

Permanent School Fund Comments for Randy Fields
October 18, 2006

Good morning, Chairwoman Shapiro. My name is Randall Fields. I am President of the Board of Trustees of Northside ISD in San Antonio. I am here on behalf of the Texas Association of School Boards (TASB). I am here to talk about the importance and value of the Permanent School Fund as it relates to school district bonds.

- Northside ISD is the state's 5th largest school district with an enrollment of almost 82,000 students. We have 94 schools and are growing by almost 4,000 students a year. This year, we opened four elementary schools, and we plan to open two elementary schools and a middle school in 2007. Five schools, including three elementary schools, a middle school and a high school, will open in 2008.
- In the last four bond elections, NISD voters have approved \$1.256 billion in bonds.
- Voters last approved a bond issue in 2004, which funded 11 new schools and many classroom additions and renovations. Since then, almost 11,000 new students have enrolled in Northside schools.
- With enrollment projected to hit 100,000 within the next 5 years, plans for another bond election already are in the works. While nothing has been recommended to the Board of Trustees, another bond election that would build 12 to 15 more schools is being discussed for May 2007.
- Currently, the Fund guarantees \$997.2 million of Northside bonds. We expect to issue an additional \$169 million this year, representing the last installment of the \$439 million 2004 bond authorization.
- We believe consistent and timely oversight and review of the Fund's objectives and guidelines become important as its capacity to guarantee bonds is challenged by existing state and federal laws.
- Because the capacity of the Fund to guarantee school district bonds is limited, the current bond guarantee program prioritizes guarantees based on the relative wealth of applying school districts.
- For Northside, this guarantee has helped to save local taxpayers millions of dollars in interest costs and has prevented the use of credit insurance. Across the state, school districts have come to rely on the guarantee for ease of marketing and ability to avoid default. **As you know, bonds that carry a PSF guarantee enjoy an "AAA" credit rating and for that we thank your efforts.**

- Northside's underlying credit rating is "AA". Although a good credit, we would not enjoy the benefit of an "AAA" credit rating without the Bond Guarantee Program. Without the guarantee, we would be forced to obtain bond insurance to enjoy comparable rates.
- We estimate bond insurance to be about 20-25 basis points on total debt service. For our existing bond program, this translates to about \$5 million in additional cost to local taxpayers. This compares to the existing \$3,000 per bond sale fee we currently pay for the guarantee.
- We certainly want to recognize all the legislative efforts made to help fast-growth school districts and your efforts to reduce the overall cost of financing public schools. Apart from the Bond Guarantee Program of the Permanent School Fund, school districts benefit from programs such as the Instructional Facilities Allotment, the Existing Debt Allotment, and the New Instructional Facilities Allotment.
- These state supported programs of public education have become increasingly significant as we continue to face the challenges of growth and adequate facilities for our children. We appreciate the work, effort, and intent of the legislature to support fast-growing school districts and those districts facing significant facilities needs.

Thank you. I would be happy to answer any questions.

Randy Fields

(The first three witnesses may cover this info).

- *We know that the Permanent School Fund (Fund) was created solely to assist in the funding of public education. We also know the Fund benefits public education in two ways. First, it distributes a predetermined amount to the Available School Fund and secondly, the corpus provides a guarantee for bonds issued by school districts.*
- *This guarantee increases credit worthiness and enables districts to issue bonds at lower interest rates.*
- *It prevents the use of credit insurance which could raise the cost of borrowing for school districts.*
- *Although the potential impact of not providing this guarantee may not be measurable, according to its fiscal year 2005 financial report, Fund assets guaranteed \$35.2 billion in bonds and generated cost savings for 728 school districts in Texas.*