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Bill protecting contractors in school district leaseback deals dies in committee

August 25, 2015 | By Dan Walters | www.fresnobee.com

Highlights:

- Appellate court said Fresno Unified contract violated law
- Decision could affect billions of dollars around state
- Contractors sought immunity from repaying money

EXCERPT: A late-blooming bill aimed at protecting school construction contractors from financial losses if their "lease-leaseback" deals are voided by the courts appears to have died just a week after being introduced.

Sen. Carol Liu, D-La Cañada Flintridge, who chairs the Senate Education Committee, spurned pleas by lobbyists for the contractors to hear the measure, [Assembly Bill 975](#).

A spokesman for the bill's author, Assemblyman Kevin Mullin, D-South San Francisco, said the issue will be set aside for the remainder of this year's legislative session, which has scarcely two weeks to run. "We won't be pursuing it at this time," the spokesman said. ...

Lease-leaseback contracts have been authorized for years, generally involving long-term leases at the end of which schools become the property of the districts, but in Fresno's case, the lease lasted only for the construction period and involved a contractor, Harris Construction, which had been retained as a consultant before receiving the contract.

A rival contractor, Stephen Davis, sued, alleging that the Harris deal misused lease-leaseback authority and won on appeal.

Ever since, lobbyists for contractor groups such as Associated General Contractors and the Coalition for Adequate School Housing have sought legislative relief. Last week, Mullin, through a gut-and-amend maneuver, placed in AB 975 a provision that contractors would be entitled to keep lease-leaseback payments even if their contracts were voided, as long as they had dealt in "good faith."

Opposition developed from taxpayer groups and lawyers who had pursued the Fresno case and after meeting with stakeholders on Monday, Liu decided not to hear AB 975 and pursue, instead, a broader look at lease-leaseback arrangements next year. ...

To read the complete article please visit:

<http://www.fresnobee.com/news/politics-government/article32364024.html>

Doing the Math, Bond Debt for California Schools May Not Pencil Out

July 28, 2015 | By Nan Austin | www.modbee.com

Highlights:

- School borrowing has ballooned to \$200 billion statewide
- Bonds can take 40 years to pay off, go to non facility needs
- New slew of school bond proposals will be heading to ballot boxes

EXCERPT: ... The days of easily understood and argued school debt seem as bygone as brick facades. A report released July 21 by the nonprofit California Policy Center called "For the Kids" lays out \$200 billion in existing school bond debt. In other words, taxpayers owe \$32,074 for every child now in kindergarten through high school across California.

Much of that debt has had to limbo under limits on raising taxes, pushing the payment dates out further and further. Forty-year commitments are common, meaning today's kindergartners could be paying off those loans about the time their grandchildren start kindergarten. ...

"Our ideas are unpopular, but going forward we can't afford to keep going as we have," said state Department of Finance Director Michael Cohen, speaking to the annual conference of the California League of Bond Oversight Committees in Sacramento in May.

The state pays \$2.4 billion a year to pay off school construction. With 80 percent of local school bond measures passing, Cohen said, it makes no sense for the state to keep taking on more debt. Besides the high debt load cost, the state's way of doing business was unfair and took away local control, he said.

"The first-come, first-served system rewards districts that have consultants ready to roll," Cohen said, leaving potentially more deserving districts with nothing.

Where the state does see a role for a helping hand, Cohen said, is in allowing districts more flexibility and working to raise the bond cap on local property taxes. ...

"It is time to be wary," notes the [CPC report](#), written by Kevin Dayton. "Most voters cannot explain how a bond measure works and do not get enough information to make an educated decision about the wisdom of a bond measure." ... *"Campaigns to support Bond Measures are funded and even managed by financial and construction industry interests that will profit after passage."*

- California Policy Center report on school bond debt

The report puts forward five recommendations for lawmakers. Three address transparency and voter education, seeking more effective oversight for bond measures. Another asks for more effective rules over conflicts of interest in contracting related to bond measures. ...

To read the complete article please visit:

<http://www.modbee.com/news/local/education/nan-austin/article29250538.html>

In This Issue

[AB 975 - Bill Protecting Contractors Dies in Committee](#)

[Statewide School Bond Debt](#)

[Archived Newsletters](#)

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[ISSUE 79 - July 29, 2015](#)

[ISSUE 78 - July 13, 2015](#)

[ISSUE 77 - June 30, 2015](#)

[ISSUE 76 - June 8, 2015](#)

[ISSUE 75 - May 15, 2015](#)

[ISSUE 74 - May 11, 2015](#)

[ISSUE 73 - April 20, 2015](#)

[ISSUE 72 - April 14, 2015](#)

[ISSUE 71 - April 1, 2015](#)

[ISSUE 70 - Feb. 10, 2015](#)

[ISSUE 69 - Jan. 26, 2015](#)

[ISSUE 68 - Jan. 14, 2015](#)

[ISSUE 67 - Dec. 31, 2014](#)

[Nov 2014 Election Results](#)

[ISSUE 66 - Dec. 4, 2014](#)

[ISSUE 65 - Oct. 21, 2014](#)