



2019 YEAR-END SUMMARY...

From the Desk of California State Treasurer Fiona Ma, CPA



FINANCIAL WELLNESS

Fitch Ratings and Moody's Investor Service upgraded the state's credit rating. Fitch Ratings upgraded California's GO bond rating from "AA-" to "AA" and Moody's Investors Service upgraded the state's GO bonds to "Aa2" from "Aa3."

The State Treasurer's Office (STO), which serves as agent for sale on all state bonds, sold \$8.3 billion of bonds, including \$4.23 billion of voter-approved General Obligation (GO) bonds, from July to December 15, 2019.

The STO refinanced \$2.49 billion of older bonds at lower rates. The refunding of older, higher-interest GO bonds in favor of today's lower interest rates will save taxpayers \$883 million over the next 20 years, or \$742.7 million on a present value basis.

The following sales were made:

- \$596 million of revenue bonds for the Trustees of the California State University.
- \$500 million of revenue bonds issued by the California Health Facilities Financing Authority for the Department of Housing and Community Development's No Place Like Home Program, a groundbreaking effort to use voter-approved income tax revenues earmarked to help relieve the state's homeless problem. The bonds were designated as "Social Bonds" because they follow the Social Bond Principles adopted by the International Capital Markets Association. They are the first portion of bonds authorized by Proposition 2, which was approved by voters in November 2018.
- \$374.2 million of lease revenue bonds for the State Public Works Board.
- \$272.6 million of lease revenue bonds issued by the California Infrastructure and Economic Development Bank for the California State Teacher's Retirement System (CalSTRS).
- \$2.33 billion of conduit revenue bonds issued by various state financing authorities, including those chaired by the State Treasurer.

CalABLE, a new program that provides tax-advantaged savings opportunities for people with disabilities, opened more than 2,800 accounts and had nearly \$11.6 million in

assets under management in less than a year. CalABLE is housed in the STO and allows people with disabilities to save money and invest like never before.

CalSavers, the groundbreaking new retirement savings program, completed its pilot project and opened fully statewide last July. The program had more than 3,200 funded accounts and \$1.2 million in assets as of last December. "Gig" workers, the self-employed, and people working for non-mandated employers are now eligible.

ScholarShare 529 was awarded a "Gold" Morningstar Analyst Rating. Only three other 529 plans nationally received this recognition. Morningstar is a leading provider of independent investment research.

AB 853 (Smith) was signed by Governor Gavin Newsom. It addresses one of the greatest financial burdens of paying for college — rent. This legislation authorizes ScholarShare 529, California's college savings plan, to pay rent and other qualified expenses directly to the institution from the beneficiary's ScholarShare account, if the beneficiary makes the request. Treasurer Ma was a bill sponsor.

AB 872 (Aguiar-Curry) was signed by the Governor. It closes a loophole in the tax code by protecting children living on a small family farm from a property tax reassessment in the event they become owners of the farm after the death of a parent, under limited circumstances. This bill is narrowly drafted to address an inequity in California's complicated reassessment laws. Treasurer Ma was a bill sponsor.

Children's hospitals received \$9.8 million in grant funds from the California Health Facilities Financing Authority (CHFFA) under the Children's Bond Acts. The funds are used to reimburse the cost of patient care equipment, information technology devices, and renovating and equipping a fluoroscopy room, a new multi-fusion digital radiography room, and an oncology intravenous room to comply with new quality standards. Treasurer Ma is chair of CHFFA.

Charter schools received more than more than \$14 million in grant money from the California School Finance Authority (CSFA), which is chaired by Treasurer Ma. The money went to 26 schools under the Charter School Incentive Grants Program. The CSFA also awarded more than \$5.2 million to 24 schools through its Charter School Revolving Loan Fund Program.



ENVIRONMENT

A Rice Waste Recycling Plant, CalPlant I, LLC,

received \$73.7 million in tax-exempt green bonds sold by the STO to turn rice straw into medium density fiberboard used in manufacturing flooring, furniture, doors, shelves and other products. The bond sale was authorized by the California Pollution Control Financing Authority (CPCFA), which is chaired by Treasurer Ma.

A webinar series called “Green Bonds in the Golden State: A Practical Path for Issuers” was produced by the California Debt and Investment Advisory Commission (CDIAC) in collaboration with the Goldman School of Public Policy at the University of California, Berkeley. The program explained the risks and benefits of a green bond issuance and how to strike the proper balance between strong financial and environmental stewardship.

CalSTRS divestment from fossil fuels was urged by Treasurer Ma, an ex officio Board Member who broke ranks with the CalSTRS Board’s Investment Committee and stood with public school students and teachers in their demand. They urged the board to divest from fossil fuels to protect teachers’ retirement savings and address the climate crisis.

The California Green Bond Development Committee was formed in June 2019 to promote and expand the use of green bonds for climate-resilient infrastructure in California. Treasurer Ma is the chair.

The California State Teachers’ Retirement System (CalSTRS) will receive \$272.6 million of lease revenue bonds sold by the STO for the expansion of its headquarters building. The project will use green technologies, sustainable construction, energy conservation, and whole-building integrated efficiency measures. It is designated a “Green Bonds – Climate Bond Certified” project.

Two new green energy efficiency financing programs were launched by the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA), which is chaired by Treasurer Ma. The Small Business Energy Efficiency Financing (SBF) program and Affordable Multifamily Energy Efficiency Financing Program (AMF) program are aimed at reducing the cost of financing energy efficiency improvements for small businesses, nonprofits, and owners of affordable housing.

Small business loans for cleaner fuel technologies hit a milestone. The California Capital Access Program, which is run by the California Pollution Control Financing Authority (CPCFA), announced that it had issued 25,000 loans to owner-operators to upgrade their vehicles to cleaner fuel technologies. Treasurer Ma chairs CPCFA.

AB 1583 (Eggman) was signed by the Governor. The Sales Tax Exclusion Program, operated by the California Alternative Energy and Advanced Transportation Financing Authority, which is chaired by Treasurer Ma, was set to expire in

2021. But thanks to Assembly Bill 1583, also known as the “California Recycling Market Development Act,” the program will continue for an additional five years. Treasurer Ma was a sponsor of AB 1583, which also updates California’s recycling programs to adapt to significant challenges in the marketplace and extends a successful sales tax incentive program administered by the Treasurer’s office.

SB 527 (McGuire) was signed by the Governor. It adds language to a California law known as the Williamson Act clarifying that cannabis and hemp cultivation count as “agricultural” or “compatible uses” under agricultural land conservation contracts, thereby making cannabis and hemp cultivation presumptively permissible activities under such contracts. Treasurer Ma was a sponsor of the bill.



HOUSING

A streamlined application process was adopted by the California Tax Credit Allocation

Committee (CTCAC), which administers federal and state low-income housing tax credit programs. Chaired by Treasurer Ma, CTCAC adopted the change in order to encourage the development of new affordable housing units more quickly.



JOBS

Virgin Trains USA / XpressWest received a provisional private activity bond allocation of \$300 million

to finance a ground-breaking high-speed rail line that will connect Southern California to Las Vegas. Early projections estimate 10,000 construction jobs and more than 1,200 housing units. The California Debt Limit Allocation Committee, chaired by Treasurer Ma, gave the approval. The bonds, when issued, will give the Virgin Trains USA-XpressWest project about half what’s needed to build out the system, which will feature electric trains that run mostly across desert lands roughly parallel to Interstate 15. The system’s maintenance yard is planned for California. The project is a private-public partnership and completely separate from the state’s high-speed rail plan.

The Housing, Economic Development, Jobs and Opportunity Zone Ad Hoc Committee was created in October 2019 by Treasurer Ma to assist her office in developing out-of-the-box strategies to advance her housing and economic development goals, including: 1) Increase housing production; 2) Increase efficiencies in the use of resources she has available for housing production and economic development; 3) Incentivize/spur new technology; 4) Increase opportunities for people of color in the development and investment space; 5) Empower people to be part of the development happening in their communities; and 6) Increase opportunities for wealth building for all individuals irrespective of their zip code.

For a more detailed look at these year-end highlights visit:
treasurer.ca.gov/newsletter/2020/jan/highlights2019.pdf