National Center on School Infrastructure

How States Fund K-12 Capital Spending

By Sara Hinkley, Center for Cities + Schools at the University of California, Berkeley

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Every year, school districts across the country spend tens of billions of dollars building new schools, modernizing aging buildings, replacing failing HVAC systems, and making other capital improvements. According to data from the National Center on Education Statistics (NCES), America's school districts collectively spent roughly $84 billion on school construction and capital equipment alone in fiscal year 2023 (see data sources listed below). Yet most people—including many state policymakers—have only a vague sense of where that money comes from.

This brief offers a guide to how states fund K-12 facility capital spending—the construction, renovation, and major improvement of school buildings. We unpack the various mechanisms states and districts have at their disposal to raise and distribute capital funds. Rather than serving as a comprehensive catalog, this brief offers a framework for thinking about how different states approach K-12 facility funding and the implications of these approaches for the predictability of funding for districts. It also pays particular attention to the role that states can play in addressing the funding gap between high- and low-wealth districts.

How are K-12 facilities funded?

The short answer, in most states, is: primarily locally. In school year 2022-23, local school districts funded about 80 percent of K–12 facilities capital spending nationally; states funded about 13 percent, and federal COVID-19 relief funded about 7 percent.* The local share is raised almost entirely through voter-approved, locally issued bonds that are repaid with local property taxes.

Ninety percent of states (45 states and the District of Columbia) offer some form of financial assistance to school districts for construction costs (Education Commission of the States, 2023). But states utilize an enormous range of approaches and vary in the level of support they provide. The figure below illustrates the variation in financial support from states for district capital expenditures; in fiscal year 2023, the highest share by a state with more than one

* Federal relief funds were one-time: the last round of ESSER funds had to be committed by September 2024. Without them, the local share would be closer to 85 percent. Figures are based on NCES F-33 data, with NCSI's state-provided figures for NY, OH, OR, RI, and SC; Hawaii is excluded.

district was 74% (Alaska). Fifteen states provided no funding support for K-12 facility construction.

Figure 1. State capital revenue as a % of local facilities capital expenditure

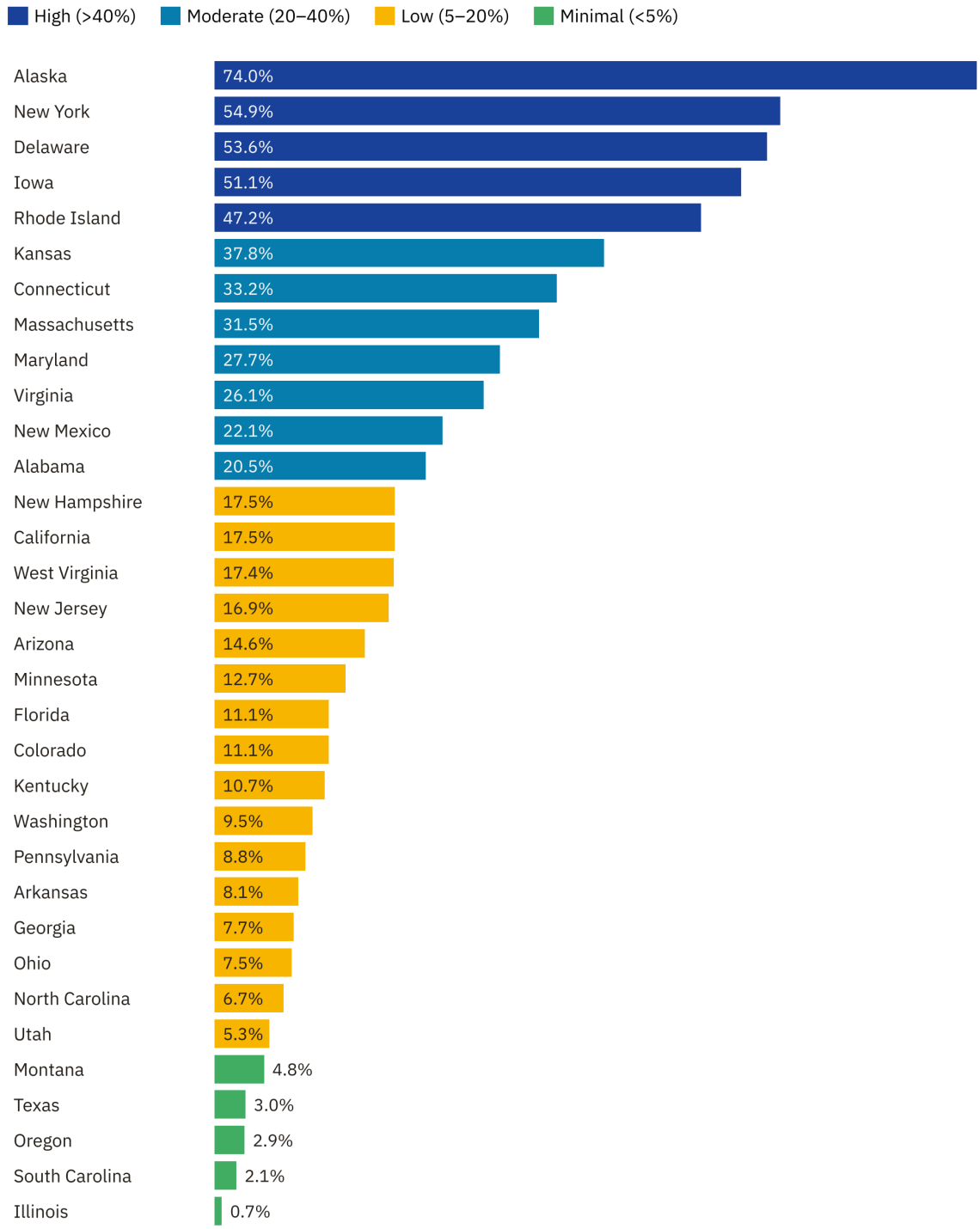


Chart: Sara Hinkley | Center for Cities + Schools, UC Berkeley

Figure 1 notes: *State share is state revenue for capital outlay and debt service (F-33 item C11) as a percentage of local facilities capital expenditure: construction (F12) plus non-instructional equipment (K10). Following NCSI's Interactive Data Dashboard, amounts are summed across all reporting education agencies and spending on land and existing structures (G15) is excluded; other reasonable definitions produce different shares for some states. Figures for NY, OH, OR, RI, and SC are from NCSI's dashboard, which replaces NCES-reported data with state-provided data.*

No or negligible state capital funding (<0.1%): *Idaho, Indiana, Louisiana, Maine, Michigan, Mississippi, Missouri, Nebraska, Nevada, North Dakota, Oklahoma, South Dakota, Tennessee, Vermont, Wisconsin.*

Not shown: *Hawaii, a single statewide district; the District of Columbia, which has no state government; and Wyoming, where reported state revenue exceeds facilities capital expenditure as defined here (170%).*

Source: *NCES Common Core of Data, F-33 School District Finance Survey, FY2023 (school year 2022-23); NCSI Interactive Data Dashboard.*

NCSI's Interactive Data Dashboard on Public School Facilities Funding provides 29 years of NCES data—from fiscal year 1995 through 2024—on district capital spending, state capital revenue, long-term debt, and maintenance and operations expenditures for every district in the country. Both state contributions and facility expenditures can vary significantly from year to year (depending on appropriations, bond approvals, or program changes); this volatility is evident in the dashboard.

How districts fund their share of capital investments

The local share of facility funding is raised almost entirely through locally-issued bonds, but other vehicles are also available in some states.

Local general obligation bonds

General obligation (GO) bonds are the primary way most public school districts finance capital infrastructure needs across most states. Districts issue these bonds against their local property tax base, with repayment guaranteed by the district's taxing authority — meaning bondholders are secured by the full faith and credit of the district rather than a specific revenue stream. The bonds are typically repaid from a dedicated tax levy. Because they carry

this broad pledge, GO bonds typically offer lower interest rates than revenue bonds, making them a cost-effective tool for long-term capital investment.

However, the use of GO bonds is tightly constrained: State law governs how bond measures are placed on the ballot, voter approval threshold, how the money is monitored, and how much districts may borrow.

- 47 of 50 states require voter approval to issue bonds. The mean voter approval threshold is 52%; 10 states require a supermajority ranging from 55% to two-thirds (Biasi, Lafortune & Schönholzer 2021).
- 40 states impose debt limits on districts, with an average limit of 11% of assessed values. 22 states also cap the property tax rates that districts can impose at an average of 2% of assessed value (Biasi et al. 2021).

Developer/impact fees

Most states allow local governments to levy impact fees on new development to offset the cost of public infrastructure, but authorization to charge fees specifically for school facilities varies considerably by state. In some states, the authority to impose school impact fees rests with cities and counties rather than school districts directly, meaning districts must negotiate with or rely on municipal governments to collect and pass through revenues. In others, school districts have direct statutory authority to levy fees on new construction, as in California, where state law specifies a three-tiered fee schedule with amounts set in statute and adjusted for inflation.

Capital reserves and sinking funds

As described in GAO-20-494, two additional local mechanisms let districts fund capital projects without borrowing: capital reserves, which hold end-of-year general fund surpluses in a designated capital account; and sinking funds, which are usually funded by local property taxes set aside for capital use. Because neither involves debt, districts avoid interest costs. However, both build capital gradually and, where levy caps or time limits apply, may fall short of what large-scale construction requires. Availability and structure depend on state law.

How states fund their share of capital investments

Most states fund their contributions to school construction through general fund appropriations, bond proceeds, or both. Both sources are volatile: general fund dollars compete with other budget priorities and can shrink during economic downturns; bond proceeds depend on periodic voter approval. The result can be boom-and-bust cycles in capital availability, making long-range planning difficult for districts. When states issue bonds to fund school facilities, debt service typically comes from the state general fund, meaning capital commitments compete directly with other budget priorities over time.

At least 19 states have addressed this volatility by establishing dedicated revenue sources for school construction—funding streams earmarked specifically for K-12 facilities rather than competing annually with other priorities. These sources include sales and use taxes, excise taxes, lottery proceeds, and revenue from state land holdings. Colorado's Building Excellent Schools Today (BEST) program, for example, is funded through oil and gas revenue from state lands and a marijuana excise tax. Wyoming's program is also funded with oil and gas revenues. Massachusetts directs a share of the state sales tax to its school building authority. These dedicated streams do not eliminate scarcity or volatility, but they provide more predictable and durable funding than annual appropriations or bond cycles.

State approaches to funding local K-12 capital needs

State K-12 capital funding programs vary tremendously in size, eligibility, and how they allocate funds to local projects. Financing support can include subsidized loans, state bond issuance, or reimbursement of locally-issued debt. Some states have large, ongoing programs that cover a substantial share of district construction costs; others have programs established in law but not currently funded. For example, Pennsylvania's debt reimbursement program reimburses a share of districts' annual bond payments, but it operated under a moratorium through FY2023-24—meaning that a program that exists in statute may not always be available or have funds to spend.

Broadly speaking, state funding programs tend to be structured in alignment with the three most common capital projects local school districts undertake:

(1) **Building new schools:** States often have specific programs for new construction or new campuses, for which districts must demonstrate that their current facilities cannot accommodate current or near-future enrollment (often based on specific size ratios or other metrics). States may also have overcrowding relief programs that fund the expansion of existing schools. This could also help districts replace portables or other temporary structures that accommodated growing enrollment. Building new schools may also entail land acquisition costs, which some states assist with.

(2) **Modernization / major capital improvements**: States may contribute to general improvements of existing schools, with the exact project scope left up to local districts. So, a modernization project could range from upgrading several buildings on a campus to replacing nearly all of it. Major capital improvements could include smaller projects, such as roof or similar building system replacements, but they are larger and more expensive than basic maintenance or repairs. States may set a threshold for local eligibility to receive state funding to modernize or perform major capital improvements (e.g., in California, buildings must be at least 25 years old to receive state funding for modernization), or permit specific types of major capital improvements regardless of building age (e.g., ADA compliance, technology infrastructure, retrofitting classrooms for pre-K, or installation of HVAC).

(3) **Targeted facility improvement programs:** Many states also have more narrowly defined programs that support specific types of capital improvements, e.g., remediation of lead piping, seismic retrofitting, adaptation of classroom space to younger learners, upgrades of HVAC or other building systems. These might be enhancements to a general improvement program (e.g., the state's calculated project cost may include increased allocations for specific improvements) or standalone programs.

States must balance the need to add schools in growing areas with the ongoing need to modernize existing buildings, especially when buildings have aged or deteriorated to the point of posing health and safety risks. Districts that are growing rapidly and must use scarce capital funding to build new facilities may especially struggle to fund improvements to existing schools.

How states determine project cost and local contribution

District preferences, construction costs, amenities, and choices made during the bid, design, and construction process determine the actual cost of a new school or significant modernization project. A local district will decide how much it wants to spend on a specific project, based on its own funding availability and (if applicable) anticipated availability of state funding. But where a state provides funding for local projects, the state's contribution will typically be determined by its own calculation of project cost: a formula based on scope (new school versus improvements), project size (square footage or other building size measure), enrollment, grade level, and other factors.

Once project cost is established, some states require local districts to contribute a portion of that calculated cost—this means the state's assessed project cost is a floor rather than a cap. The required contribution may be based in part on a calculation of local ability to pay or on other criteria (see below).

How states prioritize funding

Each state sets its own rules for allocating funds across competing district requests and determining what share of project costs state funding will cover. States typically prioritize projects based on the following types of criteria, either alone or in combination:

- **Resource need / local wealth:** States may prioritize funding to districts less able to raise their own funds, using proxies such as area poverty, free/reduced lunch eligibility rates, assessed property value per pupil, or by asking districts to demonstrate financial need (e.g., lack of additional bonding capacity).
- **Facility need / assessment:** States may prioritize projects based on facility assessment data, which can take a range of forms. Some states have mechanisms to systematically assess facility needs and use them to set project priorities. Ideally, systematic assessments of facility need can also inform state budget decisions.

- **Urgency:** States often take specific approaches to facility needs considered to present health and safety emergencies, such as seismically vulnerable buildings or buildings with contamination (e.g., mold, exposed asbestos).
- **Timing:** In states that do not collect or use data to set priorities and do not use local wealth as a criterion, projects may be funded in the order of submission, although exceptions typically exist for emergency construction projects.
- **Destroyed schools:** Disasters such as flooding, earthquakes, or fire can render a building uninhabitable and displace students. Many states have emergency funding for replacing destroyed schools, which may also include funds for temporary housing while students wait for their schools to be rebuilt. These are often separate emergency grants to fund construction while districts wait for federal emergency funding or insurance payments.

Other program design choices also shape outcomes, including how long districts wait between application and funding award and whether they can proceed with construction while waiting. Districts that can self-fund a project while waiting for state funds to be awarded benefit from faster timelines (and typically less construction cost escalation as a result).

Diving deeper: Taking a closer look at the distribution impacts of state funding approaches

The degree to which capital funding depends on local property taxes has predictable consequences. Districts with high property wealth can raise substantial capital funds at low tax rates; districts with low property wealth struggle to pass bonds or must impose comparatively high rates to raise smaller amounts. Bond ratings compound the wealth gap—poorer districts often pay higher interest, further reducing the amount they can raise per dollar of tax effort. The example below, comparing two California school districts, illustrates this reality.

PROPERTY-POOR DISTRICT	PROPERTY-WEALTHY DISTRICT
Bottom quintile, California Median assessed value ~$525,000 / pupil	**Top quintile, California** Median assessed value ~$4.1 million / pupil
To raise **$500 per student** each year, it must tax property at: **$95** per $100,000 of assessed value	To raise **$500 per student** each year, it taxes property at only: **$12** per $100,000 of assessed value
At the CA bond rate cap ($60 / $100,000), it raises **only**: **$315** per student / year	At the CA bond rate cap ($60 / $100,000), it raises: **$2,460** per student / year

The result is that school facility quality is often closely tied to a community's property wealth—a pattern that has driven legal challenges in multiple states and continues to shape reform conversations nationwide.

State funding can serve as an equalizing force when designed with an eye toward addressing these funding capacity gaps. Twenty-eight states incorporate an explicit adjustment for local wealth into their capital funding formulas, typically by providing higher state shares of project funding or priority placement for lower-wealth districts.

The mechanisms for this vary considerably:

- Ohio ranks districts based on the least property and income wealth per pupil and works down the list in order.
- Colorado uses a blind review process that scores project severity and then determines state matching rates based on 7 indicators of district wealth, w=ith the state share ranging from 15 to more than 80 percent of project costs.

- Minnesota offers several overlapping programs—including a Long-term Facilities Maintenance Program, a Debt Service Equalization program, and a Maximum Effort School Aid Law—that together provide multiple pathways for capital support for districts with limited tax bases.
- Kansas allocates state aid to districts with an amount per pupil that is determined by the district's assessed value per pupil (AVPP); if a district's AVPP is above a certain threshold, the state aid is reduced by 1% for every $1,000 increase in AVPP and increases by the same rate below the threshold.

Approaches that address local wealth disparities matter. Research from the Urban Institute finds that nationally, students from low-income backgrounds are more likely than other students to attend schools in need of major repairs. States with local wealth adjustment provisions in their capital funding formulas are significantly more likely to show progressive capital spending patterns—meaning districts serving more low-income students spend more per pupil on facilities, rather than less.

Three states provide policy frameworks for prioritizing local wealth adjustments:

Massachusetts: A dedicated authority

Massachusetts offers one of the clearest examples of what a well-designed state capital finance system can look like. Before 2004, the state reimbursed a share of local construction costs through annual appropriations (via the School Building Assistance Commission), but the program was volatile and had accumulated a substantial backlog of unfunded projects.

In 2004, the state established the Massachusetts School Building Authority (MSBA), a quasi-independent authority financed by a dedicated share of the state sales tax. Critically, the MSBA operates outside the annual appropriations process, insulating school construction from year-to-year budget competition. The MSBA runs a competitive grant program with a tiered matching formula: districts with lower property wealth and income receive higher state shares, with the state covering as much as 80 percent of approved project costs for the neediest communities.

The MSBA model also illustrates the connection between institutional design and distributional outcomes. Because projects are competitively reviewed against clear criteria and wealth-conditioned, the program tends to direct resources where they are most needed. Massachusetts' approach has been widely cited as a model by reformers in other states.

While the MSBA model has merit for targeting funding to local need, its statewide impact is limited because the program is funded only at a level that supports aid to a small percentage of projects each year.

See the Massachusetts State Policy Profile for more details.

Ohio: Court-driven reform and a wealth-ranked list

Ohio's current school capital finance system exists largely because the courts forced it. In *DeRolph v. State* (decided in 1997, revisited through 2002), the Ohio Supreme Court found that the state's school funding system—including its approach to facilities—was constitutionally inadequate. The litigation produced a series of remedial orders that ultimately led to the creation of what is now the Ohio Facilities Construction Commission (OFCC).

The OFCC administers the state's capital construction program using a wealth ranking: districts are ranked by a composite measure of property and income wealth per pupil, and state funding is allocated in rank order beginning with the least-wealthy districts. The state's share of project costs is also wealth-conditioned, so the poorest districts receive the highest proportional state support. The OFCC also enforces construction standards and oversees district master planning requirements.

Ohio's approach illustrates both the power and the limitations of litigation as a reform mechanism. The *DeRolph* decisions did produce a dedicated agency and a wealth-ranked allocation process. But the program remains significantly underfunded relative to statewide need, and districts at the bottom of the list may wait years before reaching the top.

See the Ohio State Policy Profile for more details.

Maine: State debt service support prioritized by facility need

Maine's Major Capital School Construction Program may cover 100 percent of approved school construction costs, but without an explicit wealth-conditioning formula. Projects are reviewed and prioritized by the State Board of Education's School Construction Committee, which issues Certificates of Approval defining the scope and the state's share of debt service. Maine supports school construction by paying a share of the debt on approved projects. Districts apply during periodic rating cycles, and the Department of Education scores each project on building condition, crowding, and program needs. Projects that make the State Board's priority list receive a Certificate of Approval that sets the state's share of debt service. Unlike the wealth-based approaches in Ohio or Colorado, Maine's rating system does not consider local property wealth. Access depends on facility need, not on a district's own bonding capacity. This model effectively decouples school construction access from local property wealth—any district that successfully navigates the approval and prioritization process can receive state funding for 100 percent of costs.

The trade-off is scarcity. No dedicated revenue source exists, so how many projects move forward depends on biennial appropriations: in the 2017–18 cycle, only 9 of 74 applications were approved. And because the state pays its share through the general school funding formula, this support does not appear in federal capital revenue data, which is why Maine shows as 0% in Figure 1. Maine has a significant aging school building stock, and a recent Governor's Commission on School Construction (2024-2025) studied the adequacy of the current program's funding levels.

See the Maine State Policy Profile for more details.

Diving deeper: Categorizing state approaches

States can be categorized into three tiers based on their level of involvement in capital funding processes:

- **High state involvement:** State provides substantial capital grants or reimbursements, administers statewide construction programs, and has a dedicated state agency or authority for school construction.

- **Moderate state involvement:** State provides some capital funding or reimbursement, but local districts bear more of the burden.
- **Low state involvement:** State provides funding but emphasizes local control, with the state playing primarily a matching role and setting basic standards.

(Note that funding levels—especially for programs reliant on state budget allocations—may vary widely year-to-year, making a robust program unavailable in some years.)

NCSI has begun to assemble profiles and a policy library that document state roles and responsibilities across governance, management, data, planning, funding, and standards. Thirteen downloadable state profiles have been published. These states take varied approaches to capital funding and can be categorized as follows:

High state involvement

- **Maryland** — Interagency Commission on School Construction; multiple named grant programs (Aging Schools Program, Healthy School Facility Fund, Capital Improvement Program, Priority Fund); robust state capital funding since at least 1970.
- **Massachusetts** — Massachusetts School Building Authority (MSBA), a quasi-independent authority created in 2004 that operates outside annual appropriations; replaced the School Building Assistance Commission. Administers state school construction grants.
- **New Mexico** — Public School Capital Outlay Council (PSCOC) allocates state capital funding; Public School Facilities Authority (PSFA) administers assessments and project implementation. State plays a dominant role due to limitations on local property tax financing.
- **Rhode Island** — School Building Authority (SBA) administers the state's school housing programs and maintains a capital fund; reviews and prioritizes capital funding requests.
- **Ohio** — Ohio Facilities Construction Commission (OFCC) administers capital project funding, enforces standards, provides technical assistance; grew out of DeRolph v. State litigation.
- **Maine** — Legislature establishes school construction via Major Capital School Construction Program; State Board of Education approves and prioritizes projects; state covers a share of debt service.

- **Delaware** — State plays a strong role in capital funding alongside local districts; multiple agencies (DOE, Office of Management & Budget) share responsibility.

Moderate state involvement

- **Pennsylvania** — State administers construction reimbursement programs and environmental grant initiatives, but local districts finance and manage capital projects; William Penn (2023) ruling reinforced state obligation.
- **Arizona** — School Facilities Division administers Building Renewal Grants and oversees compliance with Minimum Adequacy Guidelines (students FIRST Act, 1998); state role shaped by Roosevelt v. Bishop (1994) court decision.
- **Oregon** — State administers planning grants (Technical Assistance Program), Seismic Rehabilitation Grant Program; no broad capital grant program.
- **Virginia** — Literary Fund and construction grant programs exist; generally limited state capital support for 215 fiscally independent school divisions.

Low state involvement

- **Alabama** — State primarily sets standards and reviews plans; limited direct capital funding; largely local responsibility.
- **California** — State Allocation Board apportions state general obligation bond funds (School Facility Program, administered by OPSC); however, the program is tied to voter-approved bonds and districts must qualify; no comprehensive state-level data collection; strong local control model.

Related resources

The NCSI resource library includes in-depth profiles on several states.

NCSI's Interactive Data Dashboard on Public School Facilities Funding: https://school-infrastructure.org/resources/interactive-data-dashboard-on-public-school-facilities-funding-bck/

Education Commission of the States, 50-State Comparison: K-12 School Construction Funding (2023): https://www.ecs.org/50-state-comparison-k-12-school-construction-funding-2023/

Urban Institute, Assessing the National Landscape of Capital Expenditures for Public School Districts: https://www.urban.org/research/publication/assessing-national-landscape-capital-expenditures-public-school-districts

Urban Institute, Which States Prioritize Equity in School Renovation Funding?: https://www.urban.org/stories/which-states-prioritize-equity-school-renovation-funding

The *State of our Schools* report series (2016, 2021, and 2025, produced by 21CSF)

GAO-20-494: K-12 Education: School Districts Frequently Identified Multiple Building Systems Needing Updates or Replacement

NCES F-33 School District Finance Survey Documentation