

Date of Hearing: June 27, 2023

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Mike Fong, Chair

SB 28 (Glazer) – As Introduced December 5, 2022

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

SENATE VOTE: 33-4

SUBJECT: Education finance: school facilities: Public Preschool, K–12, and College Health and Safety Bond Act of 2024.

SUMMARY: Enacts the Public Preschool, K–12, and College Health and Safety Bond Act of 2024, which among other provisions, places a \$15.5 billion general obligation bond before voters at the March 5, 2024, Statewide Primary Election to finance school facilities. Specifically, **this bill:**

- 1) Establishes the Public Preschool, K-12, and College Health and Safety Bond Act of 2024 totaling \$15.5 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; and,
 - ii) \$5.2 billion for modernization; \$500 million for charter schools; and, \$500 million for career technical education.
 - b) \$6 billion for higher education (the California Community Colleges (CCC), the California State University (CSU), and the University of California (UC)) facilities as follows:
 - i) \$2 billion for CCC;
 - ii) \$2 billion for the CSU; and,
 - iii) \$2 billion for the UC and the College of the Law, San Francisco, with \$50 million specifically earmarked to fund the construction of facilities that support the Charles R. Drew University of Medicine and Sciences' (CDU) new, four-year medical school program.
- 2) Creates the 2024 University Capital Outlay Bond Fund, and also uses the Higher Education Facilities Finance Committee (Committee), created by the Higher Education Facilities Bond Act of 1986.
- 3) Considers the CDU an off-campus center within UC (making CDU eligible to receive funding for its capital needs).
- 4) Makes funds available to UC and CSU for assisting in meeting its capital outlay financing needs, including:

- a) Construction, reconstruction, and remodeling of existing or new facilities and related fixtures;
 - b) Equipping of new, renovated, or reconstructed facilities;
 - c) Funding for the payment of preconstruction costs; and,
 - d) Construction of off-campus facilities, so long as the respective governing board approved the construction.
- 5) Directs the Committee to authorize the issuance of bonds only to the extent necessary to fund the related apportionments for the purposes described in this bill that are expressly authorized by the Legislature in the annual Budget Act. Pursuant to that legislative direction, the Committee determines by resolution whether or not it is necessary or desirable to issue bonds.
- 6) Conditions the receipt of funding from its proposed bond by requiring the CSU Board of Trustees and the UC Board of Regents to adopt a five-year affordable student housing plan for each campus with specified contents. The measure also requires CSU and UC to adopt a five-year affordable student housing plan for each campus with specified contents, as well as updated reports for each campus by October 15 of each year. The CSU Board of Trustees and UC Board of Regents must use its affordable student housing plan as a key input in prioritizing projects from campuses it determines are improving, or will improve, access to affordable student housing, in addition to other key inputs.
- 7) Contains legislative findings and declarations, including that the UC and the CSU must annually consider the inclusion of intersegmental facilities as part of those entities' annual capital outlay planning process, and annually report their findings to the budget committees of each house of the Legislature.

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 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).
- 3) 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.).

- 4) 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.).
- 5) 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.).
- 6) 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 92495, et seq.).
- 7) 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.).
- 8) 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.).
- 9) 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 the CCC (Government Code Section 13102).

FISCAL EFFECT: According to the Senate Committee on Appropriations:

- 1) The authorization of \$15 billion in general obligation bonds is expected to result in General Fund (GF) costs of approximately \$25.2 billion to repay, including \$10.2 billion in interest, at an annual cost of \$841 million. This estimate assumes an interest rate of 3.75% and a 30-year maturity.
- 2) This measure would result in one-time GF costs to the Secretary of State (SOS) in the range of \$738,000 to \$984,000, likely in 2023-24, for printing and mailing costs to place the measure on the ballot in a statewide election. Actual costs may be higher or lower, depending on the length of required elements and the overall size of the ballot.
- 3) The California Department of Education (CDE) indicates that requiring school districts to submit a 5-year school facilities master plan could have a significant local impact depending on the scope. These plans have a lifespan of about ten years and can costs anywhere from \$80,000 to \$300,000. However, the master plans would only be required if a district elects to seek state funding for a project.
- 4) This bill increases local bonding capacities for non-unified school districts to 2% and 4% for unified school districts of the taxable property in the district. This could potentially lead to school districts incurring an unknown increase in local debt for facilities projects.

COMMENTS: *Purpose of this measure.* According to the author, “Senate Bill 28 authorizes a \$15.5 billion bond on the 2024 ballot for facilities for K12 through higher education. This measure alleviates the financial burden on both the institutions and students, while also constructing facilities that reflect the needs of the 21st century students. The last K12 and higher education bond passed in 2006. However, by 2012 all of those funds were exhausted.”

Additionally, the author opines that, “reflecting the grave need for these funds, between 2015 and 2019, 108 schools in California closed at least once due to poor facility conditions. The majority of these deteriorating schools are in high-need districts, in which more than 55% of students are low income, English Learners, experiencing homelessness, or foster youth. Additionally, the University of California’s existing backlog of deferred maintenance totals \$7.3 billion. The California State University’s totals \$6.5 billion. These include addressing fire, safety, and seismic deficiencies, and modernizing and constructing facilities to keep pace with current technology and workforce needs.”

Background. Since the late 1980s, the Legislature has placed on the ballot, and voters have approved bonds for public elementary, secondary, and postsecondary education every two to four years. Over time, this rate was reduced, bringing us to 2006, when 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 the University of California, and \$690 million was provided for the California State University. All Proposition 1D higher education facilities funds have since been depleted.

Ten years would pass before the passage of the next statewide general obligation bond, Proposition 51; 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 CCC facilities.

Of the \$7 billion for K-12 education, \$3 billion was set aside for new construction, \$3 billion for modernization, and \$1 billion for charter schools and vocational education facilities.

Due to the Great Recession and the deterioration of the state’s fiscal condition, legislation needed to authorize the 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.

Furthermore, 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.

Lastly, Proposition 13 (AB 48, O'Donnell and Glazer, Chapter 530, Statutes of 2019), placed the \$15 billion Public Preschool, K-12, and College Health and Safety Bond Act of 2020 on the March 2020 statewide ballot. California voters did not adopt Proposition 13 during the Statewide Primary Election on March 3, 2020; the provisions did not take effect.

The chart below depicts the outcomes of the most recent obligation bonds for public elementary, secondary (K-12), and postsecondary (higher education) education facilities:

Ballot	Measure	Amount	% Support
November 1998	Proposition 1A	\$ 9.2 billion (\$6.7 billion K-12 + \$2.5 billion Higher Education)	62.5 - (Approved by Voters)
November 2002	Proposition 47	\$13.05 billion (\$11.4 billion K-12 + \$1.65 billion Higher Education)	59.1 - (Approved by Voters)
March 2004	Proposition 55	\$12.3 billion (\$10 billion K-12 + \$2.3 billion Higher Education)	50.9 - (Approved by Voters)
November 2006	Proposition 1D	\$10.416 billion (\$7.329 K-12 + \$3.087 billion Higher Education)	56.9 - (Approved by Voters)
November 2016	Proposition 51	\$9 billion (\$7 billion K-12 + \$2 billion CCC)	55.2 - (Approved by Voters)
March 2020	Proposition 13	\$15 billion (\$9 billion K-12 + \$6 billion Higher Education)	47.0 – (Rejected by Voters)

Summary of Capital Needs. The CCC. The 2022-23 Five-Year Capital Outlay Plan (Five-Year Plan) for the CCC covers the period from 2022-23 through 2026-27, and totals \$23.2 billion. This amount includes \$9 billion for construction of new facilities for enrollment growth and \$14.2 billion for modernization of existing facilities.

In addition to capital facility needs, the CCC has deferred needs to future years totaling \$6.7 billion. This amount includes \$4.7 billion of out-year costs for continuing phases of projects started within the Five-Year Plan period and \$2 billion carried over into subsequent plan years, primarily for modernization projects.

Currently, the total unmet facilities needs for the CCC are approximately \$29.9 billion for the five-year period of this plan.

The CSU. The primary objective of the Five-Year Plan for the CSU is to provide facilities appropriate to the CSU's approved educational programs to create environments conducive to learning, and to ensure that the quality and quantity of facilities at the 23 campuses serve the students equally well. The campuses and the CSU Office of the Chancellor have enlisted broad participation by administrators, faculty, and students in the development of the Five-Year Plan.

The CSU has an aging infrastructure in dire need of renovation and replacement, with more than half of the CSU facility spaces being 40 years or older and a third being over 50 years old. The CSU's Five-Year Capital Outlay Plan reflects more than \$26.9 billion in academic and self-support infrastructure projects and \$7.8 billion in critical facilities renewal needs.

Between 2017–18 to 2022–23, the CSU backlog for academic facilities and infrastructure grew by \$2.4 billion or 60%.

The UC. The 2022-28 Capital Financial Plan (CFP) has been developed based on the needs at each UC location for buildings and other physical infrastructure to achieve the following overarching plans:

- 1) Strategic and Academic Plans that define priority areas and goals and other institutional aspirations;
- 2) Physical Design Frameworks that identify planning principles and objectives for the design of the physical environment; and,
- 3) Long Range Development Plans, as approved by the Regents, which guide future physical planning and describe proposed future development of the campuses and medical centers. The CFP presents proposed capital projects, public private partnerships, and the acquisition of real property that support these plans.

The CFP represents \$23 billion of capital improvements, with funding identified, over this year and the next five fiscal years (through 2027-28). The campuses and medical centers have identified \$51 billion of capital need that does not have a funding plan.

According to the UC, the University's mission is teaching, research, and public service. The 2022-28 CFP supports a vision to support this mission, building on other foundational campus and medical center plans. Given encouragement from the communities that UC and the Legislature, UC President Drake and the UC Chancellors are committed to expanding UC's capacity. In response, President Drake recognized the compelling need to expand UC's capacity. California needs more graduate students who can become future researchers; more culturally competent doctors and other medical professionals; more women and minority business owners, and policy and legal experts.

In response to these needs, the UC 2030 Capacity Plan proposes the growth of over 23,000 State-supported student full-time equivalents through 2030. Strategic changes to existing buildings, construction of new facilities, and infrastructure improvements are needed to support this growth. Campuses' and medical centers' strategic and academic plans will continue to emphasize ways to advance educational equity and evolve to support a new long-term strategy that supports increased capacity while using the lessons learned from the pandemic. Capital projects' design and scope are developing to support living, learning, and research in a post-pandemic university environment.

The UC campuses will continue to develop effective and cost-efficient remote and hybrid learning models while understanding where these modalities are effective and where they do not address all educational needs. With the preceding in mind, the 2022-28 CFP has been produced

at a time of change and transition. The capital projects in the plan represent a capital need; however, given resource constraints, only projects that address the most critical need with funding will move forward in 2022-23.

Further, the UC campuses' and medical centers' academic and strategic plans are the basis of UC's capital program. The proposed 2022-28 CFP has been especially influenced by enrollment while also addressing the University's needs for seismic upgrades, building and infrastructure restoration and renewal, programs to reduce energy use, and the transition to clean energy systems.

The CDU. This measure allocates \$50 million in bond funding to the UC, specifically earmarked to fund the construction of facilities that support CDU's new, four-year medical school program.

Additionally, the CDU receives approximately \$3 million annually from the UC's budget to support CDU's mission, and receives approximately \$4.5 million in reimbursements for costs accrued to operate CDU's joint medical program in partnership with UCLA.

Recently, the CDU received \$7.5 million from the General Fund in the 2019 Budget Act.

Committee comments. In 2020, Proposition 13, the \$15 billion school construction bond that went before voters on the March 3 ballot, failed passage with only 47% voter support. As currently drafted, this measure is substantially similar to Proposition 13.

It is presently unknown, should this measure go before the people, if the outcome would be different than it was in 2020.

Additionally, with 115 brick and mortar campuses, the CCCs serve as a primary access point to higher education in the State. While some CCCs support this measure, some CCCs have expressed concerns over the current provisions of the measure. Committee Staff understands that the CCCs who have expressed concerns, believe that the current provisions of this measure underfund the community colleges in relationship to the number of students that the CCC serves (approximately 1.8 million students annually, which is approximately 70% of all students attending college in the State) when compared to the number of students the CSU (approximately 458,000) and UC (approximately 294,300) annually serve.

Further, Committee Staff understands that the CCCs who have expressed concerns, believe that, like Proposition 1D of 2006 (as described in the *Background* section of this analysis), the funding split between the higher education systems (CCC, CSU, and UC), should not be an even split.

Arguments in support. According to the CSU, "SB 28 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. It would also require CSU campuses to adopt a five-year affordable student housing plan in order to better meet the needs of our students, especially those who find themselves living in a high-priced housing market such as the San Francisco Bay Area."

The UC states, "A GO [general obligation] bond for K-12 and public higher education could assist campuses in developing unfunded projects with a focus on capacity expansion to accommodate enrollment increases. 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 also critical that we maintain our facilities, grounds, and infrastructure to ensure that current and future generations of UC students enjoy the same high quality of education and experience as prior generations. The University believes that the funds available from SB 28 will go a long way toward helping UC meet those needs.”

Arguments in opposition. BizFed Central Valley, which is a grassroots alliance of approximately 70 businesses and associations, 30,000 employers, and 400,000 employees, spanning the Central Valley from Madera to Kern, states, “we are writing in opposition of SB 28, which unnecessarily discriminates against non-union workers and drives up the cost of school construction.”

Further, BizFed Central Valley states, “the PLA [project labor agreement] provision is also counterproductive as it drives up the costs of construction. A Beacon Hill Institute study from 2020 found that Connecticut schools built with similar provisions drove up the cost of school construction by nearly 20 percent. With inflation on the rise, the state should be looking for value to maximize the number of projects.”

Related legislation. AB 247 (Muratsuchi, et al.), which is pending a hearing in the Senate Committee on Governance and Finance, places the Kindergarten-Community Colleges Public Education Facilities Bond Act of 2024 on the unspecified 2024 statewide ballot, to be operative only if approved by voters at the election.

Prior legislation. Several bond measures have been proposed since 2006 to fund higher education facilities. The most recent of these are:

AB 75 (O'Donnell) of 2021, which was held in the Senate Committee on Education, placed the Kindergarten-Community Colleges Public Education Facilities Bond Act of 2022 on the 2022 statewide ballot, to be operative only if approved by voters at the election.

AB 48 (O'Donnell and Glazer), Chapter 530, Statutes of 2019, which was substantially similar to SB 22 (as referenced below), placed the \$15 billion Public Preschool, K-12, and College Health and Safety Bond Act of 2020 on the March 2020 statewide ballot.

California voters did not adopt the measure during the Statewide Primary Election on March 3, 2020; the provisions did not take effect.

SB 22 (Glazer), of 2021, which, was held by the Assembly Committee on Education, would place the Public Preschool, K-12, and College Health and Safety Bond Act of 2022 on an unspecified statewide election in 2022. The Bond Act would be for \$15 billion.

AB 13 (Eggman) of 2019, which was held by this Committee, placed the Higher Education Facilities Bond Act of 2020 on the November 3, 2020, Statewide General Election. The measure proposed \$2 billion for University of California (UC) facilities, \$2 billion for California State University (CSU) facilities and \$3 billion for new CSU campuses.

SB 14 (Glazer) of 2019, which died in the Assembly Rules Committee, placed the Higher Education Facilities Bond Act of 2020 on the March 3, 2020 Statewide Primary Election. The measure proposed \$4 billion each for UC and CSU facilities.

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 the Suspense File in the Senate Appropriations Committee, proposed a \$2 billion bond for the November 2018 ballot facilities at UC, CSU, and Hastings.

AB 148 (Holden) of 2015, which was held on the Suspense File in the Assembly Appropriations Committee, would have placed the K–14 School Investment Bond Act of 2016 with unspecified dollar amounts on the November 8, 2016 statewide ballot.

AB 1088 (O'Donnell) of 2015, which was held on the Suspense File 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.

AB 1433 (Gray) of 2015, which was held on the Suspense File in the Assembly Appropriations Committee, would have placed the Recommitment to Higher Education Bond Act of 2016 with unspecified amounts for higher education facilities on the November 8, 2016 Statewide General Election.

SB 114 (Liu) of 2015, which failed passage on the Senate Floor, would have placed the Kindergarten Through Grade 12 Public Education Facilities Bond Act of 2016 with unspecified dollar amounts on the November 8, 2016 ballot.

REGISTERED SUPPORT / OPPOSITION:

Support

A Voice for Choice Advocacy
California State University, Office of the Chancellor
Charles R. Drew University of Medicine and Science
Kedren Health
Los Angeles Unified School District
Mt. San Antonio College
North Orange Community College District
Office of the Riverside County Superintendent of Schools
Riverside County Public K-12 School District Superintendents
South Central Family Health Center
Southside Coalition of Community Health Centers
St. Johns Well Child & Family Health Center
To Help Everyone Health and Wellness Centers

University of California
Watts Labor Community Action Committee

Opposition

BizFed Central Valley
Plumbing-Heating-Cooling Contractors Association of California
Western Electrical Contractors Association

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