

This article was referred to at CaLBOC's Statewide Conference

In the Headlines

Bond firms' campaign gifts linked to sales pacts. With Campaign Donations, Bond Underwriters also Secure Contracts

May 3, 2012 | Will Evans | [CaliforniaWatch.org](#)

Leading financial firms over the past five years donated \$1.8 million to successful school bond measures in California, and in almost every instance, school district officials hired those same underwriters to sell the bonds for a profit, a [California Watch](#) review has found.

The practice is especially pronounced in California, where underwriters gave [155 political contributions](#) since 2007 to successful bond campaigns for school construction and repairs. One major underwriter, Piper Jaffray, has [said](#) it gets more requests for campaign contributions in California than in any other state where they do business.

The success rate of these underwriters is extremely high. In only five cases since 2007 has a campaign donor failed to receive a bond-selling contract from the school district.

School districts say they choose bond underwriters for their expertise and competitive rates and because they've served them well in the past. And underwriting firms say they contribute only after they've been hired to sell the bonds, avoiding any undue influence.

But critics say that no matter when the agreement is made, the campaign donations influence school districts' business decisions. They argue that pre-arranged underwriting contracts bypass a truly competitive sale, leaving in doubt whether districts got the best possible deal.

"If this isn't clear proof of pay to play, then pay to play doesn't exist," said Glenn Byers, Los Angeles County's assistant treasurer, who oversees some school bond sales but doesn't control the hiring of underwriters. **"The timing of the payment is irrelevant. You paid and you got the job. That's pay to play."**

Some states have banned the practice. Missouri, for one, outlaws donations to bond campaigns from companies with a financial interest in the bond sale.

In the past five years in California, five major underwriters donated \$1.8 million to help pass 111 ballot measures, authorizing \$15.5 billion in debt. A couple dozen other measures received underwriter contributions but failed at the ballot box.

Overwhelmingly, bond underwriters who donated to these campaigns were granted contracts by school districts. ... At times, multiple underwriting firms will donate to a single bond campaign. But even there, the success rate is high. In almost all cases in which multiple bond underwriters donated to the same campaign, they all were given contracts by the school district to market those bonds. ...

To read the complete article please visit:

www.californiawatch.org/money-and-politics/campaign-donations-bond-underwriters-also-secure-contracts-16032californiawatch.org/money-and-politics/campaign-donations-bond-underwriters-also-secure-contracts-16032

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.

About CaLBOC

What is CaLBOC?

CaLBOC was formed in 2006 by CBOC members trying to find better training to help them perform their duties. Our first training session was held in San Jose in 2007, and we incorporated in the State of California in 2008. In 2009 we were recognized as a 501(c)3 charitable organization by the IRS.