

Capital Appreciation Bonds

Where Borrowing \$105 Million Will Cost \$1 Billion: Poway Schools

August 6, 2012 | by Will Carless | www.voiceofsandiego.org

EXCERPT: ... With advice from an Orange County financial consultant, the district borrowed the money over 40 years in a controversial loan called a capital appreciation bond. The key point for the district: It won't make any payments on the debt for 20 years.

And that means the district's debt will keep getting bigger and bigger as interest on the loan piles up.

The bottom line: For borrowing \$105 million in 2011, taxpayers will end up paying investors more than \$981 million by 2051, or almost 10 times what the district borrowed. That's wildly more expensive than a typical school bond, in which a district pays back two or maybe three times what it borrowed.

As well as being expensive, capital appreciation bonds work by tapping future growth in property values to pay today's debts, a concept considered by many in the school bond business to be both risky and inequitable. In 1994, the state of Michigan banned school districts from issuing bonds like this, deeming them too toxic to taxpayers.

Nevertheless, California's ever-strapped districts have increasingly looked to capital appreciation bonds to raise money for improvements without increasing taxes on current residents. Across the state, districts have borrowed billions this way, using exotic financing to shift the burden for paying for today's school construction to future generations of Californians. ... "This is way worse than loan sharking," said Michael Turnipseed, executive director of the Kern County Taxpayers Association in central California, which has lobbied the state Legislature to tighten laws on school district borrowing. "And Poway is the poster child. What they have done is absolutely insane." ...

... But last year's bond doesn't just affect the taxpayers who voted on it. It also saddles their children and grandchildren with hundreds of millions of dollars in debt, and raises the risk that property taxes could spike once the district finally starts making payments on its loan.

In short: In order to keep its promises to current residents, the district entered into a deal that places a billion-dollar burden on future residents. Last year's deal, in the words of County Treasurer and Tax Collector Dan McAllister, "is a perfect example of how something that's done today can adversely affect the next generation and the generation after that." ...

... But a voter reading the ballot statement for Proposition C in 2008 would have learned nothing about the overall cost of the deal the district was setting itself up for. ...

To read the complete article, please visit:

http://www.voiceofsandiego.org/education/article_c83343e8-ddd5-11e1-bfca-001a4bcf887a.htm

Teacher Layoffs, New Buildings

Despite tough times for education, construction and renovation projects continue

August 2, 2012 | by Beau Yarbrough | www.contracostatimes.com

EXCERPT: ... POMONA - Even as public school districts find their budgets shrinking, necessitating painful cuts to programs and staff, construction is under way at many school sites.

"We've lost about 20 percent (of revenue), like most districts," said Leslie Barnes, assistant superintendent of business services for Pomona Unified School District.

For Pomona Unified, it was a double-whammy of the state's financial crisis and declining enrollment: Nearly all of a public school district's revenue comes in money from the state, based on how many students attend class on an average day.

As a result, the district gave pink slips to 90 teachers this spring and 125 non-teacher staffers later in the year, although some of those employees ended up not losing their jobs, thanks to other employees retiring and other ways of saving money.

But work continues at more than 10 renovation and new construction projects around the district, thanks to a \$235 million bond, Measure PS, that voters approved in 2008, before the extent of California's looming economic crisis became clear. Unfortunately, the district is restricted in what it can use the bond money for - school districts deal with a wide variety of "categorical funds" that can only be spent on specific expenses decided upon by officials in Sacramento and Washington. ...

... "What the public doesn't understand is the different pots of money," said June Lindsey, a facilities consultant for the Banning Unified School District.

Banning Unified has laid off employees this year, after last year opening a new athletic center at Banning High School. ...

... It's not the same as getting more revenue that they could use to pay teacher and staff salaries - and save programs that are nice to have, but too expensive for the current economic climate - but district officials hope that the ongoing construction and renovations will still benefit students. "You want to be in an environment where you can learn," Pomona Superintendent Richard Martinez said, "so we believe this will impact academics."

To read the complete article visit:

http://www.contracostatimes.com/california/ci_21223886/despite-tough-times-education-construction-and-renovation-projects

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 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](#)