

ASSEMBLY BILL

No. 581

Introduced by Assembly Member Gomez

February 24, 2015

An act to add Chapter 11.2 (commencing with Section 8852) to Division 1 of Title 2 of the Government Code, relating to financing deferred maintenance on state facilities, 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

AB 581, as introduced, Gomez. State Facilities Renewal Bond Act of 2016.

The annual Budget Act appropriates funds to state agencies for operations as part of their respective agency budgets. Existing law requires the Department of General Services to report to the Legislature, as specified, on expenditures for seismic hazard abatement for state buildings and facilities, in connection with the Earthquake Safety and Public Buildings Rehabilitation Bond Act of 1990.

This bill would enact the State Facilities Renewal Bond Act of 2016, which, if adopted by the voters at the June 7, 2016, statewide primary election, would authorize the issuance of bonds in the amount of \$2,000,000,000, pursuant to the State General Obligation Bond Law, to finance deferred maintenance on state-owned property, subject to appropriation by the Legislature in the annual Budget Act.

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. Chapter 11.2 (commencing with Section 8852)
2 is added to Division 1 of Title 2 of the Government Code, to read:

3
4 CHAPTER 11.2. STATE FACILITIES RENEWAL BOND ACT OF 2016

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6 Article 1. General Provisions

7
8 8852. (a) This chapter shall be known as the State Facilities
9 Renewal Bond Act of 2016.

10 8852.1. As used in this chapter, the following terms have the
11 following meanings:

12 (a) “Committee” means the State Facilities Renewal Bond
13 Finance Committee created pursuant to Section 8852.31.

14 (b) “Fund” means the State Facilities Renewal Bond Fund
15 created pursuant to Section 8852.2.

16 (c) “State agency” means any state agency, department, office,
17 division, bureau, board, commission, the California State
18 University, the University of California, and the Judicial Council.

19
20 Article 2. State Facilities Renewal Bond Fund and Program

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22 8852.2. (a) The proceeds of bonds issued and sold pursuant
23 to this chapter shall be deposited in the State Facilities Renewal
24 Bond Fund, which is hereby created. Fund moneys shall only be
25 used to address deferred maintenance on state-owned property and
26 shall be made available for expenditure only upon appropriation
27 by the Legislature in the annual Budget Act. Funds shall be
28 appropriated to state agencies as part of their respective agency
29 budgets for state operations. It is the intent of the Legislature that
30 the projects funded by these bonds shall have a useful life of at
31 least 20 years.

32 (b) A state agency for which the Governor proposes an
33 appropriation from the State Facilities Renewal Bond Fund as part
34 of his or her January 10 budget proposal shall report, within 60
35 days following the release of the budget proposal, the following
36 to the respective budget committees of the Legislature:

37 (1) The agency’s total deferred maintenance backlog.

1 (2) A list of deferred maintenance projects proposed to be
2 undertaken by the agency with moneys from the fund proposed
3 for appropriation.

4 (3) The extent to which the agency’s current budget for
5 maintenance is insufficient to prevent an increase in the agency’s
6 deferred maintenance backlog.

7
8 Article 3. Fiscal
9

10 8852.3. Bonds in the total amount of two billion dollars
11 (\$2,000,000,000), or so much thereof as is necessary, not including
12 the amount of any refunding bonds, or so much thereof as is
13 necessary, may be issued and sold to provide a fund to be used for
14 carrying out the purposes expressed in this chapter and to reimburse
15 the General Obligation Bond Expense Revolving Fund pursuant
16 to Section 16724.5. The bonds, when sold, shall be and constitute
17 a valid and binding obligation of the State of California, and the
18 full faith and credit of the State of California is hereby pledged
19 for the punctual payment of both principal of, and interest on, the
20 bonds as the principal and interest become due and payable. The
21 bonds issued pursuant to this chapter shall be repaid within 20
22 years from the date they are issued.

23 8852.31. The bonds authorized by this chapter shall be
24 prepared, executed, issued, sold, paid, and redeemed as provided
25 in the State General Obligation Bond Law (Chapter 4 (commencing
26 with Section 16720) of Part 3 of Division 4 of Title 2), and all of
27 the provisions of that law apply to the bonds and to this chapter
28 and are hereby incorporated in this chapter as though set forth in
29 full in this chapter, except subdivisions (a) and (b) of Section
30 16727.

31 8852.32. (a) Solely for the purpose of authorizing the issuance
32 and sale pursuant to the State General Obligation Bond Law of
33 the bonds authorized by this chapter, the State Facilities Renewal
34 Bond Finance Committee is hereby created. For purposes of this
35 chapter, the State Facilities Renewal Bond Finance Committee is
36 “the committee” as that term is used in the State General Obligation
37 Bond Law. The committee consists of the Controller, Director of
38 Finance, and treasurer, or their designated representatives.

39 (b) The treasurer shall serve as chairperson of the committee.

40 (c) A majority of the committee may act for the committee.

1 8852.33. The committee shall determine whether or not it is
 2 necessary or desirable to issue bonds authorized pursuant to this
 3 chapter in order to carry out the actions specified in Section 8852.2
 4 and, if so, the amount of bonds to be issued and sold. Successive
 5 issues of bonds may be authorized and sold to carry out those
 6 actions progressively, and it is not necessary that all of the bonds
 7 authorized to be issued be sold at any one time.

8 8852.34. There shall be collected each year and in the same
 9 manner and at the same time as other state revenue is collected,
 10 in addition to the ordinary revenues of the state, a sum in an amount
 11 required to pay the principal of, and interest on, the bonds each
 12 year. It is the duty of all officers charged by law with any duty in
 13 regard to the collection of the revenue to do and perform each and
 14 every act that is necessary to collect that additional sum.

15 8852.35. Notwithstanding Section 13340, there is hereby
 16 appropriated from the General Fund in the State Treasury, for the
 17 purposes of this chapter, an amount that will equal the total of the
 18 following:

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

22 (b) The sum necessary to carry out Section 8852.36,
 23 appropriated without regard to fiscal years.

24 8852.36. For the purposes of carrying out this chapter, the
 25 Director of Finance may authorize the withdrawal from the General
 26 Fund of an amount not to exceed the amount of the unsold bonds
 27 that have been authorized by the committee to be sold for the
 28 purpose of carrying out this chapter. Any amounts withdrawn shall
 29 be deposited in the fund. Any money made available under this
 30 section shall be returned to the General Fund, with interest at the
 31 rate earned by the money in the Pooled Money Investment
 32 Account, from proceeds received from the sale of bonds for the
 33 purpose of carrying out this chapter.

34 8852.37. All money deposited in the fund that is derived from
 35 premium and accrued interest on bonds sold shall be reserved in
 36 the fund and shall be available for transfer to the General Fund as
 37 a credit to expenditures for bond interest.

38 8852.38. Pursuant to Chapter 4 (commencing with Section
 39 16720) of Part 3 of Division 4 of Title 2, the cost of bond issuance

1 shall be paid out of the bond proceeds. These costs shall be shared
2 proportionally by each program funded through this bond act.

3 8852.39. The committee may request the Pooled Money
4 Investment Board to make a loan from the Pooled Money
5 Investment Account, including other authorized forms of interim
6 financing that include, but are not limited to, commercial paper,
7 in accordance with Section 16312, for purposes of carrying out
8 this chapter. The amount of the request shall not exceed the amount
9 of the unsold bonds that the committee, by resolution, has
10 authorized to be sold for the purpose of carrying out this chapter.
11 The committee shall execute any documents required by the Pooled
12 Money Investment Board to obtain and repay the loan. Any
13 amounts loaned shall be deposited in the fund to be allocated by
14 the board in accordance with this chapter.

15 8852.40. The bonds may be refunded in accordance with Article
16 6 (commencing with Section 16780) of Chapter 4 of Part 3 of
17 Division 4 of Title 2, which is a part of the State General Obligation
18 Bond Law. Approval by the voters of the state for the issuance of
19 the bonds described in this chapter includes the approval of the
20 issuance of any bonds issued to refund any bonds originally issued
21 under this chapter or any previously issued refunding bonds.

22 8852.41. Notwithstanding any other provision of this chapter,
23 or of the State General Obligation Bond Law, if the treasurer sells
24 bonds pursuant to this chapter that include a bond counsel opinion
25 to the effect that the interest on the bonds is excluded from gross
26 income for federal tax purposes, subject to designated conditions,
27 the treasurer may maintain separate accounts for the investment
28 of bond proceeds and for the investment of earnings on those
29 proceeds. The treasurer may use or direct the use of those proceeds
30 or earnings to pay any rebate, penalty, or other payment required
31 under federal law or take any other action with respect to the
32 investment and use of those bond proceeds required or desirable
33 under federal law to maintain the tax exempt status of those bonds
34 and to obtain any other advantage under federal law on behalf of
35 the funds of this state.

36 8852.42. The Legislature hereby finds and declares that,
37 inasmuch as the proceeds from the sale of bonds authorized by
38 this chapter are not “proceeds of taxes” as that term is used in
39 Article XIII B of the California Constitution, the disbursement of

1 these proceeds is not subject to the limitations imposed by that
2 article.

3 SEC. 2. Section 1 of this act shall take effect upon the approval
4 by the voters of the State Facilities Renewal Bond Act of 2016, as
5 set forth in Section 1 of this act.

6 SEC. 3. Section 1 of this act shall be submitted to the voters
7 at the June 7, 2016, statewide primary election in accordance with
8 provisions of the Government Code and the Elections Code
9 governing the submission of a statewide measure to the voters.

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