

AMENDED IN ASSEMBLY APRIL 21, 2015

AMENDED IN ASSEMBLY MARCH 25, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 581

Introduced by Assembly Member Gomez
(Principal coauthor: Assembly Member Bigelow)

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: 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. 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, *district agricultural*
18 *association*, the California State University, the University of
19 California, and the Judicial Council.

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

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

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

1 Legislature that the projects funded by these bonds shall have a
2 useful life of at least 20 years.

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

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

9 (A) The administration's methodology for allocating the bond
10 funds among the various state agencies.

11 (B) The criteria used for establishing deferred maintenance
12 project funding priorities.

13 (2) A state agency for which the Governor proposes an
14 appropriation from the State Facilities Renewal Bond Fund shall
15 report, within 30 days following the release of the budget proposal,
16 the following to the respective budget committees of the
17 Legislature:

18 (A) The agency's total deferred maintenance backlog.

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

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

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

26 (E) The extent to which the agency's current budget for
27 maintenance is insufficient to prevent an increase in the agency's
28 deferred maintenance backlog.

29

30

Article 3. Fiscal

31

32 8852.3. Bonds in the total amount of two billion dollars
33 (\$2,000,000,000), or so much thereof as is necessary, not including
34 the amount of any refunding bonds, or so much thereof as is
35 necessary, may be issued and sold to provide a fund to be used for
36 carrying out the purposes expressed in this chapter and to reimburse
37 the General Obligation Bond Expense Revolving Fund pursuant
38 to Section 16724.5. The bonds, when sold, shall be and constitute
39 a valid and binding obligation of the State of California, and the
40 full faith and credit of the State of California is hereby pledged

1 for the punctual payment of both principal of, and interest on, the
2 bonds as the principal and interest become due and payable. The
3 bonds issued pursuant to this chapter shall be repaid within 20
4 years from the date they are issued.

5 8852.31. The bonds authorized by this chapter shall be
6 prepared, executed, issued, sold, paid, and redeemed as provided
7 in the State General Obligation Bond Law (Chapter 4 (commencing
8 with Section 16720) of Part 3 of Division 4 of Title 2), and all of
9 the provisions of that law apply to the bonds and to this chapter
10 and are hereby incorporated in this chapter as though set forth in
11 full in this chapter, except subdivisions (a) and (b) of Section
12 16727.

13 8852.32. (a) Solely for the purpose of authorizing the issuance
14 and sale pursuant to the State General Obligation Bond Law of
15 the bonds authorized by this chapter, the State Facilities Renewal
16 Bond Finance Committee is hereby created. For purposes of this
17 chapter, the State Facilities Renewal Bond Finance Committee is
18 “the committee” as that term is used in the State General Obligation
19 Bond Law. The committee consists of the Controller, Director of
20 Finance, and Treasurer, or their designated representatives.

21 (b) The Treasurer shall serve as chairperson of the committee.

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

23 8852.33. The committee shall determine whether or not it is
24 necessary or desirable to issue bonds authorized pursuant to this
25 chapter in order to carry out the actions specified in Section 8852.2
26 and, if so, the amount of bonds to be issued and sold. Successive
27 issues of bonds may be authorized and sold to carry out those
28 actions progressively, and it is not necessary that all of the bonds
29 authorized to be issued be sold at any one time.

30 8852.34. There shall be collected each year and in the same
31 manner and at the same time as other state revenue is collected,
32 in addition to the ordinary revenues of the state, a sum in an amount
33 required to pay the principal of, and interest on, the bonds each
34 year. It is the duty of all officers charged by law with any duty in
35 regard to the collection of the revenue to do and perform each and
36 every act that is necessary to collect that additional sum.

37 8852.35. Notwithstanding Section 13340, there is hereby
38 appropriated from the General Fund in the State Treasury, for the
39 purposes of this chapter, an amount that will equal the total of the
40 following:

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

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

6 8852.36. For the purposes of carrying out this chapter, the
7 Director of Finance may authorize the withdrawal from the General
8 Fund of an amount not to exceed the amount of the unsold bonds
9 that have been authorized by the committee to be sold for the
10 purpose of carrying out this chapter. Any amounts withdrawn shall
11 be deposited in the fund. Any moneys made available under this
12 section shall be returned to the General Fund, with interest at the
13 rate earned by the moneys in the Pooled Money Investment
14 Account, from proceeds received from the sale of bonds for the
15 purpose of carrying out this chapter.

16 8852.37. All moneys deposited in the fund that is derived from
17 premium and accrued interest on bonds sold shall be reserved in
18 the fund and shall be available for transfer to the General Fund as
19 a credit to expenditures for bond interest.

20 8852.38. Pursuant to Chapter 4 (commencing with Section
21 16720) of Part 3 of Division 4 of Title 2, the cost of bond issuance
22 shall be paid out of the bond proceeds. These costs shall be shared
23 proportionally by each program funded through this bond act.

24 8852.39. The committee may request the Pooled Money
25 Investment Board to make a loan from the Pooled Money
26 Investment Account, including other authorized forms of interim
27 financing that include, but are not limited to, commercial paper,
28 in accordance with Section 16312, for purposes of carrying out
29 this chapter. The amount of the request shall not exceed the amount
30 of the unsold bonds that the committee, by resolution, has
31 authorized to be sold for the purpose of carrying out this chapter.
32 The committee shall execute any documents required by the Pooled
33 Money Investment Board to obtain and repay the loan. Any
34 amounts loaned shall be deposited in the fund to be allocated by
35 the board in accordance with this chapter.

36 8852.40. The bonds may be refunded in accordance with Article
37 6 (commencing with Section 16780) of Chapter 4 of Part 3 of
38 Division 4 of Title 2, which is a part of the State General Obligation
39 Bond Law. Approval by the voters of the state for the issuance of
40 the bonds described in this chapter includes the approval of the

1 issuance of any bonds issued to refund any bonds originally issued
2 under this chapter or any previously issued refunding bonds.

3 8852.41. Notwithstanding any other provision of this chapter,
4 or of the State General Obligation Bond Law, if the Treasurer sells
5 bonds pursuant to this chapter that include a bond counsel opinion
6 to the effect that the interest on the bonds is excluded from gross
7 income for federal tax purposes, subject to designated conditions,
8 the Treasurer may maintain separate accounts for the investment
9 of bond proceeds and for the investment of earnings on those
10 proceeds. The Treasurer may use or direct the use of those proceeds
11 or earnings to pay any rebate, penalty, or other payment required
12 under federal law or take any other action with respect to the
13 investment and use of those bond proceeds required or desirable
14 under federal law to maintain the tax exempt status of those bonds
15 and to obtain any other advantage under federal law on behalf of
16 the funds of this state.

17 8852.42. The Legislature hereby finds and declares that,
18 inasmuch as the proceeds from the sale of bonds authorized by
19 this chapter are not “proceeds of taxes” as that term is used in
20 Article XIII B of the California Constitution, the disbursement of
21 these proceeds is not subject to the limitations imposed by that
22 article.

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

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