

**ASSEMBLY BILL**

**No. 1433**

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**Introduced by Assembly Member Gray**

February 27, 2015

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An act to add Part 70 (commencing with Section 101100) to Division 14 of Title 3 of the Education Code, relating to higher education 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 1433, as introduced, Gray. Higher education facilities: Recombitment to Higher Education Bond Act of 2016.

Existing law, the California Constitution, prohibits the Legislature from creating a debt or liability that singly or in the aggregate with any previous debts or liabilities exceeds the sum of \$300,000, except by an act that (a) authorizes the debt for a single object or work specified in the act, (b) has been passed by a  $\frac{2}{3}$  vote of all the members elected to each house of the Legislature, (c) has been submitted to the people at a statewide general or primary election, and (d) has received a majority of all the votes cast for and against it at that election.

This bill would enact the Recombitment to Higher Education Bond Act of 2016 to authorize an unspecified amount of state general obligation bonds, as scheduled, to provide aid to the California Community Colleges, the University of California, the Hastings College of the Law, and the California State University to construct and modernize education facilities. The proceeds of these bonds would be deposited in the 2016 California Community Colleges Capital Outlay

Bond Fund and the 2016 University Capital Outlay Bond Fund, which this bill would establish.

The bond act would become operative only if approved by the voters at the November 8, 2016, statewide general election, and the bill would provide for its submission to the voters at that election.

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. Part 70 (commencing with Section 101100) is  
2 added to Division 14 of Title 3 of the Education Code, to read:

3  
4 PART 70. RECOMMITMENT TO HIGHER EDUCATION  
5 BOND ACT OF 2016

6  
7 CHAPTER 1. GENERAL

8  
9 101100. This part shall be known and may be cited as the  
10 Recommitment to Higher Education Bond Act of 2016.

11 101101. The incorporation of, or reference to, any provision  
12 of California statutory law in this part includes all acts amendatory  
13 thereof and supplementary thereto.

14 101102. (a) Bonds in the total amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_),  
15 not including the amount of any refunding bonds issued in  
16 accordance with Sections 101130, 101139, and 101159, or so much  
17 thereof as is necessary, may be issued and sold to provide a fund  
18 to be used for carrying out the purposes expressed in this part and  
19 to reimburse the General Obligation Bond Expense Revolving  
20 Fund pursuant to Section 16724.5 of the Government Code. The  
21 bonds, when sold, shall be and constitute a valid and binding  
22 obligation of the State of California, and the full faith and credit  
23 of the State of California is hereby pledged for the punctual  
24 payment of the principal of, and interest on, the bonds as the  
25 principal and interest become due and payable.

26 (b) Pursuant to this section, the Treasurer shall sell the bonds  
27 authorized by the State School Building Finance Committee  
28 established by Section 15909 or the Higher Education Facilities  
29 Finance Committee established pursuant to Section 67353, as the

1 case may be, at any different times necessary to service  
2 expenditures required by the apportionments.

3

4 CHAPTER 2. CALIFORNIA COMMUNITY COLLEGE FACILITIES

5

6

Article 1. General

7

8 101132. (a) The 2016 California Community College Capital  
9 Outlay Bond Fund is hereby established in the State Treasury for  
10 deposit of funds from the proceeds of bonds issued and sold for  
11 the purposes of this chapter.

12 (b) The Higher Education Facilities Finance Committee  
13 established pursuant to Section 67353 is hereby authorized to create  
14 a debt or debts, liability or liabilities, of the State of California  
15 pursuant to this chapter for the purpose of providing funds to aid  
16 the California Community Colleges.

17

18 Article 2. California Community College Program Provisions

19

20 101133. (a) From the proceeds of bonds issued and sold  
21 pursuant to Article 3 (commencing with Section 101134), the sum  
22 of \_\_\_\_ dollars (\$\_\_\_\_) shall be deposited in the 2016 California  
23 Community College Capital Outlay Bond Fund for the purposes  
24 of this article. When appropriated, these funds shall be available  
25 for expenditure for the purposes of this article.

26 (b) The purposes of this article include assisting in meeting the  
27 capital outlay financing needs of the California Community  
28 Colleges.

29 (c) Proceeds from the sale of bonds issued and sold for the  
30 purposes of this article may be used to fund construction on  
31 existing campuses, including the construction of buildings and the  
32 acquisition of related fixtures, construction of facilities that may  
33 be used by more than one segment of public higher education  
34 (intersegmental), the renovation and reconstruction of facilities,  
35 site acquisition, the equipping of new, renovated, or reconstructed  
36 facilities, which equipment shall have an average useful life of 10  
37 years; and to provide funds for the payment of preconstruction  
38 costs, including, but not limited to, preliminary plans and working  
39 drawings for facilities of the California Community Colleges.

1 Article 3. California Community College Fiscal Provisions

2  
3 101134. (a) Of the total amount of bonds authorized to be  
4 issued and sold pursuant to Chapter 1 (commencing with Section  
5 101100), bonds in the total amount of \_\_\_\_ dollars (\$\_\_\_\_), not  
6 including the amount of any refunding bonds issued in accordance  
7 with Section 101139, or so much thereof as is necessary, may be  
8 issued and sold to provide a fund to be used for carrying out the  
9 purposes expressed in this chapter and to reimburse the General  
10 Obligation Bond Expense Revolving Fund pursuant to Section  
11 16724.5 of the Government Code. The bonds, when sold, shall be  
12 and constitute a valid and binding obligation of the State of  
13 California, and the full faith and credit of the State of California  
14 is hereby pledged for the punctual payment of the principal of, and  
15 interest on, the bonds as the principal and interest become due and  
16 payable.

17 (b) It is the intent of the Legislature that the California  
18 Community Colleges annually consider, as part of their annual  
19 capital outlay planning process, the inclusion of facilities that may  
20 be used by more than one segment of public higher education  
21 (intersegmental), and, that on or before May 15 of each year, those  
22 entities report their findings to the budget committees of each  
23 house of the Legislature.

24 (c) Pursuant to this section, the Treasurer shall sell the bonds  
25 authorized by the Higher Education Facilities Finance Committee  
26 established pursuant to Section 67353 at any different times  
27 necessary to service expenditures required by the apportionments.

28 101134.5. (a) The bonds authorized by this chapter shall be  
29 prepared, executed, issued, sold, paid, and redeemed as provided  
30 in the State General Obligation Bond Law (Chapter 4 (commencing  
31 with Section 16720) of Part 3 of Division 4 of Title 2 of the  
32 Government Code), and all of the provisions of that law, except  
33 Section 16727 of the Government Code to the extent that it  
34 conflicts with this part, apply to the bonds and to this chapter and  
35 are hereby incorporated into this chapter as though set forth in full  
36 within this chapter.

37 (b) For the purposes of the State General Obligation Bond Law,  
38 each state agency administering an appropriation of the 2016  
39 Community College Capital Outlay Bond Fund is designated as  
40 the “board” for projects funded pursuant to this chapter.

1 (c) The proceeds of the bonds issued and sold pursuant to this  
2 chapter shall be available for the purpose of funding aid to the  
3 California Community Colleges for the construction on existing  
4 or new campuses, and their respective off-campus centers and joint  
5 use and intersegmental facilities, as set forth in this chapter.

6 101135. The Higher Education Facilities Finance Committee  
7 established pursuant to Section 67353 shall authorize the issuance  
8 of bonds under this chapter only to the extent necessary to fund  
9 the apportionments for the purposes described in this chapter that  
10 are expressly authorized by the Legislature in the annual Budget  
11 Act. Pursuant to that legislative direction, the committee shall  
12 determine whether or not it is necessary or desirable to issue bonds  
13 authorized pursuant to this chapter in order to carry out the  
14 purposes described in this chapter and, if so, the amount of bonds  
15 to be issued and sold. Successive issues of bonds may be authorized  
16 and sold to carry out those actions progressively, and it is not  
17 necessary that all of the bonds authorized to be issued be sold at  
18 any one time.

19 101135.5. There shall be collected each year and in the same  
20 manner and at the same time as other state revenue is collected,  
21 in addition to the ordinary revenues of the state, a sum in an amount  
22 required to pay the principal of, and interest on, the bonds each  
23 year. It is the duty of all officers charged by law with any duty in  
24 regard to the collection of the revenue to do and perform each and  
25 every act which is necessary to collect that additional sum.

26 101136. Notwithstanding Section 13340 of the Government  
27 Code, there is hereby appropriated from the General Fund in the  
28 State Treasury, for the purposes of this chapter, an amount that  
29 will equal the total of the following:

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

33 (b) The sum necessary to carry out Section 101137.5,  
34 appropriated without regard to fiscal years.

35 101136.5. The board, as defined in subdivision (b) of Section  
36 101134.5, may request the Pooled Money Investment Board to  
37 make a loan from the Pooled Money Investment Account or any  
38 other approved form of interim financing, in accordance with  
39 Section 16312 of the Government Code, for the purpose of carrying  
40 out this chapter. The amount of the request shall not exceed the

1 amount of the unsold bonds that the committee, by resolution, has  
2 authorized to be sold for the purpose of carrying out this chapter.  
3 The board, as defined in subdivision (b) of Section 101134.5, shall  
4 execute any documents required by the Pooled Money Investment  
5 Board to obtain and repay the loan. Any amounts loaned shall be  
6 deposited in the fund to be allocated by the board in accordance  
7 with this chapter.

8 101137. Notwithstanding any other provision of this chapter,  
9 or of the State General Obligation Bond Law, if the Treasurer sells  
10 bonds pursuant to this chapter that include a bond counsel opinion  
11 to the effect that the interest on the bonds is excluded from gross  
12 income for federal tax purposes, subject to designated conditions,  
13 the Treasurer may maintain separate accounts for the investment  
14 of bond proceeds and for the investment earnings on those  
15 proceeds. The Treasurer may use or direct the use of those proceeds  
16 or earnings to pay any rebate, penalty, or other payment required  
17 under federal law or take any other action with respect to the  
18 investment and use of those bond proceeds required or desirable  
19 under federal law to maintain the tax-exempt status of those bonds  
20 and to obtain any other advantage under federal law on behalf of  
21 the funds of this state.

22 101137.5. (a) For the purposes of carrying out this chapter,  
23 the Director of Finance may authorize the withdrawal from the  
24 General Fund of an amount not to exceed the amount of the unsold  
25 bonds that have been authorized by the Higher Education Facilities  
26 Finance Committee to be sold for the purpose of carrying out this  
27 chapter. Any amounts withdrawn shall be deposited in the 2016  
28 California Community College Capital Outlay Bond Fund  
29 consistent with this chapter. Any money made available under this  
30 section shall be returned to the General Fund, plus an amount equal  
31 to the interest that the money would have earned in the Pooled  
32 Money Investment Account, from proceeds received from the sale  
33 of bonds for the purpose of carrying out this chapter.

34 (b) Any request forwarded to the Legislature and the Department  
35 of Finance for funds from this bond issue for expenditure for the  
36 purposes described in this chapter by the California Community  
37 Colleges shall be accompanied by the five-year capital outlay plan  
38 that reflects the needs and priorities of the community college  
39 system and is prioritized on a statewide basis. Requests shall  
40 include a schedule that prioritizes the seismic retrofitting needed

1 to significantly reduce, in the judgment of the particular college,  
2 seismic hazards in buildings identified as high priority by the  
3 college.

4 101138. All money deposited in the 2016 California  
5 Community College Capital Outlay Bond Fund that is derived  
6 from premium and accrued interest on bonds sold shall be reserved  
7 in the fund, and shall be available for transfer to the General Fund  
8 as a credit to expenditures for bond interest.

9 101139. The bonds may be refunded in accordance with Article  
10 6 (commencing with Section 16780) of Chapter 4 of Part 3 of  
11 Division 4 of Title 2 of the Government Code, which is a part of  
12 the State General Obligation Bond Law. Approval by the voters  
13 of the state for the issuance of the bonds described in this chapter  
14 includes the approval of the issuance of any bonds issued to refund  
15 any bonds originally issued under this chapter or any previously  
16 issued refunding bonds.

17 101139.5. 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  
24 CHAPTER 3. UNIVERSITY FACILITIES

25  
26 Article 1. General

27  
28 101140. (a) The system of public universities in this state  
29 includes the University of California, the Hastings College of the  
30 Law, and the California State University, and their respective  
31 off-campus centers.

32 (b) The 2016 University Capital Outlay Bond Fund is hereby  
33 established in the State Treasury for deposit of funds from the  
34 proceeds of bonds issued and sold for the purposes of this chapter.

35 (c) The Higher Education Facilities Finance Committee  
36 established pursuant to Section 67353 is hereby authorized to create  
37 a debt or debts, liability or liabilities, of the State of California  
38 pursuant to this chapter for the purpose of providing funds to aid  
39 the University of California, the Hastings College of the Law, and  
40 the California State University.

1 Article 2. Program Provisions Applicable to the University of  
2 California and the Hastings College of the Law

3  
4 101141. (a) From the proceeds of bonds issued and sold  
5 pursuant to Article 4 (commencing with Section 101150), the sum  
6 of \_\_\_\_ dollars (\$\_\_\_\_) shall be deposited in the 2016 University  
7 Capital Outlay Bond Fund for the purposes of this article. When  
8 appropriated, these funds shall be available for expenditure for the  
9 purposes of this article.

10 (b) The purposes of this article include assisting in meeting the  
11 capital outlay financing needs of the University of California and  
12 the Hastings College of the Law.

13 (c) Proceeds from the sale of bonds issued and sold for the  
14 purposes of this article may be used to fund construction on  
15 existing campuses, including the construction of buildings and the  
16 acquisition of related fixtures, construction of facilities that may  
17 be used by more than one segment of public higher education  
18 (intersegmental), the renovation and reconstruction of facilities,  
19 site acquisition, the equipping of new, renovated, or reconstructed  
20 facilities, which equipment shall have an average useful life of 10  
21 years; and to provide funds for the payment of preconstruction  
22 costs, including, but not limited to, preliminary plans and working  
23 drawings for facilities of the University of California and the  
24 Hastings College of the Law.

25  
26 Article 3. Program Provisions Applicable to the California State  
27 University

28  
29 101142. (a) From the proceeds of bonds issued and sold  
30 pursuant to Article 4 (commencing with Section 101150), the sum  
31 of \_\_\_\_ dollars (\$\_\_\_\_) shall be deposited in the 2016 University  
32 Capital Outlay Bond Fund for the purposes of this article. When  
33 appropriated, these funds shall be available for expenditure for the  
34 purposes of this article.

35 (b) The purposes of this article include assisting in meeting the  
36 capital outlay financing needs of the California State University.

37 (c) Proceeds from the sale of bonds issued and sold for the  
38 purposes of this article may be used to fund construction on  
39 existing campuses, including the construction of buildings and the  
40 acquisition of related fixtures, construction of facilities that may

1 be used by more than one segment of public higher education  
 2 (intersegmental), the renovation and reconstruction of facilities,  
 3 site acquisition, the equipping of new, renovated, or reconstructed  
 4 facilities, which equipment shall have an average useful life of 10  
 5 years; and to provide funds for the payment of preconstruction  
 6 costs, including, but not limited to, preliminary plans and working  
 7 drawings for facilities of the California State University.

8  
 9 Article 4. University Fiscal Provisions

10  
 11 101150. (a) Of the total amount of bonds authorized to be  
 12 issued and sold pursuant to Chapter 1 (commencing with Section  
 13 101100), bonds in the amount of \_\_\_\_ dollars (\$\_\_\_\_), not  
 14 including the amount of any refunding bonds issued in accordance  
 15 with Section 101159, or so much thereof as is necessary, may be  
 16 issued and sold to provide a fund to be used for carrying out the  
 17 purposes expressed in this chapter and to reimburse the General  
 18 Obligation Bond Expense Revolving Fund pursuant to Section  
 19 16724.5 of the Government Code. The bonds, when sold, shall be  
 20 and constitute a valid and binding obligation of the State of  
 21 California, and the full faith and credit of the State of California  
 22 is hereby pledged for the punctual payment of the principal of, and  
 23 interest on, the bonds as the principal and interest become due and  
 24 payable.

25 (b) It is the intent of the Legislature that the University of  
 26 California and the California State University annually consider,  
 27 as part of their annual capital outlay planning process, the inclusion  
 28 of facilities that may be used by more than one segment of public  
 29 higher education (intersegmental), and, that on or before May 15  
 30 of each year, those entities report their findings to the budget  
 31 committees of each house of the Legislature.

32 (c) Pursuant to this section, the Treasurer shall sell the bonds  
 33 authorized by the Higher Education Facilities Finance Committee  
 34 established pursuant to Section 67353 at any different times  
 35 necessary to service expenditures required by the apportionments.

36 101151. (a) The bonds authorized by this chapter shall be  
 37 prepared, executed, issued, sold, paid, and redeemed as provided  
 38 in the State General Obligation Bond Law (Chapter 4 (commencing  
 39 with Section 16720) of Part 3 of Division 4 of Title 2 of the  
 40 Government Code), and all of the provisions of that law, except

1 Section 16727 of the Government Code to the extent that it  
2 conflicts with this part, apply to the bonds and to this chapter and  
3 are hereby incorporated into this chapter as though set forth in full  
4 within this chapter.

5 (b) For the purposes of the State General Obligation Bond Law,  
6 each state agency administering an appropriation of the 2016  
7 University Capital Outlay Bond Fund is designated as the “board”  
8 for projects funded pursuant to this chapter.

9 (c) The proceeds of the bonds issued and sold pursuant to this  
10 chapter shall be available for the purpose of funding aid to the  
11 University of California, the Hastings College of the Law, and the  
12 California State University, for the construction on existing or new  
13 campuses, and their respective off-campus centers and joint use  
14 and intersegmental facilities, as set forth in this chapter.

15 101152. The Higher Education Facilities Finance Committee  
16 established pursuant to Section 67353 shall authorize the issuance  
17 of bonds under this chapter only to the extent necessary to fund  
18 the apportionments for the purposes described in this chapter that  
19 are expressly authorized by the Legislature in the annual Budget  
20 Act. Pursuant to that legislative direction, the committee shall  
21 determine whether or not it is necessary or desirable to issue bonds  
22 authorized pursuant to this chapter in order to carry out the  
23 purposes described in this chapter and, if so, the amount of bonds  
24 to be issued and sold. Successive issues of bonds may be authorized  
25 and sold to carry out those actions progressively, and it is not  
26 necessary that all of the bonds authorized to be issued be sold at  
27 any one time.

28 101153. There shall be collected each year and in the same  
29 manner and at the same time as other state revenue is collected,  
30 in addition to the ordinary revenues of the state, a sum in an amount  
31 required to pay the principal of, and interest on, the bonds each  
32 year. It is the duty of all officers charged by law with any duty in  
33 regard to the collection of the revenue to do and perform each and  
34 every act which is necessary to collect that additional sum.

35 101154. Notwithstanding Section 13340 of the Government  
36 Code, there is hereby appropriated from the General Fund in the  
37 State Treasury, for the purposes of this chapter, an amount that  
38 will equal the total of the 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 101157, appropriated  
5 without regard to fiscal years.

6 101155. The board, as defined in subdivision (b) of Section  
7 101151, may request the Pooled Money Investment Board to make  
8 a loan from the Pooled Money Investment Account or any other  
9 approved form of interim financing, in accordance with Section  
10 16312 of the Government Code, for the purpose of carrying out  
11 this chapter. The amount of the request shall not exceed the amount  
12 of the unsold bonds that the committee, by resolution, has  
13 authorized to be sold for the purpose of carrying out this chapter.  
14 The board, as defined in subdivision (b) of Section 101151, shall  
15 execute any documents required by the Pooled Money Investment  
16 Board to obtain and repay the loan. Any amounts loaned shall be  
17 deposited in the fund to be allocated by the board in accordance  
18 with this chapter.

19 101156. Notwithstanding any other provision of this chapter,  
20 or of the State General Obligation Bond Law, if the Treasurer sells  
21 bonds pursuant to this chapter that include a bond counsel opinion  
22 to the effect that the interest on the bonds is excluded from gross  
23 income for federal tax purposes, subject to designated conditions,  
24 the Treasurer may maintain separate accounts for the investment  
25 of bond proceeds and for the investment earnings on those  
26 proceeds. The Treasurer may use or direct the use of those proceeds  
27 or earnings to pay any rebate, penalty, or other payment required  
28 under federal law or take any other action with respect to the  
29 investment and use of those bond proceeds required or desirable  
30 under federal law to maintain the tax-exempt status of those bonds  
31 and to obtain any other advantage under federal law on behalf of  
32 the funds of this state.

33 101157. (a) For the purposes of carrying out this chapter, the  
34 Director of Finance may authorize the withdrawal from the General  
35 Fund of an amount not to exceed the amount of the unsold bonds  
36 that have been authorized by the Higher Education Facilities  
37 Finance Committee to be sold for the purpose of carrying out this  
38 chapter. Any amounts withdrawn shall be deposited in the 2016  
39 University Capital Outlay Bond Fund consistent with this chapter.  
40 Any money made available under this section shall be returned to

1 the General Fund, plus an amount equal to the interest that the  
2 money would have earned in the Pooled Money Investment  
3 Account, from proceeds received from the sale of bonds for the  
4 purpose of carrying out this chapter.

5 (b) Any request forwarded to the Legislature and the Department  
6 of Finance for funds from this bond issue for expenditure for the  
7 purposes described in this chapter by the University of California,  
8 the Hastings College of the Law, or the California State University  
9 shall be accompanied by the five-year capital outlay plan. Requests  
10 forwarded by a university or college shall include a schedule that  
11 prioritizes the seismic retrofitting needed to significantly reduce,  
12 in the judgment of the particular university or college, seismic  
13 hazards in buildings identified as high priority by the university  
14 or college.

15 101158. All money deposited in the 2016 University Capital  
16 Outlay Bond Fund that is derived from premium and accrued  
17 interest on bonds sold shall be reserved in the fund, and shall be  
18 available for transfer to the General Fund as a credit to expenditures  
19 for bond interest.

20 101159. The bonds may be refunded in accordance with Article  
21 6 (commencing with Section 16780) of Chapter 4 of Part 3 of  
22 Division 4 of Title 2 of the Government Code, which is a part of  
23 the State General Obligation Bond Law. Approval by the voters  
24 of the state for the issuance of the bonds described in this chapter  
25 includes the approval of the issuance of any bonds issued to refund  
26 any bonds originally issued under this chapter or any previously  
27 issued refunding bonds.

28 101160. The Legislature hereby finds and declares that,  
29 inasmuch as the proceeds from the sale of bonds authorized by  
30 this chapter are not “proceeds of taxes” as that term is used in  
31 Article XIII B of the California Constitution, the disbursement of  
32 these proceeds is not subject to the limitations imposed by that  
33 article.

34 SEC. 2. The Secretary of State shall submit Section 1 of this  
35 act to the voters at the November 8, 2016, statewide general  
36 election.

37 SEC. 3. The provisions of this act are severable. If any  
38 provision of this act or its application is held invalid, that invalidity  
39 shall not affect other provisions or applications that can be given  
40 effect without the invalid provision or application.

1     SEC. 4. Section 1 of this act shall become operative only if the  
2 voters approve the Recommitment to Higher Education Bond Act  
3 of 2016, as set forth in Section 1 of this act.

O