

Resolution No. 2005-03

**REQUEST SUPPORT OF AB 947
TO EXPAND CEFA'S AUTHORITY TO ISSUE BONDS
FOR "ADMINISTRATIVE ENTITIES THAT SUPPORT
EDUCATIONAL FACILITIES" AND
"ENTITIES AFFILIATED WITH ELIGIBLE EDUCATIONAL
FACILITIES"**

April 28, 2005

Subject: AB 947 (Liu)

Recommendation: Staff recommends the Authority approve the resolution in support of AB 947 (Liu)

History: Passed Assembly Higher Education Committee on 4/5/2005, Vote 6-0
Passed Assembly Appropriations on 4/13/2005, Vote 13-0

Status: Assembly floor, second reading file

DISCUSSION

AB 947 (Liu) amends the definition of a "private college" eligible for financing under the CEFA Act to include nonprofit affiliates of private colleges that are solely engaged in providing support services. The bill also allows private nonprofit research organizations affiliated with private colleges to refund bonds previously issued by CEFA. The bill has negligible state fiscal impact as CEFA is self-sufficient and funded through fees paid by program participants.

Under existing law, the CEFA Act defines a "private college" as follows:

"Private college" means an institution for higher education other than a public college, situated within the state and that, by virtue of law or charter, is a nonprofit private or independent degree-granting educational institution that is regionally accredited and empowered to provide a program of education beyond the high school level.

The proposed language in AB 947 would add to the definition of "private college" as follows:

1. *For purposes of obtaining financing under this chapter, "private college" also includes either of the following:*
 - (A) *A nonprofit affiliate of one or more private colleges, as defined above, the sole or primary purpose of which is to provide administrative or other support services to the affiliated private college or private colleges, and that undertakes the financing of a project for the exclusive use and benefit of one or more of the affiliated private colleges.*

(B) A private nonprofit research organization affiliated with one or more private colleges, as defined above, and engaged in basic research and advanced education at the predoctoral and postdoctoral levels, but solely for the purpose of refunding bonds or other obligations previously issued by the Authority.

AB 947 would allow the Carnegie Institute to refund its 1993 Series A fixed rate bonds in the outstanding amount of \$17.5 million. Staff estimates that under present market conditions, the Carnegie Institute could realize approximately \$3.36 million in savings by refunding the 1993 Series A bonds.

Last year, the Authority supported AB 2724 (Laird), which included a more inclusive definition of non-profit affiliates eligible for CEFA financing. AB 2724 was vetoed by the Governor over concerns that the new definition was too broad and would overlap with financings undertaken by the California Infrastructure and Economic Development Bank. The language in AB 947 addresses the concerns raised by the Governor by providing a narrower definition of “private college” eligible for CEFA financing.