

School Funding Alternatives/Cost
Saving Strategies

Presented to:

Westlake City Schools Board of Education

By:

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School Funding Alternatives/Cost Saving Strategies:

As a result of ever increasing costs of operations and projected need for improved facilities, below are funding/resource allocation alternatives for consideration as WCSD contemplates future demands on its facilities and operations while working within budgetary guidelines and fiscal constraints. Short of going back to voters for traditional property tax levies which the district has historically relied upon, below are alternatives which may be considered to provide cost savings, improved efficiency or additional funding sources:

I. Facilities:

Municipal/Capital Lease - Public/Private Partnership

Do public school systems burden public school administrators with the task of putting up buildings, when we really need their focus to be solely on what's going on inside those buildings? Can we provide and maintain proper educational facilities better, faster (development/construction/planning) and cheaper than we do with our current arrangement?

Some data suggests that with proper planning, schools constructed using public-private partnership arrangements can deliver impressive results. Structures may be built in less time for less money. They can serve as a multipurpose anchor for an entire community and can enhance the local economy. Some even involve parents directly and daily in their children's education by virtue of their *multi-purpose design*.

With a municipal/capital lease, a private party constructs a facility that it will own for a typical period of 25 years. A school district leases the building and may purchase it from the leaseholder for a pre-determined price at the end of the contract period. This method can be applied for facility renovation too.

A lease does not encumber Lessee's tax or other revenues, unlike bond financing. You have more flexibility in structuring a lease term with each asset's expected useful life. A lease, unlike bonds, is not generally classified as debt. A lease alleviates cash flow burden created by a lump sum capital expenditure. Voter approval may not be required, which allows for timelier financing. Leases are not typically subject to legal debt limitations.

This could be an opportune time to consider such a plan in Westlake, where we will be considering renovation or replacement of Westlake City Schools' facilities over the coming years.

Service contract

Another model for renovating school facilities is through a service contract with a private contractor. In this way, a school district loses ownership of the property only for a short period of time during renovation. The private contractor takes out a tax-exempt loan for capital costs, interest and services (allowed by the federal government), and the contractor operates and maintains the school during renovation.

The best example of this model may be in Greenville County, S.C., where officials had planned to spend \$1.8 billion constructing and renovating schools over a 24-year period. By using a service contract agreement, the developer completed all 72 projects within four years for a total of \$780 million.

Satellite schools

A fourth model allows nonprofit charitable foundations to house schools in facilities such as malls, airports, corporations and other existing buildings.

Year Round School

Distribute students throughout “full” school year – reduce number of classrooms/physical plant required to support fluctuating (growing?) student body in WCSD.

II. Operations

Income Tax / Sales Tax

Funding for schools in Ohio has historically been supported by taxes on the owners of business and residential property. Presently, Ohio law limits alternatives to the property tax as follows: Income Tax, Personal Property Tax, and Sales Tax. Adoption of these funding alternatives would need to be on a countywide basis, not up to a local school district.

Sales Tax revenues are dependent on economic activity – it is often viewed as a regressive tax because it is based on consumption. There are also concerns around use of a Sales Tax to fund schools due to the potential anti-competitiveness of businesses in the taxing county relative to sales tax rates in neighboring counties.

Year Round School

- More efficient use of facilities currently only used $\frac{3}{4}$ of the year?
- Opportunity to reduce class size?
- Improved student/teacher ratio?

- Improved scholastic achievement?
- More efficient use of assets that have limited useful life (obsolescence) i.e. technology / computers / textbooks?
- Challenges to scheduling – put all schools on same schedule (HS/middle/elementary) – conflicts with other schools’ schedules / sports etc?
- Public resistance? – “ingrained school calendar”
- Less time re-teaching last year’s subjects at start of each new school year?
- Cost savings/expense (increased operating costs/labor/utilities/fuel, etc.)?

Partnerships with For-Profit’s

- Partner with for-profits to offset program costs i.e. – ATT wireless classroom/community; CNN – morning news – TV sponsorship; cereal companies sponsorship of various programs in exchange for advertising time during morning news updates (could be WCSD newscast).
- Naming rights - stadiums / auditoriums / classroom / school?
- Public acceptance / resistance?
- Billboards at sporting events, scoreboard etc.

Public/Private Partnership

“Friends of the School”

- Private sponsorship - specialized programs / recognition / events

Student Fees

Many schools in northeast Ohio now routinely assess fees either on a per-student or per activity basis. Some of the challenges associated with instituting fee-based systems are implementation costs, tracking, collection, delinquency and enforcement. All districts surveyed (below) assess some form of fees for materials/labs/AP classes. Below are the results of an informal survey of area school systems’ general student or activity based fees. Several districts noted they would be raising their fees next year to help offset the increased costs associated with transportation and inflation in general. Generally, report cards are withheld until fees have been paid for the respective reporting period. Most schools exempt children from payment of fees who are enrolled in the school lunch program.

One of the advantages of a student or activity based fee system is that it can be changed much more easily/rapidly than traditional property tax based levies which require voter approval. A fee based system is often viewed by taxpayers without children in the school system as a more appropriate means of paying for education and extra-curricular activities because it is born directly by those using it.

Lab Fees: Assessed by all schools in survey

General Student and Activity Based Fees:

Avon
Annual \$40-\$80

Avon Lake
Sport Fee
High School: \$200 (2nd sport = \$100)
Middle School: \$100 (2nd sport = \$50)

Bay Village
Annual Fee \$35-\$65 (varies elementary – high-school)

Brecksville
Sport Fee: \$50/sport
ClubFee: \$20/club
Cap: \$100/student at HS

Lakewood
Annual Fee: \$20 (K-12)
Activity Fee: \$75

Rocky River
Activity Fee: \$20
Class Fee: varies

North Olmsted
No activity fees
General student fees: elementary \$35, middle \$50, high – ala-carte, parking etc.

Solon
Lab and field trip

Recommendation

Budgetary challenges continue to be a primary concern to the voters of the school district. It is incumbent upon the administration of the WCSD to remain vigilant in the application of taxpayer dollars to provide the best education experience possible for the community's youth. At this time, it may be prudent to consider implementing a fee based system. WCSD is the only district other than Solon that does not have such a fee based system in place. This could be a combination of student fees and activity based fees. Further study

would need to be completed in order to consider appropriate fees and cost structures particular to WCS.

Additionally, as the school district embarks on its review of physical plant needs for the future (whether new construction or renovation) the district should investigate further Public/Private partnership options such as Municipal Leases as a means of potentially lowering costs, allowing the district's administrators to truly focus on education of the youth and potentially even develop properties, because of designed flexibility, that become better able to serve and anchor the community on multiple levels. We have a terrific community with many talented people and youth who are poised to shine. As leaders within the Westlake community, we must be creative in leveraging the many terrific assets we have and continuing to build what is arguably the best community in Northeast Ohio.