

May 19, 2023

TO: Douglas County School District (DCSD or the District) Board of Education (BOE)

FROM: DCSD Fiscal Oversight Committee (FOC)

SUBJECT: Funding Options MLO/Bond

The FOC's primary function is to assist the BOE in fulfilling its fiscal oversight responsibilities with integrity and reliability. Additionally, the BOE has asked the FOC to provide funding options for the DCSD.

As such, the following comments are regarding other potential MLO/Bond funding.

Based upon information from the Colorado Department of Education (CDE), there are five distinct avenues through which a school district may meet its capital/building needs.

1. Bonded Indebtedness (C.R.S. 22-42-102) -- A district may hold an election to authorize it to issue bonds to meet its capital needs. Principal and interest payments on bonds are paid from increased property tax revenues generated by a separate, additional mill that the district must be authorized to levy. Generally, a district may not have outstanding bond debt in excess of 20% (25% for rapidly growing districts as defined pursuant to C.R.S. 22-42-104) of its assessed property valuation or 6% of its actual property value, whichever is greater. School districts considering submitting a ballot question for bonded indebtedness to the electors of the district shall invite each charter school to participate in discussions regarding the possible submission of a ballot question. **This is historically how DCSD has used bonding authority. It involves significant issuance costs (i.e., costs paid for professional services and other costs required to issue the bond) and interest paid on the amount borrowed.**

2. Special Building and Technology Fund (C.R.S. 22-45-103(1)(d)) -- A district may hold an election to authorize it to levy up to ten mills for not longer than three years. Moneys generated by this levy are available to fund the purchase of land, the construction, purchase, and maintenance of facilities, and the purchase and installation of building security, instructional, and informational technologies. **This funding source recurs annually for three years and does not involve issuance costs or interest payments. This funding source can also more closely match the period over which shorter-lived assets will be used, which is a more efficient use of capital.**

3. Building Excellent Schools Today (B.E.S.T.) (Article 43.7 of Title 22) -- Provides a new funding structure for school capital construction projects, allowing school districts to enter into certificates of participation for lease-purchase agreements through the State Treasury for construction projects. B.E.S.T. maintains a grant program for school capital construction projects that do not meet the requirements of the lease-purchase program.

The B.E.S.T. program brings all capital construction funding under one umbrella for administration and distribution of funds and is intended to replace the remaining obligations of the “Giardino Settlement”. **This funding source is for the most dangerous and most needy facilities, likely not available for DCSD.**

4. Loan Program for Capital Improvements in “Growth Districts” (C.R.S. 22-2-125) -- A district which is identified as a “growth district” pursuant to C.R.S. 22-2-125, is eligible to apply for a loan from the State Treasurer. This debt must be voter approved and if a property tax mill levy is the method of repayment, such levy must also be approved at the same time. At the time of the loan application, the district must specify the method of repayment and the terms of repayment may not exceed 10 years. The district must also have voter approval for a repayment period of longer than one year. If a property tax mill levy will be used to repay the loan, the mill must be no more than 5 mills or a number of mills determined by dividing the latest statewide average per pupil assessed valuation (PPAV) by the latest PPAV of the growth district, whichever is less. If the district’s PPAV is greater than the statewide average PPAV, the growth district may impose an additional property tax levy of no more than 1 mill. **Currently no districts utilize this option.**

5. Supplemental Capital Construction, Technology and Maintenance Fund (C.R.S. 22-54-108.7) Effective FY2016-17, a district may request voter approval to raise and expend additional local property tax revenue to provide ongoing cash funding for the capital construction, new technology, existing technology upgrade, and maintenance needs of the district. School districts considering submitting a ballot question for the supplemental capital construction, technology and maintenance fund to the electors of the district shall invite each charter school to participate in discussions regarding the possible submission of a ballot question. **This funding would be a recurring funding source and would not involve issuance costs or interest payments. This funding source can also more closely match the period over which shorter-lived assets will be used, which is a more efficient use of capital.**

Data from CDE for school year 2021/2022 shows that 6 districts in Colorado use either the Special Building and Technology Fund or Supplemental Capital Construction, Technology and Maintenance Fund MLOs. Cherry Creek, Littleton, Boulder and Denver are nearby districts that have used these as sources for funding.

We hope this information is helpful as you make our way to a decision for a potential ballot measure in 2023.

Sincerely,

James Maras

James Maras, Chair, on behalf of the FOC