

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Assembly Bill 2680 Assembly Member Negrete McLeod (As amended 4/22/04)

Position: Sponsor

Proponents: Teachers' Retirement Board (Sponsor)

Opponents: None known

SUMMARY

Assembly Bill 2680 expands the geographic area in which the California State Teachers' Retirement System (CalSTRS) may locate its headquarters facility within metropolitan Sacramento to include eastern Yolo County, and eliminates an unused provision in existing law that authorizes the Board of Administration of the California Public Employees' Retirement System (CalPERS) to lease, purchase, or construct offices for CalSTRS' use.

HISTORY

Chapter 782, Statutes of 1998 (SB 1934 – Johnston) allows the Director of the Department of General Services (DGS) to purchase, exchange, or acquire real property to construct a state-owned office building and parking facilities, within Sacramento County or the City of West Sacramento for the Department of Corrections and certain other state agencies.

Chapter 1429, Statutes of 1982 (AB 3166 – Papan) allows the Teachers' Retirement Board (Board) to acquire real property to establish an office building in the County of Sacramento to serve as a permanent headquarters for the System.

Chapter 1089, Statutes of 1977 (SB 1240—D. Carpenter) allows the CalPERS Board of Administration to lease, purchase, or construct offices within the County of Sacramento for its use and the use of CalSTRS, and other public retirement systems and state agencies.

BACKGROUND

Under the provisions of the Property Acquisition Law (Part 11 of Division 3, Title 2 of the Government Code), the Director of the DGS is generally authorized to hire, lease, lease-purchase, or lease with the option to purchase any real or personal property for the use of any state agency if the director deems the hiring or leasing is in the state's best interest. Section 22375 of the Education Code specifically exempts CalSTRS from these provisions and allows the Teachers' Retirement Board to lease, purchase or build an office building within Sacramento County to serve as a headquarters facility for the System. In 1984, the Board purchased the

System's existing headquarters building in East Sacramento, which has housed CalSTRS staff for the last twenty years.

The CalSTRS headquarters facility has been held in the real estate investment portfolio of the Teachers' Retirement Fund (Fund) since its acquisition. At various times in the past, CalSTRS has leased space in its East Sacramento headquarters to both governmental and private entities to generate additional revenue for the Fund. As with all CalSTRS investments in real property in California, the Fund pays no property taxes that would otherwise be imposed on private holdings, and instead, all non-governmental tenants in these investment properties are required to pay in-lieu taxes.

DISCUSSION

Assembly Bill 2680 expands the geographic area in which CalSTRS can locate a headquarters facility within metropolitan Sacramento to include eastern Yolo County, and eliminates an unused provision in existing law that authorizes the CalPERS Board of Administration to lease, purchase or construct offices for CalSTRS' use.

As a result of legislation enacted in recent years, CalSTRS has expanded its programs and operations to a point where it is now occupying parts of three buildings in East Sacramento. Consequently, the Board directed CalSTRS staff to evaluate the System's long-term facility needs that would allow the System to consolidate its operations to provide for more efficient administration of the System. After narrowing the number of possible locations for a new headquarters facility, CalSTRS staff is nearing a point in the planning process where a recommendation will be made to the Board.

While existing law allows the Board to lease, purchase or build office space within Sacramento County to serve as a headquarters facility for the System, there may be properties outside of Sacramento County, but within metropolitan Sacramento, that best meet the administrative needs of CalSTRS and the service needs of its members, and also present attractive commercial investment and/or development opportunities. Without legislative authorization to consider locations in eastern Yolo County, the Board may be unable to choose an alternative that would provide the best combination of improvements to member service and returns to the Fund.

The Legislature has previously recognized eastern Yolo County as an appropriate location for state agency headquarters. For example, the headquarters of the Department of General Services is located in leased office space in an existing building along the West Sacramento waterfront and the Highway Patrol houses its training facility and administrative operations near the northern edge of the city. In addition, Chapter 782, Statutes of 1998 allows DGS to construct a state-owned office building in West Sacramento for the Department of Corrections and other specified state agencies.

AB 2680 also eliminates an unused provision in existing law that allows the CalPERS Board of Administration to lease, purchase, or build offices for CalSTRS' use. This provision, enacted in 1977, anticipated CalPERS would include CalSTRS in its new headquarters building which became Lincoln Plaza in downtown Sacramento, however, with the passage of Chapter 1429 and

CalSTRS' purchase of a headquarters building in 1984, the need for this authorization has long passed. CalPERS staff has indicated that they have no concerns with the proposal and that the change is consistent with their efforts to eliminate unnecessary provisions of the Government Code that apply to their agency.

FISCAL IMPACT

Benefit Program Costs – None

Administrative Costs – None

BOARD POSITION

Sponsor – Without legislative authorization to consider locations in eastern Yolo County, the Board may be unable to select the alternative most advantageous for the Fund, the improvement of CalSTRS' operations, and the service it provides to CalSTRS' members.