the district’s actual AV/ADMw is less than this “guaranteed amount,” the district’s ranking for a matching grant would rise both in terms of the amount for which they would be eligible, and the order in which they would receive funding.

The proposed funding formula further adjusts the eligibility amount and ranking according to the level of poverty in each district. A higher level of poverty within a district would adjust the AV/ADMw value downward. At the beginning of each school year, the Oregon Department of Education will rank districts according to their poverty-adjusted AV/ADMw ratios, so that eligibility amounts and ranking can be easily determined.

For the proposed matching grant calculation, the Task Force recommends a target GTBA (the level of district property value per student) of \$2.5 million. To calculate the eligible amount, we multiply the GTBA by a tax rate of \$1 per \$1,000, or .001, to achieve a target of \$2,500 per ADMw. A matching grant provided by the state would be determined by the difference between the target amount per ADMw and the amount the district could raise in a GO bond based upon their actual assessed value, as adjusted for poverty levels, the amount of their own bond request, and the minimums and maximums set by the program. In other words, after taking into account the size of the local school district’s bond request and minimums and maximums set by the program, the state grant is intended to bring the district’s GO bond proceeds up to a minimum of \$2,500 per ADMw after the amount of local bond revenue is taken into account.

Table 7 illustrates the use of the funding formula to calculate district matching grants, based on two school districts whose school bond proposals fell short by a narrow margin of votes in May 2014 elections. These are the types of close elections in which availability of matching funds may influence voter attitudes.

## Table 7. Calculating Matching Grants: Two Examples

Every school district that passes a General Obligation school bond will be eligible to receive matching funds from the state, but a district’s priority rank and the size of the grant (within the maxima and minima set for the matching grant program) will be determined by factors including property wealth and student poverty within the district.

The **funding formula** determines the size of grants awarded. The formula compares a district’s property wealth (Assessed Value, or AV) per enrolled student (weighted “Average Daily Membership,” or ADMw) to a benchmark value called the Guaranteed Tax Base Amount (GTBA).

The GTBA is a value that presumes a district’s ability to raise \$2,500 per student at a tax rate of \$1.00/\$1,000 AV, a figure set deliberately high so that the matching grant formula can be calculated for every Oregon school district. The formula is weighted for poverty to increase the size of matching grants awarded to districts with higher percentages of students in poverty.

To apply the funding formula, four pieces of information are needed:

1. Assessed value of property in the district (AV)
2. Student enrollment (ADMw)
3. Percentage of district students in poverty
4. Face value of General Obligation bond sought

To illustrate the formula, we present calculations for two Oregon districts whose most recent school bond proposals each failed by fewer than 5% of votes cast in the May 2014 general election: Woodburn and Yamhill-Carlton.

Here are the data,<sup>10</sup> with some numbers rounded for convenience:

	<b><u>Woodburn</u></b>	<b><u>Yamhill-Carlton</u></b>
District assessed value (AV)	\$1,503,451,316	\$ 543,068,722
Student enrollment (ADMw)	7,438	1,278
% of students in poverty	33.18%	9.20%
GO bond sought (May 2014)	\$ 65,000,000	\$ 23,000,000

*Step 1. Calculate the district’s assessed value per student (AV/ADMw)*

Woodburn:	Yamhill-Carlton:
$\$1,503,451,316 \div 7,438 = \$202,131$	$\$543,068,722 \div 1,278 = \$424,936$

<sup>10</sup> Assessed Values from 2012-2013, and ADMw from May 2014, rounded for purpose of simplicity. Data from Oregon Department of Education and Oregon School Boards Association.

*Step 2. Adjust the value to account for the incidence of students in poverty<sup>11</sup>*

Woodburn:

$$\$202,131 \div 1.6636 = \$121,502$$

Yamhill-Carlton:

$$\$424,936 \div 1.184 = \$358,899$$

*Step 3. Calculate the district's potential bond revenue per student, assuming a tax rate of \$1 per \$1,000 AV*

Woodburn:

$$\$121,502 \div 1,000 = \$121.50$$

Yamhill-Carlton:

$$\$358,899 \div 1,000 = \$358.90$$

*Step 4. Subtract this value from the benchmark revenue target of \$2,500 per student (GTBA) to determine the size of the matching grant amount per student needed to bring a district up to the target equalization level*

Woodburn:

$$\$2,500 - \$121.50 = \$2,378.50$$

Yamhill-Carlton:

$$\$2,500 - \$358.90 = \$2,141.10$$

*Step 5. Multiply the equalization grant per student by district enrollment to determine the theoretical matching grant amount needed to meet the district's benchmark target*

Woodburn:

$$\$2,378.50 \times 7,438 = \$17,691,283$$

Yamhill-Carlton:

$$\$2,141.10 \times 1,278 = \$2,736,326$$

*Step 6. Compare the face value of the bond with the estimate of the matching grant needed to reach the district benchmark, in order to determine the final matching grant amount*

Woodburn:

$$\$65,000,000 > \$17,691,283$$

Yamhill-Carlton:

$$\$23,000,000 > \$2,736,326$$

## **Outcomes:**

**Woodburn's** qualifying matching grant amount of \$17.7 million exceeds the matching grant maximum, so Woodburn would qualify to receive a maximum state grant of \$8 million—allowing the district to attain the necessary \$65 million for facilities at less cost to local taxpayers—in the event of a favorable vote.

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<sup>11</sup> The poverty weighting involves dividing the assessed value per student by  $(1 + 2 \times [\% \text{ students in poverty}])$ , a calculation that preferentially favors higher-poverty districts.

**Yamhill-Carlton's** qualifying match amount of \$2.7 million is within the specified matching grant range (\$2 million to \$8 million), and would be matched 100% by a state grant. This would allow the district to attain the necessary \$25 million for facilities at less cost to local taxpayers, given a favorable election outcome.

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Disclaimer: These examples are provided for purpose of illustration only.  
Source: Task Force analysis

## Two—Establish and Fund an Office of School Facilities

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*"The task force shall recommend the appropriate role of the Department of Education in supporting the capital infrastructure system and providing technical assistance."*

– Senate Bill 540, Section 1 (4)(b)

**The Task Force recommends that the Legislative Assembly establish a new Office of School Facilities within the Oregon Department of Education to administer all aspects of the school capital planning initiatives recommended in this report.**

The Office of School Facilities will serve as a centralized program reporting to the Deputy Superintendent of Public Instruction, charged with administering all state school facilities matching grant and technical assistance programs, developing statewide school facilities standards and disseminating best practices, collecting current information from all school districts on facilities condition, and maintaining a statewide school facilities database.

**Recommendation 2.1:** *Repurpose the biennial \$20 million appropriation for the existing School Facility Grants portion of the State School Fund to establish and fund an Office of School Facilities as a specialized program within the Oregon Department of Education to serve as the state's main repository of PreK-12 school facilities expertise and resources.*

The original purpose of the School Facility Grants portion of the State School Fund, to assist school districts with capital costs deemed ineligible for bond funding (due to restrictions imposed by Measure 50 in 1997), was rendered moot by the passage of Measure 68 in 2010. This measure defined "capital costs" broadly and encompassed expenses previously eligible for School Facility Grants. The Task Force strongly urges the Legislature to continue its commitment to capital financing by repurposing the entire School Facility Grants portion of the State School Fund to support the effective implementation of the PreK-12 School Facilities Matching Grants program, the main purpose of Measure 68.

Table 8 summarizes a provisional biennial budget for the proposed Office of School Facilities. Staffing and technical assistance are discussed below and in Part Three of our recommendations. The "Hardship" Matching Grant Fund is discussed in Recommendation 2.2, below. This provisional budget includes a balance of \$4 million to meet any final commitments to districts with current School Facility Grants from State School Fund monies.

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## Table 8. Provisional Budget for the ODE Office of School Facilities, 2015-2017 Biennium

### Personnel and Operations

Salaries + Benefits (4.55 FTE)	\$ 854,000
Equipment, Supplies	\$ 9,100
Travel	\$ 84,000
<i>Subtotal</i>	\$ 947,100

### Technical Assistance

Facilities Assessment Grants	\$ 1,200,000
Seismic Assessment Grants	\$ 1,500,000
Facilities Planning Grants	\$ 1,500,000
Workshops + Outreach	\$ 150,000
<i>Subtotal</i>	\$ 4,350,000

**"Hardship" Matching Grant Fund** \$ 10,000,000

**Prior School Facility Grants Commitments** \$ 4,000,000

**2015-2017 BIENNIUM TOTAL**  \$ 19,297,100

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*Source: Oregon Department of Education and Task Force analysis*

**Recommendation 2.2:** *Authorize a scope of work for the Office of School Facilities that includes the following responsibilities:*

- a) *Administer the PreK-12 Facilities Matching Grant Program funded by Article XI-P bonds.*
- b) *Establish a \$10 million "hardship fund" for districts with critical facilities needs that are not eligible for the matching grant program because they have experienced three or more failures to pass local school bond measures.*
- c) *Establish and maintain protocols for facilities assessment, long-range facilities planning, and educational standards to guide districts in application for and expenditure of state matching grants for capital construction programs.*
- d) *Create and administer a certification program for qualified providers of technical assistance for the purposes specified in 2.2(c).*
- e) *Establish and maintain the Oregon School Facilities Database.*
- f) *Provide reimbursement (capped) to school districts for the cost of technical assistance needed to submit application to the PreK-12 Facilities Matching Grant Program. Reimburse up to \$20,000 (based on facility area) per district for physical facility assessment, a lump sum of \$25,000 per district for seismic assessment or*

*other specialized facilities assessments, and a lump sum of \$25,000 per district for long-range facilities planning expenses.*

- g) Compile information resources and support regional workshops to help school districts address capital maintenance best practices.*
- h) Regularly disseminate information regarding capital funding opportunities and technical assistance resources to all Oregon school districts.*

The intent of the “hardship fund” in Recommendation 2.2 (b) would be to assist districts that have failed at least three times to persuade their local voters to pass GO bonds to finance critical repairs and renovations. Grants from this fund would be restricted to projects designed to keep students safe, warm, and dry, or to implement state or federal mandates, with a maximum of \$500,000 per grant. A local matching requirement of 10 percent of the requested grant amount would apply, from operating funds, private donations, or in-kind donations. In addition, applicants would be required to submit a facilities assessment and a long-range facilities plan. Applications for the hardship fund would be rolling, and awarded first-come, first-served until available funds are exhausted.

The Task Force acknowledges the risk that such a program could provide a disincentive to local voter support for capital bonds in some districts, particularly in districts where bond proposals have been defeated by narrow margins. We are also concerned that the match requirement could place an undue burden on district operating funds, potentially affecting teaching and learning.

On balance, we believe careful program administration can mitigate these risks. This additional means of addressing the critical facility needs facing some school districts adds flexibility to the PreK-12 Facilities Matching Grant Program and constitutes a responsible use of the School Facility Grants portion of the State School Fund.

The day-to-day responsibilities of the Office of School Facilities will include all aspects of administration of the PreK-12 Facilities Matching Grant program and the hardship fund. In addition, the Office will need to recruit experienced professionals qualified to create guidelines and templates for facilities assessment, long-range planning, and the preparation of educational facility standards. The Office will be the home of the new School Facilities Database.

The Task Force believes the Office should be assigned the responsibilities of drafting certification protocols and providing training and certification to the private-sector service providers or local (ESD or district) staff needed to support districts with the technical assistance they require to prepare applications for the state matching grant program. Training and certification should be coordinated and delivered regionally so that every school district in the state has access to the needed services.

## **STAFFING MODEL**

***Recommendation 2.3:*** *Staff the Office of School Facilities with a Program Director, two Regional Managers for technical assistance, a Program Assistant, and a Database Manager.*

- Program Manager (1 FTE, annual salary + benefits = \$127,200)
- Regional Managers for Technical Assistance (2 FTE @ annual salary + benefits = \$88,800)
- Program Assistant (1 FTE, annual salary + benefits = \$73,440)

- Database Manager (0.5 FTE, annual salary + benefits = \$44,400)
- Fiscal Analyst (0.05 FTE, annual salary + benefits = \$ 4,056)

The annual personnel cost (salaries plus benefits) associated with this 4.55 FTE staffing model is \$426,696, which we have rounded to \$427,000 *per annum* in the provisional budget summarized above. The Task Force anticipates that growth of the matching grant program may require up to two additional regional managers and two additional administrative support staff by 2020.

## PROGRAM REVIEW

**Recommendation 2.4:** *Establish an advisory committee to review the PreK-12 Facilities Matching Grant Program, the technical assistance certification activities, and development of the School Facilities Database, and to advise the Deputy Superintendent of Public Instruction on program refinement. Convene the advisory committee at least twice a year during the first biennium, and at least once a year thereafter. Appoint advisory committee members with expertise in finance, architecture, engineering, and construction as well as regional school district representation.*

The Task Force believes that an independent advisory committee, convened at least twice during the first year of the program and at least once every year thereafter to evaluate all aspects of the facility matching grant and technical assistance program, can adequately assure program accountability and support continuous improvement. The composition of the group should be varied to reflect the expertise needed by the program as it evolves.

In the area of technical assistance, an advisory committee can evaluate the viability and relevance of existing standards as compared to industry best practice, anticipate the next stages of program development, and verify that subsidy rates and caps keep pace with statewide economic trends. This advisory function will be crucial to a state agency with no prior history of responsibility for PreK-12 school facilities or capital construction programs.

## Three—Provide Technical Assistance and Grants to Expand School District Eligibility and Participation

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*"The task force shall research and recommend to the Oregon Education Investment Board the types and amounts of technical assistance that may be required by public schools for school capital construction programs."*

- Senate Bill 540, Section 1 (4)(a)(B)

**The Task Force recommends that the Office of School Facilities create and administer protocols to provide technical assistance related to school facility assessment, planning, standards, and resources, and provide subsidies to school districts for certain specified technical assistance costs, for the purposes of implementing the PreK-12 Facilities Matching Grant program and**

## **establishing tools and data to improve statewide school facilities planning and funding.**

This overall recommendation supports the following goals:

- To promote equity of facilities condition among Oregon school districts
- To improve the physical condition of school facilities
- To modernize school facilities to support higher student achievement

The Task Force recognizes that to establish their eligibility for state matching grants, many Oregon school districts will need to secure technical assistance to perform certain kinds of assessments. Technical assistance may be needed to conduct:

**Physical Facilities and Site Assessment:** Evaluation of the physical condition of all school buildings and site areas. This type of assessment should be performed to document building deterioration or deferred maintenance, and also ability to meet project criteria as set forth in the educational facility standards (*see below*).

**Long-range Facility Planning:** Compilation of a district's assessment data into a strategic 10-year plan for district facilities. Such a plan should have short-term and long-term implementation strategies that address building condition, educational adequacy, and capacity.

**Educational Facility Standards:** Creation of baseline criteria for educationally based spaces. Such standards should be facility-based targets aligned with industry best practices and adjusted for new construction or renovation. The completion of district-specific educational standards should not be a condition of eligibility for state matching grant funds.

**Knowledge Sharing:** Creation of a directory of technical assistance service providers available to school districts throughout the state.

## **PHYSICAL ASSESSMENT**

**Recommendation 3.1:** *As a condition of eligibility, and prior to application for state capital facilities matching grants, require each school district to prepare and submit to the Office of School Facilities physical facilities and site assessments. A portion of funds appropriated to the Office of School Facilities shall be allocated to help districts defray the costs of facilities assessments.*

Such assessments typically include the collection of data through direct physical inspection, staff interviews, review of existing drawings, and evaluation of available prior reports and studies.

The Task Force recommends that assessments of the following features and conditions should be eligible for state subsidy (to defray the costs of necessary technical assistance) to establish eligibility for state matching grants:

1. Physical instructional (and support) spaces for state-mandated programs



- a. All-day Kindergarten
  - b. Physical Education
  - c. Special Education classrooms and support areas
  - d. Anticipated growth of programs to address early-childhood education, STEM (science, technology, engineering & mathematics), performance arts, and vocational/CTE (career & technical education)
2. Structural improvements (or building replacement) to reduce the risks of damage to property and harm to individuals caused by an earthquake or a tsunami. Seismic assessments shall be performed according to accepted engineering standards (ASCE 31 or equivalent)
3. Other health and safety considerations
    - a. Control and monitoring of buildings against violent offenders, theft, vandalism, and similar threats to persons or property
    - b. Code compliance related to universal access (ADA) and fire protection
    - c. Emergency notification and communication systems
    - d. Environmental hazards including air and water quality, asbestos, and lead paint
4. Conditions that contribute to student achievement
    - a. Documentation of healthy learning environments including natural light, temperature, ventilation, acoustics, and color
    - b. Reliable access to technology infrastructure at both the site and classroom levels
    - c. Equipment needed to support specialized learning in core curriculum areas

This list includes priorities that should be assessed immediately. The Task Force recommends that a longer-term comprehensive program including assessment of facility deterioration or deferred maintenance should be developed and implemented by 2020.

Facilities assessments prepared to establish eligibility for state matching grants should include:

- Plan diagrams (floor and site to scale)
- Condition of building and site systems related to the assessment themes outlined above, based on direct observation of building condition.
- Budgets for repair or replacement of systems based on regional data, including both expected hard construction costs and soft development costs

Physical assessments prepared within the three years preceding a request for funding will be considered sufficient to establish eligibility for state matching grants. If no recent assessments are available, facilities conditions should be reassessed.

## SCHOOL FACILITY PLANNING

**Recommendation 3.2:** *As a condition of eligibility, and prior to application for state capital facilities matching grants, require each school district to prepare and submit to the Office of School Facilities a 10-year plan for district facilities that addresses major building components, building systems, and impacts of projected demographics. A portion of funds*

*appropriated to the Office of School Facilities shall be allocated to help districts defray the costs of preparing long-range facilities plans.*

The Task Force recommends that long-range facilities plans should be based on ORS 195.110, which requires the creation of a school facilities plan every five years, extending 10 years out. This planning requirement currently applies only to the 56 Oregon school districts defined as “large” (2,500 students or more). We believe a similar planning horizon should be required for all districts requesting state bond matching funds, and long-range planning should be one component of the technical assistance offered by the State through certified regional planners.

The purpose of the approach is to identify needs using a consistent methodology across school districts of different sizes and circumstances, and to create a reliable body of information for public schools statewide.

Each long-range plan submitted to establish eligibility for state matching grants should include:

- **A Long Term Strategy:** A solutions-based facility plan identifying immediate and long-term needs. The strategic plan should include plans to address the facility needs at each building or school campus in the short term or long term (defined as 10 years). Facility Condition Indexes (FCI) should be calculated for each building to assess the viability of repair versus replacement, and adjusted in light of less tangible factors (e.g., community connections, historical significance, economic factors, etc.). Budgets for repair or replacement of systems based on regional data that include both expected hard construction costs and soft development costs should be included. These may be adjusted from the original assessment budgets based on solutions adopted in the strategic plan.
- **Enrollment Projections:** Estimated 10-year enrollment changes based on historical cohort survival modeling. Enrollment projections should be consistent with city or county models if available, which may require sophisticated modeling depending on community size or regional growth patterns. Projections by grade level and by site (or campus) will be most useful.
- **Demographics:** Measured attributes of the district and regional population. Historical, current, and projected data should include income levels, race and ethnicity, growth or decline in population, age, special assistance needs, and other attributes deemed helpful to characterizing the population served by the district. Discussion should include the implications of district demographics for achieving equity of services to all areas of the district.
- **Capacity Analysis:** Optimal student loading factors by building and campus. Capacity analysis should be based on actual teaching stations and not on a square-foot or room-count standard, allowing for local variation based on regional demographics.
- **Site Acquisition:** Determination of land required to accommodate projected growth. The plan shall include examination of site expansion or additional campuses taking into consideration district growth, educational program goals, grade configuration studies, and strategic use of currently owned properties. If additional land is deemed necessary or prudent for district goals, districts should include identification of potential lot(s) with an analysis of the following:
  - Wetlands, easements, and other site conditions that may limit development

- Approximate sizes and configuration of building footprint and site development components to ensure viability of site
- Access points
- Availability of utilities
- Evidence of coordination with local jurisdiction and alignment with regional development master plan

## EDUCATIONAL FACILITY STANDARDS

**Recommendation 3.3:** *Develop advisory state standards of best practice for PreK-12 public education facilities, ensuring equitable physical infrastructure and allowing for regional variations in cost, materials, and demographics.*

Educational facility standards of best practice are used to apply facilities and site assessment data to a solution, or plan, level. Educational facility standards must be sufficiently flexible to respond to the needs of each individual school district, but should also reference minimum state standards in order to establish equity of funding and educational facility targets.

The Task Force recommends that the proposed Office of School Facilities establish educational facility standards for:

- Systems and Materials (technical specifications)
- Academic Spaces and Attributes
- Athletic Facilities and Components

Different standards should apply to new construction and renovations, and standards should allow for variation based on regional materials.

Baseline recommendations should be prepared for the following systems and spaces (see Appendix D for additional detail for each category):

- Site
- Threat Control
- Instructional Spaces
- Group Areas
- Support Areas
- Systems
- Maintenance Standards

## TECHNICAL ASSISTANCE PROVIDERS

**Recommendation 3.4:** *Certify technical assistance service providers to assist school districts with facility and site assessments, seismic assessments, and long-range facility plans.*

The Office of School Facilities shall establish means and methods for certification, including:

- Review of resumes related to the technical assistance certification sought (facilities assessment, seismic assessment, long-range facilities planning, etc.)
- In-person training on technical assistance standards developed by the Office of School Facilities
- Evaluation to determine compliance with educational standards

The Office of School Facilities shall maintain an up-to-date directory of individuals certified to provide technical assistance.

The immediate goal is to establish the Office of School Facilities as a “one-stop” resource for all technical concerns related to the PreK-12 School Facilities Matching Grant Program.

## KNOWLEDGE SHARING PLATFORM

**Recommendation 3.5:** *Compile and disseminate a directory of other technical service providers and information resources for all phases of capital construction program implementation.*

The Task Force recommends that the Office of School Facilities serve as a statewide repository of PreK-12 school facilities expertise. To support district needs for technical assistance to establish eligibility to participate in the matching grant program, as well as to implement capital construction programs, the office should establish, and make available, a directory of technical resources and service providers. Services in this category, but not eligible for state subsidy, include:

- Bond financing
- Bond legal counsel
- Bond communications
- Maintenance best practices
- Site acquisition
- Land use planning
- Off-site development
- District-specific educational specifications
- Program management
- Facility design

The Office of School Facilities shall not warrant the quality of services provided by those listed in the directory, but only verify that they are licensed to provide the services specified. Further, it shall be the responsibility of service providers to contact the Office of School Facilities to request listing in the state directory.

## STATE SUBSIDY FOR TECHNICAL ASSISTANCE

The Task Force recommends the following levels of state subsidy for technical assistance:

- *Physical facility assessments*: reimburse at a rate of \$.08 / square foot of facility with a maximum of \$20,000 per district.
- *Seismic and other specialized assessments*: reimburse with a lump sum of \$25,000 per district.
- *Long-range facility planning*: reimburse with a lump sum of \$25,000 per district.
- *Knowledge Sharing Platform*: maintain with an annual appropriation of \$75,000 to help underwrite the costs of third-party regional workshops on high priority facilities topics, with an emphasis on maintenance best practices.

For purposes of provisional budgeting (see p.36), the Task Force estimates that roughly 30 districts per year will seek reimbursement for costs associated with technical assistance for facilities assessment, seismic assessment, and long-range facilities planning. Assuming that each district is eligible for the maximum subsidy available, the annual cost of these technical assistance activities including regional workshops would total \$2,175,000. Reassignment of funds from the existing School Facility Grants appropriation provides a responsible source for this funding.

## Four—Launch the Oregon School Facilities Database

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*"The Department of Education shall establish and maintain a public education facility information database as provided by this section."*

- Senate Bill 540, Section 4 (1)

### **The Task Force recommends that the Office of School Facilities be assigned responsibility for the PreK-12 school facilities database.**

Over the past 20 years the Oregon Department of Education (ODE) has developed proficiency in assembling, processing, and displaying data on Oregon schools and students. Currently [ODE's website](#) provides reports on:

- Assessment
- Curriculum
- Districts
- Finance/Funding

- General Reports
- Historical Reports
- Report Cards/Annual Yearly Progress (AYP)
- Special Education
- Students

ODE updates and maintains all of the data provided by school districts, and its reports are accessible and informative. However, comparative analysis of districts or schools requires technical resources that most Oregon school districts do not possess. Effectively ODE's reports are "stand-alone" databases that require downloading and further manipulation by users to provide comparative analysis needed for decision-making, planning, and communication.

Senate Bill 540 requires ODE to "establish and maintain a public education facility information database." Given the fact that ODE has successfully assembled and maintained user-friendly public databases and reports, the Task Force judges that creating a new database with facility information is feasible. The Task Force recommends that responsibility for the new database be assigned to the Office of School Facilities.

Senate Bill 540 also directs Oregon school districts and education service districts (ESDs) to provide the following information to ODE for inclusion in the facilities database:

- Facility name
- Square footage
- Year built
- Major renovations made to the facility in the preceding 30 years
- Outstanding bonded indebtedness of the school district or education service district
- Year, amount, and purpose of the most recent bond request approved by voters of the school district or education service district
- Operations and maintenance costs
- Technical upgrades judged necessary
- Health and safety upgrades judged necessary
- Energy use
- Other publicly available information about the facility

The bill specifies that the database must be accessible to the public, but may include (unspecified) functions and other options available only to the Oregon Department of Education and to school districts.

The Task Force believes ODE can create and maintain a mandated facility database using the above information. However, providing school districts and the public with user-friendly means to make district-to-district and school-to-school comparisons has not been specified. This oversight introduces a risk that the Oregon School Facilities Database may include only "stand-alone" data sets that require additional resources as districts attempt to integrate data for analysis and planning for capital improvement efforts.

Anticipating that the school facilities database will be established by June 30, 2015 as directed and funded by Senate Bill 540, the Task Force recommends that ODE staff charged with creating and maintaining the database consider the following:

1. The database must be accessible and usable for analyzing, planning, and prioritizing capital improvement needs by districts and the state. Such analysis should include the ability to display district-to-district and school-to-school comparisons for planning and communication purposes.
2. The capability for comparison must include student demographic and achievement data to provide an equity lens through which to analyze data.
3. ODE should consider use of a GIS platform that supports data visualization in order to enable data comparisons between and among districts.
4. District data for the facility database should be reviewed and updated annually, and should be updated any time a district applies for a matching grant through the PreK-12 Facilities Matching Grant program.
5. Most of the data sets specified in Senate Bill 540 need associated standards. For example, knowing the energy use of an individual school is meaningless without a standard range that places facility-specific data in context. Task Force Recommendation 3.3, above, concerning the development of state standards of best practice for PreK-12 public education facilities supplies a critical underpinning of the database.
6. In addition to the data sets and fields specified by Senate Bill 540, the Task Force urges the Oregon Department of Education to include appropriate data fields for the following data categories:
  - Broadband/Internet Speed
  - Wireless Capacity
  - Technology
  - Threat Assessment
  - Environmental Health
  - Fire & Life Safety
  - Age and condition of portable classrooms, if applicable
7. Senate Bill 540 provides that “The department may enter into a contract with a public or private entity for the purpose of maintaining the facility information database as described.” Some data sets may not be readily available from school districts or ESDs. The Department may need to enter into contracts to acquire data as well as to maintain the database.
8. We urge ODE to consider inviting input from regional school district and ESD representatives during development of the database.

Few databases are developed with sufficient end-user involvement from the outset. Developing the Oregon School Facilities Database with a participatory process viewed as effective and open by its intended users will assist school districts in their efforts to improve school facilities, produce data of greater value for statewide capital planning, and support wise capital improvement and maintenance decisions.

## Other Considerations

This section introduces several considerations that relate to the development of capacity, at the state level, to plan, fund, and track the improvement of school facilities. These considerations fall outside the scope of our recommendations, but warrant attention from legislators, policymakers, and citizens throughout Oregon.

### **The need for permanent funding**

The Task Force is enthusiastic about the use of Article XI-P bonds to finance matching grants to Oregon school districts that pass local school bonds, but we remain mindful that the discretionary authorization of state GO bonds is no guarantee of permanent funding for the state's PreK-12 school facilities.

What is needed is a permanent endowment, along the lines of the state's Common School Fund, that will guarantee income in perpetuity that can be dedicated to the purpose of capital investment in PreK-12 school facilities.

While we make no recommendation in this report about the form such an endowment should take or the revenue stream that should be devoted to establishing it, we urge legislators and other elected officials to weigh this purpose as new sources of revenue become available to the state.

### **Other state agencies involved with school district capital needs**

State agencies including the Oregon Department of Energy (ODOE), Oregon Business Development Department (BusinessOregon), and Department of Geology and Mineral Industries (DOGAMI) have responsibilities that involve outreach and coordination with school districts on aspects of capital facilities. Some of these agencies have assembled databases of information on school facilities performance and condition.

The information possessed by these agencies and the outreach they perform can be coordinated through the proposed Office of School Facilities in the Oregon Department of Education. In particular, data on energy performance and seismic condition should be integrated into ODE's School Facilities Database. By bringing existing facility-related data onto a common platform, ODE can serve all of the users of this information within state government, streamline communication with school districts throughout the state, and support capital planning and improvements by districts.

### **The Article XI-M Seismic Rehabilitation Grants Program**

The Task Force considers the seismic retrofit grants made through the existing Seismic Rehabilitation Grant Program funded by Article XI-M bonds to be complementary to the PreK-12 School Facilities Matching Grants program that we have proposed. Significantly, all school districts are eligible to apply for the seismic grants, which are awarded without a local matching requirement. This means that even a district with no plans to seek a school bond can seek and receive funding for essential seismic improvements that enhance the safety of students and staff.

Funding the Seismic Rehabilitation Grant Program at a high and consistent level each biennium will be necessary to meet the ORS 455.400 statutory goal of seismic rehabilitation



of school buildings by 2032, and to achieve a seismic life-safety standard for all Oregon public school facilities.

### **Schools and school districts with acute needs**

Seaside School District 10, with enrollment of 1,519 students in 2012-2013, faces a predicament without precedent or equivalent in Oregon. Of the small district's four schools, three are located just a few feet above sea level within the tsunami inundation zone. Situated on the Seaside spit and in the community of Gearhart, these three schools are too far from high ground to be evacuated safely in the event of a Cascadia earthquake on the coastal fault and the local tsunami that earthquake would produce.

Seaside has peculiarities of property ownership and value (a high proportion of non-resident owners with vacation properties of high assessed value) that make it unlikely to rate high priority for the state matching funds this Task Force has proposed, and yet it faces challenges in passing a local school bond and its need goes beyond the "hardship" grants provisions that we have designed. The Seaside district is truly trapped—by coastal geology, by its tax base, and by the scope of its identified need. None of the financial resources currently available match Seaside's need for new school facilities on safe, high ground.

The Oregon School Facilities Program that we have proposed is not intended to provide the sole answer to such exceptional circumstances. The Vernonia School District, although still in need of capital funds to complete its K-12 school campus, has been cited as an example of the public-private partnerships needed to address the natural catastrophes to which Oregon communities are vulnerable (flooding, wildfire, earthquake, etc.). This may be accurate, but one aspect of Vernonia's experience must not be repeated. Vernonia's school campus was rebuilt on high ground only *after* catastrophic flooding in 1996 and 2007 destroyed the town's existing school facilities. Other Oregon school districts whose facilities remain vulnerable to catastrophic hazards should address those hazards before, and not after, the next catastrophe strikes. The state must bear some responsibility for making sure that they do so.

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## **TECHNICAL ASSISTANCE REFERENCES**

The Technical Assistance Program recommended by the Task Force draws on lessons learned from other state models and a compilation of best practices. Some important examples of statutes and requirements include:

- Construction Specifications Institute, *The Project Resource Manual: CSI Manual of Practice*
- California: Department of Education, Title 5, California Code of Regulations, Division 1, Chapter 13, Subchapter 1
- Florida: State Requirements for Educational Facilities, November 2012
- Maine: Major Capital Improvement Program, August 2005
- Montana: 2008 Facility Condition Assessment Report #26-30-03
- Texas: Administrative Code Title 19, Part 2, Chapter 61, Subchapter CC
- Washington: Office of Superintendent of Public Instruction, *School Facilities Manual*
- Crime Prevention Through Environmental Design (CPTED) Design Guidelines
- *Recommended Policies for Public School Facilities*, 21<sup>st</sup> Century School Fund (BEST Collaborative), May 2005