

## **Increase School Capital Outlays Limit S.3460-A (Gaughran)/A.4122-A (Thiele)**

**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 a minimum of \$250,000 and a maximum of \$500,000 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 a minimum of \$250,000 adjusted by the regional construction cost index used in Building Aid, up to a maximum of \$500,000.

These increases address inflation and other cost escalators that have diminished the value of the original \$100,000 limit. It would also increase the number of school districts that would likely utilize this building aid allowance.

Raising this limit would permit the state to avoid interest costs and enable districts to receive prompter state reimbursement. This can help districts to fix small building defects before they become bigger and more costly problems.

This legislation would also enable district to utilize these funds on more than one project each year and allow districts to seek the approval of the State Education Department on a multi-year basis. These commonsense provisions would enable a more efficient and economical use of these dollars.

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