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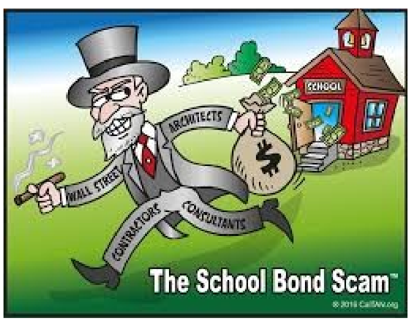
NEBRASKA TAXPAYERS FOR FREEDOM ISSUE PAPER:
PAY TO PLAY IN SCHOOL BOND ISSUES.

BACKGROUND. School districts increasingly have utilized bonds and tax levy overrides to cover alleged basic needs because of the vagaries in our state aid to education system. Public school districts initiate bond issues in order to raise funds for building new schools and/or renovating and expanding existing buildings. Under NE law, property tax levy lids do not apply to bond issues. Therefore, our additional property taxes pay for these bond issues if passed. After a bond issue passes, a school district solicits bids from architect, design, and construction companies and selects from among them for contracts to perform the work scheduled from these bonds. In a number of instances in NE and other states, companies selected to do the work are the same companies that contributed to the bond issue. In some cases, bond underwriters, who facilitate the sale of the bonds to investors, also contribute to campaigns and subsequently earn contracts to manage the bond issuance process. This situation, though not illegal in NE, gives an impression of impropriety, in our opinion. We believe that such conduct appears a conflict of interest, that it may impress taxpayers as a "pay to play" scheme. Worse, a number of contracts pay for frivolous or unneeded capital facility improvements.

THE CRITICISM. Many of the biggest contributors to large school bond campaigns are not concerned parents or civic groups but contractors and bond companies that stand to benefit financially from bond campaigns. These companies seek an opportunity to win the hundreds of millions in contracts that will become available if a school bond passes. Bond campaigns use these sizable contributions to produce mailers, signs, and advertising, also to pay the cost of consultants, phone banks, and canvassing. It is almost impossible for citizen bond opponents to compete with pro-bond campaigns financially. Critical taxpayers argue that these campaign contributions potentially can influence the bidding process, giving corporate donors an unfair advantage over other companies. In Colorado, the Neenan Co., a construction firm, donated to school bond campaigns and later won a $53 million contract for building schools, also contracts for additional smaller projects. In Arizona, a group of architects and construction firms that contributed to school bond campaigns secured a significant portion of the subsequent K-12 project contracts.[1] Unlike candidate campaigns, campaigns for bonds and property tax levy overrides can accept contributions in any amount, especially from corporations. Taxpayers argue that this practice can increase the cost of school projects, because companies may factor into their bids the cost of campaign contributions. This practice erodes public trust in the integrity of school bond elections and the procurement process. Critics suspect that less competition in large-dollar school projects benefits a small group of companies more than students and taxpayers. A contribution to a school bond drive might not win a company a bid, but it is definitely a means to start relationships with a school district for companies seeking to procure business with that district. Many companies admit that school work accounts for significant portions of their overall contracts. In some districts, the support goes beyond campaign financing. Several leaders and employees of these potential vendors are also active participants in school district foundations, separate nonprofit organizations that raise money for a particular school district, e.g., OPS.



THE DEFENSE. Companies that benefit from the present system claim that their motivation is to help children succeed. While they hope to continue doing business with local school districts, top contributors also say they donate, because they believe in improved schools. Companies that design schools for lengthy periods stay in that specialty, because they supposedly want children to have a good learning environment, remarking about the behavior of kids changing when existing facilities upgraded with better lighting, paint, materials, and technology, claiming that it definitely makes a difference in pupil education. Schools are working with limited budgets and rely on companies they believe can do the work well. Working on a campus with kids present also adds unique challenges, with which some companies may have more experience. Corporate donors claim that if they do not contribute to help pass bond measures, there would be no other way to pay for all the improvements that schools need. It costs a lot of money to launch campaigns, they say, and local residents do not have sufficient funds.

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[1] Evan Wyloge, Arizona Center for Investigative Reporting, Builders bankroll school bond campaigns, dominate construction contracts, Dec. 20, 2017.

REMEDIAL ACTION. Several local California school districts have limited how much one company or person can donate to a school bond to eliminate a possible appearance of pay-to-play contracts. Cajon Valley Union School District placed a $2,000 limit on donations to its bond measure in 2012 to send a message that donations had no connection to contracts. A California legislative bill includes powers to limit bond campaign donations in the future. That state created its own regulations pertaining to contributions that companies can make to pass bonds, meant to stop pay-to-play deals in which a donor wins a contract instead of a company that could perform the work cheaper. At the federal level, an arm of the Securities and Exchange Commission has limited contributions from investment bankers to officials who can reward them with bond business. Similarly, NE state law should regulate how school districts choose companies that will do work, designed to ensure school district contracts on bond issues based on an honest evaluation of applicants, not cronyism. A new law requiring additional oversight for procurement practices is necessary.

SPECIFIC EXAMPLES:
BENNINGTON SCHOOL BOND. In this 2025 bond campaign, D. A. Davidson & Co. contributed $15,000, DLR Group $1,500 (*contract for design*), and Dana Osborne Design $750.

ELKHORN SCHOOL BOND. In this 2023 bond campaign, D. A. Davidson & Co. contributed $10,000, and Jackson-Jackson & Assoc. contributed $4,970 *($529,558 for work done).*

PAPILLION-LA VISTA SCHOOL BOND. In this 2023 bond campaign, BCDM Architects contributed $5,000 *(a $65,365 contract*), and D.A. Davidson & Co. donated $3,000.

SOUTH SIOUX CITY SCHOOL BOND. In this 2025 bond campaign, BCDM Architects contributed $10,000, Morrissey Engineering, Inc. donated $5,000, Boyd Jones Construction Co. contributed $10,000, and D.A. Davidson & Co. donated $5,000.

OMAHA PUBLIC SCHOOL BOND. In this 2018 bond campaign of $409.9 million, Baird Holm Law Firm contributed $5,000 (*program management and administration contract*), DLR Group $5,000 (*work at Buena Vista HS*), First National Bank $10,000, Omaha Chamber of Commerce $50,000, Hawkins Construction Co. $5,000, Sampson Construction Co. $5,000 *(involved in projects at Westview High School*), Tenaska $10,000, and Valmont Industries $10,000. Other contributors included Jacobs Engineering Group (*bond program management and administration*), Cox Communications, Carpenters Interior Systems Union Local 1306, DLR Group (*a $5.45 million contract for work at Buena Vista HS*), RDG Schutte Wilscam Birge (*work at Bluestem School*), Holland Basham Architects, Lueder Construction Co., Kiewit Corporation, Mechanical Contractors Assoc. of Omaha PAC, HDR, and Tetrad Corp.

Note: We are not accusing the above companies of doing anything illegal or unethical. It simply appears unseemly in our opinion.

TAKE ACTION NOW. Before voting on a school bond issue, voters should consider if the school district in which they reside has shown that it is frugal with taxpayer money, that it listens to taxpayer input, and that proposed construction and renovation is necessary and not using tax $$ for frivolous and unneeded luxuries. School districts should raise bond money from community residents rather than relying on corporate contributions that give the appearance of impropriety. The sheer volume of corporate money infusing bond campaigns simply overwhelms valid citizen opposition. Using the above content, lobby your state senator to pass legislation to stop this potential pay to play school bond travesty. Email netaxpayers@gmail.com for state senator contact information and to join our NTF *Education Watch Project.*