

SUPPORT

Increase School Capital Outlays Limit A.5341 (Thiele)/S.3876 (Little)

THE COUNCIL SUPPORTS this proposal to increase the limit on the value of school district construction projects eligible for expedited state reimbursement.

This legislation would increase from \$100,000 to \$250,000 the value of school district construction projects which may be reimbursed through state Building Aid as “capital outlays.”

Under current law, most school district construction costs are reimbursed using “assumed amortization rates” – even if a district pays cash for a project or pays off debt service early, state Building Aid is paid as though project debt service is being paid off over periods of 15, 20 or 30 years for reconstruction, building additions, or new construction, respectively. This permits the state to spread out its payments but means that reimbursement to districts may not occur until years after costs were incurred. This financing structure can lead districts to delay making small but important facility improvements.

Current law does permit districts to have up to \$100,000 in construction costs reimbursed for one project each year as “capital outlays,” with all state reimbursement paid in the year after costs are incurred. This bill would increase that limit to \$250,000.

Raising this limit would permit the state to avoid interest costs and enable districts to receive prompter state reimbursement. An increase would also recognize the fact that costs have increased since the limit was set. Also, districts commonly use this mechanism to fund advances in technology and these have been accelerating.

For all the foregoing reasons, the Council of School Superintendents strongly supports this legislation and urges its approval.