

# **Building For The Future**

*A Look At School Facilities Funding In Texas*

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School facilities debt is a growing problem that is central to the challenge of funding public schools in ways that enhance the efficiency and effectiveness of state education dollars. As a part of the Texas Public Policy Foundation's school finance research initiative, district spending was examined to determine the extent of school facilities debt and identify how state policies influence district decision-making regarding debt. This research examines school facilities funding in Texas from a high-level, institutional perspective. It offers practical strategies for maximizing investments in facilities spending, decreasing school debt, and increasing local responsibility so that more educational dollars can be spent on instruction and improving student performance.

## **Findings**

- Almost 70% of Texas school districts are burdened with facilities debt.
- Texas school districts owe close to \$50 billion for construction or renovation.
- Taxpayers pay twice for school facilities – local property taxes and state tax dollars.

- Districts receive over \$700 million state funds annually to offset facilities debt.
- State subsidies encourage districts to spend more – a district receiving the Instructional Facilities Allotment is automatically in \$7.4 million more debt.
- Robin Hood encourages districts to spend money on facilities instead of instruction because districts can keep dollars spent on facilities away from Robin Hood redistribution.
- Wealthy school districts are encouraged to finance expenditures with debt even when they could be financed with normal operating funds – a wealthy district under the Robin Hood system incurs \$6.4 million more debt.
- State subsidies encourage districts to spend extra on facilities design and size.
- The wealthier a district, the greater the debt it assumes – with each \$100,000 in total taxable wealth, on average a school district takes on an additional \$650 of debt.
- State subsidies for instructional facilities encourage districts to spend more money on non-instructional facilities.
- Nationally, low growth school districts generally spend as much as high growth districts.
- School districts add \$26,946.47 in facilities debt for each new student.

### **Recommendations**

- Hold bond elections on standard election dates to encourage higher voter participation.
- Abolish the prevailing wage law to reduce renovating/construction costs.
- Eliminate the interest and sinking tax rate so districts pay off facilities bond from the same pool of tax dollars that underwrite operations.
- Disallow the Permanent School Fund bond guarantee program to be used for non-instructional facilities.

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- Establish a maximum facilities subsidy for each student.
- Encourage districts to use money-saving facilities designs.
- Require schools to use best practices for school facilities finance.



**This publication is available online at:**

<http://www.texaspolicy.com/pdf/2004-04-facilities.pdf>

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