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California Backs \$9 Billion School Bonds Blasted by Brown.

California is poised to take advantage of near-record low rates and its highest credit rating since 2001 by borrowing to fix crumbling schools. Democratic Governor Jerry Brown, who helped lead the turnaround to surpluses from deficits, doesn't want it to.

Voters in the most-indebted and populous state will decide in November whether to approve \$9 billion in general obligations for school construction and modernization, the first statewide education-debt measure in a decade. They have approved about \$40 billion of such bonds since 1998, and an April poll showed most respondents support the latest one, which would also aid community colleges and technical programs.

A coalition of education advocates and building industry representatives, with backing of politicians across the Golden State, pushed for the proposition and raised \$8.9 million. While Brown has characterized it as a "developers'" bond that would deepen inequities in a state where high rates of poverty collide with Silicon Valley riches, no money has been donated to oppose it.

The measure is just one of 17 statewide questions Californians will consider on Election Day, and it comes after the state used budget surpluses brought on by the growing economy to pay down debt, helping win credit-rating upgrades. Other questions include extending a tax increase on the wealthy and requiring statewide approval for revenue bonds exceeding \$2 billion.

"In the scheme of what the state needs to do, I don't consider this a pressing need and there are other ways to finance it," said Howard Cure, head of municipal research in New York at Evercore Wealth Management, which oversees \$6.3 billion of investments. "It's another potential burden that if the economy gets weaker and income and capital gains revenues go down, it could put some additional pressure on the state."

Now, California is reaping gains as turmoil in financial markets and negative interest rates overseas help keep the extra interest on its bonds over benchmark securities close to record low levels.

Those focusing on the industry's support miss the point that the measure supports children's education, said David Walrath, a consultant for the Coalition for Adequate School Housing, which helped put the question on the ballot.

"This bond is about kids having safe, clean, quality classrooms," said Walrath. "Yes, somebody's going to build it. If you don't build it, the kids don't have it."

Under the program, school districts raise local dollars and apply for matching state aid for projects. Low-income communities can also request grants. The state's bond-funded pot has been depleted, and advocates estimate at least \$2 billion in projects await financing.

The new measure would add about \$500 million annually in debt service for about 35 years, the Legislative Analyst's Office said. The governor's office questions the need. Enrollment is expected to decline over the next decade and the threshold for voter approval of bonds issued by the districts

has been lowered, unlike in 1998 when the current state program started.

“Larger school districts, relative to their smaller counterparts, have greater resources to work through what’s an unquestionably convoluted and multi-layered system,” said H.D. Palmer, a spokesman for Brown’s finance department.

Brown has said the measure “squanders money” that low-income communities could use. In a state whose economic recovery has been propelled by the technology industry, about one in five live in poverty. At the same time, California accounts for more billionaires among the world’s 400 richest people than any other U.S. state, according to the Bloomberg Billionaires Index. If it were a country, it would have more billionaires than anywhere else.

Scores of communities are experiencing influxes of students, said Walrath. Noting that enrollment is declining statewide without acknowledging the growth in those districts “assumes we can bus kids from L.A. to the Central Valley,” he said.

And some districts’ needs dwarf their ability to raise funds locally, he said. He pointed to Twin Rivers Unified School District, which can currently only sell \$52 million in bonds but has \$2.6 billion in projects through 2040, documents show.

Under the measure, \$3 billion would go to new construction, \$3 billion to modernizing facilities, \$2 billion for community colleges and \$500 million each to charter schools and career technical education programs.

In the campaign, supporters point to the need to retrofit classrooms for earthquake and lead safety, upgrade technology so students can compete globally, and help people hone skills to garner jobs. The top 10 contributors are the associations for the building industry, school housing, and Realtors, as well as D.R. Horton Inc., Lewis Pacific Partners and the Irvine Company, state election records show.

A group called California Taxpayers and Educators Opposed to Sprawl and Developer Abuse registered to oppose the proposition but has yet to raise any money.

“The governor has his priorities and we believe that the people of the state have theirs,” said Dave Cogdill, chief executive officer of the California Building Industry Association. “They should have an opportunity to weigh in and determine how they want the money spent.”

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