

CLIENT NEWS BRIEF

New Public Finance Legislation Requires Public Disclosures on Direct Loans

On July 23, 2014, Governor Jerry Brown signed into law Assembly Bill 2274 (AB 2274), clarifying that governmental issuers of debt must file reports with the California Debt and Investment Advisory Commission (CDIAC) relating to all debt issues. For purposes of CDIAC reporting, "debt issues" include the full range of financing vehicles, from lease financings for copiers to voter-approved bond issues, and everything in between. Two such reports are required for a debt issuance: a pre-sale notice and a final notice, as discussed below. CDIAC provides information, education, and investment assistance to the state, local agencies, and other public finance professionals, and serves as a statistical clearinghouse. AB 2274 becomes effective January 1, 2015.

Under current law, governmental issuers of any new debt sold at private or public sale must submit to CDIAC a preliminary notice of the proposed debt no later than 30 days prior to sale and a final report no later than 45 days after signing a purchase contract with, or accepting a bid from, an underwriter or purchaser of the debt.

Historically, many public finance professionals concluded that certain "non-traditional" indebtedness, such as a direct loan or lease financing with a bank or other lender, was exempted from the CDIAC reporting requirements. CDIAC is reporting an increasing trend toward these non-traditional financings. This has led to concern over a perceived lack of transparency in the California public debt market.

AB 2274 was enacted to address these perceived shortcomings. AB 2274 clarifies that Government Code section 8855 is intended to cover all types of public debt issues, including those privately placed with a single bank, lender or investor. AB 2274 accomplishes this by removing certain terminology that led the bond community to conclude that the reporting requirements were only applicable to bonds, notes, or certificates of participation, which are generally sold after making broad market disclosure, at competitive sale or negotiated under a purchase contract.

Additionally, AB 2274 shortens the timeframe for submission of the final report from 45 days to 21 days from the sale of the debt. According to the legislative committee reports, the shortened timeframe is intended to align CDIAC's data to be consistent with the data required to be reported by underwriters to the Municipal Securities Rulemaking Board and the Securities Exchange Commission.

If you have any questions regarding bonds, certificates of participation, direct loans, or other financing vehicles, please contact one of our [eight offices](#) located statewide. Our firm has assisted many school districts, community colleges, and other public agencies as bond counsel, disclosure counsel, and district counsel. You can also visit our [website](#), follow us on [Facebook](#) or [Twitter](#), or download our [Client News Brief App](#).

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