

**SB 1029 (Hertzberg) California Debt and Investment Advisory Commission  
Accountability Reports  
Chapter 307, Statutes of 2016**

SB 1029, sponsored by State Treasurer John Chiang, mandates tracking of state and local government borrowing and spending of bond proceeds in effort to increase transparency and improve public knowledge. According to the author and sponsor, this measure resulted from the recommendations of the Treasurer's Task Force on Bond Accountability, which was tasked with identifying best practices for tracking bond proceeds. The information gathered through the provisions of SB 1029 will populate the Treasurer's new online tool, Debt Watch, a transparency tool designed to enable taxpayers and the media to access debt data on California's 4,200 units of local government.

The California Debt and Investment Advisory Commission (CDIAC) operates as a part of the State Treasurer's Office, has nine members, including the State Treasurer, the Governor or the Director of Finance, the State Controller, two local government finance officials, two Assembly Members, and two Senators. CDIAC collects, maintains, provides comprehensive information on all state and local debt authorization and issuance, and serves as a statistical clearinghouse for all state and local debt issues. Currently, state and local government debt issuers must submit several types of reports containing information about debt issuance to CDIAC.

SB 1029, as signed by Governor Brown, requires state and local government debt issuers to report to the California Debt and Investment Advisory Commission (CDIAC) specified information about proposed and outstanding debt. Specifically, this measure requires:

**Local Debt Policies**

SB 1029 requires that a report of proposed debt issuance submitted to CDIAC, no later than 30 days prior to the sale, must include a certification by the issuer that it has adopted local debt policies concerning the use of debt and that the contemplated debt issuance is consistent with those local debt policies. While failure to submit the report will not affect the validity of the sale, a local debt policy must be included and detail:

- The purposes for which the debt proceeds may be used.
- The types of debt that may be issued.
- The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable.
- Policy goals related to the issuer's planning goals and objectives.
- Internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

The measure provides local control over the timeline and mechanism for adopting local debt policies.

SB 1029 also provides that a bond issuer, that issues bonds on behalf of another governmental entity, may rely upon a certification from that other governmental entity that it has adopted debt policies.

## **Reporting Requirements**

### **Report of Final Sale**

This measure requires that when a state or local government issues debts, it must submit a report of final sale to CDIAC no later than 21 days after the sale. The measure reserves the right of CDIAC to request specific information be included in the report of final sale that it deems appropriate, however, confidential information may be redacted.

### **Annual Report**

This measure requires any state or local government debt issuer to provide an annual report to CDIAC for any issue of debt for which the issuer has submitted a report of final sale on or after January 21, 2017. The annual report must cover a reporting period from July 1 to June 30 and must be submitted no later than seven months after the end of the reporting period by any method approved by CDIAC.

SB 1029 specifically requires that the annual report must consist of the following information:

- **Debt authorized during the reporting period, which must include:**
  - Debt authorized at the beginning of the reporting period.
  - Debt authorized and issued during the reporting period.
  - Debt authorized but not issued at the end of the reporting period.
  - Debt authority that has lapsed during the reporting period.
- **Debt outstanding during the reporting period, which must include:**
  - Principal balance at the beginning of the reporting period.
  - Principal paid during the reporting period.
  - Principal outstanding at the end of the reporting period.
- **The use of proceeds of issued debt during the reporting period, which must include:**
  - Debt proceeds available at the beginning of the reporting period.
  - Proceeds spent during the reporting period and the purposes for which it was spent.
  - Debt proceeds remaining at the end of the reporting period.

Compliance with the annual reporting requirement is required for each issue of debt with outstanding debt, debt that has been authorized but not issued, or both during the reporting period.

CDIAC must consult with appropriate state and local debt issuers and organizations representing debt issuers for purposes that include making a proposed reporting method more efficient and less burdensome for issuers.