

FEDERAL SPENDING ON PK-12 SCHOOL FACILITIES



NOVEMBER 2010

Methodology: *There is no national source of data or information on the federal role in funding and oversight for public PK-12 school facilities. To address this shortcoming, 21st Century School Fund has prepared this study with the support of the National Clearinghouse for Educational Facilities. In collecting data and information for this report, we contacted federal and state agency representatives and nonprofit organizations. However many agencies did not have available (or provide) PK-12 specific data regarding their federal program. In tandem to any data provided directly by federal and state agencies we utilized public sources such as agency websites and other expert organization websites such as LISC. We also utilized Recovery.gov for ARRA level data provided through project recipient reports. Information was also located through news sources such as the National Clearinghouse of Educational Facilities spotlight news, and through media contacts such as Peter Schroeder at the Bond Buyer. Much of the data collected needed to be cleaned up by converting PDFs into excel spreadsheets, sorting and sifting the data to isolate PK-12 school facilities, and then created into data sets. Finally after data sets were created and information gathered, we consolidated the federal program funding types and created a framework for analysis for the final report.*

Authors: Mary Filardo and Sean O'Donnell

21st Century School Fund: Founded in 1994, 21CSF has worked for the last 15 years in Washington, DC and around the country to improve the quality and equity of our public school infrastructure. It is a leading voice for increased investment in our public school infrastructure; a pioneer in innovative approaches to community engagement in school capital planning, creative financing and public-private partnership strategies; and a respected source for technical assistance and research on school facility planning, management, oversight, financing, and impacts. (www.21csf.org)

Building Educational Success Together collaborative (BEST): BEST is a national collaborative, founded in 2001 by the 21st Century School Fund, which brings together 14 local and national partners supporting each other in our work towards a country where all children learn in school buildings that are safe and educationally adequate and that serve as community anchors in vibrant, healthy neighborhoods. (www.bestschoolfacilities.org)

Acknowledgments

We would like to thank the federal and state agency staff that helped us locate data and information. We would also like to thank Peter Schroeder at the Bond Buyer for his help in locating data and information on federal bond programs. Support for this work was provided by the Ford Foundation and the National Clearinghouse for Educational Facilities.

The Ford Foundation, Educational Opportunity and Scholarship

The Ford Foundation's goals are to strengthen democratic values, reduce poverty and injustice, promote international cooperation and advance human achievement. The Educational Opportunity and Scholarship division focuses on strengthening educational systems to ensure all young people receive an education that enables them to engage in meaningful work and contribute as citizens in diverse societies. Ford Foundation works with organizations that produce compelling new thinking and evidence; promote effective and scalable practices; and communicate, advocate, and build the capacity for reform.

National Clearinghouse for Educational Facilities (NCEF) Created in 1997 by the U.S. Department of Education and managed by the National Institute of Building Sciences, NCEF provides information and research on planning, designing, financing, constructing, improving, operating, and maintaining safe, healthy, high performance public nursery, pre-kindergarten, kindergarten-through-grade-12 schools, and higher education facilities. (www.NCEF.org)

Front cover photos provided by the **Through Your Lens** photo and essay contest (www.throughyourlens.org) and the **21st Century School Fund** (www.21csf.org).

Contents

National Spending on School Construction	3
Dedicated Federal Grant Programs for Public School Facilities.....	4
Credit Enhancement for Charter School Facilities Program.....	5
State Charter School Facilities Incentive Grants Program.....	5
Impact Aid Discretionary Construction Grant Program.....	5
Impact Aid Facilities Maintenance Program.....	5
The Iowa Demonstration Construction Grant Program	5
Equipment Assistance Grants for School Food Authorities.....	5
Military Construction Program	6
Allowable Federal Grant Programs for Public School Facility Use.....	8
Government Services Fund	8
Head Start Program.....	8
State Energy Program Grants.....	8
Energy Efficiency and Conservation Block Grant Program	9
Tribal Energy Program.....	9
Brownfield Programs	9
FEMA Public Assistance Program Grants	9
Rural Community Facilities Program	10
Tax and Finance Benefit Programs	11
PK-12 School Construction Dedicated Tax and Finance Benefit Programs.....	11
Qualified Zone Academy Bonds.....	11
Qualified School Construction Bonds.....	11
Tax Credit Bonds for Bureau of Indian Affairs-Funded Schools, U.S. Department of Interior	11
Tax and Finance Benefit Programs with School Construction Eligibility	12
Build America Bonds.....	12
Clean Renewable Energy Bonds.....	12
Qualified Energy Conservation Bonds.....	12
New Market Tax Credit Program.....	12
Rural Community Facilities Program	12
Conclusion	13
Federal Program Technical Assistance and Information	14
Errata Sheet	17

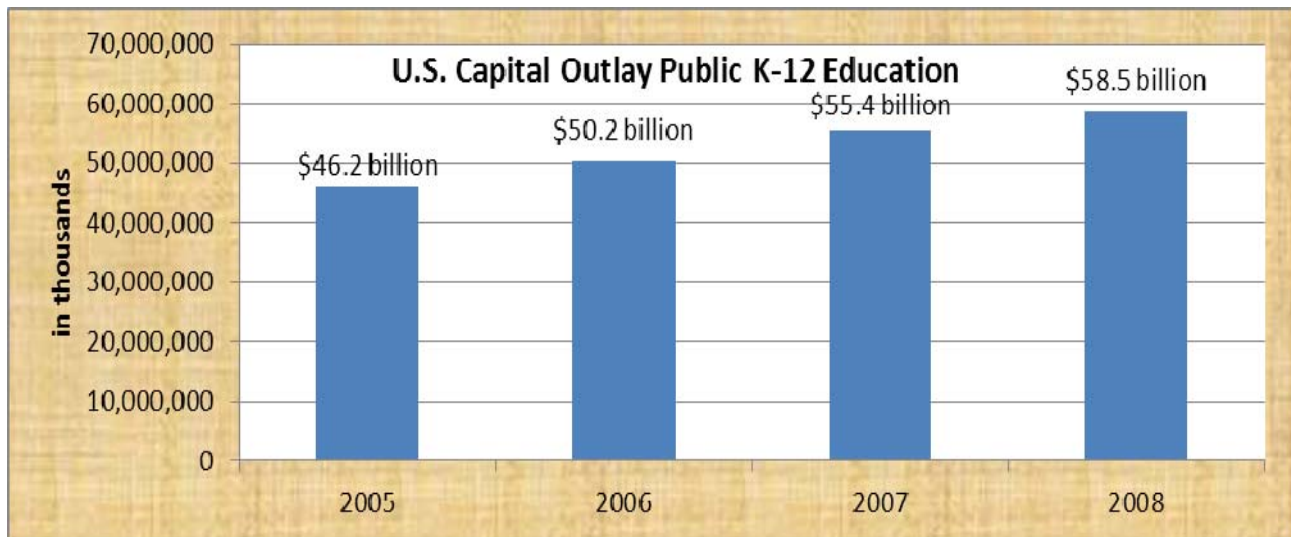
Federal Programs for PK-12 Public School Facilities

With the support of the National Clearinghouse of Educational Facilities the 21st Century School Fund has sought to identify all of the federal programs available to local districts, public charter schools and states that can be used to ensure that public school children, teachers and staff are in healthy, safe and educationally appropriate public school facilities for teaching, learning and community use. We used www.recovery.gov to find project level data for ARRA funding. We also contacted specific federal agencies for more detailed information on how various infrastructure and energy programs are being used by school districts.

National Spending on School Construction

School districts reported to the U.S. Census of Governments that they spent \$58.5 billion for capital outlay on construction and land and building acquisition in 2008, excluding equipment and interest. Capital outlay includes all public school spending that is done using funds that are financed through long term debt. For the purposes of the U.S. Census of Governments, long term debt is debt of longer than one year. Chart 1 shows the most recent 4 years of capital outlay for school construction, land and building acquisition of public school districts.

Chart 1: Public School Capital Outlay for School Construction, Land and Building Acquisition 2005-2008



Source: U.S. Census of Governments, F-33 Form—not adjusted for construction inflation.

The types of projects included in school construction capital outlay are: new construction; building modernization; renewal of building systems; and major maintenance projects. In land and building acquisition, the costs of basic purchase, but also of site preparation, remediation for environmental clean-up and other legal and finance costs are included in land and building acquisition capital outlay. The capital outlay reported is meant to include both the hard and soft costs associated with construction and acquisition. Hard costs are for the labor and materials needed for the building improvements or new construction and soft costs include project management, assessments, planning, design, engineering, and legal and finance costs associated with a building or real estate project.

The federal programs that offer some support for local districts and charter schools for school facility construction projects fall into four types.

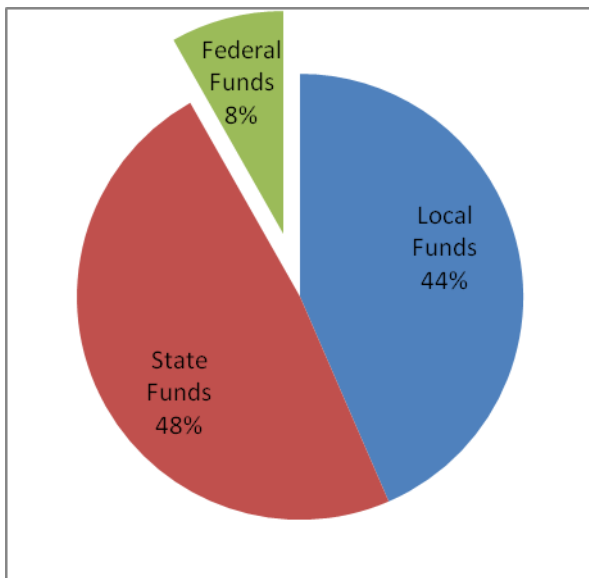
- 1) **Dedicated federal grants** for improving public school facilities;
- 2) **Allowable federal grants** where school districts or public charter schools are eligible to apply, but where funds are not specifically targeted to public school facilities;
- 3) **Dedicated federal tax credits or loans** for improving public school facilities; and
- 4) **Allowable federal tax credits or loans** where school districts are eligible to apply, but where the tax credits or loans are not specifically targeted for public school facilities.

Dedicated Federal Grant Programs for Public School Facilities

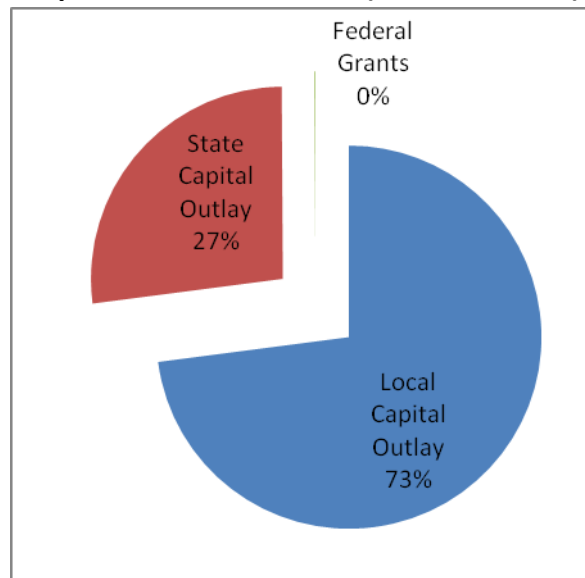
The U.S. Department of Education contributes an average of about 8.2% annually toward PK-12 public education operating costs.¹ These annual recurring costs are for salaries and other program costs related to the U.S. Department of Education’s mission to promote student achievement and the preparation for global competitiveness by fostering educational excellence and ensuring equal access. In contrast, as is shown in the charts below, U.S. Department of Education has extremely limited programs related to school facilities. Less than one tenth of a one percent of the total capital outlay for facilities is paid for with federal grant funds. For every one thousand dollars that states and local school districts spend on public school building improvements paid for through capital outlay, the federal government contributes about 86 cents.

The charts below contrast the U.S. Department of Education contribution toward local school district **operating** budgets and local school district **capital** budgets.

Sources for PK-12 Operating Funds 2008



Sources for PK-12 Capital Outlay Expenditures, 2008-2009 (excludes ARRA)



Note: State share based on total capital outlay and total state spending, rather than average state share, which is 31%.

¹ National Center for Education Statistics; <http://nces.ed.gov/fastfacts/>.

Although the U.S. Department of Education has no defined role in addressing the unequal access public school students have to healthy, safe and educationally appropriate school facilities, there are a handful of programs that are specifically focused as to make a difference in the few communities that benefit from them. There are five distinct programs at the U.S. Department of Education that provide dedicated grant funding for public school facilities improvements. The programs that have **dedicated grant funding** are:

Credit Enhancement for Charter School Facilities Program

The Credit Enhancement for Charter School Facilities program provides funding through competitive grants to public and nonprofit organizations that are able to help public charter schools borrow funds for the purchase or improvements of their facilities. This program has provided around \$214 million to public and nonprofit entities from 2001-2009. Those that can apply include, state and local governments, a private nonprofit, or a consortium of public and private sectors.

State Charter School Facilities Incentive Grants Program

This program was created to encourage states to develop or help with per-pupil facilities aid programs and share the costs for funding school facilities for charter schools. States that have enacted a state law authorizing per-pupil facilities aid for charter schools may apply.

Impact Aid Discretionary Construction Grant Program

The Impact Aid Discretionary Construction Grant Program provides grants for emergency repairs, new construction, and modernization of school facilities that receive Impact Aid. In general, to be eligible to apply for a modernization or emergency Impact Aid construction grant, a Local Education Agency must be eligible for Impact Aid funding and have a school enrollment of at least 40% or more who reside on Indian lands or on federal property.

Impact Aid Facilities Maintenance Program

Impact aid facilities maintenance grants are provided to help maintain school facilities that are operated by Local Education Agencies that serve military installations. Only Department of Education owned school facilities that are operated by Local Education Agencies and that serve military installations are eligible for grants.

The Iowa Demonstration Construction Grant Program

Senator Tom Harkin of Iowa created the Iowa Demonstration Construction Grant Program to provide competitive grants for the repair and construction of public school facilities in Iowa. From 1998 to 2007 this grant program has funded over \$120 million in federal dollars to the Iowa Department of Education to provide competitive construction and repair grants for local schools. Senator Harkin is trying to make the small grant of federal dollars to help leverage construction and repair of schools a national model.

Another program with dedicated funds for school facilities is a U.S. Department of Agriculture grant program to improve kitchens in our public schools. The U.S. Department of Agriculture's mission is to provide leadership on food, agriculture, natural resources, and related issues. This department has a small, but important role in K-12 education because of its funding for the nation's school lunch program. The Equipment Assistance Program, while an ongoing program, has had irregularly appropriations—the largest in its history was the \$100 million provided through the American Recovery and Reinvestment Act.

Equipment Assistance Grants for School Food Authorities

The Equipment Assistance Grants for School Food Authorities was created to improve the infrastructure of school cafeterias and school kitchens in public and nonprofit private schools that participate in the National School Lunch Program. State agencies (School Food Authorities in many cases) are responsible for creating the specific criteria used in their competitive grant process.

The only other federal grant funds that are dedicated to improving PK-12 public school facilities are from the U.S. Department of the Interior for the schools on and operated by tribal governments and the U.S. Department of Defense operated schools for children of military personnel. The U.S. Department of the Interior is responsible for protecting America’s natural resources and heritage and honoring our cultures and tribal communities and the Department of Defense operates schools for thousands of children from military families. These current programs are:

Bureau of Indian Affairs – Elementary and Secondary School Construction

The Bureau of Indian Affairs (BIA) is responsible for the construction, improvement and repairs of bureau-funded education buildings that reside on Indian lands. BIA provides school facilities to around 42,000 elementary and secondary students. As of February 2010, there was a \$1.3 billion backlog in BIA school construction. The Bureau of Indian Affairs has developed a school construction priority list for allocating school construction funds.

Military Construction Program

The Department of Defense operates 194 schools serving about 87,000 children of military personnel throughout the world. Sixty four of these schools with 27,000 students are in the U.S. The Military Construction Program (MILCON) is responsible for the construction of these Department of Defense operated schools, which are on U.S. military bases around the world and within the U.S. As part of the ARRA, \$240 million were identified for early childhood centers on military bases. More significantly, in 2010, a future funding plan was announced to address \$3.7 billion in construction needs for schools on military bases. world-wide including domestic schools.

Table 1, shows the amounts of the dedicated federal grant funds available from federal agencies. There was some increase in dedicated grant funds through ARRA, but impacting very few of the nation’s 50 million public school children.

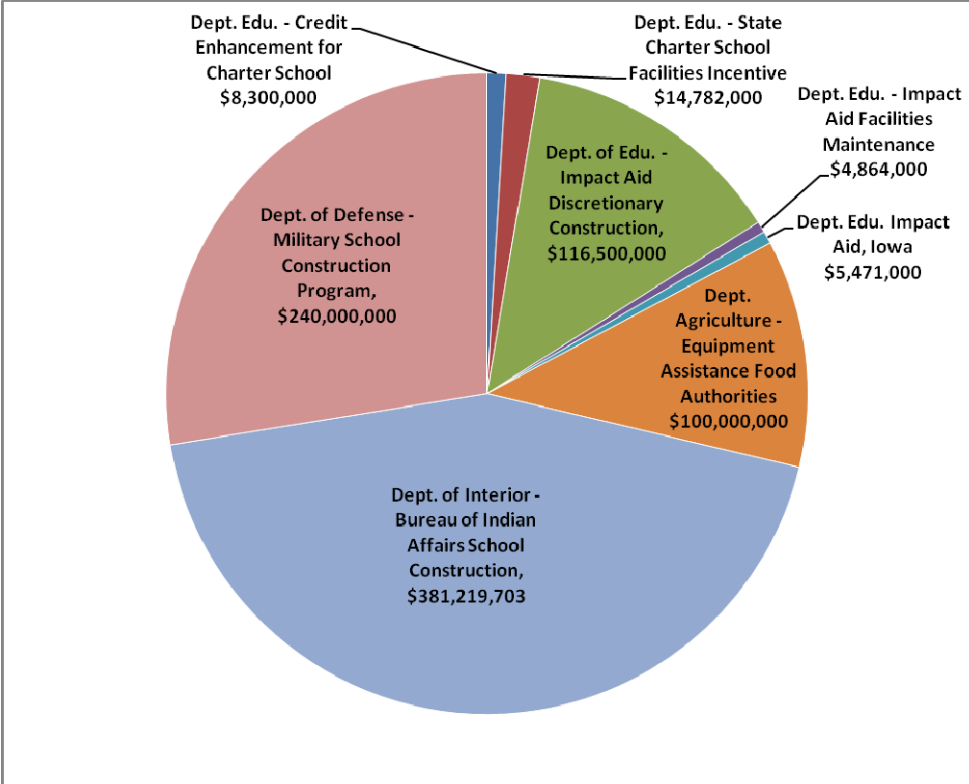
Table 1: Federal Grant Programs Dedicated to Improving PK-12 Public School Facilities FY2009

Federal Agency	Program Name	Federal Funds (FY2009)	ARRA Funding (2009-10)	Total FY 2009 & ARRA Funds
Dept. Education	Credit Enhancement for Charter School Facilities Program	\$ 8,300,000	\$ -	\$ 8,300,000
	State Charter School Facilities Incentive Grants Program	\$ 14,782,000	\$ -	\$ 14,782,000
	Impact Aid Discretionary Construction Grant Program	\$ 17,500,000	\$ 99,000,000	\$ 116,500,000
	Impact Aid Facilities Maintenance	\$ 4,864,000	\$ -	\$ 4,864,000
	Impact Aid, Iowa Demonstration Grant Program	\$ 5,471,000	\$ -	\$ 5,471,000
Dept. Agriculture	Equipment Assistance Grants for PK-12 School Food Authorities	\$ -	\$ 100,000,000	\$ 100,000,000
Dept. Interior	Bureau of Indian Affairs School Construction Program(1)	\$ 128,837,000	\$ 252,382,703	\$ 381,219,703
Dept. Defense	Military School Construction Program - Early Childhood Centers	\$ -	\$ 240,000,000	\$ 240,000,000
	Total Dedicated Funding	\$ 179,754,000	\$ 691,382,703	\$ 871,136,703

(1) BIA Federal Appropriations may include some funds for Tribal Universities, Colleges, and Post- secondary schools. ARRA Funding reflects easily identified PK-12 school facility projects from ARRA BIA projects posted by DOI.

Chart 2 shows, by program, how the total \$841 million of FY2009 and ARRA appropriation of grant funds specifically directed to improve public school facilities was allocated.

Chart 2: Federal Agency Programs with Dedicated Grants for PK-12 Public School Facilities, 2009 and ARRA



Source: 21st Century School Fund

Allowable Federal Grant Programs for Public School Facility Use

There are a number of ongoing federal programs that allow funding for school facilities, but the programs are not dedicated specifically to the improvement of public school facilities. There are two types of federal grant programs where spending for facility improvements are permissible. One type is where program related funds are allowed to be used to improve facilities in order to support the program. The Headstart Program is one example of this. While nearly all of the funding is used to pay teachers and other operating costs related to providing early childhood education, it is legal to use some funds for facility improvements. The other type of eligible program is established to improve public facility infrastructure, but not specifically public school buildings or grounds. These programs permit school districts to apply for facility infrastructure funds along with other public sector entities. For example, school districts are eligible to apply for energy conservation grants as part of the State Energy Programs.

Government Services Fund

As a key provision of the American Recovery and Reinvestment Act, \$8.8 billion was designated for a Government Services Fund. These funds were allocated to states to use for public education with public school facility improvements as an allowable use. This was a compromise use of these funds, not their original intention, after the nearly \$16 billion proposed for school construction in ARRA was removed from the bill. States had broad latitude on how they could use the funds from the Government Services Fund, and in their applications, the states identified intentions to use only \$26 million of the \$8.8 billion for PK-12 public school facilities improvements.

The U.S. Department of Health and Human Services is focused on the health of all Americans and providing essential human services. The Department of Health and Human Services has a limited role in education, but provides nearly \$8 billion a year for the Head Start program, which provides communities with early childhood programs for three and 4 year olds from low income families.

Head Start Program

The Head Start Program includes grants that can be used for the purchase of a facility, renovation, and construction. The American Recovery and Reinvestment Act of 2009 (ARRA) appropriated an additional \$2.1 billion and was expected to expand enrollment by 64,000 children and families. Head Start and Early Head Start grants are awarded to local governments, Indian tribes, school districts, nonprofit organizations and for-profit organizations. Because of the necessity for specially designed spaces for very young children, the Head Start Program permits their recipients to use funds for facilities.

The U.S. Department of Energy's mission is to advance the national, economic, and energy security of the United States and to promote scientific and technological innovation in support of that mission. The Department of Energy has been active in providing assistance and funding for energy efficient technology for school facilities.

State Energy Program Grants

The State Energy Program provides financial and technical assistance to states through formula and competitive grants. States use the formula grants for the planning of state strategies and the development of goals around their state's energy priorities. The competitive grants allow for the purchase of new energy efficiency/renewable energy products and technologies. States are provided formula grants from the Department of Energy and can also take advantage of opportunities for competitive grants. States manage a competitive grant program for local entities with the state formula grants.

The State Energy Program grants cannot be used for construction, including the construction or repair of buildings or structures. However, the purchase and installation of equipment and materials for energy efficiency measures and renewable energy measures, including design costs, can be used with State Energy Grant funds. The grant funds can also be used if construction or repairs are needed to install energy efficiency or energy renewable measures.

Energy Efficiency and Conservation Block Grant Program

The EECBG program is to help with the development, implementation, and management of energy efficiency and conservation projects and programs. States, U.S. territories, large cities and counties, and Indian tribes received formula-based block grants from the Department of Energy based on population.

Tribal Energy Program

The Department of Energy has provided competitive grants through the Tribal Energy Program for renewable energy and energy efficiency projects and assessments. From 2002 to 2008, the Department of Energy has funded over \$16.5 million for 93 tribal energy projects. Native American Tribal Governments (Federally Recognized) are eligible for Tribal Energy Program grants.

The Environmental Protection Agency (EPA) protects human health and safeguards the natural environment. Many of the EPA's environmental concerns can be found in school facilities.

Brownfield Programs

The Environmental Protection Agency's Brownfield Program is focused on preventing, assessing, safely cleaning up, and sustainably reusing brownfields. The EPA has three brownfield grant and direct assistance opportunities to which school districts are eligible to apply for school facilities: The Area-Wide Planning Pilot Program, the Assessment Grants Program, and the Clean-up Grants Program.

The Federal Emergency Management Agency (FEMA) is part of the U.S. Department of Homeland Security and is focused on supporting U.S. citizens and first responders to ensure that as a nation we work together to build, sustain, and improve our capability to prepare for, protect against, respond to, recover from, and mitigate all hazards. FEMA has an important role in helping provide funding for school districts to reconstruct and repair school facilities that experience a disaster.

FEMA Public Assistance Program Grants

Public Assistance Grants are made available to agencies to help communities recover from disasters. Public Assistance Grants provide funds for publicly owned facilities (such as school facilities) for repair, replacement, or restoration. The public assistance grants can be used to restore a facility to its pre-disaster condition. The grants may also be used for upgrades that are necessary to meet applicable codes and standards and for hazard mitigation measures. Entities that are eligible for the public assistance grants include: state and local government (including school districts), federally recognized Tribal governments, and certain private nonprofit organizations.

FEMA has spent around \$3.2 billion in Public Assistance Program Grants to PK-12 institutions between 1998 and 2010. Around \$2.1 billion of the \$3.2 billion was designated for school institutions in Louisiana affected by Hurricane Katrina.

Finally, the Department of Agriculture has a small grant program to help rural communities improve their community facilities. As an allowable federal grant program school districts can apply, but it is not specifically designated for rural school facilities.

Rural Community Facilities Program

This program is designed to develop essential community facilities for public use in rural areas, including school facilities. The Rural Community Facilities Program uses three flexible financial tools: the Community Facilities Guaranteed Loan Program, the Community Facilities Direct Loan Program, and the Community Facilities Grant Program. The rural community facilities grants, direct and guaranteed loans are available to municipalities, counties, special-purpose districts, non-profit corporations, and tribal governments to be used in rural areas and towns of up to 20,000 in population.

Table 2 identifies the federal grant programs and FY2009 and ARRA funding where school districts were eligible to apply for federal funding, but where the program is not specifically for public school facilities. Interestingly, the Federal Emergency Management Assistance Program, with an average of \$263 million per year spent on school facilities, ends up being the largest single non-military federal funder of public school facilities.

Table 2: Federal Grant Programs Eligible for use to Improve PK-12 Public School Facilities

Federal Agency	Program Name	Federal Funds (FY2009)	ARRA Funding (2009-10)	Total Eligible Funds	Funds Used for PK-12 Facilities
Dept. Education	Government Service Funds (1)	\$ -	\$ 8,845,200,000	\$ 8,845,200,000	\$ 26,198,032
Dept. HHS	Head Start Program (2)	\$ 7,110,283,000	\$ 2,100,000,000	\$ 9,210,283,000	\$ 27,023,450
Dept. Energy	State Energy Program Grants (3)	\$ 50,000,000	\$ 3,100,000,000	\$ 3,150,000,000	\$100,215,949
	Energy Efficiency and Conservation Block Grant Program (4)	\$ -	\$ 3,200,000,000	\$ 3,200,000,000	\$ 34,534,686
	Tribal Energy Program (5)	\$ 6,000,000		\$ 6,000,000	no data
EPA	Brownfield Grant Program (6)	\$ 169,400,000	\$ 100,000,000	\$ 269,400,000	\$ 1,600,000
FEMA	Public Assistance Program Grants/FEMA (7)	\$ 2,907,032,582	\$ -	\$ 2,907,032,582	\$263,073,931
Dept. Agriculture	Rural Community Facilities Program-Grant Program (8)	\$ 41,000,000	\$ 61,000,000	\$ 102,000,000	no data
	Total Eligible Funding		\$ 17,406,200,000	\$27,689,915,582	\$452,646,048

(1) Source: Recovery.gov, 2009 State Fiscal Stabilization Fund Program state applications

(2) Recovery.gov, use of the awards are described, but facilities are not separately accounted for.

Amount is estimated based on ARRA recipient reports.

(3) Utilized funding total represents SEP school facility projects found for 14 states.

(4) Recovery.gov, projects listed and described as public school projects.

(5) Appears there is some spending on schools, but no breakdown of specifics found.

(6) Found specific site assessment and clean up of both current and planned school sites for RI, SD, MA, HI, TN, SC, ME.

(7) Average FEMA expenditure (using years 1998-2010) for all uses; and the average share for school district projects, based on review of FEMA project lists.

(8) No specific school project awards found.

Tax and Finance Benefit Programs

Nearly all school districts finance the cost of new construction or major capital improvements to their school facilities and grounds, rather than paying for these costs with current year revenues. Federal tax credit or loan programs help school districts and public charter schools improve the facility conditions for teaching and learning. The American Reinvestment and Recovery Act of 2009 (ARRA) increased the tax credit programs and introduced new programs that could be utilized for school facilities.

PK-12 School Construction Dedicated Tax and Finance Benefit Programs

The U.S. Department of Treasury has various tax-credit bond programs available to public school districts, public charter schools and Bureau of Indian Affairs funded schools to reduce the cost of borrowing. These tax credit programs are:

Qualified Zone Academy Bonds

Established in 1997 and administered by the Internal Revenue Service, the Qualified Zone Academy Bonds (QZABs) allow school districts serving low-income students (35% or more free and reduced lunch) to issue tax-credit bonds that save on interest costs for financing school renovations and repairs. These bonds cannot be used for new construction. A public school is eligible as long as it fits under the definition of a qualified zone academy. A state's allocation is based on the state's population under the poverty line. The state education agencies have their own application processes for local entities.

Qualified School Construction Bonds

Administered by the Internal Revenue Service, the Qualified School Construction Bonds can be used to finance the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. This tax-credit program was created by the American Recovery and Reinvestment Act of 2009 (ARRA). After receiving their federal allocation, states in turn allocated to Local Education Agencies based on applications. All states were eligible and received an allocated amount in 2009 and 2010. Also eligible were the 100 largest low-income local educational agencies. As of September 2010, only 30% of the allocation was utilized.

Tax Credit Bonds for Bureau of Indian Affairs-Funded Schools, U.S. Department of Interior

This tax credit bond program is for the construction, modernization, and repair of Bureau of Indian Affairs funded school facilities. These bonds are intended to reduce the cost of Tribal Governments completing much needed construction or repairs of school facilities. To be eligible for this tax-credit bond program the applicant must be an Indian Tribal government.

Table 3: Dedicated Financing Programs for PK-12 Public Schools

Program Name	Historic Credit Allocation Cap (2009 & 2010)	ARRA Increase to Credit Allocations	Total Allocation (2009 & 2010)	Funds Used for PK-12 Facilities
Qualified Zone Academy Bonds (1)	\$800,000,000	\$ 2,000,000,000	\$ 2,800,000,000	\$ 293,116,500
Qualified School Construction Bonds (2)	\$ -	\$ 22,000,000,000	\$22,000,000,000	\$ 6,600,000,000
Tax Credit Bonds for Bureau of Indian Affairs-Funded Schools	\$ -	\$ 400,000,000	\$ 400,000,000	no data
Total Tax Benefit	\$800,000,000	\$ 24,400,000,000	\$25,200,000,000	\$ 6,893,116,500

(1) Bond Buyer--2009 to Sept 2010 QZAB bond issues.

(2) Bond Buyer--April 2009 and Sept 2010 QSCB bond issues.

Tax and Finance Benefit Programs with School Construction Eligibility

Finally, there are tax and finance benefit programs that school districts or public charter schools are eligible to apply for, but which are not designed specifically for school districts or public charter schools.

Build America Bonds

Created in 2009 by the American Recovery and Reinvestment Act, the Build America Bond Program (BABs) is intended to expand the market for municipal bonds by attracting buyers that normally would not buy tax-exempt bonds. There are no volume caps for the tax credit and direct payment BABs; however there is a \$10 billion volume cap limitation for the Recovery Zone Economic Development BABs. State and local governments are eligible to use BABs on capital projects such as schools, hospitals, transportation infrastructure, and water and sewer upgrades. Build America Bonds have been used throughout the nation by school districts for funding school facilities construction. As of September of 2010, school districts and state school facility authorities had used around \$14 billion in Build America Bonds, approximately 11% of total BABs issued.

Clean Renewable Energy Bonds

The Clean Renewable Energy Bonds can be used to obtain lower cost financing for clean energy projects and were available for school districts to use on school facilities. Allocation of bonds starts with the smallest dollar amount qualified application and continues until the volume cap for the category has been exhausted. Government agencies (including school districts), public power providers, and cooperative electric companies are eligible for these bonds.

Qualified Energy Conservation Bonds

QECBs can be used to finance a broad range of qualified conservation projects, including energy efficiency capital projects, research grants, green energy technology demonstration projects, and public energy efficiency education campaigns. Bond volumes are allocated to the states based on the state's percentage of the U.S. population. The state must allocate bond volumes to large local governments (municipalities and counties with populations of 100,000 or more). Large local governments should contact their State Energy Office regarding this program. State, local and Tribal governments can utilize the Qualified Energy Conservation Bonds.

New Market Tax Credit Program

The program was created to help revitalize low-income communities within the United States. The program allows a bank or equity firm that lends to a Community Development Entity (CDE) to receive a 39% federal tax credit over seven years. A CDE is an organization that's primary mission is serving or providing investment capital for low-income communities or persons. This program has been used by nonprofits building charter school facilities. CDEs can provide loans (or an equity investment) to charter schools for facilities in low-income neighborhoods.

Rural Community Facilities Program

This program is designed to develop essential community facilities for public use in rural areas, including school facilities. The Rural Community Facilities Program uses three flexible financial tools: the Community Facilities Guaranteed Loan Program, the Community Facilities Direct Loan Program, and the Community Facilities Grant Program. The rural community facilities grants, direct and guaranteed loans are available to municipalities, counties, special-purpose districts, non-profit corporations, and tribal governments to be used in rural areas and towns of up to 20,000 in population.

Table 4: Eligible Financing Programs for PK-12 Public Schools

Program Name	Historic Loan/ Allocation Cap	ARRA Increase to Credit Allocations	Total Allocation (2009-2010)	Funds Used for PK-12 Facilities
Build America Bonds (1)	\$ -	No limit	\$ 126,800,000,000	\$ 14,300,000,000
Clean Renewable Energy Bonds (2)	\$ 800,000,000	\$ 1,600,000,000	\$ 2,400,000,000	\$ 533,958,936
Qualified Energy Conservation Bonds	\$ 800,000,000	\$ 2,400,000,000	\$ 3,200,000,000	no data
New Market Tax Credit Program (3)	\$23,000,000,000	\$ 3,000,000,000	\$ 26,000,000,000	\$ 573,000,000
Rural Community Facilities Program- Direct Loans	\$ 17,000,000	\$ 1,100,000,000	\$ 1,123,000,000	no data
Rural Community Facilities Program- Loan Guarantees	\$ 6,000,000			no data
Total Tax Benefit		\$ 8,100,000,000	\$ 159,523,000,000	\$ 15,406,958,936

(1) Bond Buyer--April 2009 through Sept 2010 BAB bond issues.

(2) 4 states utilized for schools; California represented 88% of the \$534 million.

(3) Local Initiatives Support Corporation, "2010 Charter School Facility Finance Landscape", June 2010, pg.29, Poll by LISC

Conclusion

Except for tax law that provides very favorable financing for school districts and public charter schools who generally borrow funds to pay for the upfront hard and soft costs of school facility improvement or new construction projects, the federal government has assumed no responsibility for the quality of public school facilities for teaching and learning. There is no staff dedicated to this issue at the U.S. Department of Education. There is more staff time focused on this at the Department of Energy and the Environmental Protection Agency than at the U.S. Department of Education. It is considered a local school district responsibility.

Federal Program Technical Assistance and Information

State Energy Program and Energy Efficiency Conservation Block Grant Technical Assistance

<http://www1.eere.energy.gov/wip/assistance.html>

The State Energy Program and Energy Efficiency Conservation Block Grant Technical Assistance Program provides an online portal ([Solutions Center](#)) that contains resources, best practices, webinars, and assistance on energy efficiency and conservation for buildings.

EnergySmart Schools Program

<http://www1.eere.energy.gov/buildings/energysmartschools>

The EnergySmart Schools Program is focused on improving K-12 school facility energy efficiency. The program's goal is for new schools to be 50% better than required by current energy codes and for existing schools to become 30% more energy efficient in the next three years. This program provides financing resources, tools for planning, best practice information for building industry professionals and facilities managers. It also has resources to help teachers teach about energy efficiency.

E-Rate Program

<http://www2.ed.gov/about/offices/list/oii/nonpublic/erate.html> or <http://www.universalservice.org/sl/>

The E-Rate program provides discounts for telecommunication services, internet access, and internal connections to schools and libraries. Funding support is based on the level of poverty and the location of the population; funding discounts for services range from 20% to 90%. The E-Rate program (the Universal Service Fund in general) receives no federal appropriations. Funding of the E-Rate program comes from the statutorily required contributions that telecom carriers make to the fund every quarter. Most public schools and school districts are eligible for E-Rate funding.

Indoor Air Quality Tools for Schools Program

www.epa.gov/iaq/schools

The EPA Indoor Air Quality program was created to provide information on healthy indoor air quality practices within school facilities. Voluntary indoor air quality management practices are provided. EPA's Indoor Air Quality Tools for Schools Action Kit has been utilized by hundreds of schools and was first introduced in 1995.

Healthy School Environments Portal

www.epa.gov/schools

The EPA maintains a website specifically focused on environmental issues of school buildings and includes information on: environmental, safety, and health assessment tool, reducing mercury in schools, Energy Star for school buildings, environmentally sensitive pest management in schools, addressing asbestos, addressing lead in drinking water, and siting of school facilities.

Resources for School Food Authorities

The [National Food Service Management Institute \(NFSMI\)](#) has recently developed a resource for School Food Authorities entitled "[Equipment Purchase and Facility Design for School Nutrition Programs](#)", which includes information on decision-making for purchase of school foodservice equipment.

Head Start Program School Facilities Resources

<http://eclkc.ohs.acf.hhs.gov/hslc/Program%20Design%20and%20Management/Facilities>

The Head Start Program also provides school facilities resources for facilities managers in planning and design and construction of head start facilities. This program offers technical assistance through the National Head Start Facilities Assistance Desk to facilities managers and program directors that have received a Head Start grant.

Federal Program Links:

Brownfield Programs, U.S. Environmental Protection Agency

<http://www.epa.gov/brownfields>

Build America Bonds, U.S. Department of Treasury

<http://www.irs.gov/taxexemptbond/article/0,,id=206034,00.html>

Bureau of Indian Affairs – School Construction, U.S. Department of Interior

<http://www.bia.gov> and <http://www.doi.gov/budget/2010/10Hilites/BH077.pdf>

Clean Renewable Energy Bonds, U.S. Department of Treasury

www.irs.gov/newsroom/article/0,,id=206044,00.html

Credit Enhancement for Charter School Facilities Program, U.S. Department of Education

<http://www2.ed.gov/programs/charterfacilities/index.html>

Energy Efficiency and Conservation Block Grant Program, U.S. Department of Energy

<http://www1.eere.energy.gov/wip/eecbg.html>

Equipment Assistance Grants for School Food Authorities, U.S. Department of Agriculture

http://www.fns.usda.gov/cnd/governance/Policy-Memos/2010/SP_14-2010_os.pdf

Head Start Program, U.S. Department of Health and Human Services

http://eclkc.ohs.acf.hhs.gov/hslc/Program%20Design%20and%20Management/Fiscal/Grants/Grant%20Award%20Process/fiscal_pub_00090_062805.html

Impact Aid Discretionary Construction Grant Program, U.S. Department of Education

<http://www2.ed.gov/about/offices/list/oese/impactaid/index.html>

Impact Aid Facilities Maintenance Program, U.S. Department of Education

<http://www2.ed.gov/programs/8008/index.html>

Iowa Demonstration Construction Grant Program, U.S. Department of Education

http://www.iowa.gov/educate/index.php?option=com_content&task=view&id=97&Itemid=1345 and <http://harkin.senate.gov/issue/education.cfm>

Military Construction Program, U.S. Department of Defense

<http://www.dodea.edu/home/>

New Market Tax Credit Program, U.S. Department of Treasury

http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5

Public Assistance Program Grants, Federal Emergency Management Agency (U.S. Department of Homeland Security)

www.fema.gov/government/grant/pa

Qualified Energy Conservation Bonds, U.S. Department of Treasury

www.irs.gov/newsroom/article/0,,id=206044,00.html

Qualified School Construction Bonds, U.S. Department of Treasury

<http://www.irs.gov/taxexemptbond/article/0,,id=206034,00.html>

Qualified Zone Academy Bonds, U.S. Department of Treasury

<http://www.irs.gov/pub/irs-tege/n-2010-22.pdf>

Rural Community Facilities Program, U.S. Department of Agriculture

http://www.rurdev.usda.gov/HCF_CF.html

State Charter School Facilities Incentive Grants Program, U.S. Department of Education

<http://www2.ed.gov/programs/statecharter/index.html>

State Energy Program Grants, U.S. Department of Energy

<http://www1.eere.energy.gov/wip/sep.html>

Tax Credit Bonds for Bureau of Indian Affairs-Funded Schools, U.S. Department of Interior

<http://www.bia.gov/WhoWeAre/AS-IA/OFECCR/index.htm>

Tribal Energy Program, U.S. Department of Energy

<http://apps1.eere.energy.gov/tribalenergy>

Errata Sheet

For the report titled:

Federal Spending on PK-12 School Facilities November 2010

Errata posted 2/1/2011

- 1) Page 11, Table 3: Dedicated Financing Programs for PK-12 Public Schools
 - Reduced the Qualified Zone Academy Bonds ARRA increase to credit allocations total from \$2.8 billion to \$2 billion because \$800 million historic allocation was included in, not added to ARRA appropriations.