

Date of Hearing: April 22, 2014

ASSEMBLY COMMITTEE ON HIGHER EDUCATION
Das Williams, Chair
AB 2235 (Buchanan and Hagman) – As Introduced: February 21, 2014

[Note: This bill was double referred to the Assembly Committee on Education and was heard by that committee as it relates to issues under its jurisdiction.]

SUBJECT: Education facilities: Kindergarten-University Public Education Facilities Bond Act of 2014.

SUMMARY: Enacts the Kindergarten-University Public Education Facilities Bond Act of 2014, to become operative only if approved by voters at the November 4, 2014 statewide general election; and, makes changes to the School Facility Program (SFP). Specifically, this bill:

- 1) Authorizes an unspecified amount of general obligation (G.O.) school facilities bond to be placed on the November 4, 2014 statewide general election and specifies the funds to be allocated as follows:
 - a) An unspecified amount for higher education facilities allocated to the following:
 - i) University of California (UC) and the Hastings College of Law; ii) California State University (CSU); and, iii) California Community Colleges (CCC).
 - b) An unspecified amount for kindergarten through grade 12 (K-12) allocated to the following programs:
 - i) New Construction; ii) Modernization; and, iii) Charter School Facilities Program.
- 2) Establishes the 2014 CCC Capital Outlay Bond Fund and authorizes the deposit of funds from the proceeds of bonds issued and sold pursuant to this bill to be deposited into the fund for the purposes of construction; renovation and reconstruction of CCC facilities; site acquisition; the equipping of new, renovated or reconstructed facilities; and to provide funds for the payment of preconstruction costs, including, but not limited to, preliminary plans and working drawings for CCC facilities.
- 3) Establishes the 2014 University Capital Outlay Bond Fund and authorizes the deposit of funds from the proceeds of bonds issued and sold pursuant to this bill to be deposited into the fund for the purposes of construction; renovation and reconstruction of facilities; site acquisition; the equipping of new, renovated or reconstructed facilities; and to provide funds for the payment of preconstruction costs, including, but not limited to, preliminary plans and working drawings for facilities of the UC, Hastings College of Law, and CSU.
- 4) Establishes the 2014 State School Facilities Fund and authorizes the State Allocation Board (SAB) to apportion funds to school districts from funds transferred to the 2014 State School Facilities Fund from any source for the purposes specified in the SFP.
- 5) Makes the following changes to the SFP:

- a) Strikes an obsolete provision requiring the SAB to conduct an evaluation on the costs of new construction and modernization of small high schools.
- b) Authorizes the SAB to require each school district that elects to participate in the new construction program funded by the proceeds of any bond approved by voters after November 1, 2014 to reestablish eligibility pursuant to regulations adopted by the SAB.
- c) Requires the Office of Public School Construction, in consultation with the California Department of Education to recommend to the SAB regulations that will provide school districts with flexibility in designing instructional facilities.
- d) Authorizes the SAB to require each school district that elects to participate in the modernization program funded by the proceeds of any bond approved by voters after November 1, 2014 to reestablish baseline eligibility for each schoolsite pursuant to regulations adopted by the SAB.
- e) Repeals the provisions that do the following:
 - i) Requires, for the purpose of determining existing school building capacity, the calculation to be adjusted for first priority status as that calculation would have been made under the policies of the SAB in effected immediately preceding September 1, 1998.
 - ii) Requires the maximum school building capacity for each applicant district be increased by the number of pupils reported by the Superintendent of Public Instruction as excess capacity as a result of participation in the Year-Round School Grant Program. Repeals the requirement that the adjustment be calculated on the basis, at the district's option, of either the district as a whole or the appropriate attendance area.
- 6) Requires each school on a multitrack year-round calendar that has a density of 200 or more pupils enrolled per acre that is located in a school district with 40% of its pupils attending multitrack year-round schools be exempted from the increase in school building capacity required by Education Code Section 17071.35.

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 G.O. 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 bill. According to the authors, the state has been a strong partner with higher education segments and school districts in order to ensure that students have adequate and safe facilities. Community college and school districts pass local bonds to match state funds, while the UC and CSU issue revenue bonds and incur other types of borrowing. The authors state that, "While enrollment is projected to decline in some areas of the state, other parts are expecting growth. New facilities are needed in areas where there is growth, while all school districts and higher education systems have modernization needs." The authors argue that it has been eight years since the last bond. While the economy suffered shortly after the 2006 bond passed and the development of new housing slowed, which also slowed the construction of schools, the economy has since improved. The housing industry relies on new schools to sell homes. The authors state, "Voters pass local bonds to build these schools with the expectation that there will be a state match. It is time to put another bond on the ballot."

Approval process. School districts must submit applications to the SAB in order for their construction and modernization projects to be approved. However, the process is different for the higher education segments. Each segment submits a 5-year Capital Outlay proposal to the Department of Finance (DOF). After the DOF approves their proposals, the segments then prioritize which projects they will submit for funding to the Higher Education Facilities Finance Committee (HEFFC).

Capital needs. The segments 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 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% of their buildings are 40 years old and 34% 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.

Committee consideration. Based on projections, the total costs of building projects of the public higher education segments would exceed available bond funds. Currently, a significant amount of discretion is provided to the segments in determining which projects to submit to HEFFC for funding. AB 1953 (Skinner, 2014), which passed out of this committee on April 1, 2014, would provide grants to institutions for building retrofits that reduce energy demands. AB 1953 did not identify a funding source for the grants. Presently, it is unclear to the extent that the segments give priority to their energy efficiency projects when submitting their need for funding to the HEFFC. Consistent with the goals of the committee in approving AB 1953, the committee may wish to consider whether the segments should be directed to establish some level of priority be given to projects that meet energy efficiency and long term sustainability goals by the segments before they present their funding needs to the HEFFC.

Previous legislation. AB 41 (Buchanan, 2013), which was held by the author in the Assembly Education Committee, expressed the Legislature's intent to place a Kindergarten-University facilities bond on the 2014 ballot. SB 45 (Corbett, 2013), which was held by the author in the Senate Rules Committee, expressed the Legislature's intent to place a Kindergarten-University facilities bond on the next statewide general election. SB 301 (Liu, 2013), which was held by the author in the Senate Rules Committee, expressed the Legislature's intent to place a Kindergarten-University facilities bond on the 2014 ballot. AB 331 (Brownley, 2011), which was held in the Assembly Appropriations Committee in 2012, expressed the Legislature's intent to place a Kindergarten-University facilities bond on the 2012 ballot. AB 822 (Block, 2011), which was held in the Assembly Appropriations Committee in 2012, would have placed a higher education facilities bond on the November 2012 ballot. AB 220 (Brownley, 2009), which was held in the Senate Appropriations Committee, would have placed a \$6.1 billion Kindergarten-University facilities bond on the November 2010 ballot. SB 271 (Ducheny, 2009), which was held in the Senate Appropriations Committee, would have placed a \$8.6 billion higher education facilities bond on the November 2010 ballot.

REGISTERED SUPPORT / OPPOSITION:

Support

Advancement Project
Air-conditioning & Refrigeration Contractors Association
Air Conditioning Sheet Metal Association
American Council of Engineering Companies California
Associated General Contractors
Association of California Construction Managers
Association of California School Administrators
Baldwin Park Unified School District
Barstow Community College District
Butte County Office of Education
Cabrillo Community College
California Apartment Association
California Association of School Business Officials

California Association of Sheet Metal and Air Conditioning Contractors' National Association
California Association of Suburban School Districts
California Building Industry Association
California Chamber of Commerce
California Community Colleges Chancellor's Office
California Legislative Conference of the Plumbing, Heating and Piping Industry
California School Boards Association
California State University
Central Valley Education Coalition
Central Valley Higher Education Consortium
Citrus College
Coalition for Adequate School Housing
College of the Desert
College of the Redwoods
Community College Facility Coalition
Community College League of California
Contra Costa County Office of Education
County School Facilities Consortium
El Dorado County Office of Education
Elk Grove Unified School District
Foothill-De Anza Community College District
Fresno Unified School District
Glendale Community College District
Imperial County Office of Education
John Swett Unified School District
Kern Community College District
Kern County Superintendent of Schools
Lake Tahoe Community College
Los Angeles Community College District
Los Angeles Unified School District
Los Rios Community College District
Madera County Office of Education
Martinez Unified School District
Merced County Office of Education
Monterey County Office of Education
Napa County Office of Education
National Electrical Contractors Association – California Chapters
Palos Verdes Peninsula Unified School District
Paramount Unified School District
Pasadena City College
Pasadena Community College District
Peralta Community College District
Rancho Santiago Community College District
Regional Asthma Management and Prevention
Rio Hondo Community College District
Riverside County Superintendent of Schools
San Benito County Office of Education
San Bernardino Community College District
San Diego County Superintendent of Schools Dr. Randy Ward

San Diego Unified School District
San Francisco Unified School District
San Luis Obispo County Office of Education
Santa Ana Unified School District
Santa Barbara County Office of Education
Santa Clara County Office of Education
Santa Clarita Community College District
Santa Cruz County Office of Education
School Employers Association of California
School Energy Coalition
Sierra College
Siskiyou Joint Community College District
Small School Districts' Association
Solano Community College District
Sonoma County Office of Education
South Orange County Community College District
St. Helena Unified School District
State Building and Construction Trades Council, AFL-CIO
Superintendent of Public Instruction Tom Torlakson
Visalia Unified School District
West Hills Community College District
West Kern Community College District
William S. Hart Union High School District
Yosemite Community College District
Yuba Community College District

Opposition

None on file.

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