

**Chapter 1 : North Carolina Department of State Treasurer**

*State and local governments are at a financial crossroads. As the federal government attempts to reduce its deficits, state governments will have to provide a greater share of support for.*

Universities, which shall include an agricultural college, a school of mines, and such other technical schools as may be essential, until such time as it may be deemed advisable to establish separate state institutions of such character. Category I Arkansas Ark. Category II California Calif. A general diffusion of knowledge and intelligence being essential to the preservation of the rights and liberties of the people, the Legislature shall encourage by all suitable means the promotion of intellectual, scientific, moral, and agricultural improvement. The Legislature shall provide for a system of common schools by which a free school shall be kept up and supported in each district at least six months in every year, after the first year in which a school has been established. One or more public schools shall be maintained in each school district within the state, at least three months in each year; any school district failing to have such school shall not be entitled to receive any portion of the school fund for that year. Category II Connecticut Conn. The general assembly shall implement this principle by appropriate legislation. Category I Delaware Del. Category II Florida Fla. It is, therefore, a paramount duty of the state to make adequate provision for the education of all children residing within its borders. Adequate provision shall be made by law for a uniform, efficient, safe, secure, and high quality system of free public schools that allows students to obtain a high quality education and for the establishment, maintenance, and operation of institutions of higher learning and other public education programs that the needs of the people may require. Category IV Georgia Ga. Public education for the citizens prior to the college or postsecondary level shall be free and shall be provided for by taxation, and the General Assembly may by general law provide for the establishment of education policies for such public education. The expense of other public education shall be provided for in such manner and in such amount as may be provided by law. Category I Idaho Idaho Const. Category II Illinois Ill. The State shall provide for an efficient system of high quality public educational institutions and services. Education in public schools through the secondary level shall be free. There may be such other free education as the General Assembly provides by law. The State has the primary responsibility for financing the system of public education. Category IV Indiana Ind. The educational and school funds and lands shall be under the control and management of the general assembly of this state. The general assembly shall encourage, by all suitable means, the promotion of intellectual, scientific, moral, and agricultural improvement. The legislature shall provide for intellectual, educational, vocational and scientific improvement by establishing and maintaining public schools, educational institutions and related activities which may be organized and changed in such manner as may be provided by law. The legislature shall make suitable provision for finance of the educational interests of the state. No tuition shall be charged for attendance at any public school to pupils required by law to attend such school, except such fees or supplemental charges as may be authorized by law. The legislature may authorize the state board of regents to establish tuition, fees and charges at institutions under its supervision. Category I Kentucky Ky. The General Assembly shall, by appropriate legislation, provide for an efficient system of common schools throughout the State. All funds accruing to the school fund shall be used for the maintenance of the public schools of the Commonwealth, and for no other purpose, and the General Assembly shall by general law prescribe the manner of the distribution of the public school fund among the school districts and its use for public school purposes. Category II Louisiana La. The goal of the public educational system is to provide learning environments and experiences, at all stages of human development, that are humane, just, and designed to promote excellence in order that every individual may be afforded an equal opportunity to develop to his full potential. The legislature shall provide for the education of the people of the state and shall establish and maintain a public educational system. The legislature shall appropriate funds for the operating and administrative expenses of the state boards created by or pursuant to this Article. B Minimum Foundation Program. The State Board of Elementary and Secondary Education, or its successor, shall annually develop and adopt a formula which shall be used to determine the cost of a minimum foundation program of education

in all public elementary and secondary schools as well as to equitably allocate the funds to parish and city school systems. Such formula shall provide for a contribution by every city and parish school system. Prior to approval of the formula by the legislature, the legislature may return the formula adopted by the board to the board and may recommend to the board an amended formula for consideration by the board and submission to the legislature for approval. The legislature shall annually appropriate funds sufficient to fully fund the current cost to the state of such a program as determined by applying the approved formula in order to insure a minimum foundation of education in all public elementary and secondary schools. Neither the governor nor the legislature may reduce such appropriation, except that the governor may reduce such appropriation using means provided in the act containing the appropriation provided that any such reduction is consented to in writing by two-thirds of the elected members of each house of the legislature. The funds appropriated shall be equitably allocated to parish and city school systems according to the formula as adopted by the State Board of Elementary and Secondary Education, or its successor, and approved by the legislature prior to making the appropriation. Whenever the legislature fails to approve the formula most recently adopted by the board, or its successor, the last formula adopted by the board, or its successor, and approved by the legislature shall be used for the determination of the cost of the minimum foundation program and for the allocation of funds appropriated.

Category I Maine Maine Const. Category IV Maryland Md. The General Assembly, at its First Session after the adoption of this Constitution, shall by Law establish throughout the State a thorough and efficient System of Free Public Schools; and shall provide by taxation, or otherwise, for their maintenance. The School Fund of the State shall be kept inviolate, and appropriated only to the purposes of Education.

Category II Massachusetts Mass. Religion, morality and knowledge being necessary to good government and the happiness of mankind, schools and the means of education shall forever be encouraged. The legislature shall maintain and support a system of free public elementary and secondary schools as defined by law. Every school district shall provide for the education of its pupils without discrimination as to religion, creed, race, color or national origin. Category IV Minnesota Minn. The legislature shall make such provisions by taxation or otherwise as will secure a thorough and efficient system of public schools throughout the state. Category II Mississippi Miss. The Legislature shall, by general law, provide for the establishment, maintenance and support of free public schools upon such conditions and limitations as the Legislature may prescribe. There shall be a state common-school fund, to be taken from the General Fund in the State Treasury, which shall be used for the maintenance and support of the common schools. Any county or separate school district may levy an additional tax, as prescribed by general law, to maintain its schools. The state common-school fund shall be distributed among the several counties and separate school districts in proportion to the number of educable children in each, to be determined by data collected through the office of the State Superintendent of Education in the manner to be prescribed by law. There is hereby created and established in the State Treasury a trust fund which may be used, as hereinafter provided, for the improvement of education within the State of Mississippi. There shall be deposited in such trust fund: The principal of the trust fund shall remain inviolate and shall be invested as provided by general law. Category I Missouri Mo. A general diffusion of knowledge and intelligence being essential to the preservation of the rights and liberties of the people, the general assembly shall establish and maintain free public schools for the gratuitous instruction of all persons in this state within ages not in excess of twenty-one years as prescribed by law. All appropriations by the state for the support of free public schools and the income from the public school fund shall be paid at least annually and distributed according to law. In event the public school fund provided and set apart by law for the support of free public schools, shall be insufficient to sustain free schools at least eight months in every year in each school district of the state, the general assembly may provide for such deficiency; but in no case shall there be set apart less than twenty-five percent of the state revenue, exclusive of interest and sinking fund, to be applied annually to the support of the free public schools. Category IV Montana Mont. Equality of educational opportunity is guaranteed to each person of the state. The legislature may provide such other educational institutions, public libraries, and educational programs as it deems desirable. Category II Nebraska Neb. The Legislature may provide for the education of other persons in educational institutions owned and controlled by the state or a political subdivision thereof. Category I Nevada Nev. The legislature shall encourage by all

suitable means the promotion of intellectual, literary, scientific, mining, mechanical, agricultural, and moral improvements. The legislature shall provide for a uniform system of common schools, by which a school shall be established and maintained in each school district at least six months in every year, and the legislature may pass such laws as will tend to secure a general attendance of the children in each school district upon said public schools. In addition to other means provided for the support and maintenance of said university and common schools, the legislature shall provide for their support and maintenance by direct legislative appropriation from the general fund, upon the presentation of budgets in the manner required by law. During a regular session of the Legislature, before any other appropriation is enacted to fund a portion of the state budget for the next ensuing biennium, the Legislature shall enact one or more appropriations to provide the money the Legislature deems to be sufficient, when combined with the local money reasonably available for this purpose, to fund the operation of the public schools in the State for kindergarten through grade 12 for the next ensuing biennium for the population reasonably estimated for that biennium. LXXXIII To cherish the interest of literature and the sciences, and all seminaries and public schools, to encourage private and public institutions, rewards, and immunities for the promotion of agriculture, arts, sciences, commerce, trades, manufactures, and natural history of the country; to countenance and inculcate the principles of humanity and general benevolence, public and private charity, industry and economy, honesty and punctuality, sincerity, sobriety, and all social affections, and generous sentiments, among the people. The Legislature shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all the children in the State between the ages of five and eighteen years. The fund for the support of free public schools, and all money, stock and other property, which may hereafter be appropriated for that purpose, or received into the treasury under the provisions of any law heretofore passed to augment the said fund, shall be securely invested, and remain a perpetual fund; and the income thereof, except so much as it may be judged expedient to apply to an increase of the capital, shall be annually appropriated to the support of free public schools, and for the equal benefit of all the people of the State; and it shall not be competent, except as hereinafter provided, for the Legislature to borrow, appropriate or use the said fund or any part thereof for any other purpose, under any pretense whatever. The bonds of any school district of this State, issued according to law, shall be proper and secure investments for the said fund and, in addition, said fund, including the income therefrom and any other moneys duly appropriated to the support of free public schools may be used in such manner as the Legislature may provide by law to secure the payment of the principal of or interest on bonds or notes issued for school purposes by counties, municipalities or school districts or for the payment or purchase of any such bonds or notes or any claims for interest thereon. A uniform system of free public schools sufficient for the education of, and open to, all the children of school age in the state shall be established and maintained. All forfeitures, unless otherwise provided by law, and all fines collected under general laws; the net proceeds of property that may come to the state by escheat; the rentals of all school lands and other lands granted to the state, the disposition of which is not otherwise provided for by the terms of the grant or by act of congress shall constitute the current school fund of the state. Category I New York N. Category I North Carolina N. Religion, morality, and knowledge being necessary to good government and the happiness of mankind, schools, libraries, and the means of education shall forever be encouraged. The General Assembly shall provide by taxation and otherwise for a general and uniform system of free public schools, which shall be maintained at least nine months in every year, and wherein equal opportunities shall be provided for all students. The General Assembly may assign to units of local government such responsibility for the financial support of the free public schools as it may deem appropriate. The governing boards of units of local government with financial responsibility for public education may use local revenues to add to or supplement any public school or post-secondary school program. Category I North Dakota N. A high degree of intelligence, patriotism, integrity and morality on the part of every voter in a government by the people being necessary in order to insure the continuance of that government and the prosperity and happiness of the people, the legislative assembly shall make provision for the establishment and maintenance of a system of public schools which shall be open to all children of the state of North Dakota and free from sectarian control. This legislative requirement shall be irrevocable without the consent of the United

States and the people of North Dakota. The legislative assembly shall provide for a uniform system of free public schools throughout the state, beginning with the primary and extending through all grades up to and including schools of higher education, except that the legislative assembly may authorize tuition, fees and service charges to assist in the financing of public schools of higher education. In all schools instruction shall be given as far as practicable in those branches of knowledge that tend to impress upon the mind the vital importance of truthfulness, temperance, purity, public spirit, and respect for honest labor of every kind. The legislative assembly shall take such other steps as may be necessary to prevent illiteracy, secure a reasonable degree of uniformity in course of study, and to promote industrial, scientific, and agricultural improvements.

Category II Oklahoma Okla. The Legislature shall establish and maintain a system of free public schools wherein all the children of the State may be educated. Such moneys shall be allocated to the various school districts in the manner and by a distributing agency to be designated by the Legislature; provided that nothing herein shall be construed as limiting any particular school district to the per capita amount specified herein, but the amount of state funds to which any school district may be entitled shall be determined by the distributing agency upon terms and conditions specified by the Legislature, and provided further that such funds shall be in addition to apportionments from the permanent school fund created by Article XI, Section 2, hereof.

Category I Oregon Ore. The Legislative Assembly shall provide by law for the establishment of a uniform, and general system of Common schools. Provision shall be made by law for the distribution of the income of the common school fund among the several Counties of this state in proportion to the number of children resident therein between the ages, four and twenty years.

**Chapter 2 : State and Local Government Financial Analysis and Management | Maxwell School**

*Financing State and Local Government Boston's Central Artery/Tunnel Project "a.k.a. the "Big Dig" is the largest, most complex, and most technologically challenging highway project in the U.S. Financing comes from a combination of federal, state, and local funds.*

History[ edit ] Early days s [ edit ] Historically, municipal debt predates corporate debt by several centuries—the early Renaissance Italian city-states borrowed money from major banking families. Borrowing by American cities dates to the nineteenth century, and records of U. Officially the first recorded municipal bond was a general obligation bond issued by the City of New York for a canal in During the s, many U. In the ensuing decades, rapid urban development demonstrated a correspondingly explosive growth in municipal debt. The debt was used to finance both urban improvements and a growing system of free public education. Post Civil War[ edit ] Years after the Civil War, significant local debt was issued to build railroads. Construction costs in for one of the largest transcontinental railroads, the Northern Pacific , closed down access to new capital. Smaller firms followed suit as well as the stock market. The panic and years of depression that followed put an abrupt but temporary halt to the rapid growth of municipal debt. Several states wrote these restrictions into their constitutions. Railroad bonds and their legality were widely challenged, and this gave rise to the market-wide demand that an opinion of qualified bond counsel accompany each new issue. Modern times[ edit ] When the U. The Great Depression of the s halted growth, although defaults were not as severe as in the s. Today, in addition to the 50 states and their local governments including cities, counties, villages and school districts , the District of Columbia and U. Another important category of municipal bond issuers which includes authorities and special districts has also grown in number and variety in recent years. The debt issues of these two authorities are exempt from federal, state and local governments taxes. Municipal securities consist of both short-term issues often called notes, which typically mature in one year or less and long-term issues commonly known as bonds, which mature in more than one year. Short-term notes are used by an issuer to raise money for a variety of reasons: Bonds are usually sold to finance capital projects over the longer term. The two basic types of municipal bonds are: In many cases, general obligation bonds are voter-approved. Principal and interest are secured by revenues derived from tolls, charges or rents from the facility built with the proceeds of the bond issue. Public projects financed by revenue bonds include toll roads, bridges, airports, water and sewage treatment facilities, hospitals and subsidized housing. Many of these bonds are issued by special authorities created for that particular purpose. Build America Bonds Build America Bonds are a taxable municipal bond created under the American Recovery and Reinvestment Act of that carry special tax credits and federal subsidies for either the bond holder or the bond issuer. Many issuers have taken advantage of the Build America Bond provision to secure financing at a lower cost than issuing traditional tax-exempt bonds. The Build America Bond provision, which expired on January 1, , was open to governmental agencies issuing bonds to fund capital expenditures. The financed infrastructure needs vary greatly but can include schools, streets and highways, bridges, hospitals, public housing, sewer, water systems, power utilities, and various public projects. Traditionally, municipal bonds are issued and sold to bond holders through a complex network of financial and legal professionals. In all bond issuances, the issuer serves as the focal point and the head of the financing team, and oversees the transformation of an idea for a project into an issuance. However, in some cases, the bond measure for a public project must first be approved by voters. If a bond measure is proposed in a local election, a Tax Rate Statement may be provided to voters, detailing best estimates of the tax rate required to levy and fund the bond. In cases where no election is held, depending on applicable local law, voters may be entitled to petition the approval to referendum i. The issuer of a municipal bond receives a cash purchase price at the time of issuance in exchange for a promise to repay the purchasing investors, or their transferees, the bond holder over time. Repayment periods can be as short as a few months although this is very rare to 20, 30, or 40 years, or even longer. The issuer typically uses proceeds from a bond sale to pay for capital projects or for other purposes it cannot or does not desire to pay for immediately with funds on hand. Tax regulations governing municipal bonds generally require all money raised by a bond sale

to be spent on capital projects within three to five years of issuance. Because of the special status of most municipal bonds granted under Section of the Internal Revenue Code, which provides that the interest on such bonds is exempt from gross income, investors usually accept lower interest payments than on other types of borrowing assuming comparable risk. This makes the issuance of bonds an attractive source of financing to many municipal entities, as the borrowing rate available to them in the municipal, or public finance, market is frequently lower than what is available through other borrowing channels. Municipal advisor[ edit ] Under the Dodd-Frank Wall Street Reform and Consumer Protection Act , municipal advisors gained an increasingly important role in overseeing financial and legal circumstances surrounding the issuance of bonds. Legally, the advisor is obligated to represent the interests of the issuer and serve as a source of financial advice. This entails offering advice on structuring, selling, and promoting bonds, as well as serving as the central liaison between other members of the financial team, especially the underwriters and credit rating agency. Although municipal financial advisory services have existed for many years, municipal advisors have played a key role in the bond issuance process since the Securities and Exchange Commission enacted the Municipal Advisor rule in , which prohibits certain communications between issuers and broker-dealers unless one of four exceptions is met, one being that the issuer has retained an Independent Registered Municipal Advisor "IRMA". The counsel works to verify the legal details of the issuance and ensure that the issuing agency is complying with all applicable laws and regulations. As the formal legal advisor for the deal team, the bond counsel will typically draft core documentation relating to bonds, including loan agreements, indentures, and other critical documents. Along these lines, the bond counsel is also tasked with reviewing and advising on any legal issues that might arise, and interpreting how tax laws affect the issuance. For instance, the bond counsel will decide if an issuance is exempt from state or federal taxes. The underwriter is a broker-dealer that publicly administers the issuance and distributes the bonds. As such, they serve as the bridge between the buy and sell side of the bond issuance process. Underwriters connect issuers with potential bond buyers, and determine the price at which to offer the bonds. In doing so, most underwriters will assume full risk and responsibility for the distribution and sale of the bonds issued by the issuing agency. As such, underwriters play a central role in deciding the return and span of maturities, typically collect fees in exchange for their services. If the price is wrong, the underwriter is left holding the bonds. In many cases there will be a co-manager who works with the underwriter to help provide the capital to buy the issuance. In large issuances, the underwriter s will often put together a syndicate or selling group. In most cases, underwriters will communicate and sell their maturities through multiple brokers. The broker seeks to distribute their bonds from the underwriter at a small percentage profit. Given the current legacy systems of the bond market, the distribution and sale of bonds is an exceptionally manual process requiring tremendous labor overhead and paperwork. As such, most municipal bond brokers only sell to high net worth individuals and organizations seeking to buy large quantities of bonds. Many of the people with direct ties to the impacted communities are therefore unable to contribute to their local governments, given little to no access to the profitable bond market. In exchange for an upfront investment of capital, the bond holder receives payments over time composed of interest on the invested principal, and a return of the invested principal itself see bond. Repayment schedules differ with the type of bond issued. Municipal bonds typically pay interest semi-annually. Shorter term bonds generally pay interest only until maturity; longer term bonds generally are amortized through annual principal payments. Longer and shorter term bonds are often combined together in a single issue that requires the issuer to make approximately level annual payments of interest and principal. Certain bonds, known as zero coupon or capital appreciation bonds, accrue interest until maturity at which time both interest and principal become due. Modern bond platforms[ edit ] Over the last decade many traditional and new market participants have begun to apply current technology solutions to the municipal market remedying many of the latent problems associated with many aspects of the municipal bond market. The emergence of products like small denomination municipal bonds, for example, is a result of new bond financing platforms. The general idea with modern platforms is to leverage technology to make the market more responsive to investors, more financially transparent and ultimately easier for issuers and buyers. Many believe that, in doing so, more people will compete to buy muni bonds and thus the cost of issuing debt will be

lower for issuers. Interest paid by the issuer to bond holders is often exempt from gross income for federal income tax purposes, as well as state or local taxes depending on the state in which the issuer is located, subject to certain restrictions. Bonds issued for certain purposes are subject to the alternative minimum tax as an item of tax preference. Interest earnings on bonds that fund projects that are constructed for the public good are generally exempt from federal income taxes, while interest earnings on bonds issued to fund projects partly or wholly benefiting only private parties, sometimes referred to as private activity bonds or PABs, may be subject to federal income tax. However, qualified private activity bonds, whether issued by a governmental unit or private entity, are exempt from federal taxes because the bonds are financing services or facilities that, while meeting the private activity tests, are needed by a government. Purchasers of municipal bonds should be aware that not all municipal bonds are tax-exempt, and not all tax-exempt bonds are exempt from all federal and state taxes. The laws governing the taxability of municipal bond income are complex. At the federal level they are contained in the IRS Code Sections , , and rules promulgated thereunder. Additionally, special rules apply to certain types of investors e. For example, there is no IRS Code exemption for capital or other gains received from the sale of a municipal bonds and special rules apply for secondary market discount and original issue discount on municipal bonds. Each state will have its own laws governing what bonds, if any, are exempt from state taxes. For publicly offered bonds and most private placements, at the time of issuance a legal opinion will be provided indicating that the interest bonds are tax-exempt; these opinions do not customarily address collateral tax treatment. Offering documents, such as an official statement or placement memorandum, will contain further information regarding tax treatment of interest on the bonds. Investors should be aware that there are also post-issuance compliance requirements that must be met to ensure that the bonds remain tax-exempt. The IRS has a specific section of their website, [www.irs.gov](http://www.irs.gov). CDs, savings accounts, money market accounts, and others. Over the last five years, the average interest rate return on municipal bonds has hovered around 4. Unlike stocks and other non-dated investments, municipal bonds have fixed rates and are far less liquid. As a general rule, municipal bonds with longer time to maturity have higher coupon rates. Liquidity[ edit ] Historically, municipal bonds have been one of the least liquid assets on the market. While stocks can be bought and sold within seconds on exchange platforms , given the current absence of widespread secondary market platforms for the exchange of stocks, municipal bonds are much harder to maneuver. These minimum investment amounts previously barred many individuals from investing in bonds. Security[ edit ] The historical default rate for municipal bonds is lower than that of corporate bonds. The Municipal Bond Fairness Act HR , [18] introduced September 9, , included a table giving bond default rates up to for municipal versus corporate bonds by rating and rating agency. Risk and insurance[ edit ] Main article: Credit risk The risk "security" of a municipal bond is a measure of how likely the issuer is to make all payments, on time and in full, as promised in the agreement between the issuer and bond holder the "bond documents". Different types of bonds are secured by various types of repayment sources, based on the promises made in the bond documents: General obligation bonds promise to repay based on the full faith and credit of the issuer; these bonds are typically considered the most secure type of municipal bond, and therefore carry the lowest interest rate. Revenue bonds promise repayment from a specified stream of future income, such as income generated by a water utility from payments by customers.

### Chapter 3 : Municipal bond - Wikipedia

*Which level of government, the federal or the state and local, bears major responsibility for providing civilian (nondefense) services in the United States? The answer is state and local, and by a considerable margin. In fact, when it comes to civilian services, state and local governments together.*

### Chapter 4 : Financing State and Local Governments - J. Richard Aronson, John L. Hilley - Google Books

*The papers included in this volume were presented at a conference sponsored by the Federal Reserve Bank of Boston in June The conference, which brought together a distinguished group of state and local finance specialists, was the*

*third in a series dealing with important issues affecting monetary policy.*

## Chapter 5 : State Role in Education Finance

*Quarterly estimates of state and local government tax revenue are shown at a national level, and detailed tax revenue data shown for individual states. The most current information available on a nationwide basis for government tax collections.*