

**ASSEMBLY BILL**

**No. 2738**

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**Introduced by Assembly Member Olsen**  
(Coauthors: Senators Huff and Moorlach)

February 19, 2016

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An act to amend Section 15146 of the Education Code, relating to school bonds.

LEGISLATIVE COUNSEL'S DIGEST

AB 2738, as introduced, Olsen. School bonds: local school bonds: investment.

The California Constitution limits the maximum amount of any ad valorem tax on real property to 1% of the full cash value of the property. The California Constitution states that the 1% limitation for ad valorem taxes does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on bonded indebtedness incurred by a school district, community college district, or county office of education for the construction, reconstruction, rehabilitation, or replacement of school facilities approved by 55% of the voters if the proposition includes specified accountability requirements. Existing law requires the proceeds of the sale of the bonds, exclusive of any premium received, to be deposited in the county treasury to the credit of the building fund of the school district, or community college district as designated by the California Community Colleges Budget and Accounting Manual.

This bill would prohibit the proceeds from the sale of bonds from being withdrawn by the school district or community college district for investment outside the county treasury. After all project costs related to the issuance of the bonds have been paid, the bill would require any

remaining balance or surplus in the building fund of the school district or community college district to be applied to debt service or returned to taxpayers.

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 15146 of the Education Code is amended
- 2 to read:
- 3 15146. (a) The bonds shall be issued and sold pursuant to
- 4 Section 15140, payable out of the interest and sinking fund of the
- 5 *school district or community college* district. The governing board
- 6 *of the school district or community college district* may sell the
- 7 bonds at a negotiated sale or by competitive bidding.
- 8 (b) (1) Before the sale, the governing board *of the school district*
- 9 *or community college district* shall adopt a resolution, as an agenda
- 10 item at a public meeting, that includes all of the following:
- 11 (A) Express approval of the method of sale.
- 12 (B) Statement of the reasons for the method of sale selected.
- 13 (C) Disclosure of the identity of the bond counsel, and the
- 14 identities of the bond underwriter and the financial adviser if either
- 15 or both are used for the sale, unless these individuals have not been
- 16 selected at the time the resolution is adopted, in which case the
- 17 governing board *of the school district or community college district*
- 18 shall disclose their identities at the public meeting occurring after
- 19 they have been selected.
- 20 (D) Estimates of the costs associated with the bond issuance.
- 21 (E) If the sale includes bonds that allow for the compounding
- 22 of interest, including, but not limited to, capital appreciation bonds,
- 23 disclosure of the financing term and time of maturity, repayment
- 24 ratio, and the estimated change in the assessed value of taxable
- 25 property within the school district or community college district
- 26 over the term of the bonds.
- 27 (2) If the sale includes bonds that allow for the compounding
- 28 of interest, including, but not limited to, capital appreciation bonds,
- 29 the resolution shall be publicly noticed on at least two consecutive
- 30 meeting agendas, first as an information item and second as an
- 31 action item.

1 (c) If the sale includes bonds that allow for the compounding  
2 of interest, including, but not limited to, capital appreciation bonds,  
3 the agenda item shall identify that bonds that allow for the  
4 compounding of interest are proposed and the governing board of  
5 *the school district or community college district* shall be presented  
6 with all of the following:

7 (1) An analysis containing the total overall cost of the bonds  
8 that allow for the compounding of interest.

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

10 (3) The reason bonds that allow for the compounding of interest  
11 are being recommended.

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

15 (d) After the sale, the governing board of *the school district or*  
16 *community college district* shall do both of the following:

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

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

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

27 (f) The bonds may be sold at a discount not to exceed 5 percent  
28 and at an interest rate not to exceed the maximum rate permitted  
29 by law. If the sale is by competitive bid, the governing board of  
30 *the school district or community college district* shall comply with  
31 Sections 15147 and 15148. The bonds shall be sold by the  
32 governing board of *the school district or community college district*  
33 no later than the date designated by the governing board of *the*  
34 *school district or community college district* as the final date for  
35 the sale of the bonds.

36 (g) The proceeds of the sale of the bonds, exclusive of any  
37 premium received, shall be deposited in the county treasury to the  
38 credit of the building fund of the school district, or community  
39 college district as designated by the California Community  
40 Colleges Budget and Accounting Manual. The proceeds deposited

1 shall be drawn out as other school moneys are drawn out. The  
2 bond proceeds withdrawn shall not be applied to any purposes  
3 other than those for which the bonds were issued. *At no time shall*  
4 *the proceeds be withdrawn by the school district or community*  
5 *college district for investment outside the county treasury. After*  
6 *all project costs related to the issuance of the bonds have been*  
7 *paid, any remaining balance or surplus in the building fund of the*  
8 *school district or community college district shall be applied to*  
9 *debt service or returned to taxpayers. Any premium or accrued*  
10 interest received from the sale of the bonds shall be deposited in  
11 the interest and sinking fund of the school district or community  
12 college district.

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

35 (i) The governing board *of the school district or community*  
36 *college district* may cause to be deposited proceeds of sale of any  
37 series of the bonds in the interest and sinking fund of the *school*  
38 *district or community college* district in the amount of the annual  
39 reserve permitted by Section 15250 or in any lesser amount, as the  
40 governing board *of the school district or community college district*

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

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