

Oral Testimony in Favor before the

House K-12 Budget Committee

On

HB 2636

By

Dustin Avey, Managing Director

Piper Jaffray & Co.

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Mr. Chairman, Members of the Committee:

Thank you for this opportunity to address the committee.

We are here in support of HB 2636.

We appreciate the committee reviewing this matter. Since its adoption less than a year ago, we have recognized a number of challenges with the Bond Cap and its impact on school districts.

We recognize every district is unique and the importance of facilities in creating an educational environment that meets the needs of all students. We live in a reality of maintaining millions of square feet of school buildings. Generally speaking, most school improvement projects fall within one of the following categories:

1. Safety and Security
2. Updating Aging Facilities
3. Technology Infrastructure
4. Class room Modifications
5. New Facilities

In addition to school improvement projects creating learning environments that meet today's educational needs, there are also ancillary benefits to these projects. School improvement projects also create jobs and have a positive economic impact on local and state government.

Furthermore, we have seen a delay in bond projects and elections this fiscal year due to limited amount of available bond cap. As such, many of these projects have been pushed to next fiscal year based on the bond cap resetting as of July 1, 2018. The longer lead time for project development and delay in seeking voter approval could result in higher construction costs (inflation), interest rate risk (higher interest rates) and postponed economic benefit to local and state government. The ultimate impact of a delay could mean higher cost to local tax payers and higher cost to the state if a district receives capital improvement state aid.

The logistic challenges will cause districts to 'compete' and try to be 'first in line' to secure cap each fiscal year. In the event of more applications than available cap, the State Board of Education will need to use discretion in awarding bond cap based on certain criteria. In addition, it could cause an equity issue between the allocation of cap to larger and smaller districts.

As patrons, we are fortunate to have local control to vote on bond elections based on merit, plan and cost. The Bond Cap legislation seems to have created more challenges than solutions for school districts. We appreciate the committee reviewing this matter and working towards a solution.

Exhibit A

Construction Cost Inflation

\$25,000,000 Bond Issue

	Inflation Rate	Construction Cost (\$)	Change in Construction Cost
Today	4.00%	\$25,000,000.00	\$0.00
Year 1	4.00%	\$26,000,000.00	\$1,000,000.00
Year 2	4.00%	\$27,040,000.00	\$2,040,000.00
Year 3	4.00%	\$28,121,600.00	\$3,121,600.00
Year 4	4.00%	\$29,246,464.00	\$4,246,464.00
Year 5	4.00%	\$30,416,322.56	\$5,416,322.56

Exhibit B

Interest Rate Fluctuations

\$25,000,000 Bond Issue over 20 Years

	Interest Rate	Interest Cost (\$)	Change in Interest Cost
Today's Rate:	3.18%	\$9,458,323.13	\$0.00
Rate (+10 bps)	3.28%	\$9,785,381.88	\$327,058.75
Rate (+25 bps)	3.43%	\$10,284,562.50	\$826,239.37
Rate (+50 bps)	3.68%	\$11,118,800.63	\$1,660,477.50
Rate (+100 bps)	4.18%	\$12,819,458.75	\$3,361,135.62

EXHIBIT C

EXAMPLE CALENDAR OF EVENTS WITHOUT BOND CAP

DATE	EVENT
February – September 2018	Determine Scope of Project Finalize Bond Amount Approve Plan of Finance
October 8, 2018	Board of Education Meeting Facility Committee makes recommendation to Board of Education
November 13, 2018	Board of Education Meeting Board adopts Resolution Calling for Bond Election and Authorizing the Filing of an Application with the State Board of Education
November 15, 2018	Submit Application to the State Dept. of Education for review
November 16, 2018	Submit Notice of Intent Publication to Local Newspaper
November 22, 2018	Publish Notice of Intent to Submit Application to the State Board of Education
November 25, 2018	Submit Election Documents to the County Clerk
December 12, 2018	State Board of Education Meeting State Board of Education Approval to Exceed Debt Limit State Board of Education provides Order to Call a Bond Election
January 24, 2019	First Publication of Notice of Bond Election (Not Less Than 21 Days Prior to Election Date)
January 31, 2019	Second Publication of Notice of Bond Election
February 6, 2019	Voter Registration Deadline
February 26, 2019	Special Bond Election

EXHIBIT D

EXAMPLE CALENDAR OF EVENTS WITH BOND CAP

DATE	EVENT
February – May 2018	Determine Scope of Project Finalize Bond Amount Approve Plan of Finance
May 14, 2018	Board of Education Meeting Facility Committee makes recommendation to Board of Education
June 11, 2018	Board of Education Meeting Board adopts Resolution Calling for Bond Election and Authorizing the Filing of an Application with the State Board of Education
June 15, 2018	Submit Notice of Intent Publication to Local Newspaper
June 19, 2018	Publish Notice of Intent to Submit Application to the State Board of Education
July 1, 2018	Submit Application to the State Dept. of Education for review
August 8, 2018	State Board of Education Meeting State Board of Education Approval to Exceed Debt Limit State Board of Education provides Order to Call a Bond Election
August 10, 2018	Submit Election Documents to the County Clerk
January 24, 2019	First Publication of Notice of Bond Election (Not Less Than 21 Days Prior to Election Date)
January 31, 2019	Second Publication of Notice of Bond Election
February 6, 2019	Voter Registration Deadline
February 26, 2019	Special Bond Election