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Interest-free loans may aid school projects

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With leaking roofs and budget cuts brought about by a poor economy, Washington County school officials are concerned about what the future may hold for their school facilities.

State Rep. Matthew Hill invited State Treasurer David Lillard to meet with him and Washington County school officials Thursday afternoon to discuss the system's needs and where funding may be available. A top concern was capital projects – particularly much-needed new roofs for several county school buildings. While the county schools received nearly \$2 million in stimulus funds, none of those monies could be used for capital projects.

Director of Schools Ron Dykes has said that a roof replacement at Gray Elementary is foremost on the list of facility needs. The flat roof is original to the 20-year-old building, and according to Dykes is showing signs of deterioration and active leaks. That replacement is estimated to cost just more than \$1 million and will be funded, along with repairs for David Crockett High School's roof, by the County Commission.

Fall Branch, Boones Creek and Sulphur Springs elementary schools are also in need of roof repairs or replacements. Funding for those capital projects are currently not available.

Lillard told school officials one possibility for the county would be Qualified School Construction Bonds.

“It's for new construction and also for repair and rehabilitation,” Lillard said. “A roof would fit right in to that. There may be other needs that fit right into that as well. For instance, Science Hill's application with the city of Johnson City combined new construction with repair and rehabilitation.”

Lillard said the QSCB funds are basically a provision in the tax code that allows the state to issue bonds, interest free, to school systems.

“The good thing about these funds is they are basically interest-free financing that will need to be paid back over 15 years,” Lillard said. “I’m sure your county government gets a good rate on the bond market today, but interest-free financing is the best rate you can get. In addition to (that) there is a feature in this financing where as the debt service payments are paid back over the 15 years, the Treasury Department of Tennessee will invest the proceeds of those debt payments that we only have to pay back the actual bond holders toward the end of the term ... and the earnings off of them will be used to reduce the principal amount. So you will probably, in all probability, pay back less than you borrowed.”

Since Tennessee school systems cannot borrow funds directly, the County Commission would have to pass a resolution stating it supports the school system’s application for QSCB funds and that it stands for the debt.

“I’m a former county commissioner myself so I understand this and ... when you’ve got school systems that have some roof problems you have some significant issues that you have to deal with rather quickly,” Lillard said.

He said the QSCB funding option was a good opportunity to finance projects without negatively impacting the county’s balance sheet and its credit rating.

“We’re always looking for pools of money – especially now with the budget and economy and everything else,” Hill said. “The No. 1 priority is education and we all know that. (Lillard) can help us find those pools of money that can be turned back to Washington County schools to help our kids and help our school system.”