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POLICY NOTE

Washington school district officials misled voters about the true cost of school construction bonds on the 2020 ballot

By Jeff Heckathorn and Liv Finne, Director, Center for Education July 2020

Key Findings

1. School district officials in Washington State sought borrowing approval from their voters by under-reporting the true costs of long-term 20-year bonds.
2. Officials in several districts presented shifting tax rates to mislead voters.
3. School officials failed to disclose the high costs in fees and interest that add 33 percent to 66 percent more to the taxpayer cost of repaying a bond.
4. Schools officials frequently propose bond measures on low-turnout special election days, which allows them to avoid informing voters with Pro and Con statements in the Voters' Pamphlet.
5. When voter information is provided, school officials choose the writers of both Pro and Con statements, even though they favor the Pro side.
6. School officials consistently fail to inform renters that monthly rents will likely increase due to higher property taxes imposed to fund school borrowing.
7. Requiring school districts to provide true and complete cost information would help restore the public's trust in the process of approving school bond debt.

Introduction

To protect homeowners and renters, Washington's school district officials must obtain 60 percent voter approval before they can issue construction bond debt for the purpose of building and renovating schools. If approved by voters, property owners pay higher property taxes and renters pay increased rent for 20 or more years to repay the borrowed funds, plus broker fees and interest.

Officials in 20 Washington school districts sought voter approval of school construction bonds on the low-turnout February and April 2020 ballots, and one district is seeking approval of a bond on the August primary ballot.

This study examines the public statements made by officials in seven Washington school districts about the property taxes people would pay if voters approved their proposed school construction bonds. School officials from these districts reported the supposed cost of their proposals to the public in advertising materials on their websites, in mailers and in political statements in support of bond approval on the ballot. Voters assumed these officials were telling the truth, and that the statements reported the true cost of the proposed borrowing.

However, research shows the representations made to voters were incorrect.

This Policy Note summarizes the findings of the actual, average annual cost of these bond proposals, in contrast to the rosier promises made to voters by school officials. The findings document the public promises made to voters. They also show that the average homeowner in each school district will have to pay hundreds of dollars more a year in tax over decades to pay off the amounts borrowed, plus fees, plus interest.

Summary of research findings by district

Bellevue School District February 2020 bond proposal:

Officials said the cost to the owner of a typical home valued at $850,000 would be $26 a year, for 20 years.

The true average cost per year to pay off this bond, plus fees, plus interest is more than $300 a year, for 25 years.

Edmonds School District February 2020 bond proposal:

Officials said the cost to the owner of a typical home valued at $400,000 would be saving $20 a year, for an undisclosed number of years.

The true average cost per year to pay off this bond, plus fees, plus interest is more than $300 a year, for 22 years.

Everett School District April 2020 bond proposal, now on the August ballot:

Officials said the cost to the owner of a typical home valued at $400,000 would be saving $32 a year, for an undisclosed number of years.

The true average cost per year to pay off this bond, plus fees, plus interest is more than $200 a year, for 22 years.

Mukilteo School District February 2020 bond proposal:

Officials said the cost to the owner of a typical home valued at $500,000 would be $47 a year, for an undisclosed number of years.

The true average cost per year to pay off this bond, plus fees, plus interest is more than $300 a year, for 22 years.

Riverview School District February 2020 bond proposal:

Officials said the cost to the owner of a typical home valued at $400,000 would be $436 a year, for undisclosed number of years.

The true average cost per year to pay off this bond, plus fees, plus interest is more than $700 a year, for 18 years.

Snohomish School District February 2020 bond proposal:

Officials said the cost to the owner of a typical home valued at $460,000 would be $450 a year, for undisclosed number of years.

The true average cost per year to pay off this bond, plus fees, plus interest is more than $1,000 a year, for 21 years.

Tacoma School District February 2020 bond proposal:

Officials said the cost to the owner of a typical home valued at $300,000 would be $81 a year, for undisclosed number of years.

The true average cost per year to pay off this bond, plus fees, plus interest is more than $200 a year, for 25 years.

Policy recommendation – provide more accurate information to the public

To protect the public and help re-build trust with voters, state lawmakers should require all Washington State school districts to provide the following true and accurate information available to their communities about their proposed bonds:

1. Face value of the bond

2. Expected total interest and management fees for the bond

3. Total payments, by taxpayers, for the bond (face value + total interest + fees)

4. Actual bond payback period (e.g. 20 years)

5. Expected tax collection for the bond over the life of the bond for a median priced home for the district. Total and average each year through bond maturity.

6. Expected tax collection for the bond over the life of the bond for a median priced two-bedroom apartment - routinely paid for in rent. Total and average each year through bond maturity.

7. For the sample home and sample apartment, assume the district's projected market-value growth over the life of the bond applies equally to the existing properties.

8. Independent Pro/con arguments should always be provided in a voters' pamphlet to voters.

9. State what happens to bond project overestimates.

Policy recommendation: do not use shifting property tax rates to mislead voters

School districts should be prohibited from using tax rates to advertise bond costs. Property owners pay property taxes in actual dollars; simply reporting a tax rate does not inform people of how much they will actually pay.

As the value of their property increases, the actual dollars property owners pay in property taxes increases, while the tax rate remains constant. In many cases a property tax rate may decline, while the true dollar cost imposed on the homeowner goes up.

The use of tax rates encourages other abuses. District officials often manipulate tax rates by timing the issuing of bond debt to create the false impression that property taxes are decreasing, when they are actually increasing.

Policy recommendation: school district officials should provide independent and accurate pro and con statements on bond measures

School district officials often fail to provide clear "pro" and "con" statements in Voters' Pamphlets on bond measures submitted to voters. They fail to do so by taking advantage of a loophole in state law which only requires Voters' Pamphlets for elections with statewide measures. School district officials often submit school bond measures to their voters during low-turnout special elections which are not statewide, thereby avoiding the requirement of a Voters' Pamphlet.

School districts are allowed to select the authors of the "con" statement, even though school officials favor passage of the measure and financially benefit from it.

This creates a clear conflict of interest. The law allows school officials to select members of the "con" committee who are actually in favor of the bond measure. Officials also select their political allies to write the "pro" statement and whether to include a voters' pamphlet with pro/con arguments at all.

In this way, school officials work to deprive voters of an authentic "con" statement and rebuttals to the "pro" arguments so voters can make the best, informed judgment about the merits of the proposal.

Conclusion

School bond measures approved by voters require homeowners and renters to pay higher property taxes and higher rents for many years. Most school construction bonds take between twenty and twenty-four years to repay. Interest on these bonds can add hundreds of millions of dollars to the cost of repayment.

The result is higher housing costs for all, especially for the homeless, working and low-income families and elderly people living on fixed incomes. The higher taxes proposed by school officials falls hardest on those least able to pay.

The current and next generation will be paying for these school construction bonds for decades. This analysis shows school districts commonly seek bond approval from their voters based on incomplete and misleading information.

School officials should be required to provide the public with true and complete information about the real cost of approving school bonds. By doing so, state policymakers can help restore the public's trust and confidence in the process of approving school bond debt.

Authors

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He has conducted independent research using a science-based approach to evaluate public education systems. He uses publicly available data to measure student progress and the success or failure of applied academic standards in Washington K-12 public schools.

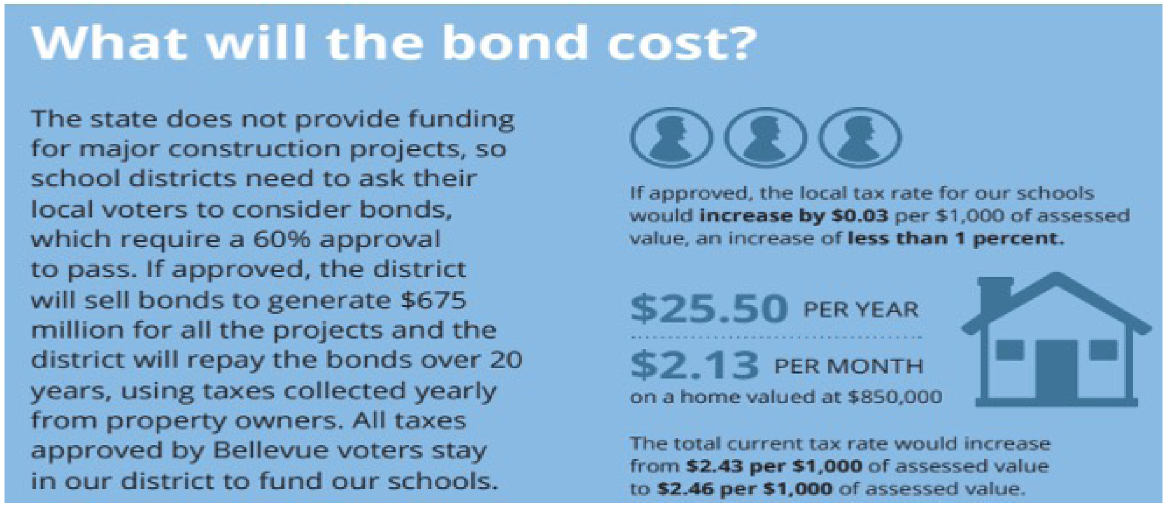
Published by
Washington Policy Center

washingtonpolicy.org
206-937-9691

Appendix

Samples of campaign materials for district bond elections

A. From the Bellevue School District mailer to voters



B. From the Riverview School District's website: https://www.bond.rsd407.org/