

SCHOOL BONDS: STATE TREASURER AND SCHOOLS CHIEF CALL FOR MORATORIUM ON COSTLY BONDS

Reacting to reports of extremely costly school bonds – including one in Poway that raised \$105 million for school construction, but will cost taxpayers nearly \$1 billion to repay – State Treasurer Bill Lockyer and Superintendent of Public Instruction Tom Torlakson are calling for school districts to stop issuing capital appreciation bonds (CABs).

"We are convinced that remedial legislation is needed to prevent abuses and ensure that both school board members and the public obtain timely, accurate, complete, and clear information about the costs of CABs, and alternatives, before CABs are issued," the two state officials wrote in a letter to education leaders.

The two told school district leaders, "We believe that your district and every other district in the state should impose a moratorium."

Education blogger John Fensterwald explained: "The problem is that interest obligations pile up; in some cases, by the end of a 40-year CAB, total payments can be nine or ten times the principal – more than twice the rate considered acceptable." (Sources: *Los Angeles Times*, January 18; *EdSource Today*, January 17.)