

The Rocky Mountain News - editorial

Fixing decrepit schools Plan for boosting construction pot is a winner

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Nearly half of Colorado's 178 school districts have such a small tax base that they lack enough bonding authority to finance a single school building on their own.

The funding shortfall is growing more urgent because too many of these districts must educate their children in decades-old, crumbling facilities with walls and floors that are sometimes literally held together with duct tape.

Unfortunately, many state construction grants are barely enough to cover emergency maintenance, let alone sufficient to replace or refurbish existing structures. In fact, House Speaker Andrew Romanoff, D-Denver, told us that districts often dip into their operating budgets to pay for such basics as ventilation and insulation.

Meanwhile, revenues from the Colorado Public School Permanent Fund - including interest and revenues from commercial leases and mineral royalties generated on the state's School Trust lands - have risen in recent years. They've grown from about \$56 million in Fiscal Year 2004 to more than \$75 million this year, and could regularly surpass \$90 million for the foreseeable future.

The state constitution (wisely, in our view) prevents the legislature from depleting assets in the Permanent Fund. So this week, State Treasurer Cary Kennedy, Romanoff and Senate President Peter Groff, D-Denver, unveiled an innovative proposal that would bring immediate relief to the most desperate districts without imposing new taxes. We think they've hit upon a responsible way to address what is becoming a safety nightmare in rural Colorado.

Rather than issuing new debt, which would require a vote of the people, the plan would use "certificates of participation" to raise money up front for major construction grants to school districts. The COPs would be repaid with a portion of the Permanent Fund's revenues - perhaps \$30 million to \$40 million a year. Kennedy says a funding stream of that magnitude would allow the state to immediately raise as much as \$500 million with a 20-year repayment schedule. Local contributions could enlarge this pot to as much as \$1 billion, as many districts do have some bonding capacity.

If the plan becomes law, in other words, a lot more money would be available to build schools. In a lawsuit settled in 2000, the state agreed to provide \$190 million over 10 years for school construction to impoverished districts. The program touted by Kennedy and legislative leaders could immediately retire that obligation.

Moreover, Senate Bill 41, passed by this year's legislature, gave a higher priority to districts that cited specific safety and health concerns in their bids. That should give a leg up to districts that can't raise sufficient construction capital on their own.

In recent years, former state Treasurer Mark Hillman and several Republican lawmakers have argued in favor of building the value of the Permanent Fund, which has historically invested only in low-risk, low-yield securities such as government paper and corporate bonds.

They make a solid case that the fund could grow a lot faster if it invested in stocks or mutual funds and that once the fund grew to a certain level, interest alone could provide tens of millions of dollars for construction.

The problem is, the state constitution says the fund must be operated "securely" and "profitably." It's not clear the state treasurer could invest in equities even if the legislature authorized it. Moreover, some districts cannot wait the decade or longer it would take to dramatically expand the Permanent Fund. Their needs are immediate.

We applaud Kennedy and legislative leaders for finding a creative solution that could quickly make schools safer, more comfortable places to learn.

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