



# SASBO NEWS

Publication of the Southeastern Association of School Business Officials

Winter 2009

## PRESIDENT'S MESSAGE



Since becoming President, I have actively sought input on what services or resources members would like to see added. Over the past several months, the Expert Exchange webcasts have been initiated and last month, the first Facilities Masters conference was held in Little Rock, Arkansas and was a rousing success.

There has also been a good amount of interest in providing a resource center for our members to access relevant information to assist them in performing their duties. You spoke and we listened. It is my pleasure to announce that SASBO has entered into an agreement with Pennsylvania ASBO to share a database of best practices and resources in school business management. This partnership will provide access to documents, RFP's, job descriptions, policies and many other resources in the areas of finance, human resources, child nutrition, facilities and materials management and technology. In addition, to Pennsylvania ASBO, Arizona, Connecticut, Illinois, Oregon and Wisconsin ASBO's participate in the sharing of information for this resource center. SASBO, over the years, has accumulated a substantial amount of electronic files on past conference sessions and presentations. This data will be uploaded to the resource center. We hope to have the logistics worked out shortly and have a link to the database in early 2009. Until then, you can access the resource center at [www.pasboerc.org](http://www.pasboerc.org).

As I mentioned earlier, the Facilities Masters Conference was exceptional. We had a full slate of topics involving current issues and innovative ideas and technologies to improve educational facilities. In addition, the conference was invaluable as it gave attendees a chance to network with experts to share successful strategies. I want to thank all the sponsors and speakers for being with us and supporting this event. Special kudos goes to Lee Prevost and the Dudes of SchoolDude for all the time and effort extended to make this conference a success. Plans are already in motion to have this conference become an annual event.

In just a few months, the annual conference will be held in Charleston, West Virginia. Pre conference activities will include white water rafting and a tour of the area surrounding Charleston. Be sure to mark your calendars for April 27-May 1, 2009, as this promises to be a rewarding and entertaining conference.

Groucho Marx's quote "It isn't so much that hard times are coming; the change observed is mostly soft times going" is quite relevant in our current economy. While this may be a difficult year financially for our districts, try to stay the course and hopefully this downturn will be short lived. Until we see each other again, take care and may all your problems be behind you and your successes be around the corner.

*Robert "Rob" Terry*  
*SASBO President*

### What's Inside?

2009 Conference Overview  
2009 Speakers and Educational Sessions Information  
Tour and Golf Information  
How to Register for the 2009 Conference  
State News  
Feature Article – "Walking the Public Finance Tightrope"

**GO to**  
**[www.regonline.com/2009SASBOconference](http://www.regonline.com/2009SASBOconference) to**  
**register for the 2009 Conference**

## STATE NEWS

### **Alabama ASBO - Karen Lusk-Smith, AL Director**

Amendment One passed the November 4th election at 57% of the vote here in Alabama. The amendment was able to accomplish the following:

- Revised the existing Education Rainy Day Account by (1) Making the cap on transfers proportional in order to keep up with growth in the Education Trust Fund (ETF) and (2) Expanding the coverage of the Rainy Day Account to protect all programs and services funded from the ETF, not just schools, such as: immunizations for school children, voluntary Pre-K, and public libraries.
- Established a General Fund Rainy Day Account to protect General Fund services, such as law enforcement, health care, child protective services, and services for seniors from cuts in a struggling economy, without raising taxes. Alabama is one of only three states without some type of General Fund Rainy Day Account.
- Lengthened the repayment period to six years for the Education Trust Fund, ten years for the General Fund, both under constitutional mandate.
- Gave the governor ultimate authority to withdraw money from the Alabama Trust Fund to avoid proration.

The Governor declared proration in the education budget of 12.5 percent. However, the amount of proration will be lessened with the use of some of the Rainy Day Fund for education. The Governor is withdrawing \$218 million from the education Rainy Day Fund to lessen the impact of proration. The use of the \$218 million will result in an effective proration rate of 9 percent. The second half of the Rainy Day Fund will be distributed during the remainder of the fiscal year to reduce the effect to 5.59 percent.

AASBO finalized the agreement with Manchester Metropolitan University and the University of Alabama to establish the certification program for Local School Financial Management personnel. Parties from both AASBO and MMU have worked together on the program development and training modules. Several students from MMU will be visiting Alabama in February to observe our program and visit some area local schools.

We are also partnering with the Alabama Association of School Boards and the School Superintendent's of Alabama to initialize a state-wide investment fund.

### **Arkansas ASBO- Scott Stone, AR Director**

January will be a very busy month for the Arkansas School Business Officials. The Arkansas State Legislature will begin their sessions in January. The Arkansas School Business Officials will host a breakfast for the legislatures early in the session. We have not done anything like this before.

The Arkansas Association of School Business Officials will have their annual conference January 29 and 30, 2009. Debra Dixon Doss will represent SASBO at the conference. We look forward to hearing her presentation. This will help jump start the SASBO Conference to be held in the spring.

We have several committees that are presently meeting. The association has also started a mentoring program. Damon Dean has really worked hard to get this program started. We are really excited about the potential this program will have for our members.

### **Florida ASBO – James “Jim” Drake, FL Director**

As most of you are painfully aware, the global economy is in a recession and all of our budgets are in freefall. School districts across the State of Florida are feeling the stress of lower funding. We are starting to prepare budgets that reflect approximately 17 percent less funding than we had just 18 months ago while battling the effects of unavoidable higher costs. Most school districts in the state are reducing staff, eliminating salary increases, and reducing expenditures, particularly travel and professional services.

On a brighter note, SASBO State Director and FASBO board member Jim Drake has been appointed as the new Assistant Superintendent for Business Services of Manatee County Schools. As the old saying goes “timing is everything!” Good luck in your new position.

### **Georgia ASBO – Sharon Adams, GA Director**

The Georgia School Boards Association (GSBA) in partnership with the National Alliance for Insurance Education and Research began offering a Certified School Risk Management (CSR) Certification Program in Georgia. This nationally recognized certification will be an asset to all School Risk and Employee Benefit Managers. GASBO Members are looking forward to participating in this program.

The economic forecast in Georgia has not improved. Unemployment is at 7% and revenues are predicted to be \$2.6 - \$3 Billion short state wide.

We had predicted a less than stellar attendance for our November 2008 GASBO conference but were pleasantly surprised. Our own Debra Dixon Doss presented two work sessions: “Interviewing 101” and “Is the workplace getting weird?” Both sessions were a hit and well attended.

### **Kentucky ASBO – Willie McElroy, KY Director**

KASBO's Fall Conference in Bowling Green, November 19-21, 2008, was well attended with over 340 participants. As a reminder the KASBO Spring Conference will be in Louisville on May 6-8, 2009 at the Galt House.

A major concern for Kentucky School Districts is the State of Kentucky budget for 2008-2009. Current forecast indicate a \$485 million shortfall in revenue for this fiscal year. Legislative action in January 2008 will decide how the state will handle this drop in revenue. Kentucky School Districts have been asked to provide information on how each district would handle a 4% reduction in state funding.

### **Louisiana ASBO – Bill Hebert, LA Director**

LASBO held its Fall Conference on Tuesday, November 18 in Marksville, Louisiana. A new record for registration and attendance was achieved, which was a pleasant surprise. Overall, the conference was a huge success. Now, the Board turns its attention to finalizing its plans for the LASBO Annual Conference to be held in Shreveport-Bossier City on March 18-20, 2009. Juanita Duke, president of LASBO and Billie Tripp, our conference coordinator, are confirming the roster of presenters for the informative workshops that will hopefully keep the attendees abreast of current developments in the school business field. The conference theme is based on the story and characters from “The Wizard of Oz.” You can use your own imagination as to how that will impact the design of the conference. (It’s a good thing Kansas isn’t part of the SASBO family, or we might have some serious explaining to do!)

Unfortunately, Louisiana is not immune to the effects of the national recession that has seriously impacted our financial affairs. A good bit of the state’s revenue is derived from oil and gas severance taxes, which have plummeted with the drop in oil prices. The Governor has announced current year budget cuts along with an anticipated state deficit of \$1 billion for the 2009-2010 fiscal year that will have to be addressed in the upcoming legislative session. Needless to say, this news will have a major impact on public education funding in Louisiana. The 2009 Legislative session promises to be one of the most contentious in recent memory.

### **Mississippi ASBO – Sandy Halliwell, MS Director**

MASBO members have been working with the Mississippi Department of Education to standardize monthly financial reports for school districts to present to their local school boards. Education on the standardized reports will allow school board members to be more knowledgeable of the current financial position of their districts and give them reasonable assurance that reporting is up-to-date.

MASBO is also in discussions with the Mississippi Department of Education to establish new requirements for Business Managers and to define “At-Risk” expenditures for our basic funding formula.

The Board of Director’s of MASBO has finalized plans for our annual conference to be held February 9 – 11 in Jackson, MS. The theme of “Show Me the Money” was adopted in anticipation of educating school business officials and their support staff on ways to possibly cut expenses and still maintain quality services.

### **North Carolina ASBO – Shirley Bess, NC Director**

NCASBO is looking forward to a great Winter Conference February 16-19, 2009 in Greensboro, North Carolina. The School Business Management Academy continues to grow.

Other news in North Carolina which is taking a toll on all of our schools is the economy. With the lack of revenues to support the State Public School Funding, the LEAS have been ask to revert back \$58M dollars or 0.75% of their allotted State Funds.

### **South Carolina ASBO – Tom Ashley, SC Director**

South Carolina Association of School Business officials enjoyed a successful Fall Conference in November. However, the major discussions were state budget cuts. From July thru November, South Carolina school districts have experienced over 105 million in mid-year state budget cuts. This does not include an additional 7% cut which was announced last week. Districts are evaluating their budgets to determine what actions are needed to deal with these cuts. Districts have cut supplies, eliminated non-essential travel, implemented hiring freezes and dipped into their reserves to deal with these drastic cuts. We anticipate more cuts before the end of the fiscal year.

### **Tennessee ASBO – Roger Underwood, TN Director**

Tennessee, as in all other states, is experiencing a revenue shortfall. Currently, the State is asking all departments to prepare for a 14.6% reduction in the current year budget. In addition to that reduction, the Governor has asked the departments to find an additional 5% savings in case the economy remains at the current level. All departments will be cut except pre-kindergarten through high school education. The concern of local school districts is that funding for next year may be drastically reduced for all departments including education. Many districts are already looking at any and all cost savings measures for the 2009 – 2010 budget year. Historically, most districts received some increase over previous year funding, but that is not expected for the coming year. Budget cuts for the coming year will be deep and hurtful to everyone. It could be like the ship trying to lighten its load, throw everything overboard that is not tied down. This problem is not just in Tennessee; it is across the country.

### **Virginia ASBO – Jim Thorsen, VA Director**

As with other members of the SASBO family, Virginia finishes 2008 and enters 2009 under a cloud of financial insecurity! We are anxiously awaiting the “bad” news from the Commonwealth as we prepare our budgets for the 2009/2010 school year. School business officials will be challenged to become even more creative in discovering means to meet the needs of our students at a time when money is scarce!

VASBO is preparing for the Winter Conference in Richmond, Virginia on February 6, 2009. Some of the informational topics include: Recovering Costs for Facility Use, OPEB Trust, Energy Management, Virginia Retirement System Update, Approaches to Budget Restrictions, Basics of Body Language and Communicating Bad Budget News.

We hope the cost-cutting measures already implemented in many school divisions will not keep our members from attending this conference.

VASBO wants to assist Virginia’s School Business Officials as they face the difficult financial future by being a partner. As our President Dennis Jarrett, said in our Fall 2008 Newsletter, “By participating in these professional development activities you will be equipping yourself with the tools and network of resources to help answer that question, “Where to?” in the daily decision making in your school division.”

**West Virginia ASBO – Continued on page 11.**

## Schedule

### 2009 West Virginia and Southeastern Associations of School Business Officials



<b>April 27, 2009</b> <b>Monday</b>	White Water Rafting Tour SASBO and WV Board of Directors Meetings	7:30 am – 5:30 pm TBD
<b>April 28, 2009</b> <b>Tuesday</b>	Golf Tournament/Tour of Area Registration WV Specialty Day Pre-conference Certification Class “What Kind of Leader Are You?” Opening General Session w/ <i>Kelly Swanson</i> Hospitality and Networking	7:00 am - 4:00 pm 8:00 am - 4:00 pm 9:00 am -4:00 pm  noon - 4:00 pm  4:30 pm - 6:00 pm 6:00 pm - 7:00 pm
<b>April 29, 2009</b> <b>Wednesday</b>	Registration Exhibitor Meeting and Set Up Educational Round Tables Exhibits Open w/ Special Events Educational "Gems" Conversational Cafés Second General Session and Luncheon Enjoy Charleston	7:30 am - 11:00 am 7:00 am - 10:00 am 8:00 am -10:00am 10:15 am -4:30 pm 10:15 am - 5:00 pm 12:30 pm -2:00 pm
<b>April 30, 2009</b> <b>Thursday</b>	Registration Educational Sessions Educational Sessions Educational Sessions Third General Session, Business Session and Luncheon Super Sessions and WV State Update Board of Directors Meeting Let the Games Begin - Dinner and the <i>Quest For the Best</i>	7:30 am - 11:00 am 8:30 am - 9:30 am 9:45 am -10:45 am 11:00 am - noon  12:15 pm -2:00 pm 2:15 pm - 4:15 pm 4:15 pm - 5:30 pm 6:30 pm -till
<b>May 1, 2009</b> <b>Friday</b>	WV Legal Issues and Business Meeting	9:00 am -11:00 am

## Conference Highlights

### Hotel Reservations and Site of the 2009 Conference



### Marriott Town Center and Charleston, West Virginia

The Marriott Town Center at 200 East Lee Street, Charleston, WV is the site of the 2009 WV-SASBO Conference, April 28-May 1, 2009.

*Special rates starting at \$119.00 plus taxes are available at the Charleston Town Center Marriott. For reservations go to <http://www.marriott.com/hotels/travel/crwwv-charleston-marriott-town-center/> or call 304-345-6500. The group code is SASSASA.*

The charming Charleston Marriott Town Center hotel is conveniently located near Charleston Yeager Airport & Tri State airport, with a complimentary shuttle to/from the Yeager airport. This 352 room hotel is located in the heart of downtown Charleston attractions and within minutes of the Charleston Civic Center, University of Charleston, and Tri State Racetrack & Gaming Center Casino. Relax at the Whitewater Grille restaurant or enjoy the health club, swimming pool, nearby golf courses, whitewater rafting & shopping at the Charleston Town Center Mall. With beautifully landscaped grounds and excellent service, this Charleston hotel is the perfect choice for business, weekend getaways, family & leisure travel. Charleston is the capital city

of West Virginia and the intersection of three Interstate highways. With a metropolitan population of over 300,000, Charleston is home to a variety of sports, recreational, and cultural events. The West Virginia Symphony Orchestra plays in the newly built Clay Center and the West Virginia Power Class A Minor League baseball team plays several blocks away at the new Appalachian Power Park. For more information on Charleston visit <http://www.charlestonwv.com> the Charleston Convention and Visitors Website.



### Transportation Information

The Charleston Marriott Town Center is conveniently located near the Charleston Yeager airport, Tri State Airport, Amtrak train station and Highways I-77 and 119. The Charleston/Yeager (CRW) Airport is a breeze to get in and out of. The airport has service provided by Delta Airlines, Continental Airlines, Northwest Airlines, United Airlines, and US Airways

If driving from airport to the hotel take the Exit Washington Street/Civic Center. Bear left. At 2nd light, turn left. The hotel is 2 blocks down on left side. Airport transportation complimentary shuttle is available from 5:30 am - 11:00 pm Monday through Friday and 6:00 am - 11:00 pm Saturday and Sunday. Contact the hotel for the complimentary shuttle at 1-304-345-6500.

## Tuesday, April 28, 2009 Pre-Conference Certification Class

### What Kind of Leaders Are You?

Joel McKenzie, Regional Vice President  
American Fidelity

Noon – 4:00 pm (4 Hours CPE)

Cost: \$50.00 per person Pre-registration required.

Each of us has our own leadership personality or style. In this class you will learn what your leadership style is and how to use it in conjunction with the styles of those you lead. What kind of leader you are impacts others around you and the results you can achieve together.

## Conference Highlights

### Opening General Session, Tuesday, April 28



Using Humor to transform your life from coal to diamonds.

Kelly Swanson

And, by the way, life never goes as planned. There's a part of the fairy tale they never told you about - the part where the charming prince grows a spare tire, the princess develops anger issues, and dreams of happily-ever-after turn into unpaid bills, dirty laundry, and dreams of killing him in his sleep. At some point, even the fairest of us all finds a page ripped out of our fairy tale. Join us as award-winning storyteller and humorist, Kelly Swanson, will takes us on a hilarious and inspiring journey with her wacky cast of southern characters who will charm you, inspire you, and remind you how to stay on the funny side of life - even when things don't go the way you planned.

Kelly has opened for Loretta Lynn, performed on Holland America Cruise Lines, and was a featured artist at the Best of Our State Festival and the National Storytelling Festival. Our State Magazine calls her "One of North Carolina's Funniest Women." Kelly is the author of several books, CD's, and DVDs. She has won awards from the Parenting Publications Association and the Film Advisory Board. Her work has been featured in Speaker Magazine, Brio Magazine, Her Magazine, Entrepreneur.com, and extensive online publications. Kelly's keynotes and break-out sessions not only entertain - they instill inspiring messages of encouragement and hope. Her husband calls her a mix between Minnie Pearl, Oprah Winfrey, and Martha Stewart. She'll make you laugh, touch your heart, and teach you to make a throw pillow out of a pair of old socks.

### Annual Meeting and Award Luncheon Thursday, April 30

"We Are Family" at this special luncheon that will honor the Outstanding Business Official from each of the Southeastern States. The Annual Business Meeting and election of Board Members will be held. An outstanding group of students will entertain the attendees.



**"Quest For the Best"**  
**Thursday, April 30**

At the final event of the conference you will get your chance to win a wide range of exhibitor door prizes, enjoy dinner and see if your state can out play the other southeastern states and be declared the winner of the "Quest for the Best". "Quest for the Best" combines wireless audience response keypads and special lockout podiums that involves everyone with awesome interaction. Winners will advance to the Grand Finale! Will YOUR STATE be the last one standing?

## Conference Tours and Golf Activities

### “Touring, Coal Mining and Shopping”

Tuesday, April 28, 2009

8:00 am – 3:00 pm

Cost \$62.00 per person

Please note this tour may be cancelled if the minimum number of participants is not reached.

You will get a brief tour of Charleston before traveling to the Beckley Exhibition Coal Mine where we will tour an authentic “old-time” coal mine and learn how it was done! You will have the opportunity to visit a restored “Coal Miner’s House,” a Superintendent’s House, Church, one room Schoolhouse and museum which are all located on the premises. The temperature in the mine averages from the low to mid 50’s so you will want bring a jacket for this tour.

From there we will go to Tamarack, a unique “under one roof” facility offering year around festivals, workshops, performing arts, demonstrations and actual craft production and retail areas – all West Virginia products. While at Tamarack you will have lunch on your own in the food court which is operated by The Greenbrier Hotel and Resort and have time for browsing and shopping before boarding the coach for the hotel.



### “Whitewater Rafting on the Lower New River”

Monday, April 27, 2009

7:30 am - 5:30 pm

Cost \$180.00 per person

Please note this tour may be cancelled if the minimum number of participants is not reached.

History, scenery, and lots and lots of rapids are what a Lower New whitewater trip is all about when you go rafting with Class VI. A trip down the Lower New is a great way to spend a vacation in a day, and we'll prove it. For more than 30 years, Class VI has been "In Quest Of Too Much Fun". It's an experience we want to share with you on our home river, the Lower New. In the morning, you'll meet at Class VI Base and get introduced to everything you'll need for your trip, from check-in to helmets to guides and everything in between. Once at the river, each guide will help show you how to get the most from your river trip, emphasizing teamwork and fun. Once the rapids begin, you'll be ready. Passing old mining towns, ferry sites, and coal camps as you wind your way down the river, the feeling of history in the gorge is hard to escape. When the rapids start to come, you won't be thinking about history as much as your immediate future as you paddle your raft through the waves and over the ledges that make up the world class whitewater of the New. There's plenty of floating and swimming to do in between the rapids, along with stops at Jump Rock and a huge gourmet deli-style riverside lunch. In the afternoon, head back to Class VI to watch the video of your trip on the big screen in Chetty's Pub. The Lower New is an amazing river experience, a trip that makes lifetime memories, and we want you to come see it with us!

Class I to Class V rapids with pools perfect for swimming. The river flows through a rugged canyon up to 1300 feet in depth exposing rocks as old as 330 million years while passing through an area rich in coal mining history. Great for beginners as well as experienced rafters!

#### Trip Details:

- 4 to 6 hour river trip
- 8 man rafts
- Deli style lunch served riverside
- All rafting equipment provided\*
- Complimentary beverage at the end of the day

\*Due to the time of year you will need a windbreaker and a farmer-john wetsuit. These items will be supplied by Class VI at an extra cost. This cost has already been built into the price of your trip.

#### Extra Add-Ons:

Class VI try's to video every raft trip.

Whitewater Photography shoots several photographs of each raft during your raft trip. Photographs are delivered to our facility by the time you return. You can purchase a photo or a disk of all your favorite shots at Class VI.

# SASBO Golf Tournament



Edgewood  
Golf Course

Tuesday April 28, 2009

**Tee Time**

10:00 a.m.  
(Shotgun Start)

### Four-Person Captain's Choice

*For all you non-golfers, that means the team picks the best shot and you keep going at it until the ball goes in the cup.*

**Open to SASBO Members,  
Family, Friends & Vendors.**

*You don't have to play well, just come play!*

From I-77 North, take exit 114 (Pacatalico), turn right at end of ramp and go 1/2 mile to Derrick's Ck. Road, turn right and go 2 miles to course on left.

From I-77 South, take exit 114, turn left at the end of the ramp and go short distance to Derrick's Creek Road, turn right and go 2 miles to the course on left.

**\$62** for 18 holes and cart!

Prizes for:



Longest Drive



Longest Putt



Closest to Pin

*Come play a great course for a great price!*

Name \_\_\_\_\_ Phone \_\_\_\_\_

Group With Whom You Will Play:



Please send completed form to:

Robert M. Stemple  
735 Genesis Blvd.  
Bridgeport, WV 26330

or

Call: 800-638-6276  
Fax: 304-842-6217  
Email: bs@comvestltd.com

## West Virginia ASBO Sessions



West Virginia Association of School Business Officials

"Education is Our Business"



**West Virginia State Update**  
**Thursday, April 30, 2009**  
**2:15 – 4:15 pm**

**West Virginia Legal Issues and Business Session**  
**Friday, May 1, 2009**  
**9:00 am -11:00 am**

**West Virginia Specialty Day**

**Tuesday, April 28, 2009**

**9:00 am – 4:00 pm**

**Cost: \$40.00 (Lunch not included)**

This day has been designed to meet the educational needs of the West Virginia ASBO Members. Featured sessions are:

- Accounts Payable/Purchasing
- Child Nutrition
- Payroll
- Technology/WVEIS
- Personnel

**For more information on the WV ASBO sessions go to**  
**[www.regonline.com/2009SASBOConference](http://www.regonline.com/2009SASBOConference)**

## Educational Sessions

**Wednesday, April 29 and Thursday, April 30**

The 2009 WV-SASBO Conference will feature a wide variety of educational sessions. The sessions range from roundtables to quick 30 minute educational “gems”. Something new this year are “Conversational Cafés”.

**What is a Conversational Café????** These are essentially self generating roundtables on a hot topic. Grab something to drink, relax and join in the conversation. Seating is limited, so get there early if there’s a hot topic you don’t want to miss.

Topics for this year’s conference are:

- The Floor is Yours- Participants Choice
- \$\$\$ Saving Techniques
- Getting the Most Out of Your Workforce
- Time Saving Techniques
- Handling the Financial Crisis

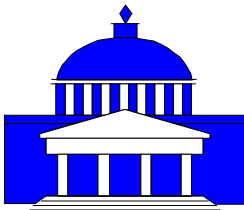
*Here is just a sample of the educational sessions topics that await you at this year’s conference:*

- Return To Work
- Electronic Procurement
- Compliance in Education - What are the key issues educators face today and how are they addressing them?
- Accepting Credit Cards: What you need to know.
- Threading the needle - tips for successfully marketing of bond and other capital borrowing during turbulent times
- Tech Diamonds - Helpful tidbits to help you shine
- Energy Management on Your Own
- The Four C's to Teambuilding
- 403 B Updates
- Excel Part I and Part II
- Instruction:\$112,000,000...Instructional Support \$20,000... Maintenance and Operations:\$15,000,000...Communication Priceless!
- Starting A New School Audit Program
- Fraud is like coal that we need to change to diamonds
- Mining for Fixed Assets
- Purchasing Oversight
- Tech Gadgets
- Organizing Your Office For Success
- Self Defense

## Walking the Public Finance Tightrope

By: Jim Young and Warren Greenlee, Watkins & Young, PLLC, Jackson, Mississippi

Most school districts will at some time need to borrow money to finance the acquisition of buses or equipment, the renovation or construction of a school facility, or the acquisition of operating capital. While the specifics of how a district accesses the public finance market for these purposes vary under the laws of each state, there are certain federal regulations and public market factors that are common to public finance issues (bonds, notes, warrants, leases, etc.) in every state. Issuing debt has always been a somewhat tricky endeavor. Increasing federal regulatory oversight of public finance and the current economic downturn, however, have dramatically raised the tightrope districts must walk in issuing debt. This article summarizes a couple of points districts should remember in complying with the federal regulations governing public debt and in attempting to sell debt during the current turbulent economic conditions.



First, the federal tax regulations governing debt issues by school districts are becoming increasingly complex every year. A district's failure to comply with the federal tax regulations may cause the interest on tax-exempt debt to become taxable, which may result in severe penalties, damages and lawsuits for the district. Interest on any state or local government debt generally is exempt from federal income taxes, unless the bond is a private activity bond or an arbitrage bond, or otherwise fails to comply with federal tax regulations

Simply put, a bond becomes a private activity bond when more than 10% of the proceeds are used for a private (or non-public) purpose. The federal tax regulations defining what constitutes private use and describing how to measure the private use are voluminous. The limitation on private use of a project financed with tax-exempt debt continues as long as the debt remains outstanding. It is possible that actions taken by a district long after the debt is issued could violate the restrictions on private use of facilities financed with tax-exempt debt and trigger tax problems for the district. In very simple terms, arbitrage occurs when a district invests the proceeds of (lower rate) tax-exempt debt in higher-yielding taxable investments. In some cases, the tax regulations prohibit earning arbitrage interest. In other cases arbitrage interest may be earned, as long as long as it is rebated to the federal government. Finally, in some cases, the district may keep the arbitrage interest earnings. If arbitrage interest must be rebated, at least 90% of the amount due must be rebated to the IRS by the end of the 5th year after the bonds are issued. Other federal tax regulations govern the filing of tax returns, the investment of proceeds the maximum term of the debt and other factors. If a bond that was issued as tax-exempt is later determined to be a private activity bond, or an arbitrage bond, or a bond not otherwise complying with the tax regulations, then the entire bond issue may become taxable.

The IRS has been actively increasing the number of audits of public debt issues in recent years. When the IRS audits an issue, it is particularly looking for, among other things, misuse of debt proceeds, private use of the financed project, compliance with arbitrage rebate requirements, and other tax regulation requirements. Furthermore, the IRS recently announced that in 2009 it will send questionnaires to a large number of issuers, including school districts, to determine the level of compliance among issuers. Among other things, the questionnaire will ask if the issuer has made the necessary arbitrage rebate calculations, and if the issuer has a policy and procedure for monitoring private activity use and other post-issuance compliance. In light of the growing complexity of the tax regulations and the increased monitoring and enforcement efforts of the IRS, a school district should ensure that it: (a) understands the applicable tax regulations, (b) develops a procedure for monitoring and documenting any private use of bond-financed projects, (c) retains a competent party to calculate whether any arbitrage rebate is due on the investment of the bond proceeds, and (d) maintains for at least three years after the debt is paid in full records of how the debt proceeds were invested and used and how the project was used (and by whom) while the debt was outstanding.

The Securities Exchange Commission ("SEC") is also stepping up in its regulation of both taxable and tax-exempt bonds. Among other things, the securities laws require a school district selling debt in the public finance market to disclose to potential investors all material facts necessary to enable investors to make informed investment decisions. Furthermore, districts frequently have an ongoing obligation to continue disclosing to the finance market material information and events that occur at any time while the bonds are outstanding. The SEC has recently shown an increased willingness to penalize issuers for non-compliance with securities regulations.

As if dealing with increasing state and federal regulations were not enough, now districts must deal with a crazy and unpredictable market during the current credit crisis and recession! In the “go-go days” that existed not long ago, school districts could find a lender to buy its debt with relatively little difficulty. Over the last 18 months, however, the credit crunch and economic downturn have knocked out the bond insurers, significantly reduced the number of underwriters willing to purchase public debt and limited districts’ options for selling debt.

Until 2008, districts could make their issues marketable to underwriters in the public finance market at reasonable interest rates by obtaining either municipal bond insurance, or a bond rating, or both. Unfortunately, selling large issues has become much more difficult. First, there are virtually no bond insurers remaining with credit ratings sufficient to make a district’s bonds marketable at reasonable rates. In 2007, there were seven bond insurers rated AAA (highest rating) by the three major bond rating agencies. However, since Moody’s Investors Service downgraded Financial Assurance, Inc. on November 21, 2008, with one exception, there is no longer any bond insurer rated AAA by all three bond rating agencies. (Berkshire Hathaway Assurance Corp. is currently rated AAA from all three rating agencies, but only insures deals of at least \$100,000,000). Furthermore the number of underwriters available to purchase a district’s debt has diminished significantly. In the last 6 months, at least three major lenders have either ceased operations or been bought or merged into another entity. The remaining underwriters are hesitant to purchase bond issues, since they have difficulty in placing the bonds with other investors. It is still possible to obtain an investment grade rating on a district’s debt, although the criteria and review for such a rating has toughened over the last year.



### **So, what should a district do in light of the current credit crunch?**

First, although it is still possible to sell debt issues, a district may want to consider whether it can delay the issuance of any large issue for the next six months to a year to allow (hopefully) the credit market to correct itself. If a district is not able to delay the issue, it should consider breaking the issue into several issues of less than \$10,000,000 each, spread over multiple years. Districts issuing less than \$10,000,000 in debt in a calendar year may designate their debt as “bank qualified” for purposes of the tax regulations. Since banks obtain a tax benefit when purchasing bank qualified debt, they are much more likely to purchase bank qualified debt than non-bank qualified debt. In fact, since banks frequently set their interest rates based on U.S. Treasury interest rates (which have decreased dramatically), rather than the municipal market rates (which have increased), at least in Mississippi over the last year, districts frequently have been able to obtain lower interest rates by selling debt to local banks, rather than to underwriters. Particularly under the current circumstances, districts should “comparison shop” between all types of lenders in the public finance market and should do everything possible to make their debt marketable to as large a segment of the market as possible. Other examples of how to increase the marketability of an issue is: (a) to apply for bond insurance (even though this is of greatly diminished value and probably worthwhile only if the term of the debt is at least 10 years), (b) to strengthen the district’s financial position to where it can obtain a rating of at least an “A”, and (c) to keep the term of the debt as short as possible.

## **State News Continues**

### **West Virginia ASBO – Sharon Haddix, WV**

West Virginia is looking forward to hosting the SASBO conference in April 2009. We promise to not only educate you but also entertain you! We hope that the economic situations in most states will not prevent our members from traveling to our beautiful state. We have been very fortunate to not be taking cuts at the educational level right now. The mining industry has kept the state revenue above estimates thanks to severance taxes on the state’s natural resources. George Hammond, associate director of the Bureau of Business and Economic Research at WVU said, “I think we’ll experience a downturn that’s less severe than the national economy.” West Virginia didn’t experience the housing market boom, so the national bust left most of the state unscathed. This is good news for our school systems.

**SASBO - WVASBO Conference 2009 – the best investment you can make.  
The company you keep just a few days in April could change your outlook.**

**Registration is Easy...**

- On Line at [www.regonline.com/2009SASBOconference](http://www.regonline.com/2009SASBOconference)
- Fax a completed registration form with credit card information to 336-538-1967
- MAIL completed registration form with check to PO Box 2053, Burlington, NC 27216-2053

Registration deadline is March 28, 2009. After that date, a \$25.00 late fee is added to registration fees.

**Membership Dues**

SASBO Membership dues can be paid with registration. Membership dues must be current for 2008-09 to receive members' rate.

**No Dressing Up!**

Casual and comfortable attire is encouraged for the conference. Leave those heels, ties and suits at home. Business casual is welcome.

**Certification**

Certificates of attendance will be awarded. The conference provides a great way for you to earn the CPE's needed for re-certification.

**Questions?????**

Contact: Debra Dixon Doss, Executive Director  
PO Box 2053  
Burlington, NC 27216-2053  
E mail: [sasbo@hughes.net](mailto:sasbo@hughes.net)  
Phone: 336-584-1967 and leave message  
Fax: 336-538-1967



**Scenes from 2008 Conference**