

Some New Ideas Are Overcoming School Building Ills

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America's public schools face a multitude of problems, but one of the most demoralizing and difficult is the deteriorating and sometimes deplorable condition of the school buildings and classrooms themselves. Taxpayers have rarely been able to keep up with spiraling costs, but through both innovation and persistence, some progress is finally being made.

The problem is huge. At least \$270 billion in new buildings, alterations and renovations is needed for schools nationwide—and that doesn't count \$54 billion to provide even modest modern technology, such as computer equipment, according to David Thompson, chairman of Kansas State University's Department of Educational Leadership. But the current pace of spending for school construction—about \$32 billion this year and about \$36 billion in 2008—won't begin to get most districts caught up.

The average age of a school building in the U.S. is 42 years old, according to the National Clearinghouse for Educational Facilities. Many are overcrowded—and not just in huge cities, but in smaller towns as well. The issue is not a matter of aesthetics. Educators and researchers say that classrooms that are too hot, too cold or simply run-down make learning more difficult and drag down the morale of students and teachers alike.

As the problem has worsened, school districts have become more aggressive about finding a solution. The most unusual and biggest turnaround story may be in Greenville, S.C. In 1998, Greenville County Schools found themselves in a nearly hopeless situation of having to rebuild or completely renovate 70 of their schools to accommodate the growing enrollment of 64,000 students. Some 11,000 students were placed in mobile classrooms without plumbing. Some schools were overrun with mold. Local property taxes kept rising but simply couldn't keep pace. Local laws limited the amount of bonds to 8% of assessed value of property in the county.

Enter Bob Hughes, a successful Greenville real estate developer. "We took a real estate approach to their real estate problem," Hughes recalls. He proposed that the school district implement "installment financing." Under this method, a nonprofit corporation is created that sells its own tax-exempt bonds, allowing the district to safely acquire the entire amount of capital needed to complete the construction plan without increasing the tax rate. The bonds are backed by insurance and the school buildings themselves. The district builds up equity in the renovated schools as the bonds are paid down.

Despite using a conservative formula that ensured Greenville could meet its payments even in rough financial times, the system has been able to borrow nearly \$1 billion since 2002. It will pay about another half-billion dollars in interest over the term of the bonds. The district is making payments of roughly \$60 million a year for 25 years. The technique has let the district launch a construction program far more massive than ever envisioned, but much more cheaply and efficiently. Because it could act quickly, variables such as inflation and rising construction costs over many years were eliminated. The district suddenly had bulk buying power, allowing it to purchase 70 schools' worth of hinges, lightbulbs, floor tiles, air conditioners and even architectural plans at reduced rates. An added bonus: By getting the money up front, the district is fully offsetting the interest costs by investing the uncommitted loan funds.

What's more, property tax rates marked for school construction have not increased. The school system's bond rating has actually gotten better, making it one of the best in South Carolina. Student performance has improved. And operational costs are lower because the

school can afford more expensive but more-energy-efficient designs and equipment. The school district has now completed work on 45 of the 70 schools. The remaining schools will be finished by 2007—nearly two decades ahead of the renovation schedule envisioned in 2000.

Similar financing tactics have been used in school districts in Texas, North Carolina, Florida and other parts of South Carolina. Hughes says that installment financing can also be used to fund construction of other municipal structures, such as roads and fire stations. Hughes' plan has critics, who argue that the strategy keeps taxpayers from having a say in the district's indebtedness. At least two South Carolina state legislators are working to ban the practice, but they face an uphill battle in light of Greenville's success.

Although such creative techniques help individual districts, education experts say local governments should have to resort to such financing methods only in extraordinary circumstances. The ultimate goal should be developing tax and finance systems that assure public schools of a stream of money reliable enough to regularly fulfill their needs. Kansas State University's Thompson warns: "All of those measures are a stopgap, fundamentally manipulating the situation by off-shifting from government...[But schools] don't have any choice in doing it—the economic infrastructure that is supposed to support them is not there."

While there are few turnaround stories as dramatic as Greenville's, school districts are using a wide variety of tactics to pull in more construction money. Many systems, especially poorer ones, have taken the more traditional legal route, arguing that they need financial help from the state. Courts in more than 10 states, including Wyoming, Ohio, New Jersey and Arkansas, have ordered state governments to chip in more money so schools are more evenly equipped—instead of wealthier districts sporting gleaming modern buildings and poorer ones struggling to keep up with repairs.

Other systems have taken bolder or more creative steps on their own:

- More schools are working with public and private entities to boost revenue by keeping facilities in constant use by multiple parties. Some schools team up with local YMCAs or local parks and recreation departments.
- Many districts are requiring housing developers to help, on the theory that new developments add to the burden on the school systems. Some are being forced to pay impact fees when constructing new housing developments. Others donate land or help fund school construction. For example, in Denver, a developer of the site of the old Stapleton International Airport gave property and money for building schools, including the state-of-the-art Denver School of Science and Technology, which opened in 2004. Many developers don't object because good schools help drive up property values and sales.
- Just like sports stadiums, more and more schools are selling the naming rights of their facilities. The Brooklawn School District in New Jersey auctioned off naming rights on eBay. The Grapevine-Colleyville Independent School District in Texas offered ad space on school buses, school stadiums and a middle-school roof. In Sheboygan, Wis., a locally based insurance company, Acuity, donated \$650,000 in exchange for naming rights to two new high school field houses.
- Palm Beach County in Florida raised its sales tax a half cent to pay for \$560 million in school construction rather than increase property taxes because the huge tourist trade means visitors foot a good bit of the bill.

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