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California Endowment Taps Bond Market for First Time in 18 Years.

- **Health-care nonprofit will use proceeds to fund grant giving**
- **The endowment is borrowing $300 million with taxable bonds**

The California Endowment, the largest health foundation in the state, plans to offer its first debt sale in nearly two decades to help alleviate some of the financial pressure charities around have been facing due to Covid-19.

The $3.9 billion endowment plans to price $300 million of bonds as early as this week to fund grants to nonprofit groups. This is the first time it has sold so-called "social bonds," though it previously issued $80.6 million of debt in 2003. The taxable bonds, which will be sold with a corporate identifier, carry a triple-A rating from Moody's Investors Service and S&P Global Ratings.

The sale comes as other endowments have sold similar debt in 2020 to advance their charitable contributions amid the pandemic and its economic fallout. The Ford Foundation borrowed a record $1 billion for grants in June, while the Rockefeller Foundation sold bonds in October and the Bush Foundation in November.

"The Covid pandemic has really unmasked any and all manner of structural inequality and health inequality for vulnerable populations in our nation and in California," Robert Ross, president and chief executive officer of the endowment, said during a telephone interview. "What these dollars are intended to do is for those organizations who are fighting the battles of systems change and policy change, and structural change — these are dollars intended to support them."

The endowment said the securities carry a "social bond" label because spending of the proceeds will track with accepted guidelines of the International Capital Market Association. It engaged Sustainalytics, a ESG and corporate governance research and ratings company, to provide an outside opinion that the bonds align to social bond principles.

This outside opinion is beneficial as investors "don't want to buy a bond, put it into a socially designated fund, and then find out later that the proceeds aren't being used for socially responsible uses," said Eric Friedland, director of municipal bond research at Lord, Abbett & Co.

Given the endowment's purpose of giving grants to health-care entities, Friedland said "it's pretty easy to see that this would fit nicely into a socially labeled fund." He said his group's decision to invest will depend on its pricing.

The triple-A rating, the highest rating possible, is given with confidence that the $300 million debt "is in line with the mission and given they do have assets to more than amply cover any outstanding obligations," said Phillip Peña, associate director at S&P.

The endowment says it has awarded more than 22,000 grants totaling $2.9 billion since it was founded in 1996. The endowment was created as a requirement for the conversion of the nonprofit

Blue Cross of California to the for-profit WellPoint Health Networks. The sale is the first from the organization for grant-making, inspired by the success of its peers while also seizing on historically low interest rates, Ross said.

“The rates being at historic lows was the foundational rational for doing this at this time,” he said. “Money has never been cheaper to borrow.”

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