

AMENDED IN ASSEMBLY MARCH 25, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

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 amended, 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

5
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 (d) *“Deferred maintenance projects” means delayed projects*
20 *to replace infrastructure and building components in order to*
21 *preserve or maintain these assets in an acceptable condition.*

22
23 Article 2. State Facilities Renewal Bond Fund and Program

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25 8852.2. (a) The proceeds of bonds issued and sold pursuant
26 to this chapter shall be deposited in the State Facilities Renewal
27 Bond Fund, which is hereby created. Fund moneys shall only be
28 used to address deferred maintenance *projects* on state-owned
29 property and shall be made available for expenditure only upon
30 appropriation by the Legislature in the annual Budget Act. Funds
31 shall be appropriated to state agencies as part of their respective
32 agency budgets for state operations. *Fund moneys appropriated*
33 *to a state agency shall supplement, not supplant, an agency’s*
34 *existing deferred maintenance expenditures.* It is the intent of the
35 Legislature that the projects funded by these bonds shall have a
36 useful life of at least 20 years.

1 (b) The Governor shall propose appropriations from the State
2 Facilities Renewal Bond Fund as part of his or her January 10
3 budget proposal.

4 (1) Within 10 days following release of the budget proposal,
5 the Department of Finance shall report all of the following to the
6 respective budget committees of the Legislature:

7 (A) The administration’s methodology for allocating the bond
8 funds among the various state agencies.

9 (B) The criteria used for establishing deferred maintenance
10 project funding priorities.

11 ~~(b)~~
12 (2) A state agency for which the Governor proposes an
13 appropriation from the State Facilities Renewal Bond Fund as part
14 of his or her January 10 budget proposal shall report, within ~~60~~ 30
15 days following the release of the budget proposal, the following
16 to the respective budget committees of the Legislature:

17 ~~(1)~~
18 (A) The agency’s total deferred maintenance backlog.

19 (B) The agency’s deferred maintenance expenditures in the
20 prior fiscal year.

21 ~~(2)~~
22 (C) A list of deferred maintenance projects proposed to be
23 undertaken by the agency with moneys from the fund proposed
24 for appropriation.

25 (D) The agency’s expenditures in the prior fiscal year for
26 maintenance other than deferred maintenance.

27 ~~(3)~~
28 (E) The extent to which the agency’s current budget for
29 maintenance is insufficient to prevent an increase in the agency’s
30 deferred maintenance backlog.

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Article 3. Fiscal

34 8852.3. Bonds in the total amount of two billion dollars
35 (\$2,000,000,000), or so much thereof as is necessary, not including
36 the amount of any refunding bonds, or so much thereof as is
37 necessary, may be issued and sold to provide a fund to be used for
38 carrying out the purposes expressed in this chapter and to reimburse
39 the General Obligation Bond Expense Revolving Fund pursuant
40 to Section 16724.5. The bonds, when sold, shall be and constitute

1 a valid and binding obligation of the State of California, and the
2 full faith and credit of the State of California is hereby pledged
3 for the punctual payment of both principal of, and interest on, the
4 bonds as the principal and interest become due and payable. The
5 bonds issued pursuant to this chapter shall be repaid within 20
6 years from the date they are issued.

7 8852.31. The bonds authorized by this chapter shall be
8 prepared, executed, issued, sold, paid, and redeemed as provided
9 in the State General Obligation Bond Law (Chapter 4 (commencing
10 with Section 16720) of Part 3 of Division 4 of Title 2), and all of
11 the provisions of that law apply to the bonds and to this chapter
12 and are hereby incorporated in this chapter as though set forth in
13 full in this chapter, except subdivisions (a) and (b) of Section
14 16727.

15 8852.32. (a) Solely for the purpose of authorizing the issuance
16 and sale pursuant to the State General Obligation Bond Law of
17 the bonds authorized by this chapter, the State Facilities Renewal
18 Bond Finance Committee is hereby created. For purposes of this
19 chapter, the State Facilities Renewal Bond Finance Committee is
20 “the committee” as that term is used in the State General Obligation
21 Bond Law. The committee consists of the Controller, Director of
22 Finance, and ~~treasurer~~, *Treasurer*, or their designated
23 representatives.

24 (b) The ~~treasurer~~ *Treasurer* shall serve as chairperson of the
25 committee.

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

27 8852.33. The committee shall determine whether or not it is
28 necessary or desirable to issue bonds authorized pursuant to this
29 chapter in order to carry out the actions specified in Section 8852.2
30 and, if so, the amount of bonds to be issued and sold. Successive
31 issues of bonds may be authorized and sold to carry out those
32 actions progressively, and it is not necessary that all of the bonds
33 authorized to be issued be sold at any one time.

34 8852.34. There shall be collected each year and in the same
35 manner and at the same time as other state revenue is collected,
36 in addition to the ordinary revenues of the state, a sum in an amount
37 required to pay the principal of, and interest on, the bonds each
38 year. It is the duty of all officers charged by law with any duty in
39 regard to the collection of the revenue to do and perform each and
40 every act that is necessary to collect that additional sum.

1 8852.35. Notwithstanding Section 13340, there is hereby
2 appropriated from the General Fund in the State Treasury, for the
3 purposes of this chapter, an amount that will equal the total of the
4 following:

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

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

10 8852.36. For the purposes of carrying out this chapter, the
11 Director of Finance may authorize the withdrawal from the General
12 Fund of an amount not to exceed the amount of the unsold bonds
13 that have been authorized by the committee to be sold for the
14 purpose of carrying out this chapter. Any amounts withdrawn shall
15 be deposited in the fund. Any ~~money moneys~~ made available under
16 this section shall be returned to the General Fund, with interest at
17 the rate earned by the ~~money moneys~~ in the Pooled Money
18 Investment Account, from proceeds received from the sale of bonds
19 for the purpose of carrying out this chapter.

20 8852.37. All ~~money moneys~~ deposited in the fund that is
21 derived from premium and accrued interest on bonds sold shall be
22 reserved in the fund and shall be available for transfer to the
23 General Fund as a credit to expenditures for bond interest.

24 8852.38. Pursuant to Chapter 4 (commencing with Section
25 16720) of Part 3 of Division 4 of Title 2, the cost of bond issuance
26 shall be paid out of the bond proceeds. These costs shall be shared
27 proportionally by each program funded through this bond act.

28 8852.39. The committee may request the Pooled Money
29 Investment Board to make a loan from the Pooled Money
30 Investment Account, including other authorized forms of interim
31 financing that include, but are not limited to, commercial paper,
32 in accordance with Section 16312, for purposes of carrying out
33 this chapter. The amount of the request shall not exceed the amount
34 of the unsold bonds that the committee, by resolution, has
35 authorized to be sold for the purpose of carrying out this chapter.
36 The committee shall execute any documents required by the Pooled
37 Money Investment Board to obtain and repay the loan. Any
38 amounts loaned shall be deposited in the fund to be allocated by
39 the board in accordance with this chapter.

1 8852.40. The bonds may be refunded in accordance with Article
2 6 (commencing with Section 16780) of Chapter 4 of Part 3 of
3 Division 4 of Title 2, which is a part of the State General Obligation
4 Bond Law. Approval by the voters of the state for the issuance of
5 the bonds described in this chapter includes the approval of the
6 issuance of any bonds issued to refund any bonds originally issued
7 under this chapter or any previously issued refunding bonds.

8 8852.41. Notwithstanding any other provision of this chapter,
9 or of the State General Obligation Bond Law, if the ~~treasurer~~
10 *Treasurer* sells bonds pursuant to this chapter that include a bond
11 counsel opinion to the effect that the interest on the bonds is
12 excluded from gross income for federal tax purposes, subject to
13 designated conditions, the ~~treasurer~~ *Treasurer* may maintain
14 separate accounts for the investment of bond proceeds and for the
15 investment of earnings on those proceeds. The ~~treasurer~~ *Treasurer*
16 may use or direct the use of those proceeds or earnings to pay any
17 rebate, penalty, or other payment required under federal law or
18 take any other action with respect to the investment and use of
19 those bond proceeds required or desirable under federal law to
20 maintain the tax exempt status of those bonds and to obtain any
21 other advantage under federal law on behalf of the funds of this
22 state.

23 8852.42. The Legislature hereby finds and declares that,
24 inasmuch as the proceeds from the sale of bonds authorized by
25 this chapter are not “proceeds of taxes” as that term is used in
26 Article XIII B of the California Constitution, the disbursement of
27 these proceeds is not subject to the limitations imposed by that
28 article.

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

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