**Issue: Fixing the Toxic Condition of Philadelphia’s Schools**

Less than two years ago, the Philadelphia Inquirer found school buildings throughout the Philadelphia School District containing dangerous levels of mold, deteriorated asbestos, flaking and peeling paint likely containing lead, and water with unsafe levels of lead contamination. Every technique possible must be used to raise the funds needed to fix these buildings and make them safe. A public bank could be a centerpiece of that effort.

**Need: $3 Billion**

The estimated cost of the remediation is $3 billion.

**Solution: Create a Philadelphia Public Bank, with School District Participation, to Drastically Reduce the Debt Service of the District**

The accumulated debt of the Philadelphia School District is enormous, [totaling $3.2 billion](https://www.philasd.org/accounting/wp-content/uploads/sites/125/2020/02/CAFR-FY-2019-compressed-1.pdf). To service that debt, the School District is slated to pay bondholders 9% of its budget, [a staggering $293 million, in its current fiscal year.](https://www.philasd.org/budget/budget-facts/quick-budget-facts/) Interest payments amount to [$147 million](https://www.philasd.org/finance/wp-content/uploads/sites/789/2019/10/Investor-Presentation-2019.pdf) of that debt service load, or more than half the entire cost. This burden is excessively high because School District bonds only recently [recovered an investment grade rating.](https://www.inquirer.com/news/philly-schools-credit-rating-boost-moodys-20181218.html) In light of the coronavirus, a new downgrade can be expected, back out of an investment-worthy rank. That would enormously increase the cost of future borrowing from conventional sources. A public bank chartered by the city could reduce these costs in two ways, by:

* Refinancing the existing debt
* Borrowing additional funds at much lower interest costs

A simple computation suggests that the blended interest rate the School District is paying on its entire debt load is 4.5%. Were it paying 2% - the rate at which the Bank of North Dakota lends for infrastructure - its annual interest payments would be $64 million rather than $147 million, a savings of $83 million. That would be more than enough to support a borrowing of $3 billion, the amount needed to rid the Schools of its toxic conditions.

Of course, the School District would not be able to immediately refinance all of its bonded indebtedness at a lower rate for a variety of reasons. But it would be able to issue new bonds at that rate, and at a steady pace deal with its outstanding debt. The borrowing power of the School District would steadily climb.

It should be mentioned that the City of Philadelphia has a debt load structured not that differently from that of the School District, and restructuring its debt would also free up tens of millions of dollars over time. The new resources that would become available as a result could also, depending on whether there are other higher level needs or not, be targeted at ending the toxicity of our schools.