

Office of the President

TO MEMBERS OF THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

ACTION ITEM

For Meeting of May 15, 2019

PRELIMINARY ENDORSEMENT OF SENATE BILL 14, THE HIGHER EDUCATION FACILITIES BOND ACT OF 2020

RECOMMENDATION

The President of the University recommends that the Finance and Capital Strategies Committee recommend to the Regents that the Regents preliminarily endorse Senate Bill 14, the Higher Education Facilities Bond Act of 2020.

BACKGROUND

Since the mid-1960s, the State has provided funding for the University's capital outlay needs using general obligation bond funds. The last general obligation bond act which provided any funding to UC was in 2006. The Kindergarten-University Public Education Facilities Bond Act of 2006 (Proposition 1D) provided approximately \$345 million per year for 2006-07 and 2007-08 to UC for the basic State-funded capital program. Prior to 2006, other Bond Acts were approved in 2002 and 2004, Propositions 47 and 55, which provided the University with approximately \$345 million per year for four years.

UC campuses face significant long-term capital needs. Over half of all UC space is more than 30 years old. The University's Capital Financial Plan 2018-2028 – which provides the systemwide blueprint for developing and maintaining appropriate and necessary facilities – identifies more than \$11.8 billion in unfunded capital need over the next five fiscal years (through 2023–24), the majority of which (\$8.8 billion) is in State supportable education and general facilities. A general obligation (GO) bond for higher education could assist campuses in developing these unfunded projects with a focus on capacity expansion to accommodate enrollment increases and renewal of existing facilities, including seismic corrections and systems upgrades.

Senate Bill 14, the Higher Education Facilities Bond Act of 2020, was introduced in the Legislature by State Senators Steve Glazer and Ben Allen and Assembly members Jesse Gabriel and Jose Medina. This measure would enact the Higher Education Facilities Bond Act of 2020, which (upon approval by the State electorate) would authorize the issuance of State general obligation bonds in the amount of \$8 billion. One-half of this amount would be designated for the UC; the remaining \$4 billion would be designated for the California State University.

The Board of Regents has taken action in the past to endorse initiatives that have been approved for the statewide general election ballot; such action authorizes the President and other University officials to organize an information program to explain the important nature of the bond measure to the future of the University. Although the measure has not yet been approved for the official ballot, the President recommends that the Finance and Capital Strategies Committee recommend to the Regents that the Board preliminarily endorse SB 14, the Higher Education Facilities Bond Act of 2020, as currently drafted. The President will keep the Committee apprised of the bill's progress through the legislative process and update the Committee on any substantive amendments, should they occur.