

February 12, 2013

Re: Testimony in support of SB 273

Mr. Chairman, Mr. Vice Chairman and members of the Committee, my name is Carol Samuels. I am a Senior Vice President at Seattle-Northwest Securities Corporation. My company is the leading provider of financial consulting services to Oregon school districts that seek to issue bonds for capital projects. As such, I see significant benefits from SB 273, and I am here today to speak in support of this bill.

As you've heard from other speakers today, there is no question that our school districts have dire facility needs. The needs are pervasive and all encompassing: from the smallest district to the largest, our school buildings are often old, unsafe, and inefficient. They are certainly not the facilities that will enable our districts to offer the level of education desired by the Governor, the Department of Education, the Legislature, or local school boards. While some districts have been successful at obtaining support for facilities funding from local voters, many have not, despite multiple attempts. Moreover, even in those cases where voters have been sympathetic to a school district's request, the needs have far outstripped their willingness to vote yes for the full amount of what is needed. The obvious reason for voter reluctance: the cost.

Although the State cannot, in this economic environment, and should not, in my opinion, take on full responsibility for funding facilities for K-12 schools, it seems problematic to me that while there is generally equal funding for operations, the funding for facilities is wholly unequal and largely dependent on local voter support. Further, given the vastness of the need, my belief is that local communities cannot shoulder this burden alone. For that reason, we believe that the State has a role to play in providing a portion of facilities support.

In my opinion, SB 273 strikes not just a fair balance, but provides an important strategic element in its approach. Specifically, we believe that the matching grant format will provide an incentive to voters to not just approve a local school district's request, but potentially to approve more than a one-to-one matching relationship, thus allowing districts to maximize facilities funding.

I base this statement on our experience with a series of federal programs developed under the ARRA Stimulus Package approved in 2009. These programs, known as the Qualified School Construction Bond Program (QSCB) and the Qualified Zone Academy Bond Program (QZAB) provided subsidized funding for K-12 capital construction. Although dissimilar in format (they provided federal payment for the interest expense associated with a school district borrowing, rather than providing a portion of the principal), the concept of lowering taxpayer cost in improving facilities was the same.

Two key examples will show how these incentives were effective tools in maximizing voter support.

My first example is Ontario School District in Malheur County. Over 30 years, the District had attempted to obtain voter approval for a general obligation bond 5 times without success. In May 2010, in the middle of the recession, they were successful in persuading the voters to approve an issue of \$18.5 million by a sizeable margin of 58%. This was *exactly* the same amount that had been defeated in November 2008.

What was the difference? There are always many elements in any campaign, but the opportunity presented by the QSCB program was clearly a key. This program reduced the tax rate per thousand over the 2008 issue by nearly \$0.50; the interest expense was reduced by over \$10 million, and the term was shortened from 20 years to 17 years. Thus, for a savings of \$10 million, voters approved a request for \$18.5 million.

My second example is Philomath School District in Benton County. The District had outstanding bonds which were scheduled to be largely paid off in 2011. Yet it had immediate facility needs that were pressing as early as 2009. Because of the opportunities provided by the QSCB program, Philomath was able to both accelerate *and* increase their request to the voters. Specifically, they were able to obtain support for a \$29 million issue, while projecting interest savings of \$15 million from use of the QSCB program. Not only was this the largest bond measure in the District's history, but it was approved by a whopping 80% margin.

Districts large and small benefited from these programs between 2009 and 2012, including Bandon, Dallas, Eugene, Forest Grove, Hermiston, Imbler, Lincoln County, Myrtle Point, Parkrose, Salem-Keizer, Tigard-Tualatin, and Vernonia. Each of these Districts was able to successfully describe the QSCB/QZAB program's benefits in their efforts to achieve voter support. My belief is that the program envisioned in SB 273 can provide similar benefits.

Thank you for your time. I am happy to answer any questions you might have.

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