

# **Chalkboard**

By

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I ended the last Chalkboard promising that the theme of this one would be “Sure we’re planning but who’s paying?” If you read the last piece you know that it explained the work of a current committee formed to work on Gentry Public Schools’ 2009-2011 Master Facilities Plan. That article reviewed past building projects and speculated on what might be next.

The title for this piece was posed because the first consideration for any building project deemed necessary is how to fund the venture. It is probably appropriate to dwell on this for a moment as Christmas has just passed and many credit or debit cards are still smoking.

The cost of the new K-2 Primary School was about eight million dollars. Obviously the school district did not have that amount of money on hand in a savings account for that large an expenditure. If you are aware of the process you know that the district issues bonds, much like getting a mortgage on a house, and pays off the debt over a long period of time. Schools, often like individuals do, often refinance that debt to buy something else and extend the debt on into the future. In the case of schools, that re-issuing of debt is done most commonly for other building projects.

Yes, Christmas is over and those who used credit cards may look forward to getting that bill in about a month. Long after the tree is back in back in storage and the new toys are scattered about, those bills keep coming. It works like that for schools also. Bonds are often sold for long periods of time up. At Gentry that period is usually 30 years. Having said that, I note that the bonds issued to build the current high school in 1980 and the debt incurred to issue those bonds was due to be paid off in about 2015. It would be difficult to track that exactly as those bonds have been refinanced to generate additional monies for some of the projects at Gentry that were listed last week. Translated, the district will make about 1.2 million dollars in bond payments each year until the year 2015 and about a half a million dollars in debt payments each year after that until the year 2034 just to pay off the buildings that we currently use.

Those who bought Christmas presents on credit understand they have borrowed on money not yet earned. That is true for schools also. In the individual’s case it is a paycheck or some other type of personal revenue being received that allows the bills to be paid each month. In the case of schools it is primarily local tax revenues that fund debt service payments.

In the Gentry District voters have allocated 15 of the 42.9 mills that the district levies for paying back bonded debt. The voters also have approved that any money generated by debt service mills not necessary to make the yearly bond payments may be used for other school purposes.

A mill is 1/10<sup>th</sup> of 1 cent or 1/1000<sup>th</sup> of a dollar. The following example is often used when the Gentry district asks the voters to increase the district's millage rate.

“An individual owns real and personal property with an assessed value of \$100,000. This amount is multiplied by .20 or twenty percent to derive the dollar amount of property that is to be taxed. In this example the taxable amount would be \$20,000. This amount is then multiplied by the millage rate to determine the amount of taxes owed. In this example, 1 mill would cost the taxpayer an additional \$20 per year in local taxes. One mill in the Gentry School District generates approximately \$132,000 at a 100% collection rate or about \$125,000 at a 95% collection rate.”

Now that you, the reader, are an expert on financing school construction projects, let us get back to the question of who pays. The answer is easy. You do. Without you approving additional mills the school cannot build new buildings.

I write all this to say your opinion on the future direction of the school district is very important to both the school board and the school administrative staff. The school board will hear from the district's master Plan Committee at its regular meeting on January 21, 2008.

A time will be provided for you to share any thoughts you might have on this matter. Consider this my personal invitation to you, “the purchaser” to make your voice heard.