
EPI Issue Brief

Issue Brief #167

Economic Policy Institute

November 2, 2001

PUTTING SCHOOL RENOVATION ON A FAST TRACK

by Max B. Sawicky and Doug Harris

A school in Portland, Maine, was closed forever last month. The Romeo, Michigan, district started the school year four days late. And students from a high school in St. Charles, Illinois, now are forced to take their classes at a middle school. The culprit in each case was mold, literally a growing problem in the nation's schools...."

—EDUCATION WEEK

As Congress debates ways to stimulate growth in the slumping economy, certain long-standing spending needs would make perfect candidates for increased public investment. In 1995, the General Accounting Office conducted an audit of the state of local public school infrastructure and determined that the nation's schools needed \$112 billion in repairs. In 1999, the National Center for Education Statistics found a need for \$127 billion in additional spending, with a long list of deficiencies that included insufficient access for disabled students, asbestos or lead in water or building materials, poor ventilation and heating, inadequate lighting, insufficient security, and crumbling roofs.

A recession will likely cause school authorities to defer these much-needed plans for improvement and maintenance. But if Congress expanded the funds available for school construction and repair, the extra spending would benefit both schools and the economy. To make these investments easier to administer, two existing programs could provide ready-made pipelines for such expanded funding.

Increase funding for emergency school repairs

One such possibility would be an expansion of the \$1.2 billion in emergency repair funds approved by Congress in 2000 to be distributed to school districts under the Individuals With Disabilities Education Act (IDEA).

Money for emergency school repair through IDEA was officially made available on July 1, 2001, and states are now in the process of receiving applications for these funds from local districts. States should be able to respond by early spring 2002, which is probably soon enough to have a positive impact on state employment. An immediate expansion of funding for this program would not slow down the process—state officials say they would be handling a similar number of applications as before but simply for larger sums.

Each state's share of these emergency repair funds could be expanded by scaling up its allotment proportionally. Qualification for these funds hinges on a small state-matching requirement of half a percent. After receiving applications from local education agencies (e.g., school districts, local governments, Indian tribes, or non-profit private schools), states will target the emergency aid to jurisdictions or schools with high poverty rates and to rural districts with low population levels.

The capital budgets of these poor and rural jurisdictions will probably be hit hard by a recession. In general, districts with high poverty levels are the most likely to have a dearth of taxable resources and are the hardest pressed to finance necessary repairs with their own revenue. Small rural districts have their own challenges, especially since they often suffer from problems of economies of scale. Other hurdles also stand in the way for these districts, including the difficulty of raising funds through bonds, and state-imposed limitations on borrowing (Mead 2001). Such circumstances have fueled legal suits objecting to inequities in state and local education finance. Expanded funding will only help to alleviate these problems faced by poor and rural communities during an economic slowdown.

This money can be spent quickly—and hence help stimulate the economy faster—because it is not designated for the construction of new buildings. Currently these funds can be used for the repair and upgrading of existing facilities, including projects related to Internet modernization and the disabled. Most school authorities are readily familiar with their needs in these areas, making new design plans, land purchases, and the like unnecessary.

Expand tax credits on school construction bonds

Another existing program that could provide added benefit with expanded federal funding is the Qualified Zone Academy Bond (QZAB) program, which provides tax credits equal to the interest on school construction bonds. These costs normally amount to half the total cost of borrowing. Therefore, the tax credit works like a grant with a 50% match rate. Unlike the direct grants in the emergency school repair program, this sort of grant creates an incentive for additional spending that increases the overall impact on school construction.

The QZAB program is not limited to school repairs. For example, California used the funds to build two technology academies and two computer certification academies. According to Robert Canavan of Rebuild America's Schools, California spent all of its QZAB funds between 1998 and 2001, and needs another \$85 million to complete additional slated projects. Other states have similar projects on hiatus that could be started quickly if more funds were available.

Conclusion

Both QZAB and the emergency school repair program share certain features that would make them strong candidates for increases in federal investment. Both programs are targeted to areas most in need of better school

buildings, and both programs have significant backlogs of potential projects waiting for additional funds. Expanded funding for these programs would provide a quick stimulus to the economy, while providing a long-term investment in education.

While other possibilities for expanding federal spending on education certainly exist—such as state-level infrastructure banks (Mead 2001) and changes to tax preferences on interest income from bonds used to finance school construction (Zimmerman 1991)—most could not be implemented soon enough to help ameliorate the effects of the economy’s slowdown. And although more money is not the complete solution to whatever may ail local public education, there can be little doubt that meeting minimum standards for each school’s physical infrastructure is essential to successful schooling.

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