

Date of Hearing: April 28, 2015

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 1433 (Gray) – As Introduced February 27, 2015

**SUBJECT:** Higher education facilities: Recommitment to Higher Education Bond Act of 2016

**SUMMARY:** Enacts the Recommitment to Higher Education Bond Act of 2016. Specifically, **this bill:**

- 1) Authorizes an unspecified amount of state general obligation bonds, as scheduled, to provide aid to the California Community Colleges (CCC), the California State University (CSU), the University of California (UC), and the Hastings College of the Law to construct and modernize education facilities.
- 2) Specifies that the proceeds of these bonds would be deposited in the 2016 CCC Capital Outlay Bond Fund and the 2016 University Capital Outlay Bond Fund, as established by this measure.
- 3) Specifies that this bond act would become operative only if approved by the voters during the November 8, 2016 statewide general election; and, provides for the submission to the voters at said election.

**FISCAL EFFECT:** Unknown

**COMMENTS:** *Background.* Since the late 1980s, the Legislature has placed on the ballot and voters have approved bonds for public higher education every two to four years. The last statewide general obligation bond, Proposition 1D (AB 127, Núñez and Perata, Chapter 35, Statutes of 2006), was approved by voters in November 2006, authorizing the sale of \$10.4 billion in general obligation bonds of which \$3.087 billion was earmarked for higher education facilities. Of this amount, \$1.5 billion was provided for CCC facilities, \$890 million was provided for UC, and \$690 million was provided for CSU. All Proposition 1D higher education facilities funds have been depleted and K-12 funds have almost been exhausted.

Since 2006, as the state's fiscal condition continued to deteriorate, legislation needed to authorize education bonds was not enacted. Instead, since 2008 the higher education segments have received capital funding from lease-revenue bonds through the annual budget acts; however, these funds have met less than half of the segments' capital needs. Bond funds, whether lease-revenue or G.O., are allocated through the budget process in accordance with the segments' five-year capital facility plans.

Additionally, in November 2012, California voters approved Proposition 39 to close a corporate tax loophole and increase the state's annual corporate tax revenues by as much as \$1.1 billion. Proposition 39 specified that half of the revenue generated from 2013-2018, up to \$550 million, should support energy efficiency and alternative energy projects at public schools, colleges, universities and other public buildings, as well as related public-private partnerships and workforce training.

*Need for this measure.* According to the author, higher education institutions have found themselves unable to meet enrollment and workforce demands. The author states, "Additional state funding has been called for but gone unanswered. From 2007-2013, state support for the UC and CSU fell by 30 percent, even as enrollment grew. Funding has not kept up with the cost of higher education, and campuses often find themselves falling behind in classroom space and up to date facilities."

The author contends that higher education is truly a public benefit; and that our students, communities, and entire state benefit from a vibrant public higher education system. This measure will reinvest in the UC, CSU, and CCC systems for ongoing needs of modernization and construction of educational facilities.

*Capital needs.* The segments (UC, CSU, and CCC) report the following capital needs:

- 1) UC: Has identified four year needs of approximately \$550 million per year. This breaks down to approximately \$450 million per year for UC general campuses and \$100 million for medical centers.
- 2) CSU: Has identified a five year total need of \$7 billion for renovation and/or replacement of existing infrastructure and for new buildings to provide growth to increase lecture and laboratory seating capacity. This breaks down to approximately \$400 to \$500 million per year.

To note: 48 percent of their buildings are 40 years old and 34 percent are over 50 years old; and, a backlog of their deferred maintenance funding is nearly at \$1.8 billion.

- 3) CCC: Has identified a need of approximately \$35 billion over the next 10 years for construction and modernization of facilities.

To note: Of the \$35 billion needed, the CCC Office of the Chancellor estimates that \$19.1 billion of local bond funds remain available, leaving over \$15.9 billion in unmet need. This breaks down to approximately \$3.2 billion needed from a state bond every two years.

*Prior and related legislation.* Several bills have been introduced since 2009 in an effort to authorize bond measures to fund facility construction projects for K-12 schools and public postsecondary educational institutions. These include the following:

- 1) AB 148 (Holden), which is awaiting a hearing in the Assembly Education Committee, would, among others, enact the K-14 School Investment Bond Act of 2016 to authorize an unspecified amount of state general obligation bonds, as scheduled, to provide aid to school districts, county superintendents of schools, county boards of education, charter schools, and CCC to construct and modernize education facilities.
- 2) AB 1088 (O'Donnell), which is awaiting a hearing in the Assembly Education Committee, would, among others, enact the Kindergarten-University Public Education Facilities Bond Act of an unspecified year to authorize an unspecified amount of state general obligation bonds to provide aid to school districts, county superintendents of schools, county boards of education, charter schools, the CCC, the UC, the Hastings College of the Law, and the CSU to construct and modernize education facilities.

- 3) AB 2235 (Buchanan and Hagman), which was introduced in 2014, would have changed the existing School Facility Program and authorize the Kindergarten-University Public Education Facilities Bond Act of 2014 to provide for the issuance of \$9 billion in general obligation bonds for construction and modernization of education facilities (to become effective only if approved by voters), and require its submission to voters at the November 4, 2014, statewide general election. AB 2235 was held in the Senate Appropriations Committee.
- 4) AB 41 (Buchanan), which was introduced in 2013, expressed the Legislature's intent to place a Kindergarten-University facilities bond on the 2014 ballot. AB 41 was held by the author in the Assembly Education Committee.
- 5) SB 45 (Corbett), which was introduced in 2013, expressed the Legislature's intent to place a Kindergarten-University facilities bond on the next statewide general election. The bill was held by the author in the Senate Rules Committee.
- 6) SB 301 (Liu), which was introduced in 2013, expressed the Legislature's intent to place a Kindergarten-University facilities bond on the 2014 ballot. SB 301 was held by the author in the Senate Rules Committee.
- 7) AB 331 (Brownley), which was introduced in 2011, expressed the Legislature's intent to place a Kindergarten-University facilities bond on the 2012 ballot. AB 331 was held in the Assembly Appropriations Committee in 2012.
- 8) AB 822 (Block), which was introduced in 2011, would have placed a higher education facilities bond on the November 2012 ballot. AB 822 was held in the Assembly Appropriations Committee in 2012.
- 9) AB 220 (Brownley), which was introduced in 2009, would have placed a \$6.1 billion Kindergarten-University facilities bond on the November 2010 ballot. AB 220 was held in the Senate Appropriations Committee.
- 10) SB 271 (Ducheny), which was introduced in 2009, would have placed a \$8.6 billion higher education facilities bond on the November 2010 ballot. SB 271 was held in the Senate Appropriations Committee.

**REGISTERED SUPPORT / OPPOSITION:****Support**

California Community Colleges Chancellor's Office  
California State University  
Community College Facility Coalition  
University of California

**Opposition**

None on file.

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