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Chiang and County Treasurers Move to Stop 'Pay-to-Play' School Bond Campaigns

July 27, 2016 | Press Release | www.treasurer.ca.gov

EXCERPT: State Treasurer John Chiang and a coalition of county treasurers and tax collectors moved to stop questionable bankrolling of campaign activities in local bond election campaigns.

Preying on school districts eager to win voter approval for bond elections, municipal finance firms, including bond counsel, underwriters, and financial advisors, are offering to fund or provide campaign services in exchange for contracts to issue the bonds, once approved by voters.

The payments could violate state laws governing the use of bond proceeds and public funds, according to a recent California Attorney General's opinion. Such payments could saddle taxpayers with exorbitantly high, bond issuance costs, the opinion noted.

"There are unscrupulous Wall Street firms offering to fund local bond campaigns in exchange for lucrative contracts," said Chiang. "Not only are these pay-to-play arrangements unlawful, they rip-off taxpayers and endanger the integrity of school bonds, which are vital tools for building classrooms and meeting the educational needs of our communities." ...

Common Cause, another "good-government" advocate, echoed the sentiment. "Pay-to-play government contracts have no place in a democracy," the group said in a statement. "School bond underwriting contracts should go to the most qualified firm, not the one that agrees to make the biggest ballot measure campaign contribution."

The attorney general acknowledged the pay-to-play problem in a response to requests for a legal opinion from Treasurer Chiang and his predecessor, Bill Lockyer. Both officials sought a legal basis for cracking down on these schemes which often lead to higher costs that must be shouldered by taxpayers. Specifically, the deals result in padded bills that allow municipal finance firms to recoup money spent on illegal campaign-related work.

"Local treasurers throughout the state and I are united in refusing to do business with any securities firm which promotes these quid-pro-quo schemes," said Chiang. "They do nothing but inflate taxpayer bills and reduce resources for students."

To read the complete News Release please visit:

<http://www.treasurer.ca.gov/news/releases/2016/20160727.asp>

Fact Sheet: Treasurer Chiang and County Treasurers Stop Wall Street Pay-to-Play Pressure On School Districts:
http://www.treasurer.ca.gov/news/releases/2016/20160727_fact.pdf

Building California Schools Now Big Business, Big Money and Big Politics

August 1, 2016 | By Dan Walters | www.sacbee.com

EXCERPT: Building and refurbishing the schools that house 6 million California kids has become very big business.

Over the last few decades, the state has issued about \$45 billion in school bonds, mostly for K-12 schools, some for colleges, and repaying lenders costs the state nearly \$3 billion a year. With interest, retiring the bonds will have cost about twice their face value, or some \$90 billion.

Local school districts have issued many billions more in voter-approved bonds to match state grants, and property taxes have been hiked to pay for them.

The school construction tab is likely to increase even more because a \$9 billion bond issue has been placed on the Nov. 8 ballot by a coalition of school groups, developers and the construction companies that profit from school contracts.

If it passes, the state's tab for repayment would increase by another half-billion dollars a year, and Gov. Jerry Brown has been highly critical, saying the system for allocating bond money is fatally flawed.

Pointedly, the bond measure, [Proposition 51](#), preserves an arcane formula that protects developers from having to fully pay for school construction serving their residential tracts as long as the state has bond money. ...

Another very questionable aspect of Proposition 51 is that bonds repaid over 35 years may be used for reroofing, air conditioning, playground equipment and other maintenance and operational projects that won't last nearly that long. ...

Last week, state Treasurer John Chiang and county treasurers [jointly declared](#) that if municipal bond houses - the firms that underwrite bond issues - provide campaign money or other assistance to local school bond issues, they will be barred from doing bond business with the state.

"Not only are these pay-to-play arrangements unlawful, they rip off taxpayers and endanger the integrity of school bonds," Chiang declared. Chiang acted after receiving an opinion from the Department of Justice that the arrangements are illegal. ...

A lawsuit over a Fresno school contract, which has spawned a federal investigation, revealed how some school construction companies also engage in [insider dealing](#).

They provide money to persuade voters to approve bonds on private assurances that they will get the resulting construction contracts, using a loophole in current law that bypasses competitive bidding.

A [pending bill](#) would narrow, although not fully close, the "lease-leaseback" loophole, as well as protect contractors who've profited from it from being forced to return contract payments. ...

To read complete article please visit:

www.sacbee.com/news/government/politics-columns-blogs/dan-walters/article93143177.html

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Mission Statement

To promote school district accountability by improving the training and resources available to California's Proposition 39 School Bond Oversight Committees and educating the state legislature, local school boards and the public about the oversight and reporting powers these Citizens' Bond Oversight Committees (CBOCs) have, and to advocate on a state level, where appropriate, on issues of common concern to all CBOCs.

**CaLBOC:
CBOC Operation
Guidelines**
Provides a basis for the BOC to perform a self-assessment of their operations and identify training needs. Could use as outline to develop a training program for committee members.
[PDF](#)

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California League of Bond Oversight Committees - calboc@mail.com