

Improving Public Schools:

School Construction

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Administration Position

CLINTON/GORE ACCOMPLISHMENTS IN EDUCATION SCHOOL CONSTRUCTION

PAST ACCOMPLISHMENTS/Budget Wins as updated 5/99

***Preparing for Technology-** the Administration increased overall investments in educational technology by thirty fold from \$23 million in 1993 to \$698 million this year. The Administration has also secured low cost connections to the internet for schools and libraries through the Technology Literacy Challenge Fund, is working to connect every school to the Internet by 2000 and has provided for technology training for teachers.

***Qualified Zone Academy Boards-** created in 1997 as part of the *Taxpayer Relief Act*, the QZAB statute provides tax credits to pay interest on bonds for a variety of educational expenses [including building renovation] related to public school-business partnerships in Empowerment Zones and low income areas. \$800 million is currently available for these credits.

FY2000 Budget Initiatives

***Tax Credits to Build Modern Schools-** In order for students to learn and compete, schools must be well equipped and able to accommodate smaller class size. To accomplish this, the President's tax cut agenda would provide Federal tax credits to pay interest on nearly \$25 billion in bonds to build and renovate public schools at a cost of \$3.7 billion over five years. Two types of bonds are being proposed: School Modernization Bonds (\$22.4 bill) and Qualified Zone Academy Bonds (\$2.4 bill). \$400 million of the bonds will go to tribes for construction and renovation of BIA schools.

***Schools as Centers of Communities-** this \$10million proposal would provide competitive grants to support community partnerships that encourage broader citizen engagement in developing and designing school sites that can be used as comprehensive gathering places in communities.

***Education Technology-** \$1.3 billion will be made available through the E-rate program to provide discounts for schools and libraries to buy high speed Internet access, internal wiring and telecommunications services.

The School Building Crisis

***The Inventory of Repair Needs is Large and Growing-** last year the American Society of Civil Engineers gave American schools as "F" on infrastructure. One third of all schools are estimated to need repairs at a cost of approximately \$112 billion.

***The Problem is Getting Worse as Enrollment Surges-** communities must act now to accommodate larger numbers of students.

***The Condition of Schools is related to Student Achievement-** research links student achievement and behavior to physical building conditions and overcrowding.

FLOTUS EVENTS/RELATED EVENTS

9/8/98	Promoting School Modernization and Announcement of New Grants to Support DC School Reform
4/29/98	Visit to Stevens Elementary to underscore POTUS commitment to modernizing schools, highlighting a renovated school district
3/3/97	DC School Construction Announcement

**PRESIDENT CLINTON:
QUALITY SCHOOLS FOR THE 21ST CENTURY**

September 8, 1998

"It is time to show our children and the world that America truly values education. Let us make every school across America a shining, modern temple of learning -- a place where a computer is as common in the classroom as a chalkboard, where classes are small enough for teachers to teach and children to learn, where students are inspired to look to the future with hope and confidence. Our children deserve nothing less."

President Bill Clinton
September 8, 1998

Today, as President Clinton kicks off National School Modernization Day at Pine Crest Elementary School in Silver Spring, Maryland, more than 80 events in cities nationwide will be held with nearly 50 members of Congress, and education, community, and business leaders. The President will release a report by the Department of Education showing that enrollment in elementary and secondary school is at an all-time high, and will call on Congress to support and pass the education agenda the President called for in his State of the Union Address, to build and modernize 5,000 schools, hire 100,000 new teachers, and connect every classroom to the Internet.

SCHOOL ENROLLMENT AT AN ALL-TIME HIGH. As members of Congress, education, community, and business leaders attend National School Modernization events nationwide, President Clinton will release a new Department of Education report -- The Third Annual Report On The Baby Boom Echo, which finds that:

- 52.7 million children attend public and private elementary and secondary schools in America today -- the highest enrollment ever;
- 2.2 million teachers will need to be hired over the next ten years to meet greater enrollment demands;
- A record 14.6 million students will attend college this year.

THE NEED FOR SCHOOL MODERNIZATION AND RENOVATION. According to a recent General Accounting Office (GAO) report, about 14 million students attend schools that need extensive repair or replacement of one or more buildings. Almost 60 percent of America's schools reported at least one major building feature in disrepair. As part of National School Modernization Day, communities across the country, elected officials, parents, and business leaders will gather to hear the President's speech and discuss their own strategies for school construction and renovation, achieving smaller classes with well-qualified teachers, and taking advantage of new technologies.

CALLING FOR IMMEDIATE CONGRESSIONAL ACTION. The President is urging Congress to help America address these pressing needs by enacting -- in the next month before they adjourn -- the President's education agenda, which calls for:

- **Building and Renovating Over 5,000 Schools** through School Modernization Tax Credits to help provide all students with safe, state-of-the-art school buildings;
- **Hiring 100,000 Teachers To Reduce Class Size** in grades 1-3 to a nationwide average of 18 students, helping to ensure that every child receives individual attention, gets a solid foundation for further learning, and learns to read independently and well by the end of third grade;
- **Harnessing Technology For Education.** The Clinton Administration has made an unprecedented commitment to bring technology into the classroom and ensure that all children are technologically literate by the dawn of the 21st Century. However, appropriations bills on Capitol Hill eliminate funding for technology teacher training, and cut funding for the Technology Literacy Fund and educational technology. The President strongly opposes these measures and will also continue to strongly oppose any effort by the Congress to repeal or delay the e-rate -- an expansion of universal service to provide discounted Internet access and telecommunications services to schools and libraries.

**PRESIDENT BILL CLINTON:
SCHOOL MODERNIZATION: INVESTING IN OUR CHILDREN'S FUTURE**

April 21, 1998

"Senator Moseley-Braun has offered an amendment in today's education bill that will help communities raise the funds to modernize 5,000 public schools. If we want our children to be prepared for the challenges of the 21st Century, then they must have 21st Century schools. I urge Congress to adopt this amendment right away. This is the right way to strengthen education in America."

President Bill Clinton
April 21, 1998

Today, President Clinton meets with Senator Daschle and Representative Gephardt to discuss upcoming legislative priorities for the remaining weeks of the 105th Congress. At the top of these priorities is education. After this meeting, the President will call on the Senate to vote, today, to adopt the School Modernization Amendment, an essential step for ensuring adequate support for school modernization.

A MOMENT FOR ACTION. Today, the Senate considers the Moseley-Braun School Modernization Amendment to H.R. 2646, the Education Savings Act for Public and Private Schools. The vote is critical in determining whether this Congress will act to provide adequate support for school modernization. With only a few working days left in session, this is the best remaining opportunity for the Senate to ensure that communities get the resources they need to enable our students to learn in safe, modern, well-equipped schools.

ADDRESSING A NATIONWIDE SCHOOL FACILITIES CRISIS. The School Modernization Amendment addresses a nationwide school facilities crisis. This year, the American Society of Civil Engineers gave our schools an "F" in its infrastructure report card this year, worse than in roads, bridges, mass transit and every other category of investment. One third of all our schools need major repairs. More than one half have major building problems. The School Modernization Amendment is especially necessary now, because:

- **The inventory of repair needs is large and growing.** The General Accounting Office (GAO) estimated that the cost of bringing the nation's schools into "good overall condition" was \$112 billion. The amendment will help states and communities stretch their education investments.
- **The problem is getting worse as enrollment surges.** The National Center for Education Statistics projects that elementary and secondary enrollments will swell from 52.2 million in 1997 to 54.4 million in 2006. States and communities must act now to accommodate the larger number of students.
- **The condition of schools is related to student achievement.** A growing body of research links student achievement and behavior to the physical building conditions and overcrowding. The amendment will help modernize 5,000 schools and strengthen educational opportunity for all children.

FIGHTING FOR AMERICA'S WORKING FAMILIES. The School Modernization Amendment replaces current education IRA provisions in H.R. 2646 that would reward wealthier families who would send their children to private school with or without this subsidy. In fact, the average per return tax benefit in tax year 2002 would be only \$7 for taxpayers with children in public schools and only \$37 for taxpayers with children in private schools. The IRA provisions do nothing to fix school buildings and build new ones at a time when public schools face record enrollment for years to come. This amendment creates a smart, effective investment that works at helping states and communities do more with less, by leveraging our money through zero-interest bonds for states and school districts to issue to finance capital improvements. Communities could issue up to \$21.8 billion worth of these bonds.

The federal government will do its part by subsidizing the interest that communities incur on school construction bonds or other financing mechanisms -- making it cheaper and easier for communities to finance school construction. Communities-- with appropriate assistance from states--must do their part by making a commitment in investing in their schools. They must approve and pay for local bond issues needed to repair old schools and build new ones. And they must provide adequate maintenance for today's schools so that they can continue to serve students into the next century.

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[Safe, Disciplined and Drug-free...]  [Opening Wide the Doors of College]

Last Updated -- Feb. 13, 1997, (pjk)

President Clinton and Vice President Gore Investing in Smaller Classes and Modern Schools

In his weekly radio address, President Clinton is urging Congress to pass his education agenda which includes reducing class size in the early grades to a national average of 18, building and modernizing up to 6,000 schools nationwide, and strengthening accountability.

Reduced Class Size in the Early Grades

Studies show that smaller classes help teachers provide more personal attention to students and spend less time on discipline; as a result students learn more and get a stronger foundation in the basic skills. In 1998, President Clinton proposed to help local schools hire 100,000 well-prepared teachers in order to reduce class size in grades 1-3 to a national average of 18, and make sure that every child gets a solid foundation in the basics. Last year, the President signed into law the first installment of his seven year, \$12.4 billion proposal to hire 100,000 new teachers. For the first year, \$1.2 billion was provided to help local communities hire 30,000 teachers. Now Congress must provide the next installment of \$1.4 billion to fund a total of 38,000 teachers:

New Classrooms and Modern Schools

One third of all schools are in need of extensive repair, according to the General Accounting Office. School districts also face the cost of upgrading schools to accommodate new technology and growing enrollments. To meet these urgent needs, President Clinton in his balanced budget proposes Federal tax credits in lieu of interest on nearly \$25 billion in bonds to build and modernize up to 6,000 public schools. Two types of bonds are being proposed: (1) \$22 billion in School Modernization Bonds to help states and local districts build and modernize public schools with half of the bonds (\$11 billion) allocated to the 100 school districts serving the largest number of low-income children and the other half of the bonds (\$11 billion) allocated to states. An additional \$400 million of bonds would be available for schools on Indian reservations; and (2) \$2.4 billion in Qualified Zone Academy Bonds to finance renovation and new school construction in Empowerment Zones and high poverty areas through innovative partnerships between public schools and businesses.

Ensuring Accountability

In his State of the Union Address, President Clinton announced a package of accountability measures designed to hold students, teachers, and schools to high standards, and to ensure that school districts and states provide students with a high quality education. While insisting that states and local governments retain primary responsibility for education, President Clinton called on Congress to make sure federal dollars support what works. His proposal emphasizes reforms that a growing number of states, cities, and schools across the nation are implementing and that are producing clear results. Specifically, the President announced that he will send to Congress legislation to reauthorize the Elementary and Secondary Education Act to ensure that schools end social promotion; teachers are qualified to teach the subjects they are assigned; states and districts turn around their lowest-performing schools; parents get annual report cards on school performance; and schools institute effective discipline policies.

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[Alabama]

Department of Education
Programs and Policies

*Speeches and Testimony*

**Remarks as prepared for delivery by
U.S. Secretary of Education Richard W. Riley**

**Full Service School-Community Collaboration
Conference**

March 26, 1999

Good afternoon. I have just come from speaking to thousands of science teachers and now I have to get my feet back on the ground with all of you. When you talk to science teachers you spend a lot of time talking about the new literacy of the 21st century which is so informed and shaped by the many, many new discoveries in the sciences.

I want to acknowledge several people in the room. With us today is my former Deputy Assistant Secretary Jennifer Davis. Jennifer was at my side for many years in many battles including our effort to make GOALS 2000 a reality. Eventually, I lost Jennifer to two men; her husband and Mayor Menino. Jennifer now heads the Boston 2:00 to 6:00 After-School Initiative and the people of Boston are lucky to have Jennifer in this important leadership role.

This is an exciting time for all of us to be working together to improve the education of our children. This really is the Education Era. The American people have made education one of their top priorities, and we are finally at a point where I think the Congress understands how much the American people care about improving education. I can tell you that it has taken a while to get to that point.

A few years ago, the Congress even wanted to eliminate my job. I remember at the time that the old country song, "I don't know whether to kill myself or go bowling" seemed to sum up my thinking about my situation. Fortunately, I think we are moving away from this "negative" way of thinking about public education and the role of the federal government.

Indeed, as I travel around the country to visit schools, and I visit about 60 or 70 a year I detect something much more positive. A few weeks ago, when I delivered my annual "State of American Education" speech, I invoked the words of the great theologian Reinhold Niebuhr, to describe this new emerging attitude. Niebuhr said we should look to the future with a realism that is mixed with hope.

I think that really describes how we should look at our big-city schools today, indeed all of our nation's school. In city after city, I see a new hopeful realism, thanks to your efforts and the work of many others. We are building more community partnerships. We have a growing excitement about our after-school efforts. And there is a new willingness to help turn around low-performing schools by giving them the extra

support they need.

People are recognizing what so many of you have recognized for years -- that our public schools really can be "centers of community" for entire neighborhoods. This is particularly important in some of our inner city neighborhoods where the public school is the only "anchor" that holds the community together.

I believe the concept of schools as "community-wide learning centers" is gaining support in new and unexpected quarters. Several weeks ago, I asked to meet with the leadership of the American Association of Retired Persons or the AARP. The AARP is one of the most powerful lobbying groups in Washington, D.C. Horace Deets, the Executive Director of the AARP, was genuinely excited by the work we are doing around the community school concept. I believe we have a new ally.

I am also pleased to tell you that American Institute of Architects has made the concept of "schools as centers of community" one of its top priorities.

At the federal level we have tried to encourage this concept in several ways. The Department has worked very hard to develop a series of significant publications to get the word and show case where community education is taking place. The most recent is entitled *A Guide to Continuous Improvement (CIM) for 21st Century Community Learning Centers (1999)*.

We also sponsored the National Symposium on School Design last October along with Vice-President Gore and the White Millennium Council. We brought together 300 educators, architects and community leaders to think about how we design the next generation of schools.

This is an important time to be thinking about good school design and the role of the community in the process. We are smack in the middle of the baby-boom echo, and schools all over this country are overcrowded and wearing out. This nation has to build 6,000 new schools and modernize thousands of others. This really should be the golden era of school design because the school buildings we build now will last for the next 40 or 50 years.

We made the case at this conference that educators and school boards have been much more open to reaching out to the entire community in the design and planning of our schools. Those schools districts that do this well really are seeing the direct benefit from this effort. They have come to realize that the school is the community -- that the democratic aspirations of the community are lived daily by how people in the community come together to use the school as a community-wide "anchor."

We also made the case that school buildings need to be open to the community as much as possible; for after-school, for GED courses, for adult education and literacy classes, and the community service programs that are so vitally important. Schools that serve as true centers of the community make sure that this shared public space is accessible, day and night and all year around.

This school design conference was a very exciting venture. One direct

result is a new \$10 million budget request that we are making to the Congress to encourage community wide planning - to give education leaders the where-with-all so they can reach out to the entire community.

We believe that this initiative goes hand in hand with our efforts to increase after-school programs and to pass the President's school construction bill. The President has a proposal on the table that would help build, repair, or modernize thousands of schools, with half of the assistance going to the 100 school districts with the largest number of low-income children.

Now, some people say the federal government has no business getting into the school construction business. Yet these same folks think the federal government should help build prisons. I think we need prisons, but for goodness sake, if Uncle Sam can help build jails, he can help build public schools. Let's get our priorities straight.

Another high priority for all of us is our continuing efforts to increase after-school programs. We all worked very hard last year to put after-school initiatives on the national agenda. I believe we were very successful. Congress gave us \$200 million, which along with matching funds, will help us to create or expand 6,000 school based centers.

The demand, as you know, is overwhelming. The conferences that we have held across the country with the strong support of the Mott Foundation have simply been sold-out. I am prepared to give any Broadway producer my good advice on how to pack the house.

Last year's grant application process was the most competitive in the Department's history. We received almost 2,000 applications, requesting over \$540 million in funding. This is why we are asking the Congress to increase its support to \$600 million this year.

I also want to alert you to a new effort that we are starting with the Justice Department and HHS. Together, we are setting aside \$95 million for something we call "Safe Schools/Healthy Students." This will be the largest interagency youth, drug and violence prevention effort that has ever been undertaken. We are contributing \$60 million.

We seek to fund 50 school districts that are willing to take a comprehensive community-wide approach to preventing violence, decreasing drug use and giving young people healthier options about how to live their lives. I say that for one very important reason.

Too many of our young people are growing up disconnected. I met with a group of State Attorney Generals yesterday to talk about our efforts to keep our schools safe and drug free. One of the points I stressed to them is the sheer number of young people who are out of school on any given day.

About 500,000 young people drop-out every year. In some big cities, 5% to 10% of the all students are truant on any given day. And a total of 3 million suspension of 10 days or more occur during the course of an average school year. My point here should be obvious. We have a lot of young people who are disconnected.

This sense of "disconnection" is deeper than many people realize and

unfortunately it goes both ways. I was struck by a finding from a *Public Agenda* report from last year which indicated that over 60% of all adults view our young people in the negative.

This is not a finding we can dismiss or take lightly. We really have to work much harder to change how our society functions. We aren't going to do that on a Friday afternoon, but we can't ignore this disconnection either and assume that it will just fade away.

This is why your work to create more after-school opportunities and make our schools "centers of community " for all of our people are so important.

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Last Updated -- April 27, 1999(pjk)



\$800 Million Is Available Today

For school renovation and other educational expenses Through Qualified Zone Academy Bonds (QZABs)

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- **What Are Qualified Zone Academy Bonds?** Created in 1997, the QZAB statute provides tax credits to pay interest on bonds for a variety of educational expenses (including building renovation) related to public school-business partnerships in Empowerment Zones and low-income areas.
 - **3/12/99 Letter from Secretary Riley to Chief State School Officers:** This letter informs states that QZAB funding is available today to help pay for school renovation and other educational expenses.
 - **How Much Funding Is Available to Each State?** This table lists the 1998 and 1999 QZAB allocation for each state. A total of \$800 million was appropriated for QZABs in 1998 and 1999, and if your state has not yet used its allocation, the funds can be carried-over and used in later years.
 - **QZAB Guidance:** This step-by-step guidance provides detailed information about the eligibility requirements for QZABs and about forming and sustaining partnerships to improve schools in low-income areas.

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Last Updated -- May 11, 1999 (pjk)



Qualified Zone Academy Bonds

Congress provided authority to issue Qualified Zone Academy Bonds in Section 226(a) of the *Taxpayer Relief Act of 1997* to help strengthen schools serving large concentrations of low-income families. The Federal Government subsidizes these 15-year bonds by providing tax credits to bond holders that are approximately equal to the interest that States and communities would ordinarily pay the holders of taxable bonds. The Federal Government allocates the authority to issue these bonds to States based on their proportion of the US population living below the poverty line. The national cap on the amount of these bonds is \$400 million annually in 1998 and 1999. States may directly issue the bonds on behalf of eligible schools or they may suballocate authority to issue the bonds within the State. Unused authority to issue may be carried forward to future years. Issuers would need to have authority under State and local law to incur this additional debt.

Eligibility

These bonds may be used on behalf of schools or programs that meet a few eligibility criteria:

- These schools: (1) are located in an empowerment zone or an enterprise community or (2) have at least 35 percent of their students eligible for free or reduced-cost lunches under the National School Lunch Act.
- An eligible school must have an education program designed in cooperation with business and receive a private business contribution that is not less than 10 percent of the proceeds of the bond.
- An eligible school must have an education plan that is approved by its school district and its students must be subject to the same standards and assessments as other students in the district.

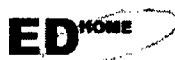
Purpose

Qualified Zone Academy Bond proceeds may be used for: (1) renovating school buildings; (2) purchasing equipment; (3) developing curricula; and (4) training school personnel. The proceeds may not be used for new construction. Additional information about Qualified Zone Academy Bonds is located on the Internet at <http://www.ed.gov/offices/OVAE/qzabfin.html>

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Qualified Zone Academy Bonds: Allocation of Authority to Issue for 1998 and 1999

State	Allocation of Authority to Issue		
	1998 (thousands of dollars)	1999 (thousands of dollars)	Total (thousands of dollars)
Alabama	6,128	7,015	13,144
Alaska	556	591	1,147
Arizona	10,094	8,408	18,502
Arkansas	4,625	5,433	10,057
California	56,360	57,589	113,949
Colorado	4,243	3,376	7,619
Connecticut	4,037	2,975	7,012
Delaware	649	760	1,408
District of Columbia	1,339	1,192	2,531
Florida	20,981	21,689	42,670
Georgia	11,299	11,699	22,998
Hawaii	1,463	1,730	3,193
Idaho	1,442	1,931	3,372
Illinois	14,718	14,231	28,949
Indiana	4,408	5,433	9,841
Iowa	2,874	2,848	5,722
Kansas	2,956	2,637	5,593
Kentucky	6,777	6,572	13,349
Louisiana	8,992	7,290	16,281
Maine	1,390	1,308	2,699
Maryland	5,376	4,452	9,828
Massachusetts	6,406	7,722	14,129
Michigan	11,000	10,613	21,613
Minnesota	4,717	4,821	9,538
Mississippi	5,922	4,800	10,722
Missouri	5,150	6,614	11,764
Montana	1,596	1,466	3,063

Nebraska	1,741	1,720	3,460
Nevada	1,370	2,004	3,374
New Hampshire	752	1,150	1,902
New Jersey	7,478	7,775	15,252
New Mexico	4,861	4,083	8,944
New York	31,497	31,426	62,923
North Carolina	9,115	8,851	17,966
North Dakota	711	918	1,628
Ohio	14,667	12,986	27,653
Oklahoma	5,727	4,810	10,537
Oregon	3,934	4,030	7,964
Pennsylvania	14,152	14,104	28,256
Rhode Island	1,071	1,266	2,337
South Carolina	4,964	5,275	10,239
South Dakota	845	1,234	2,079
Tennessee	9,043	8,345	17,388
Texas	32,753	34,781	67,534
Utah	1,576	1,952	3,527
Vermont	762	570	1,332
Virginia	8,188	9,051	17,240
Washington	6,860	5,581	12,440
West Virginia	3,327	3,017	6,344
Wisconsin	4,738	4,452	9,190
Wyoming	597	696	1,294
American Samoa	350	367	717
Guam	227	217	444
Northern Marianas	268	337	605
Puerto Rico	22,659	23,484	46,144
Virgin Islands	268	323	591
Total U.S.	400,000	400,000	800,000

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U.S. Department of Education Guidance on The Qualified Zone Academy Bonds
(Section 226 of the Taxpayer's Relief Act of 1997, Section 1397E of the Internal Revenue Code)

April 15, 1998

Introduction

Beginning in 1998, state or local governments can issue qualified zone academy bonds (QZABs) to raise funds for the use of a Qualified Zone Academy. Certain banks, insurance companies, and corporations actively engaged in the business of lending money can receive a tax credit as an incentive to hold these bonds.

To become eligible for a QZAB, a school must have established a partnership with a business and be located either in an Empowerment Zone or an Enterprise Community (EZ/EC) (see attached list) or, if the school is located outside an EZ or EC, local school officials must have a reasonable expectation that at least 35 percent of the school's students will be eligible for free or reduced cost lunches as authorized by the National School Lunch Act.

Purpose of this Guidance

The guidance that follows discusses how States, school districts and schools can link to this source of capital and how other Federal education programs may support the innovative school partnerships developed under the authority provided by the aforementioned legislation.

What follows are suggestions that allow for creative partnerships between a school and a business. The proceeds from Qualified Zone Academy Bonds (QZABs) and the 10 percent that private business must contribute may be used to begin or enhance reform initiatives at the school that may include augmenting Federal education programs.

States would issue QZABs during two calendar years. The State Education Agency (SEA) is encouraged to notify all schools eligible to receive QZAB funds of their availability and the process by which schools can apply for such funds.

The following guidance in this document does not impose any requirements beyond those contained in the relevant provision of the statute and pertinent regulations. Nor is the guidance meant to replace any guidance provided by the U.S. Department of the Treasury or the Internal Revenue Service (IRS), see attached legislation (Section 226(a) of the *Taxpayer Relief Act of 1997*) and the IRS. (See attached Temporary Regulation of January 1, 1998 and IRS Publication No. 154).

Overview

Educators and employers have expressed concerns about the ability of high poverty schools to address the vital issue of how they prepare their students for a more competitive global economy. QZABs allow schools and school districts to focus resources more effectively on building high standards that will equip students for the more challenging demands of the 21st century workplace.

Section 226 of *The Taxpayer Relief Act of 1997* provides a new financial tool that can be used by State Education Agencies to encourage the formation of partnerships between public schools and local businesses. The Act provides for \$400 million of bond authority in 1998 and \$400 million in 1999 for issuance of QZABs. In January 1998 the IRS published the allocation among States in proportion to each State's share of the poverty population. (See attached table.) QZABs are issued in support of

Qualified Zone Academies, schools (or programs within a school) that enter into partnerships with local businesses to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the workforce under a plan approved by the local school system. Eligible schools must be located in an empowerment zone or an enterprise community (see attached list) or expect to have at least 35 percent or more of their students eligible for free or reduced lunch under the National School Lunch Act. Students in a Qualified Zone Academy must be subject to the same academic standards and assessments as other students educated by the local school system.

QZABs are a new financial instrument that provide a different form of subsidy from traditional tax-exempt bonds. Interest on QZABs is paid by the federal government in the form of an annual tax credit to a bank (or other eligible financial institution) that holds the QZAB. QZABs are issued by a State or local government entity for the benefit of a Qualified Zone Academy. The QZAB issuer is responsible for repayment of the principal upon maturity. The credit (interest) rate and maximum maturity applicable for each month of issue are determined by statutory formulas. For additional details, see the temporary regulations (Rev. Proc. 98-9) issued by the Internal Revenue Service (attached).

The proceeds of QZABs can be used only for:

- rehabilitating or repairing the public school facility in which the academy is established;
- providing equipment for use at an academy;
- developing course materials for education to be provided at an academy; or
- training teachers and other school personnel in an academy.

Issuing governments (either state or local) will have to determine whether the purposes for which the QZAB is issued conform to applicable State or local law regarding the incurring of indebtedness.

Before QZABs may be issued there must be a written agreement between a Qualified Zone Academy and one or more local business(es) under which the business(es) pledge contributions having a present value of at least 10 percent of the gross proceeds of the QZAB. For this purpose the following constitute eligible contributions:

- equipment for use in the qualified zone academy (including state-of-the-art technology and vocational equipment),
- technical assistance in developing curriculum or in training teachers in order to promote appropriate market driven technology in the classroom,
- internships, field trips, or other educational opportunities outside the academy for students, or
- any other property (including cash) or service specified by the Local Education Agency

Each State Education Agency has the responsibility of allocating portions (or all) of the amount of QZAB authority allocated to the State to one or more Qualified Zone Academies. States may develop their own process to implement the QZAB provisions. Amounts allocated to a State for a year that are not allocated to Qualified Zone Academies during that year may be carried over and allocated in any subsequent year.

The Bond Program

The QZAB bondholder (these include banks, insurance companies and corporations actively involved in the business of lending money) receives a federal income tax credit in an amount equal to a percentage of the face amount of the bond. The State or local government is responsible for paying the principal amount, and interest, if the bond so specifies.

The maximum term of the indebtedness, about 14 years under current market conditions, is set so that the State or local government's obligation to repay in present value terms will be 50 percent of the borrowed amount

Enhancing Improvement Efforts

The legislation clearly states that students in the school must be subject to the same academic standards and assessments as other students educated by the local school system. The comprehensive education plan developed by the partnership must be approved by the Local Education Agency (LEA).

AN EXAMPLE OF THE WAY A QZAB COULD WORK: A for-profit hospital is a major employer in an enterprise community ("the zone"). The hospital has indicated a willingness to cooperate with the school in the zone to establish a special academic program that would prepare students for jobs at the hospital. The hospital is willing to donate state-of-the-art medical equipment and computer software to the school and to provide internship and mentoring experiences for students. The school has determined that it needs to renovate a classroom to accommodate the donated equipment, purchase appropriate instructional material, and train teachers to facilitate the use of the equipment and internship and mentoring components of the program. The school estimates that this would cost \$500,000.

In order to obtain the benefits of the low-cost capital afforded through the Qualified Academy Bond ("QZAB") tax credit, the school would need to take the following steps.

1. The school obtains from the hospital an estimate of the value of the equipment, personnel time and facility cost associated with the internship and mentorship opportunities. Regular tax rules concerning the donation of equipment, personnel time and associated costs of administering the internship and mentorship program would apply.
2. If the value of the hospital's donation is equal to at least 10 percent of the gross bond proceeds (10 percent of \$500,000 or \$50,000 in the example provided), the school would obtain a written commitment from the hospital of this donation.
3. The school contacts the financial officer and other school system personnel responsible for debt issuance. The QZAB must be issued by a State or local governmental unit. In most cases, the likely issuer would be the Local Education Agency, but the local or State government may issue the QZABs in other cases.
4. The parties must determine the source of repayment of the \$500,000. The QZAB tax credit mechanism may eliminate the interest cost, but the QZAB is still a loan that must be repaid.
5. The school system seeks an allocation from the State Education Agency (SEA) for an amount equal to \$500,000 (the amount the school expects to borrow). The SEA must then provide a written verification of an allocation of the QZAB volume limitation.
6. Arrangements are made for a financial institution, bank, insurance company or corporation in the business of lending money to purchase the QZAB.
7. The proceeds of the QZABs are used to renovate and equip classrooms.

In this case, assume the issuing governmental unit sells the QZAB to a financial institution and they both enter into an appropriate agreement for the \$500,000. The credit rate on the bond is set under the QZAB provisions at 110% of the long term "applicable federal rate" (AFR) published monthly by the Internal Revenue Service. The school system agrees to pay the full \$500,000 back in 14 years. The loan documents, the hospital's written commitment, and the school's spending plan are reviewed by a tax lawyer to obtain an opinion for the financial institution that the transaction is a QZAB that enables the holder to take the tax credit. The financial institution might require the school system to set aside an amount each year in a segregated interest-bearing

might require the school system to set aside an amount each year in a segregated interest-bearing fund to ensure that the debt can be repaid when the loan matures. Over each of the 14 years, the financial institution receives a tax credit equal to the stated credit rate times the outstanding bond amount; however, the credit itself is taxable and must be included in the income of the bond holder.

There is, however, no "one size fits all" approach. Each partnership will reflect the different needs and values of that business, school and community. For example, one state may have a number of well established and successful school-business partnerships that could be expanded or greatly enhanced through a QZAB application. The QZAB could provide additional incentives for employers to choose to invest in school partnerships because they provide a cost-effective way of recruiting and retaining employees. It is also worth noting that employers who hire empowerment zone or enterprise community residents may be entitled to special tax credits.

States or localities might want to use QZABs to build upon some established school partnerships. Two school-business partnerships are described below and offered as examples of some effective models.

PLANNING FOR CHANGE

QZABs can be an important ingredient in revitalizing school reform efforts in high poverty urban and rural areas, and can be used in conjunction with a variety of other programs such as School-to-Work, Goals 2000, and programs authorized under the *Elementary and Secondary Education Act*. However, if they are used in this manner the school will have to follow the relevant requirements of these laws.

What follows are some pointers as to how QZABs may stimulate a dialogue with key stake-holders in high poverty communities. QZABs can serve as a rallying point to leverage a greater commitment to support schools as they begin to transform themselves into the type of high-performing learning organizations needed for the next century. The suggestions are gathered from almost a decade of work on business-school partnerships undertaken by the U.S. Department of Education's Office of Educational Research and Improvement (OERI).

GETTING STARTED

There are many ways to begin to plan to use QZABs. One promising method the research literature suggests is to begin with a survey of needs among local businesses in an empowerment zone or enterprise community. These entities have had to undertake, for the purposes of gaining their federal funding, a strategic plan required to contain an economic needs assessment. From this plan it will be possible to derive a sense of the community's vision in terms of how it planned to satisfy the EZ or EC's program's four key principles--creating economic opportunity, creating sustainable community development, building broad community participation among community-based partners, and describing a strategic vision for change. The plan will provide a sense of the key work force skills needed as well as a list of business contacts. This document could be a starting point for a State or local education agency to address the community's needs through its K-12 system. Community colleges can also be a valuable source of support to identify workforce needs.

A school can also decide to focus on identifying a particular business partner itself. For example, a school could identify an industry which regionally shows signs of growth and opportunity and begin to research the skill sets those employers need. This type of analysis in conjunction with a review of appropriate State and local content and performance standards could greatly assist in the planning for a QZAB curriculum.

A school may wish to establish a partnership to improve the student achievement levels of a school and work with business to make available professional development opportunities designed to increase the ability of the teaching staff to teach to high academic standards.

Two-year colleges as well as four-year institutions, might assist in facilitating effective school partnerships as many of them serve as a bridge between classrooms and the workplace. Whether it is in

the area of leadership development for the partners in question, professional development for the staffs or as experts in the area of designing school-to-work curriculum, community colleges and universities can serve as an invaluable resource in the development and sustenance of the Qualified Zone Academy.

Coalitions

A partnership may be formed between several schools and businesses so long as the partnership requirements pertaining to a single school-business partnership are maintained, --i.e., the business provides 10 percent of the bond's gross proceeds to each school, a specific curriculum that addresses the goals of the Qualified Zone Academies is formed (improved graduation, college entrance and workforce participation) and the plan is approved by each school's respective LEA.

Sustaining a Partnership

Successful educational partnerships begin with a clear vision and a shared sense of commitment among the partners. There may also be a need for technical assistance designed to ensure that the partnership is, over the long term, capable of fulfilling its goals. Such technical assistance is often most useful in helping staff shift roles, for example a partnership may require a teacher or company employee to become a coordinator of a mentorship or internship program.

Assistance may also be needed when developing an appropriate curriculum for the specialized program that the QZAB may want to develop. Research suggests that the greater the change required the greater the need for technical assistance.

Materials may be needed to let parents and local area employers know about the school's program, and its academic and workforce objectives. Other considerations may include providing release time for staff and specific kinds of skill training.

The research also suggests that successful partnerships know their objectives, possess a clear understanding of their respective roles and value a problem solving orientation.

Availability of Technical Assistance

If there are further questions, please contact the National School-to-Work Office or the National Alliance of Business (NAB).

Conclusion

The U.S. Department of Education's Empowerment Zone, Enterprise Community Taskforce is available to answer questions and to provide a limited amount of site specific technical assistance. Please contact: Dr. William L. Smith, Director, U.S. Department of Education Empowerment Zone and Enterprise Community Task Force, Mail Stop 4502, 330 C St. SW, Washington, D.C. 20202, (202) 401-0843 or E-mail William_Smith@ed.gov

The Massachusetts Youth Teenage Unemployment Reduction Network: Integrating Curriculum With Instructional Internships:

The Massachusetts Youth Teenage Unemployment Reduction Network (MYTURN) project is an alliance of public schools, institutions of higher education, corporations and small businesses seeking to improve educational opportunities for students in their community. Students learned about the overall workings of business by spending four to six hours each week training in a different area of the business (e.g., sales, human resources, shipping and receiving, telemarketing, billing and payroll). One or two sessions with the chief executive officer or a senior vice-president was also included as a means of acquainting students with organizational philosophies and missions.

Students are required to keep a journal of their work experience, which was turned into their advisor at the end of their internship. Student journal keeping was a developmental aid for participating students and project staff. In addition, students were also required to write a three to five page paper on their experience. The paper and the journal led to course credit for the internship further motivating the student to succeed.

The business point person was provided with a manual prior to any student contact. The manual includes sample curricula on which the firm could model the curriculum required as part of the student's internship experience.

Contact person:

Barbara Duffy, Executive Director
MYTURN Inc.
43 Crescent Street
Brockton, MA 02401
(508) 580 7543

The Boston Private Industry Council School-Business Partnerships: An Established School Business Partnership:

For the past 11 years the Boston Private Industry Council has been recruiting businesses to become partners with Boston Public Schools and to participate in School-to-Career Pathways. In school-business partnerships, businesses are linked with a particular school where they serve on the School-Site council and determine the resources they are going to invest--human, material and financial--based on the individual needs of that school and the resources of that business. School-to-Career Pathway partners--employ students, provide workplace experiences to complement the curriculum, provide industry mentors and, in some cases, financially support the pathway at the school and contribute scholarships.

In 1993-94 it was estimated that such partnerships represented an investment of over \$10 million annually.

Contact: Jo Corro
The Boston Private Industry Council
2 Oliver Street
Boston, Massachusetts 02109
Phone (617) 423 3755
Fax: (617) 423 1041

ESEA / FY 2000



The Administration's \$25 Billion School Modernization Proposal

- **The Administration's Proposal:** One-page overview of the Administration's proposal to provide federal tax credits to pay the interest on nearly \$25 billion in state and local bonds to help build and renovate up to 6,000 public schools.
- **State-by-State Funding:** This table lists the amount of money that would be available to individual states and districts through the Administration's School Modernization proposal.
- **Talking Points:** This document explains why school construction is urgently needed and how can we make it cheaper for states and school districts, and it includes examples of the possible savings for individual school districts.
- **Questions and Answers:** How will the Administration's proposal help rural and high-growth suburban districts? Why is federal help needed on school construction? Answers to these questions and many more.
- **Arbitrage Expansion is No Substitute for the Clinton Plan:** Expanding the arbitrage window from two to four years on tax-exempt bonds is a woefully inadequate solution - dwarfed by the scope of both the nation's school construction needs and by the Administration's School Modernization proposal.
- **Rural Schools Support the Administration's Proposal:** Testimony of Rene "Jay" Bouchard, on behalf of National Rural Education Association, before the House Ways and Means Committee on March 10, 1999. **DISCLAIMER**
- **How Could School Modernization Bonds Help Schools in My Area?** Examples of how the Administration's proposal would help different types of school districts, including high-growth districts, districts with aging school buildings, and low-income districts.
- **Technical Description of the Administration's Proposal:** This excerpt from the Treasury Department's 'Green Book' - General Explanations of the Administration's Revenue Proposals - released in February of 1999, provides a detailed technical description of the Administration's School Modernization proposal.

Below are recent statements by President Clinton, Vice President Gore and Secretary Riley about the urgent need for school modernization.

- 5/4/99, Secretary Riley, Statement on the Introduction of the Rangel Bill, H.R. 1660
- 3/16/99, Secretary Riley, Speech at National PTA Conference
- 3/9/99, Secretary Riley, Statement before the House Subcommittee on Labor, Health and Human Services on the FY2000 Budget Request for the Department of Education
- 2/20/99, President Clinton and Vice President Gore, Summary and State-by-State Analysis, Investing in smaller classes and modern schools.
- 1/21/99, Vice President Gore, Announcement of the Administration's New \$25 Billion School Modernization Proposal

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The Administration's \$25 Billion School Modernization Proposal QUESTIONS & ANSWERS

Question: How is the Administration's new school modernization proposal different from the proposal the Administration offered last year?

Answer: The Administration's new school modernization proposal is very similar in structure to last year's proposal. The two significant changes in the proposal are the following:

Larger -- This year, the Administration is proposing \$24.8 billion in School Modernization Bonds to help build and modernize up to 6,000 public schools. Last year the Administration's proposal would have provided \$21.8 billion in bonds.

New Native American component -- This year, the proposal includes a component to help modernize Native American schools. A total of \$400 million in bonds (\$200 million in 2000 and in 2001) would be available to schools funded by the Bureau of Indian Affairs (BIA). Authority to issue these bonds would be allocated to tribal governments by the Secretary of the Interior. (Note: In addition, the President's FY2000 budget proposes an additional \$30 million in funding for BIA schools on the discretionary side of the budget to help tribes pay the principal on School Modernization Bonds. The tax credits on School Modernization Bonds would leverage this discretionary funding).

Question: How much would the Administration's proposal cost?

Answer: According to the Administration's estimates, the proposal would cost the U.S. Treasury \$3.7 billion over five years. According to estimates from the Joint Committee on Taxation, the Administration's proposal would cost \$3.1 billion over five years.

Question: Why is Federal help needed on school construction?

Answer: School construction is primarily a state and local responsibility, and it will remain so. The vast majority of school facility needs will be met with non-Federal resources. However, states and school districts are facing urgent school facilities needs, and some state and local governments have not been able, on their own, to meet their needs. The Administration's proposal would support school construction and modernization in a manner that helps states and communities to increase their efforts to provide adequate school facilities for all children.

Renovation -- In 1995, the General Accounting Office (GAO) reported that one-third of America's schools need extensive repair or renovation of one or more buildings. About 60 percent of schools have at least one major building feature in need of repair. More than half have at least one unsatisfactory environmental condition, such as poor ventilation, heating, or lighting. The GAO estimates it would cost \$112 billion to bring existing schools into good condition.

New Construction -- Many schools are already overcrowded, and the National Center for Education Statistics estimates that elementary and secondary enrollment will swell from 52.7 million in 1998 to 54.3 million by 2008. School districts will need to build 2,400 new public schools by the year 2003 and thousands more in later years to accommodate growing enrollments.

Question: Why does the Administration's proposal provide tax credits rather than direct support for school construction?

Answer: Given the scope of the nation's school facilities infrastructure problem - \$112 billion needed for facility repairs and replacement alone - a limited grant program to cover the full cost of school construction projects could not begin to make an impact on the problem. By using Federal dollars in the form of tax credits to leverage increased state and local support, we can help states and local districts to do much more construction than they would be able to do on their own.

Question: How will this proposal help rural and high-growth suburban districts?

Answer: The Administration's school modernization proposal provides a great deal of flexibility to states in the use of the \$11 billion in School Modernization Bonds reserved for them. States may issue the bonds or suballocate them to localities according to each state's own assessment of needs. Thus states will be able to provide rural and suburban districts with the funding they need to address their urgent school facilities problems.

In determining how they will allocate School Modernization bonds, states must simply target the bonds to localities with a combination of inadequate school facilities and inadequate resources to address their school facility needs. These criteria could provide special consideration to rural areas -- which often face urgent needs for school modernization and repair but lack a strong tax base to meet these needs - and to suburbs - many of which are growing rapidly and lack the resources to build enough schools to meet their rising enrollments.

Question: Why does the Administration's proposal reserve half the money for 100 urban districts?

Answer: Urban, rural, and high-growth suburban areas all face different and difficult school modernization needs, however many school facilities problems are concentrated in urban districts, and these districts often have limited financial resources to meet their needs. In 1996, the GAO reported that 38 percent of central city schools have at least one inadequate building, as compared to 29 percent of schools in suburbs and large towns and 30 percent of small town and rural schools. In addition, 67 percent of central city schools (compared to 57 percent of suburban/large town schools and 52 percent of small town/rural schools) had at least one building feature, such as a roof, plumbing, or heating and air conditioning, needing repair or replacement.

The 1996 GAO report also points out that urban districts spend disproportionate sums to meet the special instructional needs of poor and immigrant students, and thus often forgo construction spending. The limited construction funds available in urban districts are often spent on emergency repairs, leaving little funding for new school construction or the modernization needed to bring existing schools into good condition.

Question: Will this proposal help states and communities that have already passed school construction bonds?

Answer: Yes, states and communities that have recently passed school construction bond referenda could take advantage of this proposal as long as they have not yet issued their school construction bonds.

Question: What would be the impact of extending the arbitrage time period on tax-exempt bonds for school construction from two to four years? How does this compare to the impact of the Administration's school construction proposal?

Answer: This change in the arbitrage rules does not do nearly enough to address the nation's needs for school construction and repair. According to Senate Finance Committee testimony from the Congressional Research Service, this change in the arbitrage rules might provide \$24 additional dollars to districts for every \$1,000 of bonds they issue. In comparison, the Administration's proposal would pay all of the interest on School Modernization bonds - providing a subsidy to states and school districts of about \$500 for every \$1,000 of School Modernization Bonds they issue, according to Treasury estimates.

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Last Updated -- May 13, 1999 (pjk)



The Need for a National School Construction Program

The President's proposal to create School Modernization Bonds is designed to address a national school facilities crisis. These funds are necessary because: (1) the cost to repair existing schools is high, and States and localities have been unable to meet that cost on their own; (2) enrollment growth is surging; and (3) better school facilities lead to better academic achievement.

The cost to repair existing schools is high

In a 1995 report, *School Facilities: Condition of America's Schools*, the General Accounting Office (GAO) estimated that the cost of bringing the Nation's schools into good overall condition was \$112 billion. GAO's report revealed:

- one-third of all schools, serving 14 million students, need extensive repair or replacement and
- about 60 percent (including some schools in generally adequate condition) of all schools report needing at least one major building feature to be replaced or extensively repaired.

According to GAO: 28,100 schools serving 15 million students have less-than-adequate heating, ventilation, and air-conditioning systems; 23,100 schools serving 12 million students have less-than-adequate plumbing; and 21,100 schools serving 12 million students have less-than-adequate roofs.

GAO cited horrific examples of the need for school repairs. Heating depends on a fireman's stoking a coal furnace by hand at a high school. Raw sewage backed up on the front lawn of a junior high school because of defective plumbing. At an elementary school, a ceiling weakened by leaking water collapsed just 40 minutes after students had left for the day. Another elementary school had asbestos, chipping and peeling lead paint, and boarded windows.

Enrollment growth is surging

The National Center for Education Statistics projects that elementary and secondary enrollments will swell from 52.2 million in 1997 to 54.4 million in 2006. State and localities will need to build some 6,000 new schools to serve additional students in the next decade.

The condition of schools is related to student achievement

Several research studies indicate that the condition of school buildings affects student achievement. For instance, a 1991 study in the District of Columbia found that students in school buildings that were in poor condition had achievement 6 percent below students in schools that were in fair condition and 11 percent below students in schools in excellent condition.

ONE PAGER



Modernizing America's Schools For The 21st Century

School modernization is urgently needed across the nation to accommodate increasing enrollments, to repair crumbling schools, to allow for smaller class sizes, and to ensure that all schools are accessible and well-equipped for the 21st century.

- Today, a record 52.7 million children are enrolled in elementary and secondary schools, and this number will climb to 54.3 million by 2008.
- The average public school in America is 42 years old, and school buildings begin rapid deterioration after 40 years, according to NCE data released in January. In addition, 30 percent of all public schools are in the "oldest condition" -- built before 1970 and never renovated or renovated before 1980.
- The oldest schools are also lagging behind other schools in the push to connect to the Internet. While almost 60 percent of schools built since 1985 were connected to the Internet in 1995, only 42 percent of schools in the oldest condition were connected to the Internet.

The President's FY2000 budget includes two proposals to help modernize America's schools:

\$25 BILLION IN BONDS FOR SCHOOL CONSTRUCTION

This proposal provides Federal tax credits to pay the interest on nearly \$25 billion in bonds to build and renovate up to 6,000 public schools. Two types of bonds are being proposed: School Modernization Bonds (\$22.4 billion) and Qualified Zone Academy Bonds (\$2.4 billion). The tax credits on these bonds will cost the Treasury \$3.7 billion over 5 years.

School Modernization Bonds: \$22 billion in School Modernization Bonds would be available over two years (\$11 billion in 2000 and \$11 billion in 2001) for construction and renovation of public school facilities. Federal tax credits will pay the interest on these bonds. \$11 billion in bonds would be available to 100 school districts serving the largest number of low-income children. \$11 billion in bonds would be available to States. States will have the flexibility to distribute bonds to districts according to their own assessment of need across the State.

To qualify for the bonds, States and districts would submit to the Secretary of Education: (1) a new or recent study of the construction and repair needs in the jurisdiction, (2) a description of how the bond funds will be used for the purposes intended by this proposal; and, for States only, (3) a description of how highest priority will be given to localities with greatest needs and how special consideration will be given to rural and high-growth areas.

Qualified Zone Academy Bonds (QZABs): Created in 1997, the QZAB statute provides tax credits to pay interest on bonds for a variety of educational expenses (including building renovation) related to public school-business partnerships in Empowerment Zones and low-income

areas. The Administration's proposal would make available to States \$2.4 billion in QZABs (\$1 billion in 2000 and \$1.4 billion in 2001), and it would expand QZABs to cover new school construction.

New Native American School component: The Administration's proposal also includes \$400 million in School Modernization Bonds for Native American schools (\$200 million in 2000, \$200 million in 2001). The Secretary of Interior would make bonds available to tribal governments for construction and repair of BIA-funded schools.

\$10 MILLION TO DESIGN SCHOOLS AS CENTERS OF COMMUNITY

Involving teachers, parents, students and community groups in the planning and design of new schools can spark innovation and can produce multiple benefits such as financial savings through cost sharing and maximum use of the school facility as the center of community. This \$10 million proposal would provide competitive grants to support community partnerships with local school boards to encourage broader citizen engagement in developing a school system master plan or an individual school site space and design plan.

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ED U.S. DEPARTMENT OF EDUCATION

Last Updated -- May 13, 1999 (pjk)



Talking Points

Helping State and Local Dollars Go Further to Address School Construction Needs

Communities are Struggling to Pay for School Modernization

Communities across the country are struggling to address critical needs to build new schools and renovate existing ones to make up for years of deferred maintenance, to accommodate rising student enrollments, to help reduce class sizes, and to make sure schools are accessible to all students and well-equipped for the 21st century. Urban, rural, and high-growth suburban areas all face different and difficult school modernization problems.

- **The average public school in America is 42 years old, and school buildings begin rapid deterioration after 40 years.** [National Center for Education Statistics, 1999]
- **\$112 billion is needed just to repair existing schools across the nation that are in poor condition.** One-third of all school buildings -- about 25,000 schools -- need extensive repair or replacement, according to the GAO. [General Accounting Office, 1995]
- **2,400 new public schools will be needed by 2003 to accommodate rising enrollments and to relieve overcrowding.** [National Center for Education Statistics, 1998] The average elementary school costs \$8 million to build, and the average high school costs \$16 million. [Council for Educational Facility Planners International, 1997]

"Deplorable conditions exist in hundreds of the nation's 80,000 public schools -- in rural towns, suburbs and inner cities..."

*A chimney dropped into a school library in **South Dakota** last year while students were away on a long President's Day weekend.*

*Dry rot, weak foundations and insulation problems forced officials to condemn an **Oregon** middle school. Students now attend class in trailers set up on the front lawn.*

*Computer wire is simply draped along ceilings at an aging school in **Iowa** as students wait for a new school to be built."*

--The Star-Ledger, Newark NJ, 8/30/98

*"Mukilteo School District [in **Washington State**], which has seen its enrollment double in the last ten years to 14,456 in 1998, currently uses 92 modular classrooms, despite having built six new schools and made additions to five others."*

--Baby Boom Echo Report, Department of Education, 1998

Interest on School Construction Bonds is a Big Expense

Many states and school districts issue tax-exempt bonds to raise money for school construction. Bond buyers essentially agree to loan money to the

state or the school district, with the understanding that the money will be paid back with interest over a number of years. Interest payments take a big chunk out of the pocketbooks of local taxpayers.

- **The interest on a typical 30-year tax-exempt bond *almost equals* the amount borrowed.** Even on less typical 15-year tax-exempt bonds, the interest is still significant -- totaling about 65 percent of the amount borrowed.

How Communities Could Save Money on School Modernization

The Administration is proposing to create a new type of bond that states and school districts could use to pay for school construction and modernization. The Federal Government would provide tax credits to bond holders in lieu of interest payments on School Modernization Bonds, and the state or school district would only be responsible for repaying the principal. This proposal would save millions of dollars in interest payments for states and districts. These savings will help communities stretch their limited resources to pay for additional school construction.

The Administration's proposal would make nearly \$25 billion in bonds available to states and districts over the next two years to build and modernize up to 6,000 public schools:

- \$11 billion in bonds would be available to states, and the states could allocate these bonds to districts according to their own assessment of priority needs and ability to pay.
- \$11 billion in bonds would be available to the 100 school districts serving the highest numbers of low-income children.
- \$400 million in bonds would be available to schools funded by the Bureau of Indian Affairs.
- \$2.4 billion in bonds would be available to states for school construction, renovation and other expenses related to business-school partnerships in low-income communities.

*Jefferson County School District in **Colorado** was one of the fastest growing suburban districts in the nation between 1985 and 1995, with a 13 percent increase in enrollment. In 1997, the county passed a \$300 million bond issue to fund construction of four new schools and 25 school expansions. If Jefferson County issued \$300 million in 30-year tax-exempt bonds, it would have to pay almost \$300 million in interest on those bonds. **If the district issues \$300 million in the Administration's proposed School Modernization Bonds, it could save almost \$300 million in interest costs over 30 years.***

*Millard Independent School District in Southwest Omaha, **Nebraska**, passed an \$89 million bond issue in 1997 to pay for schools modernization. If the Millard School District issued \$89 million in 30-year tax-exempt bonds, it would have to pay almost \$89 million in interest on those bonds. **If the district issues \$89 million in the Administration's proposed School Modernization Bonds, it could save almost \$89 million in interest costs over 30 years.***

Designing Schools as Centers of Community

The President's FY2000 budget also includes a new \$10 million proposal to provide competitive grants to school-community partnerships to support broader citizen engagement in the design of individual school facilities or school system master plans. Community involvement in the planning and design of new schools can spark innovation and produce savings through cost-sharing and energy-efficiency, and it can help maximize the use of school facilities as centers of community.

For More Information:

The Department of Education's School Modernization Website --

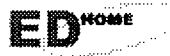
<http://www.ed.gov/inits/construction/>

The National Clearinghouse for Educational Facilities Website -- <http://www.edfacilities.org/>

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Last Updated -- May 13, 1999 (pjk)



How Could School Modernization Bonds Help Schools in my Area?

School Modernization Bonds would work differently in various communities. Below are three examples that illustrate differences among communities based on their: (1) school construction needs; (2) authority to issue bonds; and (3) ability to issue bonds.

School District A -- A Rapidly Growing School District

School District A needs funds to construct additional schools to educate its rapidly growing enrollment. The State would allocate bond authority to School District A. This community would have to pass a bond initiative that would compel it to use tax proceeds to repay the bond that it issues. It would then enter into an agreement with a financial company to sell the bonds to bond holders in order to raise funds to build schools in the community. The school district would use these funds to plan, design, and build additional schools. The community would repay the principal on the bonds to the bond holders, but it would not pay interest on the bond. The bond holders would receive a tax credit equivalent to the amount of interest they would ordinarily have received on the loan.

School District B -- A School District with School Buildings in Need of Renovation

School District B needs funds to renovate its aging school buildings. This school district would receive a direct allocation of bond authority from the Federal Government because it is one of the 100 school districts with the largest number of students in poverty. This community has already passed a bond initiative, so it does not have to go to its citizens to gain the authority to issue bonds. The district is still eligible to issue School Modernization Bonds because it has not yet issued all of the bonds its citizens authorized it to issue. It would issue the bonds through a financial company to raise the funds necessary to renovate its schools. School District B would use these funds to renovate its facilities taking into account the need to accommodate modern educational technologies; provide access to individuals with disabilities; improve the energy efficiency of its buildings; and to bring its buildings, including its roofs and boilers, into good overall condition. The bond holders would be repaid as they would under the example for School District A. One difference would be that School District B would be able to use money saved from its energy bill to help it repay the principal on the loan.

School District C -- A School District on a Poor Indian Reservation

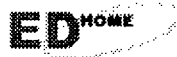
This poor public school district needs funds to renovate a school and build a new school but is unable to issue bonds itself because of its small tax base. School District C would receive a heavily subsidized loan from the State. The State would subsidize the loan either by contributing the State's own funds

toward the loan or by decreasing the amount of the subsidy other communities would receive under School Modernization Bonds in the State. School District C would not issue the bond itself; the State would issue it on behalf of School District C and several other school districts. School District C would use the funds to plan, design, and construct its new building and to renovate its existing school. The State could guarantee that School District C would repay the loan by retaining State aid in event that the school district stopped making payments. School District C would pay only a portion of the principal on the loan to the State because the loan is subsidized. The bond holders would be repaid as described in the above examples, except the State rather than the community would repay the principal to the bond holders.

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Provide Tax Credits For Holders of Qualified School Modernization Bonds and Qualified Zone Academy Bonds

Current Law

Under current law, State and local governments fund public school construction by issuing bonds the interest on which generally is exempt from Federal income tax. In addition, State and local governments can issue "qualified zone academy bonds" to fund the improvement of certain eligible public schools. An eligible holder of a qualified zone academy bond receives annual Federal income tax credits. These annual credits compensate the holder for lending money and, therefore, are treated like taxable interest payments for Federal tax purposes. Eligible holders are banks, insurance companies, and corporations actively engaged in the business of lending money. The "credit rate" on a qualified zone academy bond is used to determine the amount of the annual tax credit and currently is set by regulations at 110 percent of the applicable federal rate (AFR) for the month in which the bond is issued. The maximum term of a qualified zone academy bond issued during any month is determined by reference to the "adjusted" AFR for the month in which the bond is issued.

A total of \$400 million of qualified zone academy bonds may be issued in each of 1998 and 1999. The annual cap is allocated among the States in proportion to their respective populations of individuals with incomes below the poverty line. Unused authority to issue qualified zone academy bonds may be carried forward to subsequent years.

There are a number of requirements that must be met for a bond to be treated as a qualified zone academy bond. First, the bond must be issued pursuant to an allocation of bond authority from the issuer's State educational agency. Second, at least 95 percent of the bond proceeds must be used for an eligible purpose at a qualified zone academy. Eligible purposes include renovating school facilities, acquiring equipment, developing course materials, or training teachers. A qualified zone academy is a public school (or an academic program within a public school) that is designed in cooperation with business and is either (1) located in an empowerment zone or enterprise community, or (2) attended by students at least 35 percent of whom are estimated to be eligible for free or reduced-cost lunches under the National School Lunch Act. Third, private business entities must have promised to contribute to the qualified zone academy certain property or services with a present value equal to at least 10 percent of the bond proceeds.

Reasons for Change

Aging school buildings, new educational technologies, growing enrollments, the need for smaller class sizes, and changing demographics have created a need to renovate older school buildings and to build new ones. Many school systems have insufficient fiscal capacity to finance needed renovation and new construction. The proposal would leverage Federal support to spur new State and local investment in public schools.

Minor changes in the structure of qualified zone academy bonds will allow them to be marketed more easily.

Proposal

The proposal would authorize the issuance of two types of bonds; qualified school modernization bonds and qualified zone academy bonds. These bonds would be issued as "tax credit bonds," that is, they would provide the holder a Federal income tax credit in lieu of an interest payment. As described elsewhere, "Better America Bonds" are also proposed using the same tax credit bond format. The common features of tax credit bonds will speed the development of efficient primary and secondary markets for all three types of bonds.

Qualified school modernization bonds

State and local governments would be able to issue "qualified school modernization bonds" in the form of tax credit bonds to fund the construction, rehabilitation or repair of public schools. \$11 billion of qualified school modernization bonds would be allocated among States and certain school districts in each of 2000 and 2001. Half of this annual cap would be allocated among the 100 school districts with the largest number of children living in poverty and up to 25 additional school districts that the Secretary of Education determines are in particular need of assistance. The other half of the cap would be allocated among States and Puerto Rico. A small portion of the total cap would be set aside for each U.S. possession (other than Puerto Rico) based on its share of the total U.S. poverty population. In addition, \$200 million in each year would be allocated by the Secretary of the Interior for the construction, rehabilitation, and repair of the Bureau of Indian Affairs-funded elementary and secondary schools. The allocation among qualifying school districts and among States would be based on the amounts of federal assistance received under the Basic Grant Formula for Title I of the Elementary and Secondary Education Act of 1965. This assistance is based primarily upon the number of low-income children residing in the district, with an adjustment for differences in per-pupil expenditures. States could use any appropriate mechanism for distributing their allocation among school districts, not necessarily the Title I formula. Allocated amounts unissued in the year of allocation could be issued up until the end of the third following year. A qualifying school district could transfer any unused portion of its allocation to the State in which it is located at any time prior to that date.

Under the proposal, a bond would be treated as a qualified school modernization bond if three requirements are met. First, the Department of Education must approve the school modernization plan of the State or eligible school district. The plan must (1) demonstrate that a comprehensive survey has been undertaken of the construction and renovation needs in the jurisdiction, and (2) describe how the jurisdiction will ensure that bond proceeds are used for the purposes of this proposal. Second, the issuing government must receive a bond allocation for a school modernization bond. Third, 95 percent or more of the bond proceeds must be used to construct, rehabilitate, or repair elementary and secondary public school facilities. Modernization plans for Bureau of Indian Affairs-funded schools would be approved by the Department of the Interior. The term construction includes land upon which a constructed school facility is located. Unlike qualified zone academy bonds, qualified school modernization bonds would not be conditioned on contributions from private businesses.

Qualified zone academy bonds.

The proposal would provide authority for \$1 billion in 2000 and \$1.4 billion in 2001 of qualified zone academy bonds. The list of permissible uses of proceeds of qualified zone academy bonds would be expanded to include school construction. In addition, the proposal would make several changes to the existing qualified zone academy bond statute applicable to bonds issued after the effective date to conform to the structure of tax credit bonds described below.

Rules applicable to tax credit bonds generally.

The holder of a tax credit bond would receive annual Federal income tax credits equal to the applicable credit rate multiplied by the amount held on its anniversary date. Because the annual credits compensate the holder for lending money, they would be treated as payments of interest for Federal income tax purposes and, accordingly, would be included in the holder's gross income. The credit rate would be set equal to a measure of the yield on outstanding corporate bonds, specified in Treasury regulations, for the business day prior to the date of issue. The maximum term of the bonds would be 15 years. Any taxpayer would be able to hold a tax credit bond and thereby claim the tax credit. Treasury would provide regulations regarding the treatment of credits that flow through from a mutual fund to the holder of mutual fund shares. Unused credits would not be carried backward but would be carried forward for 5 years. The proposal would grant regulatory authority to the Secretary to require information returns to be provided with respect to holders (including corporations) that are entitled to credits.

Under the proposal, at least 95 percent of the tax credit bond proceeds must be used for qualifying purposes. Any investment earnings (and earnings on those earnings) associated with unexpended proceeds during the three-year period following the date of issuance are treated as proceeds, i.e., they must also be used for qualifying purposes. As of the date of issue, issuers must reasonably expect that 95 percent of the proceeds will be expended for qualifying purposes within three years and that any property financed with bond proceeds will be used for a qualified purpose for at least a 15-year period after the date of issuance. During the three-year period, unexpended proceeds may only be invested in bank accounts or U.S. Treasury securities maturing in three years or less. Issuers must incur a binding obligation with a third party to expend at least 10 percent of the proceeds of the issue within 6 months of the issue date and allocate the bond sale proceeds to expenditures with due diligence. To the extent 95 percent of proceeds are not expended by the end of the 3-year period for qualifying purposes, unexpended proceeds must be used to retire bonds within 90 days. If the issuer establishes a sinking fund to repay principal, sinking fund assets must be held in State and Local Government Securities (SLGS) issued by the Treasury. Property financed with the sale proceeds of qualified zone academy bonds or school modernization bonds must be owned by a State or local governmental unit or an agency thereof.

Bonds would cease to be qualified bonds and would accrue no further tax credits in the event that any of the tax-related requirements fail to be met. The issuer would be obligated to reimburse the Federal government (with interest) for any credits accruing three years prior to the date of

non-compliance. If this obligation is not timely paid by the issuer, the Federal government has the right to recover the credit amount from the current holder of the bonds.

The proposal would be effective for bonds issued on or after January 1, 2000.

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Last Updated -- May 13, 1999 (pjk)

Statement of Rene "Jay" Bouchard, District Superintendent
Steuben-Allegany Counties, and Chief Executive Officer
Steuben-Allegany Board of Cooperative Educational Services, Bath, New York
on behalf of National Rural Education Association

Testimony Before the House Committee on Ways and Means
Hearing on Revenue Provision in President's Fiscal Year 2000 Budget

March 10, 1999

Very interesting

Mr. Chairman and Members of the Committee:

On behalf of the National Rural Education Association, I want to thank you for the opportunity to address the Committee. My name is René "Jay" Bouchard, and I would like to speak about the provision in the President's Fiscal Year 2000 budget that would provide states and local districts desperately needed help in modernizing America's public schools.

Mr. Chairman, I come before you as someone who in one professional capacity or another has been involved in public education for 39 years. I have had the honor of serving as a teacher, a vice-principal, and principal at the secondary level. I have also served as a superintendent. Since 1982, I have jointly held the positions of Chief Executive Officer for the Steuben-Allegany Board of Cooperative Educational Services, a confederation of 15 rural and small town school districts, and Superintendent of the District of Steuben-Allegany Counties.

I had the privilege of serving as president of the National Rural Education Association, or NREA, from 1993 to 1994. I currently sit on NREA's Executive Committee. I am also a member of the Executive Committee of the American Association of Educational Service Agencies.

I think it would be helpful to speak briefly about NREA. The National Rural Education Association is the oldest established national organization of its kind in the United States. The Association traces its origins back to 1907. Through the years, it has evolved into a strong and respected organization of rural school administrators, teachers, board members, regional service agency personnel, researchers, business and industry representatives, and others interested in maintaining the vitality of rural school systems across the country.

THE NEEDS OF RURAL SCHOOLS

While president of NREA, I had the opportunity to travel extensively throughout the United States and saw first-hand the challenges that schools, administrators, students, and teachers in rural areas and small towns face every day. These schools are more likely than not to be underfunded, and their teachers, when compared to their urban and suburban counterparts, receive lower than average salaries and fewer benefits, have fewer professional development opportunities, and have less access to higher education.

Unfortunately, rural schools often are nothing more than an afterthought in the national debate about public education. Nevertheless, there is a story to be told. For example, one out of every two public schools in America is located in a rural area or small town. Thirty-eight percent of America's students go to schools in rural areas. Forty-one percent of public school teachers work in rural schools. Yet, rural and small town schools receive only 22 percent of the total funding for K-12 education.

Consequently, rural and small town educators must address increasing expectations with diminishing resources. The school modernization proposal in the President's budget proposal can provide desperately needed assistance in the area of greatest need--modernization of school buildings.

Last year, no less a distinguished body than this Committee succinctly captured the challenge facing the nation's schools when it stated: "A great need exists for construction and renovation of public schools if American educational excellence is to be maintained."

I could not have said it better myself.

The common perception among many outside the education community is that the need for modern, safe schools that are not overcrowded, and offer access to the Internet and other education technology exists only in inner-city communities. The truth of the matter, according to a landmark 1996 national study by the General Accounting Office (GAO), "School Facilities: America's Schools Report Differing Conditions," is that one out of two rural schools have at least one inadequate structural and mechanical feature. These include roofs, exterior walls, electrical systems, and heating, ventilation, and air conditioning systems.

In addition, GAO found that 30.3 percent of rural schools, serving more than 4.5 million students, had at least one overall school building that was deemed inadequate.

The age and physical condition of our nation's schools also hinders or prevents many from being retrofitted to accommodate technology. According to the GAO report, the electrical systems at nearly half of all schools are inadequate for full-scale computer use.

Nationwide, GAO found that it would take \$112 billion just to make necessary repairs on our schools to ensure that they are safe and healthy places for children to learn. On top of these repair needs, because enrollment in our public schools is at a record high level, and projected to grow every year for at least the next decade, another \$73 billion is needed to build additional schools and enlarge existing schools to alleviate overcrowded conditions.

The most recent figures from the National Center for Education Statistics show that while we as a nation have made substantial progress in connecting public classrooms to the Internet, vast disparities remain between disadvantaged and rural school districts and affluent ones. In addition, according to a July 1998 report from the National Telecommunications and Information Administration, rural students (as well as urban and minority students) lack computer access at home and must depend on schools or libraries for access to technology.

The need for access to the Internet and other technologies is particularly acute in rural areas. Because of tight budgets and a limited ability to offer higher level and specialized classes, rural schools are especially reliant on distance learning technologies.

A case in point are the 15 school districts that comprise the Steuben-Allegany Board of Cooperative Educational Services that I oversee. Combined, these western New York districts, which have consolidated many of their administrative and curricular functions to achieve economies of scale, enroll 20,000 students. The districts are spread over 1,600 square miles, an area that is slightly larger than the entire state of Rhode Island.

Over 44 percent of the students in our schools are eligible for the free and reduced price lunch program. That figure climbs as high as 63 percent in some of our schools.

Given how widely dispersed is the area served by the Steuben-Allegany Board of Cooperative Educational Services, the ability to share resources electronically is crucial. In my region, less than 15 percent of our students are in schools with Internet access in their classrooms. Most of our schools only have one or two single station connections to the Internet in the entire school.

THE PRESIDENT'S SCHOOL MODERNIZATION PROPOSAL WOULD HELP RURAL SCHOOLS

The school modernization proposal in the President's budget proposal would go a long way in helping us and others like us to remedy this problem, repair and upgrade all the mechanical systems of our buildings and better respond to environmental hazards in our schools.

The \$22 billion in zero interest school modernization bonds included in the Administration's proposal

would put more power in the hands of states and local school districts and will not create new federal bureaucracy. Decision making and management prerogatives remain at the local level. By allowing local communities to finance school construction or renovation with the equivalent of interest-free bonds, the proposal presents schools districts with a unique opportunity to renovate existing buildings and build new schoolhouses.

The provision would allow bond buyers to receive federal tax credits in lieu of interest, thereby freeing up money the districts would be paying for interest to be used for teaching and learning. Since over the 15-year repayment period of these school modernization bonds interest payments typically represent as much as 50 percent of the total repayment, the savings to schools from this proposal will be substantial. Fiscal relief to school districts such as mine will help relieve pressure on property taxes, and thus make it easier to convince our local voters to pass school bond referenda.

Combined with the \$2.4 billion expansion of the existing Qualified Zone Academy Bond (QZAB) Program, these two proposals would generate nearly \$25 billion in bonds at a cost to the U.S. Treasury of \$3.1 billion over five years, according to the Joint Committee on Taxation. This is a national investment in schools and in the work force for tomorrow's economy. I also want to add that while the perception of QZABs is that these bonds only benefit urban areas, any school district with at least 35% of its children eligible for free or reduced-price school lunch also qualifies.

New York State alone would be eligible for more than \$2.7 billion in tax credit bonds.

The President's proposal calls for a 50-50 split in bonding authority, with half of the allocation to the states and half to the 100 school districts with the largest number of low-income students. State agencies would assign the bonding authority to districts, schools, or other governmental units based on the family income level of the students to be served, or other factors as they see fit. Most importantly for rural schools is a requirement that the state give special consideration to rural areas, as well as to high-growth areas. Such a funding formula would greatly benefit rural schools.

Additionally, we are pleased that Representative Charles Rangel of New York, the ranking member of this committee, who will introduce the President's proposal in the House soon, has expressed a willingness to consider giving a larger allocation to states, potentially resulting in more funds being available to rural schools. In addition, I am very pleased to note that Representative Nancy Johnson of Connecticut, a senior member on the majority side of this committee, will also soon introduce her own bill to provide tax credits on school modernization bonds. With such bipartisan support I strongly urge this committee to include such school modernization tax credits in any tax bill considered this year.

OTHER SCHOOL MODERNIZATION PROPOSALS

I also want to comment on another proposal to assist school facilities proposed by Chairman Archer, and included in HR 2, the leadership's education package. The Chairman recognized the need for the federal government to assist school communities in his proposal to change arbitrage rules. His recommendation will allow for a longer period of time, an additional two years, in which earnings on bond proceeds can be kept by school districts, instead of being rebated to the federal government. This is a positive proposal that will provide fiscal benefit to some school districts.

However, for many rural districts this proposal will generate little if any additional funds. For most rural districts, if they do pass a bond, they will immediately put those proceeds into the school construction or renovation. The local voters who approve bonds expect projects to be initiated and completed as quickly as possible. I should note that districts with bonds of less than \$10 million annually are currently exempt from arbitrage rules, which represents the majority of bonds issues by rural schools.

I would recommend though, that because the arbitrage rebate relief proposal may benefit larger school districts, it may be appropriate to include it as an addition to the school modernization bonds in the President's proposal. The committee should also consider raising the small issuer exemption from \$10 million to \$25 million, which would provide some additional benefit to rural schools that issue bonds below this limit.

One other bill that has just been introduced, HR 996 by Rep. Etheridge of North Carolina, also deserves this committee's attention. This proposal, intended as an addition to the school modernization bonds in the President's budget, would provide another \$7.2 billion in zero interest bonds targeted to states which have had the fastest increases in population and school enrollment. The high growth states that would be the greatest beneficiaries of these bonds include many rural areas.

With the average school building in America greater than 50 years old, we cannot afford to wait any longer for the kind of help the President's proposal would offer. Localities and states, including New York, are addressing this pressing issue as best they can, but they cannot go it alone. The President's proposal provides the framework for the kind of local/state/federal partnership necessary to address this national emergency.

THE PUBLIC SUPPORTS FEDERAL HELP TO MODERNIZE PUBLIC SCHOOLS

The American people understand the connection between safe and modern schools and student achievement. In fact, according to the most comprehensive survey to date on American's attitudes toward school modernization, 82 percent said they support a \$22 billion, five-year spending proposal to rebuild America's schools. The survey, conducted on behalf of the Rebuild America Coalition, by leading Republican pollster Frank Luntz in January, found that Americans whether they live in the inner city, the suburbs or rural areas, whether they are affluent or low-income, whether they are black or white, men or women, Republican or Democrat believe that modernizing America's schools is a national priority.

Of those Americans living in rural areas, 81 percent favored such a proposal. Twenty-six percent of rural Americans said that public school buildings in their community were in need of repair, replacement or modernization. Rural Americans said the best reasons to modernize public schools were to ensure a safe and healthy place for children to learn (46.1%) and to provide more space to allow for smaller class sizes (34.2%).

Numerous studies have documented the positive correlation between student achievement and better building conditions. A 1996 study found an 11-point difference in academic achievement between students in classrooms that are substandard and the same demographic group of children in a first-class learning environment. A poll issued by the American Association of School Administrators in April 1997 found that 94 percent of American educators said computer technology had improved teaching and learning.

I have seen first-hand the difference technology can make in the classroom. The range of resource materials available to teachers and students on the Internet is staggering. The Internet brings a vast library to our fingertips in a timely and unencumbered manner. It provides students and teachers alike access to timely, relevant, and interactive information about the world around them and our past.

Children in rural communities as well as children in urban and suburban areas should be educated in modern, well-equipped schools, with small classes. Beyond the educational benefits that technology has to offer, modern schools ensure that students will be equipped to compete equally and fairly in a job market that is relying more heavily on proficiency in obtaining, synthesizing, and presenting information.

One last example of the desperate need for federal help to modernize schools comes from the American Society of Civil Engineers. Last year, this distinguished organization released an analysis of the state of our nation's infrastructure. They analyzed the condition of roads, bridges, wastewater treatment systems, dams, hazardous waste sites, and solid waste disposal sites. They found that public schools buildings are in worse condition than any other part of our nation's infrastructure. Yet, while the Congress just last year provided \$216 billion for roads, bridges and mass transit through the highway bill, to date virtually no federal funds have been made available to improve school buildings.

Mr. Chairman we appreciate your interest in rural education and the willingness of your Committee to

address the issue of public school construction and renovation. It is crucial that Congress enact the proposals such as the President's school modernization plan. We hope this committee can actually expand on the President's proposal as it prepares revenue legislation to assist rural communities modernize their schools.

Unless we give students equal access to the tools necessary to succeed in the current marketplace, we not only shortchange them but we shortchange ourselves by producing a citizenry unable to maintain our standard of living as a community and to compete in the global arena.

Thank you.

June 11, 1999

MEMORANDUM FOR: GENE SPERLING, NEC, 2FL/WW
BILL DAUSTER, NEC, 235 OEOB
BRIAN KENNEDY, NEC, 235 OEOB
KAREN TRAMONTANO, COS, GFL/WW
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TANYA MARTIN, DPC, 220 OEOB
JACK LEW, OMB, 252 OEOB
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BILL WHITE, IGA, 106 OEOB
SHIRLEY SAGAWA, FIRST LADY'S OFFICE,
OEOB 100
NERA TANDEN, FIRST LADY'S OFFICE,
OEOB 199
TROOPER SANDERS, OFFICE OF MRS. GORE,
OEOB 200

FROM: SUSAN FROST
SENIOR ADVISOR TO THE SECRETARY OF EDUCATION

DATE: JUNE 11, 1999

RE: PRESS CONFERENCE ON FRESHMAN DEMOCRATS' LETTER TO
SPEAKER HASTERT CALLING FOR SCHOOL CONSTRUCTION,
MODERNIZATION BILLS TO BE BROUGHT TO THE FLOOR

On June 9, 1999, Freshman Democrats, led by Rep. Joseph Crowley (D-NY), held a press conference to publicize their recent letter to Speaker Hastert, which called on the Speaker to bring the bills on school construction and modernization to the floor. In attendance were Secretary Riley, Democratic Whip David Bonior (D-MI), Assistant to the Minority Leader Rosa deLauro (D-CT), Rep. Nita Lowey (D-NY), Rep. Bob Etheridge (D-NC), and eight members of the Freshman class.

Using pictures of crumbling, overcrowded schools in his district, Rep. Crowley emphasized the urgent need to pass a school modernization bill. He and other Freshman appealed to Speaker Hastert to move quickly to bring the issue to the floor for debate. **Rep. Lowey and others pledged that a bill would be passed *this year*.**

Secretary Riley affirmed the Administration's support for using tax incentives to subsidize the interest on \$24.8 billion in school modernization bonds. The Secretary also talked about the \$10 million grant program in the Administration's FY 2000 budget proposal, which would help local school districts make their schools into "wonderful centers of community." Finally, the Secretary used the occasion to express his "serious concern" about the proposed cuts in appropriations for Labor, HHS, and Education.

Many of the speakers reinforced the idea that school construction is not merely a "bricks and mortar" issue. To the contrary, it bears on many substantive aspects of improving education in America. A second common theme was that the school year is currently coming to a close; the nation cannot allow its children to go back to overcrowded, aging, and crumbling schools any longer.



For Release: June 9, 1999

Contact: Julie Green (202) 401-3026

**STATEMENT BY U. S. SECRETARY OF EDUCATION RICHARD W. RILEY
on School Construction
Press Conference with House Freshman Democrats**

I applaud the Freshman Democrats in the House of Representatives for urging the House leadership to move quickly to bring school construction legislation to the floor.

It is clear that these Members of Congress are in close touch with their communities and listening to the concerns of their constituents. They bring a very clear message from towns across America that need help meeting their school construction costs. I urge the Majority to listen to the American people as well and address this national concern.

For three years now, the Clinton Administration has asked Congress to act on this important issue. It is past time for us to do this and give our students the best possible learning environments for the 21st century.

A 1995 GAO study found that more than \$112 billion was needed at that time just to bring existing schools into good condition --with 60 percent of all schools needing at least one major building repair. A rapidly growing student population and overcrowded schools only makes the situation more severe. Last year, the American Society of Civil Engineers graded schools an "F" on their report card of national infrastructure needs.

I've traveled across the country and seen firsthand the needs of schools in all kinds of communities. Our plan to help finance almost \$25 billion in bonds for school construction would go a long way toward helping cities, suburbs and rural communities get the resources they need to build and renovate their local schools. If the federal government can help to help build prisons, there is no excuse for refusing to provide critical assistance to build and modernize up to 6,000 schools. To do any less as some have proposed is simply not responsive to the serious need that exists nationwide.

And our FY 2000 budget calls for a \$10 million grant program to help local school districts plan and design school buildings that can enhance teaching and learning as well as serve the needs of the community. Schools can be wonderful centers of community and places to gather after hours, on weekends and during the summer for all residents to take pride in.

I also want to take this opportunity to express my serious concern about the proposed appropriation for Labor-HHS and Education. The House Majority action even with the proposed changes yesterday would mean devastating cuts in critical resources for after-school programs, smaller classes, safe schools and extra help for disadvantaged children. It is still unacceptable. We must work together to address the needs of the American people who tell us time and time again that education is their top priority.

I look forward to working with Congress this year to make needed investments in education and to finally pass school construction legislation that will support state and local efforts to help assure that every child can have schools in which they can truly learn to high standards. Our children deserve no less, and our response must be equal to the task.

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JOSEPH CROWLEY
7TH DISTRICT, NEW YORK

COMMITTEE ON
INTERNATIONAL RELATIONS

SUBCOMMITTEE ON INTERNATIONAL
ECONOMIC POLICY AND TRADE

COMMITTEE ON RESOURCES

SUBCOMMITTEE ON NATIONAL PARKS
AND PUBLIC LANDS

SUBCOMMITTEE ON FORESTS
AND FOREST HEALTH

Congress of the United States
House of Representatives
Washington, DC 20515-3207

June 8, 1999

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The Honorable Dennis Hastert
Speaker of the House of Representatives
H-232 Capitol
Washington, D.C. 20515

Dear Mr. Speaker:

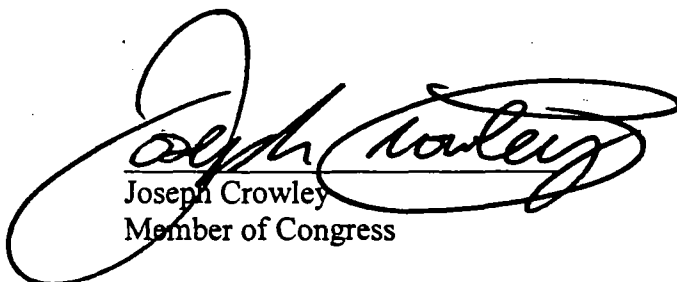
We write to express our strong support for bringing school construction legislation to the House floor for debate. Our nation is facing a crisis in regards to its school infrastructure. We must address this crisis in the House of Representatives by passing legislation to assist with school construction and modernization.

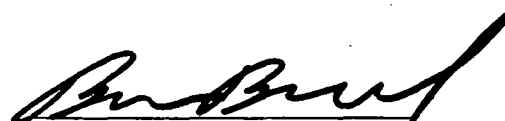
Through one-minutes and special orders, you have heard the problems faced by our schools. Schools operating over-capacity have resorted to converting hallways and bathrooms into classroom space to accommodate constantly increasing enrollments. Temporary trailers have been erected in playgrounds and schoolyards. Students are bussed far from home, because their local school has no more room. Other schools operate in violation of fire codes, because they have not been able to replace their furnaces, roofs, and even their sprinkler systems. We are preparing our children for the twenty-first century in schools built early this century.

Local and State governments are working to save their schools, but they need help. The public supports school construction initiatives. As Members of the freshmen class, school construction is one of our priorities for the 106th Congress. As United States Representatives, it is our job to support our nation's infrastructure. We repair bridges and highways to keep them safe for public use. It is now time to repair our schools and make them safe for our children.

We urge you to bring school construction and modernization to the floor this year for debate.

Sincerely,


Joseph Crowley
Member of Congress


Brian Baird
Member of Congress

Ronnie Shows

Ronnie Shows
Member of Congress

David Wu

David Wu
Member of Congress

Rush Holt

Rush D. Holt
Member of Congress

Michael E. Capuano

Michael E. Capuano
Member of Congress

Jarice D. Schakowsky
Member of Congress

Anthony D. Weiner
Member of Congress

Charles A. Gonzalez

Charles A. Gonzalez
Member of Congress

John B. Larson
Member of Congress

Shelley Berkley
Member of Congress

Grace F. Napolitano

Grace F. Napolitano
Member of Congress

Tammy Baldwin
Member of Congress

Baron P. Hill
Member of Congress

Mark Udall

Mark Udall
Member of Congress

Joseph M. Hoefel
Member of Congress

David D. Phelps
Member of Congress

Ken Lucas

Ken Lucas
Member of Congress

Dennis Moore
Member of Congress

Tom Udall
Member of Congress

Stephanie Tubbs Jones

Stephanie Tubbs Jones
Member of Congress

Jay Inslee
Member of Congress

Mike Thompson
Member of Congress

13. Education Daily

June 10, 1999

Democrats Turn Up Heat On School Construction

In the face of budget limits that threaten to reduce federal education funding this year, the Clinton administration yesterday renewed its drive for federal school construction subsidies.

Education Secretary Richard Riley joined a group of 23 Democratic freshmen in the House to call for tax credits to underwrite \$25 billion in interest-free bonds. The bonds would be used for school construction and renovation.

"If the federal government can help build prisons, there is no excuse for refusing to provide critical assistance to build and modernize up to 6,000 schools," said Riley, who stressed that

urban and rural schools have the most pressing facility needs.

He cited a 1995 General Accounting Office study that estimated the nation's schools needed \$112 billion for basic repairs, and a failing grade for schools from the American Society of Civil Engineers in its report on the nation's infrastructure (ED, Feb. 3, 1995).

The Clinton school construction plan, similar to previous administration proposals, would offer \$3.7 billion in tax breaks for bond buyers over five years.

Sen. Frank Lautenberg, D-N.J., introduced the plan as S. 223 in the Senate; in the House, Rep. Charles Rangel, D-N.Y., introduced it as H.R. 1660. Clinton's fiscal 2000 budget pro-

posal also calls for \$10 million in grants for schools to help design better school buildings.

A Matter Of Fairness Advocates at the news conference also drew parallels between \$250 billion in federal highway and transit spending last year and proposed school construction funding.

"Our country can afford to invest 10 cents for every highway dollar on schools," said Robert Canavan, chairman of the Rebuild America's Schools coalition, which includes several national education groups.

But Republicans still resist calls to federalize some school construction. GOP education policymakers believe Congress should better prioritize and

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fund existing programs, such as special education and student aid, said Becky Campoverde, spokeswoman for the House Education and the Workforce Committee.

Meanwhile, the Senate Finance Committee last month approved a tax bill, S. 1134, that would allow federal home loan banks to guarantee up to \$500 million in school construction bonds, an approach that has garnered some Democratic support (ED, June 7).

At the briefing, Riley also blasted GOP appropriators for proposing deep cuts in social programs.

Strict spending caps mandated by the 1997 budget agreement would require

billions in cuts from discretionary programs.

Even with some proposed changes by House Speaker Dennis Hastert, sticking to the budget caps would mean "devastating cuts in critical resources for after-school programs, smaller classes, safe schools and extra help for disadvantaged kids," Riley said. "It is still unacceptable."

Coming Up Short House and Senate appropriations panels last month voted to cut \$10.7 billion and \$8.2 billion, respectively, in their allocations for federal education, labor and health programs (ED, June 4).

While some GOP moderates, including K-12 subcommittee Chairman Mike Castle, R-Del., have called for an easing of the caps, Hastert yesterday said he wants the GOP majority to stand firm. He proposed using funds from the sale of portions of the broadcast spectrum to shore up discretionary spending.

But Rep. John Porter, R-Ill., chairman of the appropriations subcommittee that funds labor, health and education programs, is skeptical.

While his panel would get about \$2 billion extra under the Hastert plan, he said that it is still not enough. —Jonathan Fox ■

Title XI of the proposal requires each state to establish a rigorous accountability system for all schools, end social promotion & traditional retention practices & put comprehensive supports in place for students to meet high standards, phase out the use of emergency-certified teachers & the practice of assigning teachers "out-of field," adopt sound discipline policies, & keep parents informed about school progress through annual report cards for schools, districts, & states.

A title-by-title description of the proposal (known as the "Prospectus"), the proposed legislation itself, a fact sheet, & other information are available:
<http://www.ed.gov/offices/OESE/ESEA/index.html>



School Modernization Bill & Website

Last month, Congressman Rangel (NY) proposed legislation that would make nearly \$25 billion in bonds available to states & school districts over the next 2 years to build & modernize up to 6,000 public schools. The bill (H.R. 1660), which is based on the Administration's proposal, would make school construction cheaper for states & school districts by providing federal tax credits to pay the interest on School Modernization Bonds. By using these bonds, states & districts that normally rely on regular tax-exempt bonds to pay for school construction could save millions of dollars in interest costs. One third of America's schools, about 25,000 schools, are in need of at least one major repair, according to the General Accounting Office.

Information on the Rangel bill, the Administration's School Modernization proposal, the need for school construction, recent Congressional action, Qualified Zone Academy Bonds, School Planning & Design, & other resources & initiatives can be found on the redesigned School Modernization website:
<http://www.ed.gov/inits/construction/>





Congressional Action

On School Construction Issues

- **5/19/99 MARK-UP, Senate Finance Committee.** The Chairman's Mark included tax proposals "relating to education incentives." Letter from Secretary Rubin and Secretary Riley (5/18/99) expressing opposition to the Education Savings Account provisions included in the Chairman's Mark, and stating that "the Chairman's Mark falls far short of adequately addressing the overwhelming problems that States and local communities face in building and modernizing their schools."
- **3/10/99 HEARING, House Ways and Means Committee:** Topic: Revenue Provisions in President's Fiscal 2000 Budget. Among others, key witnesses included: Gery Chico, President of the Chicago School Reform Board of Trustees and Rene "Jay" Bouchard, on behalf of National Rural Education Association.
- **3/3/99 HEARING, Senate Finance Committee:** Topic: Education Tax Proposals. Among other, key witnesses included the Congressional Research Service.

PENDING LEGISLATION that is based on the Administration's School Modernization Proposal:

- H.R. 1660 Introduced by Representative Charlie Rangel on 5/4/99. Statement by Secretary Riley on introduction of H.R. 1660.
- S. 7 Introduced by Senator Tom Daschle on 1/19/99.
- S. 223 Introduced by Senator Frank Lautenberg on 1/19/99.

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School Construction Home



Last Updated -- May 19, 1999 (pjk)



School Construction: Arbitrage Expansion is No Substitute for the Clinton Plan

In a major step forward, some Republicans in Congress have acknowledged that school construction is an urgent national need that demands action. The challenge is to develop a bipartisan solution that effectively addresses this urgent need. **President Clinton's tax credit proposal would support \$24.8 billion in bonds to build and modernize up to 6,000 schools. In comparison, arbitrage expansion is a woefully inadequate solution -- dwarfed by the scope of both the nation's school construction needs and by the President's plan:**

- **\$24 versus \$500: States and Districts gain only \$24 per \$1000 of bonds through the arbitrage expansion versus about \$500 per \$1,000 of bonds through the President's plan.** According to Senate Finance Committee testimony from the Congressional Research Service [3/3/99], expanding the arbitrage window from two to four years on tax-exempt bonds might provide **\$24** additional dollars to districts for every \$1,000 of bonds they issue. In comparison, President Clinton's proposal would pay all of the interest on School Modernization bonds -- providing a subsidy to states and school districts of about **\$500** for every \$1,000 of School Modernization Bonds they issue, according to Treasury estimates.
- **School districts must delay construction more than two years to benefit from arbitrage:** School districts with the most urgent needs, such as a growing population, would receive no help from this change in the arbitrage rules unless they delay school construction for more than two years. This is hardly an effective strategy for meeting urgent school construction needs.
- **Arbitrage provides little if any additional funds for rural schools:** In testimony for the National Rural Education Association, Jay Bouchard, CEO of a confederation of 15 rural and small town school districts, had this to say about the arbitrage proposal: **"For many rural districts this [arbitrage expansion] proposal will generate little if any additional funds. For most rural districts, if they do pass a bond, they will immediately put those proceeds into the school construction or renovation. The local voters who approve bonds expect projects to be initiated and completed as quickly as possible. I should note that districts with bonds of less than \$10 million annually are currently exempt from arbitrage rules, which represents the majority of bonds issues by rural schools."**

On the other hand Mr. Bouchard said: **"The school modernization proposal in the President's budget proposal would go a long way in helping us [rural districts] and others like us to remedy this problem, repair and upgrade all the mechanical systems of our buildings and better respond to environmental hazards in our schools."** [Testimony of Rene "Jay" Bouchard, Chief Executive Officer for the Steuben-Allegany Board of Cooperative Educational Services, on behalf of the National Rural Education Association, House Committee on Ways and Means, 3/10/99]

- **Arbitrage does not work for Chicago and other districts like it:** As Gery Chico, President of the Chicago School Reform Board of Trustees, has testified: **"One plan has an arbitrage component that essentially allows school districts to borrow money as they currently do, but invest that money for up to four years -- instead of just two -- and then use the extra interest earned toward school improvements. Our concerns are that this ultimately does not provide enough money to make an impact nor does it provide any money right away."**

"In Chicago, only one of the four bond issues we have done since 1996 had positive arbitrage and the earnings were negligible -- one-tenth of one percent per annum. It also doesn't work for Chicago because we spend our money as soon as we get it -- and most other districts are in the same position." [Testimony of Gery Chico before House Ways and Means Committee, 3/10/99]

- **Arbitrage encourages districts to make risky investments with**

taxpayer dollars: The only way a school district can earn more money through arbitrage is to take the funds raised from issuing a bond and invest the funds for a longer time and hope that the return exceeds the interest payments on the bond. The higher the return on the investment, the more money available for school construction. Seeking a higher return, however, means taking greater risks -- recall the Orange County debacle. Schools could lose some of their principal:

The Congressional Research Service recently said the following about the practice of investing tax-exempt bond proceeds in high-yield securities to earn arbitrage profits: ***"This is a risky investment strategy... Should interest rates have risen when the issuer must sell the taxable bond to pay for construction costs, the bond must be sold at a discount and the issuer will suffer a capital loss that could easily exceed the arbitrage earnings."*** [Testimony before Senate Finance Committee, 3/3/99, emphasis added].

An example of what can happen: Under this headline, "Investor Put Pennsylvania School Assets at Risk Officials Say," the New York Times reported, ***"school districts across Pennsylvania face the loss of more than \$70 million that they invested with a financial adviser who secretly ran up big trading losses... The school districts, including those of Bethlehem, Lancaster and Beaver Falls, invested with Mr. Black money that they had raised by selling bonds -- usually for construction projects -- but not yet spent, according to the complaint filed by the securities commission. They were reportedly promised that the principal would be safe."*** [New York Times, 9/27/97, emphasis added]

- **Arbitrage is an extremely inefficient way to subsidize school construction:** Under optimistic assumptions regarding the ability to earn arbitrage profits, extending the arbitrage window from two years to four years on tax-exempt bonds would cost the U.S. Treasury about \$2 in lost revenues (due to premature issuance of the bonds) for every \$1 of benefits to a school district. The cost could be as high as \$5 in lost revenue for every \$1 in additional benefits realized. By contrast, under the President's plan, every \$1 of lost Federal revenue would allow school districts to finance \$2.32 of school construction.
- **Arbitrage disproportionately benefits wealthy districts.** Wealthy communities often have better bond ratings than poor districts, and this enables them to issue bonds at lower interest rates. As a result, wealthy districts can earn larger arbitrage profits on tax-exempt bonds, because there is a larger spread between the interest rate on the bonds and the rate of return districts earn by investing the bond proceeds. In comparison, the President's proposal can significantly help all types of districts, and it targets funds to areas with greatest school construction needs and the least ability to pay.

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Last Updated -- May 13, 1999 (pjk)

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TOPIC Legislative *Action Center*

Modern Schools, Better Learning

Questions and Answers

1. What is the scope of the school building problem in America?

It is not a problem. It is a crisis. According to the U.S. General Accounting Office (GAO), about one-third of America's public schools -- attended by more than 14 million students -- need "extensive repair or replacement of one or more buildings." About half of all public schools reported at least one unsatisfactory environmental condition. In addition, surging enrollments due to the "Baby Boom echo" have strained thousands of classrooms to the breaking point. This year's enrollment of 52.2 million -- which breaks the 25-year enrollment record of 1971 set by the Baby Boom generation -- will continue to increase each year. Between 1997 and 2007, public high school enrollment is projected to increase by 13 percent.

2. Is this primarily a big-city problem?

Not at all. This crisis affects urban, suburban, and rural districts alike. The GAO reports that 38 percent of urban schools, 29 percent of suburban schools, and 30 percent of rural schools have at least one building needing extensive repair or total replacement.

3. What is the price tag?

The GAO estimates at least \$112 billion is needed to bring public schools up to "good overall condition" and to comply with federal mandates on environmental safety and handicap accessibility. It's estimated another \$73 billion is needed to pay for new school construction to accommodate rising enrollments. Billions more are needed to modernize schools for educational technology. The total cost of meeting these three demands -- repair, modernization, and rising enrollments -- is between \$200 and \$300 billion.

4. You are asking the American people to make a huge financial commitment. Is this realistic at a time when there are so many equally pressing needs and taxpayers are overburdened?

According to numerous polls and data that cut across political, geographic, and economic lines, the American people believe students should have the opportunity to attend schools that are safe and that have the tools necessary for students to meet their potential. At a time when we are moving ahead on all fronts to transform education and learning to meet the needs of the 21st century, modern, safe, and clean schools should be a given in this country.

5. Is there a link between academic achievement and the condition of school buildings?

There is strong evidence that the quality of the physical environment has a positive impact on learning. In 1996, Dr. Glen I. Earthman of Virginia Polytechnic Institute and State University reviewed four studies comparing test scores between students in substandard and above-standard school buildings, and found in all cases a positive difference for students in the better buildings. Schools that provide modern educational technology also make a difference for students. An April 1997 poll released by the American Association of School Administrators found that more than 94 percent of educators said that computer technology has improved teaching and learning in America's schools. In addition, students who attend class in clean, safe, modern buildings receive a far more positive message about their self-worth than those in run-down, antiquated buildings. Student behavior, staff morale, and overall attitude are positively affected by better environments. Ask a teacher, a student, or a custodian in a new, clean school. They'll tell you.

6. Why should the federal government get involved? Isn't school repair and construction the responsibility of states and local school districts?

We're proposing a federal/state/local partnership to ensure modern schools and better learning. Historically, states and local school districts have had this responsibility. But the crisis is of such magnitude -- \$200 to \$300 billion -- and so significantly affects the nation's future, that states and local school districts need federal help in responding to it. In addition, school construction and repair often fall on the shoulders of local property taxpayers, leaving students in property-poor districts in the worst buildings. Many local districts are already at the limit of what they can borrow, making it impossible for them to solve this crisis on their own. If the federal government can provide funding for maintaining the Interstate Highway system, it can also help modernize the nation's schools for the 21st century. In fact, the federal government provided in 1993 about half -- \$27 billion -- of all funds spent on transportation infrastructure. In

addition, the federal government provides funds for water infrastructure grants -- over \$70 billion since 1972. Aren't kids as important as commuters and sewers?

7. Won't this just turn into another massive federal program, leading to federal control over local public schools?

Quite to the contrary. Under this legislation, the federal government would be a *partner* with state and local governments, providing them with funding assistance to help leverage borrowing for school modernization and construction. State and local governments would determine their needs, and decide when, where, and even if they want to spend federal funds to modernize their schools. The bottom line: state and local participation would be voluntary, not compulsory.

8. Does this proposal have broad support? What other groups are working with you?

A significant federal role in modernizing America's public schools is supported by a large number of organizations, representing teachers, parents, school administrators, school boards, architects, bond issuers, and others. The condition of our public schools, and the environment in which our children are trying to learn, should be everyone's concern. Modern, well-maintained schools are a natural concern for teachers and their unions, because the condition of public schools affects student learning and the ability of our members to do their jobs. This is about providing every child in America with a safe, healthy, clean, modern, and spacious environment in which to learn, period.

9. President Clinton has asked for \$5 billion for school buildings. What is your position on that?

The plan the President has proposed is a good first step, and the Administration and Congressional advocates are to be applauded for highlighting the dire needs of local schools. We supported the \$5 billion proposal last year as a commitment to addressing this crisis, but it is not enough. A \$30 billion program such as we have proposed is necessary to provide meaningful federal support. We look forward to working with Congress to enact legislation that provides as much assistance as possible to schools.

10. Many states are running record surpluses. Why do they need federal help?

The federal government is also in good fiscal shape, with projections of surpluses in the next several years. But the scope of this problem -- over \$200 billion -- is so large, that even with current surpluses, states cannot solve this problem by themselves. And, given the relative health of both federal and state budgets, now is the best time to forge a partnership to share the responsibility for improving the condition of our

children's schools. In addition, the fiscal situation varies from state to state, with some better able to respond than others

11. Does this proposal threaten the balanced federal budget?

The Congressional Budget Office on January 7, 1998, issued *"The Economic and Budget Outlook for Fiscal Years 1999-2008: A Preliminary Report."* It projects (absent any policy changes by Congress) an FY1999 deficit of \$2 billion, an FY2000 deficit of \$3 billion, and then increasing surpluses every year. It projects cumulative surpluses of *\$660 billion* over these 10 years (which coincide with the 10-year period stipulated in our proposal for school modernization). Our \$30 billion proposal is less than 5 percent of the CBO's projected surplus.

12. Will the American public support a \$30 billion expenditure?

A Jan. 10 bipartisan poll conducted by Greenberg Quinlan Research (a Democratic firm) and The Tarrance Group (a Republican firm) found that 74 percent of voters support a \$30 billion federal expenditure over 30 years "to help local school districts pay for repair, renovation, and modernization of their schools." In addition, on Jan. 7 the *Wall Street Journal* published the results of a Wall Street Journal/NBC survey of 2,000 adults conducted by Hart (a Democratic pollster) and Teeter (a Republican), showing that 30 percent of respondents said the government should use a potential federal surplus to "increase education spending." Twenty-one percent said "reduce the national debt," and 12 percent said "give an across the board tax cut."

13. Last year, Congress rejected the \$5 billion plan. Why should it now support an even bigger proposal? Will it have bipartisan support?

This crisis directly affects millions of children, all across this country. A modern, safe, and healthy learning environment is as basic to student success as quality textbooks and skilled teachers. There is nothing partisan or controversial about bricks, mortar and wiring. There is a basic and simple question that Congress must answer: "Should our school children have the right to attend safe, healthy, modern public schools that create optimum conditions for learning?" There were a few Republicans, such as Reps. Steve Horn (R-CA) and Jack Quinn (R-NY), who did support this issue last year, and we hope to persuade many more this time. One other point: Our proposal asks for an average of \$3 billion per year -- *less than two-tenths of one percent of projected annual federal spending*. It's not a question of resources. It's a question of having the political will to provide our children with clean, safe, and modern public schools.

14. Some states have begun to address this problem already. How would this legislation affect their efforts?

A few states have taken steps to modernize their schools, but no state has been able to address all of its current needs, let alone its projected long-range needs. California is considering \$8 billion in state bonding for school construction, but long-range school construction needs are estimated at between \$40 billion. So, even those states that have already appropriated funds will now have the option of accelerating their efforts by choosing to accept federal help under this proposal.

15. Funding under this proposal would require compliance with the Davis-Bacon Act, which requires contractors working on federally funded construction projects to pay "prevailing wages." Won't that inflate the costs of school construction? Won't this provision harm the proposal's chances of passage?

Congress has already indicated Davis-Bacon is not an obstacle to federal legislation for school modernization. In late 1997, the House defeated -- by more than 30 votes -- an amendment to the District of Columbia appropriations bill that would have removed Davis-Bacon provisions from school modernization projects. The Congressional Budget Office has testified that any added costs incurred by paying prevailing wages may be offset by the benefits of hiring more skilled and productive workers. Without the protections offered by Davis-Bacon, contractors would have an incentive to depress wages in order to win federal contracts. By leveling the playing field, Davis-Bacon enables recipients of federal construction funds to select contractors on the basis of work quality, management skill, and productivity. Thirty-three states already have their own "prevailing wage" laws, making this provision moot. As for the politics of this issue, many Congressional opponents of Davis-Bacon routinely approve highway appropriations which fall under its requirements. In addition, school districts that receive Impact Aid funds (which can be used for construction) are already covered by Davis-Bacon, and most urban districts receive Impact Aid.

16. Will this proposal take funding away from other state education expenditures, including those for teacher salary increases?

In most states, bonding for school construction is a separate budget line-item, distinct from general education expenditures. The extent to which school construction is funded may actually be enhanced by this proposal, by freeing up money that would otherwise be allocated for interest payments on school construction bonds. That said, it is our position that school modernization is a priority separate and distinct from general education funding, and that adequate compensation and benefits for education employees are not a "trade-off" for modern, safe, and healthy working conditions.



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Questions and Answers

Background info

Statements

Mar. 4, 1998

Jan. 20, 1998

News Releases

Apr. 21, 1998

Apr. 20, 1998

Apr. 8, 1998

Jan. 20, 1998

State Data Comparisons

Modernization survey (PDF, 32k)

Legislative Action Center

Modern Schools, Better Learning

The Campaign to Rebuild America's Schools

Quality public education is a clear priority for all Americans, regardless of geographic region, economic background, or party affiliation. The time has arrived for a bipartisan, national commitment to transform every public school building in America into a well-equipped, disciplined place for children to focus on learning. Modernizing our public schools tells our children that education is important and opens the door to greater student achievement.

- The Public School Buildings Crisis: Rural, Urban, and Suburban
- Modern Schools Equal Better Student Achievement
- States and Localities Face a \$200 Billion Investment in Schools
- AFT and NEA Take Lead in School Modernization Finance
- Crisis Demands an Urgent Call for a Federal/State/Local Partnership

The Public School Buildings Crisis: Rural, Urban, and Suburban

The school buildings crisis is often incorrectly portrayed as limited to urban areas. In fact, this is an urgent issue directly affecting children of all income groups in urban, rural, and suburban schools alike. Three major facets of the crisis affect millions of children daily:

- **The "Baby Boom Echo" Means Overcrowded Classrooms and Less Learning.** Total enrollment in America's public elementary and secondary schools is projected to climb to 48 million in 2007. Schools nationwide are straining to accommodate the influx, setting up classrooms in trailers and even teaching students in former hallways, closets, and bathrooms. The U.S. Education Department estimates that 6,000 new schools must be built by 2006 to handle the overflow of children.
- **Inadequate and Strained Infrastructure Sets Up a**

Roadblock on the Information Superhighway. Only 14 percent of classrooms and other instructional rooms were plugged into the Internet as of 1996. The vast majority use the technological equivalent of unpaved, two-lane roads for connections. The average school building in America is 50 years old, and it will be costly and extremely difficult to make them technology-ready.

- **Aging School Buildings that Are Unhealthy and Unsafe.** At one Alabama elementary school, the roof collapsed just 40 minutes after children left for the day. At a school in Chicago, teachers use cheesecloth and mesh to prevent flecks of lead-based paint from getting into their classrooms through the school's heating and ventilation system. Approximately 14 million children attend public schools in which at least one building needs major repair or replacement. These repairs or replacements are needed in 38 percent of urban schools, 29 percent of suburban schools, and 30 percent of rural schools.

Modern Schools Equal Better Student Achievement

Every child has the right to attend a public school that meets three fundamental criteria for a quality education:

- Schools that are safe and well-maintained;
- Schools that provide access to effective educational technology; and
- Schools where classes are small enough to facilitate teaching and learning.

Research studies document the link between school building conditions and student learning. In 1996, Dr. Glenn Earthman, a professor at Virginia Polytechnic Institute and State University, reviewed studies comparing test scores of students in substandard and above-standard buildings. He found a positive difference for students in the better buildings. Schools that provide up-to-date educational technology also make a difference. An April 1997 poll released by the American Association of School Administrators found that more than 94 percent of educators said that computer technology has improved teaching and learning in America's schools. In addition, overcrowded classrooms and school buildings impact negatively on student safety and discipline.

The message is clear: Modern school facilities are a fundamental ingredient in creating quality public schools for America's children.

States and Localities Face a \$200 Billion Investment in Schools

The estimated cost of public school repair and construction has mushroomed in recent years due to deferred maintenance, aged school buildings, surging enrollments, and insufficient tax bases in many states and school districts. In 1995, the General Accounting Office estimated that it would cost \$112 billion just

to bring our nation's public schools into healthy and safe condition. Other estimates project that it would cost an additional \$73 billion to build the 6,000 new schools that will be needed by 2006 because of the enrollment surge. Bringing all of America's classrooms into the technological era will cost billions more, pushing the national price tag up over \$200 billion.

States and localities struggle mightily to address their public school repair and construction needs, but current investment falls far short of the mark. This inadequate funding has led to legal challenges in some states. Other states such as New York and Colorado recently rejected ballot measures or legislation to raise funds for school repair and construction.

In several states, however, efforts are under way to address the funding challenge:

- In Ohio, the School Facilities Commission is charged with implementing and overseeing a program to fund emergency repairs, capital improvements, building assistance, and energy efficiency in school construction.
- In Florida, legislators approved a \$2.7 billion expenditure on school construction over the next five years. This sizable investment still will not be enough to address school overcrowding.
- In California, Governor Pete Wilson embraced key elements of a long-term, multi-billion dollar school facilities financing proposal developed by the California Teachers Association (CTA) and the home building industry. Massive enrollment growth, neglected rehabilitation needs, and the facilities costs of the state's new Class Size Reduction program will result in more than \$40 billion in construction costs over the next decade. Governor Wilson's proposal includes the creation of a funding system for school construction with a long-term commitment of \$8 billion in state bonds. CTA is lobbying for passage of the proposal by the state legislature.

AFT and NEA Take Lead in School Modernization Finance

The American Federation of Teachers (AFT) and the National Education Association (NEA) are working with the business community, exploring innovative options to the challenge of how to finance school modernization. In November 1997, AFT President Sandra Feldman and NEA President Bob Chase announced that school infrastructure is one of three primary areas of collaboration for the newly formed AFT-NEA Joint Council. A task force of business leaders convened by the Joint Council is expected to issue recommendations by December 1998.

- no recommendations issued

Crisis Demands an Urgent Call for a Federal/State/Local Partnership

The public school buildings crisis can best be addressed through

a partnership of local, state, and federal governments. An urgent national effort must be made so that no child is forced to learn in an unsafe, unhealthy, overcrowded or ill-equipped school building. Just as the federal government helps to build and maintain our highway system, it must play a role in helping states and school districts assure that our children attend safe and healthy schools.

FYI

For Your Information

Here are a few things you can do to support school modernization:

[Send an E-mail message to Congress](#)

[Send an Op-Ed piece to a local publication](#)

[Write a letter to the editor](#)

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A National Bipartisan Survey on School Modernization
Key Findings

GREENBERG QUINLAN RESEARCH

THE TARRANCE GROUP

Sponsored by the
American Federation of Teachers
and the
National Education Association

Research by
Greenberg Quinlan Research
and
The Tarrance Group
January 1998

Introduction

The American Federation of Teachers (AFT) and the National Education Association (NEA) commissioned Greenberg Quinlan Research and The Tarrance Group to conduct a national bipartisan survey of registered voters on the issue of school modernization (renovating existing schools, building new schools due to enrollment increases, and upgrading all schools for educational technology). Telephone interviews with 1,001 registered voters were conducted between January 5-10, 1998, with a margin of error of +/- 3.1 percentage points.

The survey surfaced six key findings:

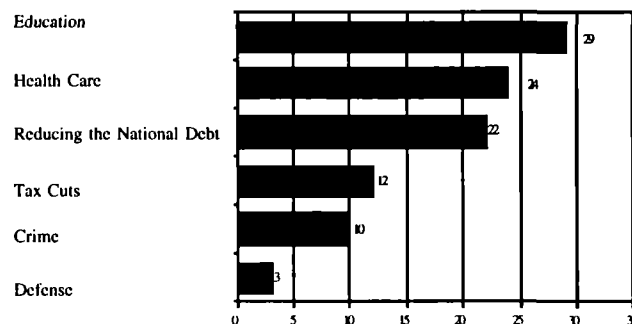
- < **Education is a major national priority, driven by public concerns about the quality of public education.**
- < **There is strong bipartisan support for a \$30 billion, 10-year federal school modernization proposal.**
- < **Public concerns about class size, technology, academic standards and discipline drive public support for the proposal.**
- < **Voters choose school modernization overwhelmingly over a number of other potential federal spending priorities.**
- < **Support of school modernization will benefit both Republican and Democratic members of Congress.**
- < **While there is strong public support for the proposal, a number of obstacles in public attitudes remain to be overcome.**

I. Education as a National Priority

The survey found that meeting the educational needs of the country stands among the top concerns of voters: (33 percent) – along with crime and drugs (41 percent), the decline in moral values (37 percent) and health care and Medicare (37 percent).

When it comes to the federal budget, education is the top priority for additional national spending: 29 percent, compared to 24 percent for health care, 22 percent for reducing the national debt and 12 percent for tax cuts.

Balanced Budget Context



The budget debate

In the context of the new budget debate -- *What should the country do as it faces the prospect of a balanced budget?* -- the public is seriously entertaining increased spending on education:

- < 48 percent favor increased spending on education (alone or in combination with tax cuts)
- < 44 percent favor tax cuts (alone or in combination with increased spending on education)
- < 35 percent favor reducing the national debt

The desire for new spending on education is rooted in a broad dissatisfaction with the job that is being done in American education. The dissatisfaction is highest at the national level (67 percent) and still very high for people's own state (58 percent). Voters are divided on the job being done by local schools: 48 percent satisfied and 46 percent dissatisfied.

Public concerns

When the public looks at the schools today, the biggest problems they see are students who are undisciplined and disruptive (44 percent see it as a "very big problem" and 78 percent as a "very big" or "serious" problem). After discipline, the main problems are overcrowded classrooms (28 percent and 57 percent) and a lack of academic standards for promotion and graduation (27 percent and 58 percent). There is less concern with the health and safety of the schools and with unequal educational opportunity.

Increased spending on education

The result of the current national mood on education is strong support for increased spending

on education.

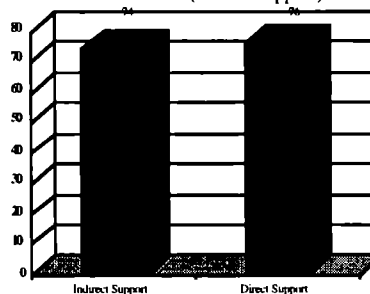
- < When thinking about education in the United States:
 - < 58 percent say the federal government is spending "too little"
 - < 9 percent think "too much."
- < While support for education is broad, it draws its principal energy from women and particularly from people under 50 years of age. A remarkable three-quarters of those under 30 and two-thirds of those 30 to 50 years of age say the country is spending too little on education.
- < The support for increased spending on education carries across the "center" of the American electorate in 1998: 64 percent of both conservative Democrats and moderate Republicans say we are spending too little – as well as 72 percent of Ross Perot supporters.
- < Finally, support for increased national spending on education is indeed national. A large majority in every region of the country, including the South (54 percent), says we are spending too little.

II. Bipartisan support for a \$30 billion, 10-year federal school modernization proposal

The AFT and the NEA have developed a federal legislative proposal to provide \$30 billion over 10 years to help states and local school districts modernize public schools.

Proposal Support

The proposal would provide 30 billion dollars over 10 years to help local school districts pay for repair, renovation and modernization of their schools (Indirect Support). The federal government would provide grants directly to local school districts to fund local school renovation and modernization (Direct Support).



- < Three-quarters of voters (74 percent or 76 percent depending on whether aid is indirect or direct) favor the idea, while just under 20 percent oppose it.
- < The proposal earns two-thirds or more majority support among nearly every major voter group including independents (65 percent) and Republicans (73 percent).
- < 60 percent of conservative Republicans and 64 percent of Republican men (the lowest support groups) favor the idea, although strong support with both groups drops below 30 percent.
- < Women (79 percent favor) are more likely than men (69 percent) to support the idea. In fact, Republican women appear to be among the strongest support groups with 81 percent overall approval and 38 percent strong approval of the plan.

III. The importance of class size, technology, academic standards and discipline

There is a broad range of arguments that voters respond to when considering the AFT/NEA proposal for school modernization. Two stand out because they relate so closely to the public's underlying concerns about education. They emphasize some very basic issues – reducing class size so discipline can be restored and learning resumed, and modernizing schools so children can have access to computers.

The survey found that the following specific arguments were the most convincing for supporting the proposal:

- < “This school repair and modernization program is needed to reduce class size which will mean less discipline problems and higher student achievement.” (50 percent found it either an “extremely convincing” or “very convincing” argument).
- < “Nearly one half of all school buildings lack the basic wiring needed to give our children access to computers in the classroom.” (47 percent)
- < “This school repair and modernization program is needed if all classrooms are to have the basic wiring to support computers.” (46 percent)

In addition, the survey found that the following global themes around the proposal were the most convincing:

- < **Schools and the New Technological Age:** “This program will mean that our children and our schools will be able to compete in this new era of global, technological change. We need modern, well-equipped schools where our children can learn to meet these challenges.” (81 percent found it “very” or “somewhat convincing”)
- < **Every District Can Improve Its Schools:** “This program will mean that all school districts, not just the wealthiest ones, will be able to improve their school buildings. The wealthiest districts will be fine, but this program makes it possible for poorer and overtaxed districts to make improvements.” (77

percent)

- < **Class Size, Discipline and Learning:** “This program will help students learn better. It will increase the numbers of classrooms and reduce class size. Teachers will be able to spend less time disciplining students and more time teaching.” (75 percent)
- < **Local Responsibility:** “We can use federal funding to repair, renovate and modernize our nation’s school buildings as long as state and local government make the decisions on how the money is spent.” (77 percent)

IV. School modernization and other potential federal spending priorities

When asked to rate the proposal against other potential federal spending priorities, voters chose “school renovation and modernization” over:

- < “Loans to the International Monetary Fund to stabilize Asian economies” by a margin of 84 percent to 9 percent;
- < “Prison construction” by a margin of 82 percent to 13 percent;
- < “Highway construction” by a margin of 79 percent to 15 percent; and
- < “Capital gains tax cuts” by a margin of 70 percent to 25 percent.

At least a two-thirds majority of every voter group, including conservative Republicans (except when compared with a capital gains tax cut, which drops to a 56 percent majority) put modernization and renovation over IMF, prisons, highways, and capital gains expenditures.

V. Congressional Impact

To assess the potential advantages and liabilities in this issue, the survey asked voters how they would respond to a Democratic or Republican member of Congress who voted for the AFT/NEA proposal to modernize the schools. Such a vote mainly helps the members, particularly Republican members.

Republican Members

In a follow-up to a series of arguments for and against the proposal, Republican respondents were asked whether knowing that a Republican member of Congress voted for the \$30 billion dollar proposal would make them more or less likely to vote for that member. Approximately 75 percent of voters indicated they would be more likely to vote for a Republican candidate for Congress who voted for the plan (though just 22 percent say “much more likely”).

While the effects are not dramatic, support for this legislation clearly helps the Republican member. The generic ballot contest narrows marginally in favor of the Republicans: from +3 points for the Democrats at the outset of the survey to an even contest after respondents are informed of the vote in favor of the program. The shift toward the Republicans comes from key swing groups, such as independent women (14 percent toward the GOP), single women (13 percent), rural area voters (16 percent), and those from the Border states (13 percent).

At the same time, the Democrats' overall advantage on the education issue narrows to just 6 points, suggesting a small but consistent movement toward Republicans open to this kind of

education initiative.

Democratic Members

Overall, 72 percent of Democratic voters say they are more likely to vote for a candidate who supported this initiative - and that is after hearing all the arguments against it. Only 23 percent say they are less likely to support the member.

Additional findings

A vote for the AFT/NEA proposal wins a dramatic endorsement from younger voters (88 percent more likely), all voters under 50 (73 percent), and younger non-college voters (81 percent). It wins big majorities among independents (69 percent), and particularly among conservative Democrats (87 percent) and moderate Republicans (76 percent). Perhaps more important, 76 percent of the undecided voters in the race for Congress say they are more likely to vote for the Democrat because of their vote on this issue.

In the congressional contest nationwide, Democratic congressional candidates hold their 4 percent margin. The Democratic candidate, after his or her support for school modernization, enjoys an 11-point advantage on handling education.

VI. Obstacles in public attitudes

While the AFT/NEA proposal demonstrates support that is broad, there are some findings in this survey that suggest this broad support under some circumstances may not be very deep:

- ⟨ While spending on education alone (19 percent) overtakes all other priorities among large city voters (34 percent), Democrat men (35 percent), and Liberal Democrats (41 percent), paying down the national debt alone (35 percent) has much broader appeal. Men overall (41 percent), voters over fifty years old (43 percent), Republicans (42 percent), independents (37 percent), Catholics, Protestants and whites overall (37 percent) -- all have a plurality of their voters prioritizing the debt. A large bloc of voters (29 percent) wants to increase spending on education and cut taxes.
- ⟨ Voters are much more focused on the issues of student discipline, academic standards, school overcrowding, and modernizing schools for computers than they are on the issues of health and safety.
- ⟨ The public will clearly listen to both sides of this debate. The arguments against the AFT/NEA proposal for school modernization score at least as well as the arguments for it -- despite the large overall majority for the program.
- ⟨ A majority (51 percent) of the public finds extremely or very convincing the argument that rather than spending money on "fancy equipment in the schools," we would be better off putting more effort into involving parents and teaching the basics.
- ⟨ A majority of most voter groups also find convincing the contention that state and local governments know what's best for schools (52 percent extremely or very convincing).

These arguments against the proposal lose some of their strength among women and blacks and among voters under age 50, particularly under 30. Indeed, age overshadows both gender

and race in explaining preferences on this issue. But both arguments against the proposal – getting back to the basics and local/state control – gain increased support with older, and therefore higher propensity, voters.

Conclusion

Still, it is striking that a large majority – 76 percent –support the AFT/NEA proposal after hearing the arguments for and against it. The public may be open to the debate and may not have intense views, but they are inclined to support this initiative.

Press Releases

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1999

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June 11, 1998**FOR RELEASE:**
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AFT and NEA Leaders Convene Business Group To Address School Infrastructure Problem

WASHINGTON, D.C. -- The presidents of the nation's two largest teacher unions hosted a meeting this week of business leaders, financial experts, architects and others to seek new ways to fund the infrastructure improvements needed by America's public schools. The goal of the group, called the AFT/NEA Joint Council Task Force on School Infrastructure Funding, is to develop creative approaches to financing the enormous state and local costs of school construction and modernization.

"Our nation's public schoolchildren have a right to attend safe and modern schools," said National Education Association President Bob Chase, noting that the cost to build, renovate and equip classrooms is estimated at nearly \$200 billion.

"The purpose of this Task Force is to build a collaborative effort with business, construction, community, and financial leaders to find new approaches to funding for school facilities," the NEA president said. "The status quo will not meet the needs of the students of the 21st century. We need new approaches and new solutions."

"We are tackling a huge and urgent problem here," said Sandra Feldman, President of the American Federation of Teachers.

"We strongly support President Clinton's school infrastructure initiative, because the federal government must play an important role in providing incentives for states and school districts. But we're also looking for creative ways that the private sector, states and local communities can do their part, too," the AFT president said.

The Task Force considered a number of innovative mechanisms for financing school infrastructure improvements, including establishing state education financial agencies, state revolving funds for school construction, and the use of state revenue streams as collateral to fund bonds.

"Unions and business leaders have never before worked together on this problem," noted Feldman.

The Task Force was established last fall as part of the work of the AFT/NEA Joint Council, a collaboration between the NEA and AFT to work on three priorities: school infrastructure improvement, school safety and discipline, and teacher quality.

###

The American Federation of Teachers represents more than one million teachers, school support staff, higher education faculty and staff, health care professionals, and state and municipal employees.



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How Do Your Schools Measure Up?

A State-by-State Look at School Building Conditions, Projected Enrollment Growth, and Estimated *Public School Modernization Act* Allocation Estimates

The following chart provides data that can be used to make the sample letters and op-eds (contained in the Modern Schools Activist Kit) state specific.

Percentage of schools reporting¹:

A = at least one inadequate building feature²

B = at least one building needing extensive repair or replacement

C = at least one unsatisfactory environmental condition

D = crumbling roofs

E = inadequate heating

F = bad plumbing

G = poor ventilation

H = lacking adequate electrical power for computers and communications technology

State	School Building Condition (%)								Enrollment Growth ³
	A	B	C	D	E	F	G	H	
Alabama	59%	39%	63%	30%	22%	38%	26%	34%	27,000
Alaska	69	45	80	33	38	33	52	45	14,000
Arizona	64	41	69	30	20	40	30	28	100,000
Arkansas	42	25	62	22	8	22	12	20	n/a
California	71	43	87	40	25	41	29	56	893,000
Colorado	58	32	63	26	29	28	37	33	28,000
Connecticut	58	30	68	32	24	25	35	41	n/a
Delaware	70	40	65	36	26	50	30	49	5,000
District of Columbia	91	49	73	67	31	65	34	41	n/a
Florida	57	31	80	23	18	32	35	42	21,000

Georgia	37	26	48	24	12	18	12	38	110,000
Hawaii	57	21	78	16	--	20	26	61	27,000
Idaho	56	32	64	31	20	32	36	37	26,000
Illinois	62	31	70	23	21	38	29	41	n/a
Indiana	56	29	67	15	21	29	29	32	16,000
Iowa	50	19	67	7	11	21	24	15	n/a
Kansas	55	38	74	28	22	32	35	37	n/a
Kentucky	59	31	63	34	18	24	26	25	n/a
Louisiana	50	39	66	28	18	25	7	39	n/a
Maine	60	38	71	38	20	30	29	35	n/a
Maryland	67	31	65	33	19	26	29	36	16,000
Massachusetts	75	41	80	41	33	36	42	49	8,000
Michigan	52	22	61	20	17	22	25	38	n/a
Minnesota	57	38	66	62	15	33	36	25	n/a
Mississippi	50	28	54	27	11	28	9	20	10,000
Missouri	48	27	58	20	10	30	13	26	n/a
Montana	45	20	69	19	9	19	21	25	n/a
Nebraska	44	35	61	20	17	24	33	21	n/a
Nevada	42	23	57	18	21	16	23	25	10,000
New Hampshire	59	38	78	20	25	28	47	35	n/a
New Jersey	53	19	69	25	10	20	22	34	13,000
New Mexico	69	30	75	29	24	43	33	42	42,000
New York	67	33	76	31	21	28	36	35	20,000
North Carolina	55	36	68	25	14	22	23	42	42,000
North Dakota	49	23	62	19	20	28	29	18	n/a
Ohio	76	38	83	33	25	39	33	51	n/a
Oklahoma	54	30	64	26	19	32	21	32	n/a
Oregon	63	39	84	36	27	41	40	34	n/a
Pennsylvania	42	21	57	19	17	20	23	17	n/a
Puerto Rico	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rhode Island	61	29	75	23	26	27	29	45	n/a
South Carolina	52	37	66	28	13	28	26	33	24,000
South Dakota	45	21	50	26	15	25	26	15	n/a

Tennessee	56	27	64	22	17	21	19	25	40,000
Texas	46	27	60	23	14	26	16	22	376,000
Utah	62	34	72	32	22	33	34	27	55,000
Vermont	53	21	58	21	23	19	32	26	n/a
Virginia	60	27	58	32	17	32	22	29	62,000
Washington	60	44	74	32	30	39	42	35	23,000
West Virginia	67	42	82	26	34	38	46	18	n/a
Wisconsin	49	33	60	18	14	24	20	33	n/a
Wyoming	49	24	68	24	11	19	24	16	8,000

¹ Source: *School Facilities, Profiles of School Condition by State*, U.S. General Accounting Office, 1996.

² Building features include: roofs, framing, floors, foundations, exterior walls, finishes, windows, doors, interior finishes and trims, plumbing, heating, ventilation, air conditioning, electrical power, electrical lighting, and life-safety codes.

³ Projected enrollment growth, 1998-2008. Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data Surveys. ["Not applicable" indicates enrollment for the period will not increase.]

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Studies



The Urgent Need For School Construction and Modernization

Communities across the country are struggling to address critical needs to build new schools and renovate existing ones to make up for years of deferred maintenance, to accommodate rising student enrollments, to help reduce class sizes, and to make sure schools are accessible to all students and well-equipped for the 21st century.

America's Schools Are Wearing Out

In January of 1999, the National Center for Education Statistics (NCES) released an issue brief entitled How Old Are America's Schools? NCES reported that:

- **The average public school in America is 42 years old, and school buildings begin rapid deterioration after 40 years.** In addition, 30 percent of all public schools are in the "oldest condition" - built before 1970 and never renovated or renovated before 1980. ✓
- **The oldest schools are also lagging behind other schools in the push to connect to the Internet.** While almost 60 percent of schools built since 1985 were connected to the Internet in 1995, only 42 percent of schools in the oldest condition were connected to the Internet.

In 1995 and 1996, the General Accounting Office (GAO) released a series of reports on the condition of American schools. [GAO Report Number HEHS-95-61 School Facilities: The Condition of America's Schools] The GAO reports revealed: need

- **According to GAO estimates, it would cost \$112 billion to bring the nation's schools into good overall condition.**
- **One-third of all public schools - about 25,000 schools - need extensive repair or replacement.** In addition, about 60 percent of all schools (including some schools in generally adequate condition) report needing at least one major building feature to be replaced or extensively repaired. Over 28,000 schools have less-than-adequate heating, ventilation, and air-conditioning systems; over 23,000 schools have less-than-adequate plumbing; and over 21,000 schools have less-than-adequate roofs.

Enrollments Are Rising

In September of 1998, NCES released a Back to School Special Report on the Baby Boom Echo entitled America's Schools Are Overcrowded and Wearing Out. Findings include:

- **A record 52.7 million children are enrolled in elementary and secondary schools today, and this number will climb to 54.3 million by 2008.**
- **At least 2,400 new public schools will be needed by 2003** to accommodate rising enrollments and to relieve overcrowding and thousands more will be needed in following years. [NCES data, 1999]
- **Unlike at the end of the "baby boom" of the 1950s and 1960s, we will gain no respite from the current enrollment boom, as births will begin edging up from 4.1 million in 2008 to 4.5 million in 2018.** The long-term implications of this immense wave of young people going to school require educators and community leaders to recognize that short-term solutions-symbolized by the ever-present portable classrooms in countless school yards-may not be sufficient to the task at hand.

School Conditions Have An Impact On Student Achievement

A growing body of research has linked student achievement and behavior to the physical building conditions and overcrowding. Impact of Inadequate School Facilities on Student Learning For example: ✓

- A study of overcrowded schools in New York City found that students in such schools scored significantly lower on both mathematics and reading exams than did similar students in underutilized schools. In addition, when asked, students and teachers in overcrowded schools agreed that overcrowding negatively affected both classroom activities and instructional techniques. (Rivera-Batiz and Marti, 1995)
- A 1991 study in the District of Columbia found that students in school buildings that were in poor condition had achievement 11 percent below students in schools in excellent condition and six percent below students in schools that were in fair condition.
- Cash (1993) examined the relationship between building condition and student achievement in small, rural Virginia high schools. Student scores on achievement tests were up to 5 percentile points lower in buildings with lower quality ratings, after adjusting for socioeconomic status. Lower achievement was associated with specific building condition factors such as substandard science facilities, air conditioning, locker conditions, classroom furniture, more graffiti, and noisy external environments.

-
- **Extensive Resource List on the Condition of America's Schools:** This is listing of the latest publications, reports and other resources about the condition of America's schools, including links to full text on-line resources, journal articles, books and other media, and related web sites. The resource list was developed by the National Clearinghouse for Educational Facilities. **DISCLAIMER**
 - **K-12 School Construction Facts:** This document is a compilation of recent research and statistics on elementary and secondary school construction.

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Last Updated -- May 11, 1999 (pjk)

NATIONAL CENTER FOR EDUCATION STATISTICS

ISSUE BRIEF

How Old Are America's Public Schools?

January 1999

(NCES 1999-048) Ordering information

The condition of America's public school facilities is an issue of great concern to educators and administrators (Honeyman, 1994; Kowalski, 1995). In 1989, the Education Writers Association reported that nearly half of the public school buildings in America were obsolete and contained environmental hazards (Lewis, 1989). The state of America's school facilities continues to be a problem today. In his 1997 State of the Union Address, President Clinton remarked, "We cannot expect our children to raise themselves up in schools that are literally falling down. With the student population at an all time high, and record numbers of school buildings falling into disrepair, this has now become a serious national concern" (Clinton, 1997).

How old are America's public schools? How recently have public schools been renovated? Data available from the Fast Response Survey System (FRSS), conducted by the National Center for Education Statistics (NCES), can be used to help answer these questions. In 1994, 1995, and 1996, FRSS queried U.S. public school administrators about the age of their school buildings and the date of the building's last renovation. The combined data from these 3 years make it possible to help determine the average age of public schools, where the older and newer public schools are located, and whether school age is related to other school characteristics. Data from 1995 provide information on school renovation and Internet accessibility.

The increase in the construction of schools between 1950 and 1969 corresponds to the years during which the Baby Boom generation was going to school.

In 1998, the average public school building in the United States was 42 years old. The mean age ranged from 46 years in the Northeast and Central states to 37 years in the Southeast (table 1). On average, schools located in the Northeast and Central regions of the country were older than those located in the Southeast and the West. Many of America's schools may be at an age where frequent repairs are necessary. According to Ornstein (1994), when a school is 20 to 30 years old, frequent replacement of equipment is needed. Between 30 and 40 years old, the original equipment should have been replaced, including the roof and electrical equipment. After 40 years, a school building begins rapid deterioration, and after 60 years most schools are abandoned.

About one-fourth (28 percent) of all public schools were built before 1950, and 45 percent of all public schools were built between 1950 and 1969 (table 1). Seventeen percent of public schools were built between 1970 and 1984, and 10 percent were built after 1985. The increase in the construction of schools between 1950 and 1969 corresponds to the years during which the Baby Boom generation was going to school.

America's oldest schools have a higher proportion of children in poverty (table 1). Of schools with less than 20 percent of children eligible for free or reduced-price school lunch, 20 percent were built before 1950. In contrast, of schools with 20 to 49 percent and 50 percent or more children

eligible for free or reduced-price school lunch, 29 percent and 34 percent were built before 1950. The age of a school and its size are also related. While 40 percent of small schools (enrollments of less than

300) were built before 1950, 23 percent of large schools (enrollments of 1,000 or more) were built before 1950.

Table 1.—Year of school construction and mean age of school, by school characteristics

School characteristic	Year built				Mean age
	Before 1950	1950–1969	1970–1984	1985 or after	
	(Percent of schools)				
All public schools	28	45	17	10	42
Instructional level					
Elementary	29	46	15	11	43
Secondary	24	46	23	8	40
Size of enrollment					
Less than 300	40	39	14	8	48
300 to 999	24	48	17	11	40
1,000 or more	23	44	22	11	39
Locale					
City	34	44	13	9	46
Urban fringe	20	53	17	10	40
Town	24	47	20	9	40
Rural	32	38	17	12	42
Region					
Northeast	30	49	15	6	46
Southeast	23	43	20	14	37
Central	33	46	14	8	46
West	25	44	19	13	39
Percent of students eligible for free or reduced-price school lunch					
Less than 20 percent	20	48	20	11	39
20 to 49 percent	29	44	16	11	41
50 percent or more	34	42	14	10	44

NOTE: Percentages may not sum to 100 due to rounding.

SOURCE: U.S. Department of Education, National Center for Education Statistics, Fast Response Survey System, "Survey on Advanced Telecommunications in U.S. Public Schools, Fall 1996," FRSS 61, 1996; "Survey on Advanced Telecommunications in U.S. Public Schools, K-12," FRSS 57, 1995; "Survey on Advanced Telecommunications in U.S. Public Schools, K-12," FRSS 51, 1994.

Seventy-three percent of public schools report having undergone at least one major renovation.

In 1995, FRSS also collected data on the year that schools underwent their last major renovation. About three-fourths (73 percent) of schools reported having undergone at least one major renovation; 17 percent reported last undergoing a major renovation prior to 1980, 17 percent reported the last major renovation between 1980 and 1989, and 39 percent reported the last major renovation between 1990 and 1995 (table 2). Unlike the age of school buildings, the year since the last major renovation is not significantly related to the enrollment size, locale, or region (data not shown). Of the school buildings that have never undergone a major renovation, 50 percent are at least 25 years old.

A measure combining age of school and year of renovation represents a rough approximation of "condition" of schools, assuming that all other building conditions were equal. Thus, schools built before 1970 and either never renovated or renovated prior to 1980 would be in the "oldest condition"—29 percent of all public schools fell into this category. Those schools built before 1970 and renovated 1980 or later or built between 1970 and 1985 may be considered to be in "moderate condition"—61 percent of all schools were in this category. The remaining schools, those built 1984 or after, are in the "newest

condition"—10 percent of America's public schools fell into this category in 1995 (table 2).

Table 2.—Percent of schools in oldest, moderate, and newest condition, by the year built and last major building renovation

Year of last major renovation	Total	Year built			
		Before 1950	1950–1969	1970–1984	1985 or after
Total	100	26	46	19	10
Never	27	2	12	8	6
Before 1980	17	9	7	1	—
1980–1989	17	5	8	3	1
1990–1995	39	10	19	7	2

□ Schools in the "oldest" condition.

■ Schools in the "newest" condition.

— Not applicable.

* Percentages sum to 30 rather than 29 due to rounding.

NOTE: Percentages may not sum to totals due to rounding.

SOURCE: U.S. Department of Education, National Center for Education Statistics, Fast Response Survey System, "Survey on Advanced Telecommunications in U.S. Public Schools, K–12," FRSS 57, 1995.

The percentage of schools in the "oldest" condition (i.e., 29 percent are more than 25 years old, or were renovated almost 20 years ago) is a concern to educators and policymakers. While newer schools are more likely to be built with convenient connections to the Internet, there is reason for concern that schools in the "oldest" condition may be lagging behind in the nationwide push to connect all schools to the Internet by the year 2000. In fact, of schools in the "oldest" condition, 42 percent were connected to the Internet in 1995, whereas of schools in the "newest" condition, 59 percent were connected to the Internet (data not shown). Schools located on the urban fringe and in the Central region of the country were more likely to be in the "oldest" condition than schools located in towns and in the Southeast region, respectively (table 3; 36 percent compared to 22 percent and 36 percent compared to 21 percent). In contrast, schools in the West region were more likely to be in the "newest" condition than schools located in the Northeast and Central regions (15 percent compared to 5 and 6 percent, respectively). No differences were found among schools in the likelihood of being in the "oldest" and "newest" condition in terms of the percent of students eligible for free or reduced-price lunch.

Table 3.—Condition of school, by school characteristics: 1995

School characteristic	Condition of school		
	Oldest	Moderate	Newest
All public schools	29	61	10
Instructional level			
Elementary	30	60	10
Secondary	28	65	7
Size of enrollment			
Less than 300	36	58	6
300-999	27	62	11
1,000 or more	25	64	12
Locale			
City	32	57	11
Urban fringe	36	54	10
Town	22	71	7
Rural	28	61	11
Region			
Northeast	33	62	5
Southeast	21	68	11
Central	36	57	6
West	25	59	15
Percent of students eligible for free or reduced-price school lunch			
Less than 20 percent	28	61	11
20-49 percent	31	59	10
50 percent or more	29	63	7

NOTE: Percentages may not sum to 100 due to rounding.

SOURCE: U.S. Department of Education, National Center for Education Statistics, Fast Response Survey System, "Survey on Advanced Telecommunications in U.S. Public Schools, K-12, FRSS 57, 1995."

Summary

A number of important findings regarding the age of schools buildings were gleaned from the Fast Response Surveys.

- The average age of public school buildings in the United States is 42 years.
- Almost half (45 percent) of U.S. public schools were built between 1950 and 1969.
- Seventy-three percent of school buildings reported having had at least one major renovation.
- Of schools built in 1985 or later, 59 percent were connected to the Internet in 1995, whereas 42 percent were connected among schools built before 1969 and renovated before 1980 (or never renovated).

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Impact of Inadequate School Facilities on Student Learning

A number of studies have shown that many school systems, particularly those in urban and high-poverty areas, are plagued by decaying buildings that threaten the health, safety, and learning opportunities of students. Good facilities appear to be an important precondition for student learning, provided that other conditions are present that support a strong academic program in the school. A growing body of research has linked student achievement and behavior to the physical building conditions and overcrowding.

Physical Building Conditions

Decaying environmental conditions such as peeling paint, crumbling plaster, nonfunctioning toilets, poor lighting, inadequate ventilation, and inoperative heating and cooling systems can affect the learning as well as the health and the morale of staff and students.

Impact on student achievement

- A study of the District of Columbia school system found, after controlling for other variables such as a student's socioeconomic status, that students' standardized achievement scores were lower in schools with poor building conditions. Students in school buildings in poor condition had achievement that was 6% below schools in fair condition and 11% below schools in excellent condition. (Edwards, 1991)
- Cash (1993) examined the relationship between building condition and student achievement in small, rural Virginia high schools. Student scores on achievement tests, adjusted for socioeconomic status, was found to be up to 5 percentile points lower in buildings with lower quality ratings. Achievement also appeared to be more directly related to cosmetic factors than to structural ones. Poorer achievement was associated with specific building condition factors such as substandard science facilities, air conditioning, locker conditions, classroom furniture, more graffiti, and noisy external environments.
- Similarly, Hines' (1996) study of large, urban high schools in Virginia also found a relationship between building condition and student achievement. Indeed, Hines found that student achievement was as much as 11 percentile points lower in substandard buildings as compared to above-standard buildings.
- A study of North Dakota high schools, a state selected in part because of its relatively homogeneous, rural population, also found a positive relationship between school condition (as measured by principals' survey responses) and both student achievement and student behavior. (Earthman, 1995)
- McGuffey (1982) concluded that heating and air conditioning systems appeared to be very important, along with special instructional facilities (i.e., science laboratories or equipment) and color and interior painting, in contributing to student achievement. Proper

building maintenance was also found to be related to better attitudes and fewer disciplinary problems in one cited study.

- Research indicates that the quality of air inside public school facilities may significantly affect students' ability to concentrate. The evidence suggests that youth, especially those under ten years of age, are more vulnerable than adults to the types of contaminants (asbestos, radon, and formaldehyde) found in some school facilities (Andrews and Neuroth, 1988).

Impact on teaching

- Lowe (1988) interviewed State Teachers of the Year to determine which aspects of the physical environment affected their teaching the most, and these teachers pointed to the availability and quality of classroom equipment and furnishings, as well as ambient features such as climate control and acoustics as the most important environmental factors. In particular, the teachers emphasized that the ability to control classroom temperature is crucial to the effective performance of both students and teachers.
- A study of working conditions in urban schools concluded that "physical conditions have direct positive and negative effects on teacher morale, sense of personal safety, feelings of effectiveness in the classroom, and on the general learning environment." Building renovations in one district led teachers to feel "a renewed sense of hope, of commitment, a belief that the district cared about what went on that building." In dilapidated buildings in another district, the atmosphere was punctuated more by despair and frustration, with teachers reporting that leaking roofs, burned out lights, and broken toilets were the typical backdrop for teaching and learning." (Corcoran et al., 1988)
- Corcoran et al. (1988) also found that "where the problems with working conditions are serious enough to impinge on the work of teachers, they result in higher absenteeism, reduced levels of effort, lower effectiveness in the classroom, low morale, and reduced job satisfaction. Where working conditions are good, they result in enthusiasm, high morale, cooperation, and acceptance of responsibility."

A Carnegie Foundation (1988) report on urban schools concluded that "the tacit message of the physical indignities in many urban schools is not lost on students. It bespeaks neglect, and students' conduct seems simply an extension of the physical environment that surrounds them." Similarly, Poplin and Weeres (1992) reported that, based on an intensive study of teachers, administrators, and students in four schools, "the depressed physical environment of many schools... is believed to reflect society's lack of priority for these children and their education."

Overcrowding

Overcrowded schools are a serious problem in many school systems, particularly in the inner cities, where space for new construction is at a premium and funding for such construction is limited. As a result, students find themselves trying to learn while jammed into spaces never intended as classrooms, such as libraries, gymnasiums, laboratories, lunchrooms, and

even closets. Although research on the relationship between overcrowding and student learning has been limited, there is some evidence, particularly in high-poverty schools, that overcrowding can have an adverse impact on learning.

- A study of overcrowded schools in New York City found that students in such schools scored significantly lower on both mathematics and reading exams than did similar students in underutilized schools. In addition, when asked, students and teachers in overcrowded schools agreed that overcrowding negatively affected both classroom activities and instructional techniques. (Rivera-Batiz and Marti, 1995)
- Corcoran et al. (1988) found that overcrowding and heavy teacher workloads created stressful working conditions for teachers and led to higher teacher absenteeism.

Crowded classroom conditions not only make it difficult for students to concentrate on their lessons, but inevitably limit the amount of time teachers can spend on innovative teaching methods such as cooperative learning and group work or, indeed on teaching anything beyond the barest minimum of required material. In addition, because teachers must constantly struggle simply to maintain order in an overcrowded classroom, the likelihood increases that they will suffer from burnout earlier than might otherwise be the case.

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EDHOME

Last Updated -- May 13, 1999 (pjk)



K-12 School Construction Facts

John B. Lyons
U.S. Department of Education

A National Governors 1989 survey of public elementary and secondary school buildings identifies 103,000 school buildings in use. This one-time survey revealed that almost half of these buildings were constructed in the 1950's and 1960's. Twenty-two percent were constructed prior to 1950, and 29 percent were built between 1970 and 1988.

In January of this year, the National Center for Education Statistics (NCES) reported that the average public school building is 42 years old and the mean age ranges from 46 years in the Northeast and Central States to 37 years in the Southeast. The age of a school is also related to its size in that most schools built before 1950 are small and have a higher proportion of children at the poverty level.

The best estimate is that on average nationally two new k-12 school buildings are started each business day with the total costs approaching \$16 billion this year.

Since the NCES survey, major changes, other than technological changes, have occurred in some governance and instructional processes, all of which influence the utility of k-12 educational facilities. Industrial Art program curriculums have been converted to Technical Education curriculums, Home Economics has been converted to Family-Consumer Science programs, and Food Services has been altered significantly.

Financing

In 1996, Federal funds averaged 6.6 percent of K-12 revenues. State Governments provided an average of 47.5 percent, local governments 43.2 percent, and other sources 2.6 percent. (5)

The proportion of school bond votes approved rose from a low of 50 percent in 1991 to 67 percent in 1998. (4)

Construction

For the next 25 years, California, Texas, and Florida will witness the largest population growth, substantially outstripping the combined expected growth rates of the next 12 fastest growing states. (1)

Combining the age of the school and the year of last renovation presents a rough approximation of the "condition" of a school, assuming all other building conditions are equal. (5)

In 1995, public school construction expenditures amounted to \$15.9 billion. During this school year, California, Texas, Florida, and New York averaged \$1.5 billion. (1)

In 1995, public school systems issued \$16.3 billion of long-term debt. \$7.1 billion of this was used to retire long-term debt. Illinois, Michigan, New York, Pennsylvania, Texas, and Utah each incurred more than \$1 billion of new

long-term debt. (1)

The Mid-West and Western regions led the nation in k-12 school construction in 1997. A substantial percentage of this construction was for new facilities. (3)

Currently, approximately 50 percent of all school construction expenditures on average are for new school buildings, restoration and modernization of existing buildings and will account for 26 percent, and additions to existing buildings will account for 24 percent. (2)(3)

The median statistics for elementary schools reporting stated that they provide 120 square feet per student and accommodate 600 students. The median size is 72,000 square feet at a cost of \$7 million in construction. (2)

Today the median middle school allows for almost 142 square feet per student and houses 800 students, costing \$12 million to build. (2)

High schools provide 178 square feet per student, house 865 students and cost \$18 million to build. The size is double that of elementary schools. (2)

Over the next 3 years more than 57 percent of all k-12 school construction will take place in the Mid-West, Southwest, and Western states. (3)

Technology

Internet accessibility is not directly related to the age of a school, but a lack of renovation is directly related to technological improvements. (5)

In 1996, 24 school districts registered more than 100,000 students and 94.6 percent of all school districts registered fewer than 10,000 students. (5)

Only 42 percent of the oldest public schools were connected to the Internet in 1995. (5) By the fall of 1998, 89 percent of all public schools had internet access, and the goal is to connect every school by the year 2000. (3)

In 1998, approximately 89 percent of schools were connected to the Internet, but the degree of student access is not known. Approximately 51 percent of instructional classrooms were connected to the Internet. (5)

Students in schools with the highest percentage of minority students and/or with students eligible for free or reduced school lunch program had less access to the Internet. (5)

Maintenance

School districts allocated 9.4 percent of their net current expenditure for maintenance in 1997, a substantial drop from the 12.75 percent allocated in 1988. (3)

The median public school district employs 12 full-time custodial, four full-time maintenance, and two full-time ground personnel. (3)

School Facilities Data Collection

Thirty-two (32) states reported that facilities data collections are administered at the State level. Five (5) states reported that they had

completed an annual school facilities data collection, fifteen (15) states reported that either their data collections were one-time (not annual), or they had been discontinued. (6)

General issues and concerns shared across states centered on the adequacy and quality of school facilities. Issues of quality are driven by health, safety and ADA compliance. (6)

Many state data collections were initiated because of concerns over safety, requirements of ADA regulations, current costs of maintaining facilities or capital needs assessment. (6)

Some states reported that they ceased collecting facilities data because of inadequate funding, staff burden or data utility issues. (6)

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Last Updated -- May 13, 1999 (pjk)



A Back to School Special Report on the Baby Boom Echo: America's Schools Are Overcrowded and Wearing Out -- (September 8, 1998)

The Baby Boom Echo Continues

This year...

Total public and private school enrollment will rise to a record 52.7 million; and

Total public and private 2- and 4-year college enrollment will rise to a record 14.6 million.

Between 1988 and 2008...

Public high school enrollment is expected to increase by 26 percent, while public elementary school enrollment is projected to increase by 17 percent;

The number of public high school graduates will increase by 11 percent;

Seventeen states will have at least a 15 percent increase in the number of public high school graduates, with a 126 percent increase projected for Nevada, 55 percent for Arizona, and 47 percent for Florida; and

Full-time college enrollment is projected to rise by 29 percent.

Between 1998 and 2008...

Public high school enrollment is expected to increase by 11 percent, while public elementary school enrollment is projected to return to 1998 levels, decreasing by less than one percent;

The number of public high school graduates will increase by 17 percent;

Twenty states will have at least a 15 percent increase in the number of public high school graduates, with a 78 percent increase projected for Nevada, 39 percent for Hawaii, and 38 percent for Florida;

Largely because of the high school enrollment increase, the total number of new teaching positions for public and private high school teachers is expected to rise by 115,000 -- a 9 percent increase; a total of 2.2 million public school teachers will need to be hired over the period to accommodate new students as well as to replace those teachers who retire or leave the profession for other reasons; and

Full-time college enrollment is projected to rise by 15 percent.

Beyond 2008...

In contrast to the post-baby boom era, when the number of births declined to 3.1 million, the number of births in the post-baby boom echo era is expected to remain steady at about 4 million for the next 10 years. Long-range projections by the U.S. Bureau of the Census indicate a rising number of births thereafter, from 4.1 million in 2008 to 4.5 million in 2018.

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Education Richard W. Riley]

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