My name is Paul Stauder. I am a financial advisor with Stauder Barch & Associates in Ann Arbor and I work with schools and municipalities throughout Michigan. I have assisted in the planning and sale of municipal bonds for school districts here for the past 34 years.

The legislation before this Committee attempts to address concerns regarding the structure and projected path of the School Bond Loan Fund program. Although its intentions may be well meaning, the Bills' approach to restructuring the Program will, for many years to come, have the effect of preventing districts from receiving the important assistance it provides and in the end will not equitably correct the mechanics that got us to this point.

We are currently in an unprecedented economic cycle that has driven property values down significantly and severely diminished the capacity of some program participants to satisfy their obligations locally. This has caused a shift in the responsibility for meeting a larger share of these obligations to the loan fund and increased its projected borrowing needs. Until property values among the participating districts return to historical trends and local tax revenues increase, the projected borrowing demands at the local and state level will likely persist.

While these Bills would be very effective in shutting off loan demand due to the cap imposed, they would do so at the expense of the many districts that will need its assistance in the years to come. Treasury's projections indicate that it may be decades before we reach a point when the loan program would be accessible again. This will directly infringe upon the ability of dozens if not hundreds of schools across the State, to manage their capital improvement demands in a manner consistent with districts currently utilizing the program. We are opposed to the cap on the program imposed by

SB 770 and believe there are alternative millage computation methods that can balance state and local interests over the long run.

We believe the mathematical formulas used to determine millage requirements under 770 and its predecessor legislation have played a large part in getting us to the position Treasury sees itself in today. The methodology lacks incentives for school districts to manage debt load in relation to millage impacts and does not discourage bonding when it is disproportionate to tax base capacity. These concepts need to be reflected in millage requirements at the local level or some other form of state support needs to be developed to allow districts to continue to address their capital investment needs in an equitable manner.

While using historical averages for future tax base projections may seem rational, it is a large part of the reason that the loan fund has grown to current levels. Over estimating tax base value over the course of bond repayments without a mechanism to increase local tax revenue in the event projections fall short, can only lead to loan fund borrowing demands that depart from anticipated levels. The very large expansion of tax base values throughout the past two decades have resulted in debt loads that are difficult to sustain in a falling tax base environment. While this legislation provides for a millage adjustment method, it is based in tax base growth or decline rather than in tax base capability. We believe that the requirement to use historical tax base changes as the basis for projecting future tax base levels should be entirely eliminated and instead a methodology for local tax support should be included that is initially based on debt load, while being responsive to changes in tax base values in the future.

If millage rates on local districts are established at appropriate levels based on debt load, the need to prevent loan overlap as 770 provides for or a timeout period as 870 provides for, becomes unnecessary. We are opposed to these aspects of the Bills.

We believe that legislation that is aimed at improving program outcomes needs to address capacity to borrow and repay over the bonding cycle. It also needs to provide for a rational means of projecting millage requirements for new issues that is not based on short term historical trends. We believe this method can distort information intended to educate voters and instead provide unrealistic estimates of bonding proposal impacts. And finally, access to the Qualification and School Loan Program needs to continue for districts that need it. Shutting it down for future participants seems an inequitable approach to solving current concerns.

Thank you