

## New Elementary School / State Participation

**Generous State Financing creates an excellent opportunity for a sound investment in our community! The current rate of state funding for this project is 42%. However, a unique set of local circumstances actually increases the state's contribution to 84% or \$8.1m of the total cost of \$9.6m**

The state's funding formula for new school construction takes into account two factors; the cost of a new school facility and a school system's current level of bonding incurred from past school projects; also referenced as 'Debt Service Allocation'. For Auburn, recent expansion projects at Sherwood Heights and Fairview have moved us closer to the maximum the state expects our community to contribute towards State Approved major school construction projects. Once a school system reaches the maximum Debt Service level, a circuit breaker component is then activated, whereby the state assumes any additional local project costs beyond the Circuit Breaker; hence the state's 84% funding level participation for this new elementary school project

The State and local subsidy participation on the new elementary school is on \$9,591,000 which is amortized over 20 years at an estimated interest rate of 5%. This represents an annual principal and interest payment of \$731,249. Since this project has received Concept approved by the Department of Education, the minimum participation of state funding is 42% of the principal and interest cost or \$307,125. The annual share by Auburn would be \$731,249 - \$307,125 = \$424,124.

The circuit breaker component of the subsidy formula considers the current debt service allocation for two approved projects (Sherwood Heights and Fairview School) into the debt service area. The total annual cost of the new elementary school of \$731,249 will be factored into the debt service allocation formula and Auburn will reach the circuit breaker. Meaning that once the \$731,249 is factored into the existing formula, Auburn will reach the maximum amount the state expects our community to pay after a threshold of \$120,202 is reached. The balance  $\$731,249 - \$120,202 = \$611,047$  or 84% will be borne by the State for this project.

Under the current State Funding computation the impact to Auburn is \$120,202 or 16% of the total cost for 15 years of the 20-year school construction bond. After 15 years the bonds for Sherwood Heights and Fairview will be paid. The State will participate at a minimum of 42%, or the then percentage of State participation based on funding formula for the remaining last 5 years of the bond for the new elementary school. The subsidy formula will also consider other State Approved school projects in Auburn at that time to determine the amount of the circuit breaker component that will be applicable.

A 20-year school construction bond will locally fund the cost of \$635,000 for additional gymnasium space and climate control.

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