

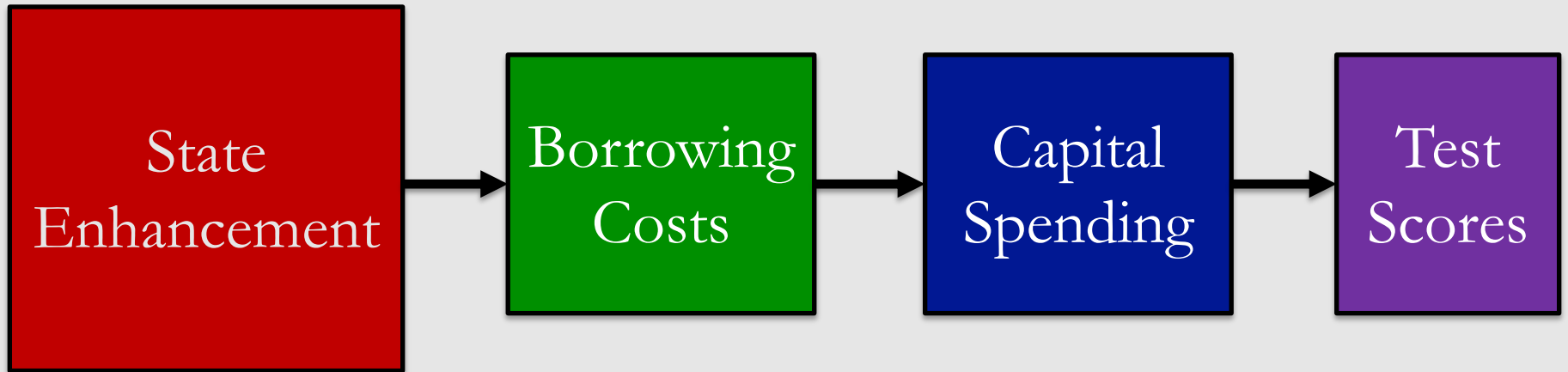
2023 Municipal Finance Conference

School District Borrowing and Capital Spending: A Discussion

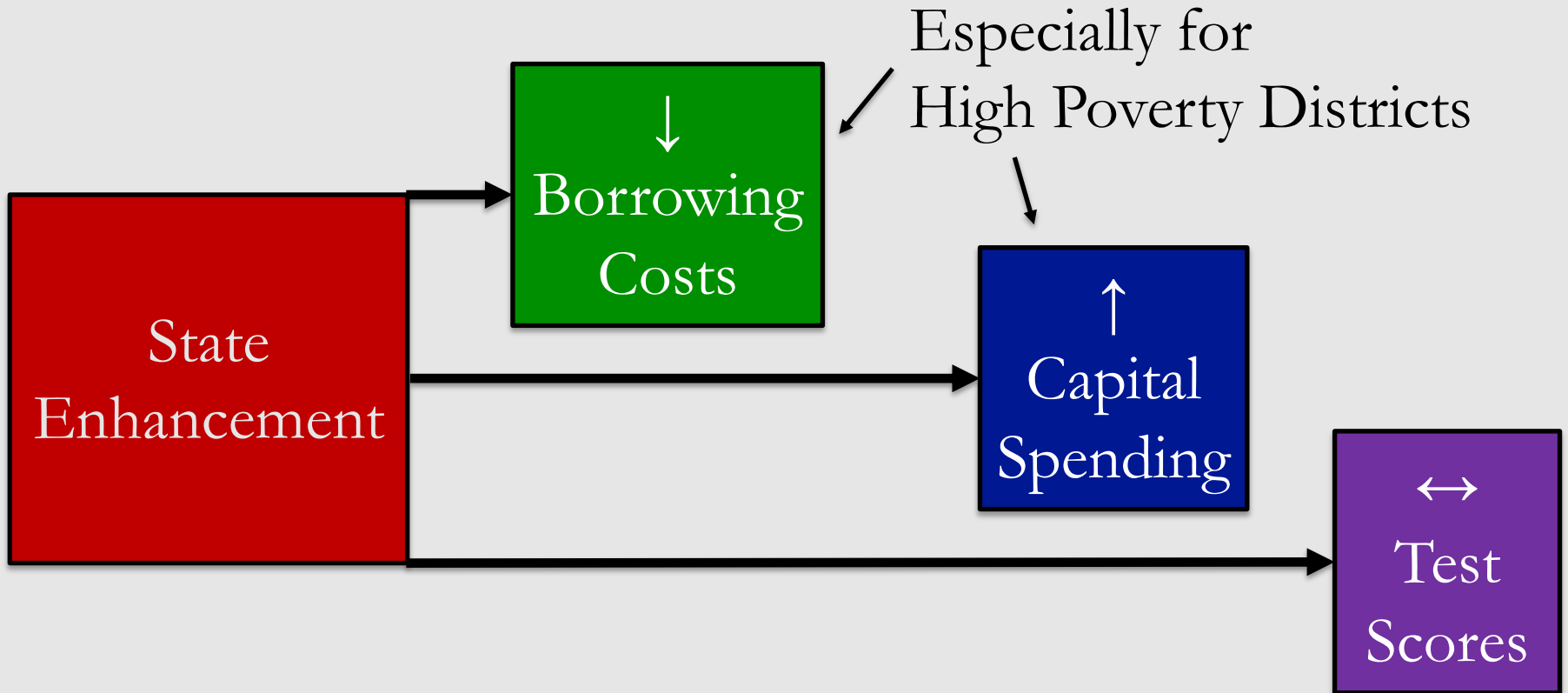
Christine Cuny

NYU Stern

RESEARCH OBJECTIVES



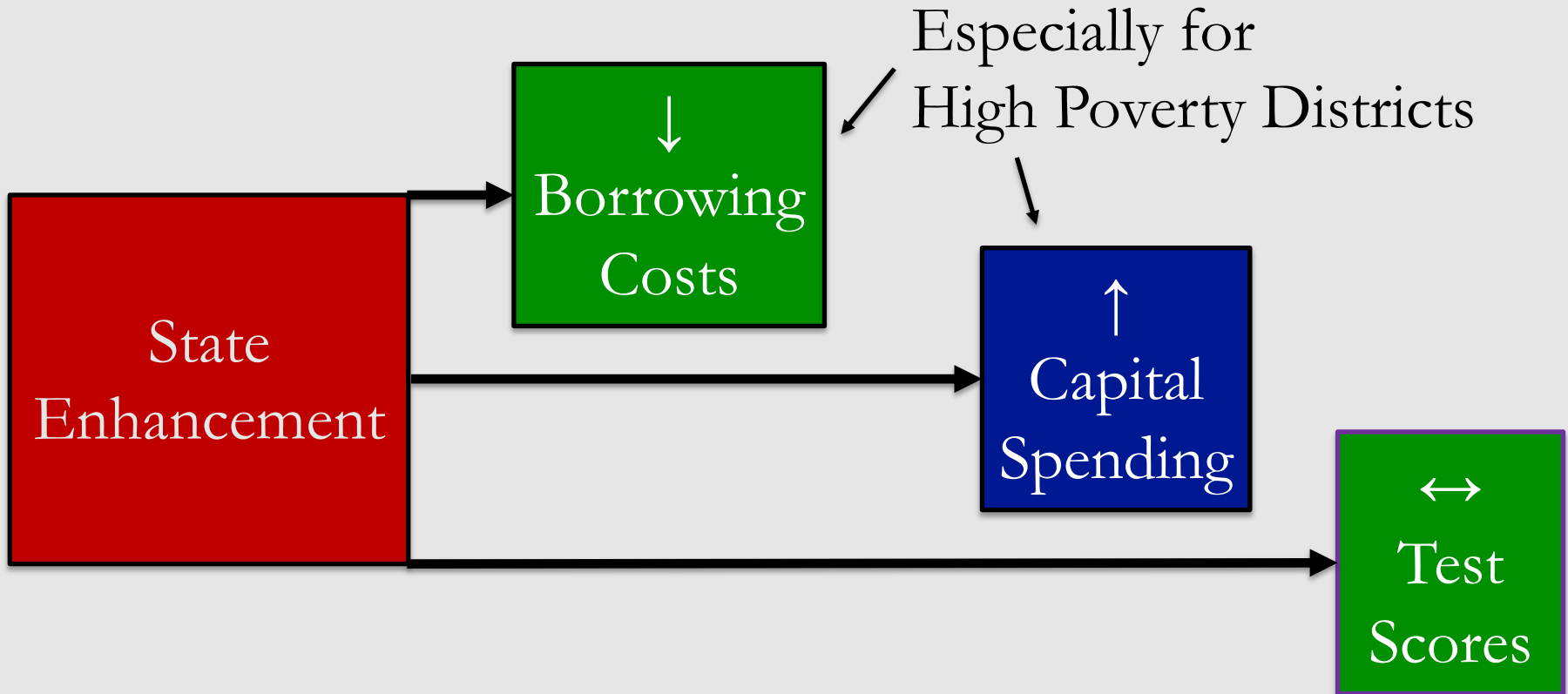
FINDINGS



WHAT DO WE ALREADY KNOW?

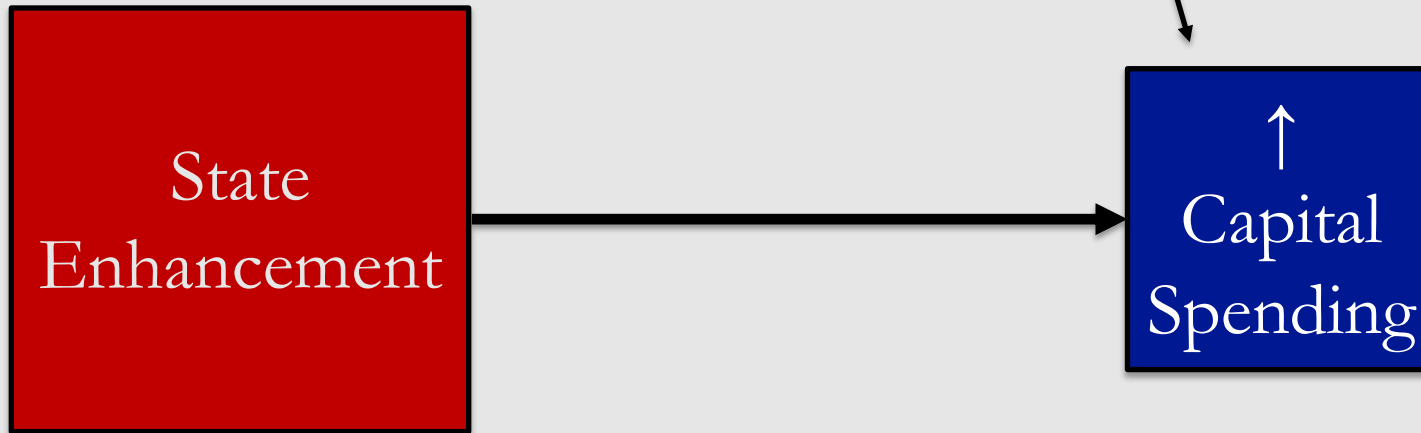
- State credit enhancement lowers interest rates
- Enhanced rates are...
 - Higher than equal natural ratings (Hsueh & Kidwell, 1988)
 - Lower than private insurance (Bland, 1987)
- Interest savings are...
 - Higher when the state program has a higher rating
 - Higher when the local issuer has a lower rating (Hsueh & Kidwell, 1988)

POTENTIAL CONTRIBUTION



POTENTIAL CONTRIBUTION

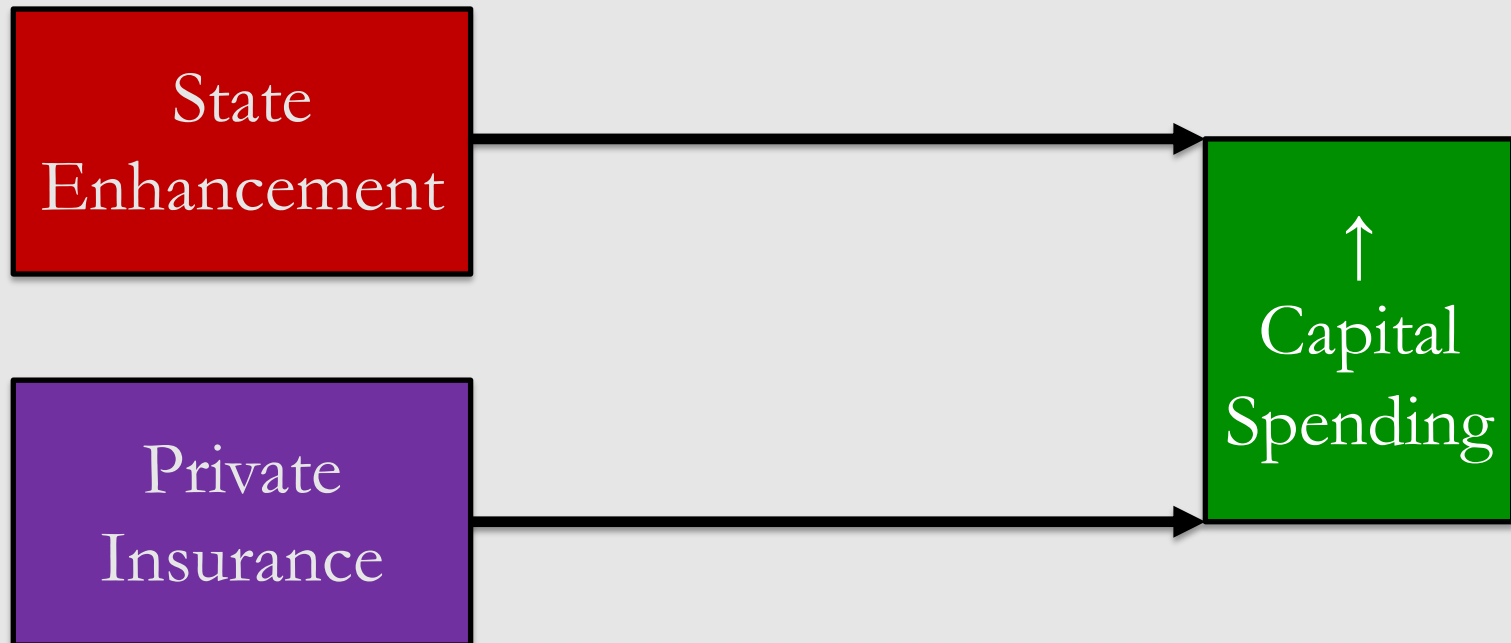
Especially for
High Poverty Districts



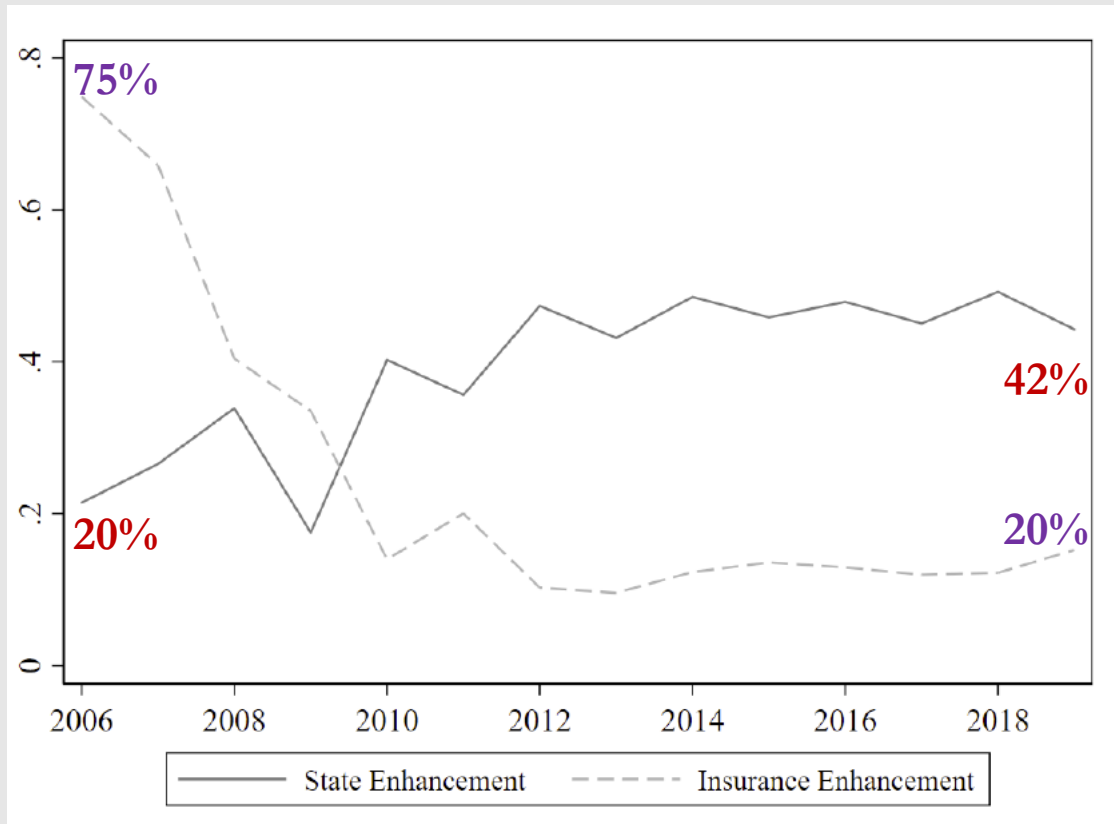
COMMENTS/SUGGESTIONS

1. Bolster contribution by benchmarking increased capital spending against:
 - Other Enhancement (Insurance)
 - Other State Aid/Direct Funding
2. Mechanism
 - Lower Interest Costs
 - State Preferences

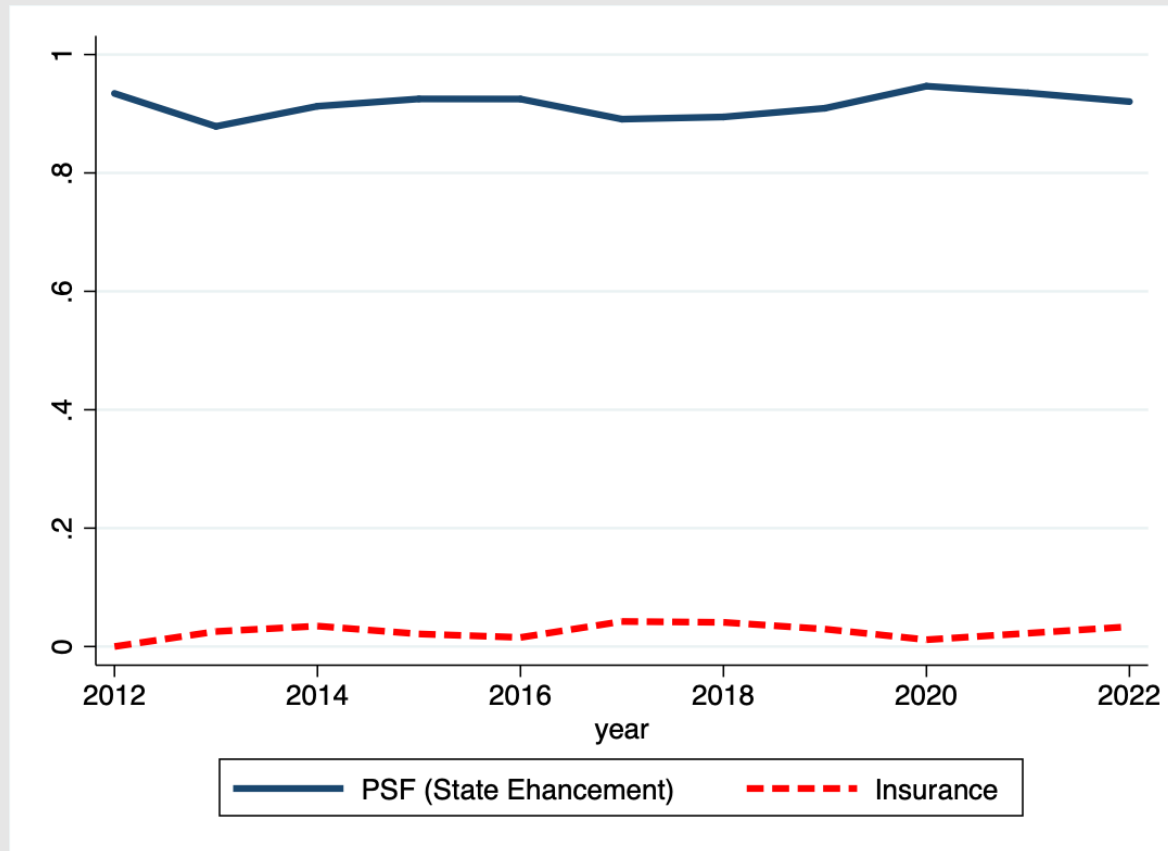
BENCHMARK 1: PRIVATE INSURANCE



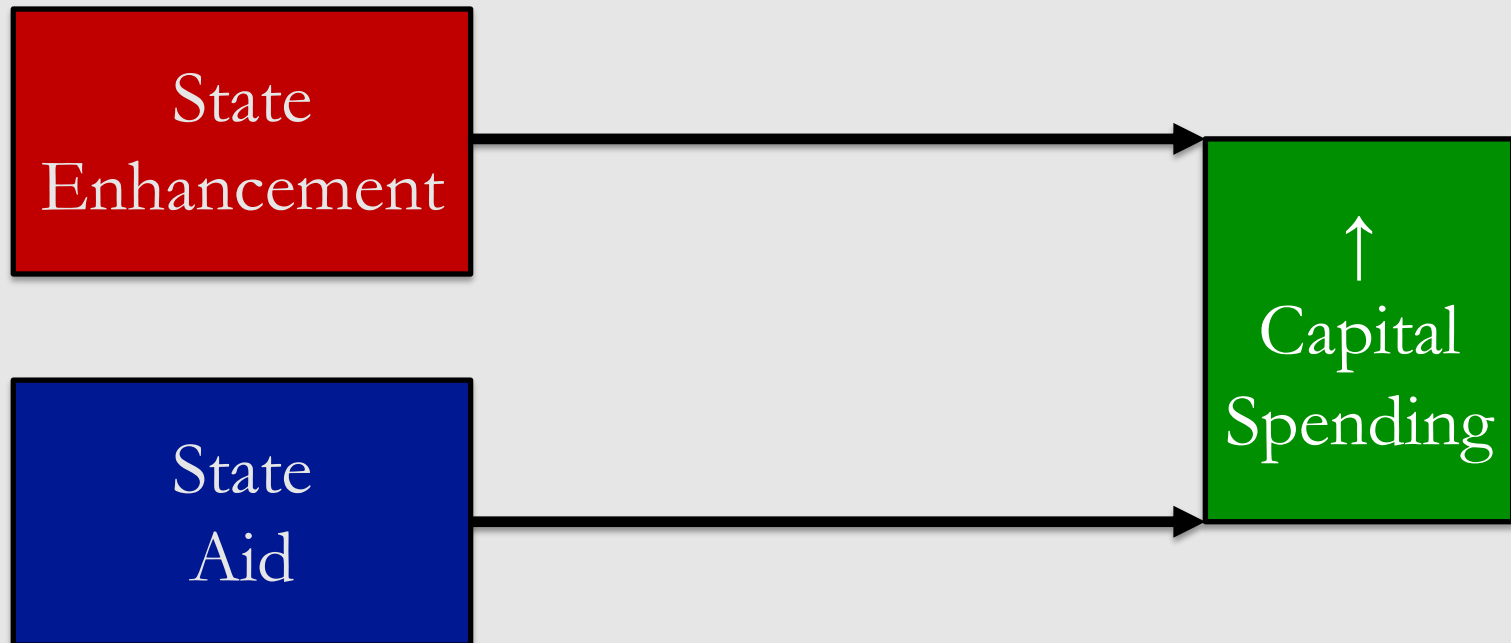
ENHANCEMENT TRENDS (FIGURE 2)



HETEROGENEOUS ACROSS STATES: TEXAS ENHANCEMENT TRENDS



BENCHMARK 2: STATE AID

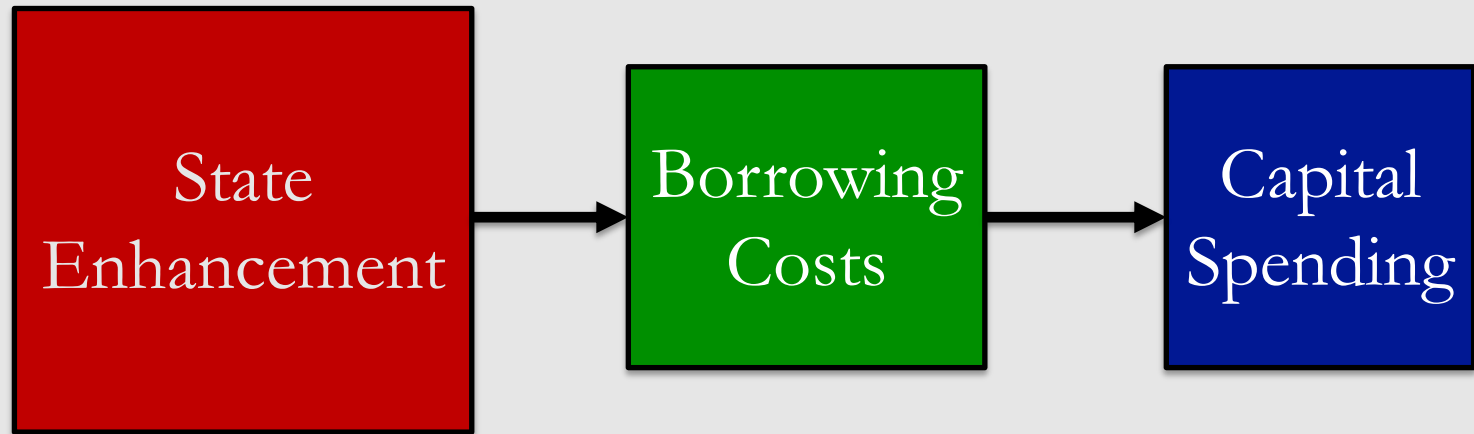


OTHER SOURCES OF AID

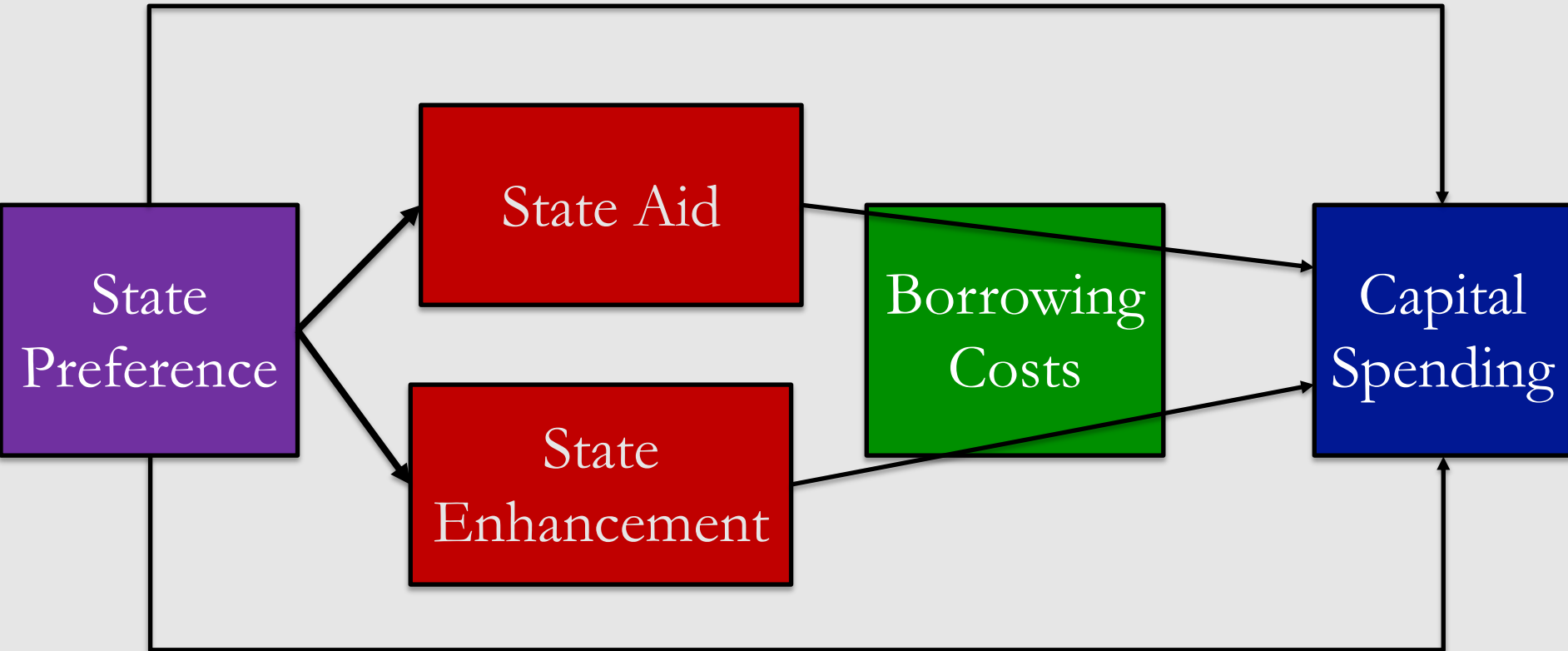
(TABLE 2)

	Never Enhanced	Ever Enhanced	Rating Low	Rating Medium	Rating High
Federal Transfer Revenue	0.65	0.69	0.73	0.54	0.47
State Transfer Revenue	5.61	6.19	6.46	5.34	4.31
Own-source Revenue	5.65	4.71	4.37	6.57	8.49

PAPER'S PREFERRED MECHANISM



ALTERNATIVE MECHANISM



Capital Spending & State Enhancement
are Jointly Determined by State Preferences

SOLUTIONS

- Explore changes in State Enhancement
 - e.g., Texas allowed charter schools to receive enhancement starting in 2011
- Allow design to incorporate changes in borrowing costs
 - Path Analysis

IN CONCLUSION

Interesting and important topic

Enhance contribution by focusing on capital spending and

1. Comparing Enhancement to Alternatives
2. Identifying the Mechanism

GOOD LUCK!