

# No Standing News

Since we have no standing, we stand with those left standing

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## FUNKY FINANCE and the TOOTH FAIRY

"It will not cost the taxpayers any more than they are already paying." -Rolla School Board

"The good news is the tax rate will not increase to pay for this." – "It's Elementary" Committee handout

"I did not have sexual relations with that woman!" – President Wm. B. Clinton

To believe either of those statements it is necessary to suspend both reason and common sense. To claim that an additional \$8.5 million in debt will "*not cost more than you are already paying*" is the mother of all 'strategic ambiguities'; obviously we would be paying off another \$8.5 million. The School Board and the "It's Elementary" Committee are confident voters will not expend the time and effort to sort through their complicated funky financing to discover the truth. The "No Tax Increase" will cost district taxpayers an additional **\$15,178,526.00** in principal and interest payments over the next 20 years. Of that amount **\$3,235,313** is due to unnecessary interest-only payments that don't count toward reducing the principal! The 32.9¢ debt service levy to pay off the old and new bonds *will not cover both debts unless the state comes through with three extra payments of \$600,000 each*. The School Board doesn't know if they are eligible for the extra money and the state may not even have the money. If that falls through the Board *will have to raise the levy*, but the Board, Administration and the "It's Elementary" Committee keep telling us the payments can be made "without raising the tax levy." How's that for not having sense?

**Broken promises.** District teachers and parents trusted the 2001 "It's Worth It" Committee's slogans and promises and helped get the 80¢ levy approved. They believed that teachers and support staff raises were "guaranteed" for three years. Two of the promised raises materialized but the new money was also used to raise administrator's salaries and other non-essential spending. Now another front group is being used to misrepresent a second tax issue – with, as before, the active participation of some members of the board. Before the 2003 "It's Elementary" Committee has even unleashed the advertising blitz for this bond issue, the board was secretly discussing breaking the promises the last committee made in 2001. The Board is having an odd Sunday meeting this weekend to discuss a RIF of teachers and staff. None of this will be revealed of course, until after we vote on April 8<sup>th</sup>.

Why is the information they are handing out false and misleading? Why don't they just tell us the truth? Do any of the school "Business Partners" who have contributed money to the "It's Elementary" campaign, care that they are

financing another campaign to tell voters that an additional \$8.5 million debt is "*not going to cost them any more than they are already paying*"?

**Remedial reading for voters.** Instead of listening to the "It's Elementary" Committee sales pitch, this time voters should read the ballot language cautiously. The 2001 ballot said, "*For the purpose of attracting and retaining staff...*" That was ambiguous language so broad that it could be interpreted to mean anything from repainting the teacher's lounge to big pay increases for administrators. Here's how the April 2003 ballot reads:

"**Shall Rolla School District No. 31 of Phelps County, Missouri, issue general obligation bonds in the amount of \$8,500,000 for the purpose of acquiring, constructing, improving, furnishing and equipping all elementary school facilities in the District, including (1) constructing, furnishing and equipping additional classrooms, libraries and multi-purpose rooms, (2) removal of modular classrooms, and (3) making safety and other improvements to school premises, including improving traffic flow and constructing and repairing new and existing school parking lots?**"

It does *not* say the 32¢ debt service rate will *not be increased* over the next 20 years. Remember, they are bound only by what is on the ballot; not by any slogans or claims the so-called "independent" "It's Elementary" Committee campaign committee make in their advertising or what you *think* they mean. If the ballot wording is overly broad or imprecise the Board can and will interpret it anyway they want; they've already proven they will do that. For instance, parents probably want to assume that all the trailers will disappear but does it say they will get rid of ALL of them? What does "*other improvements to school premises*" mean? You might assume that it means improvements to other elementary classrooms but it can also

mean improvements to their new administration building – that’s also one of the “school premises” isn’t it?

**Cosmetic handouts.** The “It’s Elementary” campaign committee isn’t planning any open public meetings; they have as usual, talked to only ‘friendlies’ - special targeted groups of parents and service clubs that they think will give them sympathy votes. “It’s Elementary” that most district voters won’t get a chance to ask any questions before they vote. The questions below are the ones we’re hearing from people but unlike the committee we got our answers from the

### Questions You Won’t Get to Ask About the April 8<sup>th</sup> Bond Issue...

**How will it “not cost taxpayers any more than they are already paying?”** This is how the “No Tax Increase” gimmick works. They’re saying the *levy* of 32.9¢ won’t be increased but you’ll pay it for another 20 years so it will cost taxpayers an additional **\$15,178,526** in property taxes to pay off the new bond issue. On your tax bill you are already assessed a special *debt service levy* of 32¢ per \$100 of assessed valuation to pay off the old bonds – the ones they’ve just refinanced. If the new bond issue is passed, for another 20 years the 32¢ *levy* on your tax bill *may* remain the same because it’s being recycled to pay for the new \$8.5 million bond debt. It’s just tricky semantics when they say, “it won’t cost [you] more than [you] are already paying.” Committee Chairman Morris told the RDN on January 15<sup>th</sup> “*We’re just asking that you leave things the way they are.*” He also said, “*The additional bond issuance will not require that the tax levy be increased above its existing level.*” Unfortunately, Morris can’t make that promise and the board shouldn’t be making it either; odds are that they will have to raise the 32¢ *levy* within the next 24 months.

**Can they raise the levy after we have voted for the bond issue?** Yes. The debt service levy to pay bond debts is a separate, open-ended tax the board can raise with their own vote. It is not like the rest of the operating levy that can’t be raised without our vote. Notice on the ballot it only asks if you agree to another \$8.5 million in debt, it doesn’t say anything about the 20 years or the 32¢ *levy* so you aren’t voting on either of those conditions, the board decides those. *The School board is required by law to raise the levy to any amount necessary to make the bond payments and pay the bondholders exactly as they agree to do in the bond documents.* It doesn’t matter what they promise us they won’t do to get our votes for the new debt, they will and must make those bond payments no matter what we have to pay. (read it in: RSMo 164.011, 164.271) Each year before September 1, they have a hearing to set this rate. That’s when they can raise the levy if all their optimistic assumptions fall through and they wind up without enough money to make all payments for the first eight years – and, if the state bonus money doesn’t come through – for the first 12 years.

**How can they pass out printed information that says things like, “The good news is the tax rate will**

**George K. Baum “Debt Service Levy Analysis”** not the “It’s Elementary” Committee propaganda. If you have the “Dollars and Cents” handout from the “It’s Elementary” Committee - it’s wrong. The bad news, the figures that show the deficits, were cosmetically deleted for public consumption. The real payment schedule is available on the NSN web site. If the “It’s Elementary Committee” or the Rolla School Board can *prove* any of the following *financial facts* are wrong, we will print their corrections (and we won’t charge them \$25 for it either).

***not increase to pay for this” and “This is just like refinancing your home mortgage” if they may have to raise the levy?*** There’s a question we can’t answer. Why would they lie to voters and further damage the Board’s credibility? Maybe the School Board and the Committee just don’t understand what the financial analysis is telling them?

**The refinancing of the old bond debt will pay for the new elementary bonds won’t it? NO!** That began to circulate from early remarks made by the Board and the “It’s Elementary” Committee. How on earth could the refinancing of old debt pay for another \$8.5 million dollars in new debt? *The only connection between the old debt refinancing and the \$8.5 million bond issue is that we can’t afford to make payments on both for the next seven years and the Debt Service Fund will be depleted below the safety point to make up years of shortages in annual tax levy revenues.*

**Is this the last time we will be asked for more money?** Absolutely not. The board plans to come right back within the next two years and ask voters for another “no tax increase” increase before the old 69¢ temporary levy (the 18-year issue to renovate the High School) expires in March 2006. That means they will put up another ballot issue anytime, or several times, between now and November 2005. The ‘temporary’ 69¢ levy (which was supposed to only be needed to remodel the H.S. and some other building work) has become a necessary part of their budget – the magnet that attracts additional state match money. That will be sold as another voter issue that “won’t cost you any more than you’re paying now,” another “No Tax Increase” issue.

**Can they really pay off both debts without increasing the 32¢ levy?** George K. Baum, their financial advisor doesn’t think so. Their payment schedule – not the one that was in the newspaper, but the new one that they didn’t make public after they added another \$1 million to it – clearly shows the district ***will be unable to make the payments*** from the annual levy revenues on both the old and new debt ***for 5 of the first eight years!*** The Board will have to take an extra \$108,000 to \$300,000 in five of those eight years out of the Debt Service Fund (eating up their debt reserves) to meet the annual double debt payments out of the 32¢ tax *levy* earmarked for bond payments. This grim

projection from the Board's bond "expert" is based on the following rosy assumptions: 1) that the state won't cut back the State Aid formula, 2) that the revenues from assessed valuation will continue to increase, 3) that TIF won't erode the school tax base over the next 20 years and, 3) that the State Tooth Fairy will arrive in 2005, 2007 and 2009 with \$600,000 bonus money each of those years as shown in column (7) of the real debt payment schedule. The State Tooth Fairy in this case, is a special gift of \$600,000 - a special payment on Line 19 of the complicated state aid formula that is given to schools for not having any lease-purchase debt (our problem is that we DO have lease-purchase debt and would have to find an extra \$700,000 to pay it off before we could get the first \$600,000). It's only because of that dubious cash injection from the state that we *will* be able to make the full double debt payments for those three years - a risky assumption at best. Our Board doesn't seem to realize that The Tooth Fairy is getting her wings pulled off in the state budget battle and it's doubtful that she will be making more \$600,000 deliveries to bail out our fiscally challenged school board.

**If they don't get the extra state money, where will they get the taxes to make the double payments until 2011?** They will have to raise the 32¢levy - exactly what they're promising they won't do.

**If they are going to make interest-only payments on the \$8.5 million in new debt for the first 8 years, how much will that add to the real cost of the bond issue over 20 years?** It will add an additional **\$3,235,313** to the total the taxpayers have to pay off on the new bonds. This bond issue is like a giant balloon note. The first year (2003) we pay \$111,563, in interest-only, for the next 7 years we pay interest-only payments of \$446,250 each year. Because there isn't enough money from the 32¢levy to pay both old and new debts, like any other overextended debtor, we will be making interest-only payments of \$446,250 a year for 7 years, which is like throwing money away because it doesn't reduce principal payments. We start making the real GO bond payments to pay down the principal plus interest (again) from 2011 to 2023. However, if the state doesn't come through with the extra \$1.8 million the whole house of cards will collapse and the board will have to raise the levy rate to about 45¢ or 50¢ per \$100 AV to cover the annual bond payments.

**What happens if the state can't solve their budget crisis and they keep cutting back on State Aid to Schools?** The state can't "solve" their \$1 Billion (that's a "B") shortage without cuts unless Missouri taxpayers agree to increase their state taxes. Don't look for that or any other magic solution for the next 3 to 5 years. Most school boards started cutting back programs and expenses last year and again this year in anticipation of several lean years.

**Aren't the modular buildings a hazard to safety and a "long-festering issue" that needs to be resolved?** The Ryan K. Morris "long festering" comment is typical

"Committee-for-Any-Tax-Increase" hyperbole. After 17 years of having modulars and no fire or Life Safety Inspections the board discovered the "long-festering safety issue" just in time for this campaign. No one likes having children in temporary buildings but it's not the worst thing that can happen to a child at school - the worst thing is having a poor teacher. According to their own architects and the Rolla Fire Chief, the safety hazards with the modulars are due mostly to the fact that the board has never tried to comply with fire codes; they deliberately jammed the new modulars up together at Mark Twain to put pressure on voters for this election. You'll notice the planted Mark Twain modulars was the background shot in the paper in the first of their School Bond Issue series of articles. Their calculated negligence has now become your pocketbook issue. Couldn't the \$30,000+ they're spending on topsoil for the new soccer fields, fences and other projects been used to address some of the safety issues? Certainly, but the board's priority was creating a regulation Soccer Association playing field - not curing the "long-festering issue."

**If the \$8.5 million bond issue isn't approved, the Board won't be able to build the new administration building will they?** Oh yes they will. That very special **\$3,585,000** project is entirely *independent* of your vote on the elementary schools project. The insurance money from the fire plus the cash from the sale of land to Family Video and money from the anticipated sale of the old church (that they couldn't rent but just had to pay cash for last year) will be added to a \$1.5 million special appropriation of "free" money from the state to give them a new office and a totally unnecessary addition to the Vo Tec building. The board went to considerable pains to make sure they could still have this building whether the grade school additions are approved or not.

**Was there a better way?** Yes, our School Board lurches from one financial crisis to another without taking a look at the impact of each decision on future budgets. There is no long-range plan for the district; there isn't even a short-range plan. Doubling kindergarten expenses (the only reason for the purchase of more modulars last summer), buying a run-down old church instead of renting it, stacking the administration building on top of the new Vocational Center building - all were poorly planned, knee-jerk decisions with no thought as to how their 'new' stuff will add 'new' costs to further bloat the annual overhead. What is the added cost of heat, light, maintenance and the new furniture and equipment for the new "layer cake" Admin/VC building? They don't know; they haven't been willing to spend the time to find out all those dull little details. They could have waited 4 years, paid off their old debt and tightened every non-essential belt they could find to wait out the state budget storm. We know that paying off debt instead of re-refinancing it is a really old-fashioned way of doing things, but there you are - we're just hopelessly old-fashioned. We also think truly gifted teachers should be paid as much as administrators - how's that for crazy? We also think that kids rarely remember the classroom décor but they never forget the few special

teachers who challenged them and helped them learn even though it wasn't always "fun" or a "new, new" something-or-other.

Instead of contributing money to the "It's Elementary" committee, school board members should be begging us *not* to vote for this bond issue. We think the Board and Administrators should cancel plans for their new offices and the Vo Tec building, quit dining on the district, quit going to MSBA parties at the Lake and conferences all over the country to prove they are willing to make some of

the sacrifices they will be demanding from district employees and parents for the foreseeable future. We think they should quit trying voter's patience with their careless decisions, their arrogant violations of the Sunshine Law and start learning to manage their budget instead of just rubber-stamping it. We think 'It's Elementary' that grown-ups who are running a school system shouldn't base 20 years of debt on the assumption that nothing will go wrong and the Tooth Fairy will arrive with a bailout in the nick of time.

**"Debt Service Levy Analysis"** prepared by George K. Baum for the Rolla School District:

< [http://www.rollanet.org/~rwnash/EXHIBIT\\_2D.pdf](http://www.rollanet.org/~rwnash/EXHIBIT_2D.pdf) >

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