



Hello Linda

## Municipal Securities Rulemaking Board, MSRB Regulators urged to crack down on donations to bond measures

Sept. 21, 2012 | By Will Evans | [www.baycitizen.org](http://www.baycitizen.org)

**EXCERPT:** Critics of political donations to school bond campaigns from companies that profit from the bonds are urging federal regulators to take bolder steps against what they call a "pay to play" practice.

The California Association of County Treasurers and Tax Collectors, as well as some financial firms, called on the Municipal Securities Rulemaking Board this month to consider banning donations from bond underwriters to bond campaigns.

The federal board had solicited feedback, much of which came in just before the Monday deadline, on a more cautious proposal to expand public disclosure of such donations. The board stated that enhanced transparency would help it decide whether more regulations - including a ban on the donations - would be necessary.

A financial industry trade association pushed back on some of the proposed regulations, and a conservative legal organization, the Center for Competitive Politics, argued that a ban would be unconstitutional.

An earlier story by California Watch, sister site of The Bay Citizen, found that leading bond underwriters gave \$1.8 million over the last five years to successful school bond measures in California, and in almost every case, school districts gave underwriting contracts to those same firms. ...

... Two California companies that serve as financial advisers to local governments on bond issues, Magis Advisors and Government Financial Strategies, also pushed for more public disclosure - requiring more timely and searchable reporting of campaign contributions. Some financial advisers also make contributions to bond measures.

"Government Financial Strategies is concerned about the lack of transparency in how school bond campaigns are funded, frequently by interested parties and in significant amounts, and how this leads to corruption," according to the Sacramento firm's [statement \[PDF\]](#) (*excerpt below*) to the board. ...

**To read the complete article please visit:**

<http://www.baycitizen.org/politics/story/regulators-urged-crack-down-donations/>

## Government Financial Strategies (GFS) Comments to the Municipal Securities Rulemaking Board (see article above)

Sept. 17, 2012 | [www.gfsi.com](http://www.gfsi.com)

**EXCERPT:** ... In California, where school bond elections have required only a 55% voter approval since 2000, there has been a large increase in the number of bond measures submitted to voters. Government Financial Strategies is concerned about the lack of transparency in how school bond campaigns are funded, frequently by interested parties and in significant amounts, and how this leads to corruption. ...

... **It is important to prevent the corruption of a negotiation in which great sums of public funds are at stake**

The public official's ability to negotiate fees and costs is compromised because the party on the opposite side at the time of the negotiation was formerly the issuer's uncompensated, and often secret, advocate. There is a lingering obligation to reimburse the opposing party for this advocacy. When the negotiation is about bond pricing, a seemingly small differential (at the magnitude of basis points) can mean millions of dollars. Because public officials are very focused on the core mission of the public agency, they often perform little or no due diligence on bond costs, have little or no information about market pricing other than what the party with whom they are negotiating provides, and are motivated by the history of support for the campaign. ...

**To read the complete letter visit:** [www.msrb.org/RFC/2012-43/gfs.pdf](http://www.msrb.org/RFC/2012-43/gfs.pdf)

## To Check Suspect Campaign Contributions

- Look at the campaign contributions (forms 460). Most district campaigns are filed through your local county elections office.

- If you have trouble obtaining documentation from your district, you may do a request under the California State Public Records Act, Gov. Code §6250. They must respond within 10 days and may charge for copies.

**Where to look up rules and report suspected illegal activities:**

- Bond underwriters must register with the Securities & Exchange Commission (SEC), the Municipal Securities Rulemaking Board (MSRB) and comply with G.37. See: [www.msrb.org/Rules-and-Interpretations/MSRB-Rules/General/Rule-G-37.aspx](http://www.msrb.org/Rules-and-Interpretations/MSRB-Rules/General/Rule-G-37.aspx)

**For questions or to file a complaint:** [www.msrb.org](http://www.msrb.org) - [www.sec.gov](http://www.sec.gov)

- Financial advisers are registered with the Securities & Exchange Commission (SEC) and must comply with SEC pay to play rules, Rule 206(4)-5. See: [www.sec.gov/rules/final/2010/ia-3043.pdf](http://www.sec.gov/rules/final/2010/ia-3043.pdf)

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## The Next CaLBOC Board Meeting is November 9, 2012

10 am - 3 pm

Sacramento Chamber of Commerce, One Capital Mall, Sacramento, CA  
Topics: 2013 Legislation  
Conference call service will be available.

This meeting is open to all

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For more info

visit: [calboc.com/advise.html](http://calboc.com/advise.html)

## 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.

## Archived CaLBOC Newsletters

[calboc.org/reviews.html](http://calboc.org/reviews.html)

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