DELINQUENT PROPERTY TAX FINANCING PROGRAM FOR CALIFORNIA EDUCATIONAL AGENCIES

Frequently Asked Questions

May 1, 2017

1. **How did this program come about?**
   This program is the result of consultations and agreements reached over the course of several years beginning in the late 90s that involved members of the California legislature, the Department of Finance, the Department of Education, the Governor's Office, school districts, the California State Association of Counties, and School Services of California.

2. **Who authorized it?**
   California Government Code 6516.6 authorizes local taxing agencies, like school districts, to form joint powers authorities to purchase delinquent property tax receivables.

3. **What is a Joint Powers Authority?**
   A joint powers authority (JPA) is a separate public entity formed by two or more public agencies that can, under California law, exercise any power held in common by the public agencies forming the JPA, including the power to finance delinquent taxes.

4. **How does the financing work?**
   School districts that elect to participate in this program execute a purchase and sale agreement through which they assign their secured roll delinquent property tax receivables to the JPA. The JPA then sells its rights to its selected funding source.

5. **What liabilities does my school district incur by participating in this program?**
   Under California law and the joint powers agreement, individual school districts are not responsible for the debts, obligations and liabilities of the Authority. The only obligations assumed by school districts are specified in the purchase and sale agreements entered into with the JPA.

6. **How do I determine the economic benefit for my school district?**
   Each school district that participates in the program receives an amount of money in excess of the base tax due – in effect a premium or benefit – for the tax receivables that it sells and assigns to the JPA. This benefit is additional unrestricted income for each district that does not, by law, offset state aid. The premium is an amount which will be paid to the participating districts upon settlement of the transaction.

7. **What level of participation is required in a given county?**
   In Los Angeles and Monterey counties virtually all of the K-14 school districts plus each county's office of education participates in the program. School districts in other counties that form a JPA to take advantage of the benefits available under CGC

6516.6 would need to obtain substantial participation of the school districts in that county in order for the program to be economically viable for an underwriter.

8. **Who pays the school districts' expenses?**
School districts do not incur any expenses associated with their participation in this program.

9. **Would this transaction affect a school district's debt capacity or credit rating?**
The program is a sale of delinquent tax receivables and as such relies exclusively on the security of those receivables. Thus, this program is non-recourse to the participating school districts, community colleges and county offices of education. Accordingly, as this is not a borrowing, there should be no impact on a participating district's debt capacity or credit rating.

10. **What benefit do participating districts receive?**
The legislation that authorized this program was designed (a) to permit the state to benefit from the financing of delinquent tax receivables by reducing its subvention payments to schools similar to Teeter Plans in other counties; and also (b) to permit education agencies to receive additional unrestricted income as a result of the sale of the delinquent tax receivables. Other participating school districts where this program is operating receive a 10% benefit -- their allocable share of the delinquent tax receivables sold multiplied by 10% -- up front in cash. The statute allows this benefit to be received by school districts as additional unrestricted money that does not affect revenue limits.

11. **Who provides the funds for this program?**
The JPA selects an underwriter with the capability of purchasing the participating schools' delinquent tax receivables as well as the capability of developing and maintaining the required data processing facilities that are required for this program. Tower Capital Management of Morristown, New Jersey is the underwriter that has been selected by the JPAs in Los Angeles and Monterey counties.

12. **Who can I contact if I have further questions?**
For general questions:

Robert Miyashiro, School Services, (916) 446-7517 or robertm@sscal.com
Bill Dahms, Consultant, (213) 220-5010 or williamrdahms@gmail.com

For legal questions:
Chick Adams, Jones Hall, (415) 391-5780 or cadams@joneshall.com