

Date of Hearing: May 13, 2020

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 2484 (Low) – As Amended May 4, 2020

SUBJECT: Educational facilities: California Educational Facilities Authority.

SUMMARY: Modernizes the California Educational Facilities Authority (CEFA) Act. Specifically, **this bill:**

- 1) Amends applicable definitions to the CEFA Act to provide authority assistance for student housing projects for a participating private college, and to provide that assistance for educational facilities projects for a participating nonprofit entity.
- 2) Requires a project of a nonprofit entity to include and maintain the grant deed restriction on a project only if the project is for student, faculty, or staff housing located on property outside the boundary of a campus on land not owned by the applicable institution.
- 3) Makes technical and clarifying changes to existing law.

EXISTING LAW: Establishes the CEFA Act and the CEFA to: (1) provide private institutions of higher education within the state with an additional means by which to expand, enlarge, and establish dormitory, academic, and related facilities, to finance those facilities, and to refinance existing facilities; and, (2) enter into agreements with nonprofit entities, as defined, to develop student, faculty, and staff housing on near the campuses of the University of California (UC), the Hastings College of the Law, the California State University (CSU), the California Community Colleges (CCC), or a participating private college, as specified. The CEFA Act authorizes the CEFA to fund, as specified, and to construct, acquire, or otherwise provide projects for these purposes. The CEFA act defines “projects” for a participating private college to mean a dormitory, an educational facility, or faculty or staff housing, and defines “projects” for a participating nonprofit entity to mean the construction or acquisition of student housing or faculty and staff housing. The CEFA act requires, for a participating nonprofit entity project, that the project include and maintain for 40 years a restriction to the grant deed on the real property on which the student or faculty or staff housing is to be located, with specified rights for the participating institution and its students, faculty, or staff (Education Code Section 94110, et. seq.).

FISCAL EFFECT: Unknown

COMMENTS: *Purpose of this measure.* The author states, “AB 2484 will expand opportunities to enable California’s public colleges and universities to build even more student and faculty housing while retaining their own funds for educational purposes. This will save time and money, reducing outstanding debt burden and receiving expertise and resources from the private sector, by eliminating unnecessary grant deed restrictions placed on projects developed on land owned by the universities. By reforming and modernizing the CEFA Act, California’s public colleges and universities can more easily access funding that is subject to state oversight to build educational facilities, especially housing for students and faculty. Offering UC and CSU an additional financing tool will help spur development and ease the housing crisis.”

This measure modifies the CEFA's authority to allow public colleges and universities to utilize public-private partnerships (P3s) in a way that, per the California State Treasurer, sponsor of the measure, "would allow the public colleges and universities to reduce their outstanding debt burden, save time and money, transfer risk to the private sector, and receive expertise and resources from the private sector, while saving the dedication of their own funds to go towards educational uses."

California Educational Facilities Authority. Established in 1973, the CEFA operates pursuant to the CEFA Act. The CEFA, housed in the California State Treasurer's Office, was created for issuing revenue bonds to assist private non-profit institutions of higher learning, in the expansion and construction of educational facilities. Because CEFA is authorized to issue tax-exempt bonds, the CEFA may provide more favorable financing to such private institutions than might otherwise be obtainable.

Existing law specifically provides that bonds issued under the CEFA Act shall not be a debt, liability, or claim on the faith and credit or the taxing power of the State of California, or any of its political subdivisions. The full faith and credit of the participating institution is normally pledged to the payment of the bonds.

Presently, CEFA issues tax-exempt conduit revenue bonds and may loan the proceeds to a private college or nonprofit entity in order to acquire or construct certain projects. A revenue bond guarantees repayment solely from the revenues generated from the project being financed, rather than from a tax. Most recently, in February 2019, Stanford University was approved for a \$600 million CEFA revenue bond to fund the construction and renovation of on-campus student housing and to refinance prior debt.

The CEFA also helps students finance the cost of attendance through its College Access Tax Credit Fund and has the ability to develop housing through nonprofit public-private partnership agreements.

Since 1976, the CEFA has issued 379 bonds in a cumulative amount of \$14 billion for the benefit of 59 colleges and universities. Over the last ten years, the CEFA has provided funding for ten private colleges and universities to build over 43 residence halls.

To note, the existing CEFA Act contains a requirement for projects financed through a P3 structure to include and maintain for 40 years, a grant deed on the property that would contain a number of restrictions including the following: (1) give the college or university the right to purchase the property; (2) ensure that students, faculty, or staff have right of first refusal to housing units; (3) require that at least 50% of students residing in the housing unit meet criteria for need-based financial assistance; and, (4) require that the project adhere to public contract requirements.

REGISTERED SUPPORT / OPPOSITION:

Support

Association of Independent California Colleges & Universities (AICCU)
California State Treasurer (Sponsor)
University of California

Opposition

None on file.

Analysis Prepared by: Jeanice Warden / HIGHER ED. / (916) 319-3960