



"Leadership in Public School Governance"

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TO: Members, Senate Committee on Economic Development, Commerce and Local Government
FROM: Dan Rossmiller, WASB Government Relations Director
DATE: May 30, 2017
RE: OPPOSITION to SENATE BILL 187, relating to providing financial information in bonding resolutions and on bonding referendums

The Wisconsin Association of School Boards (WASB) **has strong concerns about** Senate Bill 187. We also have strong concerns about the process by which this bill is being advanced.

The WASB was fully prepared to testify on the original bill and to outline our concerns with that original version. However, we learned on Friday that the bill's author became aware that the bill as introduced was incorrectly drafted and requested that a substitute amendment be drafted. Because this happened on the eve of a holiday weekend we were unable to reach the chair's office.

The substitute amendment changes the bill so much so that it has a completely different relating clause than the original bill. Further, the substitute amendment was not publicly available on the Legislature's website as of the start of this morning's hearing. We find it disappointing and ironic that a bill that purports to advance greater transparency is being taken up in a manner that appears to lack transparency.

Our members value transparency. As locally elected officials, they adhere to the Public Records and Open meetings laws. They hold budget hearings at which they share detailed information with their voters. Our members generally support taxpayers having as much information as possible to make informed decisions.

That said, we have a number of concerns with the substitute amendment, some of which stem from the fact that we became aware of changes in the bill on the eve of the Memorial Day Holiday weekend and did not have time to properly research these concerns.

- We are unsure of financial impact the substitute amendment will have on schools, but it seems likely these changes will require schools to hire professionals to do the market analysis required. If so, this will impose additional costs (an unfunded mandate) on school districts that are often strapped for resources whenever they are considering a borrowing referendum. Because of the speed at which this amended bill is moving, we were not able to adequately research this issue. However, we assume districts will have to pay expert consultants to generate the "good faith estimate of the interest and related debt service costs that will be incurred by the school district on the debt and the sum of the principal interest and debt service costs" required by the substitute amendment. Given that these figures may carry legal consequences; we suspect professionals may use greater care in calculating them given that they might potentially face malpractice liability if they are wrong. Greater care likely translates to greater cost.

Many of the borrowing referendums that are being placed before voters are to fund maintenance projects for school facilities. Buildings need periodic repair and upgrading. Inadequately funding K-12 education causes local maintenance projects to be deferred because boards try to prioritize and protect the programs and quality staff that serve their children. Small problems become bigger problems if not attended to. Over time, these projects pile up to the point where the district is required to go to referendum because the expense exceeds the amount that can be borrowed without a referendum.

- The requirements in the substitute amendment will likely make matters more difficult and complicated for districts that currently benefit from using their referendum authority to incur debt in several phases. (Waupun is a recent example.) In some cases, a district will use some of its bonding authority shortly after the referendum passes and will wait a year or even several years before using the rest of its bonding authority. Because the substitute amendment requires that a school district base its estimate on the interest rate in effect immediately prior to the adoption of the resolution, this could mean those figures will not accurately predict what interest rates will be when the later phases of bonds are issued.
- It is unclear whether the language in the bill requiring a district to provide a “good faith estimate” of the total amount of interest and debt service costs that will be incurred by the school district on the debt obligation shield a district against a taxpayer lawsuit trying to overturn the referendum result or the bond issuance by contesting the accuracy of these estimates. Because of the speed at which this amended bill is moving, we were not able to adequately research this issue.
- The substitute amendment will make ballot questions on borrowing referendums longer and more complex, which could lead to unnecessary voter confusion. If the language of the substitute amendment is enacted, not only will the ballot question state the purpose for which the bonds are being issued and the maximum amount of the bonds to be issued, it will also state the interest and related debt service costs to be incurred by the district. One has to question whether the intent of the substitute amendment is to make the dollar figure seem as high as possible so as to discourage voters from approving debt referendums.
- The substitute amendment requires certain information to be disclosed, but not other information that is arguably equally relevant such as how will the passage of the referendum will affect tax rates and state aid in the district.

For these reasons, today we must state our opposition to Senate Bill 187. We will research the issues we have raised and provide you with an update as our findings warrant.