



Your Question:

You asked for information on how states are funding capital outlay other than local property taxes.

Our Response:

While capital projects are primarily funded at the local level and therefore heavily reliant on property tax revenues, states, localities and school districts have used other revenue sources for school infrastructure projects. This State Information Request summarizes some options (sales tax, lottery revenues, general funds and excise taxes) and provides state examples.

Sales Tax

Sales taxes are among the more common sources of dedicated revenue for funding school infrastructure projects, outside of property taxes, and are sometimes structured as a local option by referendum. General state sales tax is common ([in 45 states and the District of Columbia](#)) and frequently shared between state and local governments. Cities and counties that have adopted home rule charters may levy their own tax in addition to the state sales tax. The legislature could dedicate existing state sales tax revenues, levy additional state sales taxes or pass a legislatively referred constitutional amendment to give local governments the authority to adopt a local sales tax dedicated for school facility improvements.

Georgia

Georgia voters approved a constitutional amendment in 1996 authorizing counties and independent boards of education to levy a one percent sales tax if approved by referendum — called a Special Purpose Local Option Sales Tax ([SPLOST](#)). In 2018, Georgia voters approved a legislatively referred constitutional amendment to expand this authority to a school district or school districts with a majority of the students enrolled within a county to put forward the referendum.

Iowa

Iowa dedicates a one cent state sales tax to school infrastructure needs or school district property tax relief through the Secure an Advanced Vision for Education [program](#). Before SAVE, Iowa had a local option to designate one cent sales tax for school infrastructure. In 2019, SAVE distributed \$498 million in sales tax revenues, with the majority going for school infrastructure construction, and the Legislature and governor recently extended the sunset date of the program until 2051.

Virginia

Virginia dedicates a portion of the state's 5.3% general sales tax toward public education (not specific to school facilities) and permits localities [in state law](#) to levy up to a 1% general retail sales tax solely for capital projects for school construction or renovation. In 2020, Henry County voters (a rural county in southern Virginia) adopted this increase by referendum.

Lottery

Most states and the District of Columbia operate their own lottery, and many dedicate a portion or the entirety of revenues (less prize money and administration) to public education. [A 2007 review](#) published in the Journal of Education Research & Policy Studies found that 25 states send lottery revenues to schools. This funding is not typically restricted to capital spending.

North Carolina

North Carolina approved the creation of a state lottery in 2005 and dedicated a portion of revenues to the Education Lottery Fund for school construction. In the 2018-19 school year, the state awarded \$240 million for school construction, about one-third of education-related lottery expenditures. In 2017, North Carolina created a new lottery funded program for assisting school construction called the [Needs-Based Public School Capital Fund](#). This fund awards resources to localities that have less ability to generate sales and property tax revenues, have a high debt-to-tax revenue ratio, and for projects that will address critical deficiencies in serving current and future student populations.

State General Funds

States award school construction grants to local school districts and some of these programs are funded through state general funds or a combination of general funds and other sources.

Ohio

[The Ohio School Facilities Commission](#) provides matching grants to school districts based on a legislative formula ([OH ST § 3318](#)). Districts are ranked using equity factors (i.e., local district wealth and income) and allocated grants based on ranking. The facilities commission performs periodic assessments of school facilities to determine districts' need and cost of capital construction or renovation.

Excise Taxes

States also dedicate revenue from excise taxes for public education — sometimes referred to as sin taxes — if levied on a good or service with undesirable or harmful impact on society. Some examples include taxes on the sale of marijuana, alcohol, and cigarettes and casino gaming taxes. Excise taxes can also be placed on goods that do not have social harm.

An ECS review of [marijuana revenue](#) in 2019 shows that **Colorado, Michigan, Nevada** and **Oregon** dedicate a portion of their tax revenue from marijuana sales to education. Similarly, many states that have legalized commercial casino operations dedicate a portion of casino gaming tax revenue to education. A [2016 review](#) by the Nelson A. Rockefeller Institute of Government identifies ten states in their appendix that have dedicated revenues to education (either K-12 or higher education). Other excise taxes such as cigarette and alcohol could also be considered.

Colorado

The marijuana ballot initiative in Colorado, [Amendment 64](#), requires that a portion of the taxes go toward funding construction of public schools. In the first 11 months of 2018, Colorado collected roughly \$245 million in tax revenue from marijuana sales, licenses and fees. The state allocated \$40 million for school capital construction and another \$30 million to the State Public School Fund.

Additional Resources

- [State profiles](#) developed by Building Educational Success Together (BEST) provide basic information on funding school facilities in each state.

- [Infrastructure Report Cards](#) (with specific information on schools) by the American Society of Civil Engineers (2017).