

HB 301 Information for Conference Committee 4-16-13

EXHIBIT 3
DATE 2-11-15
HB 373

The Bill – HB 301 (Halvorson)

Click [HERE](#) for to access the legislative website for the history and text of the bill.

Conference Committee: Sen. Eric Moore (chair), Sen. Elsie Arntzen, Sen. Tom Facey, Rep. David Halvorson, Rep. Ted Washburn, Rep. JP Pommichowski.

Brief History of HB 301 (Halvorson)

The bill was sponsored by Rep. David Halvorson (Sidney) at the request of his constituents who are anticipating the inability to upgrade and construct school district facilities because the current debt limit in law, set at 50% of the school district taxable valuation, is insufficient to meet their needs. The impact of this bill affects many school districts across the state. HB 301 passed the House as amended to set the debt capacity at 100% of the taxable valuation of the school district. In the Senate, an amendment moved the debt capacity to 80% from 100%. Having researched this change with school districts effected, Rep. Halvorson recommended a do not concur recommendation in the House on 3rd reading, which sent the bill to Conference Committee.

The Question to be resolved by the Conference Committee

Should the Conference Committee concur to change the debt capacity limit back to 100%?

Data provided by those impacted by the change in Debt Limit

Research on impact on bond ratings and capacity of school districts if debt limit is moved from 50% to 100% of taxable valuation...

Early in the process, research was conducted by State Bond Counsel, Dan Semmens, who reports that setting debt capacity at 100% should have no ill effects on the state bond rating, nor on individual school districts' ability to bond at rates that meet their experience.

Research was also requested from other entities who work with school districts on bonding for school construction and reconstruction projects. One of those respondents is Bridget Ekstrom, and her comments are presented below.

Comments of Bridget Ekstrom, DA Davidson Senior Vice President, Public Finance Banker, and bond counsel for many school district projects in Montana...

In our bond issue work with schools in Montana, we see many districts, particularly Class C and Class B size schools, struggling with the debt limit as it seems most every new school project we work on requires some creative steps by architects and bond issue professionals to fit basic projects within the current limitations. I believe as we are emerging from the recent financial struggles in our country over the past six years, we will now see more districts look to take on deferred maintenance and new building projects that have been put on hold for the past several years. It is hopefully obvious to our Legislators just with the Bozeman example that we should increase our State's School debt capacity formula to better match what was done years ago for cities and counties but trying to determine an exact formula that will work for every school for the foreseeable future without revisiting every biennium is difficult particularly due to ongoing changes in property tax exemptions and rates that impact taxable valuation. An increase in our school debt limitation rate to 100%, rather than 80%, seems to be the simplest factor to give Districts the needed capacity and allow local voters rather than State Legislators the opportunity to consider what is the

best overall project for their students. Below are just a few recent examples of other Districts dealing with limiting debt calculations:

Monforton Elem – This fast-growing District with record enrollments and a 40 student jump just this year will need to ask voters to approve a new addition in the fall of 2013. Currently they have \$5,275,342 in total debt capacity of which they already have \$3,198,334 in outstanding bonds leaving just \$2,077,008 in capacity for a building project that will be at least \$3,000,000. The 80% option would help their 2013 fall bond election but they would not have much available debt capacity for another expansion or project.

Park City Elem and HS – Is currently struggling to design a basic school building within their Elem and HS Debt Limitations of \$3,693,296 and \$2,030,940. Years ago they decided they could not buy land for a new building and construct the building at the same time so they went out for a land purchase question and paid it off within four years (which ended in 2011) so they could then work on just the new construction portion of the project with a second bond. Looking at their capacities you can see why Park City Schools would likely need to double their current capacities to build just a basic structure for either the Elem or HS District.

Glasgow K-12 – passed a \$16.8 million Bond in March for a new Elementary School and a few related improvements that barely squeaked under their debt capacity for the entire K-12 at \$18.9 million because at the same time this project passed, another project for \$2,000,000 in HS auditorium and athletic facilities failed. If Glasgow Schools were split into two Districts as most are in Montana they would not have had enough to build a basic Elementary building with a debt limit roughly half of the total K-12 or just \$9.5 million. Hypothetically if this were a stand-alone Elementary District a factor of 80% would not have enabled them to construction the new Elementary building as designed with a sample \$11.9 million debt capacity – however, a factor of 100% would have given them the amount needed as just the Elem debt capacity would be \$18.9 – again, hypothetically.

Roundup Elem and HS – The Districts have struggled for years now to work within their debt capacities of \$7.1 million and \$6.7 million, respectively, to build a new Elementary School (that unfortunately failed at their December election). The total Elementary school project was estimated at \$13.6 million. In order to move ahead, the Elem District needed to share the costs with the HS District since the HS building is gaining new space due to the junior high students leaving to attend the new Elem school when built and paying for that benefit among others related to the new Elem school but that would mean the HS District would have no further debt limitation. Here is an example if you double the Elementary Debt Capacity with the 100% factor you could building the new school with just their Elementary formula.

Elder Grove Elem – Last fall passed a \$5,000,000 Bond for a new classroom addition and library that leaves them just \$177,490 in debt capacity and for a growing District there is concern that they will need another Bond in the near term but will not have enough capacity.

Bridget Ekstrom

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Comments from Steve Johnson, Deputy Superintendent of Operations, Bozeman Public Schools ...

As I have stated many times during the testimony on this bill, the current method of tying debt capacity to Taxable Value is not necessarily a good long-term solution. But understanding that the change of tying debt capacity to Market Value (as estimated above at 2.5%) is too large a task to accomplish in the Conference Committee, using 100% of TV rather than 80% will delay the need to revisit the law by a few years. It will allow the construction of an anticipated new elementary school and middle school in the Bozeman Elementary District where the current debt limit is \$7 M (which is not enough to complete the work).

Comments from Daniel Farr, Superintendent, Sidney Public Schools ...

The debt limit at 80% of taxable valuation will not provide enough bonding capacity to meet the necessary renovation of current facilities and construct new facilities in order to meet the student growth in Sidney Public Schools. The request for 100% of taxable valuation was purposeful in that it provides Sidney Schools with the opportunity to request our voter's support of projects that will raise enough funds to meet our building and renovation needs.

Direct email correspondence ... I have explained the need to have 100% bonding capacity with David. Even with SB175 and the additional 45K/student for construction purposes, it is highly unlikely that our oil and gas revenue would reach levels were we could retain an additional 45K per student—the revenue is simply not there.

I hope this information is valuable in making a decision on the final look of HB 301 that will hopefully go to the Governor's desk for signature. If you have questions, don't hesitate to contact me.

Kirk J. Miller, Ed.D.



Executive Director, School Administrators of Montana