CATEGORICAL GRANT PROGRAMS: BUILDING AID

Statute and Rules
RSA 198:15 and implemented under Rules Ed 321

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Current Implementation and History
Building Aid is state grant program administered by the NH DOE to support local school districts in meeting the costs of constructing or reconstructing school buildings. Building Aid grants range from 30-60% of the cost of construction (30% to more affluent communities, 60% to less affluent communities). The formula is weighted so that most communities get 30% (the average rate is 38%).

From 1946 through 2009, building aid grants were awarded to school districts and then distributed to the districts over a 20-year period. From 2010 through 2017, the state imposed a moratorium on building aid. In 2013, the program was changed to distribute 80% of the award at the start of a project and the balance of the award upon completion, and established a $50M budget cap each year to cover new projects and the tail commitment on past awards. In 2018 and 2019, the moratorium continued except for a $2M award for the Hinsdale Elementary School project. In 2020, the moratorium was lifted and three projects were funded using $8.6M. For biennium FY20/21, the tail payments totaled $69M.

Commission Review
For the FY22/23 biennium, 53 projects have been proposed totaling $604M with a potential building grant value of $231M. After the tail obligation is factored in, total new awards for the biennium would be capped at $32.1M. Under the program’s current design, possibly only 6-7 projects (more or less, depending on the size of the projects) could receive funding.

The current program design does include progressive principles that supports property-poor districts. Because property-wealthy districts are able to raise more funding for capital projects than property-poor districts with the same tax rate, the current school building aid grant process allows for and includes statutory language for the selection and awarding of grants to: “score each proposal based on...(6) a school district’s fiscal capacity based on measurable criteria such as the percentage of pupils eligible for free and reduced priced meals.”
The current distribution formula also contains the provision requiring the state to forward 80% of the grant to the district at the front side of the project. While this requirement helps all communities, it most assuredly helps property-poor communities that are already at a property tax affordability level or who may be capped and unable to afford associated interest costs of the grant. However, this distribution plan limits the number of projects that can be awarded in any given biennium and it may be beneficial to consider other factors, such as current bond rates, in program design.

A 2016 review of schools throughout the state show the following data:

- 6% built prior to 1900
- 26% built prior to 1950
- 7 schools over 68 years old have not had a major renovation in more than 50 years
- 196 schools (60%) originally built ~50+ years ago
- 15% of schools are using portables (5% are using 4 or more portables!)
- 12% state their facility is in fair, poor, or in need of replacement
- 19% state their HVAC system is in fair, poor, or in need of replacement

There are several schools that have no fresh air handling systems or air filtration systems. Priority should be placed on projects directed to correct these deficiencies.

**Commission Recommendations**

The commission recognizes that the 20-year distribution design results in a tail obligation for the state. However, given the present historically low bond rates, it is important for schools to be able to move forward with projects. Therefore, the commission recommends the following changes:

1. Return to a 20-year distribution design would allow more projects to receive awards
2. Change the award range from 30-60% to 20-80% based on equalized valuation per pupil
3. Require the state budget to appropriate no less than $50M each year to cover new projects and an additional appropriation to cover the obligated tail payments
4. Prioritize projects for health, safety and accessibility
5. NH DOE to report on school building status (including indoor air quality, health, safety and accessibility), grant applications, awards, tail obligation and bond rates
6. Data collection (???)

**Attachments**
