



State of California

LITTLE HOOVER COMMISSION

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Pedro Nava
Chairman

For Additional Information Contact:
Carole D'Elia, Executive Director
(916) 445-2125

Jack Flanigan
Vice Chairman

Scott Barnett

David Beier

Anthony Cannella
Senator

Chad Mayes
Assemblymember

Don Perata

Sebastian Ridley-Thomas
Assemblymember

Richard Roth
Senator

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Helen Torres

Sean Varner

Carole D'Elia
Executive Director

Commission Issues Urgent Call to Strengthen Oversight of Billions of Dollars in State and Local Bonds

The Little Hoover Commission, in a report sent Tuesday to Governor Brown and the Legislature, called for more consistent oversight and greater transparency for public spending financed by state and local bonds.

"Californians have been exceptionally generous in their willingness to incur long-term debt, borrowing more than \$1.5 trillion over the past three decades to pay for schools, roads and other public works projects," said Commission Chair Pedro Nava. "But as debt piles up on the public credit card, it consumes a growing slice of the budget pie. When times get tough and budgets get cut, paying back borrowed money is never going to be on the chopping block," he added. "That's why it is so important that we spend bond proceeds carefully and as voters intended."

Borrowed Money: Opportunities for Stronger Bond Oversight provides an update to a June 2009 Commission report, *Bond Spending: Expanding and Enhancing Oversight*. The 2017 update acknowledges progress to better account for statewide bond spending but found inconsistencies across state programs. The report applauds one state website that shows how and where bond proceeds from the 2014 water bond are being spent, but noted that information on the high-speed rail bond is difficult, if not impossible to find. The report cites shortcomings in accountability for a 2006 school construction bond and agrees with Governor Brown's call for improved oversight of the 2016 school facility bond in his January 2017 budget proposal.

The Commission suggests he and the Legislature go further and develop a framework for oversight for all statewide bonds and also require information on all statewide bond spending be readily available online in a format that is easily understandable. The Commission also sees promise in a 2016 law (SB 1029) that expands the authority of a committee under the State Treasurer to collect information on state and local debt, which will add more data to the Treasurer's *Debt Watch* website.

California voters have been equally supportive of local bonds, with approximately \$28 billion in local bond measures enacted in 2016 alone, nearly all under the reduced voter threshold allowed by a ballot measure enacted in 2000. State law requires schools districts using the reduced voter threshold to create Citizens Bond Oversight Committees to keep a watchful eye on spending. With 210 local school bond measures enacted last year, some 1,400 Californians will join thousands more already serving on these committees. In its report, the Commission found that these committee, while well intentioned, often do not live up to the promise of improved oversight. The report lays out specific changes to bolster their effectiveness, including improved training and greater clarity on their authority.

The Little Hoover Commission is a bipartisan and independent state agency charged with recommending ways to improve the efficiency and effectiveness of state programs. The Commission's recommendations are submitted to the Governor and the Legislature for their consideration and action. For a copy of the report or documents from the Commission's September 2016 public hearing, visit the Commission's website: www.lhc.ca.gov.