

POLICY MEMO

A TRANSFORMATIONAL INVESTMENT: USE OHIO'S CAPITAL BUDGET TO INCREASE CLASSROOM SPACE JANUARY 16, 2024

The Buckeye Institute's Recommendation

In the capital budget, the Ohio General Assembly should use a portion of the \$700 million set aside in the **state operating budget** to create a permanent revolving loan fund to increase student capacity at schools across Ohio—a vital need given the Ohio EdChoice program's success and recent expansion.

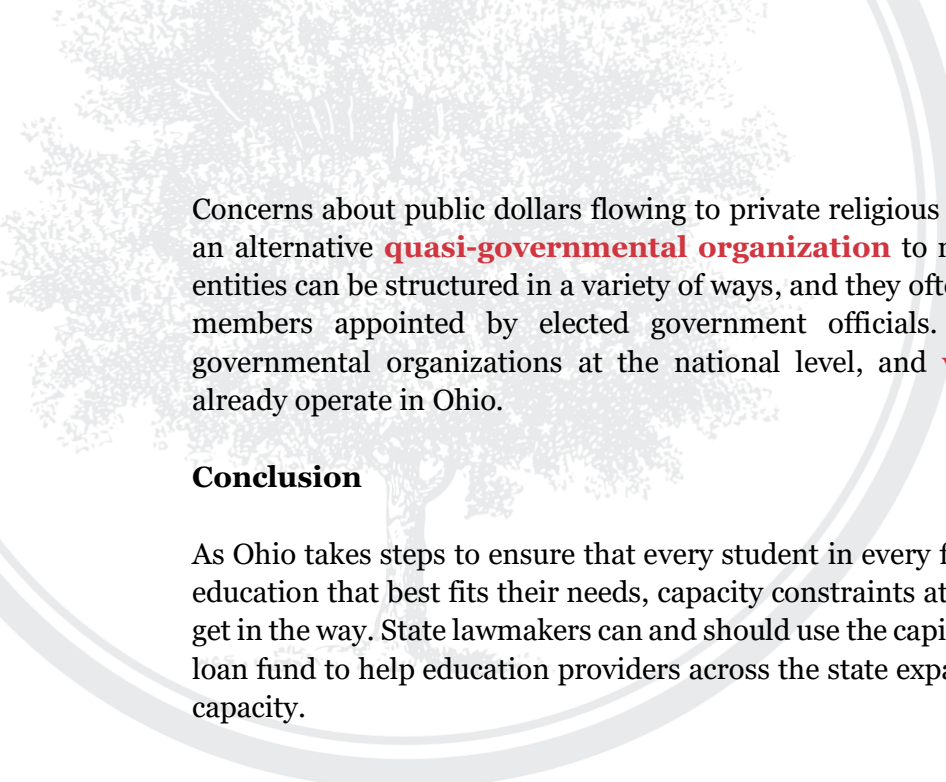
Background

Capital budgets serve two primary purposes—funding the capital needs for state agencies and funding for local community projects—but state spending should be **limited** to paying for core government functions and infrastructure, not pork projects that should be funded with local taxes and private philanthropy. The upcoming capital budget gives lawmakers the opportunity to improve the state's education infrastructure and they should take it.

House Bill 33, the state biennial budget, transferred \$700 million in surplus general revenue to the new One-Time Strategic Community Investments Fund. Policy guidance indicates that this fund should pay for one-time transformational investments intended to spur local or private investment, and this fund may not be the only source of a project's funding. Education is an investment in the state's future, and the state should make transformational investments in education.

A students-first, universal school choice approach was **right** for Ohio, but classroom capacity is now a legitimate and growing **concern** given the **high demand** for EdChoice scholarships, especially in economically disadvantaged and rural portions of the state. To add student capacity, private and charter schools need to access capital much like traditional public schools can access **more than \$11 billion** in state funds through the **Classroom Facilities Assistance Program**. But the One-Time Strategic Community Investments Fund cannot pay for ongoing expenses, so an appropriation should establish a revolving loan fund that may also legally accept private capital to augment money available to public charter schools and private schools accepting EdChoice scholarships. Creating a loan fund would allow these various education providers to apply for low- or no-interest loans for construction and other capital expenses that would help them serve more students. Schools would repay the loans so that those resources can be used by other schools in the future.

State-based revolving loans are commonly used to fund major public capital projects like roads and water treatment plants. Policy guardrails would need to ensure that the funds go to bona fide education providers and that private matching requirements are in place to provide necessary financial support to sustain the project and repay the loan.



Concerns about public dollars flowing to private religious schools may be addressed by creating an alternative **quasi-governmental organization** to manage the revolving loan fund. Such entities can be structured in a variety of ways, and they often have private legal status with board members appointed by elected government officials. There are many **types** of quasi-governmental organizations at the national level, and **various** quasi-governmental entities already operate in Ohio.

Conclusion

As Ohio takes steps to ensure that every student in every family in every community receives an education that best fits their needs, capacity constraints at public and private schools should not get in the way. State lawmakers can and should use the capital budget process to create a revolving loan fund to help education providers across the state expand their facilities and increase school capacity.