

The Child Victims Act And Its Impact On New York State School Districts

In February 2019, New York State took a large step to acknowledge and address the issue of child sexual abuse with the passage of the Child Victims Act (CVA). This landmark legislation provided survivors of child sexual abuse the opportunity to seek justice and accountability from their abusers and the institutions that harbored them. One of the most significant features of the CVA was its provision for a one-year "look-back window", which temporarily lifted the statute of limitations for filing an action for child sexual abuse. The look-back window was open for one year, starting on August 14, 2019, and closing on August 13, 2020. During this time, survivors of child sexual abuse could file civil lawsuits against their abusers, and the institutions where they were employed, regardless of how long ago the abuse occurred.

The impact of the Child Victims Act on school districts in New York State has been significant, particularly in terms of legal actions brought against educational institutions for their handling of child sexual abuse cases. The legislation has prompted numerous lawsuits against school districts, and their past or current employees, alleging negligence, cover-ups and failure to protect students from abuse. The heightened public attention surrounding the CVA has contributed to districts agreeing to large out of court settlements. Consequently, many districts have found themselves compelled to issue debt to meet the financial obligations resulting from these settlements. For those districts that borrow, issuing tax-exempt debt is crucial to help alleviate the burden of financing settlements. Districts can issue tax-exempt debt to fund settlements under the CVA if certain legal requirements are fulfilled. One such prerequisite requires the district to present a general fund cash flow statement demonstrating that funding settlements would lead to a considerable deficit in the district's operations. Additionally, the district must establish that financing these settlements would persistently burden its operations in the years ahead.

Some districts that have funded settlements have opted to initially issue bond anticipation notes (BANs) to do so. This strategy is particularly common among districts facing multiple lawsuits. In such cases, districts issue BANs to fund settlements as they are finalized. Subsequent settlements are also funded with BAN proceeds and tied to the maturity date of the initial note. Once all settlements are concluded, and any available insurance coverage received, the maturing BANs are consolidated into a single bond issuance.

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RECENT CMA CLIENT SALE RESULTS

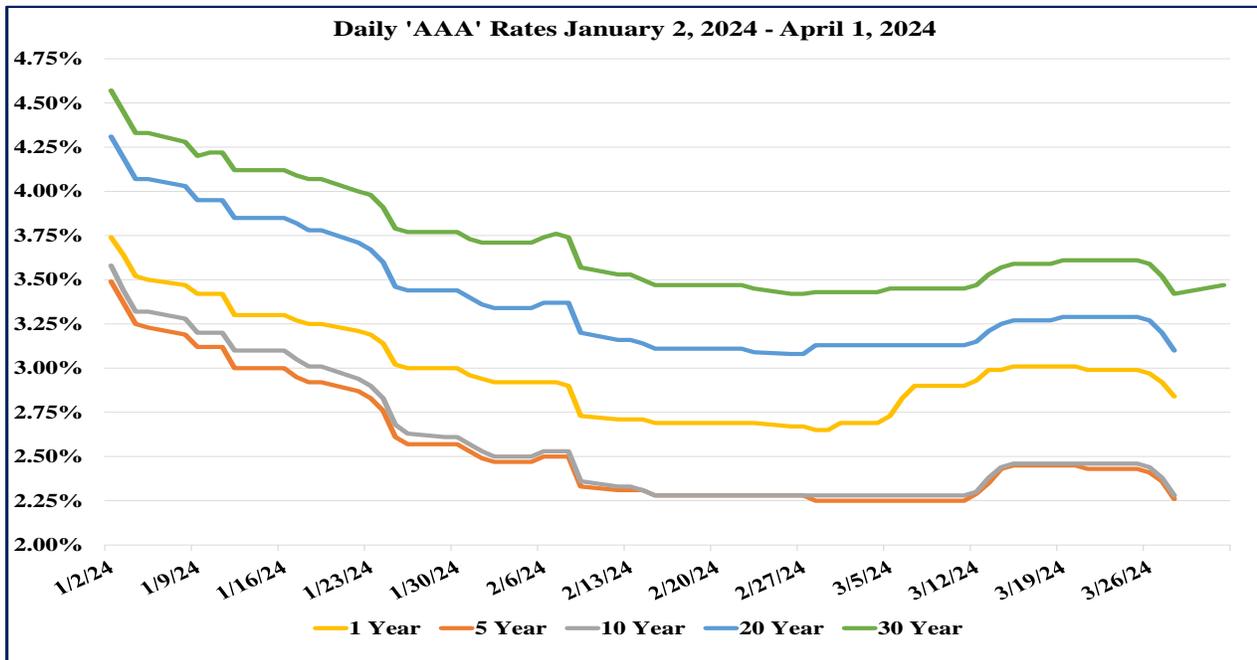
<u>Issuer/Underlying Rating</u>	<u>Issue Type</u>	<u>Par Amount</u>	<u>Sale Date</u>	<u>Term</u>	<u>Rate</u>	<u>Purchaser</u>
Holland CSD (A+)	Bonds	\$5,225,000	28 – Mar.	15 yrs.	3.14%	Roosevelt & Cross, Inc.
New Rochelle CSD (AA)	BAN	\$17,700,00	26 – Mar.	1 yr.	3.42%	TD Securities
New Rochelle CSD (AA)	BAN (Taxable)	\$5,400,000	26 – Mar.	1 yr.	5.47%	Fidelity Capital Markets
Lewisboro Town (AA+)	Bonds	\$4,610,000	21 – Mar.	19 yrs.	3.22%	StoneX Financial Inc.
Mineola Village (Aa2)	Bonds	\$7,530,000	19 – Mar.	30 yrs.	3.74%	BNY Mellon

The New York State Local Finance Law assigns a period of probable usefulness of 5 years to bonds issued to fund a judgment or settlement. However, if the total of any individual payments of such judgments and settlements due in a fiscal year exceeds one percent of the district's average assessed valuation, a bond with a maturity period of ten years may be issued. Furthermore, if the judgment or settlement amount total exceeds two percent of the district's average assessed valuation in the year paid, a bond with a maturity period of fifteen years may be issued.

While funding settlements through bonds or other financial instruments can provide districts with a means to meet their legal obligations, it can also place a strain on a school district's financial resources. Districts must carefully consider the long-term implications of issuing bonds versus using fund balance, including the impact on their budgets, debt obligations, credit ratings and financial stability. Given the complexity of financing settlements and the potential risks involved, districts are strongly advised to consult with their municipal financial advisor to develop a funding strategy. As always, CMA stands ready to assist its clients with all their financing needs should a district need to fund a judgment or settlement claim.

Interest Rate Trends

Tax exempt interest rates started flat in March before climbing in the middle of the month, then stabilizing and dipping slightly as the month came to an end.



GENERAL OBLIGATION TAX-EXEMPT INTEREST RATES

Term	April 1, 2024					1 Month Ago - March 1, 2024					1 Year Ago - April 3, 2023				
	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	3.22%	3.23%	3.31%	3.29%	3.68%	2.97%	2.98%	3.06%	3.04%	3.43%	2.49%	2.52%	2.64%	2.63%	2.98%
5	2.54	2.56	2.68	2.69	3.12	2.44	2.46	2.58	2.59	3.02	2.21	2.29	2.40	2.43	2.80
10	2.51	2.58	2.76	2.82	3.34	2.46	2.53	2.71	2.77	3.29	2.27	2.43	2.58	2.63	3.17
15	2.98	3.13	3.31	3.36	3.85	2.91	3.06	3.24	3.29	3.78	2.86	3.16	3.26	3.37	3.81
20	3.36	3.53	3.72	3.76	4.26	3.27	3.44	3.63	3.67	4.17	3.10	3.44	3.55	3.65	4.09