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Promise of Free Money Backfires on California Community Colleges.

- **Schools terminate deals after funding fails to materialize**
- **Canadian investment firm says schools didn't meet requirements**

Some community colleges in California are learning a hard lesson about free money.

The schools signed up to sell municipal securities whose debt service would be entirely covered by the loan and whose principal would be forgiven at maturity. They would never have to write a check.

Now at least two schools are facing the legal costs of terminating the transactions as well as pursuing alternative financing for almost \$500 million in construction projects ranging from new classrooms to libraries to student housing, at a time when borrowing costs have climbed to the highest levels in decades.

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Bloomberg Markets

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October 24, 2023