

AMENDED IN ASSEMBLY MARCH 28, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2738

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

February 19, 2016

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

LEGISLATIVE COUNSEL'S DIGEST

AB 2738, as amended, 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This bill would prohibit the proceeds from the sale of bonds from being withdrawn by the school district or community college district for investment outside the county treasury.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. *service.*

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.~~ *service*. Any premium or
10 accrued interest received from the sale of the bonds shall be
11 deposited in the interest and sinking fund of the school district or
12 community 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 of the school district or community
29 college district, the remaining balance shall be transferred to the
30 county treasury to the credit of the building fund of the school
31 district or community college district. The deposit of bond proceeds
32 pursuant to this subdivision shall be a proper charge against the
33 building fund of the school district or community college district.

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

1 pursuant to this subdivision shall be a proper charge against the
2 building fund of the school district or community college district.

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

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