

AMENDED IN ASSEMBLY MAY 6, 2015
AMENDED IN ASSEMBLY MARCH 26, 2015
CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 1198

Introduced by Assembly Member Dababneh

February 27, 2015

An act to add the headings of Article 1 (commencing with Section 17170) and Article 2 (commencing with Section 17172) to, and to add Article 3 (commencing with Section 17200) to, Chapter 18 of Part 10 of Division 1 of Title 1 of the Education Code, relating to school facilities, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 1198, as amended, Dababneh. School facilities: California School Finance Authority: California Credit Enhancement Program.

~~Existing law, the~~

~~The California School Finance Authority Act, Act establishes the California School Finance Authority and authorizes it to administer the continuously appropriated Authority, and authorizes the authority to, among other things, issue revenue bonds to finance or refinance educational facility projects for school districts, charter schools, county offices of education, and community college districts. Existing law establishes the California School Finance Authority Fund for the purpose of, among other things, assisting school districts and community college districts by providing financing for working capital and capital improvements. Existing law authorizes the authority to divide the fund into separate accounts. Fund, administered by the authority, and continuously appropriates moneys in the fund for purposes of the act.~~

This bill would create within the authority the California Credit Enhancement Program to provide lower cost alternatives for public school facilities financing through a leveraged public-private partnership program. The bill would authorize the authority to leverage its funding for the California Credit Enhancement Program, as specified. The bill would create the California Credit Enhancement Program Advisory Board to be appointed by the authority and to be made up of specified subject matter experts. *for the purpose of establishing a fund to insure school facility bonds issued by the authority pursuant to the act, as specified.* The bill would create the California Credit Enhancement Account within the California School Finance Authority Fund, as specified. *Fund, would authorize the authority to deposit fees collected pursuant to the program in that account, and would specify that bond insurance, credit enhancement, or other guarantees of the authority shall be payable solely from funds available in that account.* By authorizing money in the California School Finance Authority Fund to be used for a new purpose, the bill would make an appropriation. *The bill would require the authority to adopt regulations to carry out the program, including, but not limited to, regulations establishing eligibility criteria and a definition of “default” for purposes of the program.*

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

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

- 1 SECTION 1. *The Legislature finds and declares all of the*
- 2 *following:*
- 3 (a) *One of the biggest challenges currently faced by charter*
- 4 *schools is finding suitable facilities and funding for those facilities.*
- 5 *Charter schools typically do not receive local funding through*
- 6 *bonds and must pay for their facilities out of general operating*
- 7 *expenses. As a result, many charter schools turn to private*
- 8 *financing and bond transactions to pay for a long-term facilities*
- 9 *solution.*
- 10 (b) *The California School Finance Authority currently operates*
- 11 *several valuable programs to assist schools seeking facilities*
- 12 *financing, including its conduit revenue bond financing program.*
- 13 *However, because charter schools are generally rated low or*
- 14 *below investment grade, and the State of California does not*
- 15 *directly guarantee or provide for payment of charter school*

1 *revenue bonds issued through the California School Finance*
2 *Authority, charter schools that issue revenue bonds to finance*
3 *public school facilities face excessive interest rates.*

4 *(c) A program that provides funds to insure or guarantee school*
5 *facility bonds issued by the California School Finance Authority*
6 *to assist charter schools with the acquisition, renovation, or*
7 *construction of school facilities, or the refinancing of existing*
8 *charter school facility debt, would lower borrowing costs for those*
9 *schools and ensure more funds remain in California’s classrooms.*

10 ~~SECTION 4.~~

11 *SEC. 2.* The heading of Article 1 (commencing with Section
12 17170) is added to Chapter 18 of Part 10 of Division 1 of Title 1
13 of the Education Code, to read:

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Article 1. General Provisions

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17 ~~SEC. 2.~~

18 *SEC. 3.* The heading of Article 2 (commencing with Section
19 17172) is added to Chapter 18 of Part 10 of Division 1 of Title 1
20 of the Education Code, to read:

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Article 2. California School Finance Authority

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24 ~~SEC. 3.~~

25 *SEC. 4.* Article 3 (commencing with Section 17200) is added
26 to Chapter 18 of Part 10 of Division 1 of Title 1 of the Education
27 Code, to read:

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Article 3. California Credit Enhancement Program

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31 17200. There is hereby created the California Credit
32 Enhancement Program within the ~~authority to provide authority.~~
33 *The purpose of the program is to establish a fund to be used to*
34 *insure facility bonds issued by the authority in order to achieve*
35 *lower cost alternatives for public school facilities ~~financing through~~*
36 *~~a leveraged public-private partnership program.~~ financing.*

37 17201. Notwithstanding Section 17182, in addition to the
38 powers authorized by this chapter, the authority may leverage its
39 funding for the California Credit Enhancement Program ~~in such~~
40 ~~a way that~~ so the amount of credit insurance provided pursuant to

1 the California Credit Enhancement Program exceeds the amount
 2 of funds on deposit in the California Credit Enhancement Account
 3 within the California School Finance Authority ~~Fund, which~~
 4 ~~account is~~ *Fund* created pursuant to Section 17203.

5 ~~17202. There is hereby created the California Credit~~
 6 ~~Enhancement Program Advisory Board, which shall be appointed~~
 7 ~~by the authority and shall be made up of subject matter experts,~~
 8 ~~including, but not limited to, in the fields of municipal bond~~
 9 ~~insurance, municipal finance, and charter school law to advise the~~
 10 ~~authority on the creation and administration of the California Credit~~
 11 ~~Enhancement Program.~~

12 *17202. The authority shall adopt regulations to carry out the*
 13 *provisions of this article. The authority may consult with subject*
 14 *matter experts in the development of the regulations, which shall*
 15 *include, but not be limited to, all of the following:*

16 *(a) Eligibility criteria for participating public schools, including*
 17 *financial, performance, organizational, and governance criteria.*
 18 *A public school that is fiscally sound and that has a good credit*
 19 *rating may participate in the California Credit Enhancement*
 20 *Program.*

21 *(b) Parameters and procedures for the provision of credit*
 22 *enhancement to eligible financing transactions, including, but not*
 23 *limited to, maximum credit enhancement limits, and provisions*
 24 *necessary to accommodate federal, state, and local regulatory*
 25 *compliance.*

26 *(c) The application process and fee schedule.*

27 *(d) A definition of “default” for purposes of the program, and*
 28 *procedures so that, in the event of a default, funds from the*
 29 *California Credit Enhancement Account are paid out only after*
 30 *all other sources of payment and credit enhancement to an eligible*
 31 *financing transaction are exhausted.*

32 *(e) The structure and guidelines for investing in the California*
 33 *Credit Enhancement Program.*

34 17203. There is hereby created the California Credit
 35 Enhancement Account within the California School Finance
 36 Authority Fund, established pursuant to Section 17181. The
 37 authority shall deposit funds *identified* for the California Credit
 38 Enhancement Program in the California Credit Enhancement
 39 ~~Account, and, in addition to the funds authorized to be collected~~
 40 ~~pursuant to Section 17181, may~~ *Account. The authority may, at*

1 *its discretion, deposit fees collected in accordance with this chapter*
2 *in the California Credit Enhancement Account. Account, in addition*
3 *to the funds authorized to be collected pursuant to Section 17181.*
4 *The authority may designate and hold separately one or more*
5 *subaccounts within the California Credit Enhancement Account.*
6 *Nothing in this section shall be construed to require the authority*
7 *to deposit, or the Legislature to appropriate, funds for the purposes*
8 *established in this article.*

9 *17204. (a) Notwithstanding any other law, bond insurance,*
10 *credit enhancement, or other guarantees issued under this chapter*
11 *shall not be deemed to constitute a debt or liability of the state, or*
12 *any political subdivision thereof, and shall not be deemed to be a*
13 *pledge of the faith and credit of the state, or any political*
14 *subdivision thereof, other than the authority. Bond insurance,*
15 *credit enhancement, or other guarantees of the authority shall be*
16 *payable solely from funds available in the California Credit*
17 *Enhancement Account.*

18 *(b) Each bond insurance policy, credit enhancement instrument,*
19 *or other guarantee of the authority issued under the California*
20 *Credit Enhancement Program shall include a statement on its face*
21 *that neither the State of California nor the authority is obligated*
22 *to pay the principal or interest thereon, except from revenues of*
23 *the authority available therefor, and shall also include a statement*
24 *that neither the faith or credit, nor the taxing power of the State*
25 *of California, or any political subdivision thereof, is pledged to*
26 *the payment of the principal or interest of the bonds covered by*
27 *the California Credit Enhancement Program.*

28 *(c) The issuance of bond insurance, credit enhancement, or*
29 *other guarantees under this chapter shall not directly, indirectly,*
30 *or contingently obligate the state, or any political subdivision*
31 *thereof, to levy or pledge any form of taxation, or make any*
32 *appropriation for their payment.*

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