

STATEMENT OF PURPOSE

RS18682C1

This bill has been developed through a collaborative effort of the State Treasurer, the Superintendent of Public Instruction, the Endowment Fund Investment Board, and representatives of non-state entities involved in the issuance of school district bonds. The bill refines the School Bond Guaranty Program and the Credit Enhancement Program based upon the experiences of these entities in the years since the programs' inception in 1999. The refinements include clarification of the guaranty limits, revisions to the process used to determine and monitor school district solvency, clarification of the interest rate and other terms of notes purchases by the Endowment Fund Investment Board, clarifying that the bonds may be purchased for other funds in addition to the Public School Endowment Fund, and revisions to the school district application process.

The current program allows school districts to receive enhanced credit ratings through a state guaranty and a guaranty from the Public School Endowment Fund and to benefit from the resulting reduction in interest rates. Under this bill, the maximum guaranty of bond principal by the Public School Endowment Fund through the Credit Enhancement Program remains at its current level of eight hundred million dollars (\$800,000,000) and the maximum potential investment by the Public School Endowment Fund remains at two hundred million dollars (\$200,000,000). Each school district's share of the guaranties issued through the Credit Enhancement Program also remains limited to twenty million dollars (20,000,000).

This bill allows school districts to forego the Credit Enhancement Program and allows the Treasurer to issue bonds based solely on the guaranty of the State sales tax under the existing School Bond Guaranty Program. Bonds issued through the School Bond Guaranty Program may offer better interest rates than school districts can receive outside of the program and are not limited by the caps established for the Credit Enhancement Program.

FISCAL NOTE

The revisions create no immediate fiscal impact. The State sales tax revenue will be subject to additional obligations in the event of default by a school district not participating in the Credit Enhancement Program.

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