An act to add Part 70.3 (commencing with Section 101200) to Division 14 of Title 3 of the Education Code, relating to education finance, by providing the funds necessary therefor through an election for the issuance and sale of bonds of the State of California and for the handling and disposition of those funds.

LEGISLATIVE COUNSEL'S DIGEST


(1) Under the Higher Education Facilities Bond Act of 1986, the Higher Education Facilities Bond Act of 1988, and the Higher Education Facilities Bond Act of June 1992, the issuance, pursuant to the State General Obligation Bond Law, of bonds in an amount not to exceed $400,000,000, $600,000,000, and $900,000,000, respectively, and the expenditure of the revenues therefrom, were authorized for the purpose of aid to the University of California and the California State University for, among other things, the construction and equipping of educational facilities, as specified. Existing law establishes the Higher Education Facilities Finance Committee to administer those acts, and to authorize the issuance and sale of bonds to the extent necessary to fund the
education facilities construction apportionments expressly authorized by the Legislature in the annual Budget Act.

More recently, the Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998, the Kindergarten-University Public Education Facilities Bond Act of 2002, the Kindergarten-University Public Education Facilities Bond Act of 2004, and the Kindergarten-University Public Education Facilities Bond Act of 2006 authorized the issuance of bonds and the expenditure of revenues therefrom for the University of California and the California State University, as well as for the California Community Colleges and public elementary and secondary schools.

This bill would enact the Higher Education Facilities Bond Act of 2020, which, upon approval by the state electorate, would authorize the issuance of state general obligation bonds in an amount not to exceed $8,000,000,000, with one-half of the amount designated for the University of California and the Hastings College of the Law and the other half designated for the California State University, for purposes similar to those specified in the Higher Education Facilities Bond Act of 1986, the Higher Education Facilities Bond Act of 1988, and the Higher Education Facilities Bond Act of June 1992, to be issued and sold in a manner similar to that provided under those acts.

The bill would require that any request for funds from the bonds issued pursuant to the bond act enacted by this bill be accompanied by the 5-year capital outlay plan of the particular university or college and include a schedule that prioritizes the seismic retrofitting needed to significantly reduce seismic hazards in buildings identified as high priority by the university or college, as specified.

(2) This bill would provide for the submission of the Higher Education Facilities Bond Act of 2020 to the voters at the March 3, 2020, statewide primary election, as specified.

Vote: \( \frac{2}{3} \). Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1. SECTION 1. Part 70.3 (commencing with Section 101200) is added to Division 14 of Title 3 of the Education Code, to read:

101200. This part shall be known, and may be cited, as the Higher Education Facilities Bond Act of 2020.

101201. The Legislature finds and declares all of the following:
(a) California’s economic and social prosperity relies on a higher education system that keeps pace with California’s growth. In the coming decades, the state’s economic prosperity will depend on increasing the productivity of the state’s workforce and on its ability to compete successfully in the world marketplace.
(b) The system of public higher education in this state includes the University of California and its 10 campuses, the California State University and its 23 campuses, and the Hastings College of the Law, and their respective off-campus centers. Each of these institutions plays a vital role in maintaining California’s dominance in higher education in the United States.
(c) (1) The purpose of the Higher Education Facilities Bond Act of 2020 is to assist in meeting the capital outlay financing needs of California’s public higher education system.
(2) The revenues raised pursuant to this part shall be used for construction, reconstruction, and remodeling of existing or new facilities, including, but not necessarily limited to, the acquisition of related fixtures and equipment, on any or all campuses of the University of California, the California State University, and the Hastings College of the Law.
(d) The revenues raised pursuant to this part may be encumbered only for purposes of a project that is authorized in the annual Budget Act or another statute. For purposes of this section, a project includes, but is not necessarily limited to, a classroom, laboratory, library, or combination thereof, and remodeling for health, safety, or seismic reasons.

101202. As used in this part, the following terms have the following meanings:
(a) “Committee” means the 2020 Higher Education Facilities Bond Act Finance Committee created pursuant to Section 101211.
(b) “Fund” means the 2020 Higher Education Capital Outlay Bond Fund created pursuant to Section 101210.
Chapter 2. Higher Education Facilities Bond Act
Program

101210. The proceeds of bonds, excluding refunding bonds issued in accordance with Section 101228, issued and sold pursuant to this part shall be deposited in the 2020 Higher Education Capital Outlay Bond Fund, which is hereby created.

101211. The 2020 Higher Education Facilities Bond Act Finance Committee is hereby created. The committee shall consist of the Governor, the Controller, the Treasurer, the Director of Finance, the President of the University of California, and the Chancellor of the California State University, or their designees. The Treasurer shall serve as chairperson of the committee.

101212. The committee shall be and is hereby authorized to create a debt or debts, liability or liabilities, of the State of California pursuant to this part for the purpose of funding aid to the University of California, the California State University, and the Hastings College of the Law for the construction, renovation, renewal, and remodeling of existing or new facilities, facilities and infrastructure, including the construction of buildings and the acquisition of related fixtures; the equipping of new, renovated, or reconstructed facilities; funding for the payment of preconstruction costs, including, but not necessarily limited to, preliminary plans and working drawings; renovation and reconstruction of facilities; site acquisition; and the construction or improvement of off-campus facilities of the California State University approved by the Trustees of the California State University on or before July 1, 2014; University, including the acquisition of sites upon which these facilities are to be constructed. The addition of the Hastings College of the Law to this section is not intended to mark a change from the funding authorizations made by Section 67354, as contained in the Higher Education Facilities Bond Act of 1986, or by Section 67334, as contained in the Higher Education Facilities Bond Act of 1988, but is intended to state more clearly what was intended by the Legislature in those sections as well.

101213. Of the total amount of bonds authorized by this part, one-half shall be designated for the University of California and the Hastings College of the Law and one-half shall be designated for the California State University.

101220. (a) Bonds in the total amount of eight billion dollars ($8,000,000,000), not including the amount of any refunding bonds issued in accordance with Section 101228, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this part and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, issued, and delivered, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both the principal of and the interest on the bonds as the principal and interest become due and payable.

(b) Pursuant to this section, the Treasurer shall sell the bonds authorized by the committee at any different times necessary to service expenditures required by the apportionments.

101221. The bonds authorized by this part shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all of the provisions of that law shall apply to the bonds and to this part and are hereby incorporated in this part as though set forth in full in this part. For purposes of the State General Obligation Bond Law, each state agency administering an appropriation of the bond fund is designated as the “board” for projects funded by those appropriations.

101222. The committee shall authorize the issuance of bonds under this chapter part only to the extent necessary to fund the apportionments that are expressly authorized by the Legislature in the annual Budget Act. Pursuant to that legislative direction, the committee shall determine whether it is necessary or desirable to issue bonds authorized pursuant to this part in order to carry out the actions specified in Section 101212 and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

101223. There shall be collected each year and in the same manner and at the same time as other state revenue is collected,
in addition to the ordinary revenues of the state, a sum in an amount
required to pay the principal of, and interest on, the bonds each
year, and it is the duty of all officers charged by law with any duty
in regard to the collection of the revenue to do and perform each
and every act that is necessary to collect that additional sum.

101224. Notwithstanding Section 13340 of the Government
Code, there is hereby appropriated from the General Fund in the
State Treasury, for purposes of this part, an amount that will equal
the total of the following:

(a) The sum annually necessary to pay the principal of, and
interest on, bonds issued and sold pursuant to this part as the
principal and interest become due and payable.

(b) The sum necessary to carry out the provisions of Section
101225, appropriated without regard to fiscal years.

101225. (a) For purposes of carrying out this part, the Director
of Finance may, by executive order, authorize the withdrawal from
the General Fund of an amount or amounts not to exceed the
amount of the unsold bonds that have been authorized by the
committee to be sold for the purpose of carrying out this part,
excluding refunding bonds authorized pursuant to Section 101228,
less any amount borrowed pursuant to Section 101227 and
not yet repaid and any amount loaned from the General Fund
pursuant to this section not yet returned to the General Fund. Any
amounts withdrawn shall be deposited in the fund to be allocated
in accordance with this part. Any money made available under
this section shall be returned to the General Fund, together with
interest at the rate paid on moneys in the Pooled Money Investment
Account, from money received from the sale of bonds for purposes
of carrying out this part.

(b) Any request forwarded to the Legislature and the Department
of Finance for funds from this bond issue for expenditure for the
purposes described in Section 101212 by the University of
California, the Hastings College of the Law, or the
California State University shall be accompanied by the five-year
capital outlay plan of the particular university or college, and shall
include a schedule that prioritizes the seismic retrofitting needed
to significantly reduce, by the 2026–27 fiscal year, in the judgment
of the particular university or college, seismic hazards in buildings
identified as high priority by the university or college.
101226. All money deposited in the fund that is derived from premium and accrued interest on bonds sold shall be reserved in the fund, and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

101227. The board may make a request to the Pooled Money Investment Board for a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, and may execute those documents required by the Pooled Money Investment Board to obtain and repay the loan. The loan shall be deposited in the fund for purposes of carrying out the provisions of this part. The amount of the loan shall not exceed the amount of the unsold bonds that the committee, by resolution, has authorized to be sold for purposes of this part, excluding refunding bonds authorized pursuant to Section 101228, less any amount withdrawn pursuant to this section and Section 101225 and not yet repaid.

101228. Any bonds issued and sold pursuant to this part may be refunded by the issuance and sale or exchange of refunding bonds in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code. The approval by the electors of this state of the issuance and sale of bonds under this part includes approval of the issuance and sale or exchange of any bonds issued to refund either those bonds or any previously issued refunding bonds. Any bond refunded with the proceeds of a refunding bond as authorized by this section may be legally defeased to the extent permitted by law in the manner and to the extent set forth in the resolution, as amended from time to time, authorizing that refunded bond.

101229. Notwithstanding any provision of this chapter part or the State General Obligation Bond Law set forth in Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code, if the Treasurer sells bonds pursuant to this part that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes under designated conditions, the Treasurer may maintain separate accounts for the investment of bond proceeds and the investment earnings on these proceeds, and the Treasurer shall be authorized to use or direct the use of these proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or to take any other action with respect to the
investment and use of bond proceeds required or desirable under
federal law so as to maintain the tax-exempt status of those bonds
and to obtain any other advantage under federal law on behalf of
the funds of this state.

101230. Pursuant to Chapter 4 (commencing with Section
16720) of Part 3 of Division 4 of Title 2 of the Government Code,
the cost of bond issuance shall be paid or reimbursed out of the
bond proceeds, including premiums, if any. To the extent the cost
of bond issuance is not paid from premiums received from the sale
of bonds, these costs shall be allocated proportionally to each
program funded through this part by the applicable bond sale.

101231. The Legislature hereby finds and declares that,
inasmuch as the proceeds from the sale of bonds authorized by
this chapter are not “proceeds of taxes” as that term is used in
Article XIII B of the California Constitution, the disbursement of
these proceeds is not subject to the limitations imposed by that
article.

SEC. 2. Section 1 of this act shall take effect upon the adoption
by the voters of the Higher Education Facilities Bond Act of 2020,
as set forth in Section 1 of this act.

SEC. 3. Section 1 of this act shall be submitted to the voters
at the March 3, 2020, statewide primary election.