

AGENDA ITEM 6 (INFORMATION ITEM) CDIAC FEE SCHEDULE

CDIAC Fee Structure June 10, 2014

STAFF REPORT

Government Code Section 8856 authorizes CDIAC to charge a fee on all public debt issuance reported to CDIAC. Section 8856 limits the fee to 0.025 percent of the principal amount of the issue, not to exceed to \$5,000, and requires that the fee be paid by the lead underwriter or purchaser of the debt. Proceeds from fee collections are deposited into the CDIAC Fund for expenditure in accordance with CDIAC's annual Budget Act appropriation.

Because CDIAC maintains a Fund surplus, staff recommended and the Commission approved by Resolution 10-03 on July 15, 2010, keeping the fee schedule below the statutory limit. In addition, Resolution 10-03 maintains this fee schedule until the Commission takes an action to amend it. Fees currently assessed on long-term debt are equal to 0.015 percent of the principal amount up to a maximum amount of \$3,000. Fees assessed on short-term debt are \$150 per issuance.

Based upon budget projections, CDIAC staff estimates a decline in the FY 2013-14 Fund balance from FY 2012-13 of 11 percent. The erosion of the Fund balance is due to a decline in fee revenues as well as a continuing budget deficit.¹² FY 2013-14 expenditures, although 5 percent less than staff projected last June, will exceed total revenues by approximately 38 percent. CDIAC staff expects that the budget deficit will widen in FY 2014-15.

¹² Based on year-to-date numbers, FY 2013-14 fee revenue is tracking well below (-12%) the projection presented to the Commission last June and is expected to fall below FY 2012-13 fee revenue by 7 percent.

For FY 2014-15, CDIAC's projected Fund balance is \$4.8 million, a decline of 17 percent from FY 2013-14. CDIAC staff projects no growth in FY 2014-15 fee revenues over FY 2013-14.¹³ FY 2014-15 expenditures are projected to increase by over 10 percent and outpace total revenues by 52 percent. The growth in expenditures can be attributed to an increase in personnel costs over the last 12-18 months.

While the reoccurrence of an operational deficit is a growing concern, CDIAC's estimated fund balance at the close of FY 2013-14 of \$5.8 million, nearly twice CDIAC's projected FY 2014-15 expenditures, will be sufficient to cover expenditures for FY 2014-15.

STAFF RECOMMENDATION

Staff recommends that the Commission take no action to amend the fee schedule at this time.

Staff will continue to closely monitor issuance trends and the resulting effect on projected fee revenue and fund balance. It will continue to report to the Commission on its assessment and the need to amend the fee schedule.

¹³ FY 2014-15 fee revenue is based on a projection of debt issuance in California at nearly the same level as in FY 2013-14. This projection considers the *SIFMA 2014 US Municipal Issuance Survey*, 12/10/2013 which predicted a 1.0% decrease in US long term debt issuance. Ninety-three percent of CDIAC's fee revenue is derived from long-term debt issuance. The SIFMA survey is a compilation of forecasts from analysts representing eleven firms engaged in underwriting and/or analyzing the US municipal bond market.