

Capital Appreciation Bonds

CNBC: Borrowing \$105 Million for \$1 Billion, Poway School District

August 7, 2012 |

EXCERPT FROM TRANSCRIPT: It's safe to say it's probably the worst loan ever, inside the San Diego school district of Poway, California. It borrowed \$105 million to rebuild schools. That alone is not unusual except the loan they took will end up costing taxpayer nearly \$1 billion to pay back. A \$100 million loan costing nearly \$1 billion over its life. In just a few moments we will hear from a reporter who broke the story and major investor and about the possible ripple effects. ... This municipality doesn't want to raise taxes but needs to spend a bunch of money. In the case of the Poway School District, it was to float a new bond issue. Not just any bond, a capital appreciation bond, which means a free ride today others will pay for tomorrow. It's the ultimate subprime loan. And it works like this, Poway gets that \$105 million today. It doesn't have to pay a dime for -- wait for it -- 20 years, then it starts paying \$50 million a year in interest and principle for the next 20 years. So what you've got here is a 40 year loan that is so toxic that the Los Angeles Treasurer wrote a letter to school districts last year saying he will not support any loans like these. ...

To watch the video, please visit:

http://video.cnb.com/gallery/?video=3000107811&__source=yahoo%7Cheadline%7Cother%7Cvideo%7C&par=yahoo

Teacher Salary Cuts, New Buildings

California Schools Barring Taxes Push Bills To 2051: Muni Credit

August 13, 2012 | by James Nash | www.bloomberg.com

EXCERPT: California school districts are financing projects by pushing debt payments as far as 40 years into the future, defying a warning from the Los Angeles County treasurer while incurring interest that dwarfs principal by 10- to 1- or more.

Last year, 55 school districts were among local authorities selling bonds that mature in more than 25 years, the most since 2007, according to data compiled by Bloomberg. The practice is akin to state and local governments raising pension benefits without funding them, said John Hallacy, head of municipal research at Bank of America Merrill Lynch. Increased retirement costs helped push Stockton and San Bernardino into bankruptcy court this year.

"It's not so much kicking the can down the road as it is burying a drum of toxic waste in the back of the school," said Jonathan Fiebach, a partner at Grant Williams LP, a Philadelphia investment advisory firm. ...

California schools could lose as many as three weeks of the academic year if voters reject Governor Jerry Brown's ballot measure to temporarily raise sales taxes and income taxes on higher earners. Brown built \$5.5 billion in cuts to education into the \$91.3 billion California budget this year if voters turn down the proposal in November. Those reductions would apply to operating costs such as teacher salaries rather than construction projects.

To read the complete article visit:

<http://www.bloomberg.com/news/2012-08-14/california-schools-barring-taxes-push-bills-to-2051-muni-credit.html>

UC Berkeley researchers have found after a four year study that elementary school students benefitted the most from the new school construction.

Study of L.A. Unified's \$19.5 billion school construction project finds mixed learning results

August 14, 2012 | By Adolfo Guzman-Lopez

EXCERPT: Four years ago, LAUSD officials asked researchers to find out how much L.A. Unified's \$19.5 billion school construction effort improved learning.

The results are in and UC Berkeley researchers have determined that elementary school students benefitted the most from the new school construction.

The improved student achievement, they said, was like adding 65 days of instruction to their learning year.

"It's not [just] the shininess, the fresh paint, the cleaner hallways," said study co-author Bruce Fuller. "It's also that these new schools are smaller communities at the elementary level attracted the younger, better trained teaching staff."

Researchers also found improvement was more or less the same regardless of a new school's price tag.

Learning achievement was weaker for high school students who moved from a crowded school to a new facility.

This is the first major study of learning outcomes from L.A. Unified's massive construction project. ...

To read or post to this blog, please visit:

<http://www.scp.org/blogs/education/2012/08/14/9408/study-la-unifieds-195-billion-school-construction/>

[Borrowing \\$105 for \\$1 Billion](#)

[Financing Construction by Pushing Tax Bills to 2051](#)

[Study on L.A. Construction Project](#)

[Archived CaLBOC Newsletters](#)

The Next CaLBOC Board Meeting is November 9, 2012

10 am - 3 pm
Sacramento

Conference call service will be available.

Join Our Mailing List!

Mission Statement

What is Our Mission

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.

Upcoming Articles

[What to do when a CBOC is out of compliance](#)

[How to report mis-spent Bond funds](#)

[Support for CBOC Members: Questions and Answers](#)

[Article on Public Requests](#)

Archived CaLBOC Newsletters

Most recent on top

[ISSUE 18 - Aug 7, 2012](#)

[ISSUE 17 - July 31, 2012](#)

[ISSUE 16 - July 25, 2012](#)

[ISSUE 15 - July 16, 2012](#)

[ISSUE 14 - July 11, 2012](#)

[ISSUE 13 - July 2, 2012](#)

[ISSUE 12 - June 27, 2012](#)

[ISSUE 11 - June 18, 2012](#)

[ISSUE 10 - June 11, 2012](#)

[ISSUE 9 - June 4, 2012](#)

[ISSUE 8 - May 29, 2012](#)

[ISSUE 7 - May 22, 2012](#)

[ISSUE 6 - May 7, 2012](#)

[ISSUE 5 - April 30, 2012](#)

[ISSUE 4 - April 23, 2012](#)

[ISSUE 3 - April 16, 2012](#)

[ISSUE 2 - April 9, 2012](#)

[ISSUE 1 - April 2, 2012](#)