

2006

## Kindergarten-University Public Education Facilities Bond Act of 2006.

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**PROP 1C** Housing and Emergency Shelter Trust Fund Act of 2006.

**SUMMARY** *Put on the Ballot by the Legislature*

For the purpose of providing shelters for battered women and their children, clean and safe housing for low-income senior citizens; homeownership assistance for the disabled, military veterans, and working families; and repairs and accessibility improvements to apartment for families and disabled citizens, the state shall issue bonds totaling two billion eight hundred fifty million dollars (\$2,850,000,000) paid from existing state funds at an average annual cost of two hundred and four million dollars (\$204,000,000) per year over the 30 year life of the bonds. Requires reporting and publication of annual independent audited reports showing use of funds, and limits administration and overhead costs.

**WHAT YOUR VOTE MEANS**

**YES**

A YES vote on this measure means: The state could sell \$2.85 billion in general obligation bonds to support a variety of housing and development programs.

**NO**

A NO vote on this measure means: The state could not sell \$2.85 billion in general obligation bonds for these purposes.

**ARGUMENTS**

**PRO**

YES on Proposition 1C provides emergency shelters for battered women, affordable homes for seniors and former foster youths, and shelters with social services for homeless families without raising taxes. Rebuild California: Join Habitat for Humanity, AARP, and CA Partnership to End Domestic Violence, vote Yes on 1C.

**CON**

Vote “no” on Proposition 1C. Almost \$3 billion in new government debt and big bureaucracy won’t make California housing affordable. Proposition 1C gives your money to a select few chosen by bureaucrats then sticks every California family of four with \$600 of debt and interest. Vote “no” on irresponsible debt.

**FOR ADDITIONAL INFORMATION**

**FOR**

Let’s Rebuild California  
1127 11th Street, Suite 950  
Sacramento, CA 95814  
(916) 448-1401  
info@readforyourself.org  
www.readforyourself.org

**AGAINST**

Assemblyman Chuck DeVore  
California State Assembly  
4790 Irvine Blvd., Ste. 105-191  
Irvine, CA 92620  
(916) 991-9300  
NoProp1C@aol.com  
www.NoProp1C.com

**PROP 1D** Kindergarten–University Public Education Facilities Bond Act of 2006.

**SUMMARY** *Put on the Ballot by the Legislature*

This ten billion four hundred sixteen million dollar (\$10,416,000,000) bond issue will provide needed funding to relieve public school overcrowding and to repair older schools. It will improve earthquake safety and fund vocational educational facilities in public schools. Bond funds must be spent according to strict accountability measures. Funds will also be used to repair and upgrade existing public college and university buildings and to build new classrooms to accommodate the growing student enrollment in the California Community Colleges, the University of California, and the California State University. Fiscal Impact: State costs of about \$20.3 billion to pay off both the principal (\$10.4 billion) and interest (\$9.9 billion) on the bonds. Payments of about \$680 million per year.

**WHAT YOUR VOTE MEANS**

**YES**

A YES vote on this measure means: The state could sell \$10.4 billion in general obligation bonds for education facilities (\$7.3 billion for K–12 school facilities and \$3.1 billion for higher education facilities).

**NO**

A NO vote on this measure means: The state could not sell \$10.4 billion in general obligation bonds for these purposes.

**ARGUMENTS**

**PRO**

Yes on 1D makes our school buildings earthquake-safe and reduces overcrowding in classrooms for students. It updates schools with new technology, builds vocational education facilities, and funds our rapidly growing community college system. Rebuild California: YES on 1D—an investment in our children is an investment in California’s future.

**CON**

We should make school construction a top priority for current spending. We cannot afford \$10,416,000,000 in new debt, which today’s schoolchildren will still be paying back long after their own children have graduated. Most schools will receive nothing from this bond. Fairness requires local districts to pay for local projects.

**FOR ADDITIONAL INFORMATION**

**FOR**

Lance Olson  
Olson Hagel & Fishburn LLP  
555 Capitol Mall #1425  
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(916) 442-2952  
www.readforyourself.org

**AGAINST**

Thomas N. Hudson,  
Executive Director  
California Taxpayer  
Protection Committee  
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Elverta, CA 95626-9411  
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info@protecttaxpayers.com  
www.protecttaxpayers.com

## OFFICIAL TITLE AND SUMMARY ★ ★ ★

Prepared by the Attorney General

**KINDERGARTEN–UNIVERSITY  
PUBLIC EDUCATION FACILITIES BOND ACT OF 2006.**

- This ten billion four hundred sixteen million dollar (\$10,416,000,000) bond issue will provide needed funding to relieve public school overcrowding and to repair older schools.
- It will improve earthquake safety and fund vocational educational facilities in public schools. Bond funds must be spent according to strict accountability measures.
- Funds will also be used to repair and upgrade existing public college and university buildings and to build new classrooms to accommodate the growing student enrollment in the California Community Colleges, the University of California, and the California State University.
- 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 \$20.3 billion to pay off both the principal (\$10.4 billion) and interest (\$9.9 billion) on the bonds. Payments of about \$680 million per year.

**FINAL VOTES CAST BY THE LEGISLATURE ON AB 127 (PROPOSITION 1D)**

Senate: Ayes 29 Noes 8

Assembly: Ayes 58 Noes 12

## ANALYSIS BY THE LEGISLATIVE ANALYST

**BACKGROUND**

Public education in California consists of two systems. One system includes about 1,000 local school districts that provide education from kindergarten through grade 12 (“K–12”) to about 6.3 million students. The other system (commonly referred to as “higher education”) includes the California Community Colleges (CCC), the California State University (CSU), and the University of California (UC). These three higher education segments provide education beyond grade 12 to a total of about 2.1 million students.

**K–12 School Facilities**

Through the School Facility Program (SFP), K–12 school districts apply for funding to buy land, construct new buildings, and modernize (that

is, renovate) existing buildings. A school district’s allocation is based on a formula. The formula considers the number of students a district expects to enroll that cannot be served in existing facility space. The SFP requires the state and school districts to share the cost of facilities. For new construction projects, the cost is shared equally by the state and school districts. For modernization projects, the state pays 60 percent and school districts pay 40 percent of the cost. If a school district faces unusual circumstances, however, it may apply for “hardship” funding from the state to offset its local share of costs.

**Major Funding Sources.** As described below, funding for school facilities comes mostly from state and local general obligation bonds. (See “An Overview of State Bond Debt” on page 96 for more information on these bonds.)

★ ★ ★ ANALYSIS BY THE LEGISLATIVE ANALYST (CONTINUED)

- **State General Obligation Bonds.** The state has funded the SFP by issuing general obligation bonds. Over the past decade, voters have approved a total of \$28.1 billion in state bonds for K–12 school facilities. Approximately \$3 billion of these funds remain available for new construction projects.
- **Local General Obligation Bonds.** At the local level, school districts typically meet most of their matching requirement and other construction needs by issuing local general obligation bonds. These local bonds can be authorized with the approval of 55 percent of the voters in the district. The bonds are repaid using local property tax revenue. Over the past ten years, school districts have received voter approval to issue more than \$41 billion in local facility bonds.

Although school facilities currently are funded mostly from state and local general obligation bonds, school districts also receive funds from:

- **Developer Fees.** State law allows school districts to impose developer fees on new construction. These fees are levied on new residential, commercial, and industrial developments. Although they contribute a moderate amount statewide compared to general obligation bond proceeds, developer fees vary significantly by community depending on the amount of local development. In fast-growing areas, they can make notable contributions to K–12 school construction.
- **Special Local Bonds (Known as “Mello-Roos” Bonds).** School districts also may form special districts to sell bonds for school construction projects. (A special district generally does not encompass the entire school district.) The bonds, which require two-thirds voter approval, are paid off by property owners located within the special district. Over the past decade, Mello-Roos bonds have provided school districts with a total of \$3.7 billion in facility funding.

## Higher Education Facilities

California’s system of public higher education includes 142 campuses in the three segments listed below:

- The CCCs provide instruction to about 1.5 million students at 109 campuses operated by 72 locally governed districts throughout the state. The community colleges grant associate degrees, offer a variety of technical career courses, and provide general education coursework that is transferable to four-year universities.
- The CSU has 23 campuses, with an enrollment of about 420,000 students. The system grants bachelor degrees, master degrees, and a small number of specified doctoral degrees.
- The UC has nine general campuses, one health sciences campus, and various affiliated institutions, with total enrollment of about 210,000 students. This system offers bachelor, master, and doctoral degrees, and is the primary state-supported agency for conducting research.

Over the past decade, the voters have approved \$6.5 billion in state general obligation bonds for capital improvements at public higher education campuses. Virtually all of these funds have been committed to specific projects. The state also has provided about \$1.6 billion in lease-revenue bonds (authorized by the Legislature) for this same purpose.

In addition to these state bonds, the higher education segments have three other sources of funding for capital projects.

- **Local General Obligation Bonds.** Like K–12 school districts, community college districts are authorized to sell general obligation bonds to finance construction projects with the approval of 55 percent of the voters in the district. Over the past decade, community college districts have received voter approval to issue more than \$15 billion in local facility bonds.



ANALYSIS BY THE LEGISLATIVE ANALYST (CONTINUED)

- **Gifts and Grants.** In recent years, CSU and UC together have received more than \$100 million annually in gifts and grants for construction of facilities.
- **UC Research Revenue.** The UC finances the construction of some new research facilities by selling bonds and pledging future research revenue for their repayment. Currently, UC uses about \$130 million a year of research revenue to pay off these bonds.

1D

**PROPOSAL**

This measure allows the state to sell \$10.4 billion of general obligation bonds for K–12 school facilities (\$7.3 billion) and higher education facilities (\$3.1 billion).

**K–12 School Facilities**

As shown in Figure 1, the \$7.3 billion for K–12 school facilities is designated for seven types of projects. The underlying requirements and funding formulas for four of these project types (modernization, new construction, charter school facilities, and joint-use projects) would be based on the existing SFP. The other three types of projects (overcrowded schools, career technical facilities, and environment-friendly projects) would be new components of the SFP.

**Modernization (\$3.3 Billion).** These monies would be for the modernization of existing school facilities. School districts would be required to pay 40 percent of project costs (unless they qualify for state hardship funding).

**New Construction (\$1.9 Billion).** These monies would cover various costs associated with building new facilities, including site acquisition, project design, engineering, construction, and inspection. Up to \$200 million of the \$1.9 billion would be

<b>FIGURE 1</b>	
<b>Proposition 1D: Uses of Bond Funds</b>	
	<b>Amount</b> (In Millions)
<b>K–12</b>	
Modernization projects	\$3,300 <sup>a</sup>
New construction projects	1,900 <sup>a,b</sup>
Severely overcrowded schools	1,000
Charter schools facilities	500
Career technical facilities	500
Environment-friendly projects	100
Joint-use projects	29
<b>Subtotal, K–12</b>	<b>(\$7,329)</b>
<b>Higher Education</b>	
Community Colleges	\$1,507
University of California	890 <sup>c</sup>
California State University	690
<b>Subtotal, Higher Education</b>	<b>(\$3,087)</b>
<b>Total</b>	<b>\$10,416</b>

<sup>a</sup> A total of up to \$200 million is available from these two amounts combined as incentive funding to promote the creation of small high schools.

<sup>b</sup> Up to \$200 million is available for earthquake-related retrofitting.

<sup>c</sup> \$200 million is available for medical education programs.

available to retrofit facilities likely to be unsafe during an earthquake. Districts would be required to pay 50 percent of new construction and earthquake-safety projects (unless they qualify for state hardship funding).

★ ★ ★ ANALYSIS BY THE LEGISLATIVE ANALYST (CONTINUED)

**Relief Grants for Overcrowded Schools (\$1 Billion).** As a condition of receiving one of these grants, school districts would be required to replace portable classrooms with newly constructed permanent classrooms, remove portable classrooms from overcrowded school sites, and reduce the total number of portable classrooms within the district. As with other new construction projects, districts would be required to pay 50 percent of project costs. Under the program definition of overcrowded, roughly 1,800 schools (or 20 percent of all schools) would be eligible for funding.

**Career Technical Education Facilities (\$500 Million).** The measure also funds a new facility program designed to enhance educational opportunities for students interested in technical careers. Grants would be provided to high schools and local agencies that have career technical programs. The grants would be allocated on a per square foot basis, with a maximum of \$3 million for each new construction project and \$1.5 million for each modernization project. For both types of grants, the required local contribution would be 50 percent of project costs. Given the program’s requirements, approximately 500 school districts (or one-half of all districts) would be eligible for new construction and modernization grants. In addition, about 25 local agencies would be eligible for modernization grants.

**Charter School Facilities (\$500 Million).** These monies would be for new construction and modernization of charter school facilities. (Charter schools are public schools that are exempt from certain state requirements in exchange for adhering to a local- or state-approved charter.) A 50 percent local contribution would be required.

**Environment-Friendly Projects (\$100 Million).** These monies would be provided as special incentive grants to promote certain types of environment-friendly facilities. For example, districts could

receive grant funding if their facilities included designs and materials that promoted the efficient use of energy and water, the maximum use of natural lighting, the use of recycled materials, or the use of acoustics conducive to teaching and learning. The same local contributions would be required as for other new construction and modernization projects.

**Joint-Use Projects (\$29 Million).** These monies would be available for both constructing new facilities and reconfiguring existing facilities for a joint-use purpose. Joint-use projects include gymnasiums, libraries, child care facilities, and teacher preparation facilities that are located at a school but used for joint school/community or K–12/higher education purposes. Under such arrangements, the school district and joint-use partner share the 50 percent local matching requirement.

## Higher Education Facilities

The measure includes \$3.1 billion to construct new buildings and related infrastructure, alter existing buildings, and purchase equipment for use in these buildings for the state higher education segments. As Figure 1 shows, the measure allocates \$1.5 billion to CCC, \$890 million to UC, and \$690 million to CSU. The Governor and Legislature would select the specific projects to be funded by the bond monies.

## FISCAL EFFECTS

The costs of these bonds would depend on interest rates in effect at the time they are sold and the time period over which they are repaid. The state would likely make principal and interest payments from the state’s General Fund over a period of about 30 years. If the bonds were sold at an average interest rate of 5 percent, the cost would be about \$20.3 billion to pay off both principal (\$10.4 billion) and interest (\$9.9 billion). The average payment would be about \$680 million per year.

1D

## ARGUMENT IN FAVOR OF PROPOSITION 1D

VOTE YES ON 1D: WE NEED TO INVEST IN OUR CHILDREN'S EDUCATION BECAUSE PROVIDING A QUALITY EDUCATION IS THE BEST THING WE CAN DO TO INVEST IN THEIR FUTURE

1D provides the funding to make our schools earthquake safe, reduce overcrowding, update our schools for the latest technology, build new facilities for vocational education, and build college labs that make the discoveries which fuel California's economy.

VOTE YES ON 1D: MAKE OUR SCHOOLS EARTHQUAKE SAFE

Our children's safety should be our top priority! The State Architect has determined that over 7,000 school buildings and many others on college campuses need structural upgrades to be earthquake safe.

VOTE YES ON 1D: REDUCE OVERCROWDING IN OUR SCHOOLS

Over a million students are trying to learn in schools with at least 75% more students than they were designed for. 1D will begin building enough schools so that our children can receive the quality education they deserve.

PROP. 1D INVESTS IN:

- Construction of approximately 6,500 new K–12 classrooms and 3,000 community college classrooms
- Repairing 31,000 classrooms
- Building science, engineering labs, and classrooms
- Providing 3,000 vocational education facilities

Visit [ReadForYourself.org](http://ReadForYourself.org) for a list of 1D projects.

1D IS SUPPORTED BY BOTH GOVERNOR SCHWARZENEGGER AND BY DEMOCRATIC CANDIDATE FOR GOVERNOR PHIL ANGELIDES. Leaders of both parties along with education and civic organizations all agree investing in our kids' education is the most important thing we can do to invest in their future.

VOTE YES ON 1D: NEW FACILITIES FOR VOCATIONAL AND TECHNICAL EDUCATION

Many students need vocational training instead of college, but our schools do not have up-to-date facilities to provide it. 1D will enable schools to provide the career and technical training many students need to get jobs.

VOTE YES ON 1D: STRICT ACCOUNTABILITY PROVISIONS

Every dollar must be strictly accounted for on a project-by-project basis with independent state and local audits. Misuse of funds is a crime, punishable by imprisonment.

VOTE YES ON 1D: FOR OUR ECONOMIC FUTURE

California's future cannot wait. The best way to grow our economy and create good paying jobs is to make sure our schools, community colleges, and universities have the facilities to train our kids. 1D provides necessary funding to build the community college and university labs and facilities they need.

Parents, teachers, and California's leaders agree that we need 1D to provide a quality public education, to make our schoolchildren safer in the event of an earthquake, and to allow community colleges and universities to improve their facilities.

YES ON 1D: PART OF A LONG-TERM PLAN TO REBUILD CALIFORNIA

Proposition 1D is part of the Rebuild California Plan, which uses the taxes we're already paying to build the roads, housing, schools, and water systems we need to sustain our economy and our quality of life for the long term.

THE REBUILD CALIFORNIA PLAN: YES ON 1A, 1B, 1C, 1D, AND 1E

**BARBARA E. KERR**, President  
California Teachers Association

**GEORGE T. CAPLAN**, President  
California Community College Board of Governors

**PAMELA T. JOHNSON**, Chair  
Coalition for Adequate School Housing

## REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 1D

Please don't be fooled into voting for this bond because your local school needs help. Most schools got nothing from the last statewide bond, and they will get nothing from this one! This bond requires 50% matching funds from local districts. Unless you live in a wealthy district with surplus cash to supply the matching funds, your schools will never see a penny from this bond—but you will be required to pay higher taxes for the next 30 years! Is this fair?

California is facing the most severe financial crisis in its history. Our credit rating is the worst in the nation. The Legislature has squandered the opportunity to build new schools with the astounding 23 percent growth in tax revenues over the past three years.

The results of this financial mismanagement are staggering. For decades, we will be forced to pay higher taxes just to pay back current debt. Today's schoolchildren

will still be paying for this bond long after their own children have graduated!

At a time when the Governor and the Legislature are struggling to repay the \$100,388,000,000 in previously-approved debt, this \$10,416,000,000 bond would dig us much deeper into a financial hole. Taxpayers will be forced to pay back more than twice the amount borrowed, due to compound interest and the cost of lawyers, Wall Street bond traders, and state bureaucrats.

Please VOTE NO on Proposition 1D. Tell Sacramento politicians to make school construction a top priority for existing tax revenues.

**THOMAS N. HUDSON**, Executive Director  
California Taxpayer Protection Committee

**ARGUMENT AGAINST PROPOSITION 1D**

**We Don't Need More Education Spending Now**

*Proposition 1D is too big.* Rather than limiting this bond measure to the essential needs of building new schools and rehabilitating older ones, this bond funds a variety of new, untested programs such as Career and Technical Education facilities, Overcrowding Relief Grants, seismic safety upgrades, energy efficiency incentives, small learning communities, and a medical education expansion with some new “telemedicine” program. We need to stick to the essentials and drop the fluff.

*Proposition 1D is short-sighted.* Governor Schwarzenegger’s 10-year infrastructure plan gave the state a perfect opportunity to do some long-term planning. But what happened? We get another short-term bond proposal. Proposition 1D is only designed to fund the next two years of need. Even though many school districts are facing declining enrollment today, by the end of the decade enrollment in schools all over the state will begin growing again. How are schools supposed to plan if all they get are a series of short-term fixes?

*Proposition 1D is more borrowing.* Why do we have to incur more debt to build and modernize schools? We can expand year-round school and better utilize our existing school facilities. Why can't we fund school construction on a pay-as-you-go basis?

*Proposition 1D is too costly.* It is a \$10.4 billion education bond. The interest costs will push the total cost of the bond well above \$10.4 billion. Can we really afford this?

While education is important, it is not the only priority we need to worry about. We need to deal with other problems including holding down California’s debt and borrowing. And, there are more important things to spend money on than new vocational education facilities, energy efficiency, and seismic safety upgrades. It’s about time we said No to more and more education spending.

Vote NO on Proposition 1D.

**WILLIAM SARACINO**, Member  
 Editorial Board, California Political Review



**REBUTTAL TO ARGUMENT AGAINST PROPOSITION 1D**

**VOTE YES ON 1D. HOW CAN WE AFFORD NOT TO INVEST IN OUR SCHOOLS?**

Few things are more important for our children and our economy than to invest in education.

1D is the right solution to make our schools earthquake safe and build more classrooms to relieve overcrowding for our children. It will also help our state economy grow. It doesn't bite off more than we can afford to do right now, and it allows planning for the future that is vitally important.

1D will provide real results for our kids.

Our community colleges also give a rapidly growing student population the skills they need to succeed in the workforce. We cannot afford to shortchange them—California’s future depends on their success.

That’s why 1D has gained the support from parents, teachers, seniors, business and taxpayer groups, and a bipartisan group of the Legislature.

The California Taxpayers’ Association says, “Proposition 1D is a fiscally responsible way to finance school repair and construction.”

Prop. 1D invests in:

- Construction of approximately 6,500 new K–12 classrooms and 3,000 community college classrooms
- Repair of 31,000 classrooms
- Building science, engineering labs, and classrooms
- Providing 3,000 vocational education facilities

Vote Yes on 1D. Invest in our children’s future by investing in our schools today. A bright, highly skilled student population makes California a stronger, better place to live for all of us.

**BRENDA DAVIS**, President  
 California State PTA

**LARRY McCARTHY**, President  
 California Taxpayers’ Association

**WILLIAM HAUCK**, President  
 California Business Roundtable

sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this part, the Housing Finance Committee created pursuant to Section 53524 is continued in existence. For the purposes of this part, the Housing Finance Committee is “the committee” as that term is used in the State General Obligation Bond Law.

(b) The committee may adopt guidelines establishing requirements for administration of its financing programs to the extent necessary to protect the validity of, and tax exemption for, interest on the bonds. The guidelines shall not constitute rules, regulations, orders, or standards of general application and are not subject to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

(c) For the purposes of the State General Obligation Bond Law, the Department of Housing and Community Development is designated the “board” for programs administered by the department, and the California Housing Finance Agency is the “board” for programs administered by the agency.

53549. Upon request of the board stating that funds are needed for purposes of this part, the committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this part in order to carry out the actions specified in Section 53545, 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 are not required to be sold at any one time. Bonds may bear interest subject to federal income tax.

53550. There shall be collected annually, in the same manner and at the same time as other state revenue is collected, a sum of money in addition to the ordinary revenues of the state, sufficient to pay the principal of, and interest on, the bonds as provided herein, and all officers required by law to perform any duty in regard to the collections of state revenues shall collect that additional sum.

53551. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this part, 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 part, as the principal and interest become due and payable.

(b) The sum which is necessary to carry out Section 53553, appropriated without regard to fiscal years.

53552. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for purposes of this part. The amount of the request shall not exceed the amount of the unsold bonds which the committee has, by resolution, authorized to be sold for the purpose of this part, less any amount withdrawn pursuant to Section 53553. The board shall execute any documents as required by the Pooled Money Investment Board to obtain and repay the loan. Any amount loaned shall be deposited in the fund to be allocated in accordance with this part.

53553. For the purpose of carrying out this part, the Director of Finance may, by executive order, authorize the withdrawal from the General Fund of any amount or amounts not to exceed the amount of the unsold bonds which the committee has, by resolution, authorized to be sold for the purpose of carrying out this part. Any amounts withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General Fund, plus the interest that the amounts would have earned in the Pooled Money Investment Account, from money received from the sale of bonds which would otherwise be deposited in that fund.

53554. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of the State General Obligation Bond Law. Approval by the electors of this act shall constitute approval of any refunding bonds issued pursuant to the State General Obligation Bond Law.

53555. Notwithstanding any provisions in the State General Obligation Bond Law, the maximum maturity of any bonds authorized by this part shall not exceed 30 years from the date of each respective series. The maturity of each series shall be calculated from the date of each series.

53556. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this part 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.

53557. Notwithstanding any provision of the State General Obligation Bond Law with regard to the proceeds from the sale of bonds authorized by this part that are subject to investment under Article 4 (commencing with Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2 of the Government Code, the Treasurer may maintain a separate account for investment earnings, order the payment of those earnings to comply with any rebate requirement applicable under federal law, and may otherwise direct the use and investment of those proceeds so as 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.

53558. All money derived from premium and accrued interest on bonds sold pursuant to this chapter shall be transferred to the General Fund as a credit to expenditures for bond interest.

## PROPOSITION 1D

This law proposed by Assembly Bill 127 of the 2005–2006 Regular Session (Chapter 35, Statutes of 2006) is submitted to the people in accordance with the provisions of Article XVI of the California Constitution.

This proposed law 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

SEC. 16. Part 69 (commencing with Section 101000) is added to the Education Code, to read:

#### PART 69. KINDERGARTEN–UNIVERSITY PUBLIC EDUCATION FACILITIES BOND ACT OF 2006

##### CHAPTER 1. GENERAL

101000. This part shall be known and may be cited as the Kindergarten–University Public Education Facilities Bond Act of 2006.

101001. The incorporation of, or reference to, any provision of California statutory law in this part includes all acts amendatory thereof and supplementary thereto.

101002. (a) Bonds in the total amount of ten billion four hundred sixteen million dollars (\$10,416,000,000), not including the amount of any refunding bonds issued in accordance with Sections 101030, 101039, and 101059, 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 part and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. 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.

(b) Pursuant to this section, the Treasurer shall sell the bonds authorized by the State School Building Finance Committee established by Section 15909 or the Higher Education Facilities Finance Committee established pursuant to Section 67353, as the case may be, at any different times necessary to service expenditures required by the apportionments.

##### CHAPTER 2. KINDERGARTEN THROUGH 12TH GRADE

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

101010. The proceeds of bonds issued and sold pursuant to Article 2 (commencing with Section 101020) shall be deposited in the 2006 State School Facilities Fund established in the State Treasury under subdivision (d) of Section 17070.40 and shall be allocated by the State Allocation Board pursuant to this chapter.

101011. All moneys deposited in the 2006 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), as set forth in Section 101012, to provide funds to repay any money advanced or loaned to the 2006 State School Facilities Fund under

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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.

101012. (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 one billion nine hundred million dollars (\$1,900,000,000) for new construction of school facilities of applicant school districts under Chapter 12.5 (commencing with Section 17070.10) of Part 10. Of the amount allocated under this paragraph, up to 10.5 percent shall be available for purposes of seismic repair, reconstruction, or replacement, pursuant to Section 17075.10.

(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.

(3) The amount of three billion three hundred million dollars (\$3,300,000,000) for the modernization of school facilities pursuant to Chapter 12.5 (commencing with Section 17070.10) of Part 10.

(4) The amount of five hundred million dollars (\$500,000,000) for the purposes set forth in Article 13 (commencing with Section 17078.70) of Chapter 12.5 of Part 10, relating to facilities for career technical education programs.

(5) Of the amounts allocated under paragraphs (1) and (3), up to two hundred million dollars (\$200,000,000) for the purposes set forth in Chapter 894 of the Statutes of 2004, relating to incentives for the creation of smaller learning communities and small high schools.

(6) The amount of twenty-nine million dollars (\$29,000,000) for the purposes set forth in Article 10.6 (commencing with Section 17077.40) of Chapter 12.5 of Part 10, relating to joint use projects.

(7) The amount of one billion dollars (\$1,000,000,000) shall be available for providing new construction funding to severely overcrowded schoolsites pursuant to Article 14 (commencing with Section 17079) of Chapter 12.5 of Part 10.

(8) The amount of one hundred million dollars (\$100,000,000) for incentive grants to promote the use of designs and materials in new construction and modernization projects that include the attributes of high-performance schools, including, but not limited to, the elements set forth in Section 17070.96, pursuant to regulations adopted by the State Allocation Board.

(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:

(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.

(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 for funding classrooms for severely handicapped pupils, or for funding classrooms for county community school pupils.

(d) (1) The Legislature may amend this section to adjust the funding amounts specified in paragraphs (1) to (8), inclusive, of subdivision (a), only by either of the following methods:

(A) By a statute, passed in each house of the Legislature by rollcall vote entered in the respective journals, by not less than two-thirds of the membership in each house concurring, if the statute is consistent with, and furthers the purposes of, this chapter.

(B) By a statute that becomes effective only when approved by the voters.

(2) Amendments pursuant to this subdivision may adjust the amounts

to be expended pursuant to paragraphs (1) to (8), inclusive, of subdivision (a), but may not increase or decrease the total amount to be expended pursuant to that subdivision.

(e) Funds available pursuant to this section may be used for acquisition of school facilities authorized pursuant to Section 17280.5.

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

101020. (a) Of the total amount of bonds authorized to be issued and sold pursuant to Chapter 1 (commencing with Section 101000), bonds in the amount of seven billion three hundred twenty-nine million dollars (\$7,329,000,000) not including the amount of any refunding bonds issued in accordance with Section 101030, 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. 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.

(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.

101021. 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.

101022. (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 of the provisions of that law, except Section 16727 of the Government Code to the extent that it conflicts with this part, apply to the bonds and to this chapter and are hereby incorporated into this chapter as though set forth in full within 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 2006 State School Facilities Fund.

101023. (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 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 101011 and 101012.

101024. 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.

101025. 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 101028, appropriated without regard to fiscal years.

101026. 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 that the committee, by resolution, has authorized to be sold for the purpose of carrying out this chapter. The 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 board in accordance with this chapter.

101027. 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.

101028. 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 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 2006 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.

101029. All money deposited in the 2006 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.

101030. The bonds 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.

101031. The Legislature hereby finds and declares 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

101032. (a) The 2006 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

101033. (a) From the proceeds of bonds issued and sold pursuant to Article 3 (commencing with Section 101034), the sum of one billion five hundred seven million dollars (\$1,507,000,000) shall be deposited in the 2006 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

101034. (a) Of the total amount of bonds authorized to be issued and sold pursuant to Chapter 1 (commencing with Section 101000), bonds in the total amount of one billion five hundred seven million dollars (\$1,507,000,000), not including the amount of any refunding bonds issued in accordance with Section 101039, 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. 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.

(b) It is the intent of the Legislature that the California Community Colleges annually consider, as part of their annual capital outlay planning process, the inclusion of facilities that may be used by more than one segment of public higher education (intersegmental), and, that on or before May 15th of each year, those entities report their findings to the budget committees of each house of the Legislature.

(c) 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.

101034.5. (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 of the provisions of that law, except Section 16727 of the Government Code to the extent that it conflicts with this part, apply to the bonds and to this chapter and are hereby incorporated into this chapter as though set forth in full within this chapter.

(b) For the purposes of the State General Obligation Bond Law, each state agency administering an appropriation of the 2006 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.

101035. 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 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.

101035.5. 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.

101036. 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 101037.5, appropriated without regard to fiscal years.

101036.5. The board, as defined in subdivision (b) of Section 101034.5, 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 that the 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 101034.5, 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.

101037. 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.

101037.5. (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 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 2006 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.

101038. All money deposited in the 2006 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.

101039. The bonds 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.

101039.5. The Legislature hereby finds and declares 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 4. UNIVERSITY FACILITIES

### Article 1. General

101040. (a) The system of public universities in this state includes the University of California, the Hastings College of the Law, and the California State University, and their respective off-campus centers.

(b) The 2006 University 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.

(c) 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 University of California, the Hastings College of the Law, and the California State University.

### Article 2. Program Provisions Applicable to the University of California and the Hastings College of the Law

101041. (a) From the proceeds of bonds issued and sold pursuant to Article 4 (commencing with Section 101050), the sum of eight hundred ninety million dollars (\$890,000,000) shall be deposited in the 2006 University 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 University of California and the Hastings College of the Law.

(c) Of the amount made available under subdivision (a), the amount of two hundred million dollars (\$200,000,000) shall be used for capital improvements that expand and enhance medical education programs with an emphasis on telemedicine aimed at developing high-tech approaches to health care.

(d) 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 University of California and the Hastings College of the Law.

### Article 3. Program Provisions Applicable to the California State University

101042. (a) From the proceeds of bonds issued and sold pursuant to Article 4 (commencing with Section 101050), the sum of six hundred ninety million dollars (\$690,000,000) shall be deposited in the 2006 University 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 State University.

(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 State University.

Article 4. University Fiscal Provisions

101050. (a) Of the total amount of bonds authorized to be issued and sold pursuant to Chapter 1 (commencing with Section 101000), bonds in the amount of one billion five hundred eighty million dollars (\$1,580,000,000), not including the amount of any refunding bonds issued in accordance with Section 101059, 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. 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.

(b) It is the intent of the Legislature that the University of California and the California State University annually consider, as part of their annual capital outlay planning process, the inclusion of facilities that may be used by more than one segment of public higher education (intersegmental), and, that on or before May 15 of each year, those entities report their findings to the budget committees of each house of the Legislature.

(c) 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.

101051 (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 of the provisions of that law, except Section 16727 of the Government Code to the extent that it conflicts with this part, apply to the bonds and to this chapter and are hereby incorporated into this chapter as though set forth in full within this chapter.

(b) For the purposes of the State General Obligation Bond Law, each state agency administering an appropriation of the 2006 University 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 University of California, the Hastings College of the Law, and the California State University, 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.

101052. 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 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.

101053. 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.

101054. 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 101057, appropriated without regard to fiscal years.

101055. The board, as defined in subdivision (b) of Section 101051, 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 that the 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 101051, 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.

101056. 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.

101057. (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 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 2006 University 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 University of California, the Hastings College of the Law, or the California State University shall be accompanied by the five-year capital outlay plan. Requests forwarded by a university or college shall include a schedule that prioritizes the seismic retrofitting needed to significantly reduce, in the judgment of the particular university or college, seismic hazards in buildings identified as high priority by the university or college.

101058. All money deposited in the 2006 University 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.

101059. The bonds 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.

101060. The Legislature hereby finds and declares 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. 20. (a) Up to twenty-one million dollars (\$21,000,000) of any funds that are required to be made available for rehabilitation or construction of joint-use facilities for public schools and that result or are derived from the sale of bonds issued on or before January 1, 2006, shall be

transferred to the State Allocation Board and may be apportioned by that board for the purposes of Article 10.6 (commencing with Section 17077.40) of Chapter 12.5 of Part 10 of the Education Code.

(b) Any funds remaining after the transfer required under subdivision (a) that conform to the description set forth in that subdivision shall be transferred to the State Allocation Board and may be apportioned by that board for any of the purposes of Chapter 12.5 (commencing with Section 17070.10) of Part 10 of the Education Code.

### PROPOSITION 1E

This law proposed by Assembly Bill 140 of the 2005–2006 Regular Session (Chapter 33, Statutes of 2006) is submitted to the people in accordance with the provisions of Article XVI of the California Constitution.

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

#### PROPOSED LAW

SECTION 1. Chapter 1.699 (commencing with Section 5096.800) is added to Division 5 of the Public Resources Code, to read:

#### CHAPTER 1.699. DISASTER PREPAREDNESS AND FLOOD PREVENTION BOND ACT OF 2006

##### Article 1. General Provisions

5096.800. *This chapter shall be known and may be cited as the Disaster Preparedness and Flood Prevention Bond Act of 2006.*

##### Article 2. Definitions

5096.805. *Unless the context otherwise requires, the definitions set forth in this article govern the construction of this chapter.*

- (a) *“Board” means the Reclamation Board or successor entity.*
- (b) *“Committee” means the Disaster Preparedness and Flood Prevention Bond Finance Committee, created by Section 5096.957.*
- (c) *“Delta” means the area of the Sacramento–San Joaquin Delta as defined in Section 12220 of the Water Code.*
- (d) *“Department” means the Department of Water Resources.*
- (e) *“Facilities of the State Plan of Flood Control” means the levees, weirs, channels, and other features of the federal and state authorized flood control facilities located in the Sacramento and San Joaquin River drainage basin for which the board or the department has given the assurances of nonfederal cooperation to the United States required for the project, and those facilities identified in Section 8361 of the Water Code.*
- (f) *“Fund” means the Disaster Preparedness and Flood Prevention Bond Fund of 2006, created by Section 5096.806.*
- (g) *“Project levees” means the levees that are part of the facilities of the State Plan of Flood Control.*
- (h) *“Restoration” means the improvement of a physical structure or facility and, in the case of natural system and landscape features includes, but is not limited to, a project for the control of erosion, the control and elimination of exotic species, including prescribed burning, fuel hazard reduction, fencing out threats to existing or restored natural resources, road elimination, and other plant and wildlife habitat improvement to increase the natural system value of the property. A restoration project shall include the planning, monitoring, and reporting necessary to ensure successful implementation of the project objectives.*
- (i) *“State General Obligation Bond Law” means 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).*
- (j) *“State Plan of Flood Control” means the state and federal flood control works, lands, programs, plans, conditions, and mode of maintenance and operations of the Sacramento River Flood Control Project described in Section 8350 of the Water Code, and of flood control projects in the Sacramento River and San Joaquin River watersheds*

*authorized pursuant to Article 2 (commencing with Section 12648) of Chapter 2 of Part 6 of Division 6 of the Water Code for which the board or the department has provided the assurances of nonfederal cooperation to the United States, which shall be updated by the department and compiled into a single document entitled “The State Plan of Flood Control.”*

(k) *“Urban area” means any contiguous area in which more than 10,000 residents are protected by project levees.*

##### Article 3. Disaster Preparedness and Flood Prevention Bond Fund of 2006

5096.806. *The proceeds of bonds issued and sold pursuant to this chapter shall be deposited in the Disaster Preparedness and Flood Prevention Bond Fund of 2006, which is hereby created.*

##### Article 4. Disaster Preparedness and Flood Prevention Program

5096.820. (a) *The sum of four billion ninety million dollars (\$4,090,000,000) shall be available, upon appropriation therefor, for disaster preparedness and flood prevention projects pursuant to this article.*

(b) *In expending funds pursuant to this article, the Governor shall do all of the following:*

(1) *Secure the maximum feasible amounts of federal and local matching funds to fund disaster preparedness and flood prevention projects in order to ensure prudent and cost-effective use of these funds to the extent that this does not prohibit timely implementation of this article.*

(2) *Prioritize project selection and project design to achieve maximum public benefits from the use of these funds.*

(3) *In connection with the submission of the annual Governor’s Budget, submit an annual Bond Expenditure Disaster Preparedness and Flood Prevention Plan that describes in detail the proposed expenditures of bond funds, the amount of federal appropriations and local funding obtained to fund disaster preparedness and flood prevention projects to match those expenditures, and an investment strategy to meet long-term flood protection needs and minimize state taxpayer liabilities from flooding.*

5096.821. *Three billion dollars (\$3,000,000,000) shall be available, upon appropriation to the department, for the following purposes:*

(a) *The evaluation, repair, rehabilitation, reconstruction, or replacement of levees, weirs, bypasses, and facilities of the State Plan of Flood Control by all of the following actions:*

(1) *Repairing erosion sites and removing sediment from channels or bypasses.*

(2) *Evaluating and repairing levees and any other facilities of the State Plan of Flood Control.*

(3) *Implementing mitigation measures for a project undertaken pursuant to this subdivision. The department may fund participation in a natural community conservation plan pursuant to Chapter 10 (commencing with Section 2800) of Division 3 of the Fish and Game Code to facilitate projects authorized by this subdivision.*

(b) *Improving or adding facilities to the State Plan of Flood Control to increase levels of flood prevention for urban areas, including all related costs for mitigation and infrastructure relocation. Funds made available by this subdivision may be expended for state financial participation in federal and state authorized flood control projects, feasibility studies and design of federal flood damage reduction and related projects, and reservoir reoperation and groundwater flood storage projects. Not more than two hundred million dollars (\$200,000,000) may be expended on a single project, excluding authorized flood control improvements to Folsom Dam.*

(c) (1) *To reduce the risk of levee failure in the delta.*

(2) *The funds made available for the purpose specified in paragraph (1) shall be expended for both of the following purposes:*

(A) *Local assistance under the delta levee maintenance subventions program under Part 9 (commencing with Section 12980) of Division 6 of the Water Code, as that part may be amended.*

(B) *Special flood protection projects under Chapter 2 (commencing with Section 12310) of Part 4.8 of Division 6 of the Water Code, as that chapter may be amended.*

5096.824. (a) *Five hundred million dollars (\$500,000,000) shall*

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