

AMENDED IN SENATE JULY 1, 2013  
AMENDED IN SENATE MAY 21, 2013  
AMENDED IN ASSEMBLY APRIL 2, 2013  
AMENDED IN ASSEMBLY MARCH 12, 2013  
CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 182**

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**Introduced by Assembly Members Buchanan and Hueso**  
**(Principal coauthor: Assembly Member Alejo)**  
(Principal coauthors: Senators Block and Wyland)  
(*Coauthor: Senator Torres*)  
**(Coauthors: Assembly Members Ian Calderon, Chávez,**  
**Roger Hernández, and Williams)**

January 24, 2013

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An act to amend Section 15146 of, and to add Sections 15144.1, 15144.2, and 15144.3 to, the Education Code, ~~and to amend Sections 53506, 53507, 53508.7, and 53530 of~~ *and to add Section 53508.5 to,* the Government Code, relating to bonds.

LEGISLATIVE COUNSEL'S DIGEST

AB 182, as amended, Buchanan. Bonds: school districts and community college districts.

(1) Existing law authorizes the governing board of any school district or community college district to order an election and submit to the electors of the district the question whether the bonds of the district should be issued and sold to raise money for specified purposes. Existing law requires the bonds to bear a rate of interest that does not exceed

8% per annum and requires the number of years the whole or any part of the bonds are to run to not exceed 25 years.

This bill would require the ratio of total debt service to principal for each bond series to not exceed 4 to one. The bill would require each capital appreciation bond maturing more than 10 years after its date of issuance to be subject to redemption before its fixed maturity date, as specified, beginning no later than the 10th anniversary of the date the capital appreciation bond was issued. The bill would authorize a school district or community college district with a note issued before December 31, 2013, to seek from the State Board of Education or the Chancellor of the California Community Colleges, as applicable, a one-time waiver from certain requirements of this bill if 2 specified conditions are satisfied.

(2) Existing law requires the governing board of the school district or community college district, before the sale of bonds, to adopt a resolution as an agenda item at a public meeting that includes specified information.

This bill would require, if the sale includes capital appreciation bonds, the agenda item to identify that capital appreciation bonds are proposed and require the governing board of the school district or community college district to be presented with an analysis containing the overall cost of the capital appreciation bonds, a comparison to the overall cost of current interest bonds, the reason capital appreciation bonds are being recommended, ~~and a copy of a certain disclosure made by the underwriter.~~ *underwriter, and disclosure of the financing term and time of maturity, repayment ratio, and the estimated change in assessed value of local property. The bill would require the resolution to be publicly noticed on at least 2 consecutive meeting agendas, first as an information item and 2nd as an action item.*

(3) Additionally and alternatively to the authority described above, existing law authorizes the legislative body of an issuer, by resolution, to provide for the issuance of bonds or refunding bonds and defines “issuer” to include, among other public entities, a school district and a community college district. Existing law also authorizes these bonds to bear an interest rate at a coupon rate or rates as determined by the legislative body of a local agency in its discretion, but not to exceed 12% per year, and defines “local agency” to include, among other public entities, a public district. *bonds.*

~~This bill would instead specify that issuer and local agency, as defined for purposes of this source of bonding authority, do not include a school district or a community college district.~~

*This bill would provide that the number of years the whole or any part of a general obligation bond issued by a school district or community college district is to run shall not exceed 30 years. The bill would require a school district or community college district that intends to issue a capital appreciation bond pursuant to its authority to issue bonds or refunding bonds by resolution to conform the capital appreciation bond issuance to certain requirements otherwise applicable to bonds issued by a school district or community college district pursuant to an election.*

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 15144.1 is added to the Education Code,  
2 to read:  
3 15144.1. The ratio of total debt service to principal for each  
4 bond series shall not exceed four to one.  
5 SEC. 2. Section 15144.2 is added to the Education Code, to  
6 read:  
7 15144.2. A capital appreciation bond maturing more than 10  
8 years after its date of issuance shall be subject to redemption before  
9 its fixed maturity date, with or without a premium, at any time, or  
10 from time to time, at the option of the issuer, beginning no later  
11 than the 10th anniversary of the date the capital appreciation bond  
12 was issued.  
13 SEC. 3. Section 15144.3 is added to the Education Code, to  
14 read:  
15 15144.3. A school district or community college district with  
16 a note issued before December 31, 2013, pursuant to Section 15150  
17 may seek from the state board or the Chancellor of the California  
18 Community Colleges, as applicable, a one-time waiver from one  
19 or more of the requirements of Sections 1, 2, and 4 of Assembly  
20 Bill 182 of the 2013–14 Regular Session, if both of the following  
21 are satisfied:  
22 (a) The proceeds of the issuance subject to the waiver will be  
23 used only for the purpose of paying the note.

1 (b) The school district or community college district has  
 2 provided to the state board or the Chancellor of the California  
 3 Community Colleges, as applicable, an analysis from a financial  
 4 adviser unaffiliated with the school district, the community college  
 5 district, or the underwriter used by the school district or community  
 6 college district, showing the total overall costs of the proposed  
 7 bond, how the issuance is the most cost-effective method, and the  
 8 reasons why the school district or community college district is  
 9 unable to meet those requirements of Sections 1, 2, and 4 of  
 10 Assembly Bill 182 of the 2013–14 Regular Session that are the  
 11 subject of the waiver.

12 SEC. 4. Section 15146 of the Education Code is amended to  
 13 read:

14 15146. (a) The bonds shall be issued and sold pursuant to  
 15 Section 15140, payable out of the interest and sinking fund of the  
 16 district. The governing board may sell the bonds at a negotiated  
 17 sale or by competitive bidding.

18 (b) (1) Before the sale, the governing board shall adopt a  
 19 resolution, as an agenda item at a public meeting, that includes all  
 20 of the following:

21 ~~(1)~~

22 (A) Express approval of the method of sale.

23 ~~(2)~~

24 (B) Statement of the reasons for the method of sale selected.

25 ~~(3)~~

26 (C) Disclosure of the identity of the bond counsel, and the  
 27 identities of the bond underwriter and the financial adviser if either  
 28 or both are used for the sale, unless these individuals have not been  
 29 selected at the time the resolution is adopted, in which case the  
 30 governing board shall disclose their identities at the public meeting  
 31 occurring after they have been selected.

32 ~~(4)~~

33 (D) Estimates of the costs associated with the bond issuance.

34 (E) *If the sale includes capital appreciation bonds, disclosure*  
 35 *of the financing term and time of maturity, repayment ratio, and*  
 36 *the estimated change in assessed value of local property.*

37 (2) *If the sale includes capital appreciation bonds, the resolution*  
 38 *shall be publicly noticed on at least two consecutive meeting*  
 39 *agendas, first as an information item and second as an action item.*

1 (c) If the sale includes capital appreciation bonds, the agenda  
2 item shall identify that capital appreciation bonds are proposed  
3 and the governing board shall be presented with all of the  
4 following:

5 (1) An analysis containing the total overall cost of the capital  
6 appreciation bonds.

7 (2) A comparison to the overall cost of current interest bonds.

8 (3) The reason capital appreciation bonds are being  
9 recommended.

10 (4) A copy of the disclosure made by the underwriter in  
11 compliance with Rule G-17 adopted by the federal Municipal  
12 Securities Rulemaking Board.

13 (d) After the sale, the governing board shall do both of the  
14 following:

15 (1) Present the actual cost information for the sale at its next  
16 scheduled public meeting.

17 (2) Submit an itemized summary of the costs of the bond sale  
18 to the California Debt and Investment Advisory Commission.

19 (e) The governing board shall ensure that all necessary  
20 information and reports regarding the sale or planned sale of bonds  
21 by the district it governs are submitted to the California Debt and  
22 Investment Advisory Commission in compliance with Section  
23 8855 of the Government Code.

24 (f) The bonds may be sold at a discount not to exceed 5 percent  
25 and at an interest rate not to exceed the maximum rate permitted  
26 by law. If the sale is by competitive bid, the governing board shall  
27 comply with Sections 15147 and 15148. The bonds shall be sold  
28 by the governing board no later than the date designated by the  
29 governing board as the final date for the sale of the bonds.

30 (g) The proceeds of the sale of the bonds, exclusive of any  
31 premium received, shall be deposited in the county treasury to the  
32 credit of the building fund of the school district, or community  
33 college district as designated by the California Community  
34 Colleges Budget and Accounting Manual. The proceeds deposited  
35 shall be drawn out as other school moneys are drawn out. The  
36 bond proceeds withdrawn shall not be applied to any purposes  
37 other than those for which the bonds were issued. Any premium  
38 or accrued interest received from the sale of the bonds shall be  
39 deposited in the interest and sinking fund of the *school district or*  
40 *community college* district.

1 (h) The governing board may cause to be deposited proceeds  
2 of sale of any series of the bonds in an amount not exceeding 2  
3 percent of the principal amount of the bonds in a costs of issuance  
4 account, which may be created in the county treasury or held by  
5 a fiscal agent appointed by the *school district or community college*  
6 district for this purpose, separate from the building fund and the  
7 interest and sinking fund of the district. The proceeds deposited  
8 shall be drawn out on the order of the governing board or an officer  
9 of the district duly authorized by the governing board to make the  
10 order, only to pay authorized costs of issuance of the bonds. Upon  
11 the order of the governing board or duly authorized officer, the  
12 remaining balance shall be transferred to the county treasury to  
13 the credit of the building fund of the school district or community  
14 college district. The deposit of bond proceeds pursuant to this  
15 subdivision shall be a proper charge against the building fund of  
16 the *school district or community college* district.

17 (i) The governing board may cause to be deposited proceeds of  
18 sale of any series of the bonds in the interest and sinking fund of  
19 the district in the amount of the annual reserve permitted by Section  
20 15250 or in any lesser amount, as the governing board shall  
21 determine from time to time. The deposit of bond proceeds  
22 pursuant to this subdivision shall be a proper charge against the  
23 building fund of the *school district or community college* district.

24 (j) The governing board may cause to be deposited proceeds of  
25 sale of any series of the bonds in the interest and sinking fund of  
26 the district in the amount not exceeding the interest scheduled to  
27 become due on that series of bonds for a period of two years from  
28 the date of issuance of that series of bonds. The deposit of bonds  
29 proceeds pursuant to this subdivision shall be a proper charge  
30 against the building fund of the *school district or community*  
31 *college* district.

32 ~~SEC. 5.—Section 53506 of the Government Code is amended~~  
33 ~~to read:~~

34 ~~53506.—(a) This article is full authority for the issuance of~~  
35 ~~bonds or refunding bonds by any city, county, city and county, or~~  
36 ~~special district, secured by the levy of ad valorem taxes, authorized~~  
37 ~~in accordance with the Constitution and, in the case of a chartered~~  
38 ~~city, county, or city and county, with the charter thereof, or in the~~  
39 ~~case of a special district, with the district's principal act. This~~

1 ~~article shall not apply to a school district or a community college~~  
2 ~~district.~~

3 ~~(b) This article is intended to provide a complete additional and~~  
4 ~~alternative method for doing the things authorized by this article.~~  
5 ~~The powers conferred by this article are supplemental and~~  
6 ~~additional to the powers conferred by any other laws, and the~~  
7 ~~limitations imposed by this article do not affect the powers~~  
8 ~~conferred by any other law.~~

9 ~~SEC. 6. Section 53507 of the Government Code is amended~~  
10 ~~to read:~~

11 ~~53507. As used in this article, the following terms shall have~~  
12 ~~the meanings assigned to them in this section.~~

13 ~~(a) "Bonds" means bonds, notes, warrants, or other evidence of~~  
14 ~~indebtedness payable, both principal and interest, from the proceeds~~  
15 ~~of ad valorem taxes that may be levied without limitation as to~~  
16 ~~rate or amount upon property subject to taxation by the legislative~~  
17 ~~body.~~

18 ~~(b) "Issuer" means a city, county, city and county, or special~~  
19 ~~district, secured by the levy of ad valorem taxes, authorized to~~  
20 ~~issue bonds pursuant to this article. "Issuer" shall not include a~~  
21 ~~school district or community college district.~~

22 ~~(c) "Legislative body" means the governing body of the issuer.~~

23 ~~SEC. 7. Section 53508.7 of the Government Code is amended~~  
24 ~~to read:~~

25 ~~53508.7. (a) The bonds shall be sold at a public or private sale~~  
26 ~~and at a price at, above, or below par, as the legislative body~~  
27 ~~determines.~~

28 ~~(b) Bonds sold at a discount below the par value of the bonds~~  
29 ~~shall be sold in compliance with the provisions of Section 53532.~~

30 ~~SEC. 8. Section 53530 of the Government Code is amended~~  
31 ~~to read:~~

32 ~~53530. As used in this article:~~

33 ~~(a) "Local agency" means county, city, city and county, public~~  
34 ~~district, public entity or authority, or other public or municipal~~  
35 ~~corporation, including redevelopment agencies, housing authorities,~~  
36 ~~and industrial development authorities. "Local agency" shall not~~  
37 ~~include a school district or community college district.~~

38 ~~(b) "Bonds" means bonds, warrants, notes, or other evidences~~  
39 ~~of indebtedness of a local agency or zone or improvement district~~  
40 ~~thereof.~~

1     *SEC. 5. Section 53508.5 is added to the Government Code, to*  
2 *read:*

3     *53508.5. (a) Notwithstanding any other law and except as*  
4 *provided in subdivision (b), the number of years the whole or any*  
5 *part of a bond issued by a school district or community college*  
6 *district is to run shall not exceed 30 years from the date of the*  
7 *bonds or the date of any series thereof.*

8     *(b) Notwithstanding any other law, a school district or*  
9 *community college district that intends to issue a capital*  
10 *appreciation bond pursuant to this article shall comply with the*  
11 *requirements of Sections 15143, 15144, 15144.1, 15144.2, and*  
12 *15146 of the Education Code.*