



CALIFORNIA STATE TREASURER JOHN CHIANG

NEWS RELEASE

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CHIANG AND COUNTY TREASURERS MOVE TO STOP 'PAY-TO-PLAY' SCHOOL BOND CAMPAIGNS

SACRAMENTO – State Treasurer John Chiang and a coalition of county treasurers and tax collectors today moved to stop questionable bankrolling of campaign activities in local bond election campaigns.

Preying on school districts eager to win voter approval for bond elections, municipal finance firms, including bond counsel, underwriters, and financial advisors, are offering to fund or provide campaign services in exchange for contracts to issue the bonds, once approved by voters.

The payments could violate state laws governing the use of bond proceeds and public funds, according to a recent California Attorney General's opinion. Such payments could saddle taxpayers with exorbitantly high, bond issuance costs, the opinion noted.

"There are unscrupulous Wall Street firms offering to fund local bond campaigns in exchange for lucrative contracts," said Chiang. "Not only are these pay-to-play arrangements unlawful, they rip-off taxpayers and endanger the integrity of school bonds, which are vital tools for building classrooms and meeting the educational needs of our communities."

In response to the attorney general's opinion and as a proactive measure, Chiang announced that municipal finance firms seeking state business will be required to certify that they make no contributions to bond election campaigns. Firms that fail to do so will be removed from the state's official list of acceptable vendors and barred from participating in state-issued bonds.

The California Association of County Treasurers and Tax Collectors said it agrees with Chiang.

The treasurers expressed "solidarity with the State Treasurer for imposing these new minimum qualifications to reduce and eliminate the 'pay-to-play' electioneering tactics connected to campaigns for school bond measures."

California Forward, a nonpartisan group that works for government efficiency, also lauded Chiang's initiative for boosting transparency and compliance with ethical standards.

“Public trust should not be compromised in an effort to secure voter support for local bond projects,” said James Meyer, the group’s president. Chiang’s efforts, he added, will “encourage a fair community discussion about investments in local schools and other projects among community leaders.”

Common Cause, another “good-government” advocate, echoed the sentiment. “Pay-to-play government contracts have no place in a democracy,” the group said in a statement. “School bond underwriting contracts should go to the most qualified firm, not the one that agrees to make the biggest ballot measure campaign contribution.”

The attorney general acknowledged the pay-to-play problem in a response to requests for a legal opinion from Treasurer Chiang and his predecessor, Bill Lockyer. Both officials sought a legal basis for cracking down on these schemes which often lead to higher costs that must be shouldered by taxpayers. Specifically, the deals result in padded bills that allow municipal finance firms to recoup money spent on illegal campaign-related work.

“Local treasurers throughout the state and I are united in refusing to do business with any securities firm which promotes these quid-pro-quo schemes,” said Chiang. “They do nothing but inflate taxpayer bills and reduce resources for students.”

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