

BILL # HB 2440

TITLE: schools; impact aid revenue bonds

SPONSOR: Norris

STATUS: As Introduced

REQUESTED BY: House

PREPARED BY: Patrick Fearon

FISCAL YEAR

EXPENDITURES

	2001	2002	2003
General Fund	\$-0-	\$-0-	\$-0-

FISCAL ANALYSIS

Description

The bill would allow school districts to issue “impact aid” revenue bonds to finance the acquisition of land, buildings, and vehicles for school purposes. The bonds would be payable solely from federal impact aid revenues received by the school district pursuant to 20 U.S.C. § 7701-7714, and would have to be paid in full before the expiration of that law. A school district could issue bonds in a total aggregate amount not exceeding 3 times the district’s average impact aid revenues over the 5 years immediately preceding issuance. A bond election would not be required for bond issuance under the bill.

Estimated Impact

We estimate that the bill would have no cost to the state.

Assumptions

Local governments and school districts receive federal impact aid revenues to compensate for property tax revenues lost because of federal or tribal property in their jurisdictions. Those properties are not subject to local property tax levies.

The bill states that it would not authorize the governing board to obligate or use any school district funds other than impact aid revenues for the repayment of impact aid revenue bonds. We assume that “repayment” here refers not only to repayment of principal but also to payment of interest. Otherwise local property tax rates might have to go up to pay for interest expenses, which potentially could increase the cost of the Homeowner’s Rebate program pursuant to A.R.S. § 15-972 (a state General Fund cost).

Local Government Impact

The bill does not authorize the use of impact aid revenue bond proceeds to pay for bond issuance costs. These costs typically range from about 1% to 2% of the principal amount issued. If the amount of bonds issued were modest, issuance costs could be absorbed by the school district’s budget. More substantial issuances might require an increase in local property tax rates, although eligible districts typically use federal impact aid monies to reduce their effective local property tax rates to zero. It therefore might be possible for eligible districts to use federal impact aid to indirectly pay for bond issuance costs by using that aid to pay for higher tax rates required for bond issuance.

Amendments

None.