

**CHAIRMAN BARRY L. ZUBROW**  
**JOINT EDUCATION COMMITTEE**  
**TUESDAY, FEBRUARY 6, 2007**

Mr. Co-Chairmen, I want to thank you and the other Committee members for inviting us here today to share with you the continued progress we are making in bringing much needed reform to the schools construction program. We are proud of what we have done, but recognize that there is still more hard work ahead of us.

In a minute I will turn it over to my colleague Scott Weiner, who will walk you thru the specific accomplishments that have been achieved in restructuring the SCC, and discuss the implications for the program going forward. First, however, I want to put in context the Inter-Agency Working Group's recommendation for additional funding of \$3.25 billion for the State's school's facility program.

We recognize that such additional funding for school construction must be evaluated in the context of the state's overall fiscal health:

- Ongoing real structural budget deficit of the state;
- The efforts coming to fruition to fund real property tax relief;
- Implications of changes in the future to the school funding formula and the interaction of that with funding for facilities
- All of this balanced against the on-going acute needs in our communities for additional school facilities, and recognition that delay in the program only costs us all more money.

Some might suggest that this all adds up to a "fiscal conundrum". Perhaps so. But such conundrums can be addressed. But they can only be addressed in the context of an overall asset – liability plan for the state.

The old ways of financing schools construction may not be the best way:

- Remember, 6 years ago when \$8.6 billion of bonding was authorized for schools construction there was no specific revenue stream identified to pay the interest, let alone amortization, of the bonds;
- What will come to amount to over 25% of the state's outstanding debt obligations were just assumed could be covered thru the state's general budget;

Perhaps you and your colleagues in the legislature will conclude that borrowing continues to be an appropriate approach to such funding. However, it seems that before that conclusion is reached, we should all look at a comprehensive asset – liability plan for how the state might best match up the state's resources with the funding obligations we all recognize exist, not just for schools, but for other important and worthy initiatives. Excess value and capital may exist in certain assets of the state which can be redeployed for higher and better uses. This is not about magic. There are no silver bullets.

We have suggested a next tranche of funding of \$3.25 billion, now we collectively need to identify the best source of those funds as part of a comprehensive capital plan for the state. My colleagues and I look forward to working collaboratively in addressing this essential planning issue.

As we continue to address the issue of funding, we need to keep two points in mind:

- First, that there is a critical need now for legislative action which commits future funding to the program. Scott will discuss the implications of delaying such authorization.
- Second, there are amendments required to the current statutes to achieve the reforms and accountability that we all want for this program. Regardless of how the funding equation is resolved, these programmatic reforms are critical to strengthening the work that we have already begun.

We look forward to working with you and your colleagues as we continue to reform the program and agree on a path forward.