



# A Profile in Runaway Debt: Frisco ISD's \$775 Million Bond Proposal

by Jess Fields  
Senior Policy Analyst

## Key Points

- Frisco ISD is asking voters to approve a \$775 million bond in May that could max out the district's debt service tax rate.
- Frisco ISD already has nearly \$2.6 billion in principal and interest outstanding, nearly \$56,000 per enrolled student, which is higher than all adjacent large school districts.
- The new bond would spend over \$103 million on short-term non-facility projects and will cost over \$67,000 for every student the new facilities are intended to accommodate through the 2020-2021 school year.

## Introduction

On February 10, the school board of Frisco Independent School District proposed a \$775 million bond for the May ballot. The proposed bond would permit the district to spend:

- \$665.7 million to build 14 new schools and expand existing facilities;
- \$103.2 million to upgrade technology; purchase vehicles; replace and upgrade surveillance cameras and security devices; and pursue energy conservation measures; and
- \$6.1 million to upgrade and renovate school stadiums and other activity centers.<sup>1</sup>

On top of the district's existing \$2.6 billion in total outstanding debt burden (principle plus interest), Frisco ISD's new bond proposal threatens to create an additional unsustainable debt burden that will have lasting implications for Frisco's taxpayers.

## Frisco ISD's Existing Debt

Frisco ISD already has a significant amount of debt. The most recent data from the Bond Review Board shows that, as of fiscal year 2013, Frisco ISD had over \$1.35 billion in principal outstanding, and over \$1.23 billion in potential future interest payments.<sup>2</sup>

Frisco ISD had 46,260 students enrolled as of January 6, 2014.<sup>3</sup> Considering the total current outstanding debt burden of \$2,590,009,321, the debt burden per student at Frisco ISD currently amounts to \$55,988.10.<sup>4</sup>

By all measures, Frisco's debt burden is extremely high. All large adjacent school districts also have substantial amounts of total debt, but even compared to these fiscal peers, Frisco ISD's debt burden is by far the highest. The next largest amount of debt burden per student, Denton ISD, is over \$14,300 less than Frisco ISD's.

## Outstanding Debt Burden of Large ISDs Adjacent to Frisco

District	Total Debt Burden	Principal	Interest	# of Students	Debt Burden Per Student
Allen ISD	\$805,749,018	\$490,990,175	\$314,758,843	19,768	\$40,760.27
Denton ISD	\$1,071,536,243	\$591,057,937	\$480,478,306	25,714	\$41,671.32
<b>Frisco ISD</b>	<b>\$2,590,009,321</b>	<b>\$1,353,110,844</b>	<b>\$1,236,898,477</b>	<b>46,260</b>	<b>\$55,988.10</b>
Lewisville ISD	\$1,690,954,711	\$1,113,538,430	\$577,416,281	52,399	\$32,270.74
McKinney ISD	\$711,601,853	\$491,235,000	\$220,366,853	24,316	\$29,264.76
Plano ISD	\$1,378,987,121	\$981,345,871	\$397,641,250	54,921	\$25,108.56

Sources: Texas Academic Performance Report 2012-13 District Profiles & Texas Bond Review Board Local Government Services Database Search

## Frisco ISD's 2014 Bond Proposal

The proposed \$775 million 2014 bond is a significant addition to Frisco's existing debt burden.

On a 30-year bond, assuming an interest rate of 4.0 percent, the interest owed on the bond is over \$556 million.<sup>5</sup> This interest would bring the total cost including principle and interest of the bond to \$1,331,988,674.35, or over \$1.33 billion.<sup>6</sup> Adding that to Frisco ISD's existing debt burden would raise the district's outstanding debt burden to nearly \$4 billion dollars, \$3,921,997,995.35. Using current enrollment figures, that works out to a staggering \$84,781.63 per student. To put that in perspective, that is over twice Denton ISD's debt burden per student.

Frisco ISD expects an additional 19,795 students to enroll between the current 2013-2014 school year and the 2020-2021 school year, by which time all 14 schools on the 2014 bond proposal are intended to be built.<sup>7</sup> The \$775 million bond works out to \$39,151.30 per new student. Given the previous principal and interest estimate of over \$1.33 billion, the bond program ends up costing \$67,289.15 per student.<sup>8</sup>

Although interest cannot be exactly predicted, what can be sure is that if voters approve the bond proposal, Frisco ISD's current total debt will rise by at least \$775 billion, plus interest. That is because, with the exception of one Series 2005 bond valued at only \$630,000, all other outstanding Frisco ISD bonds will not expire for many years to come.<sup>9</sup> The earliest maturity date for an outstanding Frisco ISD bond beyond the small one mentioned is 2024, when a \$23,010,000 bond expires. However, the majority of Frisco's outstanding bond debt will not expire until at least 2038.<sup>10</sup>

All bonds as part of the 2014 bond proposal are intended to be issued by 2020.<sup>11</sup> As a result, since the earliest an outstanding bond of any significance expires is 2024, Frisco ISD's taxpayers are going to be shouldering the entire burden of this new debt on top of virtually all outstanding debt within only 6 years, if not sooner.

The new debt increases Frisco ISD's current Interest and Sinking (I&S) tax rate from .42 to the maximum of .50, bringing the total tax rate up to 1.54 from its current

**On a 30-year bond, assuming an interest rate of 4.0 percent, the interest owed on the bond is over \$556 million. This interest would bring the total cost including principle and interest of the bond to \$1,331,988,674.35, or over \$1.33 billion.**

1.46.<sup>12</sup> For the average homeowner, this will create a noticeable increase on a family's property tax bill.

According to Frisco ISD's school board, the "average home value is \$272,801," while "one cent on the tax rate equals \$2.15 a month." At the maximum of 8 cents, that is \$17.20 a month.<sup>13</sup> Over the span of a calendar year, the increase means an additional \$206.40 in added property taxes for the average homeowner.

In addition to the effect it will have on taxpayers, maxing out the I&S portion of the tax rate means that Frisco ISD's future bonding capacity could be limited. Considering that large existing bonds will not start to mature until 2024, the proposed bond will likely prevent Frisco ISD from issuing bonds for the foreseeable future.

## Conclusion

Frisco ISD's \$775 million bond proposal adds to an existing debt burden that already reaches \$2.6 billion. Taxpayers who will be voting in the May bond election should question the efficacy of the bond and ask whether or not such a staggering amount of debt is financially wise.

Questions must also be answered about the projected cost of each individual facility. The eight elementary schools are projected to cost between \$19.5 million and \$23.5 million, the three middle schools are projected to cost between \$35.7 million and \$40 million, and the three high schools are projected to cost between \$101 million and \$110 million.<sup>14</sup> Do these facilities cost more than the mean construction cost for similar facilities? This and many other issues must be addressed if Frisco ISD is to prove the necessity of the bond program.

Without a doubt, Frisco ISD is one of the fastest-growing school districts in Texas, and likely needs to build new facilities to accommodate that growth. However, it is also one of the most indebted in Texas, and is depending upon the continued explosive growth of Frisco and the surrounding area to meet its obligations. The need to expand must be balanced against the reality that Frisco's present fiscal situation is tenuous at best.

Accumulating debt and even paying it off during a high growth time such as the one Frisco is presently experiencing is easy, but when the economy or growth slows, that debt becomes a serious problem.

**Frisco ISD is one of the fastest-growing school districts in Texas... However, the need to expand must be balanced against the reality that Frisco's present fiscal situation is tenuous at best.**

If growth does not continue as expected, Frisco ISD may be stuck with an enormous amount of debt and facilities it cannot fill, and taxpayers are going to have to pick up the tab. ★

## Endnotes

- <sup>1</sup> Frisco ISD, "Board of Trustees Set Bond Election for May 10." Accessed Feb. 12, 2014.
- <sup>2</sup> Texas Bond Review Board, "Local Government Services Database Search: Frisco ISD." Accessed Feb. 11, 2014.
- <sup>3</sup> Frisco ISD, "About Frisco ISD: District Facts." Accessed February 11, 2014.
- <sup>4</sup> Calculations of the author.
- <sup>5</sup> Ibid. Total interest would be \$556,988,674.35 under this scenario.
- <sup>6</sup> Ibid.
- <sup>7</sup> Frisco ISD Citizen's Bond Committee, "Bond Proposal 2014: Bond Referendum \$775 Million." Accessed Feb. 11, 2014.
- <sup>8</sup> Ibid, calculations of the author.
- <sup>9</sup> Texas Bond Review Board, "Local Government Services Database Search: Frisco ISD." Accessed Feb. 11, 2014.
- <sup>10</sup> Ibid.
- <sup>11</sup> Frisco ISD Citizen's Bond Committee, "Bond Proposal 2014: Bond Referendum \$775 Million." Accessed Feb. 11, 2014.
- <sup>12</sup> Ibid.
- <sup>13</sup> Frisco Independent School District, *Bond Proposal 2014* (Feb. 2014).
- <sup>14</sup> Frisco ISD Citizen's Bond Committee, "Working Document/Proposed Bond Program 2014." Accessed Feb. 11, 2014.

## About the Author



**Jess Fields** is a Senior Policy Analyst in the Center for Local Governance at the Texas Public Policy Foundation, one of the largest conservative state-level public policy think tanks in the United States.

Fields served on the College Station City Council from 2010 to 2013, representing all of College Station's nearly 100,000 residents in an at-large position.

He graduated from Texas A&M University in College Station, and has owned a small business in College Station since 2007. He and his wife Courtney have a daughter born in July 2013, Lacey.

## About the Texas Public Policy Foundation

The Texas Public Policy Foundation is a 501(c)3 non-profit, non-partisan research institute. The Foundation's mission is to promote and defend liberty, personal responsibility, and free enterprise in Texas and the nation by educating and affecting policymakers and the Texas public policy debate with academically sound research and outreach.

Funded by thousands of individuals, foundations, and corporations, the Foundation does not accept government funds or contributions to influence the outcomes of its research.

The public is demanding a different direction for their government, and the Texas Public Policy Foundation is providing the ideas that enable policymakers to chart that new course.

