2016

School Bonds. Funding for K–12 School and Community College Facilities. Initiative Statute.

PROPOSITION

51 SCHOOL BONDS. FUNDING FOR K–12 SCHOOL AND COMMUNITY COLLEGE FACILITIES. INITIATIVE STATUTE.

OFFICIAL TITLE AND SUMMARY PREPARED BY THE ATTORNEY GENERAL

- Authorizes $9 billion in general obligation bonds: $3 billion for new construction and $3 billion for modernization of K–12 public school facilities; $1 billion for charter schools and vocational education facilities; and $2 billion for California Community Colleges facilities.
- Bars amendment to existing authority to levy developer fees to fund school facilities, until new construction bond proceeds are spent or December 31, 2020, whichever is earlier.
- Bars amendment to existing State Allocation Board process for allocating school construction funding, as to these bonds.
- Appropriates money from the General Fund to pay off bonds.

SUMMARY OF LEGISLATIVE ANALYST'S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT:

- State costs of about $17.6 billion to pay off both the principal ($9 billion) and interest ($8.6 billion) on the bonds. Payments of about $500 million per year for 35 years.

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

California Has 8.3 Million Students Enrolled in Public K–14 Education. The public school system from kindergarten through grade 12 (K–12) currently has about 6.2 million students, 10,000 schools (including 1,100 charter schools), 950 school districts, and 58 county offices of education. The California Community Colleges currently have 2.1 million students at 113 campuses operated by 72 community college districts. The community colleges offer courses in English, other basic skills, and citizenship, as well as provide workforce training, associate degrees, and preparation for transfer to universities.

K–12 Public School Facility Projects Approved Through State Review Process. Under the state's existing School Facilities Program, schools submit project proposals to the state's Office of Public School Construction. The project proposals may be for buying land, constructing new buildings, and modernizing (that is, renovating) existing buildings. Schools are eligible for new construction funding if they do not have enough space for all current and projected students. Schools are eligible for modernization funding for buildings that are at least 25 years old.

Program Based Upon State and Local Partnership. In most cases, schools that receive state grant funding for approved projects must contribute local funding for those projects. For buying land and new construction projects, the state and local shares are each 50 percent of project costs. For modernization projects, the state share is 60 percent and the local share is 40 percent of project costs. If schools lack sufficient local funding, they may apply for additional state grant funding, up to 100 percent of the project cost, thereby reducing or eliminating their required local contributions.

A Few Special Program Components for Two Types of K–12 Facility Projects. Most of the basic program rules apply to career technical education and charter school facilities, but a few program components differ. Although the state pays 60 percent of project costs for most modernization projects, it pays 50 percent for career technical education and charter school modernization projects. (Shares for new construction are the same.) For career technical education, state grants also are capped at $3 million for a new facility and $1.5 million for a modernized facility. For charter school projects, proposals also must undergo a special state review to determine if the charter school is financially sound. In addition to these special rules, schools that cannot cover their local share for these two types of projects may apply for state loans (rather than additional grant funding). Schools must repay their career technical education loans and charter school loans over maximum 15-year and 30-year periods, respectively.

Community College Facility Projects Approved in Annual Budget. Though community colleges also may receive state funding for buying land, constructing new buildings, and modernizing existing buildings, the process for submitting and approving projects is different than for K–12 facilities. To receive state funding, community college districts must submit project proposals to the Chancellor of the community college system. The Chancellor then decides which projects to submit to the Legislature and Governor, with projects approved as part of the state budget process and funded in the annual state budget act.

Local Contributions Vary for Community College Facilities. Unlike for K–12 facilities, state law does not specify certain state and local contributions for community college facilities. Instead, the Chancellor of the community college system ranks all submitted facility projects using a scoring system. Projects for which community colleges contribute more local funds receive more points under the scoring system.

State Primarily Funds Public School and Community College Facilities Through General Obligation Bonds. The state typically issues general obligation bonds to pay for facility projects. A majority of voters must approve these bonds. From 1998 through 2006, voters approved four facility bonds that provided a total of $36 billion for K–12 facilities and $4 billion for community college facilities. Voters have not approved new state facility bonds since 2006. Today, the state has virtually no remaining funding from previously issued school and community college facility bonds. (For more information on the state's use of bonds, see the "Overview of State Bond Debt" later in this voter guide.)

State Retires Bonds Over Time by Making Annual Debt Service Payments. In 2016–17, the state is paying $2.4 billion to service debt from previously issued

For the full text of Proposition 51, see page 118.

state general obligation bonds for school facilities and $300 million for community college facilities.

Districts Raise Local Funding for Facilities Mainly Through Local General Obligation Bonds. School and community college districts may sell local general obligation bonds to help cover the cost of facility projects. Districts must get at least 55 percent of their voters to approve the sale of these local bonds. Since 1998, school and community college districts have sold about $64 billion and $21 billion, respectively, in local general obligation bonds for facility projects.

A Few Other Local Funding Sources. In addition to local bonds, school districts can raise funds for school facilities by charging fees on new development. Since 1998, school districts have raised $10 billion from developer fees. (Community colleges do not have this revenue-raising option.) School and community college districts both can raise local funding for facilities using various other methods, including parcel taxes, but they use these other methods much less frequently.

PROPOSAL

As shown in Figure 1, this measure allows the state to sell $9 billion of general obligation bonds for public school and community college facilities.

K–12 School Facilities. As shown in the figure, the $7 billion for K–12 school facilities is designated for four types of projects: new construction, modernization, career technical education facilities, and charter school facilities. The rules of the state's existing school facility program would apply to these funds.

Community College Facilities. The $2 billion community college funding is for any facility project, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. Consistent with existing practice, the Legislature and Governor would approve specific community college facility projects to be funded with the bond monies in the annual budget act.

FISCAL EFFECTS

Measure Would Increase State Debt Service Costs. The cost to the state of issuing the proposed bonds would depend on the timing of the bond sales, the interest rates in effect at the time the bonds are sold, and the time period over which the bonds are repaid. The state likely would issue these bonds over a period of about five years and make principal and interest

Figure 1

Proposition 51: Uses of Bond Funds

(In Millions)

	Amount
K–12 Public School Facilities	
New construction	$3,000
Modernization	3,000
Career technical education facilities	500
Charter school facilities	500
Subtotal	($7,000)
Community College Facilities	$2,000
Total	**$9,000**

ANALYSIS BY THE LEGISLATIVE ANALYST CONTINUED

payments from the state's General Fund (its main operating account) over a period of about 35 years. If the bonds were sold at an average interest rate of 5 percent, the total cost to pay off the bonds would be $17.6 billion ($9 billion in principal plus $8.6 billion in interest). **The average payment per year would be about $500 million**. This amount is less than half of 1 percent of the state's current General Fund budget.

Measure Would Have Some Impact on Local Revenue-Raising and Facility Spending. Passage of a new state bond would likely have some effect on local district behavior. This is because school and community college districts typically are required to make local contributions to their facilities if they want to obtain state funding. The exact effect on local behavior is uncertain. On the one hand, some school and community college districts might raise and spend more locally given the availability of additional state funds. As a result, more overall facility activity might occur in these districts over the next several years. In contrast, other school and community college districts might raise and spend less locally as the availability of additional state funds means they would not need to bear the full cost of their facility projects. These districts might complete the same number of projects as they would have absent a new state bond. They would use the newly available state funding to offset what they otherwise would have raised locally.

Visit *http://www.sos.ca.gov/measure-contributions* for a list of committees primarily formed to support or oppose this measure. Visit *http://www.fppc.ca.gov/transparency/top-contributors/nov-16-gen-v2.html* to access the committee's top 10 contributors.

★ ARGUMENT IN FAVOR OF PROPOSITION 51 ★

PROP. 51 MAKES PROTECTING STUDENTS A TOP PRIORITY.

Many schools and community colleges are outdated and need repairs to meet basic health and safety standards—including retrofitting for earthquake safety, fire safety, and removing asbestos and lead paint and pipes. Prop. 51 will help make sure our local schools are updated and safe for students.

PROP. 51 WILL HELP ALL CALIFORNIA STUDENTS GET A QUALITY EDUCATION.

"Nothing is more disheartening than teaching students when our classrooms are falling apart and don't provide access to student's basic academic needs. To help students succeed, Prop. 51 will repair outdated and deteriorating schools and upgrade classroom technology, libraries, and computer and science labs."—*Tim Smith, 2014 California Teacher of the Year, Florin High School*

IMPROVING VOCATIONAL EDUCATION AND HELPING RETURNING VETERANS.

"Prop. 51 allows local schools and community colleges to upgrade vocational education classrooms so students can train for good-paying careers and contribute to California's growing economy. And, we owe it to our veterans to provide training and help them transition to the workplace."—*Tom Torlakson, State Superintendent of Public Instruction*

INCREASE ACCESS TO AN AFFORDABLE COLLEGE EDUCATION.

"By upgrading and repairing our community college facilities, we can increase access to quality, affordable higher education for all Californians. Our community colleges contribute to the economic and social strength of local communities throughout the state, and help college students avoid thousands of dollars in debt. We need to show our support to California's students."—*Jonathan Lightman, Executive Director, Faculty Association of California Community Colleges*

CALIFORNIA FACES A LONG BACKLOG OF NEIGHBORHOOD PROJECTS.

"School nurses are aware of the need for improved school facilities, the overcrowding, plumbing and other environmental issues requiring modifications necessary to maintain optimum health and safety of the students, faculty, and staff will be addressed by Prop. 51."—*Kathy Ryan, President, California School Nurses Organization*

PROTECTS LOCAL CONTROL OVER EVERY PROJECT.

"Prop. 51 will protect local control by requiring funding only be used for school improvement projects approved by local school and community college boards. All of the money must be spent locally, where taxpayers can have a voice in deciding how these funds are best used to improve their neighborhood schools."—*Chris Ungar, President, California School Boards Association*

A FISCALLY RESPONSIBLE WAY TO UPGRADE AND REPAIR SCHOOLS WITH TOUGH TAXPAYER ACCOUNTABILITY.

"A statewide bond is the best option for meeting California's school construction needs, because education is a statewide concern. Without this bond, local taxpayers will face higher local property taxes that create inequalities between schools in different communities, treat taxpayers differently, and lack strong accountability provisions."—*Teresa Casazza, President, California Taxpayers Association*

WE CAN'T WAIT ANY LONGER.

We haven't passed a statewide school bond in ten years, and now we face a massive backlog of local school projects. Our schools are in desperate need of upgrades and repairs to keep our students safe and ensure they have facilities where they can learn.

Prop. 51 will help our students and veterans succeed.

PLEASE JOIN US IN VOTING YES ON PROP. 51.

JUSTINE FISCHER, President
California State PTA

KEN HEWITT, President
California Retired Teachers Association

LARRY GALIZIO, Chief Executive Officer
Community College League of California

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 51 ★

Since 2001, we've approved over $146 billion in state and local bonds to fix California schools. Yet Prop. 51 supporters still claim our schools don't "meet basic health and safety standards."

Where did the money go?

INVITES FRAUD:

The last statewide school bond audit by the California Department of Finance found BILLIONS AT RISK of *"being used for unintended purposes . . . if left unresolved . . . will continue to adversely affect bond accountability."*

Because spending safeguards are not implemented or not working bond funds can be misused.

Both Governor Jerry Brown and Attorney General Kamala Harris have raised this concern.

Prop. 51 keeps this flawed system in place.

BLOCKS REFORMS:

Prop. 51 ties the hands of legislators and locks in current rules. It hijacks our democracy by *barring legislators from correcting rules* that deny disadvantaged schools the help they need.

This guarantees developers don't pay their fair share.

ALLOWS RECKLESS SPENDING:

Bonds are expensive. Two tax dollars are required to payback every dollar borrowed. Bonds should be used for things that last decades. Incredibly, Prop. 51 funds can be spent on equipment with a 10-year "average useful life." *Bond payments will last decades longer.*

This is like buying your lunch with a 30-year mortgage and paying for it many times over.

Prop. 51 may be the most self-serving, devious measure ever put before California voters. *It was created by the construction industry to benefit the construction industry.*

Visit *StopProp51.org*. See who's behind the Yes campaign.

Vote NO on 51!

G. RICK MARSHALL, Chief Financial Officer
California Taxpayers Action Network

WENDY M. LACK, Director
California Taxpayers Action Network

★ ARGUMENT AGAINST PROPOSITION 51 ★

Bonds are debts that must be repaid with interest, over time.

Since 1998, California voters have approved $35 billion in state school construction bonds. All were placed on the ballot by the Legislature and backed by the Governor. Proposition 51 is different. The Legislature did not put Proposition 51 on the ballot. And the Governor opposes it.

We join the Governor in opposition because Proposition 51 is:

UNAFFORDABLE:

Californians already pay $2 billion each year on state school bonds. Proposition 51 would cost an additional $500 million each year—money the state doesn't have.

In total, California has over $400 billion in debt and financial commitments. Governor Brown calls this a "wall of debt." Borrowing more money we can't afford is reckless.

UNACCOUNTABLE:

With local school bonds, communities control spending. With state school bonds, bureaucrats and their cronies call the shots. *Local control is the best way to minimize government waste.*

UNNECESSARY:

For school construction, *local bond measures work better than statewide bonds.* Last June voters approved over 90% of local school bonds on the ballot, providing over $5.5 billion for school construction.

School enrollment is expected to decline over the next 10 years. Proposition 51 wastes money favoring construction of new schools over remodeling existing schools.

INEQUITABLE:

Proposition 51 funding would go to those first in line. Large wealthy districts would receive the "lion's share" because they have dedicated staff to fill out paperwork. This shuts out smaller, poorer districts that need help most. This is *morally wrong*.

REFORM FIRST:

Proposition 51 does nothing to change the bureaucratic, one-size-fits-none state bond program. Small, needy school districts can't afford expensive consultants used by the big, wealthy schools. Program reforms are needed so disadvantaged districts get the money they deserve.

Last February Governor Brown told the *Los Angeles Times*, *"I am against the developers' $9-billion bond . . . [it] squanders money that would be far better spent in low-income communities."*

Brown also said benefit promises to state employees are *"liabilities so massive that it is tempting to ignore them . . .. We can't possibly pay them off in a year or two or even 10. Yet, it is our moral obligation to do so—particularly before we make new commitments."*

We agree.

Proposition 51 is supported by businesses and politicians who benefit from more state spending. Yes on 51 has already raised over $6 million from those who would profit most, including the *Coalition for Adequate School Housing (CASH)* and *California Building Industry Association.*

California Taxpayers Action Network is an all-volunteer, non-partisan, non-profit that promotes fiscal responsibility and transparency in local government. We combat government secrecy, waste and corruption and seek to ensure everyone receives good value for their tax dollars.

We're people just like you who support quality schools and want fiscal responsibility in government without waste.

Join us in voting NO on Proposition 51.

www.caltan.org

G. RICK MARSHALL, Chief Financial Officer
California Taxpayers Action Network

WENDY M. LACK, Director
California Taxpayers Action Network

★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 51 ★

Prop. 51 ensures that every California student has the opportunity to learn in safe, up-to-date schools while also protecting taxpayers.

PROP. 51 IS NOT A TAX INCREASE.

Prop. 51 is a bond that will be repaid from a very small amount of the state's EXISTING annual revenue to repair and upgrade local schools. It does NOT raise taxes.

PROTECTS TAXPAYERS FROM HIGHER LOCAL TAXES.

Without matching dollars from a statewide school bond, taxpayers will face higher local property taxes to pay for school repairs and upgrades, and some school districts may never be able to afford fixing schools on their own. This partnership between the state and local school districts has fairly funded school repairs for all students.

REQUIRES TOUGH ACCOUNTABILITY.

Prop. 51 puts local voters in control of how school bond monies are spent. It requires annual audits and tough accounting standards.

PROP. 51 MAKES PROTECTING STUDENTS A PRIORITY.

Many schools and community colleges are outdated and need repairs to meet basic health and safety standards—including retrofitting for earthquake safety, fire safety, and removing asbestos and lead paint and pipes. These repairs are critical to keeping every student safe.

YES ON PROP. 51.

Prop. 51 will help every California student get a quality education, increase access to an affordable college education, and improve vocational training for veterans and students preparing for the workplace.

Prop. 51 is supported by taxpayer groups, teachers, business, Republicans, and Democrats. See for yourself at *www.californiansforqualityschools.com*

Please join us in supporting Prop. 51.

CHRIS UNGAR, President
California School Boards Association

TERESA CASAZZA, President
California Taxpayers Association

LARRY GALIZIO, Chief Executive Officer
Community College League of California

PROPOSITION 51

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure adds sections to the Education Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Findings and Declarations.

The people of the State of California find and declare all of the following:

(a) Pursuant to the California Constitution, public education is a state responsibility and, among other things, that responsibility requires that public schools be safe, secure, and peaceful.

(b) The State of California has a fundamental interest in the financing of public education and that interest extends to ensuring that K–14 facilities are constructed and maintained in safe, secure, and peaceful conditions.

(c) Since 1998, the State of California has successfully met its responsibility to provide safe, secure, and peaceful facilities through the Leroy F. Greene School Facilities Act of 1998, contained in Article 1 (commencing with Section 17070.10) of Chapter 12.5 of Part 10 of Division 1 of Title 1 of the Education Code.

(d) The State Allocation Board has the authority to audit expenditure reports and school district records in order to assure bond funds are expended in accordance with program requirements, which includes verifying that projects progress in a timely manner and that funds are not spent on salaries or operating expenses.

(e) The people of the State of California further find and declare the following:

(1) California was among the hardest hit of the states during the last recession and while employment gains are occurring, economists caution that the state economy has not yet fully recovered.

(2) Investments made through the Kindergarten Through Community College Public Education Facilities Bond Act of 2016 will provide for career technical education facilities to provide job training for many Californians and veterans who face challenges in completing their education and re-entering the workforce.

(3) Investments will be made in partnership with local school districts to upgrade aging facilities to meet current health and safety standards, including retrofitting for earthquake safety and the removal of lead paint, asbestos, and other hazardous materials.

(4) Studies show that 13,000 jobs are created for each $1 billion of state infrastructure investment. These jobs include building and construction trades jobs throughout the state.

(5) The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 provides for disadvantaged school districts and local control.

(6) Academic goals cannot be achieved without 21st Century school facilities designed to provide improved school technology and teaching facilities.

(f) Therefore, the people enact the Kindergarten Through Community College Public Education Facilities Bond Act of 2016 to provide a comprehensive and fiscally responsible approach for addressing the school facility needs for all Californians.

SEC. 2. Section 17070.41 is added to the Education Code, to read:

17070.41. Creation of 2016 State School Facilities Fund.

(a) A fund is hereby established in the State Treasury, to be known as the 2016 State School Facilities Fund. All money in the fund, including any money deposited in that fund from any source whatsoever, and notwithstanding Section 13340 of the Government Code, is hereby continuously appropriated without regard to fiscal years for expenditure pursuant to this chapter.

(b) The board may apportion funds to school districts for the purposes of this chapter, as it read on January 1, 2015, from funds transferred to the 2016 State School Facilities Fund from any source.

(c) The board may make apportionments in amounts not exceeding those funds on deposit in the 2016 State School Facilities Fund, and any amount of bonds authorized by the committee, but not yet sold by the Treasurer.

(d) The board may make disbursements pursuant to any apportionment made from any funds in the 2016 State School Facilities Fund, irrespective of whether there exists at the time of the disbursement an amount in the 2016 State School Facilities Fund sufficient to permit payment in full of all apportionments previously made. However, no disbursement shall be made from any funds required by law to be transferred to the General Fund.

SEC. 3. Part 70 (commencing with Section 101110) is added to Division 14 of Title 3 of the Education Code, to read:

PART 70. KINDERGARTEN THROUGH COMMUNITY COLLEGE PUBLIC EDUCATION FACILITIES BOND ACT OF 2016

CHAPTER 1. GENERAL

101110. This part shall be known, and may be cited, as the Kindergarten Through Community College Public Education Facilities Bond Act of 2016.

101112. Bonds in the total amount of nine billion dollars ($9,000,000,000), not including the amount of any refunding bonds issued in accordance with Sections 101140 and 101149, or so much thereof as is necessary, may be issued and sold for the purposes set forth in Sections 101130 and 101144. The bonds, when sold, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of the principal of, and interest on, the bonds as the principal and interest become due and payable.

CHAPTER 2. KINDERGARTEN THROUGH 12TH GRADE

Article 1. Kindergarten Through 12th Grade School Facilities Program Provisions

101120. The proceeds of bonds issued and sold pursuant to this chapter shall be deposited in the 2016 State School Facilities Fund established in the State Treasury under Section 17070.41 and shall be allocated by the State Allocation Board pursuant to this chapter.

101121. All moneys deposited in the 2016 State School Facilities Fund for the purposes of this chapter shall be available to provide aid to school districts, county *superintendents of schools, and county boards of education of the state in accordance with the Leroy F. Greene School Facilities Act of 1998 (Chapter 12.5 (commencing with Section 17070.10) of Part 10 of Division 1 of Title 1), as it read on January 1, 2015, as set forth in Section 101122, to provide funds to repay any money advanced or loaned to the 2016 State School Facilities Fund under any act of the Legislature, together with interest provided for in that act, and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code.*

101122. (a) The proceeds from the sale of bonds, issued and sold for the purposes of this chapter, shall be allocated in accordance with the following schedule:

(1) The amount of three billion dollars ($3,000,000,000) for new construction of school facilities of applicant school districts pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10 of Division 1 of Title 1.

(2) The amount of five hundred million dollars ($500,000,000) shall be available for providing school facilities to charter schools pursuant to Article 12 (commencing with Section 17078.52) of Chapter 12.5 of Part 10 of Division 1 of Title 1.

(3) The amount of three billion dollars ($3,000,000,000) for the modernization of school facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10 of Division 1 of Title 1.

(4) The amount of five hundred million dollars ($500,000,000) for facilities for career technical education programs pursuant to Article 13 (commencing with Section 17078.70) of Chapter 12.5 of Part 10 of Division 1 of Title 1.

(b) School districts may use funds allocated pursuant to paragraph (3) of subdivision (a) only for one or more of the following purposes in accordance with Chapter 12.5 (commencing with Section 17070.10) of Part 10 of Division 1 of Title 1:

(1) The purchase and installation of air-conditioning equipment and insulation materials, and related costs.

(2) Construction projects or the purchase of furniture or equipment designed to increase school security or playground safety.

(3) The identification, assessment, or abatement in school facilities of hazardous asbestos.

(4) Project funding for high-priority roof replacement projects.

(5) Any other modernization of facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10 of Division 1 of Title 1.

(c) Funds allocated pursuant to paragraph (1) of subdivision (a) may also be utilized to provide new construction grants for eligible applicant county boards of education under Chapter 12.5 (commencing with Section 17070.10) of Part 10 of Division 1 of Title 1 for funding classrooms for severely handicapped pupils, or for funding classrooms for county community school pupils.

(d) Chapter 4.9 (commencing with Section 65995) of Division 1 of Title 7 of the Government Code, as those provisions read on January 1, 2015, shall be in effect until the full amount of bonds authorized for new school facility construction pursuant to paragraph (1) of subdivision (a) have been expended, or December 31, 2020, whichever is sooner. Thereafter, Chapter 4.9 (commencing with Section 65995) of Division 1 of Title 7 of the Government Code may be amended pursuant to law.

Article 2. Kindergarten Through 12th Grade School Facilities Fiscal Provisions

101130. (a) Of the total amount of bonds authorized to be issued and sold pursuant to Chapter 1 (commencing with Section 101110), bonds in the amount of seven billion dollars ($7,000,000,000) not including the amount of any refunding bonds issued in accordance with Section 101140, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code.

(b) Pursuant to this section, the Treasurer shall sell the bonds authorized by the State School Building Finance Committee established pursuant to Section 15909 at any different times necessary to service expenditures required by the apportionments.

101131. The State School Building Finance Committee, established by Section 15909 and composed of the Governor, the Controller, the Treasurer, the Director of Finance, and the Superintendent, or their designated representatives, all of whom shall serve thereon without compensation, and a majority of whom shall constitute a quorum, is continued in existence for the purpose of this chapter. The Treasurer shall serve as chairperson of the committee. Two Members of the Senate appointed by the Senate Committee on Rules, and two Members of the Assembly appointed by the Speaker of the Assembly, shall meet with and provide advice to the committee to the extent that the advisory participation is not incompatible with their respective positions as Members of the Legislature. For the purposes of this chapter, the Members of the Legislature shall constitute an interim investigating committee on the subject of this chapter and, as that committee, shall have the powers granted to, and duties imposed upon, those committees by the Joint Rules of the Senate and the Assembly. The Director of Finance shall provide assistance to the committee as it may require. The Attorney General of the state is the legal adviser of the committee.

101132. (a) The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all acts amendatory thereof and supplementary thereto, are hereby incorporated into this chapter as though set forth in full within this chapter, except subdivisions (a) and (b) of Section 16727 of the Government Code shall not apply to the bonds authorized by this chapter.

(b) For purposes of the State General Obligation Bond Law, the State Allocation Board is designated the "board" for purposes of administering the 2016 State School Facilities Fund.

101133. (a) Upon request of the State Allocation Board, the State School Building Finance Committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order to fund the related apportionments and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to fund those apportionments progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

(b) A request of the State Allocation Board pursuant to subdivision (a) shall be supported by a statement of the apportionments made and to be made for the purposes described in Sections 101121 and 101122.

101134. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year. It is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act that is necessary to collect that additional sum.

101135. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

(b) The sum necessary to carry out Section 101138, appropriated without regard to fiscal years.

101136. The State Allocation Board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account or any other approved form of interim financing, in accordance with Section 16312 of the Government Code, for the purpose of carrying out this chapter. The amount of the request shall not exceed the amount of the unsold bonds (exclusive of refunding bonds) that the committee, by resolution, has authorized to be sold for the purpose of carrying out this chapter. The State Allocation Board shall execute any documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the State Allocation Board in accordance with this chapter.

101137. Notwithstanding any other provision of this chapter, or of the State General Obligation Bond Law, if the Treasurer sells bonds pursuant to this chapter that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes, subject to designated conditions, the Treasurer may maintain separate accounts for the investment of bond proceeds and for the investment earnings on those proceeds. The Treasurer may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds required or desirable under federal law to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

101138. For the purposes of carrying out this chapter, the Director of Finance may authorize the withdrawal from the General Fund of an amount not to exceed the amount of the unsold bonds (exclusive of refunding bonds) that have been authorized by the State School Building Finance Committee to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the 2016 State School Facilities Fund consistent with this chapter. Any money made available under this section shall be returned to the General Fund, plus an amount equal to the interest that the money would have earned in the Pooled Money Investment Account, from proceeds received from the sale of bonds for the purpose of carrying out this chapter.

101139. All money deposited in the 2016 State School Facilities Fund, that is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest, except that amounts derived from premium may be reserved and used to pay the cost of the bond issuance prior to any transfer to the General Fund.

101140. The bonds issued and sold pursuant to this chapter may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the voters of the state for the issuance of the bonds described in this chapter includes the approval of the issuance of any bonds issued to refund any bonds originally issued under this chapter or any previously issued refunding bonds. Any bond refunded with the proceeds of refunding bonds as authorized by this section may be legally defeased to the extent permitted by law in the manner and to the extent set forth in the resolution, as amended from time to time, authorizing such refunded bond.

101141. The people hereby find and declare that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

Chapter 3. California Community College Facilities

Article 1. General

101142. (a) The 2016 California Community College Capital Outlay Bond Fund is hereby established in the State Treasury for deposit of funds from the proceeds of bonds issued and sold for the purposes of this chapter.

(b) The Higher Education Facilities Finance Committee established pursuant to Section 67353 is hereby authorized to create a debt or debts, liability or liabilities, of the State of California pursuant to this chapter for the purpose of providing funds to aid the California Community Colleges.

Article 2. California Community College Program Provisions

101143. (a) From the proceeds of bonds issued and sold pursuant to Article 3 (commencing with Section 101144), the sum of two billion dollars ($2,000,000,000) shall be deposited in the 2016 California Community College Capital Outlay Bond Fund for the purposes of this article. When appropriated, these funds shall be available for expenditure for the purposes of this article.

(b) The purposes of this article include assisting in meeting the capital outlay financing needs of the California Community Colleges.

(c) Proceeds from the sale of bonds issued and sold for the purposes of this article may be used to fund construction on existing campuses, including the construction of buildings and the acquisition of related fixtures, construction of facilities that may be used by more than one segment of public higher education (intersegmental), the renovation and reconstruction of facilities, site acquisition, the equipping of new, renovated, or reconstructed facilities, which equipment shall have an

average useful life of 10 years, and to provide funds for the payment of preconstruction costs, including, but not limited to, preliminary plans and working drawings for facilities of the California Community Colleges.

Article 3. California Community College Fiscal Provisions

101144. (a) Of the total amount of bonds authorized to be issued and sold pursuant to Chapter 1 (commencing with Section 101110), bonds in the total amount of two billion dollars ($2,000,000,000), not including the amount of any refunding bonds issued in accordance with Section 101149, or so much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this chapter and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code.

(b) Pursuant to this section, the Treasurer shall sell the bonds authorized by the Higher Education Facilities Finance Committee established pursuant to Section 67353 at any different times necessary to service expenditures required by the apportionments.

101144.5. (a) The bonds authorized by this chapter shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all acts amendatory thereof and supplementary thereto, are hereby incorporated into this chapter as though set forth in full within this chapter, except subdivisions (a) and (b) of Section 16727 of the Government Code shall not apply to the bonds authorized by this chapter.

(b) For the purposes of the State General Obligation Bond Law, each state agency administering an appropriation of the 2016 Community College Capital Outlay Bond Fund is designated as the "board" for projects funded pursuant to this chapter.

(c) The proceeds of the bonds issued and sold pursuant to this chapter shall be available for the purpose of funding aid to the California Community Colleges for the construction on existing or new campuses, and their respective off-campus centers and joint use and intersegmental facilities, as set forth in this chapter.

101145. The Higher Education Facilities Finance Committee established pursuant to Section 67353 shall authorize the issuance of bonds under this chapter only to the extent necessary to fund the related apportionments for the purposes described in this chapter that are expressly authorized by the Legislature in the annual Budget Act. Pursuant to that legislative direction, the committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this chapter in order to carry out the purposes described in this chapter and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

101145.5. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year. It is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.

101146. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this chapter, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this chapter, as the principal and interest become due and payable.

(b) The sum necessary to carry out Section 101147.5, appropriated without regard to fiscal years.

101146.5. The board, as defined in subdivision (b) of Section 101144.5, may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account or any other approved form of interim financing, in accordance with Section 16312 of the Government Code, for the purpose of carrying out this chapter. The amount of the request shall not exceed the amount of the unsold bonds (exclusive of refunding bonds) that the Higher Education Facilities Finance Committee, by resolution, has authorized to be sold for the purpose of carrying out this chapter. The board, as defined in subdivision (b) of Section 101144.5, shall execute any documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this chapter.

101147. Notwithstanding any other provision of this chapter, or of the State General Obligation Bond Law, if the Treasurer sells bonds pursuant to this chapter that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes, subject to designated conditions, the Treasurer may maintain separate accounts for the investment of bond proceeds and for the investment earnings on those proceeds. The Treasurer may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds required or desirable under federal law to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

101147.5. (a) For the purposes of carrying out this chapter, the Director of Finance may authorize the withdrawal from the General Fund of an amount not to exceed the amount of the unsold bonds (exclusive of refunding bonds) that have been authorized by the Higher Education Facilities Finance Committee to be sold for the purpose of carrying out this chapter. Any amounts withdrawn shall be deposited in the 2016 California Community College Capital Outlay Bond Fund consistent with this chapter. Any money made available under this section shall be returned to the General Fund, plus an amount equal to the interest that the money would have earned in the Pooled Money Investment Account, from proceeds received from the sale of bonds for the purpose of carrying out this chapter.

(b) Any request forwarded to the Legislature and the Department of Finance for funds from this bond issue for expenditure for the purposes described in this chapter by the California Community Colleges shall be accompanied by the five-year capital outlay plan that reflects the needs and priorities of the community college system and is prioritized on a statewide basis. Requests shall include a schedule that prioritizes the seismic retrofitting needed to significantly reduce, in the judgment of the particular

college, seismic hazards in buildings identified as high priority by the college.

101148. All money deposited in the 2016 California Community College Capital Outlay Bond Fund that is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest, except that amounts derived from premium may be reserved and used to pay the cost of the bond issuance prior to any transfer to the General Fund.

101149. The bonds issued and sold pursuant to this chapter may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the voters of the state for the issuance of the bonds described in this chapter includes the approval of the issuance of any bonds issued to refund any bonds originally issued under this chapter or any previously issued refunding bonds. Any bond refunded with the proceeds of refunding bonds as authorized by this section may be legally defeased to the extent permitted by law in the manner and to the extent set forth in the resolution, as amended from time to time, authorizing such refunded bond.

101149.5. The people hereby find and declare that, inasmuch as the proceeds from the sale of bonds authorized by this chapter are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

SEC. 4. General Provisions.

(a) If any provision of this act, or part thereof, is for any reason held to be invalid or unconstitutional, the remaining provisions shall not be affected, but shall remain in full force and effect, and to this end the provisions of this act are severable.

(b) This act is intended to be comprehensive. It is the intent of the people that in the event this act or measures relating to the same subject shall appear on the same statewide election ballot, the provisions of the other measure or measures shall be deemed to be in conflict with this act. In the event that this act receives a greater number of affirmative votes, the provisions of this act shall prevail in their entirety, and all provisions of the other measure or measures shall be null and void.

PROPOSITION 52

This initiative measure is submitted to the people in accordance with the provisions of Section 8 of Article II of the California Constitution.

This initiative measure adds a section to the California Constitution and amends sections of the Welfare and Institutions Code; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Statement of Findings.

A. The federal government established the Medicaid program to help pay for health care services provided to low-income patients, including the elderly, persons with disabilities, and children. In California this program is called Medi-Cal. In order for any state to receive federal Medicaid funds, the state has to contribute a matching amount of its own money.

B. In 2009, a new program was created whereby California hospitals began paying a fee to help the state obtain available federal Medicaid funds, at no cost to California taxpayers. This program has helped pay for health care for low-income children and resulted in California hospitals receiving approximately $2 billion per year in additional federal money to help hospitals to meet the needs of Medi-Cal patients.

SEC. 2. Statement of Purpose.

To ensure that the fee paid by hospitals to the state for the purpose of maximizing the available federal matching funds is used for the intended purpose, the people hereby amend the Constitution to require voter approval of changes to the hospital fee program to ensure that the state uses these funds for the intended purpose of supporting hospital care to Medi-Cal patients and to help pay for health care for low-income children.

SEC. 3. Amendment to the Constitution.

SEC. 3.1. Section 3.5 is added to Article XVI of the California Constitution, to read:

Sec. 3.5. (a) No statute amending or adding to the provisions of the Medi-Cal Hospital Reimbursement Improvement Act of 2013 shall become effective unless approved by the electors in the same manner as statutes amending initiative statutes pursuant to subdivision (c) of Section 10 of Article II, except that the Legislature may, by statute passed in each house by roll call vote entered into the journal, two-thirds of the membership concurring, amend or add provisions that further the purposes of the act.

(b) For purposes of this section:

(1) "Act" means the Medi-Cal Hospital Reimbursement Improvement Act of 2013 (enacted by Senate Bill 239 of the 2013–14 Regular Session of the Legislature, and any nonsubstantive amendments to the act enacted by a later bill in the same session of the Legislature).

(2) "Nonsubstantive amendments" shall only mean minor, technical, grammatical, or clarifying amendments.

(3) "Provisions that further the purposes of the act" shall only mean:

(A) Amendments or additions necessary to obtain or maintain federal approval of the implementation of the act, including the fee imposed and related quality assurance payments to hospitals made pursuant to the act;

(B) Amendments or additions to the methodology used for the development of the fee and quality assurance payments to hospitals made pursuant to the act.

(c) Nothing in this section shall prohibit the Legislature from repealing the act in its entirety by statute passed in each house by roll call vote entered into the journal, two-thirds of the membership concurring, except that the Legislature shall not be permitted to repeal the act and replace it with a similar statute imposing a tax, fee, or assessment unless that similar statute is either:

(1) A provision that furthers the purposes of the act as defined herein;

(2) Is approved by the electors in the same manner as statutes amending initiative statutes pursuant to subdivision (c) of Section 10 of Article II.