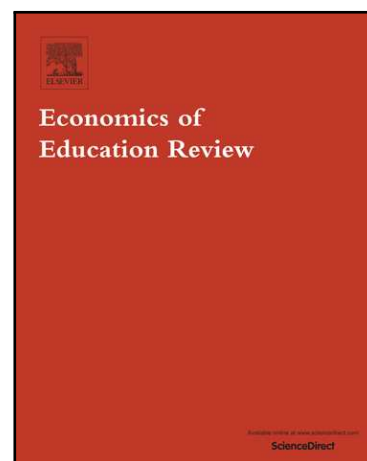


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Impacts of New School Facility Construction: An Analysis of a State-Financed Capital Subsidy Program in Ohio

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Highlights

- This paper analyzes the Ohio School Facilities Commission (OSFC) Classroom Facilities Assistance Program, which disbursed over \$10 billion towards the improvement of local school facilities in 231 school districts between 1997 and 2011.
- Using an instrumental variables identification strategy based on the yearly rankings and cutoffs used to determine eligibility for this state-financed capital subsidy program, we examine the effect of capital expenditures and increases in the value of the capital stock on student performance and housing prices from 1997-2011.
- In terms of student performance, we find decreases in the percentage of students in the school district that tests proficient in math and reading in the first couple of years after the capital expenditures and increases once the construction of new and renovated buildings is completed. This short-term decline is consistent with the premise that construction projects are disrupting student learning, but over the long-term students appear to benefit from the improved capital stock.
- We also examine the mechanisms through which these construction projects affect district test scores. Our descriptive analysis indicates that operating expenditures increase after six years of program eligibility, as the capital subsidy may allow districts to redirect general funds from capital to operating expenditures. We also find some evidence that program eligibility is correlated with changes in student body composition – suggesting that perhaps student enrollment decisions are influenced by improvements in building quality.
- We find negative housing price effects of recent capital expenditures, but positive long-term impacts of these capital investments. This negative short-term effect could be the result of homeowners paying taxes towards funding these projects while the ongoing capital projects provide little immediate benefit. Once construction is complete, however, the positive benefits of the new capital stock are fully realized and the disruption costs of construction are no longer present, leading to positive housing price effects.

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