

CALIFORNIA HIGHER EDUCATION INFRASTRUCTURE INVESTMENTS

The Policy Issues

Assembly Higher Education Committee Assemblymember Carol Liu, Chair

March 1, 2006

The Assembly Higher Education Committee met to review the Governor's Higher Education Bond Proposal addressing the infrastructure needs of California's public college and universities.

As Secretary of Education Bersin articulated in his testimony, California's higher education system is at a critical turning point:

- Thoughtful investments are needed now in higher education to ensure the economic future of California;
- California needs additional instructional capacity to serve an increasing number of students in our colleges and universities; and
- Some of our campuses have significant seismic safety issues that need to be addressed as soon as possible.

The Governor has proposed a multi-year bond for higher education, providing \$11.7 billion over a six year period, out to 2012. The first bond, to be placed on the ballot in 2006, is for \$5.4 billion to be divided equally among the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC). In addition, \$200 million would be allocated for telemedicine at the UC. Additional bonds in 2010 and 2012 would provide for the remaining funding.

Assembly Speaker Nuñez has authored a competing proposal for higher education infrastructure, with a two-year Capital Outlay Bond totaling \$2.887 billion. This proposal allocates 50% of the bond funds to the CCC and 25% each to the UC and CSU.

As demonstrated in the following CCC, CSU, and UC Capital Outlay Estimate summaries, their needs far exceed amounts provided for in the proposed bonds.

California Community Colleges Five-Year Capital Outlay Plan

The CCC Chancellor's Office (CCCCO) estimates the total **unmet** facilities needs for the CCC system at approximately \$15.4 billion. The CCC Five-Year Plan includes \$4.5 billion for construction of new facilities for enrollment growth and \$3.9 billion for modernization of existing facilities. The remaining \$7 billion of currently identified facilities needs are deferred to future years.

Funding for CCC facilities is a joint responsibility shared by the state and local CCC districts. The primary source of financing for the local share of construction costs is voter approved local bonds. From June 1998 through November 2002, when bond measures required two-thirds voter approval, only 10 CCC districts passed

local bonds providing \$875 million for CCC facilities. Since passage of Proposition 39, voters have approved 55 of 59 local bond measures, authorizing \$12.1 billion in bonds for 51 CCC districts.

In addition, in November 1999, the Board of Governors of the CCC adopted new criteria for prioritizing capital outlay projects, emphasizing a "least cost to the state" policy. The intent of this policy is to stretch state resources to help meet enrollment growth and modernization needs by providing an incentive for districts to contribute local dollars to projects.

In the 2006-07 CCC Capital Outlay Plan, 47 of 58 of new state-funded projects will provide a local contribution. These local contributions will provide \$238.7 million to support the state projects proposed for 2006-07, and an additional \$50 million in 2007-08 to complete the projects. This equates to a "system" contribution of approximately 32%. In addition, according to the Chancellor's Office, \$519 million in projects will be funded entirely with local funds in 2006-07.

During the next decade, approximately 70% of the anticipated enrollment growth in California Community Colleges will occur in 7 counties. The statewide allocation of capital outlay funding should be responsive to these anticipated enrollment trends.

California State University State Funded Capital Outlay Program, 2006-07 Priority List

The Capital Outlay Program for the CSU states that:

- 1) More than half (56%) of all state funded buildings – and 60% of the university's 40 million square feet of state funded building space – are more than 30 years old. As a result, CSU has established a capital renewal program designed to address the significant need to renew the facilities, including a CSU request to utilize \$50 million of General Obligation (GO) Bond funds to extend the useful life of many CSU buildings.
- 2) A second key issue is energy efficiency and sustainability. The CSU is committed to operating energy efficient buildings. CSU is looking to the bond issue to provide needed funding to achieve important efficiency improvements on the campuses.
- 3) Additional facilities are needed to accommodate enrollment growth statewide. During the next two years, approximately \$400 million is needed for this purpose.

The 2006-07 priority list presented in the appendix has an estimated \$427 million cost. This list includes 31 projects ranked in priority order. The CSU has also established a non-state funded capital outlay program list for that includes 14 projects with a total cost of \$101.4 million.

University of California Budget for State Capital Improvements, 2006-2007

The University of California (UC) request for state capital funds covers only 2006-07 and totals \$340 million, to "expand and upgrade academic facilities to support enrollment growth and to maintain progress on seismic and other life-safety improvements while also addressing essential infrastructure and building renewal needs." A total of \$336.7 million is requested to support 29 major capital projects and \$3.3 million is requested to equip one project for which construction has already been approved and funded by the state.

According to the UC, this "financing is essential to the ability of the UC to address existing and projected facility deficiencies."

- UC enrollment has increased by approximately 29% since 1998-99, and the expansion of facilities has lagged the increase in enrollment.
- Student demand is forecast to continue to grow dramatically through 2010-11, for an enrollment increase of approximately 49%.
- Funding is needed to correct serious seismic and other life-safety hazards. Specifically, funds are requested for construction of Seismic Safety Corrections for Giannini Hall at Berkeley and for preliminary plans and working drawings for Arts Building Seismic Correction and Renewal at Santa Barbara. At UCLA, most general campus facilities damaged by the 1994 Northridge earthquake have been corrected, but the magnitude of work required to rebuild the Center for Health Services will also require years to complete. Funding is also needed to address critical infrastructure deficiencies on eight other projects.
- Funding is also needed to address the space deficiencies and deterioration of aging buildings to support evolving academic program needs. Projects are proposed for the San Diego, Davis, Santa Cruz and Santa Barbara campuses.

Key Issues Regarding Higher Education Infrastructure Bonds

As Legislative action is taken this year on higher education capital outlay funding, the Legislature should consider the issues summarized below.

Issue # 1 – Should Bond Acts for future years be adopted now?

The Administration has proposed a multi-year bond for higher education, providing \$11.7 billion over a six-year period. From the perspective of the colleges and universities, this longer time frame provides more stability and predictability in their capital outlay planning.

The Legislative Analyst's Office (LAO) suggests that the Legislature not fund more than one bond right now, given the absence of a multi-year infrastructure plan. In addition, adopting a multi-year plan this year would tie the hands of future legislative sessions.

In 2002, the Legislature adopted AB 16 (Hertzberg), which included the Kindergarten-University Public Education Facilities Bond Acts for 2002 and 2004. **The Legislature should follow the same approach this year as was followed in 2002, by enacting the Kindergarten-University Education Bond Acts of 2006 and 2008.**

Issue #2 – How should the proposed capital funding be divided among the three public segments of higher education?

The 2002 and the 2004 higher education bond issues (Proposition 47 in 2002 and Proposition 55 in 2004) provided 40% of the revenue for the CCC and 30% each to UC and CSU. The Governor's proposal for 2006 would divide the funding on a one-third basis for each segment plus an additional \$200 million for the UC's telemedicine program. Speaker Nuñez's proposal (AB 58) would divide the available funding with 50% for the CCC and 25% each for the UC and CSU.

In addressing this issue it is important to remember that the demonstrated statewide need in California higher education far exceeds the proposed funding levels. According to the California Postsecondary Education Commission (CPEC), "based on the Department of Finance's most recent projections...there is little doubt that each public higher education system will need to expand its physical capacity to meet anticipated enrollment demand by year 2014. In addition, all three segments have a significant backlog of projects to address seismic safety issues as well as the general need to modernize existing facilities."

While all three public segments have significant need for investments in infrastructure, decisions about the allocation of capital outlays funds should reflect the distribution of enrollments among the three public segments of higher education. The CCC accounts for the largest share of higher education enrollments by far. The Legislature should follow the same distribution share used in 2002 and 2004: 40% of the revenue for the CCC and 30% each for the UC and CSU.

Issue #3 – Has the case been made for the investment of \$400 million in telemedicine over the next six-years?

The Administration's bond proposal provides for \$200 million in dedicated revenue for UC telemedicine in 2006, and again in 2012. Telemedicine is used effectively in several states to provide clinical care at distant locations. Using modern telecommunication and information technologies, it is possible to assess, diagnose and manage patients needing a wide variety of specialty care, ranging from psychiatry, to cardiology, to surgical consultations.

Clearly, new telemedicine technology will be essential for California medical education and the delivery of health services in the coming years. However, the UC Board of Regents has the constitutional authority to prioritize capital projects for the UC. This raises the question: Should the Legislature usurp this authority by designating its own priorities?

A recent report from the UC concludes that "California's health needs are rapidly increasing and these needs will continue to be driven by growth, aging, and increasing diversity of the population." This 2005 report argues that, "with few exceptions, there has been virtually no growth in UC's health professions programs for more than 25 years. This lack of growth has contributed to the state's shortages of physicians, nursing faculty, public health professionals and others." Rather than preempt the Regents authority to set priorities for capital projects at the UC, a more appropriate role for the Legislature is to engage in long-range planning to identify a funding source and appropriate funding level to support and expand the needed health and dental care facilities and programs throughout our state.

Accordingly, the 2006 Higher Education Bond Act should not specify and require the biennial investment of \$200 million in telemedicine. The Board of Regents should be allowed to exercise its authority to make this decision. However, the Legislature, in consultation with the Board of Regents, should take a leadership role in identifying the capital and operational funding needed for the expansion of health and dental care facilities and programs throughout California.

Issue # 4 – Should the CCC system be exempted from the Field Act?

In recent years there has been substantial controversy and debate in the Legislature over the requirement that the CCC comply with the Field Act provisions governing building construction. The Field Act, which was first enacted in 1933, gives the state the authority to approve public school buildings for safety. The Act requires the Division of the State Architect (DSA) to review the construction plans for K-12 and CCC buildings and requires districts to hire onsite construction inspectors to ensure compliance with structural safety standards. The intent of the Field Act is to protect young students, encourage school safety, and enable school buildings to resist earthquakes to the extent practicable.

CCC was once viewed as an extension of K-12 education, i.e., K-14, and thus made subject to the Field Act while the UC and CSU were not. Since the median age of CCC students is 26 (similar to UC and CSU students), it has been asked why the CCC should be subject to the Field Act while the UC and CSU are exempt.

The DSA, in the Department of General Services (DGS), currently performs the seismic review of all CCC facilities projects pursuant to the Field Act. DSA also performs plan checks of all state, K-12 and CCC projects before they proceed to construction in order to ensure compliance with the structural standards of the Field Act, state-fire-life safety requirements and state ADA access compliance requirements. Due to staffing shortages at

DSA, and due to the high demand for plan review of projects, a significant amount of the workload of that office is contracted out to private vendors.

The 1992 Field Act Cost Impact Study concluded that compliance with the Field Act results in only 3.5-4% in increased costs for new school construction. However, a 2004 survey of 48 CCC projects completed in the previous five years showed an average 195-day delay by DSA beyond the 42-day period considered appropriate for review. This delay results in significant increased costs. While this sampling is over two years old, the situation at DSA reportedly has not improved. The current DSA process of performing plan checks just before construction is scheduled to begin also contributes to costly delays. These delays will become even more pronounced and costly when the \$13 billion of local and state bond funded CCC projects and even greater amounts of recently funded K-12 projects proceed to construction.

This information was the basis for the Legislature's passage of AB 3010 (Laird) last session. However, this bill was vetoed by Governor Schwarzenegger at the behest of the Director of DGS with the message that the collaborative process proposed in the bill could be implemented administratively.

Pursuant to the veto message, the Board of Governor's of the CCC and the State Architect in the DGS have recently entered into a Memorandum of Understanding (MOU) to ensure that "a collaborative, timely and consistent approach to the development and review of community college capital project plans is achieved." This MOU is the product of a task force formed in January 2005, composed of DSA staff, CCC Chancellor's Office staff, CCC district staff, and professional consultants and designers. The agreement was signed by CCC Chancellor Drummond and DGS Director Joseph on January 31, 2006. It is anticipated that this action will alleviate concerns regarding application of the Field Act to CCC.

Accordingly, the Legislature should monitor the effectiveness of the new MOU before considering any further legislative action.

Issue # 5 –California's obsolete space standards

The existing higher education space standards were adopted in the 1970's in response to the state's economic challenges during that decade. In 1990, CPEC completed the first comprehensive study of California higher education space planning and use standards since 1966 and the first study of research space since 1955. CPEC, working with the colleges and universities, recommended comprehensive changes in these standards. However, these CPEC recommendations were not adopted by the Legislature. As a result, California's space standards are now the oldest in the country. Nationally, the average date of the most current space planning and utilization standards for the 20 states with these standards is 1994.

Accordingly, the Legislature should adopt up-to-date higher education space standards.

Issue # 6 – Funding incentives

In addition to specific questions about funding levels, the Committee discussed possible alternative strategies to encourage more extensive utilization and improved maintenance of existing facilities on the college and university campuses. The most favored approach was to provide incentives in the form of state matching funds to encourage the colleges and universities to:

- discontinue the current practice of deferring maintenance and expend a larger share of their annual appropriations for the ongoing maintenance of the existing buildings;
- expand the instructional program during the summer to make better use of existing campus facilities year-round;
- expand the joint-use of existing facilities by bringing CSU and UC upper-division programs to community college sites; and
- expand the use of technology in instruction through web-based and web-assisted courses that can be accessed by students in off-campus locations.

Accordingly, the Legislature should provide funding incentives to encourage college and university campuses to budget annually for ongoing facility maintenance and to expand (a) year-round operations, (b) the joint-use of educational facilities, and (c) the use of technology in the delivery of instruction.

Appendix

Document	Page #
California Community Colleges – Capital Outlay Needs in 2006 Statewide 2-year bond	9
California State University State Funded Capital Outlay Program 2006-07 Priority List	10-11
University of California 2006-07 Budget for State Capital Improvements	12-14

A. Current Resources **\$13.0 billion**

- o \$13 billion local Prop 39 bond funds
- o \$0.08 billion state Prop 55 bond funds

B. 10-Year Projected System Needs **\$31.1 billion**

o **Non-State Supportable Needs (Not eligible from state bonds):**

- § Land Acquisition
- § Parking
- § Stadiums /Athletic Facilities
- § Office space – non instructional staff
- § Cafeterias
- § Bookstores
- § Health Centers

Subtotal Non-State Supportable Needs **\$6.9 billion**

o **State Supportable Needs (Eligible from state and local bonds):**

- § New Facilities \$8.9 billion
- § Modernization \$11.5 billion
- § New Centers \$1.2 billion
- § Inflation (for years 6-10) \$2.5 billion

Subtotal State Supportable Needs **\$24.2 billion**

C. State GO Bond \$\$ needed over 10 years **\$18.1 billion**

Assumes average local contribution of 25% towards State Supportable Needs (\$24.2 billion x 75%) minus \$76 million Prop 55 bond funds

D. State GO Bond \$\$ needed every 2 years **\$3.6 billion**

California State University

State Funded Capital Outlay Program 2006/07 Priority List

Cost Estimates are at Engineering News Record California Building Construction Cost Index 4633 and Equipment Price Index 2726

Rank Order	Category	Campus	Project Title	FTE	Dollars	Funds to Complete	Cumulative Amount
1	IA	Statewide	Minor Capital Outlay	PWC	20,000,000		20,000,000
1	IA	Statewide	Minor Capital Outlay	PWC	5,000,000		25,000,000
2	IA	Statewide	Capital Renewal	PWC	45,000,000		70,000,000

2	IA	Statewide	Capital Renewal		PWC	5,000,000		75,000,000
3	IB	San Luis Obispo	Eng./Architecture Reno./Replace., Ph. IIB	N/A	E	4,397,000		79,397,000
4	IB	Humboldt	Behavioral and Social Sciences	N/A	E	4,670,000		84,067,000
5	II	East Bay	Business and Technology ◇	N/A	E	1,544,000		85,611,000
6	IB	San Bernardino	Science Buildings Reno./Add., Phase II	N/A	E	1,573,000		87,184,000
7	II	Maritime Academy	Simulation Center	N/A	E	3,618,000		90,802,000
8	II	Monterey Bay	Infrastructure Improvements	N/A	E	257,000		91,059,000
9	IB	Stanislaus	Science II (Seismic)	N/A	E	4,951,000		96,010,000
10	II	San Bernardino	College of Education	N/A	E	2,438,000		98,448,000
11	IB	East Bay	Student Services/Admin. Replacement Bldg.	N/A	C	39,438,000	1,772,000	137,886,000
12	IB	Channel Islands	Infrastructure Improvements, Ph.1a and 1b	0	PWC	11,264,000	35,926,000	149,150,000
13	IB	Los Angeles	Corporation Yard and Public Safety ◇	N/A	PWC	3,057,000	13,025,000	152,207,000
14	IB	Bakersfield	Nursing Renovation	-7	PWC	1,979,000	220,000	154,186,000
15	IB	Long Beach	Peterson Hall 3 Replacement	1,177	C	82,696,000	4,548,000	236,882,000
16	II	Northridge	Performing Arts Center ◇	380	WC	56,528,000	5,644,000	293,410,000
17	IB	San Luis Obispo	Center for Science ◇	66	P	1,866,000	100,321,000	295,276,000
18	II	San Francisco	School of the Arts Acquisition	N/A	A	6,930,000		302,206,000
19	II	San Marcos	Social and Behavioral Sciences Building ◇	644	P	1,078,000	53,923,000	303,284,000
20	II	Pomona	College of Business Admin., Ph. I ◇	2,303	P	177,000	43,258,000	303,461,000
21	II	Stanislaus	Science I Renovation (Seismic)	611	PWC	13,716,000	1,336,000	317,177,000
22	IB	Sacramento	Science II, Phase 2	-752	P	1,114,000	65,649,000	318,291,000
23	IB	San José	Science Building Replacement, Phase I	1,006	P	1,410,000	74,894,000	319,701,000

Rank Order	Category	Campus	Project Title	FTE		Dollars	Funds to Complete	Cumulative Amount
24	IB	San Bernardino	Library Renovation, Phase I	-1,130	P	1,056,000	42,436,000	320,757,000
25	II	Chico	Taylor II Replacement Building	101	P	665,000	36,489,000	321,422,000
26	II	San Diego	College of Education Building	1,091	PWC	44,769,000	1,476,000	366,191,000
27	IB	Dominguez Hills	Cain Library Remodel (Seismic)	N/A	PWC	16,712,000	1,337,000	382,903,000

28	II	Fullerton	Off-Campus Center Site Acquisition	0	S	1,500,000		384,403,000
29	IB	Fullerton	Physical Services & Infra. Improvements	N/A	PWC	39,747,000	771,000	424,150,000
30	IB	Fresno	Infrastructure, Phase I	N/A	P	1,430,000	64,852,000	425,580,000
31	IB	Humboldt	Educational Services Replacement Building	0	P	1,435,000	74,295,000	427,015,000
Totals				5,490		\$427,015,000	\$622,172,000	\$427,015,000

- Categories:
- I Existing Facilities/Infrastructure
 - A. Critical Infrastructure Deficiencies
 - B. Modernization/Renovation
 - II New Facilities/Infrastructure

A = Acquisition P = Preliminary plans W = Working drawings C = Construction E = Equipment S = Study

◇ This project is dependent upon state and nonstate funding.

University of California
2006-07 BUDGET FOR STATE CAPITAL IMPROVEMENTS

<u>Cam- pus</u>	<u>Project</u>	<u>Prefunded (\$000)</u>		<u>Future Funding Requirements (\$000)</u>	<u>Total Project Cost (\$000)</u>
Berk	Seismic Safety Corrections Giannini Hall	P 1,055		----	25,671 [2,498]

Berk	Birge Hall Infrastructure Improvements					---		10,350
Dav	Veterinary Medicine 3B					WC 62,400 CE [24,450]	G	65,500 [24,450]
Dav	King Hall Renovation and Expansion					---		17,925 [3,924]
Irv	Biological Sciences Unit 3	PWC PWCE	53,712 [17,372]	* LB		---		56,980 [20,640]
Irv	Social and Behavioral Sciences Building	PW	2,850	*		E 2,780 E [2,780]	X	43,212 [2,780]
Irv	Primary Electrical Improvements Step 3					---		2,571
Irv	Humanities Building					CE 24,762	*	26,511
LA	Life Sciences Replacement Building	PWC PWCE	54,242 [45,500]	LB		---		92,818 [45,500]
Mer	Social Sciences and Management Building					CE 39,164		41,831
Riv	Student Academic Support Services Building	PW	1,650			E 887		20,572
Riv	Geology Building Renovations Phase 2					---		9,025
Riv	Culver Center for the Arts	P	[500]	G				8,065 [4,800]
Riv	Boyce Hall and Webber Hall Renovations					WC 30,100		31,000

Cam- pus	Project	Prefunded (\$000)		Future Funding Requirements (\$000)	Total Project Cost (\$000)
SD	Mayer Hall Addition and Renovation	PWCE 29,100		---	42,226
SD	Structural and Materials Engineering Building			E 3,000 E [4,000]	78,057 [4,000]
SD	Chilled Water and Electrical	P [150]	X	---	3,157

	Distribution Improvements							[150]
SF	Medical Sciences Building Improvements, Phase 2	PWC	18,351			---		34,730
SF	Electrical Distribution Improvements Phase 2					WC	12,587	13,112
SB	Electrical Infrastructure Renewal, Phase 2	WC PW	7,305 [782]	* X		---		13,633 [3,149]
SB	Arts Building Seismic Correction and Renewal					C	19,145	21,000
SB	Davidson Library Addition and Renovation					WCE	58,350	59,600
SB	Phelps Hall Renovation					C	9,300	10,400
SB	Infrastructure Renewal Phase 1					WC W	9,511 [4,899]	10,000 [5,150]
SC	McHenry Addition and Renovation Project	PWC	38,845			CE	36,258	81,924
SC	Digital Arts Facility	PW	2,218			E	1,037	23,006
SC	Infrastructure Improvements Phase 1	P	777			---		8,610
SC	Biomedical Sciences Facility					CE	67,710	74,200
SC	Infrastructure Improvements Phase 2					WC	6,320	6,687
ANR	Kearney REC Pressure Irrigation System					---		998
TOTAL								383,311

* "Streamlined" State processing during implementation.

Project Phase Symbols

- P = Preliminary Plans
- W = Working Drawings
- C = Construction
- E = Equipment

Fund Source Symbols

- No Symbol = State Funds
- HR = Hospital Reserves
- LB = Long-Term UC Financing

F = Federal Funds

G = Gift Funds

GF = State General Fund

RB = State Lease Revenue Bond Fund

U,X = University Funds

* = "Streamlined" State processing during implementation