

AMENDED IN SENATE MAY 14, 2014

AMENDED IN SENATE MAY 1, 2014

**SENATE BILL**

**No. 1017**

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**Introduced by Senator Evans**

February 14, 2014

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An act to add Chapter 8 (commencing with Section 99500) to Part 65 of Division 14 of Title 3 of the Education Code, and to add Part 21 (commencing with Section 42301) to Division 2 of the Revenue and Taxation Code, relating to ~~education finance~~, *oil and gas production taxes*, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1017, as amended, Evans. Education finance: oil and gas severance tax.

(1) Existing law establishes the University of California, under the administration of the Regents of the University of California, the California State University, under the administration of the Trustees of the California State University, and the California Community Colleges, under the administration of the Board of Governors of the California Community Colleges, as the 3 segments of public postsecondary education in this state.

This bill would establish the California Higher Education Endowment Corporation (CHEEC) in state government. The bill would establish an oversight board to govern the CHEEC, and would require that board to appoint the chief executive officer of the CHEEC. The bill would require the CHEEC to annually allocate the moneys in the continuously appropriated California Higher Education Fund, which would be created by the bill, *first to the Controller, and second to the California*

Community Colleges, the California State University, and the University of California, the Department of Parks and Recreation, and to the California Health and Human Services Agency, in specified proportions and for expenditure as provided. ~~The bill also would authorize the board to invest the moneys in the fund in accordance with prescribed procedures.~~ The bill would require the board to submit a report to the Legislature, on or before April 1 of each year, on specified topics.

(2) Existing law imposes various taxes, including taxes on the privilege of engaging in certain activities. The Fee Collection Procedures Law, the violation of which is a crime, provides procedures for the collection of certain fees and surcharges.

This bill would, commencing ~~January~~ *July* 1, 2015, impose an oil and gas severance tax ~~upon any operator, as defined,~~ for the privilege of severing oil or gas from the earth or water in this state for sale, transport, consumption, storage, profit, or use, as provided, at specified rates, calculated as provided. The tax would be administered by the State Board of Equalization and would be collected pursuant to the procedures set forth in the Fee Collection Procedures Law. The bill would require the board to deposit all tax revenues, penalties, and interest collected pursuant to these provisions into the California Higher Education Fund.

Because this bill would expand the scope of the Fee Collection Procedures Law, the violation of which is a crime, it would impose a state-mandated local program.

(3) This bill would include a change in state statute that would result in a taxpayer paying a higher tax within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of  $\frac{2}{3}$  of the membership of each house of the Legislature.

(4) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

(5) Funds appropriated by this bill and allocated to the California Community Colleges would be applied toward the minimum funding requirements for school districts and community college districts imposed by Section 8 of Article XVI of the California Constitution.

(6) This bill would declare that it is to take effect immediately as an urgency statute.

Vote:  $\frac{2}{3}$ . Appropriation: yes. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares:

2 (a) California is the nation's fourth largest producer of oil, after  
3 only North Dakota, Texas, and Alaska, and it is the only one of  
4 36 oil producing states that does not have a severance tax. For  
5 example, Alaska employs a minimum severance tax of 25 percent  
6 that can range up to 50 percent depending on the net value of oil  
7 and natural gas, while Alabama, Kansas, Texas, North Dakota,  
8 Mississippi, Oregon, and Florida tax oil and gas at 8 percent, 8  
9 percent, 7.5 percent, 6.5 percent, 6 percent, 6 percent, and 5  
10 percent, respectively.

11 (b) California is currently tied with Mississippi for the highest  
12 unemployment rate in the nation, and is ranked 47 out of 50 in  
13 quality of education in the United States.

14 (c) A recent study prepared by the Public Policy Institute of  
15 California found that, by the year 2025, the state will experience  
16 an educated labor shortage of about one million college-educated  
17 workers. This would leave firms unable to fill vacancies, which  
18 would potentially raise the unemployment rate in California and  
19 lead firms to look outside the state for an adequately educated  
20 workforce.

21 (d) A study conducted in April 2012 by the Institute for the  
22 Study of Societal Issues at the University of California, Berkeley,  
23 sponsored by the California Chamber of Commerce, the California  
24 Civil Rights Coalition, and the Campaign for College Opportunity,  
25 found that for every dollar the state invests in higher education,  
26 the state receives a \$4.50 return on its investment. Moreover, a  
27 person with a bachelor's degree will earn, on average, \$1.34 million  
28 more in his or her lifetime than one without a college education.

29 (e) Since the budget cuts enacted in 2010, over 32,000 teachers  
30 and faculty have been laid off. This has resulted in cuts in classes  
31 being offered, an increase in the ratio of students to teachers, and  
32 a reduced quality of education in the state. Moreover, University  
33 of California student fees have almost doubled in the last five years  
34 alone, while California State University student tuition fees have  
35 risen 80 percent, and California Community College student tuition

1 fees have risen 130 percent. As a result, over 750,000 students are  
2 no longer seeking to attain an advanced degree in California.

3 (f) This proposed severance tax is intended to provide at least  
4 \$1 billion of annual revenue that will, among other things, promote  
5 economic stimulus through the education of our citizens so that  
6 they can excel, innovate, and become eligible for high-paying  
7 professional careers.

8 SEC. 2. Chapter 8 (commencing with Section 99500) is added  
9 to Part 65 of Division 14 of Title 3 of the Education Code, to read:

10

11 CHAPTER 8. THE CALIFORNIA HIGHER EDUCATION  
12 ENDOWMENT CORPORATION

13

14 Article 1. General Provisions

15

16 99500. As used in this chapter, the following terms have the  
17 following meanings:

18 (a) "Board" means the oversight board described in subdivision  
19 (a) of Section 99505.

20 (b) "Corporation" means the California Higher Education  
21 Endowment Corporation established pursuant to Section 99502.

22 (c) "Director" means the chief executive officer of the  
23 corporation appointed pursuant to Section 99506.

24 (d) "Fund" means the California Higher Education Fund  
25 established pursuant to Section 42321 of the Revenue and Taxation  
26 Code.

27 99502. The California Higher Education Endowment  
28 Corporation is hereby established in state government for purposes  
29 of implementing this chapter.

30

31 Article 2. Oversight Board

32

33 99505. (a) (1) The corporation shall be governed by an  
34 oversight board, which shall be composed of the following voting  
35 members:

36 (A) Two members appointed by the Board of Trustees of the  
37 California State University.

38 (B) Two members appointed by the Regents of the University  
39 of California.

1 (C) Two members appointed by the Chancellor of the California  
2 Community Colleges.

3 (D) Two members appointed by the Senate Committee on Rules.

4 (E) Two members appointed by the Speaker of the Assembly.

5 (F) One member appointed by the Treasurer.

6 (G) One member appointed by the Superintendent of Public  
7 Instruction.

8 (H) (i) One member who is a student enrolled in the California  
9 Community Colleges at the time of the appointment. The member  
10 appointed pursuant to this subparagraph shall be enrolled in the  
11 California Community Colleges for the duration of his or her term.

12 (ii) The Board of Governors of the California Community  
13 Colleges shall appoint the student member from a list of three  
14 eligible persons furnished by the Student Senate.

15 (I) (i) One member who is a student enrolled in the California  
16 State University at the time of the appointment. The member  
17 appointed pursuant to this subparagraph shall be enrolled in the  
18 California State University for the duration of his or her term.

19 (ii) The Trustees of the California State University shall appoint  
20 the student member from a list of three eligible persons furnished  
21 by the California State Student Association.

22 (J) (i) One member who is a student enrolled in the University  
23 of California at the time of the appointment. The member appointed  
24 pursuant to this subparagraph shall be enrolled in the University  
25 of California for the duration of his or her term.

26 (ii) The Regents of the University of California shall appoint  
27 the student member from a list of three eligible persons furnished  
28 by the University of California Student Association.

29 (2) (A) At least one member appointed pursuant to paragraph  
30 (1) shall be a nonmanagement employee of the California State  
31 University.

32 (B) At least one member appointed pursuant to paragraph (1)  
33 shall be a nonmanagement employee of the University of  
34 California.

35 (b) The oversight board shall also include the following ex  
36 officio, nonvoting members:

37 (1) The Chancellor of the California State University.

38 (2) The President of the University of California.

39 (3) The Chancellor of the California Community Colleges.

1 (c) The Legislature requests that the Regents of the University  
2 of California and the President of the University of California  
3 comply with the membership requirements in subparagraph (B)  
4 of paragraph (1) of subdivision (a) and paragraph (2) of subdivision  
5 (b).

6 (d) Except as specified in subparagraphs (H), (I), and (J) of  
7 paragraph (1) of subdivision (a), each of the members identified  
8 in subdivisions (a) and (b) shall be appointed to serve a term of  
9 four years.

10 (e) The members of the board shall annually select a member  
11 to serve as the chairperson of the board.

12 99506. (a) The board shall appoint a director, who shall be  
13 the chief executive officer of the corporation. This position is  
14 designated as a confidential position and is exempt from civil  
15 service under subdivision (e) of Section 4 of Article VII of the  
16 California Constitution.

17 (b) The director shall serve at the pleasure of the board.

18 (c) The board may delegate to the director any power, duty,  
19 purpose, function, or jurisdiction that the board may lawfully  
20 delegate, including the authority to enter into and sign contracts  
21 on behalf of the corporation.

22 (d) The director may delegate to his or her designee any power,  
23 duty, purpose, or jurisdiction that may be lawfully delegated.

24 99507. (a) On or before April 1 of each year, the board shall  
25 report to the Legislature on all of the following:

26 (1) The revenue and expenditure data for the corporation.

27 (2) The revenue and expenditure data for the fund.

28 (3) A review of the compliance audits conducted pursuant to  
29 Section 99508.

30 (4) An examination of the level of General Fund appropriations  
31 the University of California, the California State University, and  
32 the California Community Colleges in light of the funding provided  
33 by the fund.

34 (b) The report to the Legislature shall be submitted in  
35 compliance with Section 9795.

36 99508. (a) The board shall select an auditing firm to annually  
37 audit each entity that receives funding pursuant to Section 99512,  
38 if the entity received moneys in the prior fiscal year, to determine  
39 if the entity used those moneys for purposes authorized by that

1 section. The auditing firm shall submit a report of the results of  
2 the audit to the board.

3 ~~(b) The independent audits shall be funded with investment~~  
4 ~~returns from the fund.~~

5 ~~(e)~~

6 (b) The board shall select an auditing firm licensed by, and in  
7 good standing with, the California Board of Accountancy. The  
8 board shall not select an auditing firm if that firm's lead audit  
9 partner, coordinating audit partner having primary responsibility  
10 for the audit, or audit partner responsible for reviewing the audit  
11 has performed audit services for the board for six consecutive  
12 fiscal years.

13 ~~(d)~~

14 (c) The auditing firm shall conduct the audit in accordance with  
15 the Government Auditing Standards issued by the Comptroller  
16 General of the United States.

17 ~~(e)~~

18 (d) If the board determines through the audits performed  
19 pursuant to this section that any campus, entity, or related  
20 administrative office of any segment that receives funding from  
21 this chapter is found to have improperly used or otherwise  
22 improperly administered moneys allocated under this chapter, the  
23 board shall take the following disciplinary actions:

24 (1) Upon a first finding, the board shall bar the recipient campus,  
25 entity, or related administrative office from receiving funding made  
26 available under this chapter during the following fiscal year and  
27 require the recipient campus, entity, or related administrative office  
28 to submit a remediation plan to the board for approval as a  
29 condition of receiving future funding under this chapter.

30 (2) Upon a second finding within five years, the board shall bar  
31 the recipient campus, entity, or related administrative office from  
32 receiving funds made available under this chapter for the following  
33 two fiscal years and require the recipient campus, entity, or related  
34 administrative office to submit a remediation plan to the board for  
35 approval as a condition of receiving future funding under this  
36 chapter.

37 (3) Upon a third finding within five years, the board shall bar  
38 the recipient campus, entity, or related administrative office from  
39 receiving future funding under this chapter.

1 99509. The board may adopt regulations necessary or  
 2 appropriate to implement its powers and duties under this chapter  
 3 in accordance with the Administrative Procedure Act (Chapter 3.5  
 4 (commencing with Section 11340) of Part 1 of Division 3 of Title  
 5 2 of the Government Code).

6

7 Article 3. Powers and Duties of the California Higher Education  
 8 Endowment Corporation

9

10 99510. The corporation may hire employees as it deems  
 11 necessary to implement this chapter.

12 99512. The corporation shall annually allocate the moneys in  
 13 the California Higher Education Fund, for immediate expenditure  
 14 as follows:

15 (a) *First, upon approval by the corporation of the certification*  
 16 *described in Section 42320.5 of the Revenue and Taxation Code,*  
 17 *to the Controller for allocation to counties that incur a reduction*  
 18 *in property tax revenues resulting from the imposition of the tax*  
 19 *pursuant to Part 21 (commencing with Section 42301) to Division*  
 20 *2 of the Revenue and Taxation Code, as described in Section*  
 21 *42320.5 of the Revenue and Taxation Code.*

22 (b) *Second, after the allocation pursuant to subdivision (a), as*  
 23 *follows:*

24 (a)

25 (1) Fifty percent of the moneys in the fund, in equal shares, to  
 26 the Regents of the University of California, the Trustees of the  
 27 California State University, and the Board of Governors of the  
 28 California Community Colleges. The moneys shall be used only  
 29 for the following purposes:

30 (1)

31 (A) Deferred maintenance.

32 (2)

33 (B) Instructional equipment replacement.

34 (3)

35 (C) To pay off debt resulting from a statewide general obligation  
 36 bond issued by the University of California, the California State  
 37 University, or the California Community Colleges, as applicable.

38 (4)

39 (D) Minor capital outlay projects.

40 (b)



1 (2) Twenty-five percent of the moneys in the fund to the  
2 Department of Parks and Recreation for the maintenance and  
3 improvement of state parks.

4 (e)

5 (3) Twenty-five percent of the moneys in the fund to the  
6 California Health and Human Services Agency to fund health and  
7 human services programs.

8 ~~99514. (a) The board shall have exclusive control of the~~  
9 ~~investment of the fund. Except as otherwise restricted by the~~  
10 ~~California Constitution and by law, the board may, in its discretion,~~  
11 ~~invest the assets of the fund through the purchase, holding, or sale~~  
12 ~~of any investment, financial instrument, or financial transaction,~~  
13 ~~if the investment, financial instrument, or financial transaction is~~  
14 ~~prudent in the informed opinion of the board.~~

15 ~~(b) The board may itself make any investment authorized by~~  
16 ~~law or sell any security, obligation, or real property in which~~  
17 ~~moneys in the fund are invested, by affirmative vote of a majority~~  
18 ~~of the board, or, by the same affirmative vote, may from time to~~  
19 ~~time adopt an investment resolution that shall contain detailed~~  
20 ~~guidelines by which to designate the securities and real property~~  
21 ~~that are acceptable for purchase or sale. While the resolution is in~~  
22 ~~effect, securities and real property may be purchased for investment~~  
23 ~~by an officer or employee of the board designated by it for that~~  
24 ~~purpose, and sales of securities may be consummated by the officer~~  
25 ~~or employee under the conditions prescribed. Purchases and sales~~  
26 ~~of securities shall be reported to the board, on a monthly basis, at~~  
27 ~~its next regular meeting.~~

28 ~~(c) Any investment transaction decisions made during a closed~~  
29 ~~session pursuant to paragraph (16) of subdivision (c) of Section~~  
30 ~~11126 of the Government Code shall be by rollcall vote entered~~  
31 ~~into the minutes of that meeting. The board, within 12 months of~~  
32 ~~the close of an investment transaction or the transfer of system~~  
33 ~~assets for an investment transaction, whichever occurs first, shall~~  
34 ~~disclose and report the investment transaction at a public meeting.~~

35 ~~(d) In addition to the other investments authorized by this article,~~  
36 ~~the board may invest in real estate, leases of real estate, and~~  
37 ~~improvements on real estate for business or residential purposes~~  
38 ~~as an investment for the production of income.~~

39 SEC. 3. Part 21 (commencing with Section 42301) is added to  
40 Division 2 of the Revenue and Taxation Code, to read:

PART 21. OIL SEVERANCE TAX LAW

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42301. This part shall be known and may be cited as the Oil Severance Tax Law.

42302. For purposes of this part, the following definitions shall apply:

(a) "Barrel of oil" means 42 United States gallons of 231 cubic inches per gallon computed at a temperature of 60 degrees Fahrenheit.

(b) "California Higher Education Fund" or "CHEF" means the fund that is created by Section 42321.

(c) "Gas" means all natural gas, including casing head gas, and all other hydrocarbons not defined as oil in subdivision (f).

(d) "Division" means the Division of Oil, Gas, and Geothermal Resources in the Department of Conservation.

(e) "In this state" means within the exterior limits of the State of California and includes all territory within these limits owned by or ceded to the United States of America. "In this state" includes the mean high tide line to three nautical miles offshore.

(f) "Oil" means petroleum, or other crude oil, condensate, casing head gasoline, or other mineral oil that is mined, produced, or withdrawn from below the surface of the soil or water.

(g) "Operator" means a person that, by virtue of ownership, or under the authority of a lease or any other agreement, has the right to drill, operate, maintain, or control an oil or gas well in the earth or water in this state, including any person that takes oil or gas from the earth or water in this state in any manner, any person that owns, controls, manages, or leases any oil or gas well in the earth or water of this state, and any person that produces or extracts in any manner any oil or gas by taking it from the earth or water in this state; and includes the first person that acquires either the legal title or beneficial title to oil or gas taken from the earth or water in this state by the federal government or a federal instrumentality.

(h) "Political subdivision of the state" includes any local public entity, as defined in Section 900.4 of the Government Code.

(i) "Severed" or "severing" means the extraction or withdrawing from below the surface of the earth or water of any oil or gas, regardless of whether the extraction or withdrawal shall be by natural flow, mechanical flow, forced flow, pumping, or any other means employed to get the oil or gas from below the surface of

1 the earth or water, and shall include the extraction or withdrawal  
2 by any means whatsoever of oil or gas upon which the tax has not  
3 been paid, from any surface reservoir, natural or artificial, or from  
4 a water surface.

5 (j) “Stripper well” means a well that has been certified by the  
6 division as an oil well incapable of producing an average of more  
7 than 10 barrels of oil per day during the entire calendar month or  
8 a gas well that is incapable of producing more than an average of  
9 60,000 cubic feet of gas per day during the entire calendar month.  
10 Once a well has been certified as a stripper well, that stripper well  
11 shall remain certified as a stripper well until the well produces an  
12 average of more than 10 barrels of oil per day during an entire  
13 calendar month or produces more than an average of 60,000 cubic  
14 feet of gas per day during an entire calendar month.

15 (k) “Unit of gas” means 1,000 cubic feet (Mcf) measured at a  
16 base pressure of 15.025 pounds per square inch absolute and at a  
17 temperature base of 60 degrees Fahrenheit.

18 42310. (a) ~~(1)~~ Commencing ~~January~~ July 1, 2015, an oil and  
19 gas severance tax is hereby imposed upon any operator for the  
20 privilege of severing oil or gas from the earth or water in this state  
21 at the rate of 9.5 percent of the average price per barrel of  
22 California oil or 3.5 percent of the average price per unit of gas,  
23 as calculated pursuant to this ~~section~~. *section, for each barrel of*  
24 *oil or unit of gas that is severed from the earth or water of this*  
25 *state, or acquired from the federal government or a federal*  
26 *instrumentality, or from the state or a political subdivision of the*  
27 *state, at the time the barrel of oil or unit of gas is severed or*  
28 *acquired.*

29 ~~(2) (A) On or before December 1, 2014, and~~

30 ~~(b) (1) On or before June 1, 2015, and December 1, 2015, and~~  
31 on or before those dates of each year thereafter, the division shall  
32 determine the average price per barrel of California oil for the  
33 six-month period ending on the preceding ~~October 31 and April~~  
34 ~~30, April 30 and October 31~~, respectively. The price of California  
35 oil shall be based on the first purchase price for California  
36 Midway-Sunset crude oil as determined by the United States  
37 Energy Information Administration’s (EIA) Domestic Crude Oil  
38 First Purchase Report. In the event the EIA Domestic Crude Oil  
39 First Purchase Report is delayed or discontinued, the division may

1 base its determination on other sources of first purchase prices of  
2 California oil.

3 ~~(B) On or before December 1, 2014, and~~

4 ~~(2) On or before June 1, 2015, and December 1, 2015,~~ and on  
5 or before those dates of each year thereafter, the division shall  
6 determine the average price per unit of gas for the six-month period  
7 ending on the preceding ~~October 31 and April 30, April 30 and~~  
8 ~~October 31,~~ respectively. The price of gas shall be based on  
9 California's price for gas as determined by the United States  
10 Energy Information Administration's (EIA) report. In the event  
11 the EIA report is delayed or discontinued, the division may base  
12 its determination on other sources of city gate prices of California  
13 gas.

14 ~~(C)~~

15 ~~(3) The division shall notify the board of its determinations~~  
16 ~~pursuant to subparagraphs (A) and (B), paragraphs (1) and (2),~~  
17 ~~on or before December 1, 2014, and June 1, 2015, and December~~  
18 ~~1, 2015,~~ and on or before those dates on each year thereafter.

19 ~~(b) Any person that owns an interest, including a royalty interest,~~  
20 ~~in oil or its value, is liable for the tax until it has been paid to the~~  
21 ~~board.~~

22 42312. The tax imposed by this part shall be in addition to any  
23 other taxes imposed by law, including, without limitation, any ad  
24 valorem taxes imposed by the state, or any political subdivision  
25 of the state, or any local business license taxes that may be incurred  
26 for the privilege of severing oil or gas from the earth or water or  
27 doing business in that locality. There shall be no exemption from  
28 the payment of an ad valorem tax related to equipment, material,  
29 or other property by reason of the payment of the severance tax  
30 pursuant to this part.

31 42314. Two or more operators that are owned or controlled  
32 directly or indirectly, as defined in Section 25105, by the same  
33 interests shall be considered as a single operator for purposes of  
34 application of the tax prescribed in this part.

35 42315. (a) There shall be exempted from the imposition of  
36 the oil and gas severance tax imposed pursuant to this part, the  
37 severance of oil or gas produced by a stripper well, ~~unless the well~~  
38 ~~produces more than five barrels per month. well.~~

39 (b) The division shall notify the board of all wells that have  
40 been certified as stripper wells.

1 42316. There shall be exempted from the imposition of the tax  
2 imposed pursuant to this part all oil, gas, or both oil and gas owned  
3 or produced by the state or any political subdivision of the state,  
4 including such public entity's proprietary share of oil or gas  
5 produced under any unit, cooperative, or other pooling agreement.

6 42319. Each operator shall prepare and file with the board a  
7 return in the form prescribed by the board containing information  
8 as the board deems necessary or appropriate for the proper  
9 administration of this part. The return shall be filed on or before  
10 the last day of the calendar month following the calendar quarter  
11 to which it relates, together with a remittance payable to the board  
12 for the amount of tax due for that period.

13 42320. (a) The board shall administer and collect the tax  
14 imposed by this part pursuant to the Fee Collection Procedures  
15 Law (Part 30 (commencing with Section 55001)). For purposes  
16 of this part, the references in the Fee Collection Procedures Law  
17 to "fee" shall include the tax imposed by this part and references  
18 to "feepayer" shall include any person liable for the payment of  
19 the tax imposed by this part.

20 (b) The board may prescribe, adopt, and enforce regulations  
21 relating to the administration and enforcement of this part,  
22 including, but not limited to, provisions governing collections,  
23 reporting, refunds, and appeals.

24 (c) The board may prescribe, adopt, and enforce emergency  
25 regulations relating to the administration and enforcement of this  
26 part. Any emergency regulations prescribed, adopted, or enforced  
27 pursuant to this section shall be adopted in accordance with Chapter  
28 3.5 (commencing with Section 11340) of Part 1 of Division 3 of  
29 Title 2 of the Government Code, and, for purposes of that chapter,  
30 including Section 11349.6 of the Government Code, the adoption  
31 of these regulations is an emergency and shall be considered by  
32 the Office of Administrative Law as necessary for the immediate  
33 preservation of the public peace, health and safety, and general  
34 welfare.

35 42320.5. (a) *On or before October 31, 2016, and each October*  
36 *30 thereafter, the auditor of a county that has incurred a reduction*  
37 *in property tax revenues resulting from the imposition of the tax*  
38 *pursuant to this part shall certify to the Director of Finance an*  
39 *estimate of the total amount of the reduction in property tax*  
40 *revenues on both the regular secured roll and the supplement roll*

1 *for the prior fiscal year, except that the amount certified shall not*  
2 *include any estimated property tax revenue reductions to school*  
3 *districts, other than basic state aid school districts, and county*  
4 *offices of education.*

5 *(b) After the county auditor of the eligible county has made the*  
6 *applicable certification to the Director of Finance pursuant to*  
7 *subdivision (a), the Director of Finance shall, within 30 days after*  
8 *verification of the county auditor's estimate, certify this amount*  
9 *to the California Higher Education Endowment Corporation. Upon*  
10 *approval of the California Higher Education Endowment*  
11 *Corporation, that amount shall be allocated from the California*  
12 *Higher Education Fund to the Controller for allocation to the*  
13 *county, and the Controller shall make the appropriate allocation*  
14 *to the county within 30 working days.*

15 *(c) On or before June 30, 2017, and each June 30 thereafter,*  
16 *the auditor shall compute and remit to the Controller for deposit*  
17 *into the California Higher Education Fund an amount equal to*  
18 *the amount allocated to it by the Controller pursuant subdivision*  
19 *(b), less the actual amount of reduced property tax revenue*  
20 *incurred by the county on the regular secured roll and supplement*  
21 *roll as a result of the tax imposed by this part, excluding any*  
22 *property tax revenue reduction incurred by school districts, other*  
23 *than basic state aid school districts, and county offices of*  
24 *education. If the actual amount of property tax revenue reduction*  
25 *incurred by an eligible county in the immediate preceding year,*  
26 *as described and limited by this subdivision, exceeds the amount*  
27 *allocated by the Controller to that county, the California Higher*  
28 *Education Endowment Corporation shall allocate that amount of*  
29 *excess from the California Higher Education Fund to the*  
30 *Controller for allocation to that eligible county.*

31 *(d) The auditor of a county shall allocate any amounts received*  
32 *pursuant to this section to the county, cities, special districts, and*  
33 *basic aid school districts in proportion to the amounts of property*  
34 *tax revenue otherwise allocated among the county, cities, special*  
35 *districts, and basic aid school districts.*

36 *(e) For purposes of this section, "basic state aid school district"*  
37 *means a school district that does not receive a state apportionment*  
38 *pursuant to Section 42238.02 of the Education Code, as*  
39 *implemented by Section 42238.03 of the Education Code, excluding*  
40 *funds apportioned pursuant to the requirements of subdivision (e)*

1 *of Section 42238.03 of the Education Code, but receives from the*  
2 *state only a basic apportionment pursuant to Section 6 of article*  
3 *IX of the California Constitution.*

4 42321. (a) All taxes, interest, penalties, and other amounts  
5 collected pursuant to this part, less refunds and costs of  
6 administration, shall be deposited into the California Higher  
7 Education Fund, which is hereby created in the State Treasury.  
8 Notwithstanding Section 13340 of the Government Code, moneys  
9 in the fund are continuously appropriated, without regard to fiscal  
10 year, to the California Higher Education Endowment Corporation  
11 established by Section 99502 of the Education Code.

12 (b) (1) Revenues, less refunds, derived pursuant to Section  
13 42310 for deposit in the California Higher Education Fund pursuant  
14 to this section shall be deemed “General Fund revenues” and  
15 “General Fund proceeds of taxes” for purposes of Section 8 of  
16 Article XVI.

17 (2) Moneys allocated to the Board of Governors of the California  
18 Community Colleges pursuant to Section 99512 of the Education  
19 Code shall be deemed “moneys to be applied by the state for the  
20 support of school districts and community college districts” for  
21 purposes of Section 8 of Article XVI.

22 ~~(e) Any local property tax reductions that may result from the~~  
23 ~~imposition of the tax by this part shall be reimbursed from the~~  
24 ~~revenues received from the imposition of the tax.~~

25 SEC. 4. No reimbursement is required by this act pursuant to  
26 Section 6 of Article XIII B of the California Constitution because  
27 the only costs that may be incurred by a local agency or school  
28 district will be incurred because this act creates a new crime or  
29 infraction, eliminates a crime or infraction, or changes the penalty  
30 for a crime or infraction, within the meaning of Section 17556 of  
31 the Government Code, or changes the definition of a crime within  
32 the meaning of Section 6 of Article XIII B of the California  
33 Constitution.

34 SEC. 5. This act is an urgency statute necessary for the  
35 immediate preservation of the public peace, health, or safety within  
36 the meaning of Article IV of the Constitution and shall go into  
37 immediate effect. The facts constituting the necessity are:

1 In order to reduce mandatory systemwide tuition and fees as  
2 quickly as possible, it is necessary that this act take effect  
3 immediately.

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