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INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

January 12, 2015

Initiative Coordinator
Office of the Attorney General
State of California
PO Box 994255
Sacramento, CA 94244-25550

Re: Request for Title and Summary for Proposed Initiative

Dear Initiative Coordinator:

Pursuant to Article II, Section 10(d) of the California Constitution, I submit the enclosed proposed statewide ballot measure ("Kindergarten Through Community College Public Education Facilities Bond Act of 2016") and request preparation of a circulating title and summary of the measure as provided by law. Also included with this letter are the required signed statements pursuant to California Elections Code sections 9001 and 9608, and a check in the amount of \$200. My address as registered to vote is shown on Attachment 'A' to this letter.

Thank you for your time and attention to this important matter. Should you have any questions or require additional information, please contact the undersigned at the offices of Bell, McAndrews & Hiltachk, LLP.

Sincerely,



Thomas W. Hiltachk, Proponent

TWH/ant
Enclosures

INITIATIVE MEASURE TO BE SUBMITTED DIRECTLY TO THE VOTERS

Section 1. Findings and Declarations

The people of the State of California find and declare all of the following:

- (a) Pursuant to the California Constitution, public education is a state responsibility and, among other things, that responsibility requires that public schools be safe, secure and peaceful.
- (b) The state of California has a fundamental interest in the financing of public education and that interest extends to ensuring that K-14 facilities are constructed and maintained in safe, secure and peaceful conditions.
- (c) Since 1998, the state of California has successfully met its responsibility to provide safe, secure and peaceful facilities through the School Facilities Act of 1998, contained in Article 1 of Chapter 12.5 of Part 10 of Division 1 of the Education Code.
- (d) The State Allocation Board has the authority to audit expenditure reports and school district records in order to assure bond funds are expended in accordance with program requirements, which includes verifying that projects progress in a timely manner and that funds are not spent on salaries or operating expenses.
- (e) The people of the State of California further find and declare the following:
 - (1) California was among the hardest hit of the states during the last recession and while employment gains are occurring, economists caution that the state economy has not yet fully recovered.
 - (2) Investments made through the Kindergarten Through Community College Public Education Facilities Bond Act of 2016 will provide for career technical education facilities to provide job training for many Californians and veterans who face challenges in completing their education and re-entering the workforce.
 - (3) Investments will be made in partnership with local school districts to upgrade aging facilities to meet current health and safety standards, including retrofitting for earthquake safety and the removal of lead paint, asbestos and other hazardous materials.
 - (4) Studies show that 13,000 jobs are created for each \$1 billion of state infrastructure investment. These jobs include building and construction trades jobs throughout the state.
 - (5) The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 provides for disadvantaged school districts and local control.
 - (6) Academic goals cannot be achieved without 21st Century school facilities designed to provide improved school technology and teaching facilities.
- (f) Therefore, the people enact the Kindergarten Through Community College Public Facilities Bond Act of 2016 to provide a comprehensive and fiscally responsible approach for addressing the school facility needs for all Californians.

Section 2. Section 17070.41 is added to Article 1 of Chapter 12.5 of Part 10 of Division 1 of Title 1 of the Education Code, to read as follows:

17070.41. Creation of 2016 State School Facilities Fund

- (a) A fund is hereby established in the State Treasury, to be known as the 2016 State School Facilities Fund. All money in the fund, including any money deposited in that fund from any source whatsoever, and notwithstanding Section 13340 of the Government Code, is hereby continuously appropriated without regard to fiscal years for expenditure pursuant to this chapter.
- (b) The board may apportion funds to school districts for the purposes of this chapter, as it read on January 1, 2015, from funds transferred to the 2016 State School Facilities Fund from any source.

(c) The board may make apportionments in amounts not exceeding those funds on deposit in the 2016 State School Facilities Fund, and any amount of bonds authorized by the committee, but not yet sold by the Treasurer.

(d) The board may make disbursements pursuant to any apportionment made from any funds in the 2016 State School Facilities Fund, irrespective of whether there exists at the time of the disbursement an amount in the 2016 State School Facilities Fund sufficient to permit payment in full of all apportionments previously made. However, no disbursement shall be made from any funds required by law to be transferred to the General Fund.

Section 3. Part 70 (commencing with Section 101110) is added to Division 14 of Title 3 of the Education Code, to read as follows:

PART 70. KINDERGARTEN THROUGH COMMUNITY COLLEGE PUBLIC EDUCATION
FACILITIES BOND ACT OF 2016

Chapter 1. General

101110. This part shall be known and may be cited as the Kindergarten Through Community College Public Education Facilities Bond Act of 2016.

101112. Bonds in the total amount of nine billion dollars (\$9,000,000,000), not including the amount of any refunding bonds issued in accordance with Sections 101140 and 101149, or so much thereof as is necessary, may be issued and sold for the purposes set forth in Sections 101130 and 101144. The bonds, when sold, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of the principal of, and interest on, the bonds as the principal and interest become due and payable.

Chapter 2. Kindergarten Through 12th Grade

Article 1. Kindergarten Through 12th Grade School Facilities Program
Provisions

101120. The proceeds of bonds issued and sold pursuant to this chapter shall be deposited in the 2016 State School Facilities Fund established in the State Treasury under Section 17070.41 and shall be allocated by the State Allocation Board pursuant to this chapter.

101121. All moneys deposited in the 2016 State School Facilities Fund for the purposes of this chapter shall be available to provide aid to school districts, county superintendents of schools, and county boards of education of the state in accordance with the Leroy F. Greene School Facilities Act of 1998 (Chapter 12.5 (commencing with Section 17070.10) of Part 10 of Division 1 of Title 1), as it read on January 1, 2015, as set forth in Section 101122, to provide funds to repay any money advanced or loaned to the 2016 State School Facilities Fund under any act of the Legislature, together with interest provided for in that act, and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code.

101122. (a) The proceeds from the sale of bonds, issued and sold for the purposes of this chapter, shall be allocated in accordance with the following schedule:

(1) The amount of three billion dollars (\$3,000,000,000) for new construction of school facilities

of applicant school districts pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10 of Division 1 of Title 1.

(2) The amount of five hundred million dollars (\$500,000,000) shall be available for providing school facilities to charter schools pursuant to Article 12 (commencing with Section 17078.52) of Chapter 12.5 of Part 10 of Division 1 of Title 1.

(3) The amount of three billion dollars (\$3,000,000,000) for the modernization of school facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10 of Division 1 of Title 1.

(4) The amount of five hundred million dollars (\$500,000,000) for facilities for career technical education programs pursuant to Article 13 (commencing with Section 17078.70) of Chapter 12.5 of Part 10 of Division 1 of Title 1.

(b) School districts may use funds allocated pursuant to paragraph (3) of subdivision (a) only for one or more of the following purposes in accordance with Chapter 12.5 (commencing with Section 17070.10) of Part 10 of Division 1 of Title 1:

(1) The purchase and installation of air-conditioning equipment and insulation materials, and related costs.

(2) Construction projects or the purchase of furniture or equipment designed to increase school security or playground safety.

(3) The identification, assessment, or abatement in school facilities of hazardous asbestos.

(4) Project funding for high-priority roof replacement projects.

(5) Any other modernization of facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10 of Division 1 of Title 1.

(c) Funds allocated pursuant to paragraph (1) of subdivision (a) may also be utilized to provide new construction grants for eligible applicant county boards of education under Chapter 12.5 (commencing with Section 17070.10) of Part 10 of Division 1 of Title 1 for funding classrooms for severely handicapped pupils, or for funding classrooms for county community school pupils.

(d) Chapter 4.9 of Division 1 of Title 7 of the Government Code (commencing with section 65995), as those provisions read on January 1, 2015, shall be in effect until the full amount of bonds authorized for new school facility construction pursuant to subdivision (a)(1) have been expended, or December 31, 2020, whichever is sooner. Thereafter, Chapter 4.9 of Division 1 of Title 7 of the Government Code may be amended pursuant to law.

Article 2. Kindergarten Through 12th Grade School Facilities Fiscal Provisions

101130. (a) Of the total amount of bonds authorized to be issued and sold pursuant to Chapter 1 (commencing with Section 101110), bonds in the amount of seven billion (\$7,000,000,000) not including the amount of any refunding bonds issued in accordance with Section 101140, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code.

(b) Pursuant to this section, the Treasurer shall sell the bonds authorized by the State School Building Finance Committee established pursuant to Section 15909 at any different times necessary to service expenditures required by the apportionments.

101131. The State School Building Finance Committee, established by Section 15909 and composed of the Governor, the Controller, the Treasurer, the Director of Finance, and the Superintendent, or their designated representatives, all of whom shall serve thereon without compensation, and a majority of whom shall constitute a quorum, is continued in existence for the purpose of this chapter. The Treasurer shall serve as chairperson of the committee. Two

Members of the Senate appointed by the Senate Committee on Rules, and two Members of the Assembly appointed by the Speaker of the Assembly, shall meet with and provide advice to the committee to the extent that the advisory participation is not incompatible with their respective positions as Members of the Legislature. For the purposes of this chapter, the Members of the Legislature shall constitute an interim investigating committee on the subject of this chapter and, as that committee, shall have the powers granted to, and duties imposed upon, those committees by the Joint Rules of the Senate and the Assembly. The Director of Finance shall provide assistance to the committee as it may require. The Attorney General of the state is the legal adviser of the committee.

101132. (a) The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all acts amendatory thereof and supplementary thereto, are hereby incorporated into this chapter as though set forth in full within this chapter, except subdivisions (a) and (b) of section 16727 of the Government Code shall not apply to the bonds authorized by this chapter.

(b) For purposes of the State General Obligation Bond Law, the State Allocation Board is designated the "board" for purposes of administering the 2016 State School Facilities Fund.

101133. (a) Upon request of the State Allocation Board, the State School Building Finance Committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order to fund the related apportionments and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to fund those apportionments progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

(b) A request of the State Allocation Board pursuant to subdivision (a) shall be supported by a statement of the apportionments made and to be made for the purposes described in Sections 101121 and 101122.

101134. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year. It is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act that is necessary to collect that additional sum.

101135. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

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

(b) The sum necessary to carry out Section 101138, appropriated without regard to fiscal years.

101136. The State Allocation Board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account or any other approved form of interim financing, in accordance with Section 16312 of the Government Code, for the purpose of carrying out this chapter. The amount of the request shall not exceed the amount of the unsold bonds (exclusive of refunding bonds) that the committee, by resolution, has authorized to be sold for the purpose of carrying out this chapter. The board shall execute any documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be

deposited in the fund to be allocated by the board in accordance with this chapter.

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

101138. For the purposes of carrying out this chapter, the Director of Finance may authorize the withdrawal from the General Fund of an amount not to exceed the amount of the unsold bonds (exclusive of refunding bonds) that have been authorized by the State School Building Finance Committee to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the 2016 State School Facilities Fund consistent with this chapter. Any money made available under this section shall be returned to the General Fund, plus an amount equal to the interest that the money would have earned in the Pooled Money Investment Account, from proceeds received from the sale of bonds for the purpose of carrying out this chapter.

101139. All money deposited in the 2016 State School Facilities Fund, that is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest, except that amounts derived from premium may be reserved and used to pay the cost of the bond issuance prior to any transfer to the General Fund.

101140. The bonds issued and sold pursuant to this chapter may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the voters of the state for the issuance of the bonds described in this chapter includes the approval of the issuance of any bonds issued to refund any bonds originally issued under this chapter or any previously issued refunding bonds. Any bond refunded with the proceeds of refunding bonds as authorized by this section may be legally defeased to the extent permitted by law in the manner and to the extent set forth in the resolution, as amended from time to time, authorizing such refunded bond.

101141. The people hereby find and declare that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

Chapter 3. California Community College Facilities

Article 1. General

101142. (a) The 2016 California Community College Capital Outlay Bond Fund is hereby established in the State Treasury for deposit of funds from the proceeds of bonds issued and sold

for the purposes of this chapter.

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

Article 2. California Community College Program Provisions

101143. (a) From the proceeds of bonds issued and sold pursuant to Article 3 (commencing with Section 101144), the sum of two billion dollars (\$2,000,000,000) shall be deposited in the 2016 California Community College Capital Outlay Bond Fund for the purposes of this article. When appropriated, these funds shall be available for expenditure for the purposes of this article.

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

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

Article 3. California Community College Fiscal Provisions

101144. (a) Of the total amount of bonds authorized to be issued and sold pursuant to Chapter 1 (commencing with Section 101110), bonds in the total amount of two billion dollars (\$2,000,000,000), not including the amount of any refunding bonds issued in accordance with Section 101149, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code.

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

101144.5. (a) The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all acts amendatory thereof and supplementary thereto, are hereby incorporated into this chapter as though set forth in full within this chapter, except subdivisions (a) and (b) of Section 16727 of the Government Code shall not apply to the bonds authorized by this chapter.

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

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

101145. The Higher Education Facilities Finance Committee established pursuant to Section 67353 shall authorize the issuance of bonds under this chapter only to the extent necessary to fund the related apportionments for the purposes described in this chapter that are expressly authorized by the Legislature in the annual Budget Act. Pursuant to that legislative direction, the committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order to carry out the purposes described in this chapter and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

101145.5. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year. It is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.

101146. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

- (a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.
- (b) The sum necessary to carry out Section 101147.5, appropriated without regard to fiscal years.

101146.5. The board, as defined in subdivision (b) of Section 101144.5, may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account or any other approved form of interim financing, in accordance with Section 16312 of the Government Code, for the purpose of carrying out this chapter. The amount of the request shall not exceed the amount of the unsold bonds (exclusive of refunding bonds) that the committee, by resolution, has authorized to be sold for the purpose of carrying out this chapter. The board, as defined in subdivision (b) of Section 101144.5, shall execute any documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.

101147. Notwithstanding any other provision of this chapter, or of the State General Obligation Bond Law, if the Treasurer sells bonds pursuant to this chapter that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes, subject to designated conditions, the Treasurer may maintain separate accounts for the investment of bond proceeds and for the investment earnings on those proceeds. The Treasurer may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds required or desirable under federal law to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

101147.5. (a) For the purposes of carrying out this chapter, the Director of Finance may authorize the withdrawal from the General Fund of an amount not to exceed the amount of the unsold bonds (exclusive of refunding bonds) that have been authorized by the Higher Education Facilities Finance Committee to be sold for the purpose of carrying out this chapter. Any

amounts withdrawn shall be deposited in the 2016 California Community College Capital Outlay Bond Fund consistent with this chapter. Any money made available under this section shall be returned to the General Fund, plus an amount equal to the interest that the money would have earned in the Pooled Money Investment Account, from proceeds received from the sale of bonds for the purpose of carrying out this chapter.

(b) Any request forwarded to the Legislature and the Department of Finance for funds from this bond issue for expenditure for the purposes described in this chapter by the California Community Colleges shall be accompanied by the five-year capital outlay plan that reflects the needs and priorities of the community college system and is prioritized on a statewide basis. Requests shall include a schedule that prioritizes the seismic retrofitting needed to significantly reduce, in the judgment of the particular college, seismic hazards in buildings identified as high priority by the college.

101148. All money deposited in the 2016 California Community College Capital Outlay Bond Fund that is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest, except that amounts derived from premium may be reserved and used to pay the cost of the bond issuance prior to any transfer to the General Fund.

101149. The bonds issued and sold pursuant to this chapter may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the voters of the state for the issuance of the bonds described in this chapter includes the approval of the issuance of any bonds issued to refund any bonds originally issued under this chapter or any previously issued refunding bonds. Any bond refunded with the proceeds of refunding bonds as authorized by this section may be legally defeased to the extent permitted by law in the manner and to the extent set forth in the resolution, as amended from time to time, authorizing such refunded bond.

101149.5. The people hereby find and declare that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

Section 4. General Provisions

(a) If any provision of this Act, or part thereof, is for any reason held to be invalid or unconstitutional, the remaining provisions shall not be affected, but shall remain in full force and effect, and to this end the provisions of this Act are severable.

(b) This Act is intended to be comprehensive. It is the intent of the People that in the event this Act or measures relating to the same subject shall appear on the same statewide election ballot, the provisions of the other measure or measures shall be deemed to be in conflict with this Act. In the event that this Act receives a greater number of affirmative votes, the provisions of this Act shall prevail in their entirety, and all provisions of the other measure or measures shall be null and void.