Proposed Housing Aid Incentive Structure

For Discussion 11/14/17
Agenda

• Principles for an incentive structure
• Proposed scoring methodology
• Proposed incentives and penalties
• Discussion
Recap from Prior Meetings

• Current rate of school facilities spending not enough to keep up with deteriorating buildings
  • Under current rate of spending, total need grows from $2.2 billion to $2.9 billion over 10 years

• Current rate of spending not enough to meet priority 1 and 2 needs (warm, safe and dry)

• Spending more under existing system is costly and inefficient
  • Too much spent on municipal debt interest, not enough funding flows to projects

• Even if state can afford to spend more, no guarantee that municipalities will request enough projects
  • To achieve $1 billion of project spending over 5 years and $2.5 billion over 10 years, municipalities would need to request $300 – 400 million worth of projects for 3-4 years. There has never been a year with more than $265 million of project requests.
Benefits of an Incentive System

• Adding incentives to the state share formula can:
  • Encourage districts to invest in more school facilities projects
  • Encourage districts to move quickly (if incentives have an expiration date)
  • Encourage districts to prioritize the most important types of projects and spend resources efficiently
Current Housing Aid Formula

• State share formula is based on a formula that accounts for a school district’s wealth and level of enrollment
• Minimum state share for all communities set at 35%
• State share for charter schools set at 30%
Principles for State Share Reimbursement Incentives

• Incentives must be attractive enough to motivate districts to request more approvals, but must also expire after a period of time
• Incentives should emphasize investment in high-priority projects, including those that make facilities warm, safe and dry
• Incentives should promote cost-effective decision making by districts
• The incentive structure should be simple and easy to understand
• No district can be worse off than they are under the current system
Possible Incentive Structure

• Formula for base state share ratios remains the same as it is today
• New “incentive” points will be added to the state share for certain types of projects.
• A district cannot receive more than a total of 20 incentive points for a project.
• With the addition of incentive points, under no circumstance can a district’s regular municipal share be reduced by more than 50%.
  • Necessary to avoid the state paying for 100% of a project
Possible Incentive Structure (Examples)

- Community A with 40% base share ratio receives 15 bonus points on a project: total state share increases to 55%

- Community B with 85% share ratio receives 15 bonus points on a project: because no community’s municipal share can be reduced by more than half, the total state share for this project increases to 92.5%
Possible Incentives

- **Warm, Safe and Dry**
  - Maximum number of points: 5
  - Projects must directly address priority 1 or 2 deficiencies
  - Districts must apply no later than October 2020 and project must commence no later than December 2022

- **Learning Priorities**
  - Maximum number of points: 5
  - Facilities must used for the following:
    - Teaching of science, technology, engineering, arts or math
    - Early childhood education
    - Career and technical education
  - Districts must apply no later than October 2020 and project must commence no later than December 2022
Proposed Incentives (continued)

• Newer and Fewer
  • Maximum number of points: 5 for each consolidated facility
  • Definition:
    • Newer: Replacement of a facility with a Facilities Condition Index (FCI) of higher than 65%
    • Fewer: Construction or consolidation of any facility that leads to the functional utilization of one or more building increasing from less than 60% to more than 80%
  • Districts must apply no later than October 2021 and project must commence no later than December 2023
  • In addition, institute a 5 point penalty for P3-P5 projects at facilities with FCI scores greater than 65%

Facilities Condition Index: indicator of a building’s health, calculated by dividing the total cost of repair by replacement cost.

Functional utilization: a measure of how full a school facility is relative to its intended capacity
Proposed Incentives (continued)

• Reducing Overcrowding
  • Maximum number of points: 5
  • Definition: Any new construction or renovation that leads to the functional utilization of a school dropping from more than 120% to between 85% and 105%
  • Districts must apply no later than October 2021 and project must commence no later than December 2023

• Energy Efficiency, ADA, Asbestos Abatement:
  • Continue existing incentive where districts can be awarded up to 4 points for projects that achieve energy efficiency targets, address accessibility issues and/or remove hazardous materials
Additional Options

• The following priority areas identified by the task force can be addressed by adding share ratio incentives, or it could be possible to address them through other measures:

  • Incentivize or Require Districts to spend an adequate amount on maintenance of facilities
    • Could also be accomplished allowing state to withhold future housing aid funding if a district has not spent an adequate amount on maintenance.

  • Encouraging use of W/MBE contractors
    • Could also be accomplished by establishing state MPAs or prequalification, or establishing a program to assist contractors with bonding

  • Promoting the use of school facilities for other appropriate community purposes
    • Could also be accomplished by relaxing statutory restrictions on state housing aid for school buildings that are operated jointly with other entities

  • Encouraging use of state MPAs or prequalification of vendors
Discussion