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### **FISCAL IMPACT REPORT**

SPONSOR:	Rawson	DATE TYPED:	02/12/00	HB	
SHORT TITLE:	Shift Local School GO Bonding Authority			SB	SJR 9
				ANALYST:	Williams

### **APPROPRIATION**

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY00	FY01	FY00	FY01		
See Narrative					

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to

### **SOURCES OF INFORMATION**

LFC Files

State Department of Education (SDE)

## SUMMARY

### Synopsis of Bill

SJR proposes amendments to Article 9, Sections 8 and 11 of the state constitution to shift a portion of local school district general obligation bond capacity to the state. In general, the bill would allow the state to create additional debt not to exceed 3% of the total assessed valuation of the taxable property within all school districts. The additional capacity could be used to provide funds for school districts across the state to erect, remodel, renovate make additions to and furnish school buildings, excluding administrative buildings, to purchase or improve public school grounds. The additional capacity calculation would begin with property tax year beginning 2002. However, the state general obligation debt limit of 1% would still remain.

Individual school district bonding capacity limit would be reduced from 6% to 3% of net taxable value. The additional capacity calculation would begin with property tax year beginning 2002 and any new bonds issued by the school district after January 1, 2002.

### Significant Issues

The bill would go before the voters in the November 2000 general election.

The amendment would authorize the state to allocate bond proceeds from the increased bonding capacity throughout the state. School districts with a relatively low assessed property valuation may benefit from the larger pool of state general obligation bonds. However, school districts would lack control over this capacity and it is uncertain whether voter support for school bond elections would change. SDE notes the amendment reduces the ability of school districts to raise money locally and increase their reliance on state funding.

There are also differences on the extent to which certain districts have reached the current limit as shown in the attached SDE tables.

The amendment does not state how or who will distribute these funds to the various school districts.

## **FISCAL IMPLICATIONS**

According to SDE, currently the combined bonding capacity of school districts statewide is \$1.561 billion. As of December 31, 1999, approximately \$635 million worth of bonds were outstanding (and being used by school districts).

The attached pages from the SDE analysis of the bill reflect valuation and capacity details for every school district in the state.

Additional potential capacity would be 3% of the projected \$28.4 billion of net taxable value forecast for FY02, or approximately \$854 million.

## **TECHNICAL ISSUES**

The bill does not specify whether the creation of additional debt must be submitted to the voters, similar to current practice for general obligation bond issues.

The distribution mechanism is not clarified.

If the amendment passes, then enabling legislation would be needed.

## **POSSIBLE QUESTIONS**

1. Does the sponsor envision individual projects would be authorized by legislature, then subject to voter approval similar to current general obligation bond program?

2. Are there concerns about local autonomy and control?

3. What is the potential impact on state general obligation bond debt ratings due to an increase in total state general obligation debt?

4. What would be the role of the Public School Capital Outlay Council which was designed to help address critical school district outlay needs which cannot be met by the school district after it has exhausted available sources?

AW/gm

Attachment