

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Neutral
SPONSOR: Treasurer, Bill Lockyer

BILL NUMBER: AB 1163
AUTHOR: J. Brownley

BILL SUMMARY: Education: California Educational Facilities Authority

This bill would recast the definition of a “private college” or “private participating college” to allow the California Educational Facilities Authority (CEFA) to facilitate tax-exempt bond programs for religious colleges, as specified, in conformance with a California Supreme Court decision.

The technical aspects of this bill would do the following:

- 1) Redefine a “participating private college” or a “participating college” to mean a private college that:
 - a) Participates with CEFA in undertaking the financing and construction or acquisition of a project.
 - b) Does not restrict the admission of a student based on his or her race or ethnicity.
- 2) Delete language that restricts CEFA participation with private colleges that restrict entry on racial or religious grounds or require students gaining admission to receive instruction in the tenets of a particular faith.
- 3) Provide that the financing does not violate Section 5 of Article XVI of the California Constitution or the establishment clause of the First Amendment to the United States Constitution, which prohibits the use of public funds for religious purposes.

FISCAL SUMMARY

Per the State Treasurer’s Office (STO), this bill would have no fiscal impact on the state or the STO. To the extent these projects would take place on the natural (on a taxable basis), this bill would result in a loss in tax revenues.

COMMENTS

The Department of Finance is neutral on this bill for the following reasons:

- The bill would provide conformance with a recent California Supreme Court decision, under California Statewide Communities Development v. All Persons interested in the Matter of the Validity of a Purchase Agreement (2007) 40 Cal. 4th 788, the court held that government financiers, such as CEFA, may facilitate tax-exempt bond programs for religious colleges that limit entry on religious grounds or require students gaining admission to receive instruction in the tenets of faith so long as certain conditions are met.
- There are no or minimal state costs related to this bill.

Code/Department Agency or Revenue Type	(Fiscal Impact by Fiscal Year)								Fund Code
	SO	LA			PROP			FC	
	RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	
0989/Ed Fac Auth	SO	No		----- No/Minor Fiscal Impact -----					0911
<u>Fund Code</u>	<u>Title</u>								
0911	Educational Facilities Authority Fund								

Analyst/Principal (0190) O. Chaves	Date	Program Budget Manager Veronica Chung-Ng	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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