

Date of Hearing: September 13, 2019

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 48 (O'Donnell and Glazer) – As Amended September 10, 2019

**SUBJECT:** Education finance: school facilities: Kindergarten-Community Colleges Public Education Facilities Bond Acts of 2020 and 2022.

**SUMMARY:** Authorizes \$15 billion for the construction and modernization of public preschool, K-12, California Community Colleges (CCC), University of California (UC), and California State University (CSU) facilities to be placed on the March 3, 2020 primary ballot. Specifically, **this bill:**

- 1) Establishes the Public Preschool, K-12, and College Health and Safety Bond Act of 2020 totaling \$15 billion to be allocated as follows:
  - a) \$9 billion for Preschool to Grade 12 school facilities as follows:
    - i) \$2.8 billion for new construction;
    - ii) \$5.2 billion for modernization;
    - iii) \$500 million for charter schools; and,
    - iv) \$500 million for career technical education.
  - b) \$2 billion for the UC and the Hastings College of the Law;
  - c) \$2 billion for the CSU; and,
  - d) \$2 billion for community college facilities.
- 2) Specifies the proceeds of the bonds issued and sold to be available for the purpose of funding aid to the UC, CSU, and CCC for the construction on existing or new campuses, and their respective off-campus centers and joint use and intersegmental facilities.
- 3) Requires the CSU Board of Trustees and the UC Regents, as a condition of receiving funds from the 2020 bond fund, to adopt a five-year affordable student housing plan for each campus.
- 4) Requires the Regents of the UC and Board of Trustees of the CSU, in developing a list of capital projects for consideration in the annual Budget Act, to use each campus's student housing plan as a key input for project prioritization.
- 5) Requires a governing board of a school district, governing board of a CCC district, county superintendent of schools, governing board of a charter school, the CSU Board of Trustees, the UC Regents, or the Hastings College of Law Board of Directors:

- a) Conduct an independent performance audit of any project funded in whole or in part with Bond funding;
  - b) Provide an opportunity for the public to provide input regarding projects up for approval (CCC districts and Local Educational Agencies) or consideration for submission to the state (UC and the CSU) that would be funded by the Bond; and,
  - c) Enhance transparency by placing specified project information, including the results of required audits, on their respective websites. Local educational agencies CCC districts, the UC, and the CSU would have the flexibility to use existing required independent project audits to fulfill the Bond Act's audit requirements.
- 6) Establishes the 2020 State School Facilities Fund within the state treasury.
  - 7) Repeals various obsolete code sections related to the State School Facilities Program.

**EXISTING LAW:**

- 1) Stipulates that the Legislature shall not, in any manner create any debt or debts, liability or liabilities, which shall, singly or in the aggregate with any previous debts or liabilities, exceed \$300,000 unless enactment has been passed by a two-thirds vote of all the members elected to each house of the Legislature and until, at a general election or at a direct primary, it shall have been submitted to the people and shall have received a majority of all the votes cast for and against it at such election (California Constitution, Article XVI, Section 1).
- 2) Requires the Governor to annually submit to the Legislature, in conjunction with the Governor's Budget, a proposed five-year infrastructure plan, which among other things, shall include the instructional and support facilities needs of UC and CSU (Government Code Section 13102).
- 3) Requires the CCC Chancellor's Office to prepare a five-year capital outlay plan identifying the CCC's statewide needs and priorities (Education Code (EC) Section 67501).
- 4) Authorizes CSU to use up to 12% of its General Fund support budget, less the amount required to fund general obligation bond payments and State Public Works Board rental payments, to fund capital outlay projects, either on a pay-as-you-go approach or to pay principal and interest on university-issued revenue bonds (EC Section 89770, et seq.).
- 5) Authorizes UC to use up to 15% of its General Fund support budget, less the amount required to fund general obligation bond payments and State Public Works Board rental payments, to fund capital outlay projects, either on a pay-as-you-go approach or to pay principal and interest on university-issued revenue bonds (EC Section 92943, et seq.).
- 6) Under the State University Revenue Bond Act of 1947, authorizes the CSU Board of Trustees to construct operate and control certain facilities, including student housing and boarding facilities, and to establish charges for use of such facilities (EC Section 90010, et seq.).

- 7) Under the UC Dormitory Revenue Bond Act of 1947, authorizes the UC Board of Regents to construct operate and control certain facilities, including student housing and boarding facilities, and to establish charges for use of such facilities (EC Section 92400, et seq.).
- 8) The Kindergarten-University Public Education Facilities Bond Act of 2006, authorized \$10.4 billion in general obligation bonds, including \$3.1 billion for higher education facilities, of which UC received \$890 million and CSU received \$690 million (EC Section 101000, et seq.).
- 9) The Kindergarten Through Community College Public Education Facilities Bond Act of 2016, approved by the voters in November 2016 (Proposition 51), authorized \$9 billion state general obligation bonds for K-12 facilities (\$7 billion) and CCC facilities (\$2 billion) (EC Section 101110, et seq.).

**FISCAL EFFECT:** Unknown

**COMMENTS:** *Assembly Rule 77.2.* This measure was referred to this Committee pursuant to Assembly Rule 77.2. This measure, the Bond Act, is substantial and includes many provisions that are outside the jurisdiction of this Committee. To note, the elements of this measure that fall outside the jurisdiction of this Committee will not be addressed in this policy analysis.

*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 general obligation, 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.

Further, the last statewide general obligation bond, Proposition 51, was approved by voters in November 2016. Proposition 51 authorized a total of \$9 billion in state general obligation bond funds with \$7 billion for K-12 education facilities and \$2 billion for community college facilities. To note, of the \$7 billion for K-12 education, \$3 billion was set aside for new construction, \$3 billion set aside for modernization, and \$1 billion set aside for charter schools and vocational education facilities.

*Need for this measure.* According to the author, “The condition of a school sets the tone for the school day. As a teacher, I believe that students have a right to learn in a safe environment. AB 48 ensures that students are housed in adequate facilities that meet their educational needs. The state’s success depends on student success.”

*Major postsecondary highlights of this Bond Act.*

- 1) Public postsecondary segments (UC, CSU, CCC) each will receive \$2 billion.
- 2) Prioritization of funding for seismic and health and safety facilities problems.
  - a) Will aid in campuses ability to:
    - i) Upgrade their facilities for earthquake and other emergencies; and,
    - ii) Remove mold, asbestos, and other hazardous materials from classrooms.
- 2) Authorizes an unspecified amount of bond funds to be used for new campuses.
- 3) Creates incentives for UC and CSU to improve access to affordable student housing:
  - a) Requires UC and CSU campuses to develop a five-year affordable student housing plan in order to be eligible for bond funds for core campus facilities; and,
  - b) Campuses who make progress in this area will receive funding priority.
- 4) Requires the governing boards of CCC districts, the CSU Board of Trustees, the UC Regents, and the Hastings College of Law Board of Directors to have regularly scheduled public hearings on how their bond funds have been, and are planned to be, used; requires the aforementioned to place audit findings and project plans on their respective websites.

*Summary of Capital Needs.*

- *The UC's* inventory of capital assets totals approximately 137 million gross square feet in 6,000 buildings. More than half of UC's space is at least 30 years old. The UC’s *Capital Financial Plan 2018-2028* – which provides the systemwide blueprint for developing and maintaining appropriate and necessary facilities – identifies more than \$11.8 billion in unfunded capital need over the next five fiscal years (through 2023-24). The majority of which (\$8.8 billion) is in state supportable education and general facilities.

According to the UC, “As the UC continues to expand student programs and services, additional infrastructure will be necessary to meet our strategic goals and support the University’s core mission of education, research, and public service. It is critical that we maintain and renovate our existing facilities, grounds, and infrastructure to ensure current and future generations of UC students enjoy the same high quality of education and experience as prior generations”.

- *The CSU's* inventory of capital assets totals approximately 86 million gross square feet in 2,100 buildings. More than half of CSU's facility space is over 40 years or older and a third being over 50 years old. The CSU's five-year capital outlay plan reflects more than \$10 billion in academic infrastructure and \$3.7 billion in deferred maintenance needs.

According to the CSU, "SB 14 provides essential funding for our campuses to expand student capacity in classrooms and labs; address fire, safety, and seismic deficiencies, and to modernize and construct facilities to keep pace with current technology and workforce needs". The CSU contends that, "Absent this bill, financing our facilities and deferred maintenance needs will continue to come from our operating funds, in direct competition with the resources we need to educate and serve our students".

- *The CCC Chancellor's Office* (CCCCO) has prepared a five-year capital outlay plan that highlights the new facilities and infrastructure improvements needed to carry out the CCC mission.

According to the CCCCCO, the total unmet facilities needs for the CCC is approximately \$22 billion over the next five years. The CCCCCO notes that the \$22 billion is a conservative amount that does not fully account for local site development costs, out-year continued costs, and other factors. The CCCCCO believes that the \$22 billion is a starting point that begins to account for life-safety concerns, enrollment growth, and modernization needs.

*Committee comments.* According to the December 2018 Public Policy Institute of California (PPIC) report, *Financing Higher Education Capital Projects*, there is an increased demand for a CSU education, and the parallel need to invest in critical safety, infrastructures, and modernization of facilities to serve California's students.

According to the PPIC report, of the three public higher education segments, the CSU faces the greatest challenge in financing capital projects as it receives less funding on a per-student basis; has less access to private, philanthropic or other financing sources; and has no ability to issue general obligation bonds on its own.

*Related legislation.* AB 13 (Eggman, et al.), which, pursuant to Assembly Rule 56.1, did not have a hearing in this Committee, would have placed the Higher Education Facilities Bond Act of 2020 on the November 3, 2020, statewide general election. AB 13 proposed \$2 billion for UC facilities, \$2 billion for CSU facilities, and \$3 billion for new CSU campuses.

SB 14 (Glazer and Allen), which is pending action in the Assembly Committee on Rules, places an \$8 billion general obligation bond on the March 2020 ballot for the construction, reconstruction, and remodeling of existing or new facilities at the UC, CSU, and the Hastings College of the Law.

*Prior legislation.* Several bond measures have been proposed since 2009 to fund higher education facilities. The most recent of these are:

AB 2771 (Eggman, et al.) of 2018, which died on the Senate Floor, in part, enacted a \$7 billion general obligation bond for higher education facilities, to be considered by the voters at the November 2018 ballot.

SB 1225 (Glazer and Allen) of 2018, which died on the Assembly Floor, proposed a \$4 billion general obligation bond measure for UC, CSU and Hastings to be placed on the November 2018 statewide ballot.

SB 483 (Glazer and Allen) of 2017, which was held on Suspense in the Senate Appropriations Committee, proposed a \$2 billion bond for the November 2018 ballot facilities at UC, CSU, and Hastings.

AB 1433 (Gray) of 2016, which was held on Suspense in the Assembly Appropriations Committee, authorized an unspecified amount of bonds for the UC, CSU, CCC and Hastings.

AB 1088 (O'Donnell) of 2015, which was held on Suspense in the Assembly Appropriations Committee, authorized an unspecified amount of bonds for school districts, county superintendents of schools, county boards of education, charter schools, the CCC, CSU, Hastings, and UC.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

American Council of Engineering Companies of California  
Bricklayers & Allied Craftworkers  
Cal State Student Association  
California Building Industry Association  
California Community Colleges Chancellor's Office  
California Council of Carpenters  
California Federation of Teachers  
California Manufacturers & Technology Association  
California State Council of Laborers  
California State University, Office of The Chancellor  
California Teachers Association  
California Teamsters Public Affairs Council  
Cerritos Community College  
Community College League of California  
Faculty Association of California Community Colleges  
First 5 California  
Foothill-de Anza Community College District  
Heat & Frost Insulators & Allied Workers  
IBEW  
International Brotherhood of Boilermakers  
Iron Workers  
Kern Community College District  
Lieutenant Governor Eleni Kounalakis  
Long Beach Community College District  
Los Angeles Community College District  
Los Rios Community College District  
Office of The Riverside County Superintendent of Schools  
Operating Engineers  
Operative Plasterers & Cement Masons

Orange County Department of Education  
Painters & Allied Trades  
Pasadena Area Community College District  
Peralta Community College District  
Roofers, Waterproofers & Allied Workers  
Sacramento County Office of Education  
San Bernardino Community College District  
San Bernardino County District Advocates for Better Schools (SANDABS)  
San Diego County Office of Education  
San Francisco; City College of  
Santa Monica College  
Sheet Metal Workers  
Small School Districts Association  
South Orange County Community College District  
State Building and Construction Trades Council  
Student Senate for California Community Colleges  
United Association  
University of California  
University of California Student Association  
Yuba Community College District

**Opposition**

Western Electrical Contractors Association

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