

AMENDED IN ASSEMBLY JANUARY 4, 2016

AMENDED IN ASSEMBLY APRIL 21, 2015

AMENDED IN ASSEMBLY MARCH 25, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 581**

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

February 24, 2015

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An act to ~~add Chapter 11.2 (commencing with Section 8852) to Division 1 of Title 2 of the Government~~ *add Section 79707.5 to the Water 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.~~ *water.*

LEGISLATIVE COUNSEL'S DIGEST

AB 581, as amended, Gomez. ~~State Facilities Renewal Bond Act of 2016. Water Quality, Supply, and Infrastructure Improvement Act of 2014.~~

*Existing law, the Water Quality, Supply, and Infrastructure Improvement Act of 2014, approved by the voters as Proposition 1 at the November 4, 2014, statewide general election, authorizes the issuance of general obligation bonds in the amount of \$7,545,000,000 to finance a water quality, supply, and infrastructure improvement program. The act provides that it is the intent of the people that, to the extent practicable, a project supported by the funds made available by the act will include signage informing the public that the project received funds from the act.*

*This bill would require certain recipients of funding pursuant to the act to post signs acknowledging the source of funds in accordance with guidelines that the Secretary of the Natural Resources Agency would be required to develop.*

~~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:  $\frac{2}{3}$ -majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

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

1     SECTION 1. Section 79707.5 is added to the Water Code, to  
2 read:

3     79707.5. In furtherance of subdivision (g) of Section 79707,  
4 all recipients of funding pursuant to Chapter 6 (commencing with  
5 Section 79730) shall post signs acknowledging the source of funds  
6 in accordance with guidelines that the secretary shall develop.  
7 For the purposes of this section, state funding shall be listed first  
8 on the sign if the state is the source of 50 percent or more of the  
9 total project costs.

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

12  
13    ~~CHAPTER 11.2. STATE FACILITIES RENEWAL BOND ACT OF 2016~~

14  
15                     ~~Article 1. General Provisions~~

16  
17    ~~8852. This chapter shall be known as the State Facilities~~  
18 ~~Renewal Bond Act of 2016.~~

1 8852.1. As used in this chapter, the following terms have the  
2 following meanings:

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

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

7 (c) “State agency” means any state agency, department, office,  
8 division, bureau, board, commission, district agricultural  
9 association, the California State University, the University of  
10 California, and the Judicial Council.

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

14

15 Article 2. State Facilities Renewal Bond Fund and Program

16

17 8852.2. (a) The proceeds of bonds issued and sold pursuant  
18 to this chapter shall be deposited in the State Facilities Renewal  
19 Bond Fund, which is hereby created. Fund moneys shall only be  
20 used to address deferred maintenance projects on state-owned  
21 property and shall be made available for expenditure only upon  
22 appropriation by the Legislature in the annual Budget Act. Funds  
23 shall be appropriated to state agencies as part of their respective  
24 agency budgets for state operations. Fund moneys appropriated to  
25 a state agency shall supplement, not supplant, an agency’s existing  
26 deferred maintenance expenditures. It is the intent of the  
27 Legislature that the projects funded by these bonds shall have a  
28 useful life of at least 20 years.

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

32 (1) Within 10 days following release of the budget proposal,  
33 the Department of Finance shall report all of the following to the  
34 respective budget committees of the Legislature:

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

37 (B) The criteria used for establishing deferred maintenance  
38 project funding priorities.

39 (2) A state agency for which the Governor proposes an  
40 appropriation from the State Facilities Renewal Bond Fund shall

- 1 report, within 30 days following the release of the budget proposal,
- 2 the following to the respective budget committees of the
- 3 Legislature:
- 4 (A) The agency’s total deferred maintenance backlog.
- 5 (B) The agency’s deferred maintenance expenditures in the prior
- 6 fiscal year.
- 7 (C) A list of deferred maintenance projects proposed to be
- 8 undertaken by the agency with moneys from the fund proposed
- 9 for appropriation.
- 10 (D) The agency’s expenditures in the prior fiscal year for
- 11 maintenance other than deferred maintenance.
- 12 (E) The extent to which the agency’s current budget for
- 13 maintenance is insufficient to prevent an increase in the agency’s
- 14 deferred maintenance backlog.

Article 3. Fiscal

17

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

31 ~~8852.31. The bonds authorized by this chapter shall be~~  
 32 ~~prepared, executed, issued, sold, paid, and redeemed as provided~~  
 33 ~~in the State General Obligation Bond Law (Chapter 4 (commencing~~  
 34 ~~with Section 16720) of Part 3 of Division 4 of Title 2), and all of~~  
 35 ~~the provisions of that law apply to the bonds and to this chapter~~  
 36 ~~and are hereby incorporated in this chapter as though set forth in~~  
 37 ~~full in this chapter, except subdivisions (a) and (b) of Section~~  
 38 ~~16727.~~

39 ~~8852.32. (a) Solely for the purpose of authorizing the issuance~~  
 40 ~~and sale pursuant to the State General Obligation Bond Law of~~

1 the bonds authorized by this chapter, the State Facilities Renewal  
2 Bond Finance Committee is hereby created. For purposes of this  
3 chapter, the State Facilities Renewal Bond Finance Committee is  
4 “the committee” as that term is used in the State General Obligation  
5 Bond Law. The committee consists of the Controller, Director of  
6 Finance, and Treasurer, or their designated representatives.

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

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

9 8852.33. The committee shall determine whether or not it is  
10 necessary or desirable to issue bonds authorized pursuant to this  
11 chapter in order to carry out the actions specified in Section 8852.2  
12 and, if so, the amount of bonds to be issued and sold. Successive  
13 issues of bonds may be authorized and sold to carry out those  
14 actions progressively, and it is not necessary that all of the bonds  
15 authorized to be issued be sold at any one time.

16 8852.34. There shall be collected each year and in the same  
17 manner and at the same time as other state revenue is collected,  
18 in addition to the ordinary revenues of the state, a sum in an amount  
19 required to pay the principal of, and interest on, the bonds each  
20 year. It is the duty of all officers charged by law with any duty in  
21 regard to the collection of the revenue to do and perform each and  
22 every act that is necessary to collect that additional sum.

23 8852.35. Notwithstanding Section 13340, there is hereby  
24 appropriated from the General Fund in the State Treasury, for the  
25 purposes of this chapter, an amount that will equal the total of the  
26 following:

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

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

32 8852.36. For the purposes of carrying out this chapter, the  
33 Director of Finance may authorize the withdrawal from the General  
34 Fund of an amount not to exceed the amount of the unsold bonds  
35 that have been authorized by the committee to be sold for the  
36 purpose of carrying out this chapter. Any amounts withdrawn shall  
37 be deposited in the fund. Any moneys made available under this  
38 section shall be returned to the General Fund, with interest at the  
39 rate earned by the moneys in the Pooled Money Investment

1 Account, from proceeds received from the sale of bonds for the  
2 purpose of carrying out this chapter.

3 8852.37. All moneys deposited in the fund that is derived from  
4 premium and accrued interest on bonds sold shall be reserved in  
5 the fund and shall be available for transfer to the General Fund as  
6 a credit to expenditures for bond interest.

7 8852.38. Pursuant to Chapter 4 (commencing with Section  
8 16720) of Part 3 of Division 4 of Title 2, the cost of bond issuance  
9 shall be paid out of the bond proceeds. These costs shall be shared  
10 proportionally by each program funded through this bond act.

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

23 8852.40. The bonds may be refunded in accordance with Article  
24 6 (commencing with Section 16780) of Chapter 4 of Part 3 of  
25 Division 4 of Title 2, which is a part of the State General Obligation  
26 Bond Law. Approval by the voters of the state for the issuance of  
27 the bonds described in this chapter includes the approval of the  
28 issuance of any bonds issued to refund any bonds originally issued  
29 under this chapter or any previously issued refunding bonds.

30 8852.41. Notwithstanding any other provision of this chapter,  
31 or of the State General Obligation Bond Law, if the Treasurer sells  
32 bonds pursuant to this chapter that include a bond counsel opinion  
33 to the effect that the interest on the bonds is excluded from gross  
34 income for federal tax purposes, subject to designated conditions,  
35 the Treasurer may maintain separate accounts for the investment  
36 of bond proceeds and for the investment of earnings on those  
37 proceeds. The Treasurer may use or direct the use of those proceeds  
38 or earnings to pay any rebate, penalty, or other payment required  
39 under federal law or take any other action with respect to the  
40 investment and use of those bond proceeds required or desirable

1 under federal law to maintain the tax exempt status of those bonds  
2 and to obtain any other advantage under federal law on behalf of  
3 the funds of this state.

4 ~~8852.42. The Legislature hereby finds and declares that,~~  
5 ~~inasmuch as the proceeds from the sale of bonds authorized by~~  
6 ~~this chapter are not “proceeds of taxes” as that term is used in~~  
7 ~~Article XIII B of the California Constitution, the disbursement of~~  
8 ~~these proceeds is not subject to the limitations imposed by that~~  
9 ~~article.~~

10 ~~SEC. 2. Section 1 of this act shall take effect upon the approval~~  
11 ~~by the voters of the State Facilities Renewal Bond Act of 2016, as~~  
12 ~~set forth in Section 1 of this act.~~

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