**Sponsor Statement HB 310**

School Debt Bond Reimbursement

HB 310 extends Municipal School Debt Bond Reimbursement until November 30, 2013 (it is currently scheduled to sunset on November 30th, 2010). Under the program the State reimburses municipalities for up to 70% of their payments (principal and interest) made during a fiscal year for the cost of new facilities and major renovation of existing facilities. A municipality qualifies for 70% reimbursement if their project is within the state space guidelines as laid out in 4ACC.31.020. The percentage the State reimburses a municipality is reduced to 60% if the project exceeds those space guidelines.

If a municipality decided to build a new school, expand or rehabilitate an existing one, they apply to the Department of Education and Early Development. The Department determines if their application meets the 60/40 or 70/30 reimbursement schedule. There is no time frame in which the municipality has to use the bonding authorization once it is received. If approved, the municipality goes out to bond on the project and builds, expands, or rehabilitees a school. Payments on the bond work similar to a personal mortgage. Once paperwork is filled out the state directly reimburses the municipality for either 60% or 70% of those payments on a bi-annual basis for the life of the bond. Payments are subject to appropriation by the legislature annually and appear in the language section of the operating budget. This year the State portion of the school debt bond reimbursement payments amount to approximately $106 million.

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HB 310/A

1/28/2010