

AMENDED IN SENATE JULY 11, 2013

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**

**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)**

*(Coauthor: Senator Torres)*

January 24, 2013

---

---

An act to amend Section 15146 of, and to add Sections 15140.5, 15144.1, 15144.2, and 15144.3 to, the Education Code, and to add Section 53508.5 to, *and to add and repeal Section 53508.6 of*, 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 *bond, as defined, that allows for the compounding of interest, including, but not limited to, a 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 that allows for the compounding of interest 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~~ a 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 *bonds that allow for the compounding of interest, including, but not limited to, capital appreciation bonds,* the agenda item to identify ~~that capital appreciation bonds that allow for the compounding of interest 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 specified information concerning the capital appreciation bonds, a comparison to the overall cost of current interest bonds, the reason capital appreciation bonds are being recommended, a copy of a certain disclosure made by the underwriter, and disclosure of the financing term and time of maturity, repayment ratio, and the estimated change in assessed value of local property bonds.~~ 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.

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~~ *by resolution shall not have a maturity exceeding 30 years, except, until January 1, 2019, bonds that do not allow for the compounding of interest may have a maturity that is greater than 30 years, but that does not exceed 40 years, if certain requirements are satisfied.* The bill would require a school district or community college district that intends to issue ~~a capital appreciation bond~~ *bonds that allow for the compounding of interest, including, but not limited to, capital appreciation bonds,* 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, *as specified.*

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 15140.5 is added to the Education Code,  
 2     to read:

3     15140.5. For purpose of this article, “bonds” means bonds,  
 4     notes, warrants, or other evidence of indebtedness payable, both  
 5     principal and interest, from the proceeds of ad valorem property  
 6     taxes that may be levied without limitation as to rate or amount  
 7     upon property subject to taxation by the governing board of the  
 8     school district or community college district.

9     ~~SECTION 1.~~

10    SEC. 2. Section 15144.1 is added to the Education Code, to  
 11    read:

12    15144.1. The ratio of total debt service to principal for each  
 13    bond series shall not exceed four to one.

14    ~~SEC. 2.~~

15    SEC. 3. Section 15144.2 is added to the Education Code, to  
 16    read:

17    15144.2. A bond that allows for the compounding of interest,  
 18    including, but not limited to, a capital appreciation ~~bond~~ bond,  
 19    maturing more than 10 years after its date of issuance shall be  
 20    subject to redemption before its fixed maturity date, with or without  
 21    a premium, at any time, or from time to time, at the option of the  
 22    issuer, beginning no later than the 10th anniversary of the date the

1 ~~capital appreciation~~ bond *that allows for the compounding of*  
 2 *interest* was issued.

3 ~~SEC. 3.~~

4 *SEC. 4.* Section 15144.3 is added to the Education Code, to  
 5 read:

6 15144.3. A school district or community college district with  
 7 a note issued before December 31, 2013, pursuant to Section 15150  
 8 may seek from the state board or the Chancellor of the California  
 9 Community Colleges, as applicable, a one-time waiver from one  
 10 or more of the requirements of Sections ~~1, 2, and 4~~ 2, 3, 5, and 6  
 11 of Assembly Bill 182 of the 2013–14 Regular Session, if both of  
 12 the following are satisfied:

13 (a) The proceeds of the issuance subject to the waiver will be  
 14 used only for the purpose of paying the note.

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

26 ~~SEC. 4.~~

27 *SEC. 5.* Section 15146 of the Education Code is amended to  
 28 read:

29 15146. (a) The bonds shall be issued and sold pursuant to  
 30 Section 15140, payable out of the interest and sinking fund of the  
 31 district. The governing board may sell the bonds at a negotiated  
 32 sale or by competitive bidding.

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

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

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

38 (C) Disclosure of the identity of the bond counsel, and the  
 39 identities of the bond underwriter and the financial adviser if either  
 40 or both are used for the sale, unless these individuals have not been

1 selected at the time the resolution is adopted, in which case the  
2 governing board shall disclose their identities at the public meeting  
3 occurring after they have been selected.

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

5 (E) If the sale includes *bonds that allow for the compounding*  
6 *of interest, including, but not limited to*, capital appreciation bonds,  
7 disclosure of the financing term and time of maturity, repayment  
8 ratio, and the estimated change in ~~the~~ assessed value of ~~local~~  
9 ~~property~~ *taxable property within the school district or community*  
10 *college district over the term of the bonds.*

11 (2) If the sale includes *bonds that allow for the compounding*  
12 *of interest, including, but not limited to*, capital appreciation bonds,  
13 the resolution shall be publicly noticed on at least two consecutive  
14 meeting agendas, first as an information item and second as an  
15 action item.

16 (c) If the sale includes *bonds that allow for the compounding*  
17 *of interest, including, but not limited to*, capital appreciation bonds,  
18 the agenda item shall identify that ~~capital appreciation~~ *bonds that*  
19 *allow for the compounding of interest* are proposed and the  
20 governing board shall be presented with all of the following:

21 (1) An analysis containing the total overall cost of the ~~capital~~  
22 ~~appreciation~~ *bonds that allow for the compounding of interest.*

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

24 (3) The reason ~~capital appreciation~~ *bonds that allow for the*  
25 *compounding of interest* are being recommended.

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

29 (d) After the sale, the governing board shall do both of the  
30 following:

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

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

35 (e) The governing board shall ensure that all necessary  
36 information and reports regarding the sale or planned sale of bonds  
37 by the district it governs are submitted to the California Debt and  
38 Investment Advisory Commission in compliance with Section  
39 8855 of the Government Code.

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

7 (g) The proceeds of the sale of the bonds, exclusive of any  
8 premium received, shall be deposited in the county treasury to the  
9 credit of the building fund of the school district, or community  
10 college district as designated by the California Community  
11 Colleges Budget and Accounting Manual. The proceeds deposited  
12 shall be drawn out as other school moneys are drawn out. The  
13 bond proceeds withdrawn shall not be applied to any purposes  
14 other than those for which the bonds were issued. Any premium  
15 or accrued interest received from the sale of the bonds shall be  
16 deposited in the interest and sinking fund of the school district or  
17 community college district.

18 (h) The governing board may cause to be deposited proceeds  
19 of sale of any series of the bonds in an amount not exceeding 2  
20 percent of the principal amount of the bonds in a costs of issuance  
21 account, which may be created in the county treasury or held by  
22 a fiscal agent appointed by the school district or community college  
23 district for this purpose, separate from the building fund and the  
24 interest and sinking fund of the district. The proceeds deposited  
25 shall be drawn out on the order of the governing board or an officer  
26 of the district duly authorized by the governing board to make the  
27 order, only to pay authorized costs of issuance of the bonds. Upon  
28 the order of the governing board or duly authorized officer, the  
29 remaining balance shall be transferred to the county treasury to  
30 the credit of the building fund of the school district or community  
31 college district. The deposit of bond proceeds pursuant to this  
32 subdivision shall be a proper charge against the building fund of  
33 the school district or community college district.

34 (i) The governing board may cause to be deposited proceeds of  
35 sale of any series of the bonds in the interest and sinking fund of  
36 the district in the amount of the annual reserve permitted by Section  
37 15250 or in any lesser amount, as the governing board shall  
38 determine from time to time. The deposit of bond proceeds  
39 pursuant to this subdivision shall be a proper charge against the  
40 building fund of the school district or community college district.

1 (j) The governing board may cause to be deposited proceeds of  
2 sale of any series of the bonds in the interest and sinking fund of  
3 the district in the amount not exceeding the interest scheduled to  
4 become due on that series of bonds for a period of two years from  
5 the date of issuance of that series of bonds. The deposit of bonds  
6 proceeds pursuant to this subdivision shall be a proper charge  
7 against the building fund of the school district or community  
8 college district.

9 ~~SEC. 5.~~

10 *SEC. 6.* Section 53508.5 is added to the Government Code, to  
11 read:

12 53508.5. (a) Notwithstanding any other law and except as  
13 provided in subdivision (b), ~~the number of years the whole or any~~  
14 ~~part of (b) or Section 53508.6,~~ a bond issued by a school district  
15 or community college district ~~is to run shall not exceed 30 years~~  
16 ~~from the date of the bonds or the date of any series thereof pursuant~~  
17 ~~to this article shall not have a maturity exceeding 30 years.~~

18 (b) Notwithstanding any other law *and except as provided in*  
19 *Section 53508.6,* a school district or community college district  
20 that intends to issue ~~a capital appreciation bond~~ *bonds that allow*  
21 *for the compounding of interest, including, but not limited to,*  
22 *capital appreciation bonds,* pursuant to this article shall comply  
23 with the requirements of Sections 15143, 15144, 15144.1, 15144.2,  
24 and 15146 of the Education Code.

25 *SEC. 7.* Section 53508.6 is added to the Government Code, to  
26 read:

27 53508.6. (a) *Notwithstanding any other law, a school district*  
28 *or community college district may, pursuant to this article, issue*  
29 *bonds that do not allow for the compounding of interest and that*  
30 *have a maturity greater than 30 years, but that does not exceed*  
31 *40 years, if the school district or community college district does*  
32 *both of the following:*

33 (1) *Complies with the requirements of Section 15146 of the*  
34 *Education Code.*

35 (2) *Makes a finding that the useful life of the facility financed*  
36 *with the bonds that do not allow for the compounding of interest*  
37 *and that have a maturity greater than 30 years, but that does not*  
38 *exceed 40 years, equals or exceeds the maturity date of those*  
39 *bonds.*

1     ***(b) This section shall remain in effect only until January 1, 2019,***  
2     ***and as of that date is repealed, unless a later enacted statute, that***  
3     ***is enacted before January 1, 2019, deletes or extends that date.***

O