

Date of Hearing: March 27, 2012

ASSEMBLY COMMITTEE ON HIGHER EDUCATION
Marty Block, Chair
AB 1748 (Fong) – As Introduced: February 17, 2012

SUBJECT: California Community Colleges: fair market value of leases.

SUMMARY: Removes the limitation that the fair market value of specified short-term leases not exceed \$25,000 annually, for California Community College (CCC) district buildings or space not being used for educational purposes.

EXISTING LAW exempts certain lease arrangements from the general provisions regarding the lease and sale of CCC district property, including CCC district property that is not needed for educational activities, if it is leased for a period of more than five days but less than five years and the fair market value of the lease does not exceed \$25,000 annually. CCC district governing boards seeking to enter into the aforementioned negotiated lease are required to include the proposed lease and methodology used to determine the value of the lease as an agenda item in a public meeting, and provide one week public notice before taking action on the lease agreement.

FISCAL EFFECT: Unknown. This bill has been keyed non-fiscal by Legislative Counsel.

COMMENTS: Purpose of this bill. This bill authorizes CCC districts to enter into negotiated short-term lease agreements for property not needed for educational purposes and generate fair market value for that property, not subject to the \$25,000 annual limitation. Existing law authorizes CCC districts to enter into leases for longer-terms or greater than \$25,000 annually but requires a public bid process that accepts the highest responsible bid. The author argues that the current cap of \$25,000 on short-term leases was put into place almost 20 years ago and does not take into account differences in property value throughout the state or increase in value over time. Further, according to the author, multiple years of budget cuts and increasing demand for higher education have left CCC districts needing to maximize alternative revenue sources. By relieving CCC districts of the \$25,000 cap on short-term leases, the author believes this bill will provide districts greater ability to increase revenues through leasing unused buildings and space.

California State University (CSU) leasing policy. Existing law authorizes the CSU Trustees to lease any property of a CSU for any purpose that they consider not inconsistent with the functions of the CSU and requires the funds received to be deposited into the State Treasury and credited to the support appropriation of the CSU during the period of occupancy. Through executive order, the CSU Chancellor has delegated leasing authority to CSU presidents with certain exceptions including leases of potentially more than twenty years or with annual lease payments equal to or greater than \$1,000,000.

University of California (UC) leasing policy. UC leasing policy, through standing orders from the UC Regents, authorizes individual UC Chancellors to approve leases of up to 10 years and authorizes the UC President to approve leases of up to 20 years. There appears to be no specific restrictions on lease amounts or payments.

REGISTERED SUPPORT / OPPOSITION:

Support

Chief Executive Officers of the California Community Colleges
Glendale Community College District
Kern Community College District
Los Angeles Community College District
Peralta Community College District
San Diego Community College District
San Jose-Evergreen Community College District

Opposition

None on File

Analysis Prepared by: Laura Metune / HIGHER ED. / (916) 319-3960