

# **CAPITAL OUTLAY**

## CAPITAL OUTLAY SUMMARY

In our companion document *The 1990-91 Budget: Perspectives and Issues* ("State Infrastructure") we discuss some of the major infrastructure-related problems facing the Legislature. These problems include identifying the state's infrastructure needs, setting priorities to meet these needs and establishing a financing plan to carry out the Legislature's priorities. Our analysis of these problems indicates that the following actions need to be taken if the state is to revitalize, expand and care for its infrastructure:

- Develop a comprehensive multi-year capital outlay plan (the Legislature is considering such a plan in SB 348, Alquist),
- Establish criteria to assess specific capital outlay proposals, pending development of a comprehensive multi-year plan.
- Establish appropriate standards for maintenance of state facilities and set as a high priority goal the elimination of deferred maintenance.

Based on the large volume of infrastructure needs, we conclude that the state will have to continue to rely on bonds to finance infrastructure revitalization and expansion. We believe that when borrowing money through the use of bonds the state should rely as much as possible on general obligation bonds, rather than lease-revenue bonds, in order to minimize General Fund costs.

(Please see "State Infrastructure" in our *Perspectives and Issues* document for a detailed discussion of this issue.)

### **Demand for Infrastructure Financing**

An indication of the current magnitude of infrastructure needs can be seen from Table 1, which shows that \$18.9 billion will be needed for state and K-12 projects over the next five years. Another measure of the size of the state's infrastructure needs is found in the 1984 report of the Governor's Infrastructure Review Task Force. It concluded that over the ensuing 10-year period, approximately \$29 billion would be needed for deferred maintenance of existing infrastructure and another \$49 billion for new infrastructure. With few exceptions (most notably prisons and education), little has been done to address the needs identified in this report. These estimates have several shortcomings because of the incompleteness of the state's planning process, the fact that not all listed projects may warrant funding and other factors. Nevertheless, based on available information, it is clear that the state's infrastructure needs over the next decade are easily in the *tens of billion of dollars*.

**CAPITAL OUTLAY SUMMARY—Continued**

**Table 1**  
**Projected Capital Needs for the**  
**State and K-12**  
**1990-91 through 1994-95**  
**(in millions)**

	<i>Five-Year Total</i>
Legislative/Judicial/Executive .....	\$60
State/Consumer Affairs .....	650
Business/Transportation/Housing .....	4,990
Resources .....	470
Health/Welfare .....	160
Youth/Adult Corrections .....	3,970
Education .....	8,560
General Government .....	30
<b>Total .....</b>	<b>\$18,890</b>

Source: LAO estimates, based on information from departments.

**Summary of the 1990-91 Capital Outlay Program**

The Governor's Budget document indicates support for six new general obligation bond issues totaling \$4.65 billion for the June and November ballots. These bonds would finance capital outlay programs in education (K-12 and postsecondary), prisons, transportation and earthquake safety. When this *Analysis* was written, there were over \$16 billion of general obligation bond measures which had qualified for the ballots or were being considered by the Legislature for the June/November ballots.

As summarized in Table 2, the Governor's Budget for 1990-91 includes proposed appropriations totaling nearly \$760 million from various funds for capital outlay purposes (excluding transportation and the State Water Project). Of this total, about \$690 million is from bond funds—\$375 million of which have not yet been approved by the voters. As shown in Table 2 the estimated cost to complete the projects included in the budget totals \$1.1 billion.

**Table 2**  
**1990-91 Capital Outlay Program**  
**(Excluding Highways and the State Water Project)**  
**(in millions)**

<i>Program Area</i>	<i>Bond Funds</i>	<i>Special Funds</i>	<i>Federal Funds</i>	<i>Estimated Future Cost<sup>a</sup></i>
Legislative/Judicial/Executive .....	—	\$0.6	—	\$1.0
State and Consumer Services .....	—	6.5	\$7.1	5.3
Business, Transportation and Housing .....	—	2.8	—	17.4
Resources .....	\$32.8	16.8	0.3	42.7 <sup>b</sup>
Health and Welfare .....	—	27.7	0.3	29.2
Youth and Adult Corrections .....	32.3	—	—	17.7

## Postsecondary Education:

University of California .....	226.6	—	—	365.4
California State University .....	201.5	—	—	479.8
California Community Colleges .....	197.9	—	—	112.9
Maritime Academy .....	0.1	—	—	—
General Government .....	0.5	2.1	0.8	27.8
Totals .....	\$691.7	\$56.5	\$8.5	\$1,099.2

<sup>a</sup> Departmental estimates to complete projects included in the Budget Bill.

<sup>b</sup> Estimated costs to develop proposed property acquisitions for park and recreation purposes is *not* available from the responsible departments and therefore is not included in future costs. This future cost, however, will be substantial.

The major thrust of the capital outlay portion of the Governor's Budget is postsecondary education. Over \$626 million (82 percent) of the proposed appropriations are in this area. The proposal for postsecondary education includes \$344 million from proposed 1990 general obligation bonds and \$282 million from lease-revenue bonds. (The revenues for these bonds come from the General Fund.) Major elements of the balance of the program are:

- A total of \$44.8 million from the Special Account for Capital Outlay (tidelands oil revenue) for a variety of departments. The major portion of this amount (\$26.5 million), however, is for improvements at Department of Mental Health state hospital facilities.
- The resources area includes \$28 million in currently authorized bond funds plus \$4.8 million in lease-revenue bonds for the Department of Forestry and Fire Protection. This latter proposal is a significant departure for capital outlay financing of this program.
- A total of \$32.3 million in proposed 1990 general obligation bonds is proposed to make improvements to existing youth and adult prison facilities.

**No proposal for new prisons.** Again this year, the Governor's Budget does not include any proposed capital outlay for new prisons. This omission has been the administration's practice in recent years. Rather than giving the Legislature a clear picture of the total needs in this area and the cost implications of the new prison program, the administration has chosen to propose individual new prisons in separate legislation.



**OFFICE OF EMERGENCY SERVICES—CAPITAL OUTLAY**

Item 0690-301 from the General  
Fund, Special Account for  
Capital Outlay

Budget p. LJE 51

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Requested 1990-91 .....	\$230,000
Recommended redirection .....	230,000

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**SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS**

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1. Emergency Operations Centers. Recommend redirection of 1205  
\$230,000 in Item 0690-301-036 for the revised purpose of  
expanding the *State Emergency Plan* to establish a program-  
matic basis for determining what, if any, new emergency  
operations centers are needed, rather than for studies of two  
specific new facilities.

**FIVE-YEAR CAPITAL OUTLAY PLAN AND OVERVIEW OF THE BUDGET REQUEST**

The State Office of Emergency Services (OES) has been assigned the responsibility to coordinate the emergency response activities of all involved state agencies and to manage the distribution of state resources during an emergency. These requests for assistance may come from any of California's 450 cities, 58 counties, or six mutual aid regions.

The thrust of the OES's five-year capital outlay plan is to acquire two sites and construct a new headquarters and State Operations Center (SOC) complex in the Sacramento area and a new State Coordination Center (SCC) in southern California. Table 1 summarizes the OES five-year capital outlay plan.

**Table 1**  
**Office of Emergency Services**  
**Five-Year Capital Outlay Plan**  
**1990-91 through 1994-95**  
**(in thousands)**

<i>Project Category</i>	<i>1990-91</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>Total</i>
Headquarters/State Operations Center .....	\$130	\$3,200	\$5,900	\$500	—	\$9,730
State Coordination Center .....	<u>1,744</u>	—	—	<u>5,822</u>	—	<u>7,566</u>
Totals .....	\$1,874	\$3,200	\$5,900	\$6,322	—	\$17,296

The budget proposal does not finance the OES plan for 1990-91. Instead the budget includes \$230,000 for two studies to develop facility planning proposals for the new headquarters and SOC complex and the SCC. We believe this modification is appropriate because OES has not developed the necessary programmatic information needed to specifically establish what, if any, new facilities are required.

## ANALYSIS AND RECOMMENDATIONS

### Emergency Operations Centers—Facility Development Proposals

*We recommend redirection of \$230,000 requested by OES under Item 0690-301-036. We recommend further that these funds be used to provide for expansion of the State Emergency Plan to clearly delineate the coordinated roles and operational responsibilities of the State Operations Center (SOC), the State Coordination Center (SCC), Regional Operations Centers (ROCs), Local Emergency Operations Centers (EOCs), and the statewide communications networks in order to establish a programmatic basis for determining what centers are needed and what their operational capabilities should be, where each center should be located, and what the relative funding priorities should be to establish any new centers. The OES should submit the expanded State Emergency Plan and facilities plan to the Legislature prior to requesting any funds for site acquisition or development of any new emergency operations centers.*

The budget includes \$230,000 for OES to contract for two studies to develop facility planning proposals. The *first* study (\$130,000) would address site acquisition and development of a state headquarters and SOC complex in the Sacramento area to replace the existing complex on Meadowview Road. The *second* study (\$100,000) would address site acquisition and development of a permanent SCC in southern California to replace the existing interim facility at Los Alamitos Armed Forces Reserve Center.

### State Operations Center

According to OES, the existing headquarters and SOC facility complex is inadequate in size when fully staffed for emergency response operations. Moreover, OES is concerned that the existing complex, constructed in 1950, does not meet current building codes and requirements of the Essential Services Act. Finally, OES is concerned that the complex is located on a flood plain. For these reasons, OES has placed high priority on construction of a larger headquarters and SOC complex at another, location in the Sacramento area.

### State Coordination Center in Southern California

The SCC is authorized by Chapter 1491, Statutes of 1985 (SB 548, Alquist), which required OES to establish an interim emergency coordination center in southern California and to undertake a design analysis for a permanent center. The design analysis, which was completed in May 1987, recommends that three sites (Los Alamitos, Ontario airport and Rialto airport) be considered as acceptable alternative sites for construction of the permanent SCC. In December 1989, OES contracted with the California National Guard to establish an interim SCC at Los Alamitos Armed Forces Reserve Center in Orange County. This interim center consists of transportable buildings and communications equipment.

**OFFICE OF EMERGENCY SERVICES—CAPITAL OUTLAY—Continued****Recommendation**

Our analysis of the existing headquarters and SOC complex, indicates that a new facility for the SOC is needed because of the problems cited by OES. Our analysis, however, also indicates that the request to develop specific project planning proposals for a new SOC and a permanent SCC should be redirected because OES has not developed sufficient programmatic information to provide a basis for determining what facilities and intercommunications systems are needed. The State Emergency Plan developed by OES documents the various state, regional, local and federal emergency resources and communications systems that are available during an emergency. This document, however, does not provide an operational plan that indicates how the various operations centers and communications systems are to work together to effectively respond to various emergencies.

Consequently, we recommend that, rather than fund two separate studies to develop specific facility proposals, the Legislature redirect the funds for the purpose of expanding the State Emergency Plan to clearly delineate the coordinated roles and operational responsibilities of the various operations centers and statewide communications networks. This plan will then provide the programmatic basis to determine what centers are needed and what their operational capabilities should be, where each center should be located, and what the relative funding priorities should be to establish any new centers. Moreover, it is important that the expanded State Emergency Plan reflect what has been learned from the August 1989, Response 89 (joint earthquake response exercise) and the October 17, 1989, Loma Prieta earthquake.

The expanded State Emergency Plan and facilities plan should be submitted to the Legislature prior to requesting funds for site acquisition and/or facility development for new emergency operations centers.

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**DEPARTMENT OF JUSTICE—CAPITAL OUTLAY**

Item 0820-301 from the General

Fund, Special Account for

Capital Outlay

Budget p. LJE 82

Requested 1990-91 .....	\$248,000
Recommended approval .....	248,000

**SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS***Analysis  
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1. The Department of Justice should not propose further expansion of the Law Enforcement Data Center until it prepares a comprehensive master plan for the center and submits the plan to the Legislature.

1207

**GENERAL PROGRAM STATEMENT****Five-Year Capital Outlay Plan**

The major component of the department's five-year capital outlay plan is the construction of a new building to house expanded programs of the Division of Law Enforcement. The total cost of this building is expected to be \$42.4 million. The five-year plan does not include the estimated cost of exercising purchase options on three forensic laboratories that are expected to come due in 1993.

**Table 1**  
**Department of Justice**  
**Five-Year Capital Outlay Plan**  
**1990-91 through 1994-95**  
**(in thousands)**

<i>Projects</i>	<i>1990-91</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>Totals</i>
New DLE Building.....	\$4,088	\$1,196	—	\$37,100	—	\$42,384
Minor Projects.....	248	250	\$250	250	\$250	1,248
Totals .....	\$4,336	\$1,446	\$250	\$37,350	\$250	\$43,632

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval of \$248,000 in Item 0820-301-036 for expansion of the Law Enforcement Data Center (LEDC). We find, however, that the Department of Justice should not propose further expansion to the LEDC until it prepares a comprehensive master plan for the center and submits the plan to the Legislature.*

The budget requests \$248,000 from the Special Account for Capital Outlay to expand the LEDC's computer facility. This proposed expansion is needed to accommodate present and future program growth in the LEDC's computer systems.

The Department of Justice moved into the building, which is located at 4949 Broadway, Sacramento, in 1983. Since then, there have been two projects to expand the computer facility: 5,200 net square feet at a cost of \$910,000 in 1986 and 5,000 net square feet at a cost of \$595,000 in 1988. The department acknowledges that the current proposal for 2,300 square feet will only address growth for the next two years. As indicated in its five-year plan, the department's long-term plan is to expand into a new building, thus freeing up existing space for future computer expansion.

Although the proposed project is necessary, the fact that this is the third expansion in four years indicates that long-term planning is required. Because the department's future plans involve expanding the computer facility into adjacent space as it becomes available, it is important to plan expansions systematically, to minimize future relocation costs. In view of this, we believe that the Department of Justice should not propose further expansion to the Law Enforcement Data Center until it prepares a comprehensive master plan for the center and submits the plan to the Legislature.

**STATE TREASURER—CAPITAL OUTLAY**

Item 0950-301 from the General

Fund, Special Account For

Capital Outlay

Budget p. LJE 123

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Requested 1990-91 .....	\$100,000
Recommendation pending .....	100,000

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**SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS**Analysis  
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1. Remodel Computer Space. Withhold recommendation on \$100,000 in Item 0950-301-036 for preliminary plans, pending receipt of an evaluation analyzing cost of renovating existing computer space. 1208

**ANALYSIS AND RECOMMENDATIONS**

*We withhold recommendation on \$100,000 in Item 0950-301-036, pending receipt of a study examining the cost of renovating existing computer space.*

The budget requests \$100,000 from the General Fund, Special Account for Capital Outlay, for preliminary plans to remodel 7,392 square feet of space in the Jesse M. Unruh Building to relocate and expand the Treasurer's computer center. (Future cost—\$1,045,000).

Currently, there is a computer facility in the basement, but the Treasurer's Office has requested its relocation due to concerns over (1) potential damage from water leaks; and (2) a potential security risk because of a skylight above the computer room. The Treasurer's Office also maintains that the existing space is not large enough to accommodate recently acquired computer hardware. This hardware, consisting of two mainframe computers and reader/sorter equipment, is currently located in the Archives Building, which is scheduled to close in the next few years.

It is clear that some expansion is necessary to house the computer hardware to be relocated from the Archives Building. The Treasurer's Office, however, has not been able to explain why the current basement location in the Unruh Building cannot be altered to remedy the potential water and security problems.

In order for the Legislature to adequately evaluate this project, the Treasurer's Office should provide an evaluation comparing the cost of renovating and expanding its existing facility to the proposed project. The study should also examine how the move to the new site will alleviate the danger from water leakage. We withhold recommendation on the budget request pending receipt of such an evaluation.

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**DEPARTMENT OF GENERAL SERVICES—CAPITAL OUTLAY**

Item 1760-301 from the General  
Fund, Special Account for  
Capital Outlay and from the  
Service Revolving Fund

Budget p. SCS 133

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Requested 1990-91 .....	\$1,145,000
Recommended approval .....	1,104,000
Recommended reduction .....	41,000

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**SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS**

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|---|------|
| 1. State-Owned Office Buildings. To meet the state's Capitol Area Plan goal for state-owned office space, the state would have to construct 3.3 million net square feet of office space beyond what has already been authorized.  | 1210 |
| 2. Financing Plan for Five-Year Capital Outlay Plan. The Department of Finance has not submitted to the Legislature a financing plan for state office buildings. The <i>Supplemental Report of the 1989 Budget Act</i> required submittal of this plan by December 1, 1989. | 1212 |
| 3. <i>Central Plant Upgrade, Sacramento—Preliminary Plans. Reduce Item 1760-301-036(2) by \$41,000.</i> Recommend deletion of the proposal to replace equipment that is currently being overhauled. (Estimated future savings of \$1.6 million.)                            | 1212 |

**FIVE-YEAR PLAN AND OVERVIEW OF THE BUDGET REQUEST**

*Five-Year Capital Outlay Plan.* To improve the Department of General Services' capital outlay planning process, the *Supplemental Report of the 1989 Budget Act* required the department to submit a more comprehensive five-year plan. This plan was to include (1) a priority list of projects, (2) a list of criteria used to determine project priority, (3) a discussion of how each project meets these criteria, (4) a discussion of financing alternatives, and (5) a recommendation for financing the five-year plan. The plan submitted by the department is much improved over its previous five-year plans and in general meets the supplemental report requirements.

The plan includes 24 projects and emphasizes two areas: (1) fire and life safety and/or seismic upgrading of state buildings, particularly those damaged in the Loma Prieta earthquake, and (2) construction of new state office buildings in Sacramento. Table 1 shows that the department's plan totals nearly \$390 million over the next five years. The plan would add 780,000 net square feet (nsf) of state-owned office space and 900 parking spaces in Sacramento. In general, projects given the highest priority are those that either address fire and life safety deficiencies, seismic concerns or those that have previously received funding for preliminary plans and/or working drawings.



**DEPARTMENT OF GENERAL SERVICES—CAPITAL OUTLAY—Continued**

**Table 1**  
**Department of General Services**  
**Five-Year Capital Outlay Plan**  
**1990-91 through 1994-95**  
**(in thousands)**

<i>Project Category</i>	<i>1990-91</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>Totals</i>
Sacramento Office Buildings .....	\$8,900	\$129,380	\$49,110	\$3,200	\$45,070	\$235,660
Other Office Buildings .....	3,340	51,600	4,040	70,440	3,750	133,170
Other Facilities .....	910	14,300	5,150	0	350	20,710
<b>Totals .....</b>	<b>\$13,150</b>	<b>\$195,280</b>	<b>\$58,300</b>	<b>\$73,640</b>	<b>\$49,170</b>	<b>\$389,540</b>

**Budget Proposal.** The budget, however, falls short of implementing the department's five-year plan. The budget *does not* include any funding proposals for either upgrading state office buildings or constructing new state office space. The budget does provide for upgrading the Central Plant in Sacramento along with two minor capital outlay (\$250,000 and less per project) proposals. The department's five-year plan and budget proposal are discussed below.

## MAJOR ISSUES

- ☒ Since 1977, state leasing of office space in Sacramento has increased from 2.1 million net square feet to 4.8 million net square feet and costs have increased sixfold, from \$10.1 million to \$65.5 million annually.
- ☒ To reach the approved Capitol Area Plan goal to accommodate 90 percent of state employees in state-owned space, the state would have to construct an additional 3.3 million net square feet beyond what has been authorized.
- ☒ The Department of Finance has not complied with the Legislature's request for a financing plan for state office buildings.

## ANALYSIS AND RECOMMENDATIONS

### Five-Year Plan Does Not Fully Address State Needs

*To meet the Capitol Area Plan's goal for state-owned office buildings by 1998, the state would have to construct an additional 3.3 million net square feet of office space beyond what has already been authorized.*

***The department's five-year capital outlay plan does not include all projects that will be needed to meet the goals of the Capitol Area Plan.***

In general, a five-year plan should be based on a department's capital outlay needs in relation to the state's goals and policies. For state-owned office facilities in Sacramento, the goals were established in the Capitol Area Plan, which was adopted by the Legislature in 1977. The Capitol Area Plan goal is to accommodate about 90 percent of all Sacramento state office space in state-owned facilities. This goal was to be attained by 1987. Since 1977, however, the percentage of state-owned office space in Sacramento has *decreased* from 64 percent to 52 percent.

Instead of building adequate office space to meet the Capitol Area Plan goal, the state has elected to locate a greater proportion of its Sacramento-area employees in leased space. Since 1977, total state-leased office space in Sacramento has increased from 2.1 million nsf to 4.8 million nsf. Leasing costs have increased more than sixfold—from \$10.1 million in 1977 to \$65.5 million annually in 1989. In general, *leasing space for long-term occupancy is more expensive than constructing and owning the same amount of space*. While the department acknowledges this higher cost for lease space in its five-year plan, it omits from the plan several Sacramento office projects that will be needed if the state is to attain the Capitol Area Plan goal for state-owned offices.

In 1989, the Legislature approved construction of two new state buildings totaling 231,000 nsf of office space. We estimate that to meet the 90 percent goal for *current* employees in Sacramento will require the construction of an additional 2.1 million nsf of state-owned space. Another 1.1 million nsf of state-owned office space will be needed by 1998 to accommodate the projected increase in Sacramento-area state employment. *Thus, to reach the Capitol Area Plan's 90 percent goal by 1998, the state would have to construct an additional 3.3 million nsf of office space beyond what has already been authorized.*

The department's five-year funding schedule includes three Sacramento projects that would add another 550,000 nsf of state-owned office space. Sixteen other office projects, including six in Sacramento, are not included in the five-year schedule in part because of the department's perception that sufficient funding will not be available for new state facilities. According to the department's previous five-year plan, the six Sacramento projects would add another 1.3 million nsf of state-owned space.

Five-year capital outlay plans should be based on a department's evaluation of *needs* and not on a department's perception of available funding. Funding levels should be established based on a complete picture of the department's needs and the relative priority of those needs in relation to other statewide priorities. As mentioned above, the department's five-year plan for 1990-91 through 1994-95 is vastly improved over previous plans. Future submittals, however, should include all projects that are needed to meet state policies for office facilities or that are feasible alternatives to leasing from the private sector.

**DEPARTMENT OF GENERAL SERVICES—CAPITAL OUTLAY—Continued****No Financing Plan from the Department of Finance**

*The Department of Finance has not submitted a financing plan for new state office buildings as required by the Supplemental Report of the 1989 Budget Act.*

The plan, which was to be submitted to the Legislature by December 1, 1989, was to consider, among other alternatives, the use of a general obligation bond measure to fund state office buildings.

Funding for state office construction from the Special Account for Capital Outlay (SAFCO) has been limited in recent years. A substantial portion of SAFCO funds continue to be allocated to other departments' capital outlay projects. If the Department of General Services' \$590 million five-year plan is to be implemented, alternative financing will be required. Unfortunately, the Department of Finance has not submitted the required report and according to department staff, there is no schedule for submitting it to the Legislature.

**BUDGET REQUEST**

The department's budget request includes \$929,000 from the Special Account for Capital Outlay (SAFCO) for two major projects: a new water well to provide additional condensing water for the Central Plant and an upgrade of major equipment at the Central Plant. The budget amount also includes \$216,000 from the Service Revolving Fund for two minor projects.

*Water Well for Central Plant.* The budget requests \$739,000 for planning, design, and construction of a water well to provide additional condensing water to the Central Power Plant. The Central Plant provides air conditioning to 5.5 million square feet of state offices in downtown Sacramento, including the Capitol. The existing condensing water supply is inadequate to meet peak summer cooling demands, thus an additional well is needed. The scope and cost of this project are reasonable and we recommend approval.

*Minor Capital Outlay.* The budget requests \$216,000 from the Service Revolving Fund for two minor capital outlay projects. The projects are for the State Printing Plant and will upgrade the HVAC system and remodel restrooms to provide handicap access. The scope and cost of these projects are reasonable and we recommend approval.

**Central Plant Upgrade—Budget Approach is Inconsistent**

*We recommend a reduction of \$41,000 under Item 1760-301-036(2) from the Special Account for Capital Outlay for the Central Plant upgrade project—future savings of \$1.6 million. We further recommend supplemental report language specifying that future construction costs for the special repair portions of the Central Plant project are to be funded through the Service Revolving Fund.*

The budget includes \$136,000 from the Special Account for Capital Outlay to develop preliminary plans for the upgrade and overhaul of major equipment at the Central Plant, Sacramento. (The Budget Bill

incorrectly indicates this amount is also for working drawings.) According to the department, several key pieces of equipment are nearing the end of their useful service lives and are reaching their operational limit for providing heating and cooling to the twenty-two buildings served by the Central Plant. This project would overhaul and/or upgrade this equipment to increase operating efficiency and output.

The overhauling and upgrading of equipment is needed in order for the Central Plant to provide the necessary heating/cooling. The project, however, includes replacement of six gas turbine engines, which power about 75 percent of the plant's cooling capacity, with three electric driven motors. In the 1989 Budget Act, the Legislature approved \$568,000 for the first phase of a three-phase retrofitting of the gas turbine engines in order to extend the life of the engines by about 20 years. This work has been started and, in fact, equipment to be used in the second and third phase of this work has been purchased. In addition, the department's 1990-91 support budget proposes \$184,000 for the second phase retrofit, and an estimated \$200,000 will be requested in 1991-92 for the third phase. In total, \$952,000 will be spent to overhaul the gas turbine engines.

Given the status of the legislatively approved overhaul program and the total cost of \$952,000 to overhaul these engines, it would not be prudent to replace them with electric motors at an estimated cost of \$1.6 million. Consequently, we recommend that this portion of the work be deleted for a future project savings of \$1.6 million from the cost of working drawings and construction. We also recommend a reduction of \$41,000 from the 1990-91 budget request for preliminary plans to account for the deletion of this work.

***Project Includes Maintenance Work.*** The Central Plant project includes the overhaul of some equipment such as boilers and pumps with an estimated project cost of \$400,000. If this work were to be accomplished separately, it would be funded through the Service Revolving Fund under maintenance as *special repairs*—projects that continue the usability of a facility at its designed service level. On a timing basis it would be cost effective to undertake this work at the same time as the capital outlay project. We recommend, therefore, that this work be included as proposed, but that the associated future construction costs be funded from the Service Revolving Fund rather than SAFCO. We recommend that the Legislature, in adopting supplement report language describing the scope/cost of this project, specify that the cost of this work is to be financed from the Service Revolving Fund.

#### **Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental report language which describes the scope of each of the capital outlay projects approved under these items.

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**DEPARTMENT OF VETERAN'S AFFAIRS—CAPITAL OUTLAY**

Items 1970-301 and 1970-496  
from the Special Account for  
Capital Outlay and the  
Federal Trust Fund

Budget p. SCS 165

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Requested 1990-91 .....	\$12,476,000
Recommended approval .....	9,314,000
Recommended reduction .....	2,520,000
Recommendation pending .....	642,000

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<b>SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS</b>	<i>Analysis page</i>
1. Veterans Home-Yountville. The capital outlay program to upgrade facilities to meet accreditation standards is 10 years behind schedule and three times more costly.	1216
2. Construction Program Management. Withhold recommendation on \$642,000 in Item 1970-301-036 (3) for construction program management tasks pending receipt of additional information to provide a basis for the request.	1216
3. <i>Skilled Nursing Wards 1B, 2B, and 3B. Delete \$318,000 in Item 1970-301-036 (1) and \$590,000 in Item 1970-301-890 (1)</i> for working drawings and construction to remodel three wards because DVA has not justified a \$908,000 increase in the project costs previously approved by the Legislature.	1217
4. <i>Skilled Nursing Wards 2E, and 3E and Administration and Hospital Support Services Ward A-A. Delete \$515,000 in Item 1970-301-036 (2) and \$957,000 in Item 1970-301-890 (2)</i> for working drawings and construction to remodel three wards because DVA has not justified a \$1,472,000 increase in the project costs previously approved by the Legislature.	1217
5. <i>Minor Capital Outlay. Delete \$140,000 in Item 1970-301-036 (4)</i> to repair leaking showers in dormitory Section D because the request exceeds industry cost standards.	1218
6. <i>Veterans' Home in Southern California.</i> Recommend reappropriation of unexpended balance in the appropriation made by Chapter 1240, Statutes of 1988 (AB 200, Clute) to the <i>Department of General Services</i> to establish <i>one facility</i> in southern California as authorized by Chapter 1240.	1218

**FIVE-YEAR CAPITAL OUTLAY PLAN AND OVERVIEW OF THE BUDGET REQUEST**

The Department of Veteran's Affairs (DVA) operates the California Veteran's Home in Yountville. Currently, the Yountville facility provides five levels of care, ranging from dormitory to acute nursing care, to about 1,300 veterans. In addition, Chapter 1240, Statutes of 1988 (AB 200,

Clute), directed DVA to begin planning for construction of a second veteran's home in southern California.




**Five-year plan.** Table 1 indicates that DVA estimates it will need approximately \$52.3 million in state and federal funds over the next five-years to complete the renovation and expansion of facilities at the Veteran's Home in Yountville. The federal government typically funds 65 percent of the cost of the major capital outlay projects.

**Table 1**  
**Department of Veteran's Affairs**  
**Five-Year Capital Outlay Plan**  
**1990-91 through 1994-95**  
**(in thousands)**

<i>Project</i>	<i>1990-91</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>Total</i>
Veteran's Home, Yountville						
Skilled Nursing Wings .....	\$11,792	—	—	\$2,878	\$2,570	\$17,240
Intermediate Care Wings .....	91	\$3,226	—	204	3,603	7,124
Dormitories .....	46	3,668	\$1,463	5,160	—	10,337
Support Facilities .....	—	1,014	5,029	8,925	—	14,968
Construction Management .....	348	275	—	—	—	623
Minor Capital Outlay .....	199	868	249	263	398	1,977
Totals .....	\$12,476	\$9,051	\$6,741	\$17,430	\$6,571	\$52,269

**Budget Request.** The budget requests \$12.5 million to finance fully the implementation of the 1990-91 portion of the department's five-year capital outlay plan.

## MAJOR ISSUES

-  The capital outlay program to upgrade facilities at the Veterans' Home in Yountville to meet accreditation standards is 10 years behind schedule and three times more costly.
-  Two skilled nursing ward remodeling projects are proposed to exceed legislatively authorized levels by \$2.4 million.
-  Contrary to legislative authorization, DVA is spending funds to establish six veterans' homes, rather than one, in southern California.



**DEPARTMENT OF VETERAN'S AFFAIRS—CAPITAL OUTLAY—Continued**  
**Veterans' Home-Yountville**

*The program to upgrade facilities at the Yountville home is 10 years behind schedule and three times more costly.*

In 1979, DVA prepared a five-year capital outlay plan for the Veterans' Home at Yountville to provide for construction of a new acute care hospital addition and major renovation of the existing facilities to bring them up to current fire and life-safety and handicapped access codes in order to maintain accreditation standards.

*Total cost has risen from \$31 million to \$97 million.* Initially, the total cost to fully implement the five-year plan was estimated to be about \$31 million of state and federal funds. The DVA, however, now indicates that due to major problems in management of the capital outlay projects, there has been a plague of project delays, design revisions and cost overruns. Consequently, the DVA will now take over 15 years to complete the original plan at over three times the original cost—now estimated to be about \$97 million. Moreover, DVA indicates that the total cost to complete the plan will probably be higher than the current estimate.

**ANALYSIS AND RECOMMENDATIONS**

The \$12.5 million budget request includes \$5.4 million from the Special Account for Capital Outlay (SAFCO) and \$7.1 million of federal funds. Specifically, the request provides:

- \$11.6 million (including \$4.5 million SAFCO and \$7.1 million federal funds) for working drawings and construction to remodel five skilled nursing wards and support services space, and replace the hospital electrical distribution systems.
- \$642,000 from SAFCO for construction program management, general planning and project design reviews.
- \$199,000 from SAFCO for one minor capital outlay repair project.

**Construction Program Management**

*We withhold recommendation on \$642,000 from SAFCO in Item 1970-301-036 (3) for construction program management tasks pending receipt of additional information to establish a basis for the amount requested and explain the benefits to be obtained.*

The budget includes \$642,000 for construction program management consisting of \$294,000 for project-specific tasks and \$348,000 for general program planning tasks. This amount is in addition to \$480,000 appropriated in the 1989 Budget Act and \$150,000 appropriated in Chapter 1353, Statutes of 1989 (AB 935, Hansen) to DVA to accomplish capital outlay planning, project design and value engineering reviews, asbestos abatement planning, and design and cost estimate revisions. To handle the magnitude of work to be done, the Office of Project Development and Management (OPDM) has retained a construction management consultant firm. Using \$35,000 of the amount appropriated by Chapter 1353,

DVA also created a new program management position to coordinate the capital outlay program with OPDM and the consultants.

*Progress has resumed on several projects.* We recognize the importance of the construction program management approach to resolve DVA's capital outlay program management deficiencies. There are indications that beneficial changes are taking place and that progress has resumed on several projects. Our analysis, however, indicates that the department's proposal does not support the amount requested. For example, the department has not identified (1) the basis for the amount requested, (2) how the responsibilities will be divided between DVA's capital outlay program manager, OPDM and the consultants, and (3) what benefits will be obtained from this expenditure in 1990-91. Because this information has not been forthcoming from the department before this analysis was written, we withhold recommendation pending receipt of the additional data.

#### **Skilled Nursing Wards 1B, 2B, 3B and Electrical Distribution System**

*We recommend reductions of \$318,000 in Item 1970-301-036 (1) and \$590,000 in Item 1970-301-890 (1) for working drawings and construction to remodel skilled nursing Wards 1B, 2B, 3B because DVA has not justified a \$908,000 increase in project costs.*

The budget includes \$4.5 million (consisting of \$1.4 million from SAFCO and \$3.1 million from federal funds) for additional working drawings and construction to remodel skilled nursing Wards 1B, 2B, 3B and replace the hospital electrical distribution system.

*Unexplained increase in project cost.* As a result of a recently completed design review, the total estimated cost of the project has been increased to \$4.5 million. This amount is \$1.7 million or 60 percent higher than the amount previously authorized by the Legislature when funds for working drawings were first approved in the 1987 Budget Act.

Our analysis indicates that \$826,000 of the increase is adequately supported by DVA to cover inflationary increases in the construction cost (\$202,500), asbestos abatement (\$159,000), replacement of electrical distribution equipment (\$368,500), and design review, value engineering and site survey (\$96,000). However, the department's sole explanation of the remaining \$908,000 of the increase is simply that it is their estimate. It is unclear why a detailed explanation cannot be provided by DVA, given that the Legislature has provided \$96,000 for design review and value engineering of this project. Consequently, lacking information on an increase of nearly \$1 million, we recommend that the amount requested be reduced by \$908,000 [\$318,000 SAFCO in Item 1970-301-036 (1) and \$590,000 federal funds in Item 1970-301-890 (1)].

#### **Skilled Nursing Wards 2E, 3E and Administration and Hospital Support Services Ward A-A**

*We recommend reductions of \$515,000 in Item 1970-301-036 (2) and \$957,000 in Item 1970-301-890 (2) for working drawings and construc-*

**DEPARTMENT OF VETERAN'S AFFAIRS—CAPITAL OUTLAY—Continued**

*tion to remodel skilled nursing Wards 2E, 3E and administration and hospital support services Ward A-A because DVA has not justified a \$1,472,000 increase in project cost.*

The budget includes \$7.1 million (consisting of \$3.1 million from SAFCO and \$4 million from federal funds) for additional working drawings and construction to remodel skilled nursing wards 2E, 3E and administration and hospital support services A-A.

*Unexplained increase in project cost.* A recently completed design review has resulted in an increase in total cost to \$7.8 million which is \$2.7 million or 53 percent higher than the amount previously authorized by the Legislature when funds for construction were first approved for this project in the 1987 Budget Act. Our analysis of the cost increase indicates that \$1,224,000 is adequately supported to cover inflationary increases in the construction cost (\$375,000), asbestos abatement cost (\$521,000) and design review cost (\$328,000). Again, as discussed above, the department's sole explanation for the remaining \$1,472,000 of the increase is simply that it is their estimate. It is unclear why detailed explanations cannot be provided by DVA, given that the Legislature has provided \$328,000 for design review and value engineering of this project. Consequently, lacking information on an increase of almost \$1.5 million, we recommend that the amount requested be reduced by \$1,472,000 [\$515,000 in SAFCO in Item 1970-301-036 (2) and \$957,000 federal funds in Item 1970-301-890 (2)].

**Minor Capital Outlay**

*We recommend a reduction of \$140,000 in Item 1970-301-036 (4) for the repair of shower leaks in dormitory Section D because the requested amount is over three times higher than industry cost standards.*

The budget includes \$199,000 for the removal and replacement of 2,100 square feet of floor tile in four shower rooms in Dormitory Section D. Reconstruction of this dormitory building was completed in 1989. According to DVA, because of a design error by the Office of the State Architect, water proof membranes were not installed in the shower areas and water damage is occurring. The budget proposal includes completely removing the new shower room floor finishes and properly reconstructing the area to prevent water damage.

The budget request would provide over \$49,000 to remodel each shower room, or \$95 per square foot. The department has not explained why this estimate is over three times higher than current industry cost standards for remodeling work of this nature (\$28 per square foot). Thus, we recommend a reduction of \$140,000 and approval of the project in the amount of \$59,000 consistent with industry cost standards.

**Southern California Veteran's Home Project**

*We recommend that the Legislature reappropriate the unexpended balance in the appropriation made by Ch 1240/88 (AB 200, Clute) to the Department of General Services to select a single site and complete an*

***environmental impact report to develop one facility in southern California, as authorized by Chapter 1240.***

Chapter 1240, Statutes of 1988 (AB 200, Clute), authorized DVA to establish and construct a second veteran's home in one of seven specified counties in southern California. For this purpose, Chapter 1240 also amended the Budget Act of 1988 to appropriate \$2.2 million from SAFCO to DVA for site selection, environmental impact reports, and planning for the project.

***DVA is proceeding contrary to legislative authorization.*** According to a Legislative Counsel's Opinion, dated December 14, 1989, Chapter 1240 authorizes DVA to "*only construct one home as the second home.*" Nevertheless, DVA is using funds from Chapter 1240 to develop plans to establish *six homes* in southern California. According to DVA, the homes will be (1) constructed by private developers using commercial financing, and (2) operated by private operators under contract to the state. The privately financed construction costs would be amortized by state lease/purchase payments over an unspecified future time period and the state would assume ownership of the facilities when the private debt service costs are fully amortized.

By the end of the current year, DVA indicates that about \$387,000 will have been spent from the Chapter 1240 appropriation to retain consultants and pay planning staff and operating costs to select the sites and develop the plan for the six homes. The department, however, has been unable to provide (1) a project schedule or the current status of the project, (2) estimated site acquisition and facility project costs, or (3) whether or not lease-purchase payments for privately financed projects would qualify for 65 percent federal funding.

Given that DVA is proceeding contrary to legislative authority to establish *one home* in southern California, we recommend that the Legislature reappropriate the unexpended balance in the appropriation made by Chapter 1240 to the *Department of General Services (DGS)*, rather than DVA, to select a *single site* and complete an environmental impact report to develop *one facility* in southern California, as previously authorized by Chapter 1240. Placing this project under DGS is appropriate because DGS has the responsibility for implementing most of the state's capital outlay program.

**Reversions**

***We recommend approval.***

The budget includes Item 1970-496 to revert the unencumbered balances remaining in four cited appropriations from the Special Account for Capital Outlay and the Federal Trust Fund. These appropriations are no longer needed because the skilled nursing ward renovation projects have been rescoped and new appropriations are requested in the budget for these projects.

**DEPARTMENT OF VETERAN'S AFFAIRS—CAPITAL OUTLAY—Continued**  
**Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental report language which describes the scope of each of the projects approved under these items.

**DEPARTMENT OF THE CALIFORNIA  
HIGHWAY PATROL—CAPITAL OUTLAY**

Item 2720-301 from the Motor  
Vehicle Account, State  
Transportation Fund

Budget p. BTH 119

Requested 1990-91 .....	\$2,184,000
Recommended approval .....	1,892,000
Recommended reduction .....	292,000

**SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS**

*Analysis  
page*

1. *Susanville—Purchase of Leased Facility.* The state did not monitor or enforce contract requirements concerning prevailing wage rates for this lease-purchase facility. 1222
2. *Meadowview Logistical Facility. Reduce Item 2720-301-044 by \$292,000.* Recommend deletion of preliminary plans for relocating Meadowview Logistical Facility, because department has not justified need to relocate this facility (Estimated future savings—\$9.2 million). 1223

**GENERAL PROGRAM STATEMENT**

**Five-Year Capital Outlay Plan**

The major thrust of the Department of the California Highway Patrol's (CHP) capital outlay program is provision of new and replacement area offices to house traffic officers who carry out the various law enforcement missions of the department. A long-range goal of the program is to provide new facilities for the department's headquarters staff and central logistical operations.

**Table 1**  
**Department of the California Highway Patrol**  
**Five-Year Capital Outlay Plan**  
**1990-91 through 1994-95**  
**(in thousands)**

<i>Projects</i>	<i>1990-91</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>Totals</i>
New area offices .....		\$1,939	\$19,507	\$10,824	\$1,804	\$34,074
Replacement area offices .....	\$1,524	6,683	10,937	23,594	6,841	49,579
Headquarters .....	722	1,439	33,375			35,536
Minor capital outlay .....	500	500	500	500	500	2,500
Totals .....	\$2,746	\$10,561	\$64,319	\$34,918	\$9,145	\$121,689

Table 1 shows that the department plans design, construction, and acquisition activities totaling \$121.7 million over the next five years. The department plans to devote over one-half of this amount to construction and acquisition of 25 new and 15 replacement area offices. In each case, the department proposes lease with option to purchase financing for these facilities. The department proposes to devote the rest of this amount to a new headquarters office and logistical facilities in Sacramento and minor capital outlay. Funds for the headquarter expansion were not included in the capital outlay budget.

The five-year plan does not address future sources of funding. Our analysis of the Motor Vehicle Account, however, indicates that the budget may overstate the condition of the account (please see our analysis of Item 2740-001-044). Lack of funds to carry out the five-year plan could prevent the department from exercising planned purchase options on build-to-suit facilities. This would result in an economic loss to the state.

### OVERVIEW OF THE BUDGET REQUEST

The budget requests \$2,184,000 from the Motor Vehicle Account, State Transportation Fund for the CHP 1990-91 capital outlay program. This includes four major and 10 minor capital outlay projects (\$250,000 or less per project). These projects are summarized in Table 2.

**Table 2**  
**Department of the California Highway Patrol**  
**1989-90 Capital Outlay Program**  
**Item 2720-301-044**  
**(in thousands)**

<i>Sub-Item</i>	<i>Project</i>	<i>Location</i>	<i>Phase<sup>a</sup></i>	<i>Budget Bill Amount</i>	<i>Estimated Future Cost</i>
(1)	Minor projects .....	Various	pwc	\$348	—
(2)	Logistical Facility .....	Sacramento	p	292	\$9,240
(3)	Purchase leased facility .....	Susanville	a	1,179	—
(4)	Replace field office .....	San Francisco	w	177	2,786
(5)	Replace field office .....	Central Los Angeles	w	168	2,864
(6)	Property options and appraisals .....	Various	a	20	—
	Total .....			\$2,184	\$14,890

<sup>a</sup> Phase symbols indicate: a = acquisition, c = construction, p = preliminary plans.

### ANALYSIS AND RECOMMENDATIONS

#### Projects Recommended for Approval

*We recommend approval of the following projects.*

**Minor Projects.** The budget requests \$348,000 for 10 minor capital outlay projects, ranging from \$8,000 to enlarge the evidence room in the south Los Angeles field office to \$85,000 to expand the women's locker room at the Westminster area office. The scope and cost of these projects appear reasonable.

**Appraisals/Options.** The budget includes \$20,000 to finance appraisals, options and site evaluations for replacement offices scheduled to be constructed and occupied on a lease with purchase option basis in 1991-92.



**DEPARTMENT OF THE CALIFORNIA HIGHWAY PATROL—CAPITAL OUTLAY—Continued****Purchase-Leased Facility, Susanville**

*We recommend approval. We find, however, that the state did not monitor or enforce contract requirements concerning prevailing wage rates for this lease-purchase facility.*

**Purchase of Facility.** The budget requests \$1,179,000 for the purchase of an area office in Susanville that has been occupied by the department under a lease with purchase option agreement. Our analysis indicates that the acquisition is financially beneficial to the state, as the cost of purchasing and maintaining the facility is less than the present value of future lease payments. Consequently, we recommend approval.

**Prevailing Wage Claim.** As discussed in our analysis of the Department of General Services (Item 1760-301-666), a complaint was made involving the contractor of this build-to-suit facility who was charged with violating state prevailing wage laws. Under state labor law, contractors and subcontractors working on public works projects must pay their workers prevailing wages, as determined by the Director of the Department of Industrial Relations. This requirement was contained in the bid and contract documents for the Susanville CHP lease-purchase project administered by OREDS. It is our understanding that OREDS neither monitored nor enforced this requirement for the Susanville project (as well as other similar projects). Instead, for these types of contracts, OREDS depends on the contractor to comply, or expects workers to lodge a complaint if the contractor does not.

The Department of Industrial Relations was notified of a complaint, concerning wage rates on the Susanville project, but was unable to compile enough information before the statute of limitations expired (90 days after completion of construction). The department expressed concern that OREDS' slow response to information requests was a major reason for the investigation's delay. It is our understanding that OREDS, however, has no plan to institute a program to enforce the prevailing wage law.

**Projects Recommended for Contingent Approval**

*We recommend approval of two projects totaling \$384,000, contingent on receipt of preliminary plans prior to budget hearings.*

For each project discussed briefly below, the amount requested is consistent with prior costs approved by the Legislature, adjusted for inflation. In the 1989 Budget Act, the Legislature appropriated funds for preliminary plans for these projects with the understanding that preliminary plans would be available for legislative review prior to the conclusion of budget hearings. If completed preliminary plans are not available to the Legislature prior to the hearings, we recommend that the Legislature not approve the requests for working drawings.

**San Francisco Replacement Facility.** The budget requests \$177,000 for the working drawings phase of constructing a replacement area office in San Francisco. The estimated future cost for construction of this facility is \$2,786,000.

**Central Los Angeles Replacement Facility.** The budget requests \$168,000 for the working drawings phase of constructing a new field office in central Los Angeles. The estimated future cost of this project is \$2,864,000.

**Project Recommended for Deletion**

**Meadowview (Sacramento) Logistical Facility**

*We recommend a reduction of \$292,000 in Item 2720-301-044(2) to delete preliminary plans for the relocation and expansion of the Meadowview Logistical Facility to the CHP Academy site in west Sacramento. (Estimated future savings—\$9.2 million).*

The budget requests \$292,000 for preliminary plans to relocate the Meadowview Logistical Facility to the CHP Academy site in west Sacramento. The project proposes constructing an entirely new complex on the grounds of the CHP Academy. The future cost of the project is estimated to be \$9.2 million. The Department of General Services, however, did not provide information to verify this future cost.

**Background.** The Meadowview site consists of three separate CHP programs: (1) The Motor Transport Section, which equips enforcement vehicles for distribution to field offices throughout the state and prepares used vehicles for resale; (2) the Stores and Equipment Section, which receives and distributes materials to CHP field offices throughout the state and also sells unclaimed or surplus property; and (3) the Facilities Section, which is the headquarters for crews who build and maintain radio microwave sites in the northern portion of the state.

In 1987, the department commissioned a feasibility study of the Meadowview Logistical Facility. The study, which was done by an architectural firm, looked at three separate options: (1) renovation of the existing site to address building code deficiencies at a cost of \$3.5 million; (2) renovation and expansion of the existing site to address future growth and functional problems at a cost of \$8 million; and (3) relocation of the entire complex to the CHP Academy and providing expanded facilities at a cost of \$9.2 million.

**Department Has Not Justified Need for Project**

The department selected the most costly option in the consultant's report—relocating to the grounds of the CHP Academy in west Sacramento. The department based its decision on the feasibility study discussed above. The study, however, is not an analysis of problems at the existing site, but instead, a presentation of three options for CHP to consider. It does not indicate *why* any of them should be considered. The study's three options are divorced from actual problems. For example, Option 1 would correct all building code deficiencies, regardless of the nature of the deficiency. Similarly, Options 2 and 3 provide for expansion of the complex, without providing any explanation of why expansion is necessary. Examples of these shortcomings in the study include:

- Listing all potential code deficiencies, but not identifying what problems the deficiencies create or whether or not for safety reasons any of the deficiencies actually require attention.

**DEPARTMENT OF THE CALIFORNIA HIGHWAY PATROL—CAPITAL OUTLAY—Continued**

- Listing code deficiencies that could be taken care of administratively, such as placing no smoking signs in the warehouse.
- Indicating that proposed expansion will remedy existing functional difficulties, but not providing an explanation of the nature or extent of those functional difficulties.
- Providing future growth projections for CHP sections, but failing to provide any back-up to justify how the numbers were derived. For example, the study states that Motor Transport will grow by 38 percent in 10 years, but provides no information to back up this statement.

The information submitted by the department does not substantiate the need either to relocate the Meadowview complex or to spend \$9.2 million to remedy any space/code deficiencies. Consequently, we recommend deletion of the \$292,000 requested for preliminary plans to relocate and expand the complex.

Our review of the study, as well as an on-site review of the facility, indicates that some improvements at the Meadowview site would be appropriate. The magnitude of the problem, however, does not justify the proposed relocation/expansion. The department should reassess its proposal, taking into account those code deficiencies that are essential to correct for life safety purposes along with any expansion on-site that can be programmatically justified. Such a proposal would warrant legislative consideration.

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**DEPARTMENT OF MOTOR VEHICLES—CAPITAL OUTLAY**

Item 2740-301 from the Motor  
Vehicle Account, State  
Transportation Fund

Budget p. BTH 133

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Requested 1990-91 .....	\$640,000
Recommended approval .....	591,000
Recommended reduction .....	49,000

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**SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS**

*Analysis  
page*

1. *Sacramento Headquarters Remodeling—Preliminary Plans and Working Drawings. Reduce Item 2740-301-044 by \$49,000.* Recommended reduction in scope of proposed project because department is unsure of when space for renovation might become available. (Future savings of \$776,000.) 1226

**GENERAL PROGRAM STATEMENT****Five-Year Capital Outlay Plan**

The Department of Motor Vehicles (DMV) capital outlay program is concerned primarily with renovation, replacement and construction of field offices from which DMV personnel serve the public. Another ongoing project involves correcting fire and life safety deficiencies in the department's Sacramento headquarters building.

Table 1 shows that the department plans to spend approximately \$39 million over the next five years to renovate space in its headquarters building, to exercise purchase options for 20 leased field offices, and for minor capital outlay.

**Table 1**  
**Department of Motor Vehicles**  
**Five-Year Capital Outlay Plan**  
**1990-91 through 1994-95**  
**(in thousands)**

<i>Projects</i>	<i>1990-91</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>Totals</i>
Headquarters remodeling .....	\$196	\$2,479	—	—	—	\$2,675
Field office acquisition .....	—	3,442	\$16,953	\$6,925	\$6,365	33,685
Minor capital outlay .....	444	600	600	600	600	2,844
Totals .....	\$640	\$6,521	\$17,553	\$7,525	\$6,965	\$39,204

The DMV establishes priorities for construction of field offices based on population growth and traffic patterns in designated service areas, the number of staff required to serve this population, and the amount of space available in existing facilities to house the required staff and accommodate the public (based on State Administrative Manual standards). It is the department's policy to lease field offices which serve small service areas (generally, facilities less than 5,000 net square feet in area), or areas with unstable population growth. In service areas which require a larger facility and where it appears that the department will continue to need such a facility to meet public demand for services, the department considers construction of a state-owned field office. In recent years, the department has relied primarily on lease with purchase option financing to secure its state-owned field offices.

**OVERVIEW OF THE BUDGET REQUEST**

The budget requests \$640,000 in Item 2740-301-044 for the DMV capital outlay program for 1990-91. This amount includes \$196,000 for preliminary plans and working drawings for renovation of approximately 48,000 square feet in the Sacramento headquarters and \$444,000 for eight minor capital outlay projects (\$250,000 or less per project).

Moreover, as discussed in our analysis of Item 2740-001-044, the department has also requested authorization to enter into a lease with option to purchase agreement for one replacement field office in Roseville. We agree with the need for this office, which will result in a future acquisition cost of \$2.5 million. The department has included the purchase price in its five-year plan.

**DEPARTMENT OF MOTOR VEHICLES—CAPITAL OUTLAY—Continued  
ANALYSIS AND RECOMMENDATIONS****Minor Projects**

*We recommend approval.*

The budget requests \$444,000 for eight minor capital outlay projects, ranging from \$88,000 to make restrooms accessible to the mobility impaired at the Winnetka field office, to \$9,000 to construct a chain link vehicle enclosure at the Los Angeles field office. The scope and cost of these projects appear reasonable.

**Sacramento Headquarters Space Renovation**

*We recommend a reduction of \$49,000 in Item 2740-301-044 to reduce the scope of the proposed headquarters renovation by 19,784 square feet. This reduction includes 12,000 square feet of space currently occupied by 80-drawer file cabinets, and 2,784 square feet designated for a recreation room and shower/locker facility. (Future savings of \$776,000.)*

The budget requests \$196,000 for preliminary plans and working drawings to remodel 48,000 gross square feet (gsf) of space in the Sacramento headquarters building. Approximately 36,000 gsf became available in 1988-89 when the department relocated its supply function from the headquarters building into leased space. An additional 12,000 gsf is expected to become available when the drivers' license and registration records are placed on microfilm, thus reducing the need for 80-drawer file cabinets. The project provides office space to meet the department's projected staffing growth by 1992. The future cost of this project is projected to be \$2.5 million.

Although our analysis indicates that the project is necessary, we have two concerns:

**Microfilm Project Currently Lacks Funding.** As previously discussed, the department expects to realize 12,000 gsf of space for this project through the microfilming of drivers license and registration records. This will subsequently reduce the need for 80-drawer file cabinets and free up the projected space. At this time, however, the department has only obtained funding to microfilm enough records to realize 6,000 of this 12,000 gsf. The department is unsure of when it will obtain the other 6,000 gsf. Given this uncertainty, we believe it is premature to include this 12,000 gsf in the project. Furthermore, this space is in a separate part of the building and its removal from the project will not interfere with work on the other 36,000 gsf. We therefore recommend reducing the project by 12,000 gsf (25 percent). This would reduce preliminary plan and working drawing funds by \$49,000 and future costs by \$630,000. If the microfilming of documents is completed in the future, the department can at that time develop a plan to renovate this 12,000 gsf.

**Exercise Room.** The proposed renovation includes 2,784 square feet of space for a shower/locker room and an exercise room. There are currently no such facilities in the building. According to the department,

the facilities are for employees who bicycle to work, or want to exercise during the workday. While we agree that exercise should be encouraged, there should be a defined policy on the placement of such facilities in state office buildings. In the absence of such a policy, we cannot objectively determine when one project is justified while another is not. We therefore recommend that the shower/locker and exercise rooms be removed from the proposal and that the scope of the project be reduced accordingly. (Future savings of \$146,000).

### **Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal subcommittees adopt supplemental report language which describes the scope of each of the capital outlay projects approved under this item.

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## **CALIFORNIA TAHOE CONSERVANCY—CAPITAL OUTLAY**

Items 3125-301, 3125-302, and  
3125-490 from the Lake Tahoe  
Acquisitions Fund and other  
funds

Budget p. R 5

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Total proposed expenditures 1990-91 .....	\$19,527,000
Requested 1990-91 .....	8,401,000
Recommended approval .....	8,401,000

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### **OVERVIEW OF THE BUDGET REQUEST**

The budget projects total expenditures of \$19.5 million for capital outlay by the California Tahoe Conservancy in 1990-91. This amount consists of: (1) *new* appropriations totaling \$7.5 million (\$5 million from the Lake Tahoe Acquisitions (Bond) Fund, \$1.5 million from the Public Resources Account, Cigarette and Tobacco Products Surtax Fund, and \$1 million from the Outer Continental Shelf Lands Act, Section 8(g) Revenue Fund), plus \$201,000 in reimbursements; (2) reappropriation of \$700,000 from the 8(g) Fund; and (3) an estimated \$11.1 million in carryover balances available for capital outlay in the budget year.

### **ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

**Bond Funds.** The budget proposes that a total of \$15 million be made available for conservancy bond act acquisitions in 1990-91. This amount consists of the new \$5 million appropriation and a carryover of \$10 million of bond funds from prior-year appropriations. Total proposed bond fund expenditures are about \$1.5 million more than the conservancy expects to spend from bond funds in the current year. Under the 1982 Lake Tahoe Acquisitions Bond Act, the bond funds can be used only for acquisition of



**CALIFORNIA TAHOE CONSERVANCY—CAPITAL OUTLAY—Continued**

undeveloped property. Thus, the conservancy must use other funds for its projects involving acquisition of developed property or the installation of site improvements.

The status of the bond fund acquisition program is discussed in greater detail below.

***Cigarette Surtax Funds.*** The Tobacco Tax and Health Protection Act of 1988 (commonly known as Proposition 99) created the Public Resources Account (PRA), Cigarette and Tobacco Products Surtax Fund to supplement existing spending on (1) fish and wildlife habitat programs and (2) state and local park and recreation programs. The budget proposes that a total of \$1.8 million be made available from the PRA for conservancy capital outlay in 1990-91. This amount consists of new appropriations totaling \$1.5 million for habitat-related projects (\$1 million) and recreation-related projects (\$500,000), and a carryover of \$300,000 of PRA funds from a current-year appropriation for habitat-related projects.

***8(g) Funds and Reimbursements.*** The budget proposes a new appropriation of \$1 million from the Outer Continental Shelf Lands Act, Section 8(g) Revenue Fund in 1990-91. The conservancy indicates that it will use these funds to continue its program of stream environment zone and watershed restoration in the Lake Tahoe basin. In addition, the conservancy requests expenditure authority for \$201,000 in reimbursements, to be used for these same purposes. These reimbursements will come from coverage mitigation fees collected by the Tahoe Regional Planning Agency for transfer to the conservancy.

***Environmental License Plate Funds.*** The budget anticipates the carry over into 1990-91 of \$826,000 appropriated from the Environmental License Plate Fund by Ch 1623/88 (SB 4, Presley). The statute authorizes the conservancy to use these funds for capital outlay and grants for land acquisition and site improvements related to erosion control, restoration of disturbed lands, wildlife enhancement and preservation of natural resources. The conservancy indicates that it will use these funds to supplement its local assistance program for soil erosion control grants, and for projects that are ineligible for bond act funding.

Budget Bill language in each of the capital outlay items allows the conservancy to use these funds also for local assistance grants to other public agencies or nonprofit organizations for land acquisition pursuant to the conservancy's programs. In addition, the Budget Bill contains language exempting conservancy acquisitions valued at less than \$250,000 and all local assistance grants from Public Works Board review. This is consistent with legislative policy in prior years.

**Status of the Bond Fund Acquisition Program**

The conservancy indicates that approximately 7,000 environmentally sensitive lots are located on the California side of the Tahoe basin. The conservancy has contacted the owners of almost all of these lots about possible acquisition and has received positive responses from the owners of more than 5,100 lots. As of December 1989, the conservancy had authorized the acquisition of approximately 3,600 lots at an average cost

of about \$12,100 per lot for total costs of \$43.8 million (plus transaction costs such as appraisal fees, title insurance and escrow fees). The conservancy estimates that, by the end of the current year, it will have authorized the acquisition of up to 4,000 lots with typical values ranging between \$11,000 and \$15,000 per lot.

**Anticipated Progress Through 1990-91.** Table 1 shows the projected status of the Lake Tahoe Acquisitions (Bond) Fund at the end of 1990-91, based on the budget request and the conservancy's current expenditure plans. By the end of the budget year, the conservancy expects to have spent a total of \$78 million from the bond fund since it began operations in 1984, including the \$5 million requested by the budget for capital outlay in 1990-91. A reserve of \$7 million would remain available for future appropriation and expenditure.

**Table 1**  
**California Tahoe Conservancy**  
**Projected Status of Lake Tahoe Acquisitions (Bond) Fund**  
**June 30, 1991**  
**(in thousands)**

Total bonds authorized.....		\$85,000
Cumulative expenditures through 1990-91:		
Support.....	\$3,000	
Capital Outlay:		
Lot acquisition program.....	56,900	
Acquisition grants for soil erosion projects .....	7,500	
Access and recreation lands.....	7,600	
Wildlife lands .....	<u>3,000</u>	
Total, cumulative expenditures through 1990-91, approved and proposed .....		<u>\$78,000</u>
Remaining reserve, June 30, 1991.....		\$7,000

The request for appropriation of \$5 million in bond funds in 1990-91 appears reasonable, given the conservancy's statutory mandate and the uncertainty inherent in estimating the number of lot owners who will accept the conservancy's offers.

### **Reappropriation**

#### ***We recommend approval.***

The budget proposes to reappropriate the remaining balance of the \$5 million in federal 8(g) funds originally appropriated by Ch 1602/85 (SB 1391, Keene) for conservancy capital outlay or local assistance grants. The conservancy estimates that this balance is approximately \$700,000, and indicates that it intends to use the funds for site improvement grants in 1990-91.

Given that the very limited construction season in the Tahoe basin makes it difficult to complete projects during a single fiscal year, this reappropriation appears reasonable, as it will allow for the completion of projects funded in prior years.

**CALIFORNIA CONSERVATION CORPS—CAPITAL OUTLAY**

Item 3340-301 from the General

Fund, Special Account for

Capital Outlay

Budget p. R 19

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Requested 1990-91 .....	\$416,000
Recommended approval .....	416,000

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**SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS**Analysis  
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1. The Corps' multi-year capital outlay plan is incomplete and does not give the Legislature the information it needs to assess the Corps' capital outlay needs. 1230
2. The budget does not include funds to complete construction of the Corps' Academy in San Luis Obispo. 1231

**OVERVIEW OF THE BUDGET REQUEST AND THE FIVE-YEAR CAPITAL OUTLAY PLAN**

*The Corps' multi-year capital outlay plan is incomplete and fails to give the Legislature the information it needs to assess the Corps' capital outlay needs.*

The budget proposes \$416,000 from SAFCO for seven minor capital outlay projects (\$250,000 or less per project) for the California Conservation Corps (CCC) in 1990-91. The Corps' multi-year capital outlay plan (dated August 28, 1989) identifies a funding need for 1990-91 of approximately \$1.5 million, consisting of \$1.4 million for various minor capital outlay projects and \$140,000 to complete various items in the phased major capital outlay project for a corpsmembers' academy in San Luis Obispo. The Legislature appropriated \$1,599,000 for Phase I construction of the academy in the 1988 Budget Act and \$783,000 for Phase II in the 1989 Budget Act. The final phase of academy improvements is included in the five-year plan, but is not included in the budget request.

The CCC's capital outlay plan is incomplete and does not give the Legislature the information it needs to assess the Corps' capital outlay needs. The plan is, in fact, a four-year spending plan, rather than a five-year plan as required by the State Administrative Manual. Moreover, the plan does not include any descriptive information regarding (1) the Corps' capital outlay needs, (2) the projects proposed for implementation after 1990-91 or (3) how priorities were determined.

For example, the plan proposes spending a total of \$699,000 during 1992-93 and 1993-94 for an unspecified project at the center in Del Norte County. The plan does not indicate (1) the nature of or need for this project, (2) how much, if any, of the proposed amount would be for preliminary plans, working drawings, construction or acquisition, or (3) whether additional amounts would be needed after 1993-94 to complete the project.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval of the minor capital outlay request. We further find that the budget does not include funds to complete the Corps' Academy project in San Luis Obispo.*

We recommend approval of the \$416,000 requested for minor capital outlay in 1990-91. The budget request would fund seven minor projects, ranging in cost from \$19,000 for construction of a breezeway at the Bay Area center in Richmond to \$127,000 to renovate dormitory showers at the Camarillo center in Ventura County.

**Academy.** The budget does not include funds to complete the Corps' Academy project in San Luis Obispo, although the project schedule approved by the Legislature indicates that funds for the final phase of the project would be needed during 1990-91. It is not clear, therefore, how the Corps intends to complete construction of the academy on schedule. The Corps would be able to occupy and use the academy without the final phase improvements, which consist of completion of paved walkways between buildings, a 40-vehicle parking lot and repairs to existing roads and parking lots. Nevertheless, these final improvements are part of the project approved by the Legislature.

The CCC staff indicate that they might request administrative redirection of a portion of the minor capital outlay funds, following enactment of the 1990 Budget Act, in order to complete the academy project. Such a redirection, in our view, would be inappropriate. The items to complete at the academy project were part of the project scope approved by the Legislature in prior appropriations for this phased project. The Corps should inform the fiscal subcommittees in writing prior to the hearings on its 1990-91 budget regarding the need to complete these items so that *the Legislature* may make the decision as to whether (1) the academy project is to be funded according to legislatively approved scope and (2) the minor capital outlay request is to be revised.

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# DEPARTMENT OF FORESTRY AND FIRE PROTECTION—CAPITAL OUTLAY

Item 3540-301 from the General  
Fund, Special Account for  
Capital Outlay and the Public  
Buildings Construction Fund

Budget p. R 84

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Requested 1990-91 .....	\$6,043,000
Recommended approval .....	4,414,000
Recommended reduction .....	1,503,000
Recommendation pending .....	71,000
Recommended fund transfer .....	55,000

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## SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

*Analysis  
page*

1. Lease-Revenue Bonds. Proposed use of lease-revenue bonds for CDFFP capital outlay program is a departure from past funding practice that will result in increased financing costs from the General Fund. 1233
2. Five-year capital outlay plan. Recommend that the department provide information to the fiscal subcommittees on its long-range capital outlay needs, how the department's five-year capital outlay plan addresses those needs and how priorities are set under the plan. Further recommend including this information in future plan updates. 1234
3. Feather Falls, Pondosa and Sandy Point Fire Stations. Recommend approval of three projects totaling \$2,262,000 in Item 3540-301-660, contingent on receipt of completed preliminary plans prior to budget hearings. 1237
4. *Sonoma Ranger Unit Auto Shop. Reduce Item 3540-301-660 by \$381,000.* Recommend approval in the reduced amount of \$450,000 for construction of an auto shop at the Sonoma Ranger Unit Headquarters, consistent with the project cost previously approved by the Legislature. 1237
5. *Tehama-Glenn Emergency Command Center. Reduce Item 3540-301-660 by \$160,000.* Recommend deletion of \$160,000 requested from revenue bonds to acquire the Tehama-Glenn Emergency Command Center because the department can (a) continue to lease the center from the Highway Patrol or (b) house the command center in the \$44,000 facility addition funded by the Legislature in the 1987 Budget Act. 1238
6. *Bitterwater Helitack Base. Reduce Item 3540-301-660 by \$962,000. Increase Item 3540-301-036 by \$55,000.* Recommend that if the Legislature provides funds for this project it do so by (1) deleting the funds proposed from lease- 1239

revenue bonds for working drawings and construction (Item 3540-301-660), (2) reappropriate \$907,000 from SAFCO that was previously appropriated for construction of this project under Item 3540-301-036 of the 1989 Budget Act and (3) fund the balance of working drawings and construction funds (\$55,000) from SAFCO by adding this amount to Item 3540-301-036 in the Budget Bill. Recommend further that appropriation of funds be made only if completed preliminary plans are received prior to budget hearings.

7. Fresno Air Attack Base. Withhold recommendation on \$71,000 requested for preliminary plans for replacement/expansion of facilities at the Fresno Air Attack Base, pending information justifying project scope/cost (estimated total project cost to state of \$1.6 million.) Further, we find that the proposed revenue bonds are not a viable mechanism for financing the preliminary plans. 1239

#### **OVERVIEW OF THE BUDGET REQUEST AND THE FIVE-YEAR CAPITAL OUTLAY PLAN**

The budget proposes \$6,043,000 in 1990-91 for capital outlay for the Department of Forestry and Fire Protection (CDFFP). This amount includes \$1,195,000 from the Special Account for Capital Outlay (SAFCO), which has been a traditional funding source for the CDFFP capital outlay program, and \$4,848,000 from lease-revenue bonds.

#### **MAJOR ISSUES**

- ☒ Use of lease-revenue bonds represents a significant departure from past funding practice that will increase General Fund costs.
- ☒ Forestry faces a growing backlog of capital outlay needs to replace and upgrade forest fire stations that is not adequately addressed in the budget.

#### **Budget Proposal Relies on "Revenue" Bonds**

*The budget's proposed use of lease-revenue bonds for the CDFFP capital outlay program is a departure from past funding practice that will result in increased financing costs from the General Fund.*

**DEPARTMENT OF FORESTRY AND FIRE PROTECTION—CAPITAL OUTLAY—Continued**

In a departure from past funding practice, the budget proposes \$4,848,000 from the Public Buildings Construction Fund (lease-revenue bonds) for CDFFP capital outlay. In addition, the department's support budget includes \$15.9 million in Item 3540-001-660 (lease-revenue bonds) to begin replacement of (1) the department's air tanker fleet and (2) telecommunications equipment.

The General Fund provides the "revenues" needed to pay the principal and interest on these bonds. Typically, the state pays interest rates on lease revenue bonds that are up to one-half a percentage point higher than on general obligation bonds. Assuming an interest rate of 8 percent on the lease-revenue bonds and level annual payments, we estimate a General Fund cost for the *capital outlay* proposal, over a 20-year period, of \$11.1 million to (1) repay the bonds and (2) cover required facility insurance. In addition, principal and interest payments on lease-revenue bonds are subject to the state appropriations limit and therefore limit the Legislature's ability to fund competing state needs. (It is our understanding that the Legislature could act to remove revenue bond payments from the appropriations limit under the provisions of SCA 1, if that measure is approved by the voters this June.)

Existing law provides general authority for the issuance of lease-revenue bonds for acquisition, construction and/or operation of "public buildings." According to the *Governor's Budget Summary*, the administration plans to seek legislation to provide authority to use revenue bonds for this proposal and other proposals included in the CDFFP support budget. According to Department of Finance staff, it is their understanding that legislation is needed to extend statutory authority for use of lease-revenue bonds for (1) equipment purchases, that are proposed in the support budget, and (2) land acquisition.

**Five-Year Capital Outlay Plan**

*We recommend that CDFFP provide additional information to the fiscal subcommittees on its long-range capital outlay needs, how the department's five-year capital outlay plan addresses those needs and how priorities are set under the plan. We further recommend that CDFFP include this information in future plan updates.*

The department's five-year capital outlay plan, dated September 12, 1989, proposes expenditures totaling \$146 million between 1990-91 and 1994-95 for 179 major projects. Table 1 displays the plan's proposed expenditures by fiscal year.

**Table 1**  
**Department of Forestry and Fire Protection**  
**Five-Year Capital Outlay Plan for 1990-91 to 1994-95**  
**(in thousands)**

	1990-91	1991-92	1992-93	1993-94	1994-95	<i>Five-Year Total</i>
Planned Expenditures .....	\$4,789	\$17,093	\$43,808	\$29,246	\$50,917	\$145,853

The total amount of \$146 million does not include funds for the department's minor capital outlay program (construction projects costing \$250,000 or less). The department has identified minor capital outlay funding needs for 1990-91 of \$5.3 million, of which the budget funds \$1,175,000. The department's five-year plan identifies major capital outlay needs for 1990-91 of \$4.8 million. The budget provides funding for \$3.9 million of this total. In addition, the budget proposes \$962,000 for one project not included in the five-year plan. These funds are to replace previously appropriated funds that inadvertently reverted on June 30, 1989.

Although some of the projects identified in the five-year plan may not merit funding, our review indicates that CDFFP does face significant capital outlay needs. According to information provided by CDFFP staff, the department is responsible for 358 facilities statewide, including 226 forest fire stations. Seventy-seven percent of all facilities, and 86 percent of the fire stations, were constructed before 1960. Many of these buildings have become significant maintenance problems and are in need of either major renovation or replacement. Other structures are in need of renovation/replacement due to changes in program needs. For example, due to changes in land use patterns and the location of state responsibility lands, some stations are no longer in locations that facilitate effective response to fires.

The above information, along with other program information, should have been part of CDFFP's five-year capital outlay plan. The plan would be of far more use to the Legislature (and the administration) if it included descriptive information on CDFFP's capital improvement needs, how the department evaluates those needs and sets priorities, and how the plan addresses needs. We recommend that CDFFP (1) provide this information to the fiscal subcommittees prior to budget hearings and (2) include this information in future plan updates.

#### **ANALYSIS AND RECOMMENDATIONS**

The budget request provides \$4,126,000 for preliminary plans, working drawings and/or construction for six major projects and \$1,175,000 for nine minor capital outlay projects (costing \$250,000 or less). The request also would fund three land/facility acquisition projects (\$722,000) and provide \$20,000 to obtain options and appraisals for land acquisition purposes. Table 2 summarizes the proposed projects.



**DEPARTMENT OF FORESTRY AND FIRE PROTECTION—CAPITAL OUTLAY—Continued**

**Table 2**  
**Department of Forestry and Fire Protection**  
**1990-91 Capital Outlay Program**  
**Items 3540-301-036 and 3540-301-660**  
**(in thousands)**

<i>Project</i>	<i>Phase<sup>a</sup></i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>	<i>Est. Future Cost<sup>b</sup></i>
<b>Item 3540-301-036:</b>				
(1) Options and appraisals .....	—	\$20	\$20	—
(2) Minor capital outlay .....	pwc	1,175	1,175	—
(3) Bitterwater Helitack Base .....	wce	—	55	—
Subtotals .....		<u>\$1,195</u>	<u>\$1,250</u>	—
<b>Item 3540-301-660:</b>				
(1) Sonoma Unit Auto Shop .....	ce	831	450	—
(2) Tehama-Glenn Emergency Command Center .....	a	160	—	—
(3) Feather Falls Fire Station .....	ce	652	652 <sup>c</sup>	—
(4) Pondosa Fire Station .....	wce	780	780 <sup>c</sup>	—
(5) Rainbow Conservation Camp .....	a	473	473	—
(6) Shandon Fire Station .....	a	89	89	—
(7) Bitterwater Helitack Base .....	wce	962	— <sup>d</sup>	—
(8) Sandy Point Fire Station .....	wce	830	830 <sup>c</sup>	—
(9) Fresno Air Attack Base .....	p	71	pending	\$1,528
Subtotals .....		<u>\$4,848</u>	<u>\$3,274</u>	<u>\$1,528</u>
Totals .....		<u>\$6,043</u>	<u>\$4,524</u>	<u>\$1,528</u>

<sup>a</sup> Phase symbols indicate: p = preliminary plans; w = working drawings; c = construction; e = equipment; and a = acquisition.

<sup>b</sup> Department estimates.

<sup>c</sup> Recommended amount is contingent on receipt of preliminary plans prior to budget hearings.

<sup>d</sup> Recommend that project be funded through (1) reappropriation of SAFCO funds from 1989 Budget Act (\$907,000) and (2) shift funding (\$55,000) to SAFCO (Item 3540-301-036).

**Projects for Which We Recommend Approval as Budgeted**

*We recommend approval of (1) \$1,195,000 requested in Item 3540-301-036 for minor capital outlay, options and appraisals and (2) two land/facility acquisition projects totaling \$562,000 in Item 3540-301-660.*

The budget includes \$1,175,000 for nine minor capital outlay projects, ranging in cost from \$26,000 to install a security system at the Davis Equipment Facility to \$190,000 to expand/remodel the Phelan Fire Station in southwestern San Bernardino County. The budget also includes \$20,000 to obtain options and appraisals for future land acquisition proposals. These requests are reasonable and we recommend approval.

In addition, we recommend approval of proposals to acquire leased land and facilities at the Rainbow Conservation Camp in San Diego County (\$473,000) and the Shandon Fire Station in San Luis Obispo County (\$89,000). These leases will expire shortly. We believe it is in the state's interests to acquire the properties to (1) protect substantial leasehold improvements made by the state and (2) assure continued operation of important facilities. The amounts requested in the budget are based on state appraisals.

**Projects for Which We Recommend Contingent Approval**

*We recommend approval of three projects totaling \$2,262,000 in Item 3540-301-660, contingent on receipt of completed preliminary plans prior to budget hearings.*

The budget includes \$2,262,000 from lease-revenue bonds for (1) working drawings and construction of replacement fire stations at Pondosa (Shasta County—\$780,000) and Sandy Point (Santa Cruz County—\$830,000) and (2) construction of a replacement fire station at Feather Falls (Butte County—\$652,000).

The amounts requested in the budget for the three fire stations are consistent with prior cost estimates approved by the Legislature, adjusted for inflation. At the time the budget was submitted to the Legislature, however, preliminary plans for these projects were not completed. We recommend approval of these projects contingent upon receipt of completed preliminary plans prior to budget hearings. If completed preliminary plans are not available to the Legislature at that time, we recommend that the Legislature *not* approve the projects.

**Sonoma Ranger Unit Headquarters Auto Shop**

*We recommend a reduction of \$381,000 and approval in the reduced amount of \$450,000 for construction of an auto shop at the Sonoma Ranger Unit Headquarters, consistent with the project cost previously approved by the Legislature.*

The budget includes \$831,000 from lease-revenue bonds for construction of a replacement automobile repair shop at the Sonoma Ranger Unit Headquarters in Santa Rosa (Sonoma County). The Legislature appropriated \$57,000 in the 1985 Budget Act for preliminary plans and working drawings for the auto shop *and a five-bay vehicle/apparatus building*. The State Public Works Board approved preliminary plans in January 1986. Although working drawings were completed in December 1986, this is the department's first request to the Legislature for funding construction of the project.

*Budget Request Differs Significantly from the Project Previously Approved by the Legislature.* The current request is for a substantially changed project from that approved by the Legislature. The project no longer includes the vehicle/apparatus building and the cost is higher.

According to the department, the vehicle/apparatus building has been deleted because the department now plans to relocate the fire station that is on the ranger unit headquarters site. The auto shop will continue to be needed, however, because it would service vehicles from several CDFFP facilities in the surrounding area.

Although the project proposed in the budget no longer includes the vehicle/apparatus building—which represented nearly one-half the estimated cost of the original project—the amount requested in the budget is actually \$7,000 *more* than the amount approved for the entire original project in the *Supplemental Report of the 1985 Budget Act*, adjusted for inflation. Prior to State Public Works Board approval of preliminary plans

**DEPARTMENT OF FORESTRY AND FIRE PROTECTION—CAPITAL OUTLAY—Continued**

for this project, the Department of Finance gave written certification to the Legislature that the project was within legislatively approved scope and cost. The CDFFP has been unable to explain why the cost is now higher. Adjusting the legislatively approved cost to account for (1) deletion of the vehicle/apparatus building and (2) inflation, we estimate that the revised construction cost should be \$450,000. Accordingly, we recommend approval in the reduced amount of \$450,000 for construction of the auto shop—a reduction of \$381,000 from the budget request.

**Tehama-Glenn Emergency Command Center**

*We recommend deletion of \$160,000 requested from lease-revenue bonds to acquire the Tehama-Glenn Emergency Command Center because the department can (1) continue to lease the center from the Highway Patrol or (2) house the command center in the \$44,000 facility addition funded by the Legislature in the 1987 Budget Act.*

The budget includes \$160,000 from lease-revenue bonds to acquire a 2,400 square foot building in Red Bluff. The building is owned by the California Highway Patrol (CHP). Last year CHP vacated the building, which is across the street from CDFFP's Tehama-Glenn Ranger Unit Headquarters. The CDFFP subsequently leased the building from CHP on a year-to-year basis (currently \$8,400 annually) and moved its emergency command center, including newly purchased radio equipment, from the ranger unit headquarters building into the CHP building. The department now proposes that lease-revenue bonds be issued to provide \$160,000 for purchase of the building. It is not clear why the department moved its command center into the building *before* requesting acquisition funds from the Legislature, nor is it clear why acquisition funds are needed now.

In the 1987 Budget Act, the Legislature approved a minor capital outlay request by CDFFP that included \$44,000 for a 1,800 square foot addition to the existing headquarters building for the express purpose of accommodating an enlarged emergency command center, with new radio equipment. Subsequently, CDFFP *administratively* redirected these funds for other minor capital outlay purposes. Thus, the department now proposes to spend more than \$160,000 to accomplish what was supposed to have cost \$44,000. Moreover, we estimate *additional* costs for bond issuance, interest and insurance totaling \$225,000 resulting in a total cost of \$385,000 over a 20-year period for the lease-revenue bonds.

The proposed acquisition funds are not needed. The department can either continue to lease the CHP building or use funds budgeted for minor capital outlay to house the command center in an addition to its existing headquarters, as the Legislature approved in the 1987 Budget Act. Consequently, we recommend deletion of the proposed \$160,000 for acquisition.

**Bitterwater Helitack Base**

*We recommend deletion of lease-revenue bond funds for the Bitterwater Helitack Base (reduce Item 3540-301-660 by \$962,000). We recommend further that if the Legislature appropriates funds for this project it (1) reappropriate \$907,000 from SAFCO that was appropriated for construction of this project under Item 3540-301-036 in the 1989 Budget Act) and (2) fund the balance of working drawings and construction costs (\$55,000) from SAFCO under Item 3540-301-036 of the Budget Bill. Finally, we recommend that funding for this project be contingent on receipt of completed preliminary plans.*

The budget includes \$962,000 for working drawings and construction of the Bitterwater Helitack Base in San Benito County. This request is intended to (1) restore working drawing funds that reverted on June 30, 1989 and (2) replace construction funds that cannot be spent in the current-year. The working drawing funds reverted because the Department of Finance did not grant CDFFP approval to proceed with working drawings during the 1988-89 fiscal year. The Department of Finance was unable to grant this approval because preliminary plans had not been completed and approved by the State Public Works Board. Moreover, without funds for working drawings, there is no possibility for CDFFP to spend the construction funds appropriated in the 1989 Budget Act. At the time this analysis was prepared, CDFFP was in the process of revising the project's preliminary plans to be consistent with the amount approved by the Legislature for construction.

We recommend the following budgeting alternative that avoids the use of costly lease-revenue bond financing for this project. First, the Legislature can reappropriate the \$907,000 it approved in the 1989 Budget Act from SAFCO for construction of this project. This would leave a balance of \$55,000 needed to (1) restore working drawings funds and (2) cover additional construction funding needs caused by inflation. We recommend that this \$55,000 balance be budgeted from SAFCO.

The above recommendation (1) is consistent with the prior legislative action to appropriate funds for this project from SAFCO and (2) avoids an estimated total of \$1.3 million in General Fund financing and insurance costs over the next 20 years. Finally, we note that completed preliminary plans for this project were not available for legislative review at the time this analysis was prepared. If completed preliminary plans are not available to the Legislature prior to budget hearings, we recommend that the Legislature *not* approve this project.

**Fresno Air Attack Base**

*We withhold recommendation on \$71,000 requested for preliminary plans for replacement/expansion of facilities at the Fresno Air Attack Base, pending information justifying project scope/cost (estimated total project cost to the state is \$1.6 million.) Further, we find that the proposed lease-revenue bonds are not a viable mechanism for financing preliminary plans.*

The budget proposes \$71,000 from lease-revenue bonds for preliminary plans for replacement/expansion of air attack facilities at the Fresno

**DEPARTMENT OF FORESTRY AND FIRE PROTECTION—CAPITAL OUTLAY—Continued**

airport. The department estimates future costs for working drawings and construction of \$3.1 million, to be shared equally between the state and the federal government. The state's share of *total* project cost is an estimated \$1.6 million. The existing Fresno Air Attack Base (AAB) is jointly operated by CDFFP and the United States Forest Service (USFS) in facilities leased from the City of Fresno. The base has been located at the Fresno airport since 1955. Four aircraft are permanently based at the AAB. The AAB is capable of handling 15 aircraft during active fire operations.

According to the department, replacement of the existing AAB facilities is needed because the Fresno Airports Department, the owner of the site and facilities, considers the facilities to be antiquated. The airports department, consequently, intends to terminate the AAB lease and demolish the buildings. The airports department has stated its willingness to enter into a new lease to allow continued operation of the AAB at the present site if CDFFP and USFS secure funding to construct new facilities.

**Full Scope of Project Not Justified.** Under the budget proposal, the leased area would be expanded from 2.5 acres to 12 acres. The office/shop building (3,100 square feet) would be replaced and expanded to 7,500 square feet. The radio dispatch facility of 1,350 square feet would be replaced and expanded to 5,900 square feet. The fire retardant mixing plant would be replaced with a larger plant. The proposed project would also provide a hangar (10,000 square feet), expand the aircraft parking area (to handle eight air tankers versus three at present) and expand automobile parking (100 vehicle spaces versus 20 now).

We concur with the department that the Fresno AAB should continue in operation at its present location. Given the plans of the Fresno Airports Department, it is evident that the existing facilities will need to be replaced. The CDFFP, however, has not explained or justified the need to: (1) expand the area to be leased, (2) build larger facilities or (3) build the hangar.

**Better Cost Information Needed.** The project cost estimate was prepared by CDFFP staff, rather than staff of the Department of General Services as is customary for capital outlay projects included in the budget. Moreover, we are unable to determine whether the estimate is reasonable or complete because it is not sufficiently detailed. In view of the uncertainties over the appropriate scope/cost for new AAB facilities, we withhold recommendation on the budget request, pending receipt and review of the following information from CDFFP: (1) specific justification for the types of facilities proposed, the amount of space and the acreage to be leased, (2) estimated lease cost/terms with and without the additional acreage, (3) annual support costs of expansion and (4) project cost estimate and schedule, approved by DGS, and distinguishing costs for replacement of existing space from costs associated with expansion and the proposed hangar.

**Revenue Bonds Not a Viable Funding Mechanism.** The budget proposal to issue lease-revenue bonds to finance preliminary plans is not viable. According to the State Treasurer's staff, there are legal, technical and credit problems that would prevent the Treasurer from selling lease-revenue bonds to fund preliminary plans, absent appropriation authority for revenue bonds to construct the facility depicted on the plans. The budget does not include funds to construct the proposed AAB project. Thus, if the Legislature wishes to appropriate funds for preliminary plans in 1990-91, we suggest that it do so from a funding source other than revenue bonds.

#### **Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental report language which describes the scope of each of the capital outlay projects approved under this item.

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### **STATE LANDS COMMISSION—CAPITAL OUTLAY BUDGET BILL LANGUAGE**

Item 3560-400 from the Special  
Account for Capital Outlay

Budget p. R 92

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#### **ANALYSIS AND RECOMMENDATIONS**

##### ***We recommend approval.***

The Budget Bill includes control language under Item 3560-400 affecting expenditures of unencumbered balances of prior-year capital outlay appropriations to the State Lands Commission. In Items 3560-301-036 of the 1987, 1988 and 1989 Budget Acts, the Legislature appropriated a combined total of approximately \$2 million from the Special Account for Capital Outlay to the commission for a program to remove hazards located on state lands. The removal program was directed at hazards identified in the Commission's Hazards Inventory Report to the Legislature (June 1986). The proposed Budget Bill language provides that the commission may spend unencumbered balances of these appropriations to remove hazards not identified in that report if the commission (1) determines that the additional hazards are in the extreme or moderate risk category (as defined in the 1986 report), (2) addresses extreme risks before moderate risks and (3) notifies the Joint Legislative Budget Committee at least 30 days prior to expenditure. The language also exempts these expenditures from State Public Works Board approval.

The proposed language is consistent with Budget Act language adopted by the Legislature in the 1989 Budget Act concerning expenditure of these funds, except that the proposed language extends permissible expenditures to newly identified hazards in the moderate category, as specified. We recommend approval.

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**DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY**

Item 3600-301 from the  
 California Wildlife, Coastal  
 and Park Land Conservation  
 Fund of 1988 and the  
 Environmental License Plate  
 Fund

Budget p. R 120

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Requested 1990-91 .....	\$153,000
Recommended approval .....	153,000

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**SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS**

Analysis  
 page

1. The DFG's multi-year capital outlay plan is incomplete and does not provide the Legislature the information it needs to assess the DFG's capital outlay needs. 1242

**OVERVIEW OF THE BUDGET REQUEST AND THE FIVE-YEAR CAPITAL OUTLAY PLAN**

*We find that the Department of Fish and Game's (DFG's) multi-year capital outlay plan is incomplete and does not provide the Legislature the information it needs to assess the DFG's capital outlay needs.*

The budget requests \$153,000 for the DFG's capital outlay program in 1990-91. The request includes \$93,000 from the California Wildlife, Coastal and Park Land Conservation Fund of 1988 (Proposition 70) for a study of site acquisition and construction needs for an "experimental" wild trout and native steelhead hatchery. The balance of the budget request is for \$60,000 from the Environmental License Plate Fund (ELPF) for construction of a parking lot in the Upper Newport Bay Ecological Reserve in Orange County.

The department's multi-year capital outlay plan, dated October 19, 1989, calls for a \$1.8 million capital outlay program in 1990-91, including \$837,000 for six minor capital outlay projects (\$250,000 or less per project) and funds for two major projects. With the exception of one minor project and a *study* for one of the major projects, the budget does not implement the first year of the five-year capital outlay plan.

According to DFG staff, the major reason the budget does not implement the five year plan is that projected revenues to the Fish and Game Preservation Fund (FGPF) will not be adequate to fund DFG capital outlay needs in the budget year. The five-year plan assumed that the FGPF would provide \$456,000 for the department's capital outlay program in 1990-91, with \$968,000 in matching monies to be received from the federal government. Thus, since the budget does not propose expenditure of FGPF monies for capital outlay, the state forgoes \$968,000 of federal funds in 1990-91. According to DFG staff, these federal funds would remain available to the state for two fiscal years.

The DFG's capital outlay plan reflects a four-year spending plan, rather than the five-year plan required by the State Administrative Manual. For the four fiscal years 1990-91 to 1993-94, the plan calls for expenditures totaling \$28 million for 17 major projects. The plan does not include *any* descriptive information regarding (1) DFG's capital outlay needs, (2) how the proposed projects address those needs, (3) project priorities or (4) when different project phases (such as preliminary plans, working drawings, construction) are to be carried out and how much each will cost. Lacking this information, the plan does not provide the Legislature the information it needs to assess DFG capital outlay needs.

### **ANALYSIS AND RECOMMENDATIONS**

*We recommend approval of the \$153,000 requested for DFG capital outlay in 1990-91.*

As noted above, the budget requests (1) \$60,000 from the ELPF for construction of a parking lot at the Upper Newport Bay Ecological Reserve and (2) \$93,000 from Proposition 70 bond funds for a study for an "experimental" wild trout and native steelhead hatchery. Both proposals are justified and we recommend approval.

Proposition 70 specified that \$6 million of the bond funds authorized by that measure be available to the DFG for various purposes related to enhancing wild trout and native steelhead populations, including an unspecified amount for an "experimental" hatchery at an unspecified location.

The DFG needs to conduct the study proposed in the budget to develop information needed for site selection and facility design purposes. The department's capital outlay plan shows bond fund expenditures for this project totaling \$6,350,000 during 1990-91 through 1992-93. The DFG staff were unable to indicate the basis for this estimate, which exceeds the amount set aside by Proposition 70 for this project and all other DFG expenditures related to enhancing the wild trout and native steelhead populations.

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**WILDLIFE CONSERVATION BOARD—CAPITAL OUTLAY**

Item 3640-301 from the Wildlife  
and Natural Areas  
Conservation (Bond) Fund  
and various funds, including  
continuously appropriated  
funds

Budget p. R 124

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Requested 1990-91 .....	\$23,690,000
No recommendation .....	12,410,000
Statutory expenditure .....	11,280,000

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**SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS**

*Analysis  
page*

1. Unspecified Capital Outlay Projects. We make no recommendation on a total of \$12,410,000 requested in Items 3640-301-235, 3640-301-447, 3640-301-748, and 3640-301-787 for unspecified land acquisition, development, and minor capital outlay projects, because we have no basis on which to advise the Legislature whether these expenditures are warranted. 1245

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$23.7 million for various capital outlay projects to be undertaken by the Wildlife Conservation Board (WCB) in 1990-91. As shown in Table 1, these funds consist of (1) four separate *new* appropriations, and (2) funds continuously appropriated to the board by Proposition 70 (\$11.3 million).

**Table 1**  
**Wildlife Conservation Board**  
**Proposed 1990-91 Expenditures for Capital Outlay**  
**(in thousands)**

<i>Item/Description</i>	<i>Fund</i>	<i>Amount</i>
<i>Proposed new appropriations:</i>		
3640-301-235 Public Resources Account, Cigarette and Tobacco Product Surtax .....		\$1,500
3640-301-447 Wildlife Restoration .....		350
3640-301-748 Fish and Wildlife Habitat Enhancement .....		2,860
3640-301-787 Wildlife and Natural Areas Conservation .....		7,700
Subtotal, proposed new appropriations .....		(\$12,410)
<i>Other fund source:</i>		
Public Resources Code California Wildlife, Coastal, and Park Land Conservation 5907 (c) (continuously appropriated) .....		\$11,280
1990-91 Total Expenditures (Proposed) .....		\$23,690

In addition to the amounts proposed in the budget, it is likely the board will have a substantial amount of additional carryover funds from the current year available for expenditure on capital outlay projects in 1990-91. Specifically, the budget estimates that the board will spend a

total of \$56.7 million for capital outlay projects during the *current year*. This is \$20.9 million more than the largest amount spent by the board in any of the previous nine years. In all probability, a portion of the \$56.7 million will be carried over into 1990-91 and remain available for expenditure.

## **ANALYSIS AND RECOMMENDATIONS**

### **Information on Capital Outlay Projects is Not Adequate**

*We make no recommendation on \$12,410,000 proposed for (1) land acquisition and development projects, (2) minor capital outlay projects, and (3) project planning, because the board has not provided information on the scope and cost of the proposed projects.*

The budget proposes total expenditures of \$23.7 million for WCB capital outlay projects in 1990-91. Of this amount, \$12.4 million is requested as *new* appropriations in the Budget Bill. The remaining funds are continuously appropriated and therefore do not require further legislative action. The funds requested in the Budget Bill are for various *unspecified* acquisition and development projects, minor capital outlay projects, and for project planning as follows:

- \$7,700,000 from the Wildlife and Natural Areas Conservation (Bond) Fund for acquisition, development, and enhancement projects benefiting unique, fragile, threatened, or endangered species (\$7 million), and fish and game (\$500,000), plus project planning (\$200,000);
- \$1.5 million from the Public Resources Account for acquisition of waterfowl habitat;
- \$2,860,000 from the Fish and Wildlife Habitat Enhancement (Bond) Fund for acquisition, enhancement, and development projects benefiting marshlands and aquatic habitat; and
- \$350,000 from the Wildlife Restoration Fund for land acquisition.

The budget does not identify (1) the specific projects the board proposes to fund, or (2) the expected costs of the projects. Although the board has provided lists of potential acquisition and development projects, these lists do not identify the costs of individual projects or provide specific project justification. Furthermore, the board indicates that the projects on the lists are tentative and subject to change. Nevertheless, it has been the Legislature's practice to grant the board this unusual degree of budget flexibility.

Without information on the specific projects to be funded and the costs of these projects, we have no basis for making a recommendation to the Legislature on the board's request.

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## DEPARTMENT OF BOATING AND WATERWAYS—CAPITAL OUTLAY

Item 3680-301 from the Harbors  
and Watercraft Revolving  
Fund

Budget p. R 136

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Requested 1990-91 .....	\$1,049,000
Recommended approval .....	1,049,000

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### ANALYSIS AND RECOMMENDATIONS

The budget requests \$1 million from the Harbors and Watercraft Revolving Fund (HWRF) for capital outlay projects proposed by the Department of Boating and Waterways in 1990-91. The funds will be used to develop boating facilities in the state park system, State Water Project reservoirs and other state-owned property.

#### (1) Project Planning.....\$20,000

*We recommend approval.*

The budget requests \$20,000 for use in evaluating proposed projects and preparing budget estimates for 1990-91. The amount requested is reasonable.

#### (2) Minor Projects.....\$1,029,000

*We recommend approval.*

The budget requests \$1 million for minor capital outlay projects in the following areas:

- Castaic Lake State Recreation Area (SRA), Fisherman's Rest (\$48,000)
- Castaic Lake SRA, Castaic Forebay (\$150,000)
- Humboldt Redwoods State Park, Gould Bar (\$18,000)
- Irvine Finch Memorial Bridge Access (\$190,000)
- Lake Oroville SRA, Bidwell Canyon (\$200,000)
- Millerton Lake SRA, Meadow Camp Area (\$20,000)
- Millerton Lake SRA, South Finegold Area (\$48,000)
- San Simeon State Beach, Leffingwell Landing (\$40,000)
- Silverwood Lake SRA, Cleghorn Area (\$15,000)
- Emergency boat ramp repairs and extensions (\$200,000)
- Immediate improvement needs (\$100,000)

These projects are reasonable in scope and cost, and appear to be justified.

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**STATE COASTAL CONSERVANCY—CAPITAL OUTLAY**

Item 3760-301 from various  
funds

Budget p. R 148

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Requested 1990-91 .....	\$21,430,000
Recommended approval .....	11,300,000
Statutory expenditure .....	10,130,000

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**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The budget shows that the conservancy has \$21.4 million available for capital outlay projects in 1990-91. This amount includes \$11.3 million in proposed new appropriations from the State Coastal Conservancy (Bond) Fund of 1984 (\$1.5 million), the Fish and Wildlife Habitat Enhancement (1984 Bond) Fund (\$2 million), and the California Wildlife, Coastal, and Park Land Conservation (Bond) Fund of 1988 (Proposition 70—\$7.8 million). In addition, the budget shows an estimated \$10.1 million in carry-over balances available in 1990-91. This amount is part of a direct appropriation the conservancy received in 1988-89 for specific projects included in Proposition 70. The conservancy anticipates spending only \$5.1 million of this amount for capital outlay, plus \$800,000 for related conservancy support costs, in the budget year. The remaining \$4.2 million will be carried over into the 1991-92 budget. Consequently, of the total \$21.4 million available, the conservancy expects to spend \$16.4 million in the budget year for capital outlay activities.

Language in each of the capital outlay items allows these funds to be used for local assistance projects as well. Therefore, the money requested may be allocated for projects directly carried out by the conservancy or for grants to local agencies and nonprofit organizations.

The conservancy's request appears reasonable and is consistent with statutory mandates and past practice of the Legislature.

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## DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY

Items 3790-301, 3790-490,  
3790-495 from the Wildlife,  
Coastal Parkland  
Conservation Fund of 1988  
and various funds

Budget p. R 176

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Total proposed expenditures 1990-91 .....	\$137,744,000
Requested in 1990 Budget Bill for 1990-91 .....	25,144,000
Recommended approval .....	24,483,000
Recommended reduction .....	661,000

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### SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

*Analysis  
page*

1. *State Parks and Recreation Fund. Preliminary Plans for the Museum of Railroad Technology (MORT). Reduce Item 3790-301-392(1) by \$661,000.* Recommend reduction because the department (a) has not justified the scope of the museum and (b) has no funds currently available for construction of the \$21.5 million project. 1251

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures totaling \$137,744,000 from various funding sources for the Department of Parks and Recreation (DPR) capital outlay program in 1990-91. This amount consists of (1) \$25,144,000 in proposed new appropriation and (2) \$112,600,000 in continuously, or previously, appropriated funds. The department proposes to use these funds for eight major projects, various minor development projects, acquisitions, and project planning. Most of the funds are provided from the California Wildlife, Coastal and Parkland Conservation (Bond) Fund of 1988 (\$89.9 million), the Parklands (Bond) Fund of 1984 (\$16 million), the Off-Highway Vehicle Fund (\$6.5 million), and the Public Resources Account of the Cigarette and Tobacco Products Surtax Fund (\$7.2 million).

Table 1 shows the department's total capital outlay request by funding source. Table 1 also indicates proposed expenditures from reappropriations, and from direct appropriations from the 1988 Bond Fund.

**Table 1**  
**Department of Parks and Recreation**  
**1990-91 Capital Outlay Program Summary**  
**(dollars in thousands)**

<i>Proposed New Appropriations</i>	<i>Fund</i>	<i>Budget Bill Amount</i>
3790-301-235	Public Resources Account .....	\$4,475
3790-301-263	Off-Highway Vehicle Fund .....	1,583
3790-301-392	State Parks and Recreation Fund .....	721
3790-301-721	Parklands (Bond) Fund of 1980 .....	1,192
3790-301-722	Parklands (Bond) Fund of 1984 .....	3,579
3790-301-786	California Wildlife, Coastal and Parkland Conservation (Bond) Fund .....	13,294
3790-301-890	Federal Trust Fund .....	300
Subtotal, proposed new appropriations .....		(\$25,144)
<i>Funds Previously Approved</i>		
3790-301-036	Special Account for Capital Outlay .....	\$100
3790-301-140	Environmental License Plate Fund .....	490
3790-301-235	Public Resources Account .....	2,790
3790-301-263	Off-Highway Vehicle Fund .....	4,925
3790-301-392	State Parks and Recreation Fund .....	503
3790-301-721	Parklands (Bond) Fund of 1980 .....	5,558
3790-301-723	Parklands (Bond) Fund of 1984 .....	12,149
3790-301-728	Recreation and Fish and Wildlife Enhancement (Bond) Fund of 1970 .....	299
3790-301-742	State, Urban, and Coastal Park (Bond) Fund of 1976 .....	9,137
3790-301-786	California Wildlife, Coastal and Parkland Conservation (Bond) Fund .....	76,649
Subtotal, funds previously approved .....		(\$112,600)
Total .....		\$137,744

## ANALYSIS AND RECOMMENDATIONS

Our review of the department's request for 1990-91 indicates that projects totaling \$24.5 million are reasonable in scope and cost. Accordingly, we recommend approval of these projects in the amounts requested, as summarized in Table 2.

**Table 2**  
**Department of Parks and Recreation**  
**1990-91 Capital Outlay Program**  
**Projects Recommended for Approval**  
**(dollars in thousands)**

<i>Item/Project<sup>a</sup></i>		
3790-301-235—PRA		
(1) Donner Memorial SP, proposed additions (a) .....		\$975
(2) Minor Projects (Non-OHV) .....		3,500
3790-301-263—Off-Highway Vehicle Fund		
(1) Hungry Valley SVRA, initial development work (pw) .....		197
(2) Ocotillo Wells SVRA (a) .....		625
(3) Statewide, OHV budget package/schematics planning .....		50
(4) Minor Projects, OHV .....		561
(5) Statewide, OHV opportunity purchases (a) .....		100
(6) Statewide, OHV pre-budget appraisal and transaction review cost (a) .....		50

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL  
OUTLAY—Continued**

**Table 2—Continued**  
**Department of Parks and Recreation**  
**1990-91 Capital Outlay Program**  
**Projects Recommended for Approval**  
**(dollars in thousands)**

*Item/Project<sup>a</sup>*

3790-301-392—State Parks and Recreation Fund	
(2) Statewide consolidated dispatch center, minor (pw) .....	25
(3) Statewide, retrofit facilities (pwc) .....	35
3790-301-721—Parklands (Bond) Fund of 1980	
(1) Chino Hills SP, public use facility (pw) .....	208
(2) Cuyamaca Rancho SP, rehabilitation and replacement of worn-out facilities (pw) .....	131
(3) Stanford House SHP, historic preservation, stabilization .....	428
(4) Statewide, archeological sites rehabilitation minor projects .....	225
(5) Statewide, CCC structures historic restoration, minor projects .....	200
3790-301-722—Parklands (Bond) Fund of 1984	
(1) Angel Island SP, seawall reconstruction and replacement (pw) .....	202
(2) Crystal Cove SP, Sewer system connection (pw) .....	63
(3) Los Encinos SHP, Garnier House completion (c) .....	115
(4) Montara SB, construction access improvements (wc) .....	258
(5) Mount Diablo SP, water system rehabilitation (pw) .....	162
(6) Salt Point SP, development of day and overnight use (pw) .....	114
(7) San Luis Reservoir SRA, day use and campground facilities—phase II (c) ..	1,405
(8) Statewide, Non-OHV acquisition costs (a) .....	200
(9) Statewide, Non-OHV inholding purchases (a) .....	500
(10) Statewide, Non-OHV opportunity purchases (a) .....	500
(11) Statewide, Non-OHV pre-budget appraisal costs (a) .....	60
3790-301-786—California Wildlife, Coastal and Parkland (Bond) Fund of 1988	
(1) Benicia SRA, land restoration and landfill clean-up (w) .....	200
(2) Colonel Allensworth SHP, hotel reconstruction (c) .....	393
(3) Folsom Lake SRA, rehabilitation and replacement of worn-out facilities (pw) .....	138
(4) Kenneth Hahn SRA, continuing ridge development (pwc) .....	3,510
(5) Lake Perris SRA, swimming beach cleanup (pwc) .....	351
(6) MacKerricher SP, rehabilitation and replacement of worn-out facilities .....	142
(7) Monterey SHP, Pacific House exhibits and artifacts (s) .....	100
(8) Monterey SHP rehabilitation of Custom House grounds (c) .....	644
(9) Statewide, accessibility expansion program—minors .....	200
(10) Statewide, Non-OHV budget packages/schematic planning .....	200
(11) Statewide, Sno-Park program (c) .....	865
(12) Statewide, interpretive artifact and exhibition rehabilitation—minors .....	550
(13) Statewide, recreational trails—minors .....	514
(14) Statewide, Stewardship program—minors .....	3,320
(15) Storm damage—minors .....	400
(16) Topographic surveys (p) .....	200
(17) Volunteer projects—minors .....	955
(18) Wilder Ranch SP, bunkhouse historic restoration (c) .....	612
3790-301-890 Federal Trust Fund	
(1) Big Basin Redwoods SP, sempervirens (a) .....	300
Total .....	\$24,483

<sup>a</sup> Letter following project indicates phase: a=acquisition; p=preliminary plans; w=working drawings; and c=construction.

In addition, the budget proposes \$661,000 for support of a project where we have identified concerns. This project and our concerns are discussed below.

**Old Sacramento SHP, Museum of Railroad Technology, Preliminary Plans.....\$661,000**

*We recommend deletion of \$661,000 requested from the State Parks and Recreation Fund (SPRF) for a preliminary plan for the Museum of Railroad Technology (MORT) project, because the department (1) has not justified the scope of the museum and (2) has no funds currently available for construction of the \$21.5 million project. (Reduce Item 3790-301-392(1) by \$661,000.)*

The budget includes \$661,000 from SPRF for preliminary plans as the first step towards construction of the MORT. The MORT is the final proposed addition to the California State Railroad Museum (CSRM) complex in Old Sacramento. The department currently estimates that costs of planning and constructing the MORT will total \$21.5 million. According to staff of the DPR, the MORT would serve three primary purposes. Specifically, it would:

- Allow visitors to the state railroad museum to understand the technology of railroads.
- Protect the state's rail car collection from exposure and environmental deterioration.
- Provide working space for restoration of the collection.

The department proposes to build the museum on a 10.5-acre site located along the Sacramento River by the CSRM's current passenger excursion rail line. The proposed site has been made available by the City of Sacramento as the southernmost anchor for its historical waterfront development plan. The department plans to enter into a 99-year lease agreement for the site with the Sacramento Housing and Redevelopment Agency (SHRA), once funding is secure for construction. According to the department, the SHRA has agreed to lease the site to the state for \$1,000 per year. Staff further indicate that if construction funding is not secured by mid-1993, the site will be lost to private development. We have three concerns with the department's current proposal.

*Size of Museum Not Based Primarily on Interpretive Needs.* The conceptual plan for the MORT calls for an impressive 114,000 gross square feet of covered space that includes space to exhibit 43 rail cars, a "people mover," and escalators. By comparison, the California State Railroad Museum in Old Sacramento State Historic Park covers 99,800 square feet and houses 22 railroad cars, plus assorted other exhibits.

Over the years, the state has acquired 104 rail cars—including the 22 currently on display in the CSRM. Staff indicate that most of the space in the museum will be used to warehouse the collection and to perform restoration work. Interpretive displays would be integrated with the restoration work, allowing the visitor to view "works in progress," as well as fully restored pieces in the state's collection.



**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY—Continued**

Originally, the General Plan called for a display of 20 cars. The current proposal calls for a display of 43 cars. Staff indicate that the currently proposed size of the display was determined by the size of the museum's collection that needs protection from the elements, and the size of the site. In addition, staff indicate that the current museum proposal reflects a need to address SHRA concerns regarding the use of the site. As a result of the consultant's focus on site constraints, it appears to us that an alternative—and potentially lower cost option—was not evaluated. That option would include a smaller museum dedicated to interpretation of railroad technology and a separate warehouse facility to protect pieces not currently on display.

**No Funding Currently Is Available to Support Project Costs.** Total development costs of the MORT cannot be funded adequately from current department funding sources. For example, the 1984 bond fund has only \$349,000 left for appropriation for museum or historical projects; the 1988 bond fund (Proposition 70)—the department's newest source of funding for capital projects—has only \$2.1 million available for these projects. Because of the unavailability of current fund sources, the department proposes to fund *future* project costs (working drawings and all construction) from the 1990 Park Bond as proposed by AB 145 (Costa). The department indicates that it is important to proceed with preliminary plans for this project prior to passage of a new bond law in order not to lose the site to private developers. However, because the department currently has no funds available for construction of the MORT, we believe it is premature to provide funding for the preliminary plans from the SPRF.

**"Backup" Financing Is Too Expensive and Would Result in Increased General Fund Obligations.** The department indicates that the City of Sacramento and the SHRA have offered to finance construction of the MORT through local revenue bonds if the department cannot secure funding from other sources. The state would then pay back the local agency over a 20-year period under a lease-purchase agreement. We estimate that annual payments to retire this debt would be approximately \$2.4 million. The DPR proposes to fund these repayments from anticipated annual museum revenues of \$1.9 million. The museum, however, will not generate sufficient revenues to fund operations and make these payments. Consequently, the General Fund or the SPRF ultimately would pay the costs of retiring the revenue bonds.

**Conclusion.** In our view, it is not prudent to proceed with preliminary plans for a project of this size without a guaranteed—and fiscally prudent—source of funding for major subsequent project costs. Additionally, the department has not evaluated fully lower-cost alternatives to the current proposal for a 43-car museum and restoration shop. If the department rescopes the project to a more reasonable size, and a size that

can be supported by state funding sources, the Legislature should consider funding the MORT. Until the project is rescoped, however, we recommend *not* funding the development of preliminary plans for the museum.

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## DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY

Item 3860-301 from the Public  
Resources Account

Budget p. R 211

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Requested 1990-91 .....	\$7,300,000
Recommended approval .....	7,300,000

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### OVERVIEW OF THE BUDGET REQUEST

The budget requests capital outlay funds totaling \$7,300,000 to fund four projects in 1990-91. The request consists of (1) \$7.1 million from the Special Account for Capital Outlay (SAFCO) for support of three projects and (2) \$250,000 from the Public Resources Account (PRA) to purchase lands with riparian vegetation for flood control along the Sacramento River.

The Reclamation Board, with the Department of Water Resources (DWR), acts as the nonfederal sponsor for flood control projects constructed by the U.S. Army Corps of Engineers (COE) in the Sacramento and San Joaquin River Systems. As nonfederal sponsor, the board is responsible for providing funding for lands, easements, rights-of-way, and relocations (known as LERRs) required for projects, as well as a cash contribution. Under state law, the board pays all of the nonfederal costs for some projects and shares nonfederal costs with local interests for other projects. In either case, the board's contribution is budgeted as a capital outlay expenditure.

Outside the central valley area, local agencies act as the nonfederal sponsor and receive state funds in the form of subventions. These monies are budgeted as local assistance in the DWR's support budget.

Table 1 shows the department's total capital outlay request, by funding source and project.

**DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY—Continued****Table 1****Department of Water Resources  
1990-91 Capital Outlay Program Summary**

<i>Item</i>	<i>Funding Source</i>	<i>Project</i>	<i>Proposed Expenditures</i>
3860-301-036	Special Account for Capital Outlay	Sacramento Riverbank Protection	\$1,200,000
		Sacramento Urban Area Levee Rehabilitation	3,700,000
		Fremont Weir Sediment Removal	2,150,000
3860-301-235	Public Resources Account, Cigarette and Tobacco Products Surtax Fund	Sacramento-San Joaquin River Riparian Purchases	250,000
Total.....			<u>\$7,300,000</u>

In addition to the amounts shown in Table 1, the DWR also anticipates spending \$306,000 in SAFCO funds originally appropriated in 1985 and reappropriated in each of the following years. These funds are proposed to support the first of four phases of construction for the Merced County Streams project. Construction on this project has been delayed several times; currently, a landowner is objecting to department efforts to take immediate possession of lands necessary for the project. A court decision on the immediate possession issue is expected in early 1990. Consequently, if the court determines that the project can proceed as planned, contracts will be readvertised and construction will begin. Once construction contracts are let, the state and local interests will be responsible for (1) relocations required by the project in 1990-91, (2) additional upstream LERRs, and (3) a portion of the cash requirement.

**ANALYSIS AND RECOMMENDATIONS**

Our review of the department's budget for 1990-91 indicates that requests for the four projects totaling \$7.3 million are reasonable in scope and cost, and are consistent with state and federal funding requirements. Accordingly, we recommend approval of the projects in the amounts requested.

**Flood Control Projects for 1990-91**

For informational purposes, we provide below a description of each of the flood control projects scheduled for 1990-91.

**Sacramento Riverbank Protection.** This is an ongoing project to maintain the integrity of the levee system along the Sacramento River by preventing erosion on bank areas critical to maintaining the flow of the river. Each year, several contracts are undertaken to line portions of the riverbank with rock, to mitigate the environmental impacts of the project, and, in some areas, to implement alternative bank protection measures. The COE estimates federal expenditures of \$8.9 million for federal fiscal years 1990 and 1991. The state's share of cost for 1990-91 will be \$1.2 million.

**Sacramento Urban Area Levee Rehabilitation.** This project continues remedial repair work to levees on the east side of the Sacramento River from Verona to Freeport, and protects the metropolitan area of Sacramento from floods. The state and local sponsor are responsible for all LERRs and cash to total 25 percent of project costs. The project is scheduled to begin construction in July 1990 and to be completed by November 1992. The COE estimates project costs to total \$43.6 million. Of this amount, the state is responsible for \$18.2 million, with \$5.6 million estimated for the current year and \$3.7 million proposed for the budget year. Future state costs will total approximately \$8.9 million.

**Fremont Weir Sediment Removal.** This project will remove the remaining sediment obstructing the weir and complete the three-year program begun in 1986-87. The removal of the sediment will help reduce the risk of flooding in the Natomas area of Sacramento.

**Riparian Vegetation Purchases.** The department proposes to spend \$250,000 in the budget year for purchases of various riparian vegetation sites along the Sacramento River in order to (1) stabilize the riverbank, (2) maintain water temperature for the fish population, and (3) maintain or improve water quality.

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## DEPARTMENT OF HEALTH SERVICES-CAPITAL OUTLAY

Item 4260-301 from the General  
Fund, Special Account for  
Capital

Budget p. HW 108

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Requested 1990-91 .....	\$235,000
Recommended approval .....	235,000

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### SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

- |   | <i>Analysis<br/>page</i> |
|---|--------------------------|
| 1. Berkeley Laboratory Project. The Department of Health Services has stopped all progress on this project for renovation and expansion of the Berkeley laboratory facility and is, instead, studying options to relocate the laboratory. | 1256                     |
| 2. Los Angeles Laboratory Project. We recommend approval of \$199,000 for working drawings for this renovation project contingent upon receipt of completed preliminary plans.  | 1257                     |

### FIVE-YEAR PLAN AND OVERVIEW OF THE BUDGET REQUEST

The Department of Health Services (DHS) owns and operates laboratory facilities at four locations: Berkeley, Los Angeles, Fairfield and Fresno. The primary goal of the DHS's five-year capital outlay plan is to upgrade and expand its state-owned laboratories in Berkeley and Los Angeles. As shown in Table 1, approximately \$45.5 million would be needed over the five-year period. This amount includes \$39.6 million for

**DEPARTMENT OF HEALTH SERVICES-CAPITAL OUTLAY—Continued**

the Berkeley Laboratory renovation and expansion project, \$4.1 million for the Los Angeles Laboratory renovation project and \$1.8 million for minor capital outlay projects (\$250,000 or less per project).

**Table 1**  
**Department of Health Services**  
**Five-Year Capital Outlay Plan**  
**1990-91 through 1994-95**  
**(in thousands)**

<i>Project</i>	<i>1990-91</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>Total</i>
Berkeley Laboratory.....	\$1,408	\$38,252	—	—	—	\$39,660
Los Angeles Laboratory.....	4,087	—	—	—	—	4,087
Minor Capital Outlay.....	563	300	\$300	\$300	\$300	1,763
Totals .....	\$6,058	\$38,552	\$300	\$300	\$300	\$45,510

The Governor's Budget requests \$235,000 to develop working drawings for the Los Angeles project (\$199,000) and for minor capital outlay (\$36,000).

**ANALYSIS AND RECOMMENDATIONS****Berkeley Laboratory Expansion and Renovation Project**

*The Department of Health Services has stopped all progress on the Berkeley Laboratory renovation and expansion project and instead, is exploring options to relocate the laboratory closer to the headquarters of the department's other public health programs.*

Since 1985, DHS has assigned high priority to the upgrading and expansion of its Berkeley Public Health Laboratory to correct deteriorated/obsolete conditions and to provide for increasing laboratory workload in a variety of areas. Currently the Berkeley laboratory is staffed by about 750 scientists, technicians and support personnel. Its activities are housed in the main laboratory at 2151 Berkeley Way (90,650 net square feet) and leased space at several locations in the Berkeley/Emeryville area (total of 37,500 net square feet).

To address the renovation/expansion needs, DHS completed a plan in November 1987 that called for construction of a six-story addition with 86,000 net square feet of new laboratory space and renovation of 49,500 net square feet in the existing facility. Based on this plan, the Legislature appropriated \$623,000 in the 1988 Budget Act to DHS to develop preliminary plans for this project. The estimated future cost was \$38.2 million to complete the addition and renovation.

**Budget Language Requires Project to Go Forward.** The DHS did not proceed with the approved project in 1988-89. Instead, DHS initiated plans to relocate the laboratory activities to the Sacramento area. In response to significant opposition to DHS' relocation plan, the Legislature reappropriated the \$623,000 for preliminary plans in the 1989 Budget Act and adopted Budget Act language specifying that DHS report its progress in developing the preliminary plans to the Joint Legislative Budget Committee and the fiscal committees by November 1, 1989. The budget language also specified that the preliminary plan funds were to revert in

the event DHS continued to develop plans to move positions from the Berkeley area laboratories to the Sacramento area in a manner which undermines effectiveness, or slows the progress of existing programs.

***Progress has Stopped and Options Are Being Studied.*** On December 18, 1989, DHS informed the Joint Legislative Budget Committee and the fiscal committees that it had not initiated work on the preliminary plans nor had any funds from the appropriation been encumbered. Instead, DHS indicated that it was exploring options to the Berkeley project which would meet its long-term needs and relocate the laboratory headquarters closer to the headquarters of the department's other public health programs.

#### **Los Angeles Laboratory Renovation Project**

***We recommend approval of \$199,000 in Item 4260-301-036(2) from the Special Account for Capital Outlay to the Department of Health Services for working drawings of the Los Angeles Laboratory renovation project contingent upon receipt of preliminary plans prior to budget hearings.***

The budget includes \$199,000 for working drawings of the Los Angeles Laboratory renovation project which would provide for 56 state-of-the-art laboratory stations. The area to be renovated is 29,700 gross square feet. The cost to complete the project is estimated to be \$3.9 million. The Legislature appropriated \$114,000 in the 1989 Budget Act for preliminary plans for this project. The amount requested for working drawings and the current estimated project cost is consistent with the costs previously approved by the Legislature.

The preliminary plans, however, have not been completed. Therefore, the Legislature does not have the necessary information to substantiate the request to develop working drawings. Consequently, we recommend approval, contingent upon receipt of completed preliminary plans prior to budget hearings. If the preliminary plans are not made available to the Legislature at that time, we recommend that the Legislature not approve the project.

#### **Minor Capital Outlay Projects**

***We recommend approval.***

The budget includes \$36,000 in Item 4260-301-036(1) from the Special Account for Capital Outlay for one minor capital outlay project for DHS's Berkeley Laboratory. Specifically, this project would install a prefabricated storage container for flammable fluids, gases and materials.

#### **Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental report language which describes the scope of each capital outlay project approved under this item.

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## DEPARTMENT OF DEVELOPMENTAL SERVICES—CAPITAL OUTLAY

Item 4300-301 from the Special  
Account for Capital Outlay

Budget p. HW 126

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Requested 1990-91 .....	\$12,812,000
Recommended approval .....	389,000
Recommended reduction .....	12,423,000

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### SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

*Analysis  
page*

1. *Camarillo-Renovation of Living Units 20-23 and 26-29. Reduce Item 4300-301-036(2) by \$12,308,000.* Recommend deletion because construction cannot be started in 1990-91 due to a delay in completion of client relocation space in Units 18-19 and 30-33. 1259
2. *Sonoma-Water System Expansion. Reduce Item 4300-301-036(3) by \$115,000.* Recommend reduction of funds for preliminary plans and working drawings because the capacity and cost of the water treatment expansion portion of the project can be reduced by one-third and the storage capacity expansion portion can be deleted. (Estimated future savings \$983,000.) 1260

### FIVE-YEAR CAPITAL OUTLAY PLAN AND OVERVIEW OF THE BUDGET REQUEST

The Department of Developmental Services (DDS) is assigned the responsibility for providing direct care and treatment for about 6,790 developmentally disabled individuals in seven state hospitals: Agnews, Camarillo, Fairview, Lanterman, Porterville, Sonoma, and Stockton. At Camarillo State Hospital, DDS provides administrative and facility support to the Department of Mental Health which provides for direct care and treatment of 650 mentally disordered patients.

Major fire and life safety and environmental improvements were completed in the client living units at all seven hospitals in July 1982, with the exception of the units at Camarillo that are operated by DMH. The DMH units are currently being renovated.

**Five-year Capital Outlay Plan.** The thrust of DDS's current five-year capital outlay plan is to (1) complete the renovation of the DMH operated living units at Camarillo, (2) remodel the acute care hospital facilities at Lanterman, (3) replace infrastructure systems statewide, and (4) remodel support facilities and kitchens statewide. Table 1 summarizes the DDS's five-year capital outlay plan. According to DDS, its current estimate of \$26.1 million to complete the five-year plan will be significantly increased as additional projects are added that are presently being studied.

**Table 1**  
**Department of Developmental Services**  
**Five-year Capital Outlay Plan**  
**(in thousands)**

<i>Project Category</i>	<i>1990-91</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>Total</i>
Major capital outlay .....	\$12,227	\$2,986	\$2,197	\$3,451	—	\$20,861
Minor capital outlay .....	5,260	—	—	—	—	5,260
Total .....	\$17,487	\$2,986	\$2,197	\$3,451	—	\$26,121

**Budget Request.** The budget request includes \$12,812,000 from SAFCO consisting of \$332,000 for minor capital outlay projects (\$250,000 or less per project), \$12,308,000 for construction of fire and life safety improvements and renovation of client living Units 20-23 and 26-29 at Camarillo State Hospital, and \$172,000 for preliminary plans and working drawings for the initial phase of a project to improve the water supply system at Sonoma State Hospital.

Except for minor capital outlay, the budget proposal finances fully the 1990-91 portion of the DDS's five-year plan.

## **ANALYSIS AND RECOMMENDATIONS**

### **Minor Capital Outlay**

*We recommend approval.*

The budget includes \$332,000 in Item 4300-301-036 (1) for three minor capital outlay projects. These projects include \$41,000 to install audible life safety alarm systems in all dining rooms and day activity areas at Fairview State Hospital, \$114,000 to install fire walls between two living units at Stockton State Hospital, and \$177,000 to replace concrete foundations and slab flooring in a living unit at Porterville State Hospital. The proposed projects and associated costs are reasonable.

### **Camarillo-Renovation of Living Units 20-23 and 26-29**

*We recommend deletion of \$12,308,000 in Item 4300-301-036 (2) for construction of Camarillo; Fire and Life Safety Improvements, Units 20-23, and 26-29 because DDS will be unable to start construction in 1990-91 due to a delay in completion of client relocation space in Units 18-19 and 30-33.*

The budget includes \$12,308,000 in Item 4300-301-036 (2) from SAFCO for construction to renovate 107,200 gross square feet of space in eight existing living units in four buildings at Camarillo State Hospital to correct code and environmental deficiencies. These facilities are administered by DDS and operated by DMH under interagency agreement.

The Legislature previously appropriated \$935,000 for preliminary plans and working drawings for this project in the 1988 Budget Act. The current estimated total project cost is \$13,242,000 which is \$1,633,000 or 14 percent higher than the amount recognized by the Legislature in the *Supplemental Report of the 1988 Budget Act*. This increase consists of an inflationary construction cost increase of \$395,000, additional asbestos abatement cost of \$703,000, design changes amounting to \$22,000, additional construction management cost of \$148,000 and \$365,000 of uniden-



**DEPARTMENT OF DEVELOPMENTAL SERVICES—CAPITAL OUTLAY—Continued**

tified cost increases. The department has been unable to substantiate the need for either \$148,000 in addition to the previously recognized \$417,000 for construction management or the \$365,000 increase for unspecified increases. The sole justification for these increases is that the amount requested is their current estimate.

*Funds are not needed in 1990-91.* Our analysis indicates that this project cannot proceed into construction in 1990-91. Before construction can begin, DDS must complete construction on the previously funded project to renovate Units 18-19 and 30-33 at Camarillo. Completion of this earlier project is necessary so that the clients currently residing in Units 20-23 and 26-29 can be relocated to enable renovation of the vacated space. Unfortunately, bids for the contract to renovate Units 18-19 and 30-33 were rejected in January 1990 because the low bid exceeded the administration's authority to augment the available funds. The department, therefore, rejected the bids and is currently evaluating options for proceeding with this project. The result of the delay is to move the department's schedule for undertaking renovation of Units 20-23 and 26-29 to October 1991 at the earliest. Consequently, construction funds are not needed in the budget year. Thus, on a timing basis, we recommend deletion of the \$12,308,000 in Item 4300-301-036(2) for this project.

**Sonoma Water System Replacement**

*We recommend a reduction of \$115,000 in Item 4300-301-036 (3) for the Sonoma Water Treatment Facility because the expansion capacity of the water treatment portion of the project can be reduced by one-third to 667,000 gallons per day and the water storage expansion portion of the project can be deleted because DDS has not clearly justified an increase in storage capacity.*

The budget includes \$172,000 for preliminary plans (\$65,000) and working drawings (\$107,000) for the *first phase* of the department's proposal for a two-phase project to expand water treatment, storage, and distribution capacities for domestic, fire-fighting and irrigation uses at Sonoma State Hospital. The first phase would (1) expand the water treatment capacity by one million gallons per day and install 450 feet of 12- and 16-inch piping, and (2) expand the water storage capacity by 1 million gallons and install 1,000 feet of 10-inch discharge piping at an estimated total cost of \$1,650,000.

*Existing Water System.* The existing water system at Sonoma consists of the Fern Lake reservoir which stores several million gallons of untreated water, a treatment system which can effectively purify one million gallons per day and maintain acceptable water quality, a one million gallon storage tank system, and a water distribution system for supplying domestic, irrigation and fire-fighting uses. The distribution system pipes and valves range in size from 10-inches to 4-inches. Water pressure is about 60 pounds per square inch and daily demand is normally up to 900,000 gallons per day, except during August and September when peak demand reaches 1.6 million gallons per day.

***Expansion of the treatment plant should be reduced.*** Our review, indicates that expansion of the water treatment plant is needed to effectively remove particulates and maintain water quality during periods when demands in excess of one million gallons occur. The department's proposal, however, to expand treatment capacity by one million to two millions gallons per day is in excess of the peak demand of 1.6 million gallons per day. Thus, the capacity increase can be reduced by one-third. This would reduce the budget request by \$29,000 and result in a future savings of \$244,000.

***Expansion of storage system not justified.*** The department proposes to double the water storage system at Sonoma. According to the department, this increase is to provide additional fire-fighting capacity. Based on available information, our analysis indicates that this expansion is not necessary.

Since the 1950s, when the water system was last modified, the existing storage capacity of one million gallons of treated water has been adequate for domestic, irrigation, and fire-fighting uses. The hospital currently has about 1,350 clients and staff of 2,400 employees and no significant increases are planned in the future. Moreover, the number of buildings has remained virtually the same over the last 30 years and probably will remain unchanged.

The department's project information indicates that the full storage capacity of one million gallons is currently available at peak demand periods for fire-fighting, and is backed up by several million gallons in Fern Lake reservoir. According to available information, this system provides sufficient capacity for fire protection purposes. Nevertheless, the department proposes an additional storage capacity of one million gallons to bring total storage to two million gallons. Given the static growth situation at Sonoma and the capability of the current water storage capacity, we recommend deletion of the request to increase the water storage by one million gallons. This results in an \$86,000 reduction in the budget request and a future savings of \$739,000.

***Summary.*** The above recommendations would result in a total reduction of \$115,000 in Item 4300-301-036 (3) for preliminary plans and working drawings with an estimated future savings of about \$1 million.

***Additional information is needed.*** If the DDS decides to pursue phase 2 of the project to improve the the water distribution portion of the system, it should clearly document what the hourly peak demand profile is at various locations in the irrigation and domestic water systems. An hourly demand profile should also be documented for fighting various categories of fires that could occur. In addition, points of water flow restriction requiring correction should also be specified. This information is essential to support changes to the water distribution portion of the system.

# DEPARTMENT OF DEVELOPMENTAL SERVICES—CAPITAL OUTLAY—Continued

## Supplemental Report Language

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental report language which describes the scope of each of the capital outlay projects approved under this item.

# DEPARTMENT OF MENTAL HEALTH—CAPITAL OUTLAY

Item 4440-301 from the Special  
Account for Capital Outlay

Budget p. HW 144

Requested 1990-91 .....	\$14,170,000
Recommended approval .....	12,626,000
Recommended reduction .....	336,000
Recommendation pending .....	1,208,000

## SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis  
page

1. *Atascadero State Hospital, Multipurpose Building. Reduce Item 4440-301-036(2) by \$215,000.* Recommend deletion of funds for preliminary plans for the Multipurpose Building because the request for additional facilities for the MDO program is premature. 1264
2. *Metropolitan State Hospital, James Hall Auditorium.* Withhold recommendation on \$1,208,000 in Item 4440-301-036 (4) for working drawings and renovation of James Hall to allow more time to investigate options to reduce project cost. 1265
3. *Patton State Hospital, 30 Building. Reduce Item 4440-301-036(5) by \$121,000.* Recommend reduction because DMH has not explained this portion of an increase in project costs. 1266
4. *Patton State Hospital, 70 Building.* Recommend that the Legislature recognize a total project cost of \$12,522,000 which is \$139,000 less than the department's estimate because the department has not fully explained the increase in project costs. 1266

## FIVE-YEAR CAPITAL OUTLAY PLAN AND OVERVIEW OF THE BUDGET REQUEST

The Department of Mental Health (DMH) is assigned the responsibility for providing care and treatment for about 3,856 mentally disabled patients at four state hospitals that are directly administered by the department: Atascadero, Metropolitan, Napa, and Patton. In addition, DMH provides for care and treatment of 650 patients at Camarillo State Hospital and contracts with the Department of Developmental Services (DDS) for administrative and facility support.

**Five-Year Capital Outlay Plan.** In 1990-91, DMH will be in the seventh year of an initiative to make fire and life safety and environmental improvements to patient living units at the five state hospitals that provide care for the mentally disabled. This program enabled all of the hospitals to qualify for full accreditation in October 1987. In order to maintain accreditation, however, the department must provide for timely completion of the renovation program.

The thrust of DMH's current five-year capital outlay plan is to (1) complete the fire and life safety, handicap accessibility and environmental living improvements to all patient living areas at Camarillo, Atascadero, Napa and Patton State Hospitals, (2) construct new academic and vocational training facilities at Atascadero, (3) remodel and construct support facilities statewide, and (4) remodel kitchens and dining rooms statewide. Table 1 summarizes the DMH's current five-year capital outlay plan.

**Table 1**  
**Department of Mental Health**  
**Five-year Capital Outlay Plan**  
**(in thousands)**

<i>Project Category</i>	<i>1990-91</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>Total</i>
Major capital outlay .....	\$23,955	\$26,772	\$17,449	\$5,741	\$4,057	\$77,974
Minor capital outlay .....	2,086	—	—	—	—	2,086
Total .....	\$26,041	\$26,772	\$17,449	\$5,741	\$4,057	\$80,060

**Budget Proposal.** The budget proposal does not fully fund the 1990-91 portion of the five-year plan. Funds totaling \$410,000 for preliminary plans and working drawings for two major capital outlay projects were not included. In addition \$503,000 is provided for six minor capital outlay projects rather than \$2.1 million for 20 projects as proposed in the five-year plan.

## **ANALYSIS AND RECOMMENDATIONS**

The budget includes \$14,170,000 from SAFCO consisting of \$503,000 for minor capital outlay; \$1,532,000 for two major capital outlay projects at Atascadero State Hospital, \$1,208,000 for a major capital outlay project at Metropolitan State Hospital, and \$10,927,000 for two major capital outlay projects at Patton State Hospital.

Table 2 shows the amounts requested in the budget for each project and our recommendations.

**DEPARTMENT OF MENTAL HEALTH—CAPITAL OUTLAY—Continued**

**Table 2**  
**Department of Mental Health**  
**1990-91 Capital Outlay Program**  
**(in thousands)**

<i>Sub-item</i>	<i>Project Title:</i>	<i>Location</i>	<i>Phase<sup>a</sup></i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>	<i>Estimated Future Cost<sup>b</sup></i>
(1)	Minor Capital Outlay .....	Statewide	pwc	\$503	\$503	—
(2)	Multipurpose Building .....	Atascadero	p	215	—	\$8,087
(3)	Warehouse .....	Atascadero	c	1,317	1,317	—
(4)	Upgrade James Hall .....	Metropolitan	wc	1,208	pending	—
(5)	Renovate 30 Building .....	Patton	c	10,226	10,105	—
(6)	Renovate 70 Building .....	Patton	w	701	701	11,661
Totals .....				\$14,170	\$12,626	\$19,748

<sup>a</sup> Phase symbol indicate: p — preliminary plans; w — working drawings; c — construction.

<sup>b</sup> Department estimates.

**Minor Capital Outlay and Atascadero-Warehouse Project**

*We recommend approval.*

**Minor Capital Outlay.** The budget includes \$503,000 from SAFCO in Item 4440-301-036 (1) for six minor capital outlay projects. These projects range from \$18,000 for fire sprinklers in the CTE Building at Metropolitan State Hospital to \$159,000 for fire alarm systems in the G & T Building at Patton State Hospital.

**Atascadero-construct additional warehouse space.** The budget includes \$1,317,000 from SAFCO in Item 4440-301-036 (3) for construction of 12,400 gross square feet of additional warehouse space at Atascadero State Hospital. The Legislature has made prior appropriations totaling \$119,000 for preliminary plans and working drawings for this project. The estimated total cost of the project, including prior appropriations, is \$1,436,000. This amount, adjusted for inflation, is consistent with the previous project scope and cost recognized by the Legislature.

**Atascadero, Multipurpose Building**

*We recommend deletion of \$215,000 in Item 4440-301-036 (2) for preliminary plans to construct the Multipurpose Building at Atascadero State Hospital because the request for additional facilities for the MDO program is premature.*

The budget includes \$215,000 in Item 4440-301-036 (2) from SAFCO for preliminary plans to construct the Multipurpose Building at Atascadero State Hospital. This building is estimated to cost a total of \$ 8.3 million and consist of 31,400 assignable square feet (asf) of space including:

- 7,040 asf for medical records processing and storage.
- 6,300 asf for the patient, staff and law libraries.
- 8,280 asf for six vocational education shops.
- 9,785 asf for 10 academic classrooms.

This project was proposed for funding of preliminary plans in the 1989-90 Governor's Budget, but was deleted because the California Supreme Court decided, on February 2, 1989, to uphold a lower court's decision that the statute establishing the Mentally Disordered Offender (MDO) program was unconstitutional. Subsequently, Chapter 228, Statutes of 1989 (SB 1625, McCorquodale) remedied the constitutional problems and an amended MDO program was reinstated by the Department of Corrections and the Department of Mental Health at Atascadero. This program, which provides psychiatric treatment and occupational training for mentally disordered inmates paroled from the state prison system, is the primary purpose for construction of the academic classroom and vocational shop space in the Multipurpose Building.

**No firm basis for MDO program growth.** The DMH projects that the MDO population will increase from no patients in September 1989, to 40 patients by July 1990, and thereafter increase steadily to about 400 patients by 2001-02. In anticipation of this increase, DMH is proposing the construction of 18,000 asf of space for academic and vocational purposes. This space would be in addition to the 3,150 asf of existing academic space and an unknown (DMH could not provide this information) amount of existing vocational shop space. The DMH, however, has no data to support either the projections or the substantial increase in academic and vocational training space at Atascadero. Funding for this space would be premature until DMH has better data on the potential MDO patient population at Atascadero and provides justification for the need for additional space to serve this population. Adequate data to more accurately project MDO population will not be available this year. Thus, the need for additional space for this program cannot be determined.

**Other Space.** The DMH has indicated that it needs more space for its patient, staff and law libraries and the medical records offices to provide more room for book collections and patient records. This request, however, does not take into account that some of the existing collections and files should be placed in storage and the planned use of computers in these areas should reduce the space needed for the active collections and files. Moreover, DMH indicates that as the MDO population increases, other categories of patients will be decreased. Thus, the need for this type of space is not based on an increased patient population.

For the above reasons, we recommend deletion of \$215,000 for preliminary plans for this project. Once DMH has adequate data to project MDO population and establishes a justification for additional space, a project addressing these needs would warrant legislative consideration.

#### **Metropolitan State Hospital, Renovation of James Hall Auditorium**

***We withhold recommendation on \$1,208,000 in Item 4440-301-036 (4) for working drawings and construction to renovate the James Hall Auditorium at Metropolitan State Hospital because it would not be prudent to approve the excessive cost of this project and more time is needed to investigate options to reduce project cost.***

**DEPARTMENT OF MENTAL HEALTH—CAPITAL OUTLAY—Continued**

The budget requests \$1,208,000 in Item 4440-301-036(4) from SAFCO for working drawings and renovation of the James Hall Auditorium at Metropolitan State Hospital. This facility, built in 1929 and on the National Register of Historic Places, serves as the hospital's auditorium and is used for patient recreational therapy, including movies and stage performances. The project will correct all code deficiencies and provide for roof replacement, new heating/air conditioning, new flooring, renovation of kitchen and bathrooms, handicap access and installation of fire sprinklers and alarms.

The Legislature made a prior appropriation of \$31,000 for preliminary plans in the 1989 Budget Act, but did not fund working drawings because of many uncertainties concerning project scope and the need for more complete project definition. In requesting funds for working drawings and construction for 1990-91, the department currently estimates that the total cost of the project will be \$1,239,000 or \$101 per square foot. This is \$324,000, or 35 percent, higher than what was previously authorized by the Legislature. Our analysis indicates that this increased cost is just under the cost to construct a new facility of this category and may substantially exceed what may be prudent for renovation of this building. Consequently, we withhold recommendation to provide more time to investigate options with the department to reduce project cost.

**Patton, 30 Building**

*We recommend deletion of \$121,000 in Item 4440-301-036(5) because DMH has not provided an explanation for this portion of a \$2,080,000 increase over the amount previously recognized by the Legislature for this project.*

The budget includes \$10,226,000 from SAFCO in Item 4440-301-036(5) for a project to construct fire and life safety improvements and renovate 125,000 gross square feet of existing patient living areas in the 30 Building at Patton State Hospital. The Legislature has made prior appropriations totaling \$712,000 for preliminary plans and working drawings for this project.

The estimated total project cost is \$10,938,000. This amount is \$2,080,000, or 23 percent, higher than what was previously authorized by the Legislature. Our analysis indicates that the increase includes \$320,000 for inflationary cost increase, \$242,000 for asbestos abatement, \$297,000 for architectural design changes, \$1,100,000 for two electric chillers, and \$121,000 which DMH is unable to explain. Lacking a basis for increasing the project cost for the additional \$121,000, we recommend the Legislature approve the request in the reduced amount of \$10,105,000.

**Patton State Hospital, 70 Building**

*We recommend approval. We recommend further that the Legislature recognize a total project cost of \$12,522,000 which is \$139,000 less than the department's estimate because the department has not provided an explanation for this added cost.*

The budget includes \$701,000 from SAFCO in Item 4440-301-036(6) to develop working drawings for a project to construct fire and life safety improvements and renovate 125,000 gross square feet of existing living space in the 70 Building at Patton State Hospital. The Legislature has previously approved \$298,000 for preliminary plans for this project.

***We Recommend Approval in a Reduced Amount.*** The estimated total cost of the project is \$12,661,000. This amount is \$690,000 or 6 percent more than what was previously recognized by the Legislature. The increase includes \$306,000 for inflationary construction cost increase, \$245,000 for asbestos abatement, and \$139,000 for unexplained reasons. Consequently, lacking an explanation for the additional \$139,000, we recommend that in adopting supplemental report language for this project the Legislature recognize a total project cost of \$12,522,000.

#### **Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental language which describes the scope of each of the capital outlay projects approved under this item.

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### **EMPLOYMENT DEVELOPMENT DEPARTMENT—CAPITAL OUTLAY**

Item 5100-301 from various  
funds

Budget p. HW 165

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Requested 1990-91 .....	\$1,610,000
Recommended approval .....	355,000
Recommendation pending .....	1,255,000

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#### **SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS**

*Analysis  
page*

1. San Jose Field Office-Renovation. Withhold recommendation on \$1,255,000 in Item 5100-301-870 (1) and Provision (1) under the same item for this renovation project pending receipt of information concerning a revised scope and cost of this project and an explanation on the availability of appropriations previously deposited in the Architectural Revolving Fund. 1269
2. *Lease/Purchase Capital Outlay Program. Delete Budget Bill language under Item 5100-001-870, Provision (4).* 1271  
Recommend deletion of language that would authorize EDD to enter into lease/purchase agreements for replacement of field offices because the Legislature has not been provided proposals for these projects and a five-year plan for this new program.



**EMPLOYMENT DEVELOPMENT DEPARTMENT—CAPITAL OUTLAY—Continued**

3. We recommend the Legislature direct EDD to submit (1) a 1271 report on the extent of, and legal basis for federal equity claims in state owned buildings, and (2) evidence that federal grant payments have, indeed, made amortization payments in the amounts claimed.
4. Technical Budgeting Corrections. Recommend that appro- 1273 priation amounts in Items 5100-301-185 and 5100-301-588 be changed to *nonadd* amounts to clarify the budget intent.

**FIVE-YEAR PLAN AND OVERVIEW OF THE BUDGET REQUEST**

The Department of Employment Development is assigned the responsibility for administering the state's employment tax program, the unemployment and disability insurance programs and the employment service and job training programs. These programs are carried out in the department's 125 field offices throughout the state and headquarters complex in Sacramento.

**Five-year Capital Outlay Plan.** The focus of EDD's current five-year capital outlay plan is to start renovation and updating of many of its existing field offices that were built in the 1950s and 1960s. Table 1 summarizes the DDS's five-year capital outlay plan.

**Table 1**  
**Employment Development Department**  
**Five-year Capital Outlay Plan**  
(in thousands)

<i>Project Category</i>	<i>1990-91</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>Total</i>
Major Capital Outlay .....	\$4,986	\$2,464	\$1,672	\$2,612	\$2,141	\$13,875
Minor Capital Outlay .....	—	1,000	1,100	1,600	1,500	5,200
Total .....	\$4,986	\$3,464	\$2,772	\$4,212	\$3,641	\$19,075

According to the department, its current five-year plan is not valid and is undergoing major revisions to incorporate a new capital outlay program. This program would provide for replacement of several field offices statewide with new facilities to be acquired through build-to-suit, lease-purchase contracts with private developers. Further discussion of this proposed new program is provided later in this analysis.

**Budget Request.** The budget requests a total of \$1,610,000 for four field office renovation projects. Of that amount, \$788,000 is requested in Item 5100-301-870 from the Unemployment Administration Fund (Federal) and \$822,000 is requested under Budget Bill language (Provision 1 under Item 5100-301-870). The intent of this language is to make the unexpended balances remaining in various project and support appropriations that were deposited in the Architecture Revolving Fund available for the San Jose field office renovation project. The Budget Bill also requests \$123,000 in Item 5100-301-185 and \$373,000 in Item 5100-301-588 for transfer to the Unemployment Administration Fund (Federal). According to the department, the transfers are necessary to provide funding for the four renovation projects. As discussed later in this analysis, we

question whether the department's intended budget request is appropriately presented in the Budget Bill.

The budget proposal does not provide full funding for the 1990-91 portion of the five-year capital outlay plan. The reason provided by the department for the reduced request, is that three of the four field office renovation projects scheduled for 1990-91 were ready for funding of preliminary plans and working drawings, but not for construction at the time the Governor's Budget was written. Thus, full funding for only the San Jose project is requested.

## MAJOR ISSUES



The U.S. Department of Labor claims over \$50 million equity in state owned buildings used by the Employment Development Department.

## ANALYSIS AND RECOMMENDATIONS

Table 2 shows the amounts requested in the budget for each project and our recommendations based upon the completeness of the project proposals and the merits of the projects.

**Table 2**  
**Department of Employment Development**  
**1990-91 Capital outlay Program**  
**(in thousands)**

Sub-Item	Project	Phase <sup>a</sup>	Budget Bill Amount <sup>b</sup>	Analyst's Recommendation	Estimated Future Cost <sup>c</sup>
(1)	San Jose Office Renovation.....	pwc	\$1,255	pending	—
(2)	Stockton Office Renovation .....	pw	126	\$126	\$1,427
(3)	Santa Barbara Office Renovation .....	pw	100	100	1,064
(4)	Hollywood Office Renovation.....	pw	129	129	1,506
Totals.....			\$1,610	\$355	\$3,997

<sup>a</sup> Phase symbol indicates: p = preliminary plans; w = working drawings and c = construction.

<sup>b</sup> Total amount as shown in Item 5100-301-870 and Provision 1 of this same item.

<sup>c</sup> Department estimates.

### San Jose Field Office-Renovation

*We withhold recommendation on \$433,000 in Item 5100-301-870 (1) from the Unemployment Administration Fund (Federal) and \$822,000 in Provision 1 to this Item from the Architectural Revolving Fund for preliminary plans, working drawings and construction for renovation of the San Jose field office pending receipt of (1) an amended request for this project, and (2) information from the department explaining*

**EMPLOYMENT DEVELOPMENT DEPARTMENT—CAPITAL OUTLAY—Continued**

*(a) why each of the appropriations remain in the Architectural Revolving Fund, (b) what the funds were originally budgeted for and (c) the impact of not proceeding with the originally approved purposes.*

The budget includes \$1,255,000 consisting of \$433,000 in Item 5100-301-870 (1) from the Unemployment Administration Fund (Federal) and redirection of \$822,000 in Provision 1 under this item (from eight prior appropriations deposited in the Architectural Revolving Fund (ARF) for other purposes) for preliminary plans, working drawings, and renovation of EDD's San Jose field office. This project would renovate 28,700 gross square feet of building space to include reinforcement of the structural system to comply with current building codes, modifications for handicap accessibility, interior renovations and lighting replacement to enhance usability, replacement of mechanical and electrical systems, and removal of asbestos containing materials.

*Project cost undergoing revision.* This building is vacant and should be renovated prior to reoccupancy. According to department staff, however, they are reevaluating the scope and cost of this project. Thus, we cannot advise the Legislature on the adequacy of the requested amount.

Moreover, it is not clear that the \$822,000 deposited in the ARF for other purposes, is available for this project. According to the budget, these appropriations date from 1984 to 1989. The Government Code, however, requires the return of any funds deposited in the ARF within three years or within three months of project completion whichever is earlier. Consequently, it is not clear why some of these funds would be in the ARF. In addition, these funds were originally appropriated for other purposes and it is unclear what previously approved requests will not be undertaken or what the impact will be of not proceeding with the approved requests. The department should provide an explanation of (1) why each of the appropriations remains in the ARF, (2) what the funds were originally appropriated for, and (3) the impact of not proceeding with the originally approved purposes. The department should provide the Legislature this information prior to budget hearings. We withhold recommendation on this project pending receipt of this information.

**Stockton, Santa Barbara and Hollywood Field Offices-Renovation**

*We recommend approval.*

The budget includes a total of \$355,000 in Item 5100-301-870 (2), (3) and (4) from the Unemployment Administration Fund-Federal for preliminary plans and working drawings for renovation of the Stockton (\$126,000), Santa Barbara (\$100,000), and Hollywood (\$129,000) field offices. The projects would renovate existing space in the three buildings to include structural reinforcement to meet current building codes, modifications for handicap accessibility, interior remodeling to enhance usability, replacement of mechanical and electrical systems and removal of asbestos containing materials. The future cost to complete the three projects is estimated to be \$3,997,000.

Our analysis indicates that the scope and cost of each of the projects is reasonable.

#### **Lease/Purchase Capital Outlay Program Projects**

*We recommend deletion of Budget Bill language under Item 5100-001-870, Provision (4) which would authorize the Employment Development Department to enter into lease/purchase agreements, with purchase options over \$2 million, for replacement of field offices in Riverside, Bakersfield, Salinas and Torrance because the Legislature has not been provided with proposals for these projects and a five-year plan for this new program.*

The department's support budget includes Budget Bill language under Item 5100-001-870, Provision (4) which would authorize the Department of General Services, on behalf of the EDD, to enter into lease/purchase agreements (having purchase options over \$2 million) for facilities to replace existing field offices at Riverside, Bakersfield, Salinas and Torrance. Pursuant to Government Code Section 14669, the Legislature must authorize such agreements if they include purchase options over \$2 million.

According to EDD, it is developing a five-year plan for the sale of its older field offices and use of the proceeds to obtain replacement facilities constructed by private developers under lease/purchase contracts. The contracts would include purchase options that would enable EDD to purchase these build-to-suit facilities with appropriations made by the Legislature from the Employment Development Department Building Fund.

Our analysis indicates that EDD's request for authority to enter into lease/purchase contracts for the initial projects of this new capital outlay program is premature. Clearly, more information is needed by the Legislature before decisions can be made. No project proposals have been provided for the Riverside, Bakersfield, Salinas and Torrance projects to permit evaluation of the merits and costs of these projects. Moreover, EDD has not provided the Legislature with a five-year plan that shows what projects will be undertaken and what the potential costs would be under this capital outlay program.

#### **Federal Government Claims Over \$50 million Equity in State Buildings**

*We recommend the Legislature direct EDD to submit (1) a report on the extent of federal equity claims in state buildings and provide the legal bases for such claims, and (2) evidence that federal grant payments have, indeed, provided amortization payments in the amounts claimed.*

According to the EDD, it presently occupies 44 state-owned facilities and that 35 of these facilities have become primarily federally owned over the last 20 to 30 years. This federal ownership is claimed by the U.S. Department of Labor based on a series of agreements, federal guidelines and regulations which provide that federal equity is determined by the amount of original property costs amortized by federal lease payments

**EMPLOYMENT DEVELOPMENT DEPARTMENT—CAPITAL OUTLAY—Continued**

over 20 years. The department concurs with the federal government on this matter and indicates that, based on a federal audit dated September 30, 1988, the total historical purchase cost of the state/federal ownership facilities was about \$30 million and the federal equity share was \$25 million, or about 83 percent. The EDD also indicates that the fair market value of the federal equity is currently estimated to be in excess of \$50 million. If these facilities are surplus and sold, federal regulations allow that the net proceeds from the sale may be reinvested in the purchase of replacement property.

*Los Angeles Branch Office and Sacramento Headquarters are primarily federally owned.* According to EDD, under this arrangement, the state's building in Los Angeles at 1525 South Broadway and the Sacramento buildings at 721-800 Capitol Mall are now 91 percent and 77 percent federally owned, respectively. The Los Angeles building (92,000 square feet) was constructed in 1957 at a cost of \$2.75 million. The Sacramento building complex (427,000 square feet) was constructed in 1955 at a cost of \$8.3 million.

Moreover, EDD indicates that the federal government claims 70 percent equity in the state buildings at 750 and 751 N Street (186,000 square feet) in Sacramento. These buildings were constructed in the 1970s with over \$20 million from the General Fund.

*Los Angeles regional office building to be sold.* Chapter 1036, statutes of 1989 (AB 706, Lancaster) authorizes the Department of General Services to sell, exchange or lease the Los Angeles Branch Office which is currently 40 percent occupied. In addition, Chapter 1036 established the Employment Development Building Fund and provided that the net proceeds from the sale of the Los Angeles facility, or any other property which has been amortized with federal lease funds, shall be deposited in the fund and appropriated by the Legislature for the acquisition, construction or renovation of EDD facilities. Currently, the EDD estimates the market value of this property to be about \$7 million. The U.S. Department of Labor, however, in a letter dated December 28, 1989, indicates the market value is closer to \$15 million and questions why this property needs to be sold and the Los Angeles offices moved to nearby leased space.

*Lease/purchase of replacement field offices.* As we understand, EDD plans to sell the Los Angeles building by September 1991. The proceeds will then be used to exercise purchase options for replacement field offices in Bakersfield, Indio, Redding, and Riverside, two of which were discussed earlier in this analysis.

*Recommendation.* Given the federal ownership claims in state buildings used by EDD, we recommend that EDD submit to the Legislature (1) report on the extent of federal equity claims and the legal bases in state and federal law for such claims, and (2) evidence that the federal grant payments have, indeed, provided amortization payments in the amounts claimed.

**Technical Budgeting Corrections**

*We recommend that the amounts appropriated in Items 5100-301-185 and 5100-301-588 be changed to non-add amounts to clarify the budget intent.*

The Budget Bill includes the following three appropriation items for the Employment Development Department's capital outlay program in 1990-91:

- Item 5100-301-185 appropriates \$123,000 from the Employment Development Department Contingent Fund for Transfer to the Unemployment Administration fund-Federal.
- Item 5100-301-588 appropriates \$373,000 from the Unemployment Compensation Disability Fund for transfer to the Unemployment Administration Fund-Federal.
- Item 5100-301-870 appropriates \$788,000 from the Unemployment Administration Fund-Federal for four specified projects.

Although the intent of all three items is to make \$788,000 available for the four projects, the Budget Bill appears to make appropriations totaling \$1,284,000 available for the projects. To clarify this intent, we recommend that the Legislature change the appropriation amounts in Items 5100-301-185 and 5100-301-588 to be shown as *nonadd* amounts.

**Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental report language which describes the scope of each capital outlay project approved under this item.

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## DEPARTMENT OF CORRECTIONS—CAPITAL OUTLAY

Item 5240-301 from the 1990  
Prison Construction Fund

Budget p. YAC 26

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Requested 1990-91 .....	\$21,926,000
Recommended approval .....	18,891,000
Recommended reduction .....	761,000
Recommendation pending .....	2,274,000

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**SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS**

- |   | <i>Analysis<br/>page</i> |
|---|--------------------------|
| 1. New Prison Capital Outlay Needs. The Governor's budget does not include any proposals for new prisons, even though the Department of Corrections estimates it will require over \$1 billion in capital outlay funds in 1990. | 1275                     |
| 2. Five-Year Facilities Master Plan. The Department of Corrections has not provided its 1990-1995 Facilities Master Plan as required by the Legislature.  | 1276                     |

**DEPARTMENT OF CORRECTIONS—CAPITAL OUTLAY—Continued**

3. Mission Changes. We recommend that the Legislature adopt Budget Bill language restricting CDC from spending funds to carry out changes in the mission or security level of prisons without prior legislative authorization. 1277
4. Preliminary Plans Not Available. Recommend approval of funds for nine projects, totaling \$11,212,000, contingent on receipt of completed preliminary plans prior to budget hearings. 1282
5. *Lower Yard Security Modifications, Folsom. Reduce Item 5240-301-751(12) by \$183,000.* Recommend deletion of razor wire and an interior sallyport in the lower yard at Folsom because the department has not justified the need for these components of the project. 1283
6. *Replace 500-bed Modular Units, San Quentin. Reduce Item 5240-301-751(16) by \$566,000.* Recommend reduction because preliminary plans should not be approved until the Legislature has had a chance to review a proposed site evaluation study. 1284
7. Construct Family Visiting Units, California Training Facility (Soledad). Withhold recommendation on \$770,000 under Item 5240-301-751(6). Withhold recommendation on funds requested for preliminary plans, working drawings and construction, pending receipt of information detailing the need to spend approximately \$185,000 per duplex. 1285
8. *Second Story Addition to Administration Building, California Correctional Center, Susanville. Reduce Item 5240-301-751(2) by \$12,000 (future savings: \$523,000).* Recommend deletion of funds for preliminary plans because department has not justified the need for this project. 1286
9. Renovation Study, Folsom. Withhold recommendation on \$400,000 under Item 5240-301-751(11). Withhold recommendation on proposed renovation study of Folsom, pending receipt of information on the scope and cost of the study. 1287
10. Library Building, Folsom. Withhold recommendation on \$845,000 under Item 5240-301-751(10). Withhold recommendation on funds for working drawing and construction phase of new library project, pending receipt of a legislatively mandated cost report and completed preliminary plans. 1287
11. Brine Ponds Phase I Augmentation, California Correctional Institution, Tehachapi. Withhold recommendation on \$259,000 under Item 5240-301-751(3). Withhold recommendation on funds requested for construction of brine disposal ponds at CCI, pending receipt of information indicating that proposed ponds will meet the institution's brine disposal needs. 1287

## MAJOR ISSUES

- ☒ Governor's Budget does not include any proposals for new prisons.
- ☒ CDC has not provided its 1990-95 Facilities Master Plan as required by the Legislature.
- ☒ Administrative actions to unilaterally change the security level and mission of the state prisons raise cost and policy implications.

### OVERVIEW OF THE BUDGET REQUEST AND FIVE-YEAR CAPITAL OUTLAY PLAN

#### No Proposal for New Prisons

*The Governor's Budget does not include any proposals for new prisons, even though the department estimates that over \$1 billion will be needed in 1990 to provide for 13,300 new beds.*

**Budget Request is Incomplete.** The budget requests \$21.9 million in 1990-91 for California Department of Corrections (CDC) capital outlay. The entire request is from the 1990 Prison Construction Fund—general obligation bond funds yet to be approved by the voters. The budget request addresses only the smaller part of CDC's capital outlay needs. The department's capital outlay program is organized into two distinct efforts—(1) a program for the renovation of *existing* prison facilities (to which the budget request is directed) and (2) a *multi-billion dollar* program to construct *new* prisons.

The budget does not request funds for the new prison construction program even though the department indicates that its proposed program will require appropriations of more than \$1 billion in 1990. This is a continuation of CDC's procedure of requesting funds for new prison projects in a piece-meal fashion in legislation other than the annual Budget Bill. As we have consistently pointed out, this process places the Legislature in a difficult position because the new prison facility requests are reviewed in isolation and separate from the state budget. In order for the fiscal committees to have a full understanding of CDC's capital outlay program, as well as its relationship to the department's annual support needs, CDC must provide the fiscal committees with a comprehensive plan identifying capital outlay funding plans for new prisons in 1990-91.

This information is particularly important, given the growth in CDC's capital outlay and support costs over the past decade. Since 1980, the



**DEPARTMENT OF CORRECTIONS—CAPITAL OUTLAY—Continued**

Legislature has approved the construction of 41,700 prison beds, costing approximately \$3 billion. Even after this massive expansion, the department estimates that an expenditure of about \$4 billion will be required over the next five years. In addition, we estimate that CDC will be spending over \$3 billion annually by 1994 (in 1994 dollars) to operate these facilities. This is a 700 percent increase since 1980, with inflation accounting for only one-seventh of the increase.

**The Department's Five-Year Capital Outlay Plans**

*The Department of Corrections has not provided its 1990-1995 Facilities Master Plan as required by the Legislature.*

**New Prisons.** The department prepares its five-year capital outlay plans for new prisons and existing facilities as separate documents. Based on new population projections, CDC estimates a funding need for new prisons of about \$4 billion during the next five years if it is to meet its guidelines for prison overcrowding (120 percent to 130 percent of design capacity).

In the current year, the Legislature included language in the *Supplemental Report of the 1989 Budget Act* requiring CDC to transmit its Five-Year Facilities Master Plan to the Legislature by December 1, 1989 and to provide the following information in the plan:

- Needs for medical and psychiatric beds.
- The number and nature of facilities proposed to meet overall bed needs, to the extent possible.
- A time frame for authorization, planning, and construction of facilities.
- Operating cost estimates for each type of facility and assessment of how operating costs would be affected by different levels of overcrowding.

When this *Analysis* was prepared, the 1990-1995 Facilities Master Plan had not been submitted. The Legislature needs this information in order to assess CDC's proposals for the new prison construction program. The department should provide the Facilities Master Plan prior to budget hearings.

**Existing Prisons.** The department's five-year plan for existing facilities identifies projects totaling \$143.7 million in estimated cost during the next five years, including \$23.2 million scheduled for 1990-91. Except for the deferral of six projects, the budget addresses this identified need.

**Blue Ribbon Commission Report on Inmate Population Management**

The California Commission on Inmate Population Management was established by Chapter 1255, Statutes of 1987 (SB 279, Presley). The commission was required to make recommendations to the Governor and Legislature on prison overcrowding, escalating costs, and options for criminal punishment. Our analysis of Item 5240-001-001 includes a discussion of the commission's overall recommendations.

The commission made the following recommendations pertaining to state prison construction:

- The Department of Corrections (CDC), California Youth Authority (CYA), Board of Corrections, and local correctional agencies should establish a Corrections Coordinating Council to initiate the development of a state and local strategy for inmate population management and construction. This council should develop and pursue implementation of policies, procedures, and strategies for more efficiently managing and coordinating the state's incarcerated population at state and local levels, as well as identifying overall state and local corrections construction needs.
- County governments, CDC and CYA should examine and act upon opportunities to redesign older institutions for safety and efficiency and modify them for lesser offenders.
- The Youth and Adult Correctional Agency should examine the feasibility of converting closed military bases or leasing appropriate federal land for use as state prisons or Multi-purpose Community Correctional Centers.
- Local governments in major urban areas should be mandated to provide sites within the community for community correctional facilities, parole offices, prisons and jails in numbers proportionate to the number of offenders from that area in the correctional system.

The commission's overall recommendations warrant legislative consideration because, if enacted, they may reduce the capital outlay and support costs required for the state's prison system.

### **MISSION CHANGES**

*We recommend that the Legislature adopt Budget Bill language restricting the Department of Corrections from spending funds to carry out changes in the mission or security level of existing institutions without prior legislative authorization.*

The Department of Corrections (CDC) currently has several mission changes planned for existing institutions. A mission change occurs when CDC reclassifies the use of a prison. For example, the reclassification of San Quentin from a maximum to a medium security prison, or the reclassification of over 20 percent of the recently completed Richard J. Donovan medium security prison to a reception center are mission changes that the department has undertaken administratively. These changes have cost and policy implications that CDC should present to the Legislature for consideration and approval *before* the changes are implemented.

Currently, however, CDC only mentions that it is planning a mission change in its Facilities Master Plan. Changes of this type do not occur spontaneously and are not urgent from a security standpoint. In our view, the change should occur only after appropriate planning and full consideration is given to all policy and cost implications. As such, we believe the Legislature should be involved in the decision process. In order to relate each proposed mission change to CDC's overall capital

**DEPARTMENT OF CORRECTIONS—CAPITAL OUTLAY—Continued**

outlay program and support budget, we believe these changes should be presented to the Legislature through the annual budget process.

**Background.** In October 1988, the CDC established a task force to review potential mission changes at existing institutions. The task force considered mission changes that would enable the department to (1) construct new institutions with cell rather than dormitory facilities and (2) build those type of institutions that are most easily funded, sited and constructed. The Task Force review resulted in mission changes involving either lowering the security level of existing institutions, or using existing institutions for special needs such as reception, female and outpatient psychiatric beds. The CDC discussed nine mission changes in its 1989-1994 Facilities Master Plan (June 1989), including the following:

- Convert the CTF (Soledad) prison from Level III to Level II (2,475 beds).
- Convert 900 Level III beds to reception (500) and outpatient psychiatric (400) at Richard J. Donovan prison complex (San Diego).
- Convert two prisons (1,032 beds) at the Avenal prison complex from Level II security prisons for male inmates to prisons for female inmates.
- Change a previous plan which would have converted all 1772 Level IV beds to Level II beds at Folsom. New plan is to provide 900 Reception beds and 872 Level II beds.
- Change a previous plan which would have provided 700 reception beds and would have converted all Level IV beds (except 260 on death row) to Level II at San Quentin. New plan is to provide 1,881 reception beds and 887 Level II beds plus the 260 beds on death row.

It appears that CDC did a thorough analysis before proposing these mission changes. Nevertheless, we believe that the Legislature should be a participant in the decision to make such changes. As discussed below, these changes involve cost and policy implications that should be reviewed by the Legislature.

**Cost Implications.** Mission changes can have significant capital outlay cost implications. For example, CDC's decision to convert beds at Folsom and Soledad from Level III to Level II means that additional Level III beds will need to be constructed elsewhere. The differential cost of constructing a Level III bed, as opposed to a Level II bed, is approximately \$28,000, primarily because Level III institutions are constructed with individual cells, as opposed to dormitories in Level II. We estimate that, because CDC's mission change at CTF will require the construction of 2,475 additional Level III beds, it will cost the state approximately \$70 million.

Mission changes may also lead to increased operating costs. Operating costs are normally reduced as the level of inmate is reduced (mainly due to decreased staffing needs). Thus, when an institution reduces its security level, there should be a corresponding reduction in the institution's support costs. The CDC maintains, however, that it projects staffing needs based on the physical layout of the institution and not simply on the

level of inmate. The result is that at San Quentin, which has changed from a maximum security (Level IV) to a medium security (Level II) institution, the staff has been reduced by only 12 positions. In contrast, the staffing difference between two similarly-sized institutions, Pelican Bay State Prison (Level IV) and Chuckawalla Valley State Prison (Level II), is projected to be approximately 300 positions in the budget year. Thus, to the extent that CDC reduces the security levels at older institutions but does not correspondingly reduce the staffing levels due to the physical configuration of the institution, it results in a potential foregone savings to the state. This is another cost the Legislature needs to consider before approving a mission change.

**Policy Implications.** When the Legislature approves construction of a prison, it is making a policy decision. If, however, CDC can simply institute a mission change without legislative approval, then the Legislature actually has no say over what type of institution it is approving. Two of the institutions proposed for mission changes in the 1989 plan, Richard J. Donovan and Avenal, were both completed less than three years ago at a combined cost of \$322 million. Now two prisons (1,032 beds) at the Avenal complex (33 percent of design bed capacity at Avenal) are being converted to house female inmates. Similarly, 900 beds (41 percent of the total) at the Richard J. Donovan prison complex are being converted to reception and outpatient psychiatric beds. While CDC may indeed have justification for these changes, the Legislature is only made aware of them *after the fact* under the current system.

An example of a mission change with policy implications is CDC's decision to convert prisons constructed for male inmates at Avenal to house women. The needs of women and men inmates are different, and certain issues, such as the siting of a women's institution, require different considerations. For example, the report of the Blue Ribbon Commission on Inmate Population Management, discussed previously, points out that: "while historically women have accounted for only a small portion of the inmate population, different needs clearly exist in managing this population . . . Prisons are frequently located in remote communities making family visiting and the maintenance of relationships with children difficult." The Legislature may decide at some point that women's institutions should be located close to urban areas. Currently, CDC's ability to enact mission changes undercuts the Legislature's ability to carry out such policy decisions.

For the reasons discussed above, we believe that the Legislature needs to have a say in approving mission changes. To implement the necessary legislative review process, we recommend the Legislature adopt the following Budget Bill language under this item and under CDC's support budget Item 5240-001-001:

None of the funds appropriated in this item shall be used to implement changes in the security classification or mission of an existing prison or prison under construction without prior approval from the Legislature.

# DEPARTMENT OF CORRECTIONS—CAPITAL OUTLAY—Continued ANALYSIS AND RECOMMENDATIONS

The budget includes \$21,926,000 in Item 5240-301-747 for 20 major capital outlay projects, three infrastructure studies, 25 minor construction projects (\$250,000 or less per project) and advance planning/budget packages. For discussion purposes, we have divided our analysis of this proposal into seven descriptive categories. For each category, Table 1 shows the amounts requested in the Budget Bill, the department's estimate of future costs, and our recommendation.

**Table 1**  
**Department of Corrections**  
**1990-91 Capital Outlay Program**  
**Item 5240-301-751**  
**(dollars in thousands)**

<i>Project Category</i>	<i>Number of Major Projects</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>	<i>Estimated Future Cost<sup>a</sup></i>
Visitor Processing .....	2	\$2,123	\$2,123	—
Security improvements .....	5	5,329	5,146	—
Utility system improvements .....	5	2,170	2,170	\$1,519
Modular housing replacements .....	3	2,395	1,059	14,900
Other major projects .....	8	6,987	5,471	523
Minor construction projects .....	—	2,722	2,722	—
Planning and studies .....	—	200	200	—
Totals .....	23	\$21,926	\$18,891	\$16,942

<sup>a</sup> Department estimates.

## Proposals for Which We Recommend Approval as Budgeted

*We recommend approval of seven projects in Item 5240-301-751 totaling \$4,222,000. A brief description of these projects follows.*

**Replace Locking Devices in East and West Hall, Deuel Vocational Institute (DVI), Tracy.** The budget proposes \$1,941,000 under Item 5240-301-751 (7) for the construction phase of replacing locking devices in East and West Halls. Preliminary plans for this project were funded in the 1988 Budget Act and approved by the State Public Works Board in December 1989. The amount requested is \$292,000 more than the estimate recognized in the *Supplemental Report of the 1988 Budget Act*, because the replacement of existing cell doors has been added to the scope of the project. This is necessary because the existing cell doors have paper cores which are prone to internal fires when welding on modifications. Our analysis indicates that the proposed increase is justified.

**Upgrade Primary/Secondary Electrical Distribution System at DVI.** The budget proposes \$663,000 under Item 5240-301-751 (8) for construction to upgrade the primary/secondary electrical distribution system at DVI. Preliminary plans and working drawings were funded in the 1989 Budget Act. Preliminary plans were approved by the Public Works Board in August 1989. The amount requested is consistent with the estimate recognized in the *Supplemental Report of the 1989 Budget Act*, adjusted for inflation.

***Reception/Visitor Processing Building at CIM.*** The budget proposes \$1,298,000 under Item 5240-301-751(13) for construction of a reception-/visitor processing building (4,600 square feet) at CIM. The project also includes a 500-vehicle parking lot. Preliminary plans and working drawings were approved in the 1988 Budget Act. The Public Works Board approved preliminary plans in November 1989. The amount requested is consistent with the estimate recognized in the *Supplemental Report of the 1988 Budget Act*, adjusted for inflation.

***Brine Waste Study, California Institution for Men (CIM).*** The budget proposes \$90,000 under Item 5240-301-751(14) for a study to determine the most cost effective solution to the cracked and leaking brine ponds at CIM, Chino. The study will evaluate alternatives to brine production, as well as proposed remedial actions. The recommended solutions will include cost estimates of implementation.

***Upgrade Primary and Secondary Electrical Distribution System, San Quentin.*** The budget proposes \$63,000 in Item 5240-301-751(15) for preliminary plans and working drawings to upgrade the primary and secondary electrical distribution system at San Quentin (future cost of \$799,000). The project's scope is consistent with the recommendations of a study completed in 1988.

***Upgrade Primary and Secondary Electrical Distribution System, California Rehabilitation Center, Norco.*** The budget proposes \$70,000 under Item 5240-301-751(20) for preliminary plans and working drawings for a project to upgrade the primary and secondary electrical distribution system at CRC (future cost of \$720,000). The project's scope is consistent with the recommendations of a study completed in 1988.

***Study of Primary/Secondary Electrical Distribution System at Sierra Conservation Center (SCC) at Jamestown.*** The budget includes \$97,000 under Item 5240-301-751(25) for an assessment of the primary-/secondary electrical distribution system at SCC. The assessment will provide information to determine the need for upgrading the system in the future.

***Minor Construction Projects.*** The budget includes \$2,722,000 for 25 minor capital outlay projects (\$250,000 or less per project) in Item 5240-301-751(18). These projects range in cost from \$12,000 to install culinary grease traps at CIM (Chino) to \$199,000 to install yard lighting at in the women's unit at California Rehabilitation Center (Norco).

***Budget Packages/Advance Planning.*** The budget proposes \$200,000 in Item 5240-301-751(1) for budget packages/advance planning of projects included in the department's five-year capital outlay plan for existing prison facilities. The Budget Bill includes related language defining the specific purposes for which the \$200,000 may be spent. We agree with the department that the Legislature and administration would be served by improved budget packages and advance planning on existing facility projects and that the proposed amount would accomplish this objective.

**DEPARTMENT OF CORRECTIONS—CAPITAL OUTLAY—Continued**  
**Projects For Which We Recommend Contingent Approval**

*We recommend approval of nine projects totaling \$11,212,000 contingent on receipt of completed preliminary plans prior to budget hearings.*

Our analysis indicates that the amounts requested for seven of the projects identified in Table 2 are consistent with prior cost estimates approved by the Legislature, adjusted for inflation. At the time this *Analysis* was prepared, however, CDC had not provided the Legislature with the completed preliminary plans for these projects. We recommend approval of the budget requests for these projects contingent upon receipt of completed preliminary plans prior to budget hearings. If the preliminary plans are not available to the Legislature at that time, we recommend that the Legislature *not* approve the projects.

**Table 2**  
**Department of Corrections**  
**1990-91 Capital Outlay Program**  
**Projects Recommended for**  
**Contingent Approval**  
**(in thousands)**

<i>Sub-item</i>	<i>Location</i>	<i>Phase<sup>a</sup></i>	<i>Budget Bill Amount</i>
Previously Approved Projects:			
(4) Custody/Administration Building .....	Soledad	wc	\$3,643
(5) Gymnasium .....	Soledad	c	1,154
(17) Yard Lighting .....	Frontera	c	587
(19) Domestic Water Supply .....	Norco	c	1,277
(21) Visitor Processing Center .....	Norco	wc	825
(22) Security Locks, Doors, windows sashes .....	Jamestown	c	1,685
(23) Fire Training Facility .....	Jamestown	c	584
New Projects:			
(9) 100-bed dormitory .....	Tracy	wc	919
(24) Yard Lighting, Mariposa and Calaveras .....	Jamestown	wc	538
Totals .....			\$11,212

<sup>a</sup> Phase symbols indicate: w = working drawings and c = construction.

As shown in Table 2, two of the projects are new and have not yet been reviewed by the Legislature. The department is preparing preliminary plans for these projects using funds approved by the Legislature for statewide planning in the current year. A description of these projects follows:

**Construct 100-bed dormitory at DVI, Tracy.** The budget includes \$919,000 under Item 5240-301-751 (9) for working drawings and construction to build a 100-bed Level I dormitory at DVI. The dormitory will replace tents that have deteriorated and become unserviceable. The building will be a prototypical Level I design. We recommend approval because replacement of the existing unit is necessary and the scope and cost of the project appears reasonable for housing Level I inmates.

***Yard Lighting, Mariposa and Calaveras Yards at Sierra Conservation Center (SCC), Jamestown.*** The budget includes \$538,000 in Item 5240-301-751 (24) for working drawings and construction of five lighting masts (100 feet high) in the Mariposa and Calaveras yards at SCC. The additional lighting is needed to improve security and reduce the incidence of violent assaults in the yard during evening hours. The project scope and cost appear reasonable and we therefore recommend approval.

**Projects for Which We Recommend Changes to the Budget.**

The following is a description of the remaining projects (separated by category as shown in Table 1) in the 1990-91 budget and our recommendation for each project.

**Security Improvements Category**

The budget includes \$5.3 million for five major projects to improve security systems at existing facilities. We recommend either approval as budgeted or contingent approval for four of these security improvement projects. A discussion of the remaining security improvement project and our recommendation follows.

**Lower Yard Security Modifications, Folsom**

***We recommend a reduction of \$183,000 for working drawings and construction to install razor wire and a sallyport in the Folsom lower yard, because the department has not justified the need for these components of the project.***

The budget requests \$578,000 for working drawings and construction for lower yard security modifications at Folsom (CDC is using statewide planning funds appropriated by the Legislature in the current year to finance the preliminary plans). The project includes replacing the perimeter security fence along the river, installing chain-link fencing and razor-wire at various locations in the lower yard, constructing a new vehicle sallyport within the prison, and adding razor-wire on top of the existing granite wall. Replacement of the perimeter security fence is necessary and we recommend approval of this portion of the project. As discussed below, however, we believe the other components of the project are unnecessary.

***Razor-wire and Chain-link Fencing.*** The project proposes placing chain-link fencing and razor-wire at nine locations in the lower yard, to limit inmate movement around buildings. These buildings currently house various inmate vocational programs. The department did not, however, indicate in its budget request why additional fencing is necessary in view of CDC's proposal to reduce Folsom's security level. The CDC's current plan is to use the prison to house Level II inmates (872) and reception inmates (900), rather than the current 1,772 Level IV inmates. Because of the reduction in security level of those inmates in the lower yard, the installation of additional fencing appears to be unnecessary.

***Vehicle Sallyport.*** The project also includes construction of a vehicle sallyport *within* the institution's security perimeter, to provide a secure area to inspect vehicles moving within the prison between the upper and



**DEPARTMENT OF CORRECTIONS—CAPITAL OUTLAY—Continued**

lower yards. The sallyport will also be used as a security processing facility for inmates. The vehicle sallyport appears to provide only a marginal security benefit to the institution. These vehicles are within the prison and are inspected twice inside the prison grounds. Any vehicle entering or leaving the secured perimeter of the prison are inspected within an existing sallyport. Thus, it is not clear what additional security will be provided by constructing another sallyport within the prison.

Using the sallyport for inmate processing also appears to be unnecessary. In 1988, the Legislature appropriated \$1.2 million to construct or renovate two 4,100 square foot facilities to provide security processing of inmates in the lower yard security area. The purpose of this project was to "prohibit the introduction of weapons and contraband into the security area." Given that the Legislature has already approved these two security processing facilities, there appears to be no reason for additional inmate processing units. Even though the department justified these facilities on a security needs basis, when this *Analysis* was written, the department had not yet awarded a construction contract.

**Fencing on top of Granite Wall.** The project also proposes placing razor-wire on the north and south granite walls and the interior granite wall between the upper and lower yards. These walls form the security perimeter that surrounds the institution, except for the fence along the river that is being replaced. The purpose of the razor-wire is to prevent escapes over the wall. Such additional security appears unnecessary. There are currently five guard towers on top of the walls in the area where the razor-wire will be installed. The towers plus the granite wall have provided exemplary security. In fact, the department has no record of an inmate escaping over the wall in over 100 years. Finally, with the reduction in Folsom's security level, the escape risk of the inmates will be reduced. For these reasons, we recommend that this part of the project also be deleted.

In summary, we recommend that the security perimeter fence be replaced. The department has not, however, justified the other parts of the project, particularly in view of the proposed reduction in the institution's security level. We therefore recommend deletion of the sallyport, the additional fencing in the lower yard, and the razor-wire on top of the granite walls. This will reduce project costs by \$183,000.

**Modular Housing Replacements Category**

The budget includes \$2,395,000 for three projects to replace temporary living units. As discussed above, we recommend approval, contingent on receipt of preliminary plans, for the 100-bed replacement unit at Deuel Vocational Institute, Tracy. A discussion of the other two projects and our recommendation on each follows:

**500 Level II Beds, San Quentin**

*We recommend a reduction of \$566,000 for preliminary plans to replace 500-bed modular living units with permanent facilities. Pre-*

*liminary plans should not be approved until the Legislature has reviewed a proposed site evaluation study.*

The budget includes \$706,000 for a study (\$140,000) and preliminary plans (\$566,000) to replace the 500-bed modular living units (H-unit) at San Quentin with permanent structures (future cost—\$14.9 million). Currently, H-unit consists of 20 modular dorms, a program administration building, kitchen, dining halls, visiting facility, tower, and sallyport. The proposed project will combine support functions for the existing Level I Ranch Dorm facility and H-unit.

***Preliminary Plans Premature Before Study Is Complete.*** The proposed study includes a geotechnical and seismic survey of the area on which the project will be built. The soil is a landfill that sits on top of "bay mud" marine deposits. Placement of a facility on this type of soil may result in additional costs for foundation work and seismic safety. The study also includes an evaluation of converting CDC's prototypical Level I dorms for Level II use and an evaluation of whether San Quentin's kitchen should be converted to a cook/chill facility.

While replacement of H-unit is necessary, we believe the site evaluation study should be completed and reviewed by the Legislature before preliminary plans are funded. CDC's project information indicates that after the study has been completed, the project scope and cost can be more accurately identified. For example, the study may indicate the need for increased foundation work because of the facility's location on landfill. Without first knowing the results of the study and the entire cost implications, it would be premature for the Legislature to authorize preliminary plan funding at this time. We therefore recommend that \$566,000 for preliminary plan funds be deleted and that the Legislature approve only \$140,000, the cost for the study.

#### **Construct Family Visiting Units, California Training Facility (Soledad)**

*We withhold recommendation on \$770,000 requested for preliminary plans, working drawings and construction of four family visiting duplexes at CTF, pending receipt of information detailing why each duplex costs an estimated \$185,000.*

The budget requests \$770,000 for replacement of family visiting units at CTF. The existing family visiting trailers have deteriorated to the point that replacement appears to be the most economically feasible alternative. The project involves construction of four duplex units, providing a total of eight separate apartments of about 700 square feet each. One apartment will be built for handicapped accessibility. According to CDC space standards for the conjugal visit program, each institution has one family visiting unit for every 250 inmates. The combined bed capacity for CTF Main and North is 2,875 inmates, resulting in a need for 12 units. There is currently one permanent four-plex unit on the site, leaving a need for eight additional units.

***Project appears to have high cost.*** Based on the budget proposal, each duplex will cost \$98 per square foot to construct. The total cost per duplex is \$185,000, including design fees and contract administration. Based on a

**DEPARTMENT OF CORRECTIONS—CAPITAL OUTLAY—Continued**

recognized construction cost estimating guide, the construction cost of this project (\$98 per square foot) is approximately the same as constructing a custom-built one-story home. The department should provide information justifying the need to construct these facilities at this cost. We withhold recommendation on the budget request, pending receipt of this information.

**Miscellaneous Major Projects Category**

The budget includes \$6,987,000 for eight major projects for various purposes that do not fall under any of the descriptive categories discussed above. We recommend approval of three projects as budgeted. A discussion of the five remaining projects and our recommendation for each follows.

**Second Story Addition to Administration Building, California Correctional Center, Susanville**

*We recommend deletion of \$12,000 for preliminary plans for the addition of a second story to the CCC administration building because department has not justified need for this project. (Future savings of \$523,000).*

The budget proposes \$12,000 for preliminary plans to add a second story addition to the central administration building at CCC. The estimated future cost is \$523,000. The project will provide approximately 4,200 square feet to the existing building. The department justifies its proposal on the grounds that (1) existing space is inadequate and (2) business services are fragmented, causing logistical problems.

**Current Space is Adequate.** According to CDC, the administration building currently provides approximately 71 net square feet (nsf) per person. The proposed addition would increase this allotment to 97 nsf per person. According to CDC's Space Standards Manual, however, the current work area is adequate for many of CCC's administrative staff. For example, 58.5 personnel-years in CCC's proposed 1990 program require only 60 nsf per person. The department has not justified why space for these positions should be increased so dramatically.

**Logistical Problems.** The project proposes moving the personnel department into the space added by the project. Currently, the personnel department is located in a building that is 200 yards away from the administration building. The department has not documented the problems caused by the current situation, nor indicated the potential productivity increases that will result from the move. Instead, the department portrays the current situation as an inconvenience.

In summary, the department has not shown that the existing space allocations are inadequate or that the existing situation produces a problem that would warrant spending \$535,000. We therefore recommend that the \$12,000 for preliminary plans be deleted from the budget. (Future Savings—\$523,000).

**Renovation Study, Folsom**

*We withhold recommendation on \$400,000 proposed for a renovation study of Folsom, pending receipt of information on the scope and cost of the study.*

The budget includes \$400,000 for a study to examine the cost of renovating Folsom. The department indicates that this study will be similar to one previously done for San Quentin, which assessed the costs and made recommendations for the following scenarios: (1) repairing the institution to minimum fire and life safety and environmental health standards; (2) renovating the institution to maximize physical plant life; and (3) reconstructing the institution according to "new prison standards" using housing prototypes.

At the time of this analysis, CDC had not finalized the scope and cost of the proposed Folsom study. We therefore withhold recommendation, pending receipt of this information.

**Library Building, Folsom**

*We withhold recommendation on \$845,000 for working drawing and construction of new library at Folsom, pending receipt of a legislatively mandated cost report and completed preliminary plans.*

The budget requests \$845,000 for working drawings and construction of a new library building at Folsom. In the 1989 Budget Act, the Legislature approved \$25,000 for preliminary plans for this project, but required the department to review measures to reduce project costs and report back on those measures adopted and rejected, the reasons for adoption or rejection, and associated costs. The department indicates that this report will be available at the time preliminary plans are completed. We therefore withhold recommendation on this project, pending receipt of both the report and completed preliminary plans.

**Brine Ponds Phase I Augmentation, California Correctional Institution, Tehachapi**

*We withhold recommendation on \$259,000 requested for construction of brine disposal ponds at CCI, pending information from CDC indicating that the ponds will be large enough to meet the institution's brine disposal needs.*

The budget includes \$259,000 to provide additional funds to construct brine ponds at CCI. The 1986 Budget Act included \$401,000 for preliminary plans, working drawings and construction for this project. During the preparation of working drawings, the Regional Water Quality Control Board (RWQCB) identified several deficiencies with the project as designed, which prevented issuance of a permit. Meeting the RWQCB's requirements has increased the project's cost by \$259,000. That is the basis of the budget request.

*Project should incorporate all brine flows.* At the time the project was originally planned in 1986, the ponds were sized to store CCI's existing brine flow and *anticipated* flow rates for the the new maximum security complexes, the new 500-bed Level III facility, and the expansion of the

**DEPARTMENT OF CORRECTIONS—CAPITAL OUTLAY—Continued**

laundry. Because of the various design changes and the fact that the current design is based on estimated flow rates rather than actual flow rates, there is concern that the proposed brine ponds may be undersized. The new prison units, however, are now in operation and CDC can determine the *actual* flow rates for the entire institution. This in turn will allow the department to determine whether the ponds, as currently configured, will be large enough to store all of the institution's brine discharge. If this is not the case, we recommend that the project be expanded to either increase the size of the ponds, or add additional ponds. It would be more economical to do all of this work at one time, rather than do it in two stages. In addition, if pond storage capacity is inadequate, the institution will have to undertake alternative disposal methods, such as hauling it to a Class II wastewater management site.

Because brine flow rates can now be accurately determined, the department should reassess the current design to assure the actual flow rates can be accommodated in the volume capacity of the ponds as designed. We withhold recommendation on the additional \$259,000 for construction pending receipt of this information.

**Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental report language which describes the scope of each of the capital outlay projects approved under this item.

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**DEPARTMENT OF THE YOUTH AUTHORITY—CAPITAL OUTLAY**

Item 5460-301 from the 1990

Prison Construction Fund

Budget p. YAC 66

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Requested 1990-91 .....	\$10,361,000
Recommended approval .....	4,247,000
Recommendation pending .....	6,114,000

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**SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS***Analysis  
page*

- |   |      |
|---|------|
| 1. CYA plans to close three facilities and reduce capacity by 221 beds in the budget year, despite continued systemwide overcrowding.                               | 1290 |
| 2. Recommend approval of two projects totaling \$1,177,000, contingent on receipt of preliminary plans prior to budget hearings.                                    | 1290 |
| 3. Budget Bill Language for Budget Packages/Preliminary Planning. Recommend approval of \$100,000 requested in Item 5460-301-751(1) for budget packages/preliminary | 1291 |

plans, with revised Budget Bill language to limit use of funds to projects anticipated to be in 1991-92 Budget Bill and for which information can be developed prior to budget hearings.

4. New Staff Training Center, Northern California Youth Center, Stockton. Withhold recommendation on \$5,489,000 under Item 5460-301-751(3). Withhold recommendation on working drawings and construction, pending receipt of preliminary plans and clarification of why construction cost has increased while the project scope has decreased. 1291
5. Kitchen Expansion, El Paso de Robles School. Withhold recommendation on \$455,000 under Item 5460-301-751(4). Withhold recommendation on preliminary plans, working drawings, and construction pending receipt of finalized scope and cost information. 1292
6. Construct New Infirmary, Fred C. Nelles School. Withhold recommendation on \$170,000 under Item 5460-301-751(5). Withhold recommendation on funds for preliminary plans and working drawings pending receipt of cost and schedule information. 1292

## GENERAL PROGRAM STATEMENT

### Five-Year Capital Outlay Plan

As indicated in Table 1, the Department of the Youth Authority's 1990-91 five-year plan projects spending \$200 million for design and construction at six institutions and three camps through 1994-95. The single largest project, an 1,800 bed institution in Kern County (\$171 million), was not approved by the Legislature in the current year and the department indicates that this project will not be included in its next five-year plan. The remaining \$29 million is projected to fund projects to provide capacity-related expansion of central administration, kitchen, classroom, maintenance, and vocational training facilities at existing institutions.

**Table 1**  
**Department of the Youth Authority**  
**Five-Year Capital Outlay Plan**  
**1990-91 through 1994-95**  
**(in thousands)**

<i>Institution</i>	<i>1990-91</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>Totals</i>
1,800-Bed Facility (Kern County) .....	\$171,366	—	—	—	—	\$171,366
El Paso de Robles (Paso Robles) .....	555	770	1,320	1,100	—	3,745
Fred C. Nelles (Whittier) .....	1,601	4,924	582	230	30	7,367
Preston School of Industry (Ione) .....	30	910	520	—	—	1,460
Training Center (Stockton) .....	5,341	—	—	—	—	5,341
Youth Training School (Chino) .....	439	2,590	1,660	430	—	5,119
Camps .....	—	193	1,163	1,163	970	3,489
Minor Capital Outlay .....	2,000	2,000	2,000	2,000	2,000	10,000
Planning .....	100	100	100	100	100	500
<b>Total .....</b>	<b>\$181,432</b>	<b>\$11,487</b>	<b>\$7,345</b>	<b>\$5,023</b>	<b>\$3,100</b>	<b>\$208,387</b>

**DEPARTMENT OF THE YOUTH AUTHORITY—CAPITAL OUTLAY—Continued**

Besides the Kern County facility, the five-year plan does not include any projects to increase CYA's design bed capacity. The department plans to initiate a Treatment Needs Assessment Study in the current year to measure wards for mental illness, criminal sophistication, amenability to treatment and parole risk assessment. The results of the survey data should be available in the fall of 1990 and may lead the department to request additional program-related beds at that time.

**ANALYSIS AND RECOMMENDATIONS****Department Plans to Close Three Facilities**

*CYA plans to close three facilities and reduce bed capacity by 221 in the budget year, despite the fact that the overall system remains overcrowded.*

As part of its budget request, CYA plans to close its Oak Glen conservation camp (131 beds), El Centro training center (60 beds) and Silverlake pre-release center (30 beds). The 221 beds will be redirected to seven existing institutions. The Oak Glen camp is owned by CYA and will be transferred to the Department of Corrections for use as a CDC correctional camp. The other two facilities are leased by CYA. The department is closing the three facilities in order to redirect funds to pay for worker's compensation costs.

The department is closing these facilities despite continued system-wide overcrowding. Department projections indicate that overcrowding will be 130 percent on June 30, 1990. During the budget year, loss of the 221 beds will be partially offset by the opening of a 600-bed facility at the Northern California Youth Center. In addition, the department projects a decrease in the overall ward population during the budget year. Nevertheless, systemwide overcrowding is projected to be 121 percent on June 30, 1991. (For a further discussion of CYA population projections, see our analysis of Item 5460-001-001).

**Projects Recommended For Approval****Minor Capital Outlay**

The budget requests \$2,970,000 for 26 minor capital outlay projects. The projects range in cost from \$6,800 to cover a vehicle parking area at Pine Grove conservation camp to \$235,000 to modify boilers at the Youth Training School in Chino.

**Projects Recommended For Contingent Approval**

*We recommend approval of two projects totaling \$1,177,000, contingent on receipt of preliminary plans prior to budget hearings.*

Our analysis indicates that the amounts requested for the following two projects are consistent with prior cost estimates approved by the Legislature, adjusted for inflation. At the time this *Analysis* was prepared, however, CYA had not provided the Legislature with the completed preliminary plans for these projects. We recommend approval of

the budget requests for these projects contingent upon receipt of completed preliminary plans prior to budget hearings. If the preliminary plans are not available to the Legislature at that time, we recommend that the Legislature *not* approve the projects. A brief description of these projects follows.

***Convert Laundry to Free Venture, Northern California Youth Center, Stockton.*** The budget requests \$435,000 under Item 5460-301-751(2) for the construction phase of converting an abandoned laundry facility to space that will accommodate on-the-job training for wards through the Free Venture Program.

***Water Supply System, Youth Training School, Chino.*** The budget requests \$742,000 under Item 5460-301-751(6) for working drawings and construction of a project to drill and install a new deep well to provide water for the institution.

#### **Budget Packages and Preliminary Planning**

***We recommend approval of \$100,000 in Item 5460-301-751(1) for budget packages and preliminary planning, with the addition of Budget Bill language limiting the use of these funds to projects to be considered by the Legislature during hearings on the 1991-92 Budget Bill.***

The budget requests \$100,000 in Item 5460-301-751(1) to develop design and cost information for new projects, for which funds have not been previously appropriated.

The use of these funds could be beneficial to the department and the Legislature by providing timely information essential for budget decisions. In keeping with prudent budgetary practice, however, the Legislature should not provide more planning funds in 1990-91 than the department will use in planning projects that can reasonably be funded in 1991-92. Consequently, we recommend that the Legislature substitute the following for language proposed in Provision I of Item 5460-301-751:

The funds appropriated in Schedule (1) above are to be allocated by the Department of the Youth Authority, upon approval of the Department of Finance, to develop design and cost information for new projects for which funds have not been previously appropriated, but for which preliminary plan funds, working drawing funds, or working drawing and construction funds are expected to be included in the 1991-92 Governor's Budget, and for which cost estimates and/or preliminary plans can be developed prior to legislative hearings on the 1991-92 budget. These funds may be used for the following: budget package development, architectural programming, engineering assessments, schematic design and preliminary plans. The amount appropriated in this item for these purposes is not to be construed as a commitment by the Legislature as to the amount of capital outlay funds it will appropriate in any future year.

#### **Projects For Which We Withhold Recommendation**

***New Staff Training Center, Northern California Youth Center, Stockton***

***We withhold recommendation on \$5,489,000 under Item 5460-301-751(3) for working drawings and construction for a new staff training***



**DEPARTMENT OF THE YOUTH AUTHORITY—CAPITAL OUTLAY—Continued**

*center pending clarification of why construction cost has increased while the project scope has decreased.*

The budget requests \$5,489,000 for working drawings (\$201,000) and construction (\$5,288,000 including contingency and project administration) of a 43,391 gross square foot (gsf) staff training center. Funds for preliminary plans were approved in the 1989 Budget Act but the plans have yet to be completed. The project approved by the Legislature, however, provided for a 48,312 gsf center. The department has not identified what elements of the project have been changed or why they were changed. Moreover, despite the 10 percent decrease in the amount of space to be constructed, the budget request is \$250,000 (adjusted for inflation) higher than the estimate submitted last year for the larger project. In view of these discrepancies, we withhold recommendation on the budget request for working drawings and construction, pending completion of preliminary plans and clarification of why the construction cost has increased while the project's scope has decreased.

**Kitchen Expansion, El Paso de Robles School, Paso de Robles**

*We withhold recommendation on \$455,000 requested under Item 5460-301-751(4) for preliminary plans, working drawings, and construction to expand the kitchen and dining facilities at El Paso de Robles School, pending receipt of finalized scope and cost information.*

The budget requests \$455,000 to expand the kitchen and dining facilities at the El Paso de Robles School in Paso de Robles. Expansion is needed because the kitchen and dining facilities were designed for 452 wards, yet the institution will have a design bed capacity of 680 in the budget year. The project proposes to expand the existing food preparation and dining facilities and install new storage, preparation and serving equipment. The purchase and installation of the equipment is projected to be \$280,000.

*Department has not provided scope and cost information.* Although the kitchen expansion appears to be necessary, the department has not yet finalized the project's scope and cost. Specifically, the department has provided neither a list of the equipment it plans to buy and install, nor a plan showing the actual remodeling that will occur. The department is in the process of finalizing this information. Consequently, we withhold recommendation on the project, pending receipt of this finalized scope and cost information.

**Construct New Infirmary, Fred C. Nelles School, Whittier**

*We withhold recommendation on \$170,000 under Item 5460-301-751(5) for preliminary plans and working drawings, pending receipt of cost and schedule information.*

The budget includes \$170,000 for preliminary plans (\$65,000) and working drawings (\$105,000) for a project to construct a new infirmary at the Fred C. Nelles School (estimated future cost—\$775,000). The new

infirmary will be a 5,400 square foot clinic/infirmary with 10 overnight treatment rooms, dentist facilities, offices, kitchen, and x-ray and psychiatrist rooms. The existing infirmary is 50 years old and does not have adequate capacity for the current inmate ward population.

***Department has not provided cost or schedule information.*** Although construction of a new infirmary is justified, the department has not provided information on either the estimated cost or the schedule for undertaking the project. It is our understanding that the department is modeling the proposed infirmary on an infirmary that was designed, but never constructed, for the Preston School of Industry in Ione. In fact, the department plans to use preliminary plans and working drawings that were designed for Preston, making only minor site modifications. Depending on the magnitude of these modifications, the department may be able to begin construction of this project in the budget year. In addition, the cost of these modifications should be much less than the \$170,000 requested in the budget. We therefore withhold recommendation on the \$170,000, pending receipt of information on the cost and amount of time necessary to modify the working drawings and a schedule for the entire project.






#### **Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental report language which describes the scope and cost of each of the capital outlay projects approved under these items.

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## OVERVIEW OF POSTSECONDARY EDUCATION CAPITAL OUTLAY

### MAJOR ISSUES

-  We discuss the problem of accommodating growing enrollments in postsecondary education at length in our companion document, *The 1990-91 Budget: Perspectives and Issues* ("Capital Outlay for Postsecondary Education")
-  The University of California should expedite development of one new campus, reassess enrollment assumptions associated with a second new campus and suspend planning for a third new campus.
-  There currently is no demonstrated need for any new California State University campus.
-  As a result of insufficient data, the need for expanding the community colleges is uncertain.
-  The 1990-91 Budget proposes \$282 million of costly lease revenue bonds even though adequate general obligation bonds are proposed for approval by the voters in 1990 to meet all postsecondary education capital outlay expenditures requested in the budget year.

### SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

1. Five-Year Capital Outlay Plans. Recommend that the Legislature direct each of the postsecondary education segments to improve the informational content of the five-year capital outlay plans, so that the Legislature may better assess proposed capital outlay spending totaling \$3.6 billion over the next five years and set legislative priorities.

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**OVERVIEW OF POSTSECONDARY EDUCATION CAPITAL OUTLAY—Continued**

2. Bond Fund Condition Statements. Recommend that the Legislature adopt supplemental report language requesting the Department of Finance to include fund condition statements for postsecondary education general obligation bond funds in the annual budget, so that the Legislature may make funding decisions on the basis of complete information regarding fund conditions. Further, the department should provide the fiscal subcommittees with current fund condition statements prior to legislative hearings on the 1990-91 budget. 1299
3. Savings from Recommended Budget Reductions. Recommendations in our analyses of the 1990-91 budget requests for postsecondary education capital outlay save an estimated \$228 million of general obligation bond funds (including estimated future savings). 1301
4. Lease-Revenue Bonds. Recommend that the Legislature use general obligation bond funds in lieu of lease-revenue bond funds in 1990-91 in order to reduce future General Fund costs and increase the Legislature's flexibility in addressing overall state needs. (Potential savings of up to \$70 million in General Fund payments for principal and interest over a 20-year period.) 1301

**OVERVIEW AND RECOMMENDATIONS**

Over the next 15 years, enrollments in California's three segments of postsecondary education—the University of California (UC), the California State University (CSU) and the California Community Colleges (CCC)—are expected to grow by between 30 percent and 50 percent. To accommodate these growing enrollments, each segment is proposing major facility expansions on existing campuses. The five-year capital outlay plans prepared by each of the segments propose total expenditures over the five-year period of \$3.6 billion to fund the construction of new facilities as well as alterations of facilities to meet various program needs. In addition, UC is proposing three new UC campuses, CSU is proposing five new CSU campuses and CCC estimates a need for 23 new community college campuses. In our companion document, *The 1990-91 Budget: Perspectives and Issues* ("Capital Outlay for Postsecondary Education"), we assess for each segment: (1) long-range enrollment plans, (2) the potential need for new campuses, and (3) how each segment's five-year capital outlay plan addresses needs associated with enrollment growth.

The following is an overview of the capital outlay programs for postsecondary education. This overview includes a discussion of (1) the five-year capital outlay plans for each segment of postsecondary education, (2) our recommendations regarding planning for new campuses, (3) the 1990-91 capital outlay programs proposed in the budget and (4) our

recommendation to use general obligation bonds rather than lease-revenue bonds to finance the 1990-91 capital outlay programs for postsecondary education.

### **New Campuses**

*We find that UC should (1) expedite development of one new campus, (2) reassess enrollment assumptions associated with a second new campus, and (3) suspend planning for a third new campus. There currently is no demonstrated need to plan for any new CSU campuses. Due to significant shortcomings in the CCC planning model, we are unable to advise the Legislature as to the necessary expansion of existing community college campuses or the number of new campuses needed.*

In our companion document, *The 1990-91 Budget: Perspectives and Issues*, ("Capital Outlay for Postsecondary Education") we make the following findings, based on our review of systemwide and campus enrollment projections:

- **University of California.** The university will need at least one new campus by 2005-06 and should expedite planning and development efforts for that facility. The university should reassess its enrollment assumptions with regard to the need for a second campus and suspend planning for a third campus.
- **California State University.** The system at this time should not plan for any additional campuses, as existing campuses will be able to accommodate projected enrollment growth through 2005-06.
- **California Community Colleges.** Given the shortcomings in the Chancellor's Office model used to project facilities needs, we cannot at this time assess the need for new community college campuses.

In our analyses of UC and CSU 1990-91 capital outlay requests we recommend supplemental report language regarding planning efforts for new campuses.

### **Five-Year Capital Outlay Plans**

*We recommend that the Legislature direct the segments to improve the informational content of the five-year capital outlay plans, so that the Legislature may better assess postsecondary education capital outlay needs and set legislative priorities.*

**Legislature Needs Better Information.** The five-year capital outlay plans prepared by each of the segments call for expenditures totaling \$3.6 billion over the next five years. The UC and CSU have made important improvements in the informational content of their plans in response to a legislative directive in the *Supplemental Report of the 1989 Budget Act*. The community colleges, on the other hand, do not have a systemwide five-year plan and systemwide planning for enrollment growth is totally inadequate. As discussed in more detail in *The 1990 Budget: Perspectives and Issues* and in the following analyses of the budget requests for capital

## OVERVIEW OF POSTSECONDARY EDUCATION CAPITAL OUTLAY—Continued

outlay, the Legislature needs better information from all the segments, particularly on how proposed projects meet needs associated with enrollment growth.

While, generally, the stated emphasis is on needs to accommodate enrollment growth, the five-year plans include many proposals that are largely unrelated to enrollment growth. For example, a large part of UC's 1990-91 proposal is for research-related facilities (\$100 million in the budget year, with future costs of \$182 million). The CSU's plan calls for \$141 million at the San Diego campus (more than any other CSU campus), even though it is at its master plan enrollment ceiling. Two-thirds of the proposed increase in lecture/laboratory space at the community colleges is at campuses that can already accommodate 120 percent of their projected enrollment.

Projects that are not related directly to accommodating enrollment growth are certainly appropriate and may be necessary. The Legislature, however, needs better information in the five-year plans so that it can (1) assess ways to accommodate enrollment growth and other needs, (2) set the Legislature's priorities and (3) strike an appropriate funding balance. In our analyses of UC and CSU capital outlay budget requests, we recommend specific supplemental report language that would provide a guide for each segment to improve the informational content of its plan. The CCC does not have a systemwide five year plan and needs to develop such a plan as specified by the Legislature in the *Supplemental Report of the 1989 Budget Act*.

### Summary of the 1990-91 Capital Outlay Programs

The budget includes \$626 million for UC, CSU and CCC capital outlay programs in 1990-91. Of this amount, \$344 million is from the 1990 Higher Education Capital Outlay Bond Fund. This general obligation bond would be created by SB 147 (Hart). As amended January 18, 1990, SB 147 would place a \$900 million bond measure for higher education facilities before the voters on the June 1990 ballot. The balance of the budget request (\$282 million) is proposed from the Public Buildings Construction Fund (lease-revenue bonds). The General Fund provides the "revenues" for the principal and interest payments on these bonds.

Table 1 shows the amounts requested for each segment's program by funding source, as well as the estimated amounts needed to complete the proposed projects. As summarized in Table 1, the Legislature would have to appropriate \$958 million to complete these projects.

**Table 1**  
**Postsecondary Education**  
**1990-91 Capital Outlay Programs**  
**(in thousands)**

<i>Segments</i>	<i>General Obligation Bonds<sup>a</sup></i>	<i>Lease- Revenue Bonds<sup>b</sup></i>	<i>Total Budget Bill Amounts</i>	<i>Future Cost<sup>c</sup></i>
University of California .....	\$127,000	\$99,572	\$226,572	\$365,361
California State University.....	119,400	82,126	201,526	479,780
California Community Colleges .....	97,807	100,065	197,872	112,928
Totals .....	\$344,207	\$281,763	\$625,970	\$958,069

<sup>a</sup> 1990 Higher Education Capital Outlay Bond Fund.

<sup>b</sup> Public Buildings Construction Fund.

<sup>c</sup> Based on estimates prepared by the segments.

### **General Obligation Bond Funds for Postsecondary Education**

*We recommend that the Legislature adopt supplemental report language requesting the Department of Finance to include fund condition statements for postsecondary education bond funds in the Governor's annual budget documents in the future, so that the Legislature may make funding decisions on the basis of complete information regarding fund conditions. Further, the Department of Finance should provide the Legislature with current fund condition statements prior to legislative hearings on the 1990-91 budget.*

In the past four years, the state has financed 99 percent of postsecondary education capital outlay costs through either general obligation bonds (\$1 billion) or lease-revenue bonds (\$611 million). Since the state has used virtually all its existing general obligation bonds authorized for postsecondary education facilities, future expansion of facilities will depend on *new* general obligation bond authorizations by the voters and, potentially, new lease-revenue bond authorizations by the Legislature.

**1986 and 1988 General Obligation Bond Funds.** Since 1986 the Legislature and the voters have authorized two general obligation bond measures totaling \$1 billion (\$400 million in 1986 and \$600 million in 1988) for planning, acquisition, construction and renovation of postsecondary education facilities. These bonds also have been used for instructional equipment purchases, asbestos removal and deferred maintenance. Based on available information, our analysis indicates that the 1986 bond fund is overcommitted and about \$19 million remains in the 1988 bond fund.

**1986 Bond Fund Overcommitted.** As of December 31, 1989, \$6.8 million remained unappropriated in the 1986 bond fund. According to the State Treasurer, however, an estimated \$9.5 million will be needed to fund interest payments on loans from the Pooled Money Investment Account (\$9 million) and bond issuance costs (\$500,000). The fund, therefore, is currently *overcommitted* by \$2.7 million.

**About \$19 Million Available in 1988 Bond Fund.** As of December 31, 1989, the unappropriated balance in the 1988 bond fund was about \$32

# OVERVIEW OF POSTSECONDARY EDUCATION CAPITAL OUTLAY—Continued

million. Of this amount, the Treasurer estimates that \$13 million will be needed to fund interest payments on loans from the Pooled Money Investment Account (\$12 million) and bond issuance costs (\$1 million). Thus, about \$19 million remains available in the 1988 bond fund for either appropriation by the Legislature or administrative approvals for cost overruns on funded projects.

**Fund Condition Statements Needed.** The budget document does not include fund condition statements for the above higher education general obligation bond funds, as it generally does for other general obligation bond funds. The budget should include these fund condition statements—which include details of expenditures, show actual fund status as of the close of the prior fiscal year, and projected fund conditions at the end of the current and budget years—so that the Legislature may make funding decisions on the basis of complete information regarding fund conditions. We recommend, therefore, that the Legislature adopt supplemental report language requesting the Department of Finance to include fund condition statements in the Governor's annual budget document in the future. Further, the Department of Finance should provide the fiscal subcommittees with current fund condition statements for 1990-91 prior to budget hearings, including estimated payments on Pooled Money Investment Account loans, bond issuance costs and a fund condition statement for the proposed 1990 Higher Education Capital Outlay Bond Fund.

**1990 Higher Education Capital Outlay Bond Fund.** As mentioned above, SB 147 would place a \$900 million bond measure for higher education facilities before the voters on the June 1990 ballot. The bond proceeds would be deposited in the 1990 Higher Education Capital Outlay Bond Fund, created by the bond measure.

The 1990-91 budget proposes nine appropriations totaling \$386.4 million from the 1990 bond fund, as summarized in Table 2.

**Table 2**  
**1990 Higher Education Capital Outlay Bond Fund**  
**Expenditures Proposed in 1990-91 Budget**  
**(in thousands)**

<i>Item</i>	<i>Program</i>	<i>Budget Bill Amount</i>
6440-001-791	UC support—asbestos removal.....	\$3,000
6440-301-791	UC capital outlay .....	127,000
6600-001-791	Hastings College of the Law—support.....	70
6610-001-791	CSU support—asbestos removal.....	10,600
6610-301-791	CSU capital outlay .....	119,400
6860-301-791	Maritime Academy capital outlay.....	60
6870-101-791 (a)	CCC instructional equipment.....	23,000
6870-101-791 (b)	CCC asbestos removal.....	5,000
6870-301-791	CCC capital outlay .....	97,807
9860-301-791	Unallocated capital outlay.....	500
Total.....		\$386,437



**Potential Savings from Recommended Budget Reductions.** Considering only the first two years (1990-91 and 1991-92) of the segments' five-year capital outlay plans, the amount proposed under SB 147 falls short of the segments' stated needs by more than \$500 million. This "shortfall" does not include any allowance for support and local assistance expenditures from the fund. (The budget proposes spending \$41.7 million from the fund for these purposes in 1990-91.) Some of the proposed projects and programs may, upon legislative review, not merit funding during 1990-91 or 1991-92. Indeed, our analysis of the 1990-91 Budget Bill recommends savings to the fund totaling about \$228 million (including estimated future savings). If, however, the Legislature wishes to fund the segments' plans in the two-year period, it may wish to increase the amount of general obligation bonds to be authorized. Another option available to the Legislature is to use lease-revenue bond financing to supplement the general obligation bond funds, as is proposed in the budget. As discussed below, however, this option has disadvantages.

#### **Lease-Revenue Bonds**

*We recommend that the Legislature use general obligation bond funds in lieu of lease-revenue bond funds for postsecondary education capital outlay in 1990-91 in order to reduce future General Fund costs and increase the Legislature's flexibility in addressing overall state needs.*

The budget proposes three appropriations totaling almost \$282 million from lease-revenue bonds (Public Buildings Construction Fund) for postsecondary education capital outlay. As noted above, the General Fund provides the "revenues" for the principal and interest payments on these bonds.

As discussed in *The 1990-91 Budget: Perspectives and Issues*, general obligation bonds have two principal advantages relative to lease-revenue bonds. First, general obligation bonds are less expensive (currently an interest rate differential of up to 0.5 percent). Also, the state does not have to obtain insurance for facilities funded with general obligation bonds, as is required under lease-revenue bonds. (UC generally meets this requirement through self-insurance.) Second, unlike the case for lease-revenue bonds, debt payments on general obligation bonds are exempt from the state's appropriations limit and therefore enhance the Legislature's ability to fund competing state needs. (Under the provisions of SCA 1, if approved by the voters in June 1990, it appears that the Legislature could exempt lease-revenue debt payments from the appropriations limit.)

If the \$282 million of project expenditures proposed in the budget from lease-revenue bonds were instead funded through general obligation bonds, we estimate up to \$70 million *General Fund* costs for principal and interest payments over a 20-year period would be saved. There would be major unknown additional savings for insurance (as mentioned above, the University of California generally self-insures for these bonds) over the same period. These savings are a result of two factors—the higher interest rate on lease-revenue bonds and the Treasurer's current policy of

**OVERVIEW OF POSTSECONDARY EDUCATION CAPITAL OUTLAY—Continued**

paying these bonds off using a different financing schedule than for general obligation bonds. Given, however, the 20-year time frame for paying off the debt service, the \$70 million savings would be equivalent to \$24 million in 1990 dollars.

**1990 General Obligation Bonds Sufficient to Fund 1990-91 Budget Proposals.** In view of the above, we believe general obligation bonds should be used, whenever possible, in lieu of lease-revenue bonds. The amount proposed in the 1990 general obligation bond measure (\$900 million) is more than adequate to cover all expenditures proposed in the budget from the 1990 Higher Education Capital Outlay Bond Fund *plus* all proposed lease-revenue bond expenditures for postsecondary education capital outlay (a combined total of \$668 million). Consequently, we recommend that the Legislature use general obligation bond financing in lieu of lease-revenue bond financing in 1990-91 for all postsecondary education capital outlay. We include specific recommendations on the Budget Bill items affected by this recommendation in our analyses of each segment's capital outlay request following this summary.

If the Legislature increases the amount of general obligation bonds to be authorized under SB 147, or makes substantial reductions in amounts proposed by the segments for appropriation from the 1990 bond fund, the use of lease-revenue bond financing could be avoided in 1991-92 as well as the budget year. Without such steps, however, it would be difficult for the Legislature to fund the capital outlay programs proposed by the segments for 1991-92 without relying on lease-revenue bond financing.

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**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY**

Item 6440-301 from the Public  
Buildings Construction Fund  
and the 1990 Higher  
Education Capital Outlay  
Bond Fund

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Requested 1990-91 .....	\$226,572,000
Recommended approval .....	213,432,000 <sup>a</sup>
Recommended reduction .....	2,388,000 <sup>b</sup>
Recommended augmentation .....	1,806,000
Net recommended approval .....	215,238,000
Recommendation pending .....	10,752,000

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<sup>a</sup> Includes the following recommended fund transfers: (1) \$99,572,000 from lease-revenue bonds to general obligation bonds and (2) \$60,000 from general obligation bonds to University of California research facility revenue bonds.

<sup>b</sup> Estimated future savings: \$24.3 million.

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**SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS**Analysis  
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1. Five-year capital outlay plan. Recommend supplemental report language requesting UC to improve the informational content of its plan, so that the Legislature may better assess UC capital outlay needs and set priorities. 1306
2. New Campuses. Recommend supplemental report language requesting UC to (a) expedite planning for one new campus, (b) reassess enrollment projections associated with a second new campus and (c) suspend planning for a third new campus. 1307
3. Emphasis on Research-Related Space. UC's 1990-91 capital outlay program places most emphasis on adding/upgrading space that is primarily research-related. 1308
4. *Lease-Revenue Bonds. Recommend deletion of Item 6440-301-660 (\$99,572,000) and corresponding augmentation to Item 6440-301-791.* Recommend transfer of funding from lease-revenue bonds to general obligation bonds to (a) reduce future General Fund costs and (b) increase Legislature's flexibility in addressing overall state funding needs. 1309
5. Preliminary Plans Not Yet Available. Recommend approval of eight projects totaling \$18,260,000, contingent on receipt of preliminary plans prior to budget hearings. 1310
6. *UC San Francisco—Overbudgeting of Contingency. Reduce Item 6440-301-791 by \$218,000. (Estimated future savings \$1.3 million.)* Recommend reduction to eliminate overbudgeting of contingency allowances on three projects proposed at UC San Francisco. 1311
7. Regional Libraries. Recommend adoption of supplemental report language directing UC and the California State University (CSU) to plan for increased CSU use of the Southern and Northern Regional Libraries in order to reduce state costs for future construction/operation of library space at CSU campuses. 1312
8. *UC San Francisco—Library Release Space Improvements. Reduce Item 6440-301-791 (6) by \$30,000. Future estimated savings of \$13.6 million to the 1990 Higher Education Capital Outlay Bond Fund.* Recommend that the Legislature approve an alternative funding source for the research portion of this project—revenue bonds or negotiable notes to be repaid from increases in extramural research funding—in order to free up general obligation bond funds for projects addressing needs associated with enrollment growth or other postsecondary education facility priorities. Also recommend that the student commons area be funded with nonstate funds. 1313
9. *Kearney Agricultural Center—Post-harvest Evaluation Facility. Reduce Item 6440-301-791 (42) by \$60,000. Add* 1315

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**

- Item 6440-301-663—\$1,866,000. Estimated savings to the 1990 Higher Education Capital Outlay Bond Fund of \$1,866,000. Recommend that the Legislature approve an alternative funding source for this project—revenue bonds or negotiable notes to be repaid from increases in extramural research funding anticipated through this project—in order to free up general obligation bond funds for projects addressing needs associated with enrollment growth or other postsecondary education facility priorities.
9. ***UCLA—Young Hall East Renovation. Reduce Item 6440-301-791(22) by \$932,000.*** Recommend deletion of \$932,000 requested for preliminary plans for renovating Young Hall East so that UC may first investigate the suitability and comparative costs/benefits of (a) constructing a replacement facility or (b) minimizing renovation needs/costs. 1316
  10. **UC Davis—Social Sciences/Humanities Building.** Withhold recommendation on Item 6440-301-791(11)—\$840,000 requested for preliminary plans for a new Social Sciences/Humanities Building at the Davis campus—pending information justifying the need for the amounts of space requested for various program purposes. 1317
  11. ***UC Santa Barbara—Addition to Environmental Health and Safety Office Facility. Reduce Item 6440-301-791(36) by \$91,000. (Future savings \$1.6 million.)*** Recommend deletion of \$91,000 requested for preliminary plans and working drawings for an addition to the Environmental Health and Safety Office's facility because UC has not justified the need for the project. 1318
  12. **UC Davis—Augmentation for Electrical System Modification/Expansion.** Withhold recommendation on \$1,484,000 requested in Item 6440-301-791(10) for augmenting construction funds for a project to modify/expand the electrical distribution system at Davis, pending receipt of information justifying the amount needed. 1319
  13. ***UC Davis—Campus Chilled Water Expansion. Reduce Item 6440-301-791(13) by \$449,000.*** Recommend deletion of \$449,000 requested for preliminary plans and working drawings for expansion/upgrade of chiller capacity at the Davis central plant because current chiller capacity is adequate to serve existing and proposed facilities. Further recommend that the university investigate the feasibility/benefits of a thermal energy storage system to meet future campus cooling needs. 1319
  14. ***UCLA—Electrical Distribution System Expansion. Reduce Item 6440-301-791(23) by \$100,000. (Future state savings \$900,000.)*** Recommend reduction to account for the non- 1320

- state share of project costs attributable to construction of the Anderson Graduate School of Management.
15. UC Riverside—Electrical Distribution System Upgrade. 1321  
Withhold recommendation on \$2,246,000 requested in Item 6440-301-791 (24) to upgrade the electrical distribution system at Riverside, pending (a) review of a cost-benefit analysis and (b) determination of the suitability of using energy efficiency revenue bonds to fund the project.
  16. UC San Diego—Central Plant Improvements. Reduce Item 6440-301-791 (34) by \$310,000. 1321  
Recommend reduction to account for the minimum share of project costs due to a nonstate building. Withhold recommendation on the balance of funds requested (\$6,182,000) pending receipt of information substantiating project costs.
  17. UC San Diego—Campus Services Complex. Reduce Item 6440-301-791 (35) by \$258,000. (Future savings \$5.1 million.) 1323  
Recommend deleting \$258,000 requested for working drawings and construction of a campus services complex at UC San Diego because the university has not justified the need for this project.

## OVERVIEW OF THE BUDGET REQUEST AND THE FIVE-YEAR CAPITAL OUTLAY PLAN




### Budget Request

The budget proposes two appropriations totaling almost \$227 million to fund the state's share of the University of California's (UC) capital outlay program in 1990-91. Of this amount, \$127 million would come from the Higher Education Capital Outlay Bond Fund of 1990. This general obligation bond fund would be created by SB 147 (Hart). As amended January 18, 1990, SB 147 would place a \$900 million general obligation bond measure for higher education facilities before the voters on the June 1990 ballot.

The balance of the budget request (\$99.6 million) is proposed from the Public Buildings Construction Fund (lease-revenue bonds). The General Fund provides the "revenues" for the principal and interest payments on these bonds.

## UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

## MAJOR ISSUES

-  UC's Five-Year Capital Outlay Plan. The university has improved its five-year capital outlay plan by providing information on priorities and total project costs. Better information is needed, however, on how proposed \$1.1 billion program addresses needs associated with enrollment growth.
-  The university's 1990-91 capital outlay program places most emphasis on providing research-related space, rather than instructional space, at a total cost of \$282 million (including future appropriations needed to complete projects).
-  The budget proposes using almost \$100 million of more costly lease-revenue bonds even though general obligation bond funds would be available from the 1990 Higher Education Capital Outlay Bond Fund.

**Five-Year Capital Outlay Plan**

*We recommend the adoption of supplemental report language requesting UC to improve the informational content of its plan, so that the Legislature may better assess UC's capital outlay needs and set priorities.*

The UC's five-year capital outlay plan, dated November 29, 1989, calls for the expenditure of *\$1.1 billion* from 1990-91 through 1994-95, including \$232 million in the budget year. The university has improved the informational content of its annual plan, in response to legislative intent expressed in the *Supplemental Report of the 1989 Budget Act*. The changes include providing a full five-year plan listing the projects and providing the full estimated cost to complete each project. These improvements represent an important step toward providing the Legislature the information it needs to assess UC's capital outlay program. As discussed in our overview of postsecondary education capital outlay and in our companion document *The 1990-91 Budget: Perspectives and Issues*, however, UC's capital outlay plan still does not adequately inform the Legislature how the individual proposals address needs related to pro-

jected enrollment growth or how the proposals meet other needs such as research or support activities. Given the magnitude of this capital outlay program and the demands placed by the program on limited state funds, the Legislature needs better information so that it can (1) assess the needs for projects related to enrollment growth and other improvements, (2) set priorities and (3) strike an appropriate funding balance between the two.

Accordingly, we recommend that the Legislature request UC to improve the informational content of its annual plan through the following supplemental report language under Item 6440-301-791:

The University of California shall submit to the Legislature by October 15, 1990 and each October 15 thereafter, a comprehensive five-year capital outlay plan that includes, but is not limited to, the following information:

- Current-year enrollment and enrollment projections for each campus for each year covered in the plan;
- Projects proposed for each campus in each year of the plan, including a discussion of the programmatic bases for each project;
- An explanation of how each project contributes to accommodating needs associated with current/projected enrollments of graduate and undergraduate students, and other needs, and the costs of meeting those needs;
- The estimated costs of each project, showing the schedule for when these funds will be needed, including a schedule of annual funding needs beyond the five years for those projects for which completion exceeds the time frame of the plan;
- The relative priority of the projects on a campus and statewide basis; and
- Description and costs of activities that take place within the plan's time-frame related to planning/establishing new campuses.

The plan shall be updated annually, or more often if necessary, given evolving circumstances in the planning process of the institutions. The Legislature recognizes that the annual plan is a flexible, working document subject to the evolutionary change inherent in the planning process. The plan is designed to reflect project data changes on a year-to-year basis, and the inclusion of a project in the plan does not guarantee its viability.

It is further legislative intent that the program planning guides submitted for each project proposed for inclusion in each budget year specify (1) how each project meets needs for different types of space (e.g., classrooms, teaching laboratories, research laboratories, faculty offices) and (2) the project costs associated with the different types of space.

### **New Campuses**

*We recommend that the Legislature adopt supplemental report language requesting UC to do the following: (1) expedite planning for one new campus with the intent to open this campus as early as possible before the currently planned date of 1998, (2) reassess the*

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**

*enrollment assumptions associated with a second new campus, and (3) suspend planning for a third new campus.*

In our companion document *The 1990-91 Budget: Perspectives and Issues* ("Capital Outlay for Postsecondary Education") we provide an analysis of UC's plan to develop three new campuses by 2005-06. We conclude, based on UC's undergraduate enrollment projections and 1987 graduate enrollment plan, coupled with more students being accommodated on the Riverside campus, that there is a demonstrated need for only one new campus at this time. We also find that UC should (1) develop this campus on a faster track than currently proposed, (2) reassess the enrollment assumptions associated with a second new campus, and (3) suspend planning efforts for a third campus. In our analysis of UC's support budget (Item 6440-001-001), where funds are proposed for new campus planning activities, we recommend the adoption of supplemental report language requesting UC to proceed with new campus planning in accordance with the above findings and to report to the Legislature regarding its planning efforts by December 1, 1990.

In our discussion above on UC's five-year capital outlay plan, we have recommended additional supplemental report language regarding the content of the five-year plan, including a legislative directive that the five-year plan for 1991-92 to 1995-96 include those activities associated with planning/establishing new campuses that will take place in the plan's time-frame.

**ANALYSIS AND RECOMMENDATIONS**

The University of California's 1990-91 capital outlay program includes \$226.6 million for 46 projects, including a minor capital outlay program and an allocation for studies/planning. To facilitate analysis of these projects, we have divided them into descriptive categories as shown in Table 1. Many of the projects actually are a mixture of two or more of these categories. Accordingly, we have categorized projects to reflect their *primary* purpose. For example, where projects include both instructional and research space, we have classified them as either instructionally-related or research-related based on the relative square footage assigned to these purposes.

**Emphasis on Research Space**

*We find that UC's 1990-91 capital outlay program places most emphasis on addition and upgrading of space that is primarily research-related.*

Our review indicates that UC's 1990-91 capital outlay program places most emphasis on adding and upgrading space that is *primarily* research-related. As Table 1 indicates, UC proposes spending approximately \$100 million on such projects in the budget-year (44 percent of its total request). These projects will require estimated future appropriations totaling almost \$182 million to complete. By contrast, UC proposes



spending approximately \$48 million in 1990-91 to add or upgrade space that is *primarily* related to instruction of students. These projects will require estimated future appropriations totaling about \$37 million.

**Table 1**  
**University of California**  
**1990-91 Capital Outlay Program**  
**Funding Summary by Project Categories**  
**(dollars in thousands)**

<i>Category (primary purpose)</i>	<i>Number of Projects</i>	<i>Total State Cost</i>	<i>Analyst's Recommendation</i>	<i>Estimated Future Cost<sup>a</sup></i>
A. Mitigate hazards .....	5	\$5,726	\$5,648 <sup>b</sup>	\$91,729
B. Complete newly constructed facilities .....	3	7,527	7,527	—
C. Add instructional related facilities .....	4	35,834	35,834 <sup>b</sup>	34,815
D. Upgrade instructional related facilities .....	1	12,037	12,037	2,095
E. Library space .....	3	36,732	36,732	15,239
F. Add research related facilities .....	8	85,721	87,497 <sup>b</sup>	154,761
G. Upgrade research related facilities .....	4	14,831	13,899	26,848
H. Add faculty/admin. offices .....	3	1,906	975 <sup>b,c</sup>	26,386
I. Utilities/infrastructure .....	9	15,677	4,766 <sup>b,c</sup>	8,671
J. Other .....	6	10,581	10,323	5,087
Totals .....	46	\$226,572	\$215,238	\$365,361

<sup>a</sup> University estimates.

<sup>b</sup> Recommended amount contingent on receipt of preliminary plans.

<sup>c</sup> Final recommended amount pending receipt of additional information.

### **Lease-Revenue Bonds**

*We recommend that the Legislature appropriate general obligation bonds (\$99,572,000) under Item 6440-301-791 in lieu of lease-revenue bonds (\$99,572,000) for the projects proposed under Item 6440-301-660 in order to reduce future annual General Fund costs and increase the Legislature's flexibility in addressing overall state funding needs. (Delete Item 6440-301-660 and augment Item 6440-301-791 by a corresponding amount (\$99,572,000)).*

The budget proposes an appropriation of \$99,572,000 in Item 6440-301-660 from the Public Buildings Construction Fund (lease-revenue bonds) for four projects. Table 2 lists the projects included in this item.

As discussed in our document *The 1990-91 Budget: Perspectives and Issues* and in our summary of postsecondary education capital outlay, lease-revenue bonds have two principal disadvantages relative to general obligation bonds. First, General Fund costs for interest are higher by up to 0.5 percent. In addition, various insurance policies are required (UC generally self-insures for this purpose). Second, payments for principal and interest on lease-revenue bonds are subject to the state appropriations limit. (We understand that the Legislature could exempt lease-revenue debt payments from the limit under the provisions of SCA 1, if that measure is approved by the voters in June.)

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**

**Table 2**  
**University of California**  
**Projects Proposed from Lease-Revenue Bonds**  
**Item 6440-301-660**  
**(in thousands)**

<i>Project</i>	<i>Phase<sup>a</sup></i>	<i>Budget Bill Amount</i>	<i>Estimated Future Cost<sup>b</sup></i>
(1) Berkeley-Life Sciences Renovation, Phase II ....	c	\$6,090	\$1,448
(2) Davis-Engineering Unit 2 .....	c	37,859	5,997
(3) Irvine-Science Library .....	c	29,797	1,377
(4) Los Angeles-Anderson Graduate School of Man- agement .....	c	25,826	—
<b>Total .....</b>		<b>\$99,572</b>	<b>\$8,822</b>

<sup>a</sup> Phase symbol c denotes construction.

<sup>b</sup> University estimates.

In view of these disadvantages, and considering the \$900 million of general obligation bond funds available from the 1990 Higher Education Capital Outlay Bond Fund as proposed by SB 147, we recommend in our summary of postsecondary education capital outlay that the Legislature use these general obligation bond funds in lieu of lease-revenue bonds in 1990-91. Thus, we recommend that the Legislature (1) delete Item 6440-301-660 and (2) augment Item 6440-301-791 (the 1990 Higher Education Capital Outlay Bond Fund) by a corresponding amount (\$99,572,000).

We estimate this transfer would save up to \$25 million in General Fund principal and interest payments over a 20-year period. These savings are a result of two factors—lease-revenue bonds carry a higher interest rate and, under the State Treasurer's current policy, these bonds are paid off using a different financing schedule. Given, however, the 20-year time frame for paying off the debt service, the \$25 million cost would be equivalent to \$8 million in 1990 dollars.

**Projects for Which We Recommend Approval or Contingent Approval**

*We recommend approval of 24 projects totaling \$191,371,000.*

*We also recommend approval of eight projects totaling \$18,260,000, contingent on receipt of preliminary plans prior to budget hearings.*

Our analysis indicates that 24 projects, totaling \$191,371,000, have either been previously approved by the Legislature or are new proposals that are otherwise justified to address enrollment needs or other space deficiencies. Consequently, we recommend approval of these projects. The amount recommended for approval includes the full amount requested in Item 6440-301-660 (lease-revenue bonds)—\$99,572,000. Above, we recommend that this amount be transferred to Item 6440-301-791 (general obligation bonds).

***Preliminary Plans Not Yet Available.*** In addition, our analysis indicates that there are seven projects, totaling \$16,458,000, which have been previously approved and the request for working drawings and/or

construction is consistent with the amount recognized by the Legislature in the *Supplemental Report of the 1989 Budget Act*, adjusted for inflation. There is also one project requested in the budget (\$1,802,000 for upgrading boilers at the UC Riverside central plant) for which the university funded preliminary plans, using its discretionary funds, and that our review indicates is justified. At the time this analysis was prepared, however, the university had not provided the Legislature the completed preliminary plans for the above eight projects. We recommend approval of the budget requests for these projects, totaling \$18,260,000, contingent on receipt of completed preliminary plans prior to budget hearings. If the preliminary plans are not available to the Legislature at that time, we recommend that the Legislature *not* approve funds for working drawings or construction.

A discussion of the remaining projects and our recommendation for each follows.

#### **A. Mitigate Hazards**

This category includes five projects totaling \$5.7 million. We recommend approval of these proposals in the reduced amount of \$5.6 million. To facilitate the Legislature's review of the issue discussed below, we have included one project at UC San Francisco that is categorized as a utilities/infrastructure project. For this project, we have recommended a \$140,000 reduction.

#### **UC San Francisco—Overbudgeting of Contingency**

*We recommend reducing Item 6440-301-791 by \$218,000 to eliminate overbudgeting of contingency allowances on three projects proposed at UC San Francisco. (Estimated future savings \$1.3 million.)*

The budget includes funds for three utility/infrastructure improvement projects at the San Francisco campus, two of which are intended to mitigate hazards associated with outmoded fire alarm and fire protection systems. All state-funded construction projects include a "contingency" allowance for unforeseeable construction and site conditions. Our analysis indicates that the university has double-budgeted for contingency for the three projects at San Francisco. This is because the detailed estimates prepared by UC's consultant, on which UC in turn prepared its budget requests, already included contingency. The projects and associated excess contingency amount are shown in Table 3.

Taking into account conforming reductions for preliminary plans and working drawings amounts, we recommend reducing Item 6440-301-791 by \$218,000 (estimated future savings to the state of \$1.3 million), as outlined in Table 3. This recommendation leaves each project with contingency equal to 7 percent of the estimated construction contract amounts, consistent with state budgeting practice for projects involving extensive remodeling.

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**

Table 3  
University of California  
San Francisco Campus  
Excess Contingency Amounts  
(in thousands)

Item 6440-301-791:	1990-91	Future
(7) Medical Sciences Building—electrical system improvements.....	\$140	—
(8) Fire Alarm and Life Safety System Improvements.....	25	\$560
(9) Fire Protection Water Supply System Improvements.....	53	740
Total .....	\$218	\$1,300

**B. Complete Newly Constructed Facilities**

*We recommend approval.*

The budget includes approximately \$7.5 million from the 1990 Higher Education Capital Outlay Bond Fund to provide equipment for three newly constructed buildings. We recommend approval of these requests as budgeted.

**C. Add Instructional-Related Facilities**

*We recommend approval.*

The budget proposes approximately \$35.8 million for four projects to add instructional-related space. We recommend approval of these projects as budgeted.

**D. Upgrade Instructional-Related Space**

*We recommend approval.*

The budget includes \$12,037,000 for one project to upgrade instructional-related space—renovation of Steinhaus Hall at the Irvine campus. We recommend approval.

**E. Library Space**

The budget includes three projects totaling \$36.7 million in this category. We recommend approval of the amounts requested. A discussion of the need to increase CSU's use of regional library storage facilities is discussed below.

**Southern Regional Library**

*We recommend approval of \$413,000 requested in Item 6440-301-791(3) for preliminary plans for an addition to the Southern Regional Library. Further, we recommend the Legislature adopt supplemental report language directing UC and the California State University (CSU) to cooperatively establish a plan for increased CSU use of the Southern and Northern Regional Libraries in order to reduce state costs for future construction/operation of library space at CSU campuses.*

The budget proposes \$413,000 in general obligation bonds for preliminary plans for the second phase of the Southern Regional Library,

located on the Los Angeles campus (Item 6440-301-791(3)). We recommend approval of this request. The university estimates future costs for working drawings, construction and equipment of \$13.9 million.

The Southern Regional Library provides supplemental shelving for materials from the five UC campuses in southern California, as well as limited shelving for materials from other academic and public libraries throughout the southern half of the state. (A similar facility for campuses in the north part of the state is located in Richmond at the university field station.) This allows these libraries to devote scarce on-campus space to those library materials that are most in demand. The university projects that the facility will reach its storage capacity of 3.6 million volume equivalents by December 1993. Under its budget proposal, UC would prepare preliminary plans for an addition of 87,600 assignable square feet, capable of holding an additional 3.6 million volume equivalents.

The university projects that this second phase will be filled in about 15 years, at which time another addition would be constructed. This projection assumes the following *annual* contributions: 135,000 volume equivalents from UC campuses, 93,000 volume equivalents from UCLA's Film and Television Archives and only 10,000 volume equivalents from other libraries, including those at CSU campuses.

The proposed addition to the regional library would be filled more rapidly if more volumes were accepted from CSU campuses. This would, however, help alleviate shortages of CSU library space and reduce the need to spend state funds in the future for construction/operation of CSU library space. Similar savings are possible by increasing CSU use of the Northern Regional Library. We therefore recommend the adoption of the following supplemental report language:

It is legislative intent that the University of California and the California State University cooperatively plan to increase the use of the Southern and Northern Regional Libraries for CSU collections. The segments shall jointly submit this plan to the Legislature by October 1, 1990, including identification of the (1) potential savings to the state resulting from increased CSU use of the regional libraries and (2) extent to which these potential savings would be realized under the plan.

#### **F. New Research-Related Facilities**

This category includes eight projects totaling \$85.7 million. We recommend approval as budgeted except for the two projects discussed below for which we recommend an alternative funding source.

##### **UC San Francisco—Library Release Space Improvements**

*We recommend reducing Item 6440-301-791(6) by \$30,000. We further recommend that the Legislature adopt supplemental report language calling for an alternative funding source for the research portion of this project—revenue bonds or negotiable notes to be repaid from increases in extramural research funding—in order to free up general obligation bond funds for projects addressing needs associated with enrollment growth or other postsecondary education facility priorities.*

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**

*We also recommend that the student commons area be funded with nonstate funds. (Estimated future savings of \$13.6 million in state costs.)*

The budget includes \$1,905,000 in general obligation bonds for preliminary plans and working drawings for (1) alterations to space released by the transfer of the campus library to a new building and (2) improvements to existing lecture space. The university estimates future costs for construction and equipment of \$17.4 million. At completion of the project the renovated space would consist of (1) research space (23,370 assignable square feet (asf)), (2) instructional space (15,320 asf) and (3) student commons area (a lounge area of 1,000 asf).

For the most part, the proposed project will alter space vacated as a result of constructing a new library at this campus. The new library is scheduled for completion in August 1990. Alterations of the type proposed were anticipated at the time UC requested funding for the new library. According to the justification submitted by UC for the library project, the additional research space thus created "would provide for sophisticated technological needs of UCSF's biomedical research programs that generate a large amount of federal and private contract and grant funding..." In addition, the submittal stated that "...support funding generated by these research activities would offset the cost of altering space released in the campus core." Finally, in a more recent submittal on the proposed alteration project, UC states that the additional research space will help "...to expand the biotechnology industry (especially human therapeutics) in California, which will add jobs and tax revenues to the state."

In view of the above, an appropriate financing alternative for the proposed research space portion of the project is available—revenue bonds or negotiable notes to be repaid from increased nonstate funding of research activities.

Chapter 1145, Statutes of 1989, (SB 578, Garamendi) authorizes, subject to appropriation by the Legislature, the issuance of \$250 million of revenue bonds and negotiable notes for UC facilities "...dedicated to long-term scientific research activities which are expected to generate a stable revenue base...and to enhance the economy of this state and the nation or the competitive position of this state and the nation in the international economy."

The estimated cost for the research space, including construction and equipment, is \$13.3 million. These costs would appropriately be financed by the bonds authorized in Chapter 1145. Use of this bond financing would result in providing the research space at no cost to the state and allow use of general obligation bonds for other purposes.

We further note that the 1,000 asf of student commons/lounge area (estimated cost \$300,000) should be funded by nonstate funds, as is done for similar space on other UC projects.

Accordingly, we recommend the following:

- Reduce Item 6440-301-791 by \$30,000, to account for the student commons share of preliminary plans/working drawings and reduce future project cost by \$270,000 for the student commons share of construction;
- Adopt supplemental report language stating legislative intent that the revenue bond/negotiable note funding program established by Chapter 1145 be used to (1) fund the research space portion of future construction/equipment costs (estimated \$12 million) and (2) reimburse the general obligation bond fund for the research space's share of preliminary plans/working drawings (estimated \$1.3 million).

Adoption of the above recommendations would free-up an estimated \$13.6 million of general obligation bond funds for appropriation for other postsecondary education facility priorities.

#### **Kearney Agricultural Center—Post-harvest Evaluation Facility**

*We recommend reducing Item 6440-301-791 (42) by \$60,000 and adding new Item 6440-301-663, with funding in the increased amount of \$1,866,000. This provides an alternative funding source for this project—revenue bonds or negotiable notes to be repaid from increases in extramural research funding anticipated through the project—in order to free up general obligation bond funds for needs associated with enrollment growth or other postsecondary education facility priorities. Finally, we recommend approval of funding contingent on receipt of completed preliminary plans prior to budget hearings.*

The budget proposes \$60,000 from the 1990 Higher Education Capital Outlay Bond Fund for working drawings for a post-harvest evaluation facility at the Kearney Agricultural Center in Fresno County. The university estimates future costs for construction and equipment of \$1.8 million. The university spent \$40,000 of its discretionary funds in the current-year for preliminary plans. Thus, the Legislature has not had the opportunity to review this project until now.

The university's proposal for a post harvest evaluation facility was based on a recommendation by an advisory committee comprised of representatives of (1) fruit growers, packers and shippers, (2) agricultural organizations, (3) various county, state and federal groups and (4) UC. According to UC, the proposed facility will accommodate research related to the post-harvest stage of fruits and nuts, including (1) improved methods of packaging, drying, handling and storage, (2) improved disease control procedures for post-harvest, (3) proper storage temperatures for extending market shelf life and (4) "a host of other industry-related concerns." Without the proposed facility, according to UC, its "...ability to obtain additional extramural support" for post-harvest research will be limited. Finally, UC states: "This research is necessary to assure quality products for an expanding local and overseas market."

In view of the university's expectation that the post-harvest evaluation facility will help it secure research funds from nonstate sources, an appropriate financing alternative, in place of general obligation bonds, is the revenue bond/negotiable note program established by Ch 1145/89

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**

(discussed above with reference to the library release space improvements at UC San Francisco).

Accordingly, we recommend deletion of \$60,000 requested for working drawings in Item 6440-301-791 (the 1990 Higher Education Capital Outlay Bond Fund). As an alternative, we recommend that the Legislature add Item 6440-301-663 for working drawings *and* construction—a total of \$1,866,000—from the revenue bond/negotiable note funding source authorized by Chapter 1145. Finally, we recommend that project funding be contingent on receipt of preliminary plans prior to budget hearings.

The above recommendations (1) are consistent with legislative intent in enacting Chapter 1145, (2) shorten the completion time for the post-harvest evaluation facility by six months and (3) free up almost \$1.9 million of general obligation bonds for other postsecondary education facility priorities.

**G. Upgrade Research-Related Facilities**

The budget includes four projects totaling \$14.8 million under this category. We recommend approval of \$13.9 million for three projects. A discussion of the remaining project and our recommendation follows.

**UCLA—Young Hall East Renovation**

*We recommend deletion of \$932,000 requested in Item 6440-301-791 (22) for preliminary plans for renovating Young Hall East so that the university may first investigate the suitability and comparative costs/benefits of (1) constructing a replacement facility and (2) minimizing renovation needs/costs.*

The university requests \$932,000 from general obligation bond funds in 1990-91 for preliminary plans to upgrade chemistry laboratory facilities in the East Wing of Young Hall on the Los Angeles campus. The university estimates future project costs of \$20.3 million. Following renovation, the 54,700 asf wing would include 25,200 asf of research laboratories, 16,600 asf of instructional laboratories and 12,900 asf of offices. According to UC, the proposed renovations to the 27-year old wing are needed to correct various deficiencies in mechanical, structural and life safety systems, as well as to accommodate fundamental changes in instructional and research techniques in the fields of Biochemistry and Physical Chemistry. Our review indicates that major facility changes are needed. It is not clear, however, that UC's proposal is the most effective or efficient way of meeting facility/program needs.

In February 1988, UC hired a consultant to prepare a master plan for renovation of the entire Young Hall and adjacent areas. According to UC, it became clear early in the planning process that the necessary scope of work would be significantly greater than anticipated. In fact, the anticipated degree of renovation work changed from "light, moderate or major" to "a complete 'gut' renovation of most spaces." This change, according to UC, "increased the construction cost plan and schedule dramatically..." In view of these changes UC requested its consultant to study options involving a mix of new construction and renovation for



Young Hall and adjacent areas. This study now is underway.

According to UC, however, this study will not affect the proposed renovation of the East Wing because UC chose to not include this portion of Young Hall in the reevaluation. Thus, contrary to the decision to reevaluate the balance of the building, UC is requesting funds for preliminary plans for the East Wing without further evaluation of cost reducing options. Considering the major estimated cost of renovation for the project proposed in the budget (\$184 per gross square foot), we believe UC should thoroughly examine the suitability and costs/benefits of constructing a new facility in lieu of the proposed renovation. A new facility could be designed to meet program needs without the constraints imposed on program objectives by an outmoded existing building. Another alternative UC should thoroughly explore is reducing renovation costs. The university should review its renovation proposal and determine what is *essential* to meet program, fire and life safety needs and how necessary renovation costs otherwise can be minimized. The funding of preliminary plans should be deferred until the above reviews are completed, and the Legislature has the opportunity to review them and the overall master plan being developed for this area of the campus. Accordingly, we recommend deletion of the \$932,000 requested in Item 6440-301-791 (22) for preliminary plans.

#### **H. Faculty/Administrative Office Space**

This category includes \$1.9 million for three projects. We recommend approval except as discussed below.

#### **UC Davis—Social Sciences/Humanities Building**

*We withhold recommendation on Item 6440-301-791 (11)—\$840,000 requested for preliminary plans for a new Social Sciences/Humanities Building at the Davis campus—pending information justifying the need for the amounts of space requested for various program purposes.*

The budget proposes \$840,000 in general obligation bonds for preliminary plans for a new Social Sciences/Humanities Building at the Davis campus. The university estimates future costs of \$24.7 million. According to UC, the project is needed to alleviate space shortages in Social Sciences/Humanities departments. According to UC, growth in the numbers of students and faculty in the social sciences/humanities has (1) made it difficult for students to obtain needed courses, (2) made it difficult to schedule use of classrooms and seminar rooms, (3) required conversion of departmental conference rooms and library/study space to offices, and (4) required sharing of office space. Of the 81,000 asf of space proposed in the new building, 77 percent is for faculty and administrative offices and conference rooms and 10 percent is for instructional-related space. The proposed project frees up almost 40,000 asf of space in 14 existing buildings to be reallocated to various other programs/activities.

Based on information provided by UC, it is evident that additional instructional space is needed and that other space *may* be needed. The university's data, however, does not delineate the *net* effect (constructing 81,000 asf and reallocating 40,000 asf of existing space in 13 buildings) that

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**

this proposal will have on campus space needs. Thus, we are unable to advise the Legislature how the proposed project addresses campus space problems.

In addition, we note that the estimated building cost (\$135 per gross square foot) is about 30 percent higher, on a square foot basis, than other state projects providing similar space. In view of the above, we withhold recommendation pending review of information delineating the net effect of the project on instructional, research, office and other space, the bases for the net amounts of space proposed and the basis for the proposed cost.

**UC Santa Barbara—Addition to Environmental Health and Safety Office Facility**

*We recommend deletion of \$91,000 in Item 6440-301-791 (36) requested for preliminary plans and working drawings for an addition to the Environmental Health and Safety Office's facility because UC has not justified the need for the project. (Future savings \$1.6 million.)*

The budget includes \$91,000 in Item 6440-301-791 (36) (general obligation bond funds) for preliminary plans and working drawings for an addition to the Environmental Health and Safety Office's facility at the Santa Barbara campus. The university estimates future costs for construction and equipment of \$1.6 million.

The Environmental Health and Safety Office has various responsibilities related to employee/student health and safety on campus, including accident prevention programs, emergency preparedness/response and oversight of waste disposal. At present, the office operations are housed at four buildings on campus. Using its discretionary funds, the university already has funded a new facility to consolidate most office operations. This building is scheduled for completion in the fall of 1990. Under the budget proposal, the state would provide funds to (1) complete the interior and equip laboratory shell space included in the nonstate-funded building and (2) construct a 4,069 assignable square feet addition, primarily to accommodate staff offices.

It is not clear why the university is asking for state funds to complete a facility that it undertook on its own initiative, without any review or approval by the Legislature, or why the proposed work is needed. According to UC, the decision to not consolidate fully was based on an assessment of priorities on the use of university funds. Thus, based on UC's assessment, the Environmental Health and Safety Office's operations should be able to continue in the present locations. If UC believes the priority for consolidating these functions is now higher, then UC could use nonstate funds to finish this consolidation. In view of the above, we recommend deletion of \$91,000 requested for preliminary plans and working drawings (estimated future savings of \$1,552,000). Adoption of this recommendation would make available a total of \$1.6 million from the 1990 Higher Education Capital Outlay Bond Fund for appropriation by the Legislature for other postsecondary education facility priorities.

**I. Utilities/Infrastructure**

The budget includes \$15.7 million for nine projects in this category. We recommend approval of four projects in the amounts budgeted and a total of \$4.8 million for this category of projects. Our recommendations for changes in the proposed projects are discussed below.

**UC Davis—Augmentation for Electrical System Modification/Expansion**

*We withhold recommendation in Item 6440-301-791 (10) on \$1,484,000 requested for augmenting construction funds for a previously funded project to modify/expand the electrical distribution system at Davis, pending receipt of information justifying the amount needed.*

The budget includes \$1,484,000 to “construct a project to increase the capacity of the Electrical Distribution System” at the UC Davis campus. According to information from UC, however, the budget amount represents a 53 percent augmentation of a previously funded project. The Legislature appropriated \$2,787,000 in the 1988 Budget Act for the construction phase of electrical distribution system modification/expansion. The university divided the project into four separate bid packages and, in August 1989, received bids on three of the bid packages. Based on those bids and its cost estimate for the fourth bid package, the university concluded that it could not award bids or proceed with the project within the appropriated amount.

The university is now requesting that the previously approved construction funds be augmented by \$1,484,000 (53 percent). The information provided by UC to justify this augmentation is incomplete and inconsistent. For example, there is an unexplained discrepancy of \$368,000 between the amount requested for augmentation and the amount by which the bids and estimate are stated to exceed the prior approved amount. Also, UC’s submittal indicates that it plans to save an *unspecified* amount by purchasing certain equipment directly, rather than through construction contractors as originally planned. The submittal indicates that these purchases would take place in the current-year. It is not clear how this can be done. Since the current estimated project cost exceeds the legislatively approved amount by more than 20 percent, Government Code Section 13332.11 becomes applicable and UC could not proceed with project expenditures until the Legislature has appropriated additional funds needed to make the project “whole.”

In view of the above, we withhold recommendation, pending receipt of clarifying information.

**UC Davis—Campus Chilled Water Expansion, Step 3**

*We recommend deletion of Item 6440-301-791 (13)—\$449,000 requested for preliminary plans and working drawings for expansion/upgrade of chiller capacity at the Davis central plant—because the current capacity is sufficient for existing and proposed buildings. We further recommend that the university investigate the feasibility/benefits of a thermal energy storage system to meet future campus cooling needs.*

The budget requests \$449,000 from the 1990 Higher Education Capital Outlay Bond Fund for preliminary plans and working drawings for

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**

expansion of chiller capacity at the UC Davis central plant in order to meet projected growth in cooling needs for campus buildings. The university estimates future construction costs of \$4.7 million. Information provided by UC indicates, however, that there is sufficient chiller capacity at the central plant to accommodate chilled water loads for existing campus buildings *and* new buildings proposed for funding in the 1990-91 budget. Consequently, the requested expansion of capacity is premature. We therefore recommend deletion of \$449,000 requested in Item 6440-301-791 for preliminary plans and working drawings.

By deferring the expansion to coincide with the completion dates of projects to be proposed to the Legislature in the future, UC would have the opportunity to investigate the feasibility and benefits of using a thermal energy storage system (and/or other energy conservation measures) to meet future campus cooling needs. Such a system could reduce or eliminate the need for additional chiller capacity, by reducing peak cooling loads. Moreover, an energy efficient system also may be eligible for funding through energy efficiency revenue bonds, and/or partial funding from the utility district. This potential funding would allow funds in the 1990 Higher Education Capital Outlay Bond Fund to be used for other postsecondary education facility priorities. The California State University recently funded a thermal energy storage system for the Fresno campus in this manner.

**UCLA—Electrical Distribution System Expansion, Step 3**

*We recommend reducing Item 6440-301-791 (23) for expansion of the electrical distribution system at UCLA by \$100,000 to account for the nonstate share of project costs attributable to construction of the Anderson Graduate School of Management. (Future state savings \$900,000.)*

The budget requests \$290,000 for preliminary plans and working drawings for the third of six phases of expansion of the electrical distribution system at the Los Angeles campus. The university estimates future costs for construction of \$2.8 million for the third phase. Approximately one-third of the additional capacity proposed in the project is needed to serve the Anderson Graduate School of Management (AGSM), which is currently under design. When UC requested state approval of the AGSM project, the university made a commitment that the total capital outlay cost to the state for the AGSM facility would not exceed \$27.1 million (current dollars). The balance of necessary funds were to be provided from gifts or other nonstate sources. This limit is reached under the university's request for \$25.8 million of state funds in 1990-91 for construction of the AGSM (Item 6440-301-660), since the Legislature appropriated \$1.3 million of state funds in the 1989 Budget Act for the AGSM working drawings.

In view of the above, any costs for the electrical distribution system expansion due to the AGSM should be funded from nonstate funds. Based on UC's budget information, we estimate that about one-third of the total

project cost (approximately \$1 million) is required for the AGSM. This cost consists of \$100,000 in the budget request and \$900,000 in estimated future construction costs. Consistent with UC's prior commitment, these costs, that are a direct result of the AGSM, should be financed using nonstate funds. Consequently, we recommend a \$100,000 reduction under Item 6440-301-791 (23). Adoption of this recommendation would make available \$1 million from the 1990 Higher Education Capital Outlay Bond Fund for other postsecondary education facility priorities.

#### **UC Riverside—Electrical Distribution System Upgrade, Phase 1**

*We withhold recommendation on \$2,246,000 requested in Item 6440-301-791 (24) for Phase 1 upgrade of the electrical distribution system at Riverside, pending (1) receipt of a cost-benefit analysis and (2) determination of the suitability of using energy efficiency revenue bonds to fund the project.*

The budget includes \$2,246,000 from the 1990 Higher Education Capital Outlay Bond Fund for construction of the first phase of upgrading the electrical distribution system at the Riverside campus. The university estimates future costs of \$3.5 million for Phase II. The amount requested for 1990-91 is \$1 million less than proposed under UC's five-year capital outlay plan. According to UC, the reduction in the amount of state funds for Phase I was made possible by a recent memorandum of understanding between UC and the City of Riverside Utilities Department, in which the utilities department agreed to contribute \$1 million toward the project. In exchange for this contribution, UC has agreed to defer the use of cogeneration on campus for at least seven years. Thus, under this agreement, the state forgoes potential savings in electricity costs made possible by cogeneration and the utilities department insures itself against a corresponding revenue loss.

At the time this analysis was prepared UC had not provided a copy of the memorandum of understanding or a cost/benefit analysis of the deferral of cogeneration. Without this information we cannot advise the Legislature whether the budget proposal is in the state's economic interest. We therefore withhold recommendation pending receipt of the above information.

We also note that the proposal may qualify for funding under the energy efficiency revenue bond program administered by the Department of General Services. This was the case for a similar project at UC San Diego. The university should investigate this possibility, which would make available general obligation bond funds for other priorities.

#### **UC San Diego—Central Plant Improvements**

*We recommend a reduction of \$310,000 in Item 6440-301-791 (34) for central plant improvements at UC San Diego to account for the minimum share of project costs due to a nonstate building. We withhold recommendation on the balance of funds requested (\$6,182,000) pending receipt of information substantiating project costs. Finally, legislative approval of funds should be contingent on receipt of preliminary plans prior to budget hearings.*

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**

The budget proposes \$6,492,000 in 1990-91 from general obligation bond funds for working drawings and construction of improvements to the central plant at the San Diego campus. The university, using discretionary funds, spent \$180,000 in the current-year for preliminary plans. Thus, the Legislature has not had the opportunity to review this project until now. The proposed improvements include (1) replacement of a deteriorated exterior wall on the central plant building and (2) expansion of chiller and boiler capacities to meet projected growth in campus hot water and cooling needs.

**Chiller Capacity.** Our review indicates that about one-fourth of the proposed increase in chiller capacity (1,300 tons) is required because the university connected a non-state-funded building (the Price Center) to the central plant. This added cost should be financed from nonstate funds. We therefore recommend reducing Item 6440-301-791 by \$310,000, which is one-fourth the estimated cost of the new chiller.

**Project Costs.** Our review indicates that, based on industry estimating cost guidelines for similar work, the estimated project costs, particularly the costs for the chiller and boiler, may be high. The university has not provided information substantiating these costs. We withhold recommendation on the balance of funds requested for the project (\$6,182,000) pending receipt of information substantiating these costs. Finally, if completed preliminary plans are not available for legislative review prior to budget hearings, we recommend that the Legislature *not* approve this project.

We note further that the costs for electricity to operate the proposed chiller (as well as other areas of the campus) could be reduced by the use of cogeneration on campus. The university, in association with a project aimed at reducing electrical energy rates charged to the San Diego campus, precluded use of this option by entering into an agreement with San Diego Gas and Electric Company to defer the use of cogeneration on campus for at least five years after completion of the associated project (not before 1996). The university has been unable to provide a cost/benefit analysis of this deferral. To determine the impact of deferring cogeneration and whether or not the proposed central plant expansion is energy efficient, UC needs to provide the Legislature this cost/benefit analysis. This information should be available to the Legislature prior to approval of the requested central plant expansion.

**J. Other Projects**

The budget proposes approximately \$10.6 million for six projects that do not fall into any of the categories discussed above. These include UC's minor capital outlay program (projects costing \$250,000 or less) and projects to improve handicap access. We recommend approval of these five projects as budgeted. A discussion of the remaining project and our recommendation follows.

**UC San Diego—Campus Services Complex**

*We recommend deletion of \$258,000 requested in Item 6440-301-791 (35) for working drawings for a campus services complex at UC San Diego because the university has not justified the need for this project. (Future savings \$5.1 million.)*

The university's budget request includes \$258,000 in general obligation bond funds for working drawings for a campus services complex at UC San Diego. The university estimates future costs for construction of \$5.1 million. The university, using UC discretionary funds, spent \$280,000 in the current-year for preliminary plans. Thus, the Legislature has not had the opportunity to review this project until now. If these preliminary plans are not available for legislative review prior to budget hearings, the Legislature should *not* approve the project.

The proposed project would consolidate various activities of the campus' Physical Plant Services in new, expanded facilities. These activities, including electrical, carpentry and painting shops, custodial services and landscaping services, would be accommodated in approximately 60,000 assignable square feet of space, which is more than double their current allotment. According to UC, the additional space is needed to accommodate a projected staff increase of more than 40 percent by 1994-95. The university has been unable to substantiate why this staffing growth should take place or why it translates into the amounts of space proposed for various purposes. Consequently, we recommend deletion of \$258,000 requested for working drawings. (Estimated future savings of \$5.1 million.) Adoption of this recommendation would make available \$5.3 million from the 1990 Higher Education Capital Outlay Bond Fund for appropriation by the Legislature for other postsecondary education facility priorities.

**Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental report language that describes the scope of each of the capital outlay projects approved under these items.

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# CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY

Item 6610-301 from the Public  
Buildings Construction Fund  
and the 1990 Higher  
Education Capital Outlay  
Bond Fund

Budget p. E 117

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Requested 1990-91 .....	\$201,526,000
Recommended approval .....	180,904,000 <sup>a</sup>
Recommended reduction .....	13,209,000 <sup>b</sup>
Recommendation pending .....	7,413,000

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<sup>a</sup> Includes recommended transfer of \$80,173,000 from lease-revenue bonds to general obligation bond funds.

<sup>b</sup> Estimated future savings: \$112.8 million.

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## SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

*Analysis  
page*

1. Five-Year Capital Outlay Plan. Recommend adoption of supplemental report language requesting CSU to improve the informational content of its plan, so that the Legislature may assess better CSU capital outlay needs and set priorities. 1328
2. New Campuses. Recommend that the Legislature adopt supplemental report language directing CSU to suspend planning for new campuses because existing campuses and off-campus centers can accommodate projected enrollment growth to 2005-06 and beyond. 1330
3. *Lease-Revenue Bonds. Delete Item 6610-301-660 (\$82,126,000) and increase Item 6610-301-791 by the same amount.* We recommend that the Legislature use general obligation bonds in lieu of lease-revenue bonds for the five projects proposed for funding in Item 6610-301-660 in order to reduce future annual General Fund costs and increase the Legislature's flexibility in addressing overall state funding needs. Further, we withhold recommendation on \$1,953,000 of the amount transferred pending receipt of additional information on the proposed animal laboratory facility at the Pomona campus. 1330
4. Preliminary Plans Not Yet Available. We recommend approval of nine projects totaling \$44.5 million contingent on receipt of preliminary plans prior to budget hearings. 1332
5. Recommendations Pending. We withhold recommendation on \$5,460,000 requested in Item 6610-301-791 for six projects and \$1,953,000 requested in Item 6610-301-660 for another project, pending receipt of additional information. 1333
6. *Over-budgeting of Equipment. Reduce Item 6610-301-791 by \$7,671,000.* Recommend reductions to eliminate amounts in excess of what the Legislature previously recognized as costs for equipment for seven newly constructed projects. 1336



7. Estimated Future Costs. Recommend that Legislature not recognize increased estimates of future costs for six projects because CSU has not justified need for cost increases. 1336
8. *Over-Budgeted Costs for Working Drawings/Construction. Reduce Item 6610-301-791 by \$467,000.* Recommend reductions to eliminate costs for working drawings or construction for three projects that exceed what the Legislature previously recognized. We recommend approval of the balance of funds requested for the three projects, contingent on receipt of preliminary plans. 1337
9. *Fullerton—Library Addition. Reduce Item 6610-301-791(18) by \$72,000. (Estimated future savings \$3.8 million.)* Recommend approval in the reduced amount of \$287,000 for preliminary plans for an addition to the library at CSU Fullerton, based on existing library space standards. 1339
10. *San Diego—Library Addition. Reduce Item 6610-301-791(50) by \$150,000. (Estimated future savings \$13 million.)* Recommend approval in the reduced amount of \$337,000 for preliminary plans for an addition to the library at San Diego State University, based on existing library space standards. 1340
11. *Fullerton—Physical Education Addition/Renovation. Reduce Item 6610-301-791(16) by \$127,000. (Estimated future savings: \$5.2 million.)* Recommend approval in the reduced amount of \$106,000 for preliminary plans for addition/renovation to the physical education facility at Fullerton because CSU has not justified the need for either the renovations to existing space or specified areas of the proposed addition. 1341
12. *Long Beach—Physical Education Addition. Reduce Item 6610-301-791(28) by \$199,000. (Estimated future savings \$9.9 million.)* Recommend deletion of funds requested for preliminary plans for an addition to the physical education facility at Long Beach because CSU has not (1) substantiated the program needs to be addressed by the project or (2) defined the project scope. 1343
13. *Northridge—Physical Education Addition and Renovation. Reduce Item 6610-301-791(30) by \$211,000. Estimated future savings \$10.2 million).* Recommend approval in the reduced amount of \$55,000 for preliminary plans for addition/renovation to the physical education facility at Northridge because CSU has not justified the need for the noninstructional space in this project. 1343
14. *San Bernardino—Physical Education Complex. Reduce Item 6610-301-791(44) by \$134,000. (Estimated future savings \$7.9 million.)* Recommend approval in the reduced amount of \$270,000 for preliminary plans to delete intercollegiate athletic facilities that should be funded from nonstate sources. 1344

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**

15. *San Francisco—Physical Education—Replacement Facility. Reduce Item 6610-301-791 (54) by \$526,000. (Estimated future savings \$34.6 million—excluding unknown future costs for demolition of existing physical education facility.)* Recommend deletion of \$526,000 requested for preliminary plans for a replacement physical education facility at San Francisco State University because CSU has not justified the need to demolish the existing physical education facilities and construct a new facility nor substantiated proposed project costs. 1345
16. *San Luis Obispo—Performing Arts Center. Reduce Item 6610-301-791 (59) by \$270,000. (Estimated future savings \$15.6 million.)* Recommend deletion of \$270,000 requested for preliminary plans for a performing arts center at Cal Poly—San Luis Obispo because CSU (1) has not substantiated how the project meets campus program needs, (2) has not adequately defined the scope of the project and (3) has not defined the respective responsibilities between CSU and nonstate participants in project implementation and cost. 1346
17. *Fresno—Central Plant Improvements. Reduce Item 6610-301-791 (15) by \$280,000. (Estimated future savings \$4.6 million.)* Recommend deletion of \$280,000 requested for preliminary plans and working drawings for improvements to the central plant at Fresno because the proposed changes are not cost-effective. 1346
18. *Fullerton—Central Plant. Reduce Item 6610-301-791 (19) by \$357,000.* Recommend deletion of funds requested for preliminary plans and working drawings to expand chiller capacity in the central plant at Fullerton because (1) current capacity is adequate to meet near-term needs and (2) CSU should report to the Legislature on the feasibility/benefits of a thermal energy storage system (or other energy conserving systems) to meet future campus cooling needs. 1347
19. *Long Beach—Upgrade Electrical Infrastructure. Reduce Item 6610-301-791 (27) by \$70,000. (Estimated future savings \$1.1 million.)* Recommend approval in the reduced amount of \$335,000 for preliminary plans to upgrade electrical infrastructure at Long Beach to reflect elimination of over-budgeting of construction contingency. 1348
20. *San Marcos—Cogeneration/Thermal Energy Storage. Reduce Item 6610-301-791 (60) by \$201,000. (Estimated future savings \$3.6 million.)* Recommend deletion of \$201,000 requested for preliminary plans and working drawings for a cogeneration/thermal energy storage system at CSU San Marcos because the proposal contradicts work (1) included in a project approved by the Legislature in the 1989 Budget 1348

- Act and (2) included in the working drawings completed by CSU under that appropriation.
21. ***Energy Conservation Retrofits. Reduce Item 6610-301-791(4) by \$2,382,000.*** 1349  
Recommend deletion of funds for preliminary plans, working drawings and construction of energy conservation retrofit projects because these projects can be funded through energy efficiency revenue bonds, to be repaid from energy savings.
  22. ***Northridge—Engineering Addition/Renovation, Phase I. Reduce Item 6610-301-791(32) by \$10,000. (Estimated future savings \$500,000.)*** 1350  
Recommend approval in the reduced amount of \$112,000 for preliminary plans for an addition to CSU Northridge's Engineering Building to reflect deletion of specified faculty office space from Phase I of the project, as CSU has not justified the need for this space. Withhold recommendation on \$135,000 pending information justifying the need for graduate research space. Further recommend the adoption of supplemental report language directing CSU to reevaluate the scope/cost of Phase II.
  23. ***San Luis Obispo—Poultry Science Unit. Reduce Item 6610-301-791(58) by \$82,000. (Potential future savings \$2.8 million.)*** 1352  
Recommend deletion of \$82,000 requested for preliminary plans for a new poultry science facility at Cal Poly—San Luis Obispo so that CSU can first (1) better define instructional needs and project scope and (2) seek nonstate funding for the project.

## **OVERVIEW OF THE BUDGET REQUEST AND THE FIVE-YEAR CAPITAL OUTLAY PLAN**

### **Budget Request**

The budget proposes two appropriations totaling almost \$202 million to fund the state's share of the California State University's (CSU) capital outlay program in 1990-91. Of this amount, \$119.4 million will come from the 1990 Higher Education Capital Outlay Bond Fund. This general obligation bond fund would be created by SB 147 (Hart). As amended January 18, 1990, SB 147 would place a \$900 million general obligation bond measure for higher education facilities before the voters on the June 1990 ballot.

The balance of the budget request (\$82.1 million) is proposed from the Public Buildings Construction Fund (lease-revenue bonds). The General Fund provides the "revenues" for the principal and interest payments on these bonds.

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued****MAJOR ISSUES**

- ☒ CSU's Five-Year Capital Outlay Plan. The system has improved its five-year capital outlay plan in response to legislative direction in *The Supplemental Report of the 1989 Budget Act*. Better information is needed, however, on how proposed \$1.4 billion program addresses needs associated with enrollment growth.
- ☒ CSU should suspend planning for any new campuses because existing campuses and off-campus centers can accommodate projected enrollment growth to 2005-06 and beyond.
- ☒ 1990-91 Capital Outlay Program. CSU's 1990-91 program includes several newly proposed projects that contribute little to meeting needs associated with enrollment growth. These projects account for only \$2.3 million of costs in 1990-91, but would require an estimated \$108 million in future appropriations. Our analysis recommends reductions to these projects that would result in budget year and future savings totaling an estimated \$97 million.
- ☒ The budget proposes using \$82 million of more costly lease-revenue bonds even though adequate general obligation bond funds would be available from the 1990 Higher Education Capital Outlay Bond Fund.

**Five-Year Capital Outlay Plan**

*We recommend the adoption of supplemental report language directing CSU to improve the informational content of its plan, so that the Legislature may better assess CSU capital outlay needs and set priorities.*

The CSU's five-year capital outlay plan, submitted to the Legislature August 31, 1989, calls for the expenditure of *\$1.4 billion* during 1990-91 to

1994-95, including \$215 million in the budget year. The proposed five-year program includes 166 major projects at the 20 campuses, 8 major projects at 2 off-campus centers (Contra Costa and Ventura) and ongoing programs for energy conservation and minor capital outlay (projects costing \$250,000 or less).

The state university has improved the informational content of its annual plan, in response to legislative intent expressed in the *Supplemental Report of the 1989 Budget Act*. As discussed in our document *The 1990-91 Budget: Perspectives and Issues*, CSU's capital outlay plan still does not adequately inform the Legislature how needs associated with projected enrollment growth are to be met. For example, the plan contains numerous and significant inconsistencies regarding the instructional capacity of space to be provided by different projects. The plan also does not include any information regarding establishment of off-campus centers.

The CSU's capital outlay plan does *not* include any proposal for the planning or establishment of new campuses. Consequently, the current capital outlay plan will not implement the *1989 California State University Growth Plan for 1990-2005* that calls for five new campuses, with the first campus to come on line in 1994. Although the capital outlay plan does include projects designed to meet needs associated with enrollment at *existing* campuses, many of the proposed expenditures do not substantially address these needs. For example, the San Diego campus already is at its master plan ceiling in terms of both enrollment and facility capacity. Yet CSU's plan proposes spending more capital outlay funds at San Diego than at any other campus—\$141 million over the five-year period.

Many projects that do not contribute directly to accommodating enrollment growth may be necessary. The Legislature needs better information in the five-year plan, however, so that it may assess these competing needs and, within available financing, strike an appropriate funding balance. For this reason, we recommend that the fiscal subcommittees adopt the following supplemental report language:

The California State University shall submit to the Legislature by October 15, 1990 and by each October 15 thereafter, a comprehensive five-year capital outlay plan that includes, but is not limited to, the following information:

- Current-year enrollment and enrollment projections for each campus for each year covered in the plan;
- Projects proposed for each campus in each year of the plan, including a discussion of the programmatic bases for each project;
- An explanation of how each project contributes to accommodating needs associated with current/projected enrollments of graduate and undergraduate students, and other needs, and the costs of meeting those needs;
- The estimated costs of each project, showing the schedule for when these funds will be needed, including a schedule of annual funding needs beyond the five years for those projects for which completion exceeds the time frame of the plan;
- The relative priority of the projects on a campus and statewide basis; and
- Description of activities that take place within the plan's time frame related to establishing or expanding off-campus centers.

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**

The plan shall be updated annually, or more often if necessary given evolving circumstances in the planning process of the institutions. The Legislature recognizes that the annual plan is a flexible, working document subject to the evolutionary change inherent in the planning process. The plan is designed to reflect project data changes on a year-to-year basis, and the inclusion of a project in the plan does not guarantee its viability.

It is further legislative intent that the program planning guides submitted for each project proposed for inclusion in the upcoming budget specify (1) how each project meets needs for different types of space (e.g., classrooms, teaching laboratories, graduate research laboratories, faculty offices) and (2) the project costs associated with the different types of space.

**New Campuses**

*We recommend that the Legislature adopt supplemental report language directing CSU to suspend planning for new campuses because existing campuses and off-campus centers can accommodate projected enrollment growth to 2005-06 and beyond.*

In our companion document *The 1990-91 Budget: Perspectives and Issues* ("Capital Outlay for Postsecondary Education") we provide an analysis of CSU's plan to develop five new campuses by 2005-06. We conclude, based on enrollment projections by the Department of Finance's Demographic Research Unit, that existing campuses and off-campus centers can accommodate enrollment growth to 2005-06 and beyond (through capacity-expanding construction projects at those sites). Accordingly, we recommend that the Legislature adopt the following supplemental report language:

It is the intent of the Legislature that the California State University suspend planning for any new campuses until demographic enrollment trends demonstrate that new campuses may be needed and all other options (including off-campus centers, year-round operations, accelerated growth at existing campuses and increases in master plan ceilings of existing campuses) that could accommodate the expected growth have been considered to the Legislature's satisfaction and the Legislature directs the state university to resume planning.

**ANALYSIS AND RECOMMENDATIONS**

The California State University's 1990-91 capital outlay program includes \$201.5 million for 66 categories of expenditure. These consist of 60 major projects, a minor capital outlay program and five other systemwide programs related to capital outlay. To facilitate analysis of these projects, we have divided the program into descriptive categories as shown in Table 1.

**Lease-Revenue Bonds**

*We recommend that the Legislature (1) delete Item 6610-301-660 (\$82,126,000 of lease-revenue bonds), and (2) increase Item 6610-301-791 (general obligation bonds) by the same amount in order to reduce future annual General Fund costs and increase the Legislature's flexibility in addressing overall state funding needs. Further, we withhold recommendation on \$1,953,000 of the amount transferred*

*pending receipt of additional information on the proposed animal laboratory facility at the Pomona campus.*

**Table 1**  
**California State University**  
**1990-91 Capital Outlay Program**  
**Project Categories**  
**(dollars in thousands)**

	<i>Number of Projects</i>	<i>Total State Cost</i>	<i>Analyst's Recommendation</i>	<i>Estimated Future Cost<sup>a</sup></i>
A. Mitigate hazards .....	2	\$4,955	\$4,955	—
B. Complete newly constructed facilities .....	9	18,207	10,536	—
C. Add instructional-related space .....	14	90,042	89,476 <sup>b,c</sup>	\$130,628
D. Upgrade instructional-related space .....	5	8,596	8,516 <sup>b</sup>	52,338
E. Library facilities.....	6	12,352	12,067 <sup>b</sup>	101,483
F. Physical education facilities.....	6	8,900	7,703	90,729
G. Auditorium/performing arts center.....	2	11,725	11,455	17,149
H. Utilities/infrastructure.....	10	11,984	6,041 <sup>b,c</sup>	26,513
I. Other projects .....	12	26,113	21,503 <sup>c</sup>	60,940
J. Permanent off-campus centers.....	1	8,652	8,652 <sup>b</sup>	—
Totals .....	67 <sup>d</sup>	\$201,526	\$180,904	\$479,780

<sup>a</sup> CSU estimates.

<sup>b</sup> Recommended amount is contingent on receipt of preliminary plans.

<sup>c</sup> Final recommended amount pending receipt of additional information.

<sup>d</sup> Budget Bill shows 66 projects because it combines two projects at Long Beach that were separately approved by Legislature in the 1989 Budget Act.

The budget proposes an appropriation of \$82,126,000 in Item 6610-301-660 from the Public Buildings Construction Fund (lease-revenue bonds) for five projects. Table 2 lists the projects included in this item and our recommended amounts for each. (Discussion of our pending recommendation on the Pomona animal laboratory appears later in this analysis.)

As discussed in our document *The 1990-91 Budget: Perspectives and Issues* and in our summary of postsecondary education capital outlay, lease-revenue bonds have two principal disadvantages relative to general obligation bonds. First, General Fund costs for interest and insurance are higher. Second, payments for principal and interest on lease-revenue bonds are subject to the state appropriations limit. (We understand that the Legislature could exempt lease-revenue debt payments from the limit under the provisions of SCA 1, if that measure is approved by the voters in June 1990.)

In view of these disadvantages, and considering the \$900 million of general obligation bond funds available from the 1990 Higher Education Capital Outlay Bond Fund as proposed by SB 147, we recommend in our summary of postsecondary education capital outlay that the Legislature use these general obligation bond funds in lieu of lease-revenue bonds in 1990-91. (See the above summary, which precedes our analysis of the University of California capital outlay program, for a more detailed discussion of this issue.) Consistent with that recommendation, we recommend that the Legislature delete Item 6610-301-660 and increase Item 6610-301-791 by the same amount.

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**

**Table 2**  
**California State University**  
**1990-91 Capital Outlay Program**  
**Projects Proposed from Lease-Revenue Bonds**  
**Item 6610-301-660**  
**(in thousands)**

<i>Sub- item</i>	<i>Project Title</i>	<i>Phase<sup>a</sup></i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>	<i>Estimated Future Cost<sup>b</sup></i>
(1)	Long Beach-Dance Facility/Auditorium.....	c	\$26,218	\$26,218	\$2,970
(2)	Northridge-Business Administration/Economics/Education Building .....	c	25,909	25,909	1,945
(3)	Pomona-Animal Lab .....	wce	1,953	pending	—
(4)	Sacramento-Classroom/Office/Lab Building.	c	8,384 <sup>c</sup>	8,384 <sup>c</sup>	1,005
(5)	San Bernardino-Business/Information Sciences Building .....	wc	19,662	19,662 <sup>c</sup>	4,269
Totals.....			\$82,126	\$80,173 <sup>d</sup>	\$10,189

<sup>a</sup> Phase symbols denote: w = working drawings; c = construction; and e = equipment.

<sup>b</sup> University estimates.

<sup>c</sup> Amount contingent on receipt of preliminary plans.

<sup>d</sup> Analyst recommends transfer of this amount to general obligation bond funds, Item 6610-301-791.

We estimate this transfer would save up to \$20 million in General Fund costs for principal and interest over a 20-year period. These savings are a result of two factors—lease-revenue bonds carry a higher interest rate and, under the State Treasurer's current policy, these bonds are paid off using a different financing schedule. Given, however, the 20-year time frame for paying off the debt service, the \$20 million cost would be equivalent to \$7 million in 1990 dollars.

**Projects for Which We Recommend Approval or Contingent Approval**

*We recommend approval of 27 projects totaling \$123,935,000.*

*We also recommend approval of nine projects totaling \$44,537,000 contingent upon receipt of preliminary plans prior to budget hearings.*

Our analysis indicates that 27 projects totaling \$123.9 million either have been approved by the Legislature previously (and are within legislatively approved scope/cost) or are new proposals that are justified to address enrollment needs or other space deficiencies. Consequently, we recommend approval of these projects.

Our review indicates that there are nine other projects totaling \$44.5 million that have been approved previously by the Legislature and are within legislatively approved scope/cost (adjusted for inflation). At the time this analysis was prepared, however, CSU had not provided the Legislature with the completed preliminary plans for these projects. We recommend approval, contingent on receipt of the preliminary plans prior to budget hearings. If the preliminary plans are not available to the Legislature at that time, we recommend that the Legislature not approve the requested project funds.



**Projects on Which We Withhold Recommendation**

*We withhold recommendation on \$5,460,000 requested in Item 6610-301-791 for six projects and \$1,953,000 requested in Item 6610-301-660 for another project, pending receipt of additional information.*

Table 3 lists six projects on which we withhold recommendation, pending receipt of additional information either clarifying proposed project scope/costs or how proposed projects address program needs. In addition, we withhold recommendation on part (\$135,000) of the amount requested in Item 6610-301-791 (32) for preliminary plans (\$257,000) for an addition to the engineering building at CSU Northridge. We discuss this recommendation later in this analysis. Following are descriptions of the six other projects and the additional information needed.

**Table 3**  
**California State University**  
**1990-91 Capital Outlay Program**  
**Projects on Which We Withhold Recommendation**  
**(in thousands)**

<i>Project</i>	<i>Phase<sup>a</sup></i>	<i>Budget Bill Amount</i>	<i>Future Cost<sup>b</sup></i>
Item 6610-301-660:			
(3) Pomona-Animal Laboratory Facility.....	wce	\$1,953	—
Item 6610-301-791:			
(22) Hayward-Renovate Art and Education Building..	p	80	\$2,492
(35) Pomona-Science Building Addition/Renovation..	p	304	16,849
(36) Pomona-Utilities II.....	pwc	779	—
(43) San Bernardino-Visual Arts Building.....	p	262	16,411
(51) San Diego-Utilities I.....	wc	3,900	—
Totals.....		\$7,278	\$35,752

<sup>a</sup> Phase symbol indicates: p = preliminary plans; w = working drawings; c = construction; e = equipment.

<sup>b</sup> University estimates.

**Pomona—Animal Lab.** The budget requests \$1,953,000 in Item 6610-301-660(3) for working drawings, construction and equipment for an animal laboratory facility at Pomona. This amount exceeds the amount recognized by the Legislature in the *Supplemental Report of the 1989 Budget Act* (adjusted for inflation) by \$356,000 (22 percent). According to CSU, the cost increase is due to the need to add a surgical suite to the animal laboratory to meet requirements of the American Association for Accreditation of Laboratory Animal Care (AAALAC). The CSU, however, informed the fiscal subcommittees during hearings on its 1989-90 budget that the project proposed at that time was in compliance with all AAALAC requirements. The Legislature appropriated funds for preliminary plans and working drawings on this basis. The Legislature also adopted language in the *Supplemental Report of the 1989 Budget Act* directing CSU to submit by November 1, 1989, an operational management and facilities plan for its laboratory animal care program that meets those requirements, as well as requirements/guidelines of the U.S.

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**

Department of Agriculture and the National Institute of Health. This plan, submitted to the Legislature in October 1989, states that the plan was prepared based on the "AAALAC-designated format." The submittal to the Legislature does not state, however, that the plan complies with all the necessary requirements and we were unable, in reviewing the plan, to determine whether it does meet the legislative directive.

Moreover, CSU has not provided the Legislature information detailing the changes in scope/cost associated with the addition of the surgical suite. In discussions with CSU staff in October 1989, we requested that CSU review the project for potential offsetting savings and inform the Legislature on the measures considered to minimize project costs. The CSU has not responded to this request. In view of the above, we need clarifying information from CSU before we can advise the Legislature whether the amount requested in the budget is justified or the proposed facility and its operation will comply with the various legislative requirements.

**Hayward—Art and Education Building Renovation.** The budget includes \$80,000 in Item 6610-301-791(22) for preliminary plans for renovations to the Art and Education Building at CSU Hayward. Estimated future costs total \$2.5 million. The project proposal included in the budget request is substantially changed from the project described in CSU's five-year capital outlay plan, which included an addition to the existing building and an estimated future cost of \$6.7 million. The project no longer includes the addition. The CSU has not provided the Legislature any information (1) as to why the addition is no longer needed or (2) delineating what changes have taken place in the proposed renovations. Thus, the current project scope, the basis for the estimated project cost, and how the project now addresses campus needs are unclear.

**Pomona—Science Building Addition/Renovation, Phase I.** The CSU's budget proposes \$304,000 in Item 6610-301-791(35) for preliminary plans for the first phase of an addition/renovation to the Science Building at the Pomona campus. The first phase consists of an addition to the building, to be followed by a second phase to renovate existing space. Future first phase costs are estimated to be \$16.8 million. The CSU estimates total costs for Phase II of \$8.2 million, resulting in a total estimated project cost in excess of \$25 million. The project proposal included in the budget request is substantially changed from the project described in CSU's five-year capital outlay plan and which we reviewed with CSU staff on a campus visit in October 1989. For example, the size of the proposed addition has increased from 46,300 assignable square feet (asf) to 53,100 asf. The estimated project cost for Phase I has risen from \$12.9 million to \$17.1 million. The information provided to the Legislature by CSU *does not mention that these changes have occurred*. Based on available information, it is unclear how the project scope has changed, why it has changed or how the project now addresses campus needs.

**Pomona—Utilities II.** The budget includes \$779,000 in Item 6610-301-791(36) for preliminary plans, working drawings and construction for the

second phase of utilities improvements at Pomona. The Legislature appropriated \$226,000 for preliminary plans and working drawings for Phase I utilities improvements in the 1989 Budget Act. The budget includes \$4,119,000 in Item 6610-301-791(34) for Phase I construction. Phase II improvements consist of (1) increasing the size of piping in the existing water distribution system, (2) connecting the campus library building to a higher voltage electrical distribution system and (3) replacement of overhead electrical lines with underground lines. The budget proposal is based on a review by CSU of an earlier proposal made by the university during hearings on the 1989-90 budget, including finalization in June 1989 of a consultant study on campus water distribution needs. In discussions with CSU in October 1989 we requested that CSU provide a reconciliation between the draft study provided to the Legislature during budget hearings and the final study, which we understand is substantially changed from the draft version. The university has not provided the reconciliation.

**San Bernardino—Visual Arts Building.** The budget requests \$262,000 in Item 6610-301-791(43) for preliminary plans for a 64,300 asf Visual Arts Building at CSU San Bernardino. The CSU estimates future project costs of \$16.4 million. In order to assess the need for this project, CSU needs to provide a detailed comparison of existing and proposed uses of space for the Visual Arts program. Although this information was requested in September 1989, CSU has not responded. Thus, we are unable to advise the Legislature on the extent to which existing space for the program is inadequate. Our review of the available project information, however, indicates that (1) the amount of proposed space exceeds CSU's own space guidelines by about 5,800 asf and (2) the estimated building cost (\$120 per gross square foot) exceeds CSU's cost guidelines by \$18 per square foot. This excess cost translates into almost \$2 million of additional project cost, taking into account various fees and contingency. We withhold recommendation pending receipt of the requested information on existing space and justification for exceeding space and cost guidelines.

**San Diego—Utilities Improvements I.** The CSU proposes \$3.9 million in Item 6610-301-791(51) for working drawings and construction to add chilled water capacity at CSU San Diego's central plant and upgrade electrical switchgear and steam lines. Preliminary plans for this project are being prepared with nonstate funds. Thus, the Legislature has not had the opportunity to review this project before now. If preliminary plans are not available for legislative review prior to budget hearings, we recommend that the Legislature *not* approve the proposal.

The scope/cost of the project proposed in the budget is substantially changed from the project described in CSU's five-year capital outlay plan. The university has not provided the Legislature with information substantiating these changes. Also, our review of the study prepared by CSU's consultants indicates significant discrepancies in the consultant's cost estimate and the cost estimate submitted by CSU for the budget request. The CSU has provided no information on these discrepancies.

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**

A discussion of the remaining projects in CSU's budget request and our recommendation for each follows:

**Over-budgeting of Projects Previously Approved by Legislature**

The budget includes funds for 33 projects that have been approved previously by the Legislature in the form of appropriations for preliminary plans and, in some cases, working drawings and construction. When the Legislature approved these projects it recognized estimates of future project costs prepared by CSU. For these 33 projects the budget requests funds either for working drawings, construction or equipment (or a combination of these). Generally, the requested amounts, as well as any estimates of remaining future costs, should be consistent with amounts previously recognized by the Legislature, adjusted for inflation. For 14 of the 33 CSU projects, however, the requested amount or the estimated future cost exceeds significantly the estimate previously submitted to and recognized by the Legislature. We discuss 13 of these projects below, grouped as (1) equipment over-budgeting, (2) increases in future costs and (3) increased amounts requested for working drawings/construction. We discussed the other project—the Pomona animal laboratory—in our section concerning requests on which we withhold recommendation.

**Over-Budgeting of Equipment**

*We recommend reductions to Item 6610-301-791 totaling \$7,671,000 to eliminate costs of equipment for seven newly constructed projects that exceed amounts previously recognized by the Legislature.*

The budget includes a total of \$18.2 million in Item 6610-301-791 to provide equipment (such as computers, laboratory equipment, furniture, etc.) for nine newly constructed facilities. Table 4 shows the amounts requested for each facility and the amounts previously recognized by the Legislature (through supplemental report language), adjusted for inflation. The requests exceed the legislatively recognized amounts for seven of the nine projects. This increase totals \$7.7 million, or 88 percent of the amount previously recognized by the Legislature for the seven projects that now are over-budget.

The documentation submitted by CSU to the Legislature to justify these requests does not indicate why the costs have increased, how the budgeted amounts relate to CSU's guidelines for equipment purchases or why the amounts requested in the budget are justified. In fact, CSU's submittals to the Legislature do not even mention that the requested amounts exceed the amounts previously submitted to and recognized by the Legislature. In the absence of information justifying these cost increases, we recommend reducing the amounts requested by a total of \$7,671,000, as detailed in Table 4.

**Increases in Estimated Future Costs**

*We recommend that the Legislature not recognize increased estimates of future costs for six projects because CSU has not justified the need for the cost increases.*

**Table 4**  
**California State University**  
**Excess Budgeting for Equipment**  
**1990-91**  
**(dollars in thousands)**

<i>Project</i>	<i>Budget Bill Amount</i>	<i>Amount Recognized by Legisla- ture<sup>a</sup></i>	<i>Amount Over- budget</i>	<i>Percent Over- budget</i>
Item 6610-301-791:				
(9) Chico—Plumas Hall addition.....	\$1,618	\$1,491	\$127	9%
(10) Dominguez Hills—Education Resource Center.....	372	372	—	—
(13) Fresno—Engineering East addition.....	3,298	1,163	2,135	184
(14) Fresno—Farm laboratory.....	1,417	1,417	—	—
(25) Long Beach—Business school.....	1,742	1,438	304	21
(37) Sacramento—Classroom building.....	1,814	1,164	650	56
(42) San Bernardino—Classroom/office/student services.....	2,770	954	1,816	190
(47) San Marcos—Initial facility.....	4,572	2,430	2,142	88
(48) San Marcos—Physical plant.....	604	107	497	464
Totals.....	\$18,207	\$10,536	\$7,671	73%

<sup>a</sup> Amounts recognized in prior year, adjusted for inflation.

Table 5 shows six projects for which CSU's current estimate of future costs is substantially higher than the amount previously recognized by the Legislature, adjusted for inflation. The CSU's submittals to the Legislature supporting its current budget requests *do not mention that estimated future costs have increased above the amount previously submitted to the Legislature*. These "silent" cost increases total \$3.7 million.

We recommend that the Legislature not recognize these unexplained and unjustified increases in future project cost, when adopting recommended supplemental report language describing the scope of projects approved under these budget items.

#### **Increased Amounts Requested in Budget for Working Drawings/Construction**

*We recommend reductions to Item 6610-301-791 totaling \$467,000 to eliminate over-budgeting of funds for working drawings or construction for three projects. We recommend approval of the balance of funds requested for the three projects, contingent on receipt of preliminary plans.*

Table 6 compares budget requests for three projects for phases including working drawings and/or construction with the amounts previously approved by the Legislature for these project phases. The budget requests exceed the legislatively approved total, adjusted for inflation, by \$467,000.

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued****Table 5**

**California State University  
1990-91 Capital Outlay Program  
Increases in Estimated Future Costs  
(dollars in thousands)**

Project	Future Phase <sup>a</sup>	Amount Recognized by Legislature <sup>b</sup>	Current CSU Estimate	Increase	
				Amount	Percent
Item 6610-301-660:					
(4) Sacramento—Classroom/office/laboratory e		\$746	\$1,005	\$259	35%
(5) San Bernardino—Business school .... e		4,135	4,269	134	3
Item 6610-301-791:					
(17) Fullerton—Classroom/support/office ce		13,272	13,906	634	5
(39) San Bernardino—Library addition ... ce		21,160	23,638	2,478	12
(45) San Diego—Chemistry/Geology addition .....	e	308	549	241	78
Totals.....		\$39,621	\$43,367	\$3,746	9%

<sup>a</sup> Phase symbols denote the following: e = equipment; c = construction.

<sup>b</sup> Amounts recognized, adjusted for inflation.

**Table 6**

**California State University  
1990-91 Capital Outlay Program  
Increased Amounts for Working Drawings/Construction  
(dollars in thousands)**

Project	1990-91 Phase <sup>a</sup>	Amount Recognized by Legislature <sup>b</sup>	Budget Bill Amount	Increase	
				Amount	Percent
Item 6610-301-791:					
(17) Fullerton—Classroom/support/office. w		\$342	\$390	\$48	14%
(34) Pomona—Utilities I .....	c	3,763	4,119	356	9
(39) San Bernardino—Library addition ... w		460	523	63	14
Totals.....		\$4,565	\$5,032	\$467	10%

<sup>a</sup> Phase symbols denote: w = working drawings; and c = construction.

<sup>b</sup> Amounts recognized, adjusted for inflation.

The CSU's submittals to the Legislature for the 1990-91 budget neither explain nor justify the cost increases shown in Table 6. In fact, again in this instance, the submittals *do not even mention that the requests exceed the amount previously estimated by CSU and recognized by the Legislature*. In the absence of any justification to increase the project costs, we recommend that the Legislature reduce the amounts requested for the three projects to be consistent with the amounts previously recognized by the Legislature, adjusted for inflation, as detailed in Table 6. This recommendation would result in savings to the 1990 Higher Education Capital Outlay Bond Fund of \$467,000.

**A. Mitigate Hazards**

The budget proposes approximately \$5 million for two projects to mitigate hazards. We recommend approval of these projects as budgeted.

**B. Complete Newly Constructed Facilities**

The budget includes approximately \$18.2 million to provide equipment for nine newly constructed facilities. In our discussion above on over-budgeting of equipment we recommend reductions to seven of the nine projects totaling \$7,671,000 to eliminate the over-budgeting. We recommend approval of the remaining \$10.5 million.

**C. Add Instructional-Related Facilities**

The CSU proposes approximately \$90 million in 1990-91 for 14 projects for new instructional-related facilities. We recommend approval as budgeted for 12 of these 14 requests totaling \$89.5 million. We withhold recommendation on the two remaining projects for \$566,000 (Science Building at Pomona and Visual Arts Building at San Bernardino) pending receipt of additional information as discussed earlier in this analysis.

**D. Upgrade Instructional-Related Space**

The budget requests approximately \$8.6 million for five projects to upgrade instructional-related space. We recommend approval of \$8.5 million for the requests with the exception of \$80,000 for preliminary plans to renovate the Art and Education Building at CSU Hayward, on which we withhold recommendation pending receipt of additional information (discussed above).

**E. Library Facilities**

The budget includes approximately \$12.4 million for six library facility projects, with estimated future costs totaling \$101.5 million. We recommend approval of three requests, totaling \$11 million. We recommend a reduction of \$63,000 on one library project, discussed under the issue above concerning over-budgeting of working drawings. We discuss below our recommendations for the other two projects.

**Fullerton—Library Building Addition**

*We recommend approval of \$287,000 in Item 6610-301-791(18)—a reduction of \$72,000—for preliminary plans for an addition to the library at CSU Fullerton, based on existing library space standards. (Estimated future savings \$3.8 million.)*

The CSU's budget requests \$359,000 for preliminary plans for an addition to the Library Building at the Fullerton campus. The university estimates future costs of \$19 million for the 101,400 asf addition. The size of the addition is based on new space standards recommended by a CSU task force, rather than the space standards that have been recognized by the Legislature for previous library projects. These new standards have never been presented to the Legislature for review, nor has CSU provided information justifying the need for the new standards.

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**

Based on the legislatively recognized standards, the addition should include 81,000 asf, or 20 percent less space than proposed. An example of CSU's changes is the computer work station proposal for the Fullerton library. The proposed project includes about 18,000 asf for 366 computer work-stations. Under CSU's library space changes, this space is nearly double the 9,150 asf that otherwise would be provided for reader stations under the state-approved standards. Moreover, the proposed space for computer work-stations is inconsistent with CSU's systemwide computer space plan. That plan (which details the number and location of existing and proposed computer work-stations on each campus) shows that CSU does not plan additional work-stations, beyond the 2,900 asf already in place, in the Fullerton library.

Adoption of the new space standards recommended by CSU's task force would have major implications for the amount of library space constructed on CSU campuses in the future and the consequent cost to the state. We believe that *rather than silently initiate new standards through new projects*, CSU should officially present these proposed changes first, to the California Postsecondary Education Commission and then, upon the commission's approval, to the Legislature and the administration. This submittal should detail the cost implications as well as demonstrate why new standards are necessary to meet program priorities. We recommend that until CSU has made this case, and the Legislature has agreed to new standards, library projects should be planned and built in accordance with the existing state standards. We therefore recommend that the Legislature reduce the amount requested in Item 6610-301-791(18) for preliminary plans by \$72,000, based on a 20 percent reduction in asf and cost. (Estimated future savings of \$3.8 million.)

**San Diego—Library Addition**

*We recommend approval of \$337,000 in Item 6610-301-791(50)—a reduction of \$150,000—for preliminary plans for an addition to San Diego State University's library, based on existing library space standards and equipment cost guidelines. (Estimated future savings: \$13 million.)*

The budget includes \$487,000 for preliminary plans for an addition and renovations to the Library Building at San Diego State University. The CSU estimates future costs of \$34.6 million for the project, which consists of an addition of 139,500 asf and renovation of 26,200 asf in the existing library building. The size of the addition is based on new space standards recommended by a CSU task force, rather than the space standards that have been recognized by the Legislature for previous library projects. As discussed above, these new standards have never been presented to the Legislature for its review, nor has CSU provided information justifying the need for the new standards.

Based on the legislatively recognized standards, the addition should include 93,000 asf, or one third less space than proposed. Thus, we



recommend that the library addition be reduced to 93,000 asf. This results in a reduction of \$150,000 in Item 6610-301-791 (50) for preliminary plans and a future savings of \$8.7 million.

**Over-budgeting of Equipment.** The estimated future project cost of \$34.6 million includes \$6.7 million for equipment (such as furniture, computer terminals and microfiche readers). This amount exceeds CSU's equipment budgeting guidelines for library space by approximately \$4.3 million (179 percent). The information provided to the Legislature by CSU does not point out that the estimate for the San Diego project exceeds the guidelines, nor does it explain why the additional amount is needed. We therefore recommend that the Legislature not recognize estimated equipment costs, when adopting recommended supplemental report language describing the scope of this project.

In view of the above, we recommend that the Legislature reduce the amount requested in Item 6610-301-791 (50) for preliminary plans by \$150,000, based on a 33 percent reduction in asf and cost for the addition (based on existing space standards) and deletion of excess equipment costs. (Estimated future savings of \$13 million.)

#### **F. Physical Education Facilities**

The CSU's budget proposes \$8.9 million in 1990-91 for six physical education facility projects, with estimated future costs totaling \$90.7 million. We recommend approval of \$7,272,000 requested for construction of an addition to the physical education building at the San Luis Obispo campus. We discuss below our recommendations regarding the five other physical education projects.

##### **Fullerton—Physical Education Addition/Renovation**

*We recommend approval of \$106,000 in Item 6610-301-791 (16)—a reduction of \$127,000—for preliminary plans for addition/renovation to the physical education facility at Fullerton because CSU has not justified the need for renovations to existing space or for specified areas of the proposed addition. (Estimated future savings: \$5.2 million.)*

The budget includes \$233,000 for preliminary plans for an addition to the physical education building at Fullerton. The university estimates future project costs totaling \$9.4 million. The 39,400 asf addition represents a 42 percent increase to the existing 94,600 asf building. The proposal also includes remodeling of existing space (an estimated \$1.9 million to remodel 5,100 asf).

**Project Largely Unrelated to Instructional Needs.** Only 10 percent of the space (3,900 asf) in the proposed addition is instructionally-related, consisting of 2,730 asf of lecture space and 1,170 asf of self-instructional computer laboratory. The remainder of the space includes a new gymnasium (14,500 asf to complement an existing 23,200 asf gymnasium), a gymnastics room (14,500 asf) and faculty/clerical offices and conference room (4,800 asf).

Our review indicates that the proposed lecture space, gymnastics room and some office space are justified. According to CSU, however, the second gymnasium is needed to free up the existing gym for easier

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**

scheduling of intercollegiate sports practices/games. The state does not fund intercollegiate sports. A second gymnasium, therefore, should be funded with nonstate funds. Moreover, it is not clear why CSU is requesting the proposed computer laboratory space. The proposal is inconsistent with the systemwide computer work-station plan mentioned above, which specifies that *no* computer laboratory space will be located in the physical education building beyond the 1,000 asf already in use. Based on this, we recommend that the Legislature delete the proposed gym and computer lab space from the project. This recommendation would result in a reduction of \$74,000 in Item 6610-301-791 (16) and an estimated future savings of \$3 million.

**Excessive Remodeling Costs.** The CSU proposes to remodel space in the existing building for two purposes: (1) to provide air conditioning to those building areas that are not already air-conditioned and (2) convert 10 two-station faculty offices to single-station. The estimated remodeling cost of \$1.9 million is about \$225 per *gross* square foot (total project cost basis). This substantially exceeds the square foot cost of the addition, which is about \$140 per gross square foot. This unusually high remodeling cost is due partly to the cost of the air conditioning work (an estimated \$675,000) and partly to the fact that the remodeling work includes asbestos abatement (estimated \$565,000). If the remodeling work were not to take place, the asbestos abatement would not be necessary because the asbestos is not in a friable condition and, therefore, is not hazardous. Nevertheless, discounting the asbestos and air-conditioning work leaves a cost of \$660,000. This is still a high cost to convert 10 offices to single-station offices.

The CSU has not substantiated why the proposed air conditioning or conversion of offices is needed. Air conditioning of the building already is provided except for some offices, classrooms and support space. We have consistently recommended and the Legislature has endorsed, the construction of single-station offices in new buildings. Conversion of existing offices that were constructed of a larger size several years ago for two-station offices, however, should only be done when necessary because of other alterations and when economically sound. This proposal passes neither test. In view of the above, we recommend deleting the remodeling work from the project. This would save an estimated \$45,000 in 1990-91 and almost \$1.9 million in future costs. By doing this, 1,800 asf of office space proposed in the addition to compensate for the loss of office stations resulting from the remodeling can also be eliminated (a reduction of \$8,000 in the budget proposal and an estimated future savings of \$345,000). Our review indicates that an additional 20 new offices proposed in the addition are justified and will alleviate current overcrowding.

**Recommendations.** In view of the above, we recommend reducing the project to a 21,900 asf addition. Adoption of this recommendation would result in estimated savings of \$5.3 million, consisting of \$127,000 in preliminary plan costs in 1990-91 (approval of Item 6610-301-791 (16) in

the reduced amount of \$106,000) and \$5.2 million in estimated future savings.

#### **Long Beach—Physical Education Addition**

*We recommend deletion of \$199,000 in Item 6610-301-791(28) for preliminary plans for an addition to the physical education facility at Long Beach because CSU has not (1) substantiated the program needs to be addressed by the project or (2) defined the project scope. (Estimated future savings \$9.9 million.)*

The budget includes \$199,000 for preliminary plans for a 58,000 asf addition to the physical education building at Long Beach. The CSU estimates future project costs totaling \$9.9 million. At present, Long Beach has a total of 92,400 asf of physical education space.

The proposed project includes a new gymnasium (of unspecified square footage) capable of seating 5,000 spectators plus showers, lockers and coaches' offices. Regarding the need for a new gymnasium, CSU states that Long Beach's NCAA Division I athletics program "...has the most difficult time of any of the Division I CSU schools in raising community support, in large part, due to the lack of facilities. The size of the [existing] gymnasium (1,980 seats) ...makes gate receipt revenue very difficult." As mentioned above, the state does not fund intercollegiate athletic programs or facilities. We see no reason that it should do so in this case.

In addition, the information submitted by CSU to the Legislature does not specify how much space in the proposed addition would be developed for different purposes. Thus, it is not clear what the specific project scope is. Given the uncertainty regarding project scope, it is equally unclear how the proposal addresses program needs. In the absence of information justifying the need for the project, we recommend deletion of funds requested for preliminary plans (\$199,000 in Item 6610-301-791(28)) for the physical education addition. (Estimated future savings: \$9.9 million.)

#### **Northridge—Physical Education Addition and Renovation**

*We recommend approval of \$55,000 in Item 6610-301-791(30)—a reduction of \$211,000—for preliminary plans for addition/renovation to the physical education facility at Northridge because CSU has not justified the need for the noninstructional space in this project. (Estimated future savings: \$10.2 million).*

The budget includes \$266,000 for preliminary plans for an addition to the physical education building at Northridge. The CSU estimates future project costs totaling \$12.4 million. The 62,275 asf addition would essentially double the size of the existing building. The proposal also includes remodeling of existing space (an estimated \$650,000 for 4,835 asf).

*Project Largely Unrelated to Instructional Needs.* Only 21 percent of the space added by the project is instructional space for the physical

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**

education program. The remainder of the space includes a new gymnasium, a new dance complex, a weight room and a near doubling of locker room space (from 15,600 asf to 30,400 asf). The project also includes new faculty offices so that sharing of offices in the existing physical education building can be discontinued.

Our review indicates that the proposed instructional laboratories (13,000 asf) are needed. The CSU, however, has not substantiated why additional locker rooms, an additional gymnasium, a new dance complex or new offices are needed or provided a basis for the amount of space requested for these purposes. Accordingly, we recommend reducing the scope of a physical education addition to the proposed instructional laboratories. We recommend reducing Item 6610-301-791(30) for preliminary plans by \$211,000 to reflect this change. (Estimated future savings: \$10.2 million.)

**San Bernardino—Physical Education Complex**

*We recommend approval of \$270,000 in Item 6610-301-791(44)—a reduction of \$134,000—for preliminary plans to delete intercollegiate athletic facilities that should be funded from nonstate sources. (Estimated future savings: \$7.9 million.)*

The budget includes \$404,000 for preliminary plans for a physical education/athletic complex at CSU San Bernardino. The university estimates future project costs of \$24.1 million. The 94,600 asf complex would include 75,800 asf for physical education/athletic programs, 10,600 asf for interdisciplinary space (classrooms, faculty offices and computer laboratories), 5,900 asf for the nursing program and 2,300 asf for the military science program. Instructional-related space accounts for 16,700 asf (16 percent), offices for 9,800 asf (10 percent) and physical education/athletic activity space for 68,100 asf (74 percent). The proposal also includes renovation of 13,300 asf of existing gymnasium facilities and construction of outdoor facilities, including a track and field complex, baseball field, swimming pool and tennis and basketball courts. Currently, CSU San Bernardino has 21,600 asf of physical education activity space.

Our review indicates that rapid enrollment growth (both past and projected) at San Bernardino in the physical education, nursing and military science programs, as well as campuswide enrollment, justifies the proposed instructional and office space, as well as a significant portion of the physical education activity space. Some of the proposed space, however, is primarily designed for use by intercollegiate sports—specifically, (1) a 34,000 asf gymnasium with seating for 5,000 spectators, (2) an NCAA-standard all-weather track and field complex, with seating for 3,000 and a computerized scoreboard, and (3) an NCAA-standard baseball field with lighting, seating for 1,500, sound system and electronic scoreboard. Under current state budgeting practice the state does not fund intercollegiate athletic programs or facilities. We see no reason that it should do so in this case.

Accordingly, we recommend that the Legislature not fund the new gymnasium (including 4,750 asf of related support space) or the other

facilities designed for intercollegiate events. We estimate resulting savings to the 1990 Higher Education Capital Outlay Bond Fund totaling more than \$8 million, including \$134,000 in the 1990-91 request for preliminary plans. Submittal by CSU of a revised proposal for a track and a baseball field designed for *instructional* use would, we believe, warrant consideration by the Legislature.

**San Francisco—Physical Education—Replacement Facility**

*We recommend deletion of \$526,000 requested in Item 6610-301-791 (54) for preliminary plans for a replacement physical education facility at San Francisco State University because CSU has not justified the need to demolish the existing facility and construct a new facility nor has it substantiated proposed project costs. (Estimated future savings: at least \$34.6 million.)*

The budget proposes \$526,000 in Item 6610-301-791 (54) for preliminary plans for a "Faculty Office/Laboratory Building and Gymnasium." The CSU estimates future project costs of \$34.6 million.

The project involves construction of a building of approximately 157,000 asf to replace the existing facility used by the School of Health, Physical Education and Recreation-Leisure Studies (HPER). Following occupancy of the proposed new facility, CSU plans to demolish the existing facility. CSU, however, has not identified the cost for demolition, nor included demolition cost in its estimated project cost.

The proposed facility includes a gym/arena (28,400 asf), three smaller gyms (totaling 15,250 asf), locker rooms (30,500 asf), faculty/administrative offices (15,200 asf), lecture/seminar space (3,700 asf) and miscellaneous activity and storage areas and instructional/graduate research labs (79,150 asf).

The CSU asserts that the space for the HPER school "has been inadequate for decades." The university also states that the existing HPER facility, constructed in 1955 and added to during the 1960s, is "poorly designed, poorly constructed and awkwardly laid out." The information provided by CSU to the Legislature, however, does not (1) identify the extent to which space is inadequate, (2) provide specific information on the condition of the facility, or (3) substantiate how the facility condition/layout prevents CSU from accomplishing necessary program activities. For example, the submittal to the Legislature does not specify the size of the existing facility or the amount of space currently allocated to various activities, even though this information was requested from CSU in October 1989. In addition CSU has not substantiated the estimated project cost, including a building cost of \$122 per gross square foot that exceeds CSU's guideline for physical education space by \$29 per square foot (\$6.1 million excess construction cost), or 31 percent.

In view of the above, we recommend deletion of \$526,000 requested for preliminary plans. (Future estimated savings: at least \$34.6 million.)

**G. Auditorium/Performing Arts Facilities**

The budget includes approximately \$11.7 million for auditorium or performing art space. We recommend approval of funds requested for

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**

construction of an auditorium at CSU Long Beach (\$11.5 million), a project previously approved by the Legislature and combined in this budget request with a construction proposal for an adjacent dance facility under Item 6610-301-660(1). (Pursuant to a general recommendation, discussed earlier in this analysis, to use general obligation bond funds in lieu of lease-revenue bond funds, we recommend that the project be funded in Item 6610-301-791, contingent on receipt of preliminary plans.) Our recommendation regarding the other project in this category is discussed below.

**San Luis Obispo—Performing Arts Center**

*We recommend deletion of \$270,000 requested for preliminary plans for a performing arts center at Cal Poly—San Luis Obispo because CSU (1) has not substantiated how the project meets campus program needs, (2) has not adequately defined the scope of the project and (3) has not defined the respective responsibilities between CSU and nonstate participants in project implementation and cost. (Estimated future savings: \$15.6 million.)*

The budget includes \$270,000 in Item 6610-301-791 (59) for preliminary plans for a 65,845 asf performing arts center at San Luis Obispo. The CSU estimates future state costs for the project of \$15.6 million, with an additional \$7.5 million to be provided from nonstate sources. (The Budget Bill, however, does not include language requiring nonstate participation in project costs, nor limiting the amount the state would spend on the project.)

The information provided to the Legislature indicates that the project is largely unrelated to instructional needs. Of the 65,845 asf of space proposed in the facility, only 2,900 asf (4.4 percent) is instructional space. The information submitted by CSU to the Legislature does not clearly define the scope of the remaining space, other than to state that it includes a 2,000-seat auditorium. The CSU submittal also does not substantiate how the non-instructional portion of the project meets campus program needs. Finally, CSU's submittal does not substantiate how the facility will be shared between state and nonstate users or how the proposed split between state and nonstate funding sources was determined, or the availability/reliability of the nonstate sources. In view of the above, we recommend deletion of the \$270,000 requested for preliminary plans. (Estimated future savings: \$15.6 million.)

**H. Utilities/Infrastructure Projects****Fresno—Central Plant Improvements**

*We recommend deletion of \$280,000 requested in Item 6610-301-791 (15) for preliminary plans and working drawings for improvements to CSU Fresno's central plant because the proposed improvements are not cost-effective. (Estimated future savings \$4.6 million.)*

The budget proposes \$280,000 for preliminary plans for improvements to CSU Fresno's central plant. The improvements include (1) disconnect-

tion of chillers in individual buildings and installation of an additional chiller at the central plant (to provide chilled water for cooling buildings on campus) and (2) connection of the central plant to the campus buildings that have chiller units that would be disconnected under this proposal. The CSU estimates future project costs of \$4.6 million.

The State Public Works Board recently approved a related project to install a thermal energy storage system and modify equipment at Fresno's central plant, using energy efficiency revenue bonds administered by the Department of General Services (DGS). In a letter dated January 11, 1990, DGS staff stated that the central plant improvements—proposed in the budget—had not been included as part of the project to be funded through energy revenue bonds because the savings expected from these improvements would not be adequate to pay-back the revenue bonds. These savings, however, were the principal justification given by CSU for the budget proposal (although CSU's information does not specify the amounts that would be saved). Given that the improvements proposed in the budget are not cost-effective, we recommend deletion of \$280,000 requested for those improvements in Item 6610-301-791 (15). (Estimated future savings: \$4.6 million.)

#### **Fullerton—Central Plant Expansion**

*We recommend deletion of \$357,000 requested in Item 6610-301-791 (19) for preliminary plans and working drawings to expand chiller capacity at the CSU Fullerton central plant because (1) current capacity is adequate to meet near-term needs and (2) CSU should report to the Legislature on the feasibility/benefits of a thermal energy storage system (or other energy conserving systems) to meet future campus cooling needs.*

The budget requests \$357,000 for preliminary plans and working drawings for expansion of chiller capacity at the CSU Fullerton central plant in order to meet cooling loads associated with planned construction of campus buildings. The CSU estimates future costs for construction/equipment of \$4.5 million.

Our review indicates that current chiller capacity at the central plant is adequate to accommodate cooling loads for existing campus buildings and those campus buildings currently under design or construction. Thus, the proposed expansion would be premature at this time. We believe that CSU should complete an investigation of the feasibility and benefits of using a thermal energy storage (TES) system (or other energy conserving systems) to meet future campus cooling needs. Such a system could reduce or eliminate the need for additional chiller capacity, by reducing peak cooling loads. This system may also be eligible for funding through energy efficiency revenue bonds, thus freeing funds in the 1990 Higher Education Capital Outlay Bond Fund for other postsecondary education facility priorities. As mentioned above, CSU recently funded a TES project in this manner for the Fresno campus.

The CSU can defer commencing an expansion of chiller capacity at the central plant at least until the 1991-92 budget without impairing its ability

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**

to meet cooling loads associated with the new building projects included in the 1990-91 budget for this campus. These projects are not scheduled for completion until 1994. Deferral would allow CSU to study the potential benefits of a TES system and give the Legislature time to evaluate CSU's findings. We therefore recommend deleting \$357,000 requested for preliminary plans and working drawings.

**Long Beach—Upgrade Electrical Infrastructure**

*We recommend approval of \$335,000 in Item 6610-301-791 (27)—a reduction of \$70,000—for preliminary plans and working drawings to upgrade the electrical infrastructure at Long Beach. This conforms with our recommendation to reduce project cost by \$1.1 million to eliminate over-budgeting of construction contingency.*

The budget includes \$405,000 for preliminary plans and working drawings to upgrade the electrical distribution system at CSU Long Beach. CSU estimates future construction costs of \$7.4 million. The proposed upgrading is needed to eliminate various problems that have caused a series of power outages on the campus. Our review indicates the proposed work, which is based on a detailed engineering study, is justified.

The CSU, however, has over-budgeted for construction contingency. Based on state budgeting guidelines for these types of projects, the amount for contingency (intended to address unforeseeable construction and site considerations) should be 7 percent of the estimated amount for construction contracts, or \$380,000 in this case. Instead, CSU has included \$1.4 million for contingency in its estimated future cost for construction. We recommend deleting the excess contingency from the future project cost. There should be a conforming reduction of \$70,000 in the amount requested for preliminary plans and working drawings in 1990-91 since these costs are budgeted as a percentage of total project cost. We therefore recommend approval of funds requested for preliminary plans and working drawings in the reduced amount of \$335,000. (Future estimated savings \$1.1 million.)

**San Marcos—Cogeneration/Thermal Energy Storage**

*We recommend deletion of \$201,000 requested in Item 6610-301-791 (60) for preliminary plans and working drawings for a cogeneration/thermal energy storage system at CSU San Marcos because the proposal contradicts work (1) included in a project approved by the Legislature in the 1989 Budget Act and (2) included in the working drawings completed by CSU under that appropriation. (Estimated future savings \$3.6 million.)*

The budget includes \$201,000 for preliminary plans and working drawings for a cogeneration/thermal energy storage system at CSU San Marcos. Estimated future costs for this project total \$3.6 million.

The Legislature appropriated \$9.7 million in the 1989 Budget Act for initial infrastructure/site development at this campus. That appropria-



tion included funds for a central utility plant. The 1990-91 budget proposal is based on a 1988 consultant study and provides for a design and equipment configuration that is significantly different than the legislatively approved central plant. Under the budget proposal, certain equipment and various other elements included under the funded project would be neither needed nor used. Nevertheless, CSU has requested approval from the Department of Finance to proceed to bid on the funded project. In a letter dated January 2, 1990, the Joint Legislative Budget Committee asked the Director of Finance to defer proceeding to bid on the central plant portion of the funded project until he advised the Legislature how he proposed to resolve the contradictions between the completed working drawings and CSU's budget proposal. At the time this analysis was prepared, no response to the committee's letter had been received.

Given the contradictions between the working drawings completed by CSU for the funded project and CSU's budget proposal, we recommend deletion of the \$201,000 budget request. (Estimated future savings: \$3.6 million.)

#### **I. Other Projects**

The budget includes \$26.1 million for 12 projects that do not fall into any of the above categories. We recommend approval of \$21.5 million for seven of these projects. We withhold recommendation on an animal laboratory at Pomona (discussed above under our section on pending recommendations). We have also recommended reducing the request for a student services/classroom/office building at CSU Fullerton by \$48,000 (discussed above under the issue of over-budgeting of working drawings). Our recommendations for the remaining three projects are discussed below.

#### **Energy Conservation Retrofits**

*We recommend deletion of \$2,382,000 requested in Item 6610-301-791(4) for preliminary plans, working drawings and construction of energy conservation retrofit projects because these projects can be funded through energy efficiency revenue bonds, to be repaid from energy savings.*

The budget includes \$2,382,000 from the 1990 Higher Education Capital Outlay Bond Fund for various energy conservation retrofit projects throughout the CSU system. The purpose of these retrofits is to save operating expenses by making facilities more energy-efficient. Given this purpose, the projects should be funded through the energy efficiency revenue bond program administered by the Department of General Services, Office of Energy Assessments. The Legislature has authorized the sale of revenue bonds under this program, to be repaid with the savings resulting from the energy efficiency projects funded with the bond proceeds. This is a more appropriate funding source for the energy retrofit program proposed by CSU and use of the revenue bonds would make available \$2.4 million from the 1990 Higher Education Capital

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**

Outlay Bond Fund for other postsecondary education facility needs. We therefore recommend deletion of \$2,382,000 requested in Item 6610-301-791 (4) for energy retrofit projects.

**Northridge—Engineering Addition/Renovation, Phase I**

*We withhold recommendation on \$135,000 requested in Item 6610-301-791 (32) for preliminary plans for Phase I Addition/Renovation at Northridge pending information substantiating how proposed graduate research space addresses program needs. We recommend a reduction of \$10,000, conforming to our recommendation to delete faculty office space that CSU has not justified the need for. (Estimated future savings: \$500,000.) We further recommend the adoption of supplemental report language directing CSU to reevaluate the scope/cost of Phase II of this project.*

The budget proposes \$257,000 for preliminary plans for a 53,700 asf addition to the engineering building at Northridge. The CSU estimates future costs for working drawings, construction and equipment for the addition of \$15.6 million. Upon occupancy of the addition, CSU plans a second phase which would involve renovations to the existing engineering building (95,600 asf). Phase II includes renovation of mechanical and electrical systems in the 27-year old building, remodeling and upgrading of engineering and computer science labs, asbestos abatement and seismic upgrading. The university priority list for its 1990-91 capital outlay program classifies the proposed engineering addition (Phase I) as a project "to correct structural, health and safety code deficiencies," because (1) the addition would provide "swing" space for activities vacated from the existing building during Phase II and (2) the second phase includes asbestos abatement and seismic upgrading. Thus, Phase I and II, in CSU's view, are an integral project. The future cost of both project phases, according to CSU's estimates, totals \$35.4 million.

**Proposal Largely Unrelated to Instructional Needs.** Our analysis indicates that the proposed addition is largely unrelated to addressing needs related to undergraduate enrollment growth. The addition, at a cost of \$15.8 million, includes only 88 full-time equivalent student (FTE) capacity of instructional space. Our review indicates that the proposed instructional laboratories are needed. The expenditure of over \$15 million, however, is not necessary to provide this instructional space. More than one-half the space in the addition (27,800 asf) would be graduate student research laboratories. According to CSU, most graduate research activity in Northridge's engineering program currently takes place in instructional laboratory space, faculty offices and off-campus sites. The CSU's space standards provide for instructional space as well as dedicated research space for graduate students. The information provided by CSU does not indicate, however, how graduate student research is negatively affected by the current situation or what program needs will be met by the research space that cannot be met with the instructional laboratory space provided to graduate students. We withhold recommendation on \$135,000 requested for preliminary plans for the graduate

research space (estimated future cost: \$8.4 million) pending information addressing the above questions.

**Addition Includes New Faculty Offices to Eliminate Sharing of Faculty Offices in Existing Building.** Another element of CSU's proposal that adds to project cost is the provision of 40 new faculty offices. We recommend approval of 13 of these offices, based on projected growth in faculty. Twenty seven of the proposed offices, however, are not related to projected growth in the number of faculty. Instead, they would permit CSU (at an estimated cost of \$500,000) to discontinue the use of shared faculty offices in the existing building. Many faculty offices throughout the CSU system were constructed on the assumption that each would be shared by two faculty members. Under its current standards, CSU no longer builds faculty offices on the basis of double-stationing. We have consistently recommended, and the Legislature has endorsed, the construction of single-station offices in new buildings. Conversion of existing offices that were constructed of a larger size several years ago for two-station offices, however, should only be done when necessary because of other alterations and when economically sound. This proposal passes neither test.

**Phase II Costs are High and Proposed Scope Needs Better Definition.** Phase II of this project, renovation of the existing engineering building, will cost more than the engineering addition—\$19.8 million, according to CSU. It is not clear what the CSU estimate is based on, as it exceeds the higher of two estimates prepared by CSU's project consultant by about \$5.4 million. Moreover, CSU's estimated renovation costs are high enough to question whether it would make more sense to build a replacement facility. The CSU's estimated renovation cost is 70 percent of the amount that would be needed to build a replacement facility (\$28 million), based on the cost of the proposed engineering addition (Phase I). A new facility could have a much longer useful life than a renovated one and also could be designed to meet program needs without the constraints imposed on program objectives by an outmoded building.

Another, and more reasonable, option for CSU to pursue is a thorough reevaluation of the proposed scope of renovation work with the twin objectives of (1) identifying what renovation work is *essential* and (2) minimizing renovation costs. For example, CSU's project consultant already has identified two possible renovation budgets that are less costly than CSU's estimate. The higher of the consultant's budgets (\$14.4 million, after adjusting for inflation) includes strengthening the building to meet current seismic codes for *newly constructed* buildings. The lower budget (\$10.6 million) includes less costly structural modifications that would bring the building's seismic strength to what the consultant refers to as "a reasonable level." The CSU should consider the lower-cost seismic upgrade option. The CSU should also reevaluate its renovation with an eye towards reducing asbestos abatement needs. According to the consultant's budgets, \$7.3 million of the renovation cost is due to asbestos abatement. Only \$16,000 of this cost, however, is needed to

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**

address the highest risk category. Virtually all the abatement costs are related to asbestos identified by the consultant as *not* requiring abatement “until removal is dictated by deteriorating material condition, renovation or demolition.” Thus, a less extensive remodeling project would disturb less asbestos and, thereby, minimize asbestos abatement costs.

**Recommendations.** Based on the above, we recommend the following:

- Reduce the estimated future cost for Phase I by \$500,000 by deleting the faculty offices that are proposed by CSU to eliminate sharing of office space in the existing building;
- Reduce the amount requested for 1990-91 for preliminary plans by \$10,000 to reflect the above reduction in project scope/cost;
- Adopt the following supplemental report language directing CSU to reevaluate its renovation needs for Phase II:

It is the intent of the Legislature that CSU thoroughly reevaluate its renovation needs for Phase II of the Northridge Engineering Building Addition/Renovation to (1) identify what work is essential to meet program and life safety needs and (2) minimize renovation costs. In this regard, CSU should pay particular attention to seismic upgrading and asbestos abatement needs. The CSU also should evaluate the alternative of a replacement facility. The CSU shall report to the Joint Legislative Budget Committee and the fiscal committees regarding the results of these evaluations prior to the submittal of the 1991-92 Budget to the Legislature.

As mentioned above, we withhold recommendation on \$135,000 requested for preliminary plans for proposed graduate research space (estimated future cost: \$8.4 million) pending information substantiating how the space addresses program needs.

**San Luis Obispo—Poultry Science Unit**

*We recommend deletion of \$82,000 in Item 6610-301-791(58) for preliminary plans for a new poultry science facility at Cal Poly—San Luis Obispo so that CSU can first (1) better define instructional needs and project scope and (2) seek federal and other nonstate funding for the project. (Potential future savings: \$2.8 million.)*

The CSU proposes \$82,000 in 1990-91 for preliminary plans for poultry science facilities at the San Luis Obispo campus, consisting of a 10,600 asf administrative/educational/processing center and a 23,400 asf “poultry housing unit.” The information provided to the Legislature by CSU does not clearly define what instructional needs are to be met by the proposed facilities. For example, the submittal does not include data on current and projected program enrollment, trends in enrollment, the existing inventory of facilities, which facilities would be replaced under the proposal or how much instruction would take place in the new facilities.

The CSU submittal does indicate, however, that the proposal enjoys support from poultry industry firms interested in hiring future graduates from the program. We believe this project should be deferred, at least until CSU (1) better defines the instructional needs of the program and

a project scope fitting those needs and (2) secures contributions to the project from industry, federal and other nonstate sources.

#### **J. Permanent Off-Campus Center**

The budget proposes \$8,652,000 for one project providing permanent space for an off-campus center—working drawings/construction for phase II of infrastructure improvements at the Contra Costa center (CSU Hayward). We recommend approval of this request contingent on receipt of completed preliminary plans prior to budget hearings.

#### **Project Scope Language**

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental report language that describes the scope and cost of each of the capital outlay projects approved under these items.

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### **CALIFORNIA MARITIME ACADEMY—CAPITAL OUTLAY**

Item 6860-301 from the 1990

Higher Education Capital  
Outlay Bond Fund

Budget p. E 133

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Requested 1990-91 .....	\$60,000
Recommended approval .....	60,000

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#### **ANALYSIS AND RECOMMENDATIONS**

##### **Minor Capital Outlay**

The California Maritime Academy's budget for 1990-91 requests \$60,000 for two minor capital outlay projects: installation of a roadway lighting system and purchase and installation of a roll-down door for the academy's boathouse. We recommend approval.

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### **CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY**

Item 6870-301 from the Public

Buildings Construction Fund  
and from the 1990 Higher  
Education Capital Outlay  
Bond Fund

Budget p. E 147

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Requested 1990-91 .....	\$197,872,000
Recommended approval .....	149,238,000 <sup>a</sup>
Recommended reduction .....	44,262,000 <sup>b</sup>
Recommendation pending .....	4,372,000

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<sup>a</sup> Includes a recommended fund transfer of \$71,626,000 from lease revenue bonds to general obligation bonds.

<sup>b</sup> Estimated future savings—\$30.9 million.

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued****SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS**

	<i>Analysis page</i>
1. <i>Lease-Revenue Bonds. Recommend deletion of Item 6870-301-660 (\$100,065,000) and corresponding augmentation to Item 6870-301-791.</i> Recommend transfer from lease-revenue bonds to general obligation bonds to (a) reduce future General Fund costs and (b) increase the Legislature's flexibility in addressing overall state funding needs.	1359
2. No District Cost-Sharing Proposed for 1990-91. The community colleges' capital outlay budget for 1990-91 does not propose any district cost-sharing as required by current law.	1359
3. District-Only Cost Items. Recommend supplemental report language to delineate state and district funding responsibilities for projects that include items to be funded exclusively by districts.	1360
4. Project Funding for Preliminary Plans. Recommend supplemental report language stating legislative intent that, beginning in the 1991-92 fiscal year, community colleges should request separate funding for project preliminary plans. Further, we recommend that, in the future, the Legislature approve financing of justified projects consistent with the requirements placed on all other state-funded programs.	1360
5. Five-Year Capital Outlay Plan. The Chancellor's Office has not submitted a systemwide five-year plan that complies with the supplemental report requirements of the 1989 Budget Act.	1361
6. <i>Over-Budgeting for Equipment. Reduce Item 6870-301-791 by \$3,226,000.</i> Recommend reduction in equipment requests for nine projects because requests (a) are not related to the capital outlay project or (b) exceed community colleges' cost guidelines for equipment.	1363
7. Los Angeles CCD—Technical Education Center. Withhold recommendation on \$752,000 in Item 6870-301-791(40), pending receipt from the district of a proposed equipment list.	1365
8. <i>Mendocino CCD—Outdoor Physical Education Facilities. Reduce Item 6870-301-791(45) by \$190,000.</i> Recommend reduction of \$190,000 requested for equipment because request includes (a) equipment not needed for the college's physical education program and (b) equipment for grounds-keeping that duplicates existing district equipment.	1365
9. <i>Budget Requests Exceed Previous Cost Estimates. Reduce Item 6870-301-660 by \$8,694,000 and Item 6870-301-791 by \$3,744,000.</i> Recommend total reduction of \$12,438,000 because budget requests for 10 projects exceed construction cost estimates originally proposed by districts and recognized by the Legislature.	1366

10. **Victor Valley CCD—Gymnasium. Reduce Item 6870-301-660(12) by \$296,000.** Recommend reduction of \$296,000 because budget request does not conform to construction cost estimate provided when project was approved in the 1989 Budget Act. 1368
11. **Victor Valley CCD—Learning Resources Center Addition. Delete \$2,064,000 in Item 6870-301-791(89).** Recommend deletion of funds for construction and equipment because the district is not going to proceed with this project. Add Item 6870-495-785 to revert \$84,000 appropriated in the 1989 Budget Act to prepare project working drawings. 1368
12. **Projects Exceed Construction Cost Guidelines. Reduce Item 6870-301-791 by \$886,000. (Estimated future savings: \$6.1 million.)** Recommend reduction for nine projects because estimated building costs exceed community colleges' cost guidelines for similar projects. 1369
13. **Glendale CCD—Fire Access Road. Reduce Item 6870-301-791(30) by \$152,000.** Recommend reduction of \$152,000 for working drawings and construction because fire access road will not require street lights or sidewalks. 1371
14. **Allan Hancock CCD—Site Development. Reduce Item 6870-301-791(2) by \$509,000.** Recommend reduction of \$509,000 for working drawings and construction because campus does not need divided, four-lane circulation roads or a two-acre softball field. 1371
15. **Los Angeles CCD—Aerospace Complex. Delete \$8,017,000 in Item 6870-301-660(4). (Estimated future savings: \$1.2 million.)** Recommend deletion of \$8,017,000 for construction funds because district has not justified the need for new aerospace facilities. 1372
16. **MiraCosta CCD—San Elijo Classroom Building.** Recommend approval of \$2,235,000 in Item 6870-301-791(48) to construct and procure equipment pending receipt of working drawings that were funded solely by the district. 1373
17. **Mt. San Jacinto CCD—Business/Technology Building.** Recommend approval of \$200,000 in Item 6870-301-791(51) to prepare working drawings. Also recommend that district reevaluate its construction cost estimate in relation to the cost guidelines for similar community college projects. 1373
18. **Santa Barbara CCD—Business/Communications Center. Delete \$290,000 in Item 6870-301-791(79). (Estimated future savings: \$4.4 million.)** Recommend deletion of \$290,000 to prepare working drawings because project would decrease college's laboratory space and because other elements of the project are not justified. 1374
19. **Citrus CCD—Mass Media Center Remodel. Delete \$103,000 in Item 6870-301-791(12). (Estimated future savings: \$4.2 million.)** Recommend deletion of \$103,000 to prepare 1374

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

working drawings because district has not explained why its current facilities are inadequate to train vocational and lower-division students.

20. *Coast CCD—Classroom Buildings Demolition and Re-model. Reduce Item 6870-301-791(16) by \$320,000.* 1375  
Recommend reduction of \$320,000 because equipment to be procured is not related to the capital outlay project.
21. *Foothill-DeAnza CCD—Secondary Effects of Computer Building. Delete \$1,156,000 in Item 6870-301-791(23). (Estimated future savings: \$140,000.)* 1375  
Recommend deletion of \$1,156,000 in Item 6870-301-791(23) for working drawings and construction because project does not adequately address the district's need for additional laboratory space.
22. *Santa Clarita CCD—Remodel Several Buildings.* 1376  
Withhold recommendation on \$157,000 in Item 6870-301-791(80) to prepare working drawings pending receipt of revised proposal that more adequately addresses enrollment growth projections for the college.
23. *Yosemite CCD—Science Renovation/Addition. Reduce Item 6870-301-791(92) by \$268,000. (Estimated future savings: \$3.6 million.)* 1377  
Recommend reduction of \$268,000 to prepare working drawings for renovation because the district has not justified the need for this work. Further, withhold recommendation on remaining \$182,000 in Item 6870-301-791(92) to prepare working drawings for science building addition pending receipt of revised proposal from the district.
24. *Antelope Valley CCD—New Library/Campus Electrical Upgrade. Delete \$5,004,000 in Item 6870-301-660(1).* 1378  
Recommend deletion of funds for working drawings and construction because \$4,689,000 for construction will not be needed in the budget year and the remaining \$315,000 to prepare working drawings should be funded with general obligation bonds under Item 6870-301-791.
25. *Grossmont-Cuyacama CCD—Information Systems Building. Delete \$436,000 in Item 6870-301-791(34). (Estimated future savings: \$48,000.)* 1379  
Recommend deletion of \$436,000 for working drawings and construction because district cannot justify additional office space.
26. *Mendocino CCD—Fine Arts Building. Reduce Item 6870-301-791(46) by \$46,000. (Estimated future savings: \$0.7 million.)* 1379  
Recommend reduction of \$46,000 in Item 6870-301-791(46) to prepare working drawings because estimated future construction costs for project exceed community college's cost guidelines for similar projects. Further, withhold recommendation on remaining \$375,000 in Item 6870-301-791(46) pending policy decision by Legislature on ap-



- proval of new performing arts theaters at community colleges.
27. ***Mt. San Antonio CCD—Student Services Center. Delete*** 1380  
***\$426,000 in Item 6870-301-791 (50). (Estimated future savings: \$6.8 million.)*** Recommend deletion of \$426,000 to prepare working drawings because district has not justified the need for a new facility.
  28. ***Rancho Santiago CCD—Library Addition. Delete*** 1381  
***\$1,342,000 in Item 6870-301-791 (59).*** Recommend deletion of \$1,342,000 for working drawings, construction, and equipment because proposed project does not adequately address district's need for additional library and office space.
  29. ***Ventura CCD—Performing Arts Facility. Reduce Item*** 1381  
***6870-301-791 (86) by \$138,000. (Estimated future savings: \$2.5 million.)*** Recommend reduction of \$138,000 to prepare working drawings because district does not need additional classrooms or additional facilities for its music and dance programs. Further, withhold recommendation on remaining \$304,000 in Item 6870-301-791 (86) pending policy decision by Legislature on approval of new performing arts theaters at community colleges.
  30. ***Yuba CCD—Disabled Student Services Center. Withhold*** 1382  
***recommendation on \$792,000 in Item 6870-301-791 (93) for working drawings, construction, and equipment pending clarification from district as to how project will enhance services for disabled students.***
  31. ***Antelope Valley CCD—Administration Building Remodel.*** 1382  
***Withhold recommendation on \$1,810,000 in Item 6870-301-791 (4) for working drawings and construction pending receipt of revised proposal that better addresses the district's need for laboratory and office space.***
  32. ***Los Rios CCD—Placerville Center On-Site Development.*** 1383  
***Reduce Item 6870-301-791 (43) by \$527,000.*** Recommend reduction of \$527,000 for working drawing and on-site development because budget proposal includes unnecessary decorative features and also parking facilities that should be funded by the district.
  33. ***Los Rios CCD—Placerville Center, Instructional/Administration Facilities. Delete*** 1383  
***\$7,061,000 in Item 6870-301-660 (5).*** Recommend deletion of \$7,061,000 for working drawings, construction, and equipment because \$6,743,000 for construction and equipment will not be needed in the budget year and \$318,000 to prepare working drawings should be funded with general obligation bonds under Item 6870-301-791. Also recommend that supplemental report language describing project reflect a reduction of \$1,180,000 in estimated construction costs because the current con-

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**  
struction budget exceeds costs for similar community college projects.

**OVERVIEW OF THE BUDGET REQUEST AND THE FIVE-YEAR CAPITAL OUTLAY PLAN**

**Budget Request**

The budget proposes two appropriations totaling almost \$198 million to fund the California Community Colleges' capital outlay program in 1990-91. Of this amount, \$97.8 million will come from the 1990 Higher Education Capital Outlay Bond Fund. This general obligation bond fund would be created by SB 147 (Hart). As amended January 18, 1990, SB 147 would place a \$900 million general obligation bond measure for higher education facilities before the voters on the June 1990 ballot.

**MAJOR ISSUES**

- ☒ The budget proposes using \$100 million of more expensive lease-revenue bonds even though adequate general obligation bonds would be available in the 1990 Higher Education Capital Outlay Bond Fund.
- ☒ No district cost sharing is proposed in CCC 1990-91 projects, yet district-only cost items are included in some projects.
- ☒ CCC has not developed a systemwide five-year capital outlay plan as required by the Legislature in the 1989 Budget Act.
- ☒ Nine previously approved projects are over-budgeted by \$3.2 million for equipment procurement in 1990-91.
- ☒ Construction or construction and equipment requests for 11 previously approved projects exceed cost estimates recognized by the Legislature by \$12.7 million.
- ☒ The Legislature should make a policy decision as to when performing arts theaters are warranted at community colleges.

The balance of the budget request (\$100 million) is proposed from the Public Buildings Construction Fund (lease-revenue bonds). The General Fund provides the "revenues" for the principal and interest payments on these bonds.

#### **Lease-Revenue Bonds**

*We recommend that the Legislature appropriate general obligation bonds (\$100,065,000) under Item 6870-301-791 in lieu of lease-revenue bonds (\$100,065,000) for the projects proposed under Item 6870-301-660 in order to reduce future annual General Fund costs and increase the Legislature's flexibility in addressing overall state funding needs. (Delete Item 6870-301-660 and increase Item 6870-301-791 by a corresponding amount (\$100,065,000)).*

The budget proposes a \$100 million appropriation in Item 6870-301-660 from the Public Buildings Construction Fund (lease-revenue bonds) for 13 projects. In our summary of postsecondary education capital outlay, we discuss the two principal disadvantages of lease-revenue bonds relative to general obligation bonds. The disadvantages are (1) higher General Fund costs for interest on lease-revenue bonds and insurance policy requirements and (2) that payments for principal and interest on lease-revenue bonds are subject to the state appropriations limit. (We understand that the Legislature could exempt lease-revenue debt payments from the limit under the provisions of SCA 1, if that measure is approved by the voters in June 1990.)

In view of these disadvantages, and considering the \$900 million of general obligation bond funds available from the 1990 Higher Education Capital Outlay Fund as proposed by SB 147, we recommend in our summary of postsecondary education that the Legislature use these general obligation bond funds in lieu of lease-revenue bonds in 1990-91. Thus, we recommend that the Legislature (1) delete Item 6870-301-660 and (2) augment Item 6870-301-791 (the 1990 Higher Education Capital Outlay Bond Fund) by a corresponding amount (\$100,065,000). We estimate that this would save up to \$25 million in principal and interest payments, plus unknown costs for insurance, over a 20-year period. Given the 20-year time frame for paying off the debt service, the \$25 million cost would be equivalent to \$8 million in 1990 dollars.

#### **No District Cost-Sharing Proposed for 1990-91**

*The community colleges' capital outlay budget for 1990-91 does not propose any district cost-sharing as required by current law.*

Currently, community college districts are required to finance up to 10 percent of the total cost for state-supported capital outlay projects, depending on the district's ability to pay. Senate Bill 147 (Hart), as amended January 18, 1990, includes a provision that would repeal this cost-sharing requirement. Based on an assumption that SB 147 will pass with this provision, the Chancellor's Office did not determine district cost shares for community college capital outlay projects proposed for the 1990-91 budget. The 1990-91 budget, therefore, proposes 100 percent state

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

funding of community college capital outlay projects. (In contrast, the Governor's 1989-90 budget proposed that districts contribute \$6 million, or 5.1 percent of the community colleges' capital outlay spending.)

**District-Only Cost Items**

*Several projects in the 1990-91 budget proposal include items which are to be funded exclusively by the districts. We recommend supplemental report language that delineates state and district funding responsibilities for such projects.*

Although projects in the 1990-91 budget are proposed for 100 percent state support, as discussed above, many project proposals include items that, according to the Chancellor's Office, will be funded exclusively by the districts and listed separately in bid documents. Examples of these district-only cost items are: parking lots, bookstores, faculty or student lounges, and extra landscaping. As mentioned above, SB 147 proposes to eliminate district participation in financing state-supported projects. The Chancellor's Office supports elimination of the district participation requirement on the basis that the district contributions are drawn from the district's general operating budgets which should not finance capital outlay. Thus, while parking lots are financed with parking fees and bookstores are self-supporting, it is unclear how the districts will fund the other features.

Nevertheless, several projects include elements that are not state-supported, which the Chancellor's Office indicates the district will finance. Consequently, for those projects that include district-only costs items, we recommend that the Legislature adopt supplemental report language delineating state and district funding responsibilities for the project. The supplemental report language should: (1) specify which features of the project are to be at district cost, (2) identify district-only cost for each feature, and (3) state that, where possible, each feature must be listed separately as an additive alternate on project bid documents. Identification of the features in this manner will clearly identify state and district costs.

**Project Funding for Preliminary Plans**

*We recommend supplemental report language stating legislative intent that, beginning in the 1991-92 fiscal year, the community colleges should request separate funding for project preliminary plans. Further, we recommend that, in the future, the Legislature approve financing of justified projects consistent with the requirements placed on all other state-funded programs.*

According to current state capital outlay procedures, preliminary plans must be completed and approved by the State Public Works Board prior to the preparation of more detailed working drawings. Preliminary plans include a site plan, architectural floor plans, elevations, outline specifications, and a cost estimate. They are intended to accurately convey location, scope, cost, and the nature of the proposed project.

In requesting state funding for capital outlay projects, the community college districts currently submit project planning guides (PPGs), which generally contain less detailed descriptive information or cost estimates than that produced in preliminary plans. In addition, the quality of the PPGs varies greatly among districts, with some including floor plans and other architectural details, while others only show the outline of a proposed new building. The community college PPGs are used as a basis, not for requesting preliminary plans, but for requesting working drawings. The community colleges are thus the only postsecondary education segment which bypasses the preliminary plan phase of the state's capital outlay process.

If SB 147 is passed as amended January 18, 1990, the community colleges will receive 100 percent state funding for capital outlay projects. Community college projects should, therefore, be funded under the same procedures used by the other two postsecondary education segments. We thus recommend that, beginning in the 1991-92 fiscal year, each new project proposal by the community colleges include a specific budget request to prepare preliminary plans, and that the Legislature approve financing of justified projects consistent with the requirements placed on all other state-funded programs. Accordingly, we recommend the following supplemental report language:

It is the intent of the Legislature that, in the event no district matching shares of project costs are required for community college capital outlay projects, beginning in the 1991-92 fiscal year, each new project proposal by the community colleges should include a specific budget request to prepare preliminary plans. The proposals should include a complete project description, specific location, cost estimate, justification for the project, funding history, and estimate of future maintenance and operations costs. Beginning in 1992-93 requests for construction funds are to be based on completed preliminary plans that are in accordance with prior legislative approval for each project.

#### **Five-Year Capital Outlay Plan**

*The Chancellor's Office has not submitted a systemwide five-year plan that complies with the supplemental report requirements of the 1989 Budget Act.*

The *Supplemental Report of the 1989 Budget Act* required the community colleges to submit a five-year capital outlay plan. As discussed in our overview of postsecondary education capital outlay and in our report *The 1990-91 Budget: Perspectives and Issues*, the plan submitted by the Chancellor's Office does not even approach meeting the supplemental report requirements. In fact, *there is no systemwide five-year plan*. Instead, the Chancellor's Office simply submitted copies of each district's two- to five-year priority list of projects.

Another unfulfilled requirement is that the community colleges' plan lacks a discussion of the programmatic basis for each project and how the project contributes to accommodating needs associated with current and projected enrollments. Our review of the individual districts' five-year plans shows, however, that two-thirds of the proposed increase in lecture

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

and laboratory space planned for the next five years is in district's whose *present* facilities can accommodate over 120 percent of their projected enrollment over the same time period.

In summary, a systemwide five-year plan does not exist. Furthermore, a large proportion of future expenditures, as proposed by individual districts, will *not* address enrollment-related capital outlay needs, even though the system's enrollment is projected to increase by 540,000 students through 2005-06. It is, therefore, essential that the Chancellor's Office comply with the five-year plan requirements of the *Supplemental Report of the 1989 Budget Act*. The Legislature needs this information in order to assess whether individual project requests address enrollments and legislative priorities.

**ANALYSIS AND RECOMMENDATIONS****1990-91 CAPITAL OUTLAY PROGRAM**

The California Community Colleges' 1990-91 capital outlay program includes \$197.8 million of state funds for 106 projects. Of this amount, \$97.8 million will come from the Higher Education Capital Outlay Bond Fund of 1990 (general obligation bonds) and \$100 million is proposed from the Public Buildings Construction Fund (lease-revenue bonds). As proposed, the community college districts will not provide any project matching funds in 1990-91.

**Table 1**  
**California Community Colleges**  
**1989-90 Capital Outlay Program**  
**Project Categories**  
**Item 6870-301-660 and Item 6870-301-791**  
**(dollars in thousands)**

<i>Category</i>	<i>Number of Projects</i>	<i>Total State Cost</i>	<i>Estimated Future Cost <sup>a</sup></i>
Previously Approved Projects:			
A. Equipment .....	19	\$14,526	—
B. Construction/Construction and equipment .....	32	128,707	\$7,167
Subtotal .....	51	\$143,233	\$7,167
New Projects:			
C. Mitigate code deficiencies .....	14	5,826	5,922
D. Utility/site development .....	2	2,381	—
E. Add instructional facilities .....	10	13,687	35,604
F. Upgrade instructional facilities .....	8	5,289	13,340
G. Libraries/learning resource ctrs. ....	6	9,241	14,391
H. Add new support facilities .....	8	4,685	35,956
I. Upgrade support facilities .....	4	3,442	548
J. Creation of permanent new off-campus centers...	2	9,881	—
K. Other .....	1	207	—
Subtotal .....	55	\$54,639	\$105,761
Totals .....	106	\$197,872	\$112,928

<sup>a</sup> CCC estimates.

To facilitate analysis of the projects, our discussion separates projects into two main categories: those for which the Legislature has previously appropriated funds and those which the Legislature will be considering for initial funding in 1990-91. Within these two main categories, we have divided the projects into 11 descriptive categories as shown in Table 1.

## **PREVIOUSLY APPROVED PROJECTS**

### **A. EQUIPMENT**

The budget proposes \$14.5 million in Item 6870-301-791 to procure equipment for 19 projects which have previously received state funding for working drawings and construction. There are no future costs associated with these projects. We recommend approval of equipment requests totaling \$5,951,000 for eight projects. The requested equipment is necessary for the respective facilities and the associated costs are reasonable. A discussion of the remaining 11 equipment requests follows.

#### **Over-Budgeting for Equipment**

*We recommend a reduction of \$3,226,000 in Item 6870-301-791 for nine projects because (1) the equipment requests are not related to the capital outlay project or (2) the requests exceed the community colleges' cost guidelines for equipment.*

The budget requests \$7.6 million to provide equipment for nine community college projects. Our analysis indicates that the requests include \$3.2 million for equipment that is not related to the capital outlay projects or is in excess of cost guidelines. Table 2 lists the budget request and our recommended reductions for each of the nine projects.

***Inappropriate Requests for Equipment Replacement.*** State budgeting practice provides funding within the capital outlay program for equipment that is needed *as a result of a capital outlay project*. A capital outlay project usually increases a college's total building space dedicated to particular academic programs or administrative functions. It is these *increases in assignable space*, for each affected program or function, for which equipment is purchased as part of a capital outlay appropriation.

The budget requests for the projects in Table 1 include costs to *replace* equipment or to augment the colleges' current equipment inventory. For example, the Allan Hancock College Secondary Effects project *decreases* the college's assignable lecture and laboratory space. Nevertheless, the budget request for this project includes almost \$500,000 for lecture and laboratory equipment. Another example is the Antelope Valley College remodeling project. This project will yield no increase in the college's lecture space and only a small increase in laboratory space, yet the budget request includes over \$180,000 for lecture and laboratory equipment. Similarly, the new Porterville College instructional building replaces five temporary structures and will not increase campus lecture, laboratory, or office space. Nevertheless, the budget requests \$352,000 for new equipment for these spaces.

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

**Table 2**  
**California Community Colleges**  
**1990-91 Capital Outlay Program**  
**Equipment**  
**Item 6870-301-791**  
**(in thousands)**

<i>Sub- Item</i>	<i>Location/Project</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>	<i>Recommended Reduction</i>
(1)	Allan Hancock CCD—Allan Hancock College Secondary effects.....	\$662	\$213	\$449
(3)	Antelope Valley CCD—Antelope Valley College Remodel to Create Classrooms, Offices & Relocate Nursing.....	205	20	185
(22)	Foothill DeAnza CCD—DeAnza College Computer Electronic Telecom. Building.....	4,046	2,229	1,817
(26)	Glendale CCD—Glendale Community College Remodel to Create Classrooms.....	82	31	51
(38)	Kern CCD—Porterville College, Instructional Building.....	352	—	352
(39)	Los Angeles CCD—East Los Angeles College Vocational Building.....	632	543	89
(44)	Marin CCD—Indian Valley College, Retrofit for Welding/Machine Shop.....	44	—	44
(53)	Mt. San Jacinto CCD—West Center Permanent Facilities, Phase I.....	1,447	1,237	210
(74)	San Diego CCD—San Diego Mesa College Animal Health Tech.....	89	60	29
	Total.....	\$7,559	\$4,333	\$3,226

We understand the community colleges' desire to have new equipment. The need for new and replacement equipment for current programs, however, is financed through the annual support/operations budgets. In fact, since 1985, the state has appropriated over \$119 million to the community colleges specifically for purchases of instructional equipment and library materials. The Governor's 1990-91 Budget requests an additional \$23 million for these purposes. Each community college district allocates its share of these funds based on an evaluation of its equipment and library needs. Individual districts should not augment their equipment replacement funds simply because they also have received funding for a capital outlay project.

**Budget Requests Exceed Cost Guidelines.** The Chancellor's Office provides cost guidelines for equipment purchased through the capital outlay program. The guidelines show allowable unit costs per assignable square foot to equip each type of instructional and support space. The guidelines are updated annually to account for inflation and are distributed to each district as part of the Chancellor's Office instructions for preparing project budget requests. Although the districts submit detailed equipment lists as part of their budget requests, the districts are informed that the equipment guidelines represent the *maximum unit prices that will be recommended for state support*.



Budget requests for some of the projects listed in Table 1 exceed the Chancellor's Office cost guidelines. For example, the request to equip the DeAnza College Computer/Electronics/Telecommunication Building for audio/visual laboratories is based on costs that are over twice the guideline (\$373 versus \$163 per assignable square foot). The result is a request for state funding to equip these laboratories that is nearly \$1.2 million more than the guidelines. Similarly, the Mt. San Jacinto CCD equipment requests for the West Center exceeds the cost guidelines by \$210,000, which is our recommended reduction. Included in this amount is a request to equip music laboratories at two and one-half times the cost guidelines (\$68 versus \$28 per assignable square foot). This results in a request for music equipment that is \$64,000 more than the Chancellor's Office guidelines. The Chancellor's Office could not provide any basis for providing state funds in excess of the guidelines.

We recommend, therefore, that the Legislature reduce Item 6870-301-791 by \$3,226,000 for the nine projects as shown in Table 2. With these reductions, the state will provide funds to purchase equipment that is related to the capital outlay project and is within cost guidelines.

The following is a discussion of the two remaining requests for equipment.

#### **Los Angeles CCD—Technical Education Center**

*We withhold recommendation on \$752,000 in Item 6870-301-791 (40) pending receipt from the district of a proposed equipment list for this project.*

The budget proposes \$752,000 to procure equipment for the Los Angeles Southwest College Technical Education Center. The proposal does not include a list of equipment to be purchased. At the time this analysis was written, the district was preparing a list for submittal to the Chancellor's Office. We withhold recommendation pending receipt of a proposal that will fund equipment purchases *related to the capital outlay project*, as discussed earlier, and that is within cost guidelines.

#### **Mendocino CCD—Outdoor Physical Education Facilities**

*We recommend approval of \$74,000 in Item 6870-301-791 (45)—a reduction of \$190,000—because the budget request includes (1) equipment that is not needed for the college's physical education program and (2) equipment for groundskeeping that duplicates existing district equipment.*

The budget proposes \$264,000 to purchase equipment for Mendocino College's new outdoor physical education facilities. These facilities include four handball/racquetball courts, six tennis courts, one baseball diamond, one large multipurpose field, two basketball courts, and two sand volleyball courts. Of the total budget request, our analysis indicates that \$53,000 is for athletic equipment that is either not necessary for the instructional program or is in excess of what is needed for the new facilities. Examples of the former case include three public address systems, two video cameras, and equipment for an intercollegiate football

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

program. Examples of the latter case include eight pitching machines for two baseball fields and twelve tennis nets for six tennis courts.

The budget request also includes \$137,000 for groundskeeping equipment. The district claims that this equipment is needed because the new facilities cover 22 acres and will require regular maintenance. The college currently occupies a 127-acre site in Ukiah. Aside from the physical education facilities, the site includes substantial grounds which must be maintained with the district's present equipment. The district has not explained why its existing groundskeeping equipment cannot also be used to maintain the athletic fields. Consequently, we recommend a total reduction of \$190,000 under Item 6870-301-791 (45) for this project.

**B. CONSTRUCTION OR CONSTRUCTION AND EQUIPMENT**

The budget proposes \$82.7 million for construction of 12 projects and \$46 million for construction *and* equipment appropriations for 20 projects. The Legislature has previously appropriated working drawing funds for each of these 32 projects. We recommend approval of (1) seven construction requests totaling \$51.2 million (\$45.8 under Item 6870-301-660 and \$5.3 million under Item 6870-301-791) and (2) 13 construction and equipment requests totaling \$31.2 million (\$6.8 million in Item 6870-301-660 and \$24.4 million in Item 6870-301-791). The budget requests for these projects are consistent with legislatively approved scope and cost. Our analysis and recommendations for the 12 remaining projects follows.

*We recommend a reduction of \$12,438,000 (\$8,694,000 in Item 6870-301-660 and \$3,744,000 in Item 6870-301-791) for 10 projects because the budget requests exceed the construction cost estimates that were originally proposed by the districts and recognized by the Legislature.*

The budget proposes \$39.2 million for construction of four projects and construction and equipment for six projects. This amount exceeds cost estimates that were originally proposed by the districts and recognized by the Legislature by \$12.4 million. Table 3 lists the budget requests and our recommended reduction for each of the 10 projects.

Funding for the working drawing phase of these 10 projects was appropriated in the 1989 Budget Act. Before working drawing appropriations for any capital outlay project can be released, the State Public Works Board must first approve the project's preliminary plans. At the September 15, 1989 meeting of the Public Works Board, approval of preliminary plans for these 10 projects was withdrawn from the board's agenda because the estimated cost to complete each project exceeded the amount recognized by the Legislature in the *Supplemental Report of the 1989 Budget Act*. The 1990-91 budget requests for these projects reflect these higher cost estimates. The Chancellor's Office has not been able to provide adequate justification for the increased construction costs.

In a few cases, the scope of projects has changed from that which the Legislature approved in 1989. For example, the Legislature approved funding to prepare working drawings for a 34,000 assignable square foot gymnasium facility at Los Angeles Southwest College. The project was

also to include a 25-meter swimming pool and handicap pool, baseball and soccer fields, six tennis courts, and four basketball courts. Future state costs were estimated to be \$7.2 million.

**Table 3**  
**California Community Colleges**  
**1990-91 Capital Outlay Program**  
**B. Construction or Construction and Equipment**  
**Items 6870-301-660 and 6870-301-791**  
**(in thousands)**

<i>Sub- Item Project</i>	<i>Phase<sup>a</sup></i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendation</i>	<i>Recom- mended Reduction</i>	<i>Estimated Future Cost<sup>b</sup></i>
Item 6870-301-660:					
(3) Los Angeles CCD—Southwest College, Indoor Physical Ed. Facilities.....	c	\$12,802	\$7,236	\$5,566	\$278
(6) Napa Valley CCD—Upper Valley Center Site Develop. & Perm. Fac.....	ce	4,663	3,096	1,567	—
(13) Yosemite CCD—Modesto Jr. College, Fire Training Center .....	c	4,838	3,277	1,561	288
Item 6870-301-791:					
(9) Citrus CCD—Citrus College Recording Arts Addition.....	ce	1,043	938	105	—
(10) Citrus CCD—Citrus College Aquatic Center.....	ce	1,474	1,121	353	—
(20) El Camino CCD—El Camino College, Child Care/Development Facility .....	ce	1,374	1,071	303	—
(33) Grossmont-Cuyamaca CCD—Cuyamaca College Indoor Physical Ed., Gym .....	c	5,443	3,632	1,811	239
(41) Los Angeles CCD—West Los Angeles College Indoor Physical Ed., Gym.....	c	3,370	3,150	220	129
(49) Mt. San Antonio CCD—Mt. San Antonio College Child Care/Development Addition.....	ce	776	648	128	—
(90) West Valley-Mission CCD—Mission College, Indoor Physical Education Gym .....	ce	3,431	2,607	824	—
Totals .....		\$39,214	\$26,776	\$12,438	\$934

<sup>a</sup> Phase symbol indicates: c = construction; e = equipment.

<sup>b</sup> CCC estimates.

In May 1989, *prior to completion of budget hearings*, the district submitted to the Chancellor's Office a revised project proposal (project planning guide) that increased the gymnasium building by 40 percent, from 34,000 to 48,000 assignable square feet, with a building cost increase of \$3.5 million, or 70 percent. The revised proposal also increased the pool length to 50 meters, and added a separate diving pool and 20,000 square feet of pool deck. These changes increased total estimated site development costs by over \$500,000. (The Chancellor's Office indicated on the

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

project planning guide that the increased site development costs would be at district expense, yet the entire increase is included in the 1990-91 budget request for construction funds.)

In summary, an increase of \$5.5 million in construction funding is requested beyond what was recognized by the Legislature in 1989 when working drawings were approved for this project. The Chancellor's Office has notified the district that it should not anticipate any funding beyond what was provided in the 1989 Budget Act and the *Supplemental Report of the Budget Act*. Nevertheless, the Chancellor's Office and the administration are requesting the \$5.5 million increased construction funding for 1990-91.

**Citrus Aquatic Center.** The budget requests 100 percent funding to construct and equip the Citrus Aquatic Center, which includes a 50-meter pool. When this project was approved for working drawings in 1989, however, the Legislature stipulated in the supplemental report that the district would contribute \$156,000 towards pool construction costs. Our recommended reduction of \$353,000, as shown in Table 3, includes this cost-sharing requirement.

**Summary.** We recommend a total reduction of \$12,438,000, as detailed for each project in Table 3. This reduction brings each project into conformity with the original construction cost estimates as submitted by the Chancellor's Office and recognized by the Legislature, adjusted for inflation.

**Victor Valley CCD—Gymnasium**

*We recommend approval of \$4,713,000 in Item 6870-301-660(12)—a reduction of \$296,000—because the budget request does not conform to the construction cost estimate which was provided when this project was approved by the Legislature in the 1989 Budget Act.*

The budget proposes \$5,009,000 for construction of a 40,000 square foot gymnasium at Victor Valley Community College. This project received an appropriation for working drawings in the 1989 Budget Act. Unlike the 10 projects described in the previous recommendation, the preliminary plans for this project were approved by the Public Works Board at its September 15, 1989 meeting. At that time, the Department of Finance provided written certification that the scope and cost were consistent with the project as approved by the Legislature. Nevertheless, the budget request for this project exceeds the original construction cost estimate provided by the Chancellor's Office and recognized by the Legislature by \$296,000. Consequently, we recommend that Item 6870-301-660(12) be reduced by \$296,000 to conform with the original cost estimate adjusted for inflation.

**Victor Valley CCD—Learning Resources Center Addition**

*We recommend deletion of \$2,064,000 in Item 6870-301-791(89) because the district has indicated that it is not going to proceed with this*

*project. Furthermore, we recommend Item 6870-495-785 be added to revert \$84,000 that was appropriated from 1988 bonds for this project in the 1989 Budget Act.*

The project, as approved in the 1989 Budget Act, was to be a 9,000 square foot addition to the college's learning resources center. The district has decided that the proposed facility would not adequately address the college's future needs. Therefore, the district has elected not to proceed with this project and, instead, will request funding for a new learning resources center in the 1991-92 fiscal year. We, therefore, recommend that Item 6870-301-791(89) for \$2,064,000 be deleted to reflect the cancellation of this project. In addition, we recommend that Item 6870-495-785 be added to revert the previous \$84,000 appropriation to prepare working drawings for this project.

### **NEW PROJECTS**

As displayed earlier in Table 1, the community colleges' capital outlay program for 1990-91 includes \$54.6 million for 55 new projects. The following discussion of projects in each of nine descriptive categories is preceded by a separate recommendation that applies to projects from several of the categories.

#### **Projects Exceed Construction Cost Guidelines**

*We recommend a reduction of \$886,000 in Item 6870-301-791 for nine projects because the estimated building costs for these projects exceed the community colleges cost guidelines for similar projects. (Estimated future savings are \$6.1 million.)*

The Chancellor's Office publishes a list of building construction costs for different types of academic and support space. These costs are expressed in dollars per assignable square foot of building area and are based on costs of previous community college construction projects. The unit costs are increased annually, in accordance with instructions from the Department of Finance, to account for inflation. The building construction estimates for the nine projects in Table 4 exceed these cost guidelines. Table 4 shows the budget requests, the community colleges' estimated future construction costs, and our recommendations for each project.

The cost guidelines for community college facilities result from and reflect the construction of a large number of buildings to meet the academic and support needs of the community colleges. The resulting facilities have successfully met those needs and we know of no reason to increase the state's cost to build more expensive facilities. Moreover, the Chancellor's Office has not been able to substantiate why these projects require state funds in excess of historical cost guidelines. We therefore recommend a reduction of \$886,000 under Item 6870-301-791 as shown for each project in Table 4. We also recommend that supplemental report language describing each of the projects include the reduced future construction costs as shown in Table 4. (Future savings: \$6.1 million.)

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

**Table 4**  
**California Community Colleges**  
**1990-91 Capital Outlay Program**  
**Over-Budgeted Projects**  
**Item 6870-301-791**  
**(in thousands)**

Sub- Item Project	Phase <sup>a</sup>	Budget Bill Amount	Analyst's Recommendation	Estimated Future Construction Cost <sup>b</sup>	
				CCC	LAO
(7) Cerritos CCD—Cerritos College, Learning resource center remodel/expansion ..	w	\$307	\$282	\$4,575	\$4,150
(8) Chaffey CCD—Chaffey College Learning resource center remodel.....	w	165	146	1,682	1,682
(13) Desert CCD—Copper Mtn. Center, Learning resource center.....	w	152	121	2,311	1,857
(18) Coast CCD—Orange Coast College, Vocational technology.....	w	991	761	15,137	11,624
(21) Feather River CCD—Feather River College Science Module.....	w	128	107	1,777	1,555
(24) Foothill-DeAnza CCD—Foothill College Library remodel/addition.....	wc	3,396	2,974	—	—
(25) Fremont-Newark CCD—Ohlone College Performing arts facility .....	w	726	634	11,182	10,368
(91) Yosemite CCD—Modesto Jr. College Automotive addition .....	w	162	147	2,471	2,207
(94) Yuba CCD—Woodland Center Learning resource center.....	w	217	186	3,068	2,684
Totals.....		\$6,244	\$5,358	\$42,203	\$36,127

<sup>a</sup> Phase symbol indicates: w = working drawings; c = construction.

<sup>b</sup> Estimated future cost excludes movable equipment.

**Chaffey College.** It is our understanding that for the Chaffey College learning resources center project (Item 6870-301-791 (8)), the Chancellor's Office has reduced the cost estimate to the amount shown in Table 4. The original estimated construction cost for this project, as submitted by the Chancellor's Office, was \$2.4 million, or almost 50 percent higher than the cost guidelines. Recent information from the Chancellor's Office indicates that the district and its architect reassessed the project and concluded that the facility could be built for substantially less than the original estimate. The new estimate compares well with the cost guidelines for a learning resources building. We urge the Chancellor's Office to work with each of the other districts listed in Table 4 to bring the construction costs in line with the cost guidelines.

**C. MITIGATE CODE DEFICIENCIES**

The budget proposes \$5.8 million for 14 projects to mitigate code deficiencies at community college campuses. This includes projects to reduce seismic hazards and to remove architectural barriers to the mobility impaired. We recommend approval of \$4,458,000 in Item 6870-301-791 for 13 projects in this category. The scope and associated costs of these projects are reasonable. A discussion of the remaining project and our recommendation follows.

**Glendale CCD—Fire Access Road**

*We recommend approval of \$1,216,000 in Item 6870-301-791 (30)—a reduction of \$152,000—for working drawings and construction of a fire access road at Glendale Community College because the road will not require streetlights or sidewalks.*

The budget proposes \$1,368,000 to design and construct a 1,500 foot emergency vehicle access and fire protection road along an undeveloped, brush-covered hillside above Glendale Community College. The road will be used only by service vehicles and by fire fighting equipment if such a need arises. Access to the road will be controlled by locked gates.

Our analysis indicates that construction of this road is justified. Because access to the road will be limited, however, the proposal to include streetlights and sidewalks is unwarranted. We therefore recommend deletion of these portions of the project, a reduction of \$152,000 under Item 6870-301-791 (30).

**D. UTILITY/SITE DEVELOPMENT**

The budget requests \$2.4 million for two projects in this category. We recommend approval of \$576,000 in Item 6870-301-791 (72) for a new main electrical feeder at Saddleback College. The scope and associated costs for this project are reasonable. Our analysis and discussion of the other project in this category follows.

**Allan Hancock CCD—Site Development**

*We recommend approval of \$1,296,000 in Item 6870-301-791 (2)—a reduction of \$509,000—for working drawings and construction of site improvements at Allan Hancock Community College because the campus does not need divided, four-lane circulation roads or a two-acre softball field.*

The budget requests \$1,805,000 for site development at Allan Hancock Community College. The Legislature approved \$361,000 in the 1989 Budget Act for Phase 1 site improvements, but this appropriation was later vetoed by the Governor. For its 1990-91 budget request, the district has combined the original two-phase project into a single project. The project includes modifications to existing road and entryways, construction of an additional campus entryway, and storm drainage and street lighting improvements. The project also includes relocation of a softball field currently located on the site of the new access road.

Our analysis indicates that most of the work proposed in this project is justified. Portions of the project, however, are excessive and should be

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

deleted. First, the project includes construction of a divided, four-lane access road bordering the campus. A circulation road of this capacity is unwarranted for a campus of this size (5,200 day/4,200 night students). In comparison, several large state university campuses (such as Long Beach, Northridge and Pomona) do not have divided four-lane perimeter circulation roads. The district has not provided any traffic circulation data that would substantiate the need, at this campus, for a four-lane road. We therefore recommend deleting \$420,000 in project costs associated with building a four-lane rather than two-lane road.

The budget also includes grading costs for a 57,000 square foot softball field, yet landscaping costs are included for a 90,000 square foot (over two acre) field. The 57,000 square foot field is appropriate for a regulation softball field, thus we recommend deleting \$89,000 in project costs associated with the 33,000 square feet of excess landscaping.

In summary, we recommend a total reduction of \$509,000 under Item 6870-301-791(2).

**E. ADD INSTRUCTIONAL FACILITIES**

A total of \$13.7 million is requested for 10 projects to add instructional facilities. We recommend approval of \$1,664,000 in Item 6870-301-791 for three of the 10 projects. Our analysis indicates that these three projects are in accordance with state guidelines and the estimated costs are reasonable. Three of the other projects in this category—the Orange Coast College Vocational Technology Building, the Feather River College Science Module, and the Modesto Junior College Automotive Addition—are included in our previous discussion and recommendation concerning over-budgeting of building construction costs. Our analysis and recommendations of the four projects remaining in this category follows.

**Los Angeles CCD—Aerospace Complex**

*We recommend deletion of \$8,017,000 in Item 6870-301-660(4) for construction of a new aerospace complex and replacement of existing maintenance facilities at West Los Angeles College because the district has not justified the need for new facilities. (Estimated future savings: \$1.2 million.)*

The budget requests \$8,017,000 for construction of a 42,000 asf aerospace complex at West Los Angeles College. This request also includes costs to relocate and expand the college's existing maintenance facilities that are located on the site of the proposed aerospace complex. The district has funded the entire working drawing costs of this project. Thus, this request for construction funding is the Legislature's initial consideration of this project.

The college's current aerospace facilities are at a satellite location on Sepulveda Boulevard. Upon completion of the new complex, the district intends to sell the site on Sepulveda Boulevard and use the proceeds for its capital outlay program. The district claims that the existing facilities are antiquated, have hazardous conditions, and are inadequate techno-



logically for current instructional needs. The district further claims that the existing facilities cannot be upgraded to address these problems. Based on information provided by the district, we disagree with this assertion.

To substantiate their claims concerning the existing facilities, the district cites problems identified in a 1989 Accreditation Study. The cited problems include: a paint booth not in compliance with state and federal standards; inadequate ventilation systems for welding, nondestructive testing, and composite labs; and the lack of an appropriate hazardous materials storage facility. We believe that these problems could and should be addressed, but not via the construction of a new facility at a total cost of \$9 million. We therefore recommend deletion of \$8,017,000 in construction funds for this project.

Should the Legislature decide to fund this project, we recommend that upon completion of the project, the district reimburse the state for the cost of this project using proceeds from the sale of the Sepulveda Boulevard site.

#### **MiraCosta CCD—San Elijo Classroom Building**

*We recommend approval of \$2,235,000 in Item 6870-301-791(48) to construct and procure equipment for two classroom buildings at the San Elijo Center of MiraCosta Community College District pending receipt of working drawings that were funded solely by the district.*

The budget proposes \$2,235,000 to construct and procure equipment for two classroom buildings totaling 10,500 assignable square feet at the San Elijo Center. Based on available information, the proposed buildings are in accordance with state guidelines and the estimated construction and equipment costs are reasonable. Because the district funded the entire cost of working drawings, however, the budget request is the Legislature's initial consideration of this project. We therefore recommend approval of the budget request contingent on receipt of completed working drawing. If these documents are not available prior to budget hearings, we recommend the Legislature not approve the project.

#### **Mt. San Jacinto CCD—Business/Technology Building**

*We recommend approval of \$200,000 in Item 6870-301-791(51) to prepare working drawings for a business/technology building at Mt. San Jacinto College. We also recommend that the district reevaluate its construction cost estimate for this project in relation to the cost guidelines for similar community college projects.*

The budget proposes \$200,000 for design of a 14,000 asf business/technology building at Mt. San Jacinto College to replace 25 year-old relocatable structures. The building will include general classrooms and laboratories for accounting, word processing, electronics, drafting, and photography. The proposal is in accordance with state space guidelines. We recommend approval.

We also recommend that the district reevaluate its building cost estimate for this project as compared to similar projects constructed at

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

other community colleges. The district's estimated building construction cost is about 50 percent *less* than the cost guidelines for similar projects. We believe it would be prudent for the district to examine the cost estimate for this project to assure that the proposed facilities can be constructed within the estimated amount.

**Santa Barbara CCD—Business/Communications Center**

*We recommend deletion of \$290,000 in Item 6870-301-791(79) to prepare working drawings for a new business/communication building at Santa Barbara City College because the project would decrease rather than increase the college's laboratory space and because other elements of the project are not justified. (Estimated future savings: \$4.4 million.)*

The budget proposes \$290,000 to design a 21,000 asf business/communication building at Santa Barbara City College. The building will include: computer, typing, and tutorial labs for the college's business program, communications labs, 3,200 asf of classrooms, a 150-seat forum, and food service facilities. We recommend the Legislature not approve this project for the reasons discussed below.

First, prior to construction of this project, the college's total laboratory space is forecast to be only 84 percent of state guidelines. A project that would increase the college's laboratory space is therefore warranted. Information from the district indicates, however, that the proposed project plus the project's secondary effects will result in a *net decrease* in laboratory space of 3,000 assignable square feet. This would *lower* the college's laboratory space to only 78 percent of state guidelines.

Second, the district maintains that the 150-seat forum will be used for lectures, musical performances, and "community service," yet the college's existing performing arts facility is available for musical performances. Finally, the district also has not explained why the campus needs 2,000 assignable square feet of additional food service facilities as proposed in the project.

Given these reasons, we recommend the deletion of \$290,000 under Item 6870-301-791(79). We urge the Chancellor's Office to work with the district to develop a project proposal that will adequately address the need for additional laboratory space.

**F. UPGRADE INSTRUCTIONAL FACILITIES**

The budget proposes \$5.3 million for eight projects to upgrade instructional facilities. We recommend approval of \$1,973,000 in Item 6870-301-791 for three projects. Our analysis and recommendations concerning the five projects remaining in this category are discussed below.

**Citrus CCD—Mass Media Center Remodel**

*We recommend deletion of \$103,000 in Item 6870-301-791(12) to prepare working drawings for an addition to and remodeling of the performing arts center at Citrus Community College because the*

*district has not explained why its current facilities are inadequate to train vocational and lower division students. (Estimated future savings are \$4.2 million.)*

The budget requests \$103,000 to design a 5,300 asf addition and the remodeling of 1,200 asf in the existing performing arts center at Citrus Community College. Estimated future costs of the project are \$1.5 million for construction and \$2.7 million for equipment. The purpose of the project is to provide students with instruction in live sound, live concert production, the production of video tapes, and radio broadcasting in conjunction with vocal, theatre arts and music programs presently offered by the college. According to the Chancellor's Office, the remodeled facility would be a regional center for these functions, serving five other community college districts in the vicinity of Citrus Community College.

We recommend the Legislature not approve this project because the district has not been able to explain why its *current* facilities are inadequate for vocational and lower divisional instruction in the programs cited above. It would therefore not be prudent to proceed with this \$4.3 million project, thus, we recommend deletion of \$103,000 under Item 6870-301-791 (12).

#### **Coast CCD—Classroom Buildings Demolition and Remodel**

*We recommend approval of \$1,130,000 in Item 6870-301-791 (16)—a reduction of \$320,000—for the demolition and repair of two classroom buildings at Golden West College because the equipment to be procured is not related to the capital outlay project.*

The budget requests \$1,450,000 to design, demolish, reconstruct, and equip 8,600 asf on the ground floors of two classroom buildings at Golden West Community College. The project is necessary because of differential settlement of the ground floors. The project would provide support for the ground floors with a new system of girders and piles. We agree that this project should proceed, however, we recommend deletion of the equipment procurement part of the project. Upon completion of the project, all space within the affected areas of the two buildings will return to their original uses. No new equipment is needed *as a result of this capital outlay project*. We therefore recommend a reduction of \$320,000 under Item 6870-301-791 (16) to delete equipment funding for this project.

#### **Foothill-DeAnza CCD—Secondary Effects of Computer Building**

*We recommend deletion of \$1,156,000 in Item 6870-301-791 (23) for working drawings and construction to convert laboratories into classrooms at DeAnza College because the project does not adequately address the college's need for additional laboratory space. (Estimated future savings: \$140,000.)*

The budget proposes \$1,156,000 to convert 16,000 asf of laboratory space into classrooms in three buildings at DeAnza College. The existing

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

laboratory functions are scheduled to move into the new Computer/Electronic/Telecommunications Building in March 1992. We have the following concern with this project.

According to information from the district, the net effect of this proposal would be to raise district lecture space from 100 percent to 114 percent of state guidelines—16,000 asf of excess lecture space. At the same time, laboratory space would be left at only 85 percent of the guidelines—a shortfall of about 22,000 asf. It would not be prudent to proceed with a project that exacerbates the district's shortage of laboratory space while creating excess lecture space. Consequently, we recommend deletion of \$1,156,000 under Item 6870-301-791 (23).

Deferral of a plan to renovate the vacated space will not be problematic for the district. The new computer building will not be completed for two years (March 1992). Thus, any renovation of existing space cannot begin until that time. The district, therefore, has ample time to develop an alternative proposal that will better address its shortage of laboratory space. The submittal of such a project would warrant legislative consideration in 1991-92. The district indicates that it is committed to developing sufficient laboratory space to meet state guidelines. Renovation of existing laboratory space should certainly be less costly to the state than eventually constructing new laboratories. Thus, we urge the district to proceed with such planning in preparation for the 1991-92 budget.

**Santa Clarita CCD—Remodel Several Buildings**

*We withhold recommendation on \$157,000 in Item 6870-301-791 (80) to prepare working drawings for remodeling of several buildings at College of the Canyons pending receipt of a revised proposal that more adequately addresses enrollment growth projections for the college.*

The budget requests \$157,000 for working drawings to remodel 33,000 asf in several buildings at the College of the Canyons campus. The remodeling will create a larger library, a computer center combined with a learning skills lab, more electronics labs and faculty offices, and smaller, more numerous classrooms. Future costs for construction and equipment are estimated at \$2.5 million.

Our analysis indicates that the proposed remodeling work is warranted. This district is located in an area of rapid population growth. As a result, the Department of Finance's 1989 projections show an enrollment in 1994-95 at Santa Clarita CCD that is 30 percent higher than was projected in 1988. The proposal to remodel the buildings at this campus was developed before the department's recent projections. In light of this new enrollment information and the college's current shortage of library and lecture space, the district is reevaluating certain aspects of the proposed project and will submit a revised proposal prior to budget hearings. We, therefore, withhold recommendation on the \$157,000 request for this project pending receipt and review of the district's revised proposal.

**Yosemite CCD—Science Renovation/Addition**

*We recommend deletion of \$268,000 in Item 6870-301-791(92) to prepare working drawings for renovation of the science building at Modesto Junior College because the district has not justified the need for this work. (Estimated future savings: \$3.6 million.) We also withhold recommendation on the remaining \$182,000 in this item to prepare working drawings for an addition to the science building pending receipt of a revised proposal from the district.*

The budget requests a total of \$450,000 for working drawings (1) for renovation of a 28,000 asf science building and (2) for construction of an 8,000 asf addition to the building. Estimated future costs for construction and equipment are \$6.6 million (\$3.6 million for the renovation and \$3 million for the addition).

**Renovation.** The proposal includes renovation of a 30-year-old science building. This work would consist of replacing the heating/cooling system, lighting system, plumbing, doors, flooring, laboratory cabinets, suspended ceilings and fume hoods. The district simply has not provided adequate justification for this multi-million dollar proposal to virtually replace the complete interior of the building.

The renovation proposal is based on an inspection done by two consultants retained by the district. The consultants found evidence of leaks in the building's natural gas piping system and recommended replacement. They also noted that the HVAC system falls below current standards for laboratory spaces. In particular, they noted that exhaust systems for fume hoods fail to meet code requirements. While the consultant's inspection indicates that some alterations of the science building might be justified, the district has not documented the need to replace the entire interior of the building at a cost of \$3.6 million. We therefore recommend a deletion of \$268,000 from the budget request for the renovation portion of this project. A proposal to remedy documented deficiencies should be submitted for legislative consideration.

**Addition.** The proposed addition as submitted by the district included two physical science laboratories, one planetarium, one study room, and eight faculty offices. The 4,400 asf planetarium portion of the project was deleted by the state prior to submission of the Governor's Budget. The 1990-91 budget request for working drawings, however, has *not* been reduced accordingly. If funding for this project is approved for 1990-91, the district proposes to design the addition with an empty space where the planetarium was to be constructed. The district plans to submit a proposal in 1991-92 to design and construct a biological science lab in this space.

According to state guidelines for laboratory space, the district can justify the entire 8,000 asf addition. It would be more economical and would provide the instructional space sooner if the district completed the project under a single project. Consequently, we recommend that prior to budget hearings, the district produce a complete project proposal for the addition. We therefore withhold recommendation on \$182,000 for

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

working drawings for the science building addition pending receipt and review of a revised proposal from the district.

**G. LIBRARIES/LEARNING RESOURCE CENTERS**

A total of \$9.2 million is requested for six projects to add library or learning resources facilities. Five of these projects—for Chaffey, Cerritos, Desert, Foothill-DeAnza, and Yuba Community College Districts—are included in our discussion and recommendation concerning over-budgeting of construction costs. Our analysis and recommendation of the remaining project in this category follows.

**Antelope Valley CCD—New Library/Campus Electrical Upgrade**

*We recommend a deletion of \$5,004,000 in Item 6870-301-660(1) for working drawings and construction of the library and campus electrical upgrade because \$4,689,000 for construction will not be needed in the budget year and the remaining \$315,000 to prepare working drawings should be funded with general obligation bonds under Item 6870-301-791.*

The budget requests \$5 million to design and construct a new 26,000 assignable square foot library building and an upgrade of the electrical distribution system at Antelope Valley College. Estimated future costs for equipment is \$520,000. The proposed library is in accordance with state guidelines and the estimated cost of both aspects of the project are reasonable. We therefore recommend approval of this project.

According to the project schedule submitted by the district, working drawings will not be completed until November 1, 1991 and the advertisement for construction bids will not be issued until January 1, 1992. Based on this schedule, construction funds are not needed in the budget year. Accordingly, we recommend approval of \$315,000 for the working drawing phase of the project for 1990-91.

The budget proposes to finance this project using lease-revenue bonds. These bonds cannot be used solely to fund working drawings for a project. Therefore, we recommend that \$315,000 of the amount from Item 6870-301-660(1) be transferred to Item 6870-301-791 from the 1990 Higher Education Capital Outlay Bond Fund.

In summary, we recommend deletion of \$5,004,000 under Item 6870-301-660(1) from lease-revenue bonds and the addition of \$315,000 under Item 6870-301-791 from general obligation bonds.

**H. ADD NEW SUPPORT FACILITIES**

The budget includes \$4.7 million for eight projects to add new support facilities. We recommend approval of \$100,000 for the Copper Mountain Center Student Services Building in the Desert CCD. One of the other projects in this category—Fremont/Newark CCD Performing Arts Facility—is included in our previous discussion and recommendation concerning over-budgeting of building construction costs. (This project was approved by the Legislature in the 1989-90 Budget Bill, but was later

vetoed by the Governor.) Our analyses and recommendations concerning the six projects remaining in this category are discussed below.

**Grossmont-Cuyacama CCD—Information Systems Building**

*We recommend deletion of \$436,000 in Item 6870-301-791(34) to prepare working drawings and construct an information systems building for Grossmont-Cuyacama Community College District because according to state guidelines, the district cannot justify additional office space. (Estimated future savings: \$48,000.)*

The budget proposes \$436,000 to design and construct a 3,300 asf information systems building at district offices adjacent to Grossmont College. The building would provide 1,400 asf of administrative offices and 1,900 asf for other administrative functions including 700 asf for the district's new administrative computer. About 1,300 asf of other campus space vacated upon completion of this facility will be converted into classrooms at Grossmont College.

Our analysis indicates that this project is not justified according to state guidelines for office space. The district's office space is currently 109 percent of the state guidelines. Thus, a further increase in district office space is not warranted. The proposed secondary effect to increase classroom space at Grossmont College has merit because the district's current lecture space is about 93 percent, or 4,000 asf below state space guidelines. The district's shortage of classrooms, however, should not be addressed by constructing a building that adds excess office space. We therefore recommend deletion of \$436,000 from the budget proposal for this project.

**Mendocino CCD—Fine Arts Building**

*We recommend a reduction of \$46,000 in Item 6870-301-791(46) to prepare working drawings for a fine arts building at Mendocino Community College because estimated future construction costs for the project exceed the community college's cost guidelines for similar projects. (Estimated future savings: \$0.7 million.)*

*We withhold recommendation on the remaining \$375,000 in Item 6870-301-791(46) because the need for a 400-seat theater at a new, small community college is a policy issue that the Legislature should first decide.*

The budget proposes \$421,000 to design a 24,000 assignable square foot fine arts building at Mendocino Community College. The building would include a 10,000 asf theater and support space, 6,000 asf for music instruction, 5,400 asf for art instruction and exhibition, 900 asf of classrooms, and 1,600 asf for office and office support. Estimated future costs for construction and equipment are \$6.3 million. We have the following concerns with the district's proposal.

**Estimated Construction Costs Too High.** The estimated costs to construct this project are about 12 percent higher than the community college's cost guidelines for similar projects. The district claims that the cost estimate employs similar methodology to that used on previous

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

projects at the college and that estimates for those projects have been very close to actual building costs. Our analysis indicates, however, that past project budgets at the college did *not* exceed the community college's cost guidelines. We therefore see no reason to increase the state's cost and build a more expensive performing arts facility. Consequently, we recommend that the Legislature reduce the estimated future construction cost for this project to \$5,676,000, a reduction of \$667,000. Because working drawings are budgeted as a percentage of total construction costs, we recommend a reduction of \$46,000 in the 1990-91 budget request for working drawings.

***Need for a 400-Seat Theater.*** Mendocino College occupies a relatively new campus site and has a small enrollment of about 3,800 students—about one-third the size of the average community college. Performing arts facilities are expensive to construct, serve a variety of community activities and provide for some instructional needs. In view of this, we believe it is a policy issue, for legislative consideration, concerning at what stage in a community college's development the addition of a 400-seat theater, such as the one proposed for Mendocino College, is warranted. We recommend that the Legislature establish a policy as to when these performing arts theaters should receive state funding and in what priority they should be funded. Therefore, pending policy guidance, we withhold recommendation on \$375,000 under Item 6870-301-791(46) to prepare working drawings for this project.

**Mt. San Antonio CCD—Student Services Center**

*We recommend deletion of \$426,000 in Item 6870-301-791(50) to prepare working drawings for a student services center at Mt. San Antonio Community College because the district has not justified the need for a new facility. (Estimated future savings: \$6.8 million.)*

The budget proposes \$426,000 to design a 28,000 asf student services center at Mt. San Antonio Community College. The project is intended to consolidate all student services, such as admissions and records, assessment and placement, financial aid, counseling and health services into one building. These services are currently located in three buildings, which would be demolished as part of the project. Estimated future costs for construction and equipment are \$6.8 million. According to the district, consolidation will result in an annual savings of about \$50,000 and provide a more distinct location for student services. Given the amount of space on campus, however, it is not clear that the most cost-effective solution is a new \$7 million facility.

According to state guidelines, the district has about 43,000 asf of excess lecture space, which is more space than is proposed for the new facility. Rather the proceeding with the proposed project, we urge the district to evaluate alterations of *some* of this lecture space for student service functions. We therefore recommend deletion of \$426,000 from the budget for the proposed project.



**Rancho Santiago CCD—Library Addition**

*We recommend deletion of \$1,342,000 in Item 6870-301-791 (59) for working drawings, construction, and equipment for an addition to the Rancho Santiago College library because the proposed project does not adequately address the district's need for additional library and office space.*

The budget proposes \$1,342,000 to design, construct, and equip a 5,300 asf addition to the Santa Ana campus library. The project will add 2,900 asf of offices, 1,100 asf of reading/study space, and 1,300 asf for testing and assessment. Currently, the district's testing and assessment is in leased facilities which the district must vacate by June 1991. According to the district, alternative lease space close to the Santa Ana campus is not available. Based on state guidelines, the district can justify the additional office and library space. We have the following concern with the proposed project, however.

The district's current office space is at 80 percent of state guidelines and library space is only at 67 percent. Yet this \$1.3 million project does very little to remedy these deficiencies. Upon completion of the project, office space will be only 83 percent of state guidelines and library space will be only 68 percent of guidelines. We do not believe this is a prudent expenditure of state funds. Moreover, for several years, the district's five-year capital outlay plan has listed a library addition project which would "meet the pressing need for adequate space intended for reading study activities". The current proposal does not address this need as expressed in the district's five-year plan.

Thus, we recommend deletion of \$1,342,000 under Item 6870-301-791 (50) for the proposed project because of the marginal benefit at a high state cost. We urge the district to develop a proposal that will better address its need for additional office and library space. Legislative consideration of such a proposal may be warranted.

**Ventura CCD—Performing Arts Facility**

*We recommend a reduction of \$138,000 in Item 6870-301-791 (86) to prepare working drawings for a performing arts facility at Moorpark College because the district does not need additional classrooms or additional facilities for its music and dance programs. (Estimated future savings: \$2.5 million.)*

We withhold recommendation on the remaining \$304,000 pending a legislative policy decision concerning when to develop performing arts theaters on community college campuses.

The budget proposes \$442,000 to design a 23,000 asf performing arts facility at Moorpark College. The facility would include 14,000 asf for a 500-seat theatre and support space, a 2,500 asf drama lab, a 2,900 asf dance studio, 250 asf for music practice, 1,100 asf of offices, and 2,200 asf of classrooms. The estimated future cost for construction and equipment is \$7.7 million. We have the following concerns with this proposal.

First, the district currently exceeds state standards for lecture space, thus no such space should be a part of this project. Second, the district

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

indicates that the college already has satisfactory rehearsal space in its music building, thus no additional music space is warranted in the new facility. Third, the college's dance program is currently located in the physical education building. No justification is provided for including a dance studio in the performing arts facility.

We therefore recommend deletion of the classrooms, music rooms, dance studio, and 900 asf of associated offices from this project. This results in a \$128,000 reduction in Item 6870-301-791 (86) and future savings of \$2.5 million. Pending a legislative policy on when to provide performing arts theaters at community colleges campuses, we withhold recommendation on the balance of the project for the theater, drama lab, and 450 asf of associated offices. We estimate future construction costs for such a project, based on cost guidelines for similar community college projects, to be \$4.7 million.

**Yuba CCD—Disabled Student Services Center**

*We withhold recommendation on \$792,000 in Item 6870-301-791 (93) for a disabled student services center at Yuba College pending clarification from the district as to how this project will enhance services for disabled students.*

The budget requests \$792,000 to design, construct, and equip a 3,300 asf disabled student services center at Yuba College. According to the district, the purpose of this project is to enhance programs for disabled students. The new center would replace a portable building currently housing disabled student services. The new building would also include a learning center for the disabled which would be transferred from its current location in the campus library. The proposed scope and cost of this proposal is reasonable. We withhold recommendation, however, pending (1) clarification from the district on how the new facility will enhance programs for disabled students and (2) assurances by the district that this centralizing of disabled student services will not diminish the availability of other campus facilities, such as the library, to disabled students.

**I. UPGRADE SUPPORT FACILITIES**

The budget includes \$3.4 million for four projects to upgrade support facilities. We recommend approval of \$1,632,000 for three projects in this category. For one of these projects—the Cabrillo College Food Technology Expansion—the budget incorrectly lists the request to be only for working drawings and construction. The \$906,000 request *also* includes funding for equipment procurement. Our discussion of the other project in this category follows.

**Antelope Valley CCD—Administration Building Remodel**

*We withhold recommendation on \$1,810,000 in Item 6870-301-791 (4) for working drawings and remodeling of the administrative building at Antelope Valley Community College pending receipt of a revised proposal which better addresses the need for laboratory and office space.*

The budget proposes \$1,810,000 to design and remodel 22,000 asf in the administration building at Antelope Valley College. The district indicates that the project is needed to expand administrative offices for academic administration, fiscal operations, and student services. Although the college can justify the increased office space that this project would yield, our concern with the project, as now proposed, is that it would reduce the college's laboratory space, which is already 20 percent below state guidelines. This problem will be exacerbated by the college's continued enrollment growth, which is induced by rapid population growth in the Lancaster/Palmdale area. The district recognizes these issues and is currently revising the proposed project to account for its enrollment growth. The revised proposal should be available for review prior to budget hearings. Consequently, we withhold recommendation on the \$1,810,000 proposed for this project.

#### **J. CREATION OF NEW OFF-CAMPUS CENTERS**

The budget proposes \$9.9 for two projects to create a permanent off-campus center at Placerville in the Los Rios Community College District. Our analysis and recommendation of these two projects follows.

##### **Los Rios CCD—Placerville Center On-Site Development**

*We recommend approval of \$2,293,000 in Item 6870-301-791 (43)—a reduction of \$527,000—for working drawings and on-site development for the Placerville Center because the budget proposal includes unnecessary features in addition to parking facilities that should be funded by the Los Rios Community College District.*

The budget includes \$2.8 million for design and installation of infrastructure for the new Placerville Center. Creation of the Placerville Center was approved by the state in 1985. The Legislature approved \$341,000 for off-site development associated with the center in the 1989 Budget Act. The 1990-91 budget request includes decorative features—a 0.5 acre plaza and a fountain—which are unnecessary. We therefore recommend deleting \$206,000 in project costs associated with these items. The budget request also includes grading and paving for parking lots which are to be designed and constructed at district expense. We recommend deleting \$321,000 in project costs associated with the parking facilities. In summary, we recommend a total reduction of \$527,000 under Item 6870-301-791 (43).

##### **Los Rios CCD—Placerville Center, Instructional/Administration Facilities**

*We recommend deletion of \$7,061,000 in Item 6870-301-660(5) for working drawings, construction, and equipment for the Phase I facilities at the Placerville Center because \$6,743,000 for construction and equipment will not be needed in the budget year and \$318,000 to prepare working drawings for this project should be funded with general obligation bonds under Item 6870-301-791.*

We further recommend that the supplemental report language describing this project reflect a reduction of \$1,180,000 in estimated construction costs because the current construction budget exceeds costs

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

for similar community college projects.

**Over-Optimistic Budget Request.** The budget includes \$7,061,000 to design, construct, and equip the initial 27,000 assignable square feet of administrative and instructional facilities at Placerville Center. (The budget incorrectly lists the request to be only for working drawings and construction.) The project schedule submitted by the district shows that construction bidding for the project will not occur until July 1991. The project will therefore not require funding for construction or for the final project phase—equipment procurement—in the budget year. We therefore recommend that the 1990-91 budget for this project be reduced to \$318,000 to fund only the preparation of working drawings.

**Fund Working Drawings with General Obligation Bonds.** The budget proposes to fund this project with an appropriation from lease-revenue bonds. These bonds cannot be used solely to fund working drawings. We therefore recommend that \$318,000 of the amount deleted in Item 6870-301-660(5) be transferred to Item 6870-301-791 from the 1990 Higher Education Capital Outlay Bond fund.

**Reduce Future Construction Budget.** The estimated building costs to construct this project are about 28 percent higher than the community college's cost guidelines for similar projects. The Chancellor's Office has not been able to explain why this project should be budgeted at such a high cost. We therefore recommend that the Legislature reduce the estimated future construction cost to \$4,848,000, a reduction of \$1,180,000.

**K. OTHER PROJECTS**

*We recommend approval.*

The one project in this category proposes \$207,000 to acquire three acres of land adjacent to the Palo Verde College campus, which currently encompasses only eight acres. The budget proposal also includes the cost to purchase an existing home on the site. The Chancellor's Office indicates that the additional land is needed to relocate programs and services, including auto technology and child care and development, that are presently located off-campus. The district has submitted appraisals which substantiate the budget request. We recommend approval of the \$207,000 in Item 6870-301-791(56).

**Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental report language which describes the scope and cost of each of the capital outlay projects approved under these items.

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## DEPARTMENT OF FOOD AND AGRICULTURE—CAPITAL OUTLAY

Item 8570-301 from the Special  
Account for Capital Outlay  
and the Agricultural Building  
Fund

Budget p. GG 116

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Requested 1990-91 .....	\$654,000
Recommended approval .....	492,000
Recommended reduction .....	162,000

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### SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

*Analysis  
page*

1. Chemistry Laboratory. Delete \$162,000 in Item 8570—301-036(2). Recommend deletion of preliminary plans and working drawings for upgrading/expanding the fume hood and heating/air conditioning systems in the existing chemistry laboratory because the department has not provided the Legislature with a coordinated space utilization plan and project implementation schedule for this project and a previously funded chemistry laboratory renovation project which is undergoing major changes. 1386

### FIVE-YEAR PLAN AND OVERVIEW OF THE BUDGET REQUEST

The Department of Food and Agriculture (DFA) promotes and protects the state's agriculture industry, develops California's agriculture policies and assures true weights and measures in commerce. The department's programs are conducted in office buildings, laboratories and border inspection stations throughout the state.

The thrust of the DFA's five-year plan is to renovate and expand its chemistry and plant industry laboratories in Sacramento and to construct a new border inspection station at Woodfords on Highway 88 near the Nevada border. Table 1 summarizes the DFA's five-year capital outlay plan.

**Table 1**  
**Department of Food and Agriculture**  
**Five-year Capital Outlay Plan**  
(in thousands)

<i>Project Category</i>	<i>1990-91</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>Total</i>
Major Capital Outlay .....	\$2,381	\$9,781	\$545	\$50	—	\$12,757
Minor Capital Outlay .....	268	500	400	400	—	1,568
Total .....	\$2,649	\$10,281	\$945	\$450	—	\$14,325

**Budget Request.** The budget includes \$586,000 under Item 8570-301-036 from the Special Account for Capital Outlay (SAFCO) consisting of \$424,000 for working drawings to construct a Plant Industry Laboratory in Sacramento and \$162,000 for preliminary plans and working drawings for replacement of fume hoods and heating/air conditioning systems in the

**DEPARTMENT OF FOOD AND AGRICULTURE—CAPITAL OUTLAY—Continued**

Chemistry Laboratory in Sacramento. In addition, Item 8570-301-601 requests \$68,000 from the Agricultural Building Fund for one minor capital outlay project.

**RECOMMENDATIONS****Plant Industry Laboratory**

*We recommend approval contingent upon receipt of preliminary plans prior to budget hearings.*

The budget requests \$424,000 in Item 8570-301-036 (1) from SAFCO for working drawings for construction of the Plant Industry Laboratory on Meadowview Road (17 acres) in Sacramento. The facility consists of a 47,500 gross square foot (gsf) laboratory and a 950 gsf warehouse/laboratory. The main laboratory will include offices, storage areas, a conference room and five laboratories. The estimated cost to complete the project is \$9,995,000. The department indicates that the preliminary plans will not be completed until March 1990.

Our analysis indicates that the request is consistent with the project scope and cost previously recognized by the Legislature in the *Supplemental Report to the 1989 Budget Act*. Consequently, we recommend approval contingent upon receipt of preliminary plans prior to budget hearings. If the preliminary plans are not available to the Legislature at that time, we recommend that the Legislature not approve the project.

**Chemistry Laboratory Upgrade**

*We recommend deletion of \$162,000 in Item 8570-301-036(2) from SAFCO for preliminary plans and working drawings for replacement and expansion of the fume hood and heating/air conditioning systems in the Chemistry Laboratory facility because the department has not provided the Legislature with a coordinated space utilization plan and project schedule for this project and the previously funded Chemistry Laboratory Annex project which is undergoing major changes.*

The budget requests \$162,000 in Item 8570-301-036(2) from SAFCO for preliminary plans and working drawings for a facility renovation and upgrading project to replace 44 fume hoods and four heating/air conditioning units and to install seven new laboratory stations and fume hoods in the existing Chemistry Laboratory on Meadowview Road in Sacramento. The estimated cost to complete this project is \$2,170,000.

Our analysis indicates that this request is premature because the department has not provided the Legislature with a plan for coordination of the laboratory space utilization in this project and the Chemistry Laboratory Annex project which, according to DFA, is currently undergoing major changes.

**Background.** The Budget Act of 1987 appropriated \$903,000 under Item 8570-301-036(1) from SAFCO to renovate and convert the old Veterinary Laboratory (10,000 gsf) to the Chemistry Laboratory Annex. After starting construction, however, this project was canceled because of

an unanticipated increase of \$865,000 due to additional asbestos removal and renovation costs. The contractor was paid \$107,000 in contract cancellation costs.

In order to continue and complete the conversion project, DFA requested an augmentation through the Legislature. In response, the Legislature enacted Chapter 1011, Statutes of 1989 (AB 415, Kelley) which appropriated \$2.3 million from the General Fund to augment the project. This amount added to the \$500,000 balance remaining in the original appropriation provided \$2.8 million to complete the project.

***Need to Coordinate Projects.*** The department has informed us that it is developing preliminary plans to *construct a new facility* for the Chemistry Laboratory Annex, rather than continuing with the conversion of the old Veterinary Laboratory which will be demolished. This action is inconsistent with the project previously approved by the Legislature and augmented by Chapter 1011. In fact, a project to construct a new facility has *not* been presented to the Legislature. Moreover, the department has not provided the Legislature with a coordinated plan showing how the laboratory stations will be divided between the new Chemistry Laboratory Annex building and the existing Chemistry Laboratory building after renovation and upgrading. Lacking this information, it is not clear what renovations or improvements are necessary in the Chemistry Laboratory building. In addition, the department has not provided a schedule that indicates how the timing of both projects will be coordinated to provide relocation space for laboratory staff currently located in the existing facility while it is undergoing renovation and upgrading.

For the above reasons, we recommend deletion of the \$162,000 requested in Item 8570-301-036(2) for the Chemistry Laboratory upgrading project.

#### **Minor Capital Outlay Project**

***We recommend approval.***

The budget requests \$68,000 in Item 8570-301-601(1) from the Agricultural Building Fund for construction of a pedestrian bridge to provide direct access from the fourth floor of the Food and Agriculture Annex Building to the fourth floor of the Veteran's Affairs Building. During 1990-91, the department will be moving some its offices into 32,600 net square feet of space on the fourth, fifth and sixth floors of the Veteran's Affairs Building. This project will facilitate staff movement between the buildings.

#### **Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental report language which describes the scope of each of the projects approved under this item.

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**MILITARY DEPARTMENT—CAPITAL OUTLAY**

Items 8940-301 and 8940-490  
 (reappropriation) from the  
 Special Account for Capital  
 Outlay and the Federal Trust  
 Fund

Budget p. GG 174

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Requested 1990-91 .....	\$2,002,000
Recommended reduction .....	2,002,000

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**SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS**

*Analysis  
page*

1. *Capital Outlay Requests for 1990-91. Delete \$1,195,000 in Item 8940-301-036 and \$807,000 in Item 8940-301-890.* Recommend deletion of all major and minor capital outlay projects requested under these items because the Military Department had not provided the Legislature with supporting proposals (consisting of project justifications, cost estimates, schedules, and financing plans) for these projects and information on the status of site acquisitions. 1389
2. *Reappropriation. Delete reappropriation in Item 8940-490.* Recommend deletion of reappropriation of \$150,000 from the Federal Trust Fund for preliminary plans for the Los Angeles-North Armory because neither a revised cost estimate, schedule and financing plan for the project, nor information as to the status of the site acquisition have been received by the Legislature. 1390

**FIVE-YEAR PLAN AND OVERVIEW OF THE BUDGET REQUEST**

The Military Department is responsible for the command and management of the California Army and Air National Guard. The Army Guard consists of 169 company-size and 35 detachment-size units having 22,400 officers and enlisted personnel. The Air Guard consists of four major flying organizations and six combat communications units having 6,100 officers and enlisted personnel. To support the Army and Air Guard operations, the department maintains a headquarters complex in Sacramento, 8 major bases, 126 armories, 4 aviation support facilities, and 50 support facilities and stations.

*Five-year Plan.* The primary thrust of the department's five-year capital outlay plan is to construct a new headquarters complex in Sacramento in order to consolidate its offices from several lease locations and to construct 15 new armories to replace and consolidate existing armories that are obsolete and no longer adequately serve the units assigned to them. Normally the federal National Guard Bureau pays 75 percent of new armory construction costs, and about 33 percent of design and engineering costs.



Table 1 shows that the department's five-year capital outlay plan calls for state funds totaling \$22 million for design and construction of new armories (\$8.9 million) and new headquarters complex (\$13.1 million).

**Table 1**  
**Military Department**  
**Five-year Capital Outlay Plan**  
**State Share Only<sup>a</sup>**  
**1990-91 through 1994-95**  
**(in thousands)**

<i>Project Category</i>	<i>1990-91</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>Total</i>
Major Capital Outlay						
Armory Replacement .....	\$515	\$1,185	\$3,045	\$3,725	\$455	\$8,925
Headquarters .....	676	1,256	—	11,132	—	13,064
Total .....	\$1,191	\$2,441	\$3,045	\$14,857	\$455	\$21,989

<sup>a</sup> Assumes 75 percent federal funding share for the armory projects and 55 percent for the headquarters project.

**Budget Request.** The budget requests a total of \$2,002,000 consisting of \$1,195,000 in Item 8940-301-036 from SAFCO and \$807,000 in Item 8940-301-890 from the Federal Trust Fund. These amounts would finance planning and supervision of construction projects financed from federal funds (\$234,000), preliminary plans for new armory projects (\$913,000), and minor capital outlay projects (\$855,000).

The budget funds the 1990-91 portion of the five-year plan, except for preliminary plans for the headquarters complex. According to the department, the headquarters project has been deferred to determine if a site will be available at Mather Air Force Base when it is declared surplus and closed. The Department of Finance is proposing the use of funds from SAFCO rather than from the Armory Fund because no revenues from the sale of armories have been realized and deposited in the Armory Fund to finance the state's portion of the 1990-91 program.

The department also proposes to spend \$41.1 million in federal construction funds, which are not subject to state appropriation, for construction of several projects throughout the state.

## **ANALYSIS AND RECOMMENDATIONS**

### **Capital Outlay Requests for 1990-91**

*We recommend deletion of \$1,195,000 in Item 8940-301-036 and \$807,000 in Item 8940-301-890 for major and minor capital outlay projects in 1990-91 because the department has not provided the Legislature with supporting proposals (project justifications, cost estimates, schedules, and financing plans) for these projects.*

The budget requests \$2,002,000 consisting of \$1,195,000 in item 8940-301-036 from SAFCO and \$807,000 in Item 8940-301-890 from the Federal Trust Fund for the following major and minor capital outlay projects for the Military Department in 1990-91:

- \$234,000 (SAFCO)-statewide project planning, working drawings and supervision of construction projects financed with federal funds.

**MILITARY DEPARTMENT—CAPITAL OUTLAY—Continued**

- \$613,000 (SAFCO and Federal Trust Fund)-preliminary plans for construction of the Los Angeles-West Armory. This project would provide 167,800 gsf of space for 14 units (2,065 personnel) currently located in armories at Culver City, Gardena, Inglewood, Van Nuys, Compton, Los Angeles, Lynwood, Manhattan Beach, Sylmar and Torrance. The site for this project has not been acquired.
- \$300,000 (SAFCO)-preliminary plans for construction of the Los Angeles-North Armory. This project would provide 102,800 gsf of space for nine units (1,000 personnel) currently located in armories at Arcadia, Glendale, Los Angeles-Bridewell, Monrovia and Burbank. The Legislature appropriated \$450,000 (\$300,000 from the Armory Fund and \$150,000 from the Federal Trust Fund) in the 1989 Budget Act for this project and recognized the estimated future cost of \$12.1 million to complete the project. At that time, the Legislature also adopted Budget Bill language providing that no funds for this project can be spent until the site has been acquired at no cost to the state. The site for this project has not been acquired.
- \$855,000 (SAFCO and Federal Trust Fund)-Minor capital outlay projects amounting to less than \$250,000 each.

**Recommendation.** We recommend deletion of \$2,002,000 in Items 8940-301-036 and 8940-301-890 for the department's 1990-91 capital outlay program. At the time this analysis was written, the department had not provided current project proposals consisting of project justifications, cost estimates, schedules, and financing plans for these projects. Moreover, no information had been received as to the progress of the site acquisitions for the Los Angeles armory projects. Lacking this information, we are unable to advise the Legislature as to the merits, costs, timing, and future financing of these projects. Consequently, we recommend deletion of the requested \$2,002,000.

**Reappropriation for Los Angeles- North Armory Project**

*We recommend deletion of Item 8940-490 for reappropriation of \$150,000 previously appropriated in the Budget Act of 1989 (Item 8940-301-890 (2)) from the Federal Trust Fund for preliminary plans for Los Angeles-North Armory because the department has not informed the Legislature as to the status of site acquisition and the revised estimated cost, timing, and future financing to complete this project.*

The budget requests a reappropriation of \$150,000 previously appropriated in the Budget Act of 1989, Item 8940-301-890 (2) from the Federal Trust Fund, for preliminary plans for construction of the Los Angeles-North Armory. As discussed earlier in this analysis, when the original appropriation was made, the Legislature also adopted Budget Bill language requiring that no funds for preliminary plans can be spent until the site has been acquired at no cost to the state.

The site has not been acquired and the department has not informed the Legislature about the status of the acquisition. In addition, the

department has not indicated how construction of this project will be funded, given the insufficiency of funds in the Armory Fund. For these reasons, we recommend that the reappropriation be deleted.

#### **Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental report language which describes the scope of each of the capital outlay projects approved under these items.

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### **UNALLOCATED CAPITAL OUTLAY—PROJECT PLANNING**

Item 9860-301-036 from the  
Special Account for Capital  
Outlay

Budget p. GG 217

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Requested 1990-91 .....	\$300,000
Recommended approval .....	300,000

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#### **ANALYSIS AND RECOMMENDATIONS**

##### **Project Planning**

*We recommend approval.*

The budget requests \$300,000 to finance the development of basic planning documents and cost estimates for new projects which the Department of Finance (DOF) anticipates will be included in the 1991-92 or 1992-93 Governor's Budget. The DOF will allocate these funds.

Funds for this purpose have been included in past Budget Acts in an attempt to improve the quality of information the Legislature will have available when considering capital outlay requests during the budget process. The requested amount and associated Budget Bill language concerning use of these funds are the same as approved for this purpose in the current year.

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### **UNALLOCATED CAPITAL OUTLAY—MATCHING FUNDS FOR ENERGY GRANTS**

Item 9860-301-791 from the 1990  
Higher Education Capital  
Outlay Bond Fund

Budget p. GG 217

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Requested 1990-91 .....	\$500,000
Recommended approval .....	500,000

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#### **ANALYSIS AND RECOMMENDATIONS**

##### **Matching Funds for Energy Grants**

*We recommend approval.*

**UNALLOCATED CAPITAL OUTLAY—MATCHING FUNDS FOR ENERGY GRANTS—Continued**

The budget includes \$500,000 from the 1990 Higher Education Capital Outlay Bond Fund for working drawings/construction of energy projects that are expected to be partially financed through federal grants for energy conservation. The amount proposed is identical to the amount for this purpose contained in the 1989 Budget Act.

These funds will be allocated by the Department of Finance for the highest priority projects identified by the University of California, the California State University, the California Maritime Academy and the California Community Colleges. The Department of Finance would be required to report proposed allocations to the Legislature at least 30 days prior to allocating the funds. This requirement is the same requirement placed on prior appropriations for this purpose.

Prior lump-sum appropriations have enabled the state to realize a high rate of return on its investment through participation in the federal grant program for energy projects. We recommend approval of the proposed \$500,000 to continue this effort.

**UNALLOCATED CAPITAL OUTLAY—CAPITAL OUTLAY FUND FOR PUBLIC HIGHER EDUCATION—DEFICIT**

Item 9860-302 from the General  
Fund, Special Account for  
Capital Outlay

Budget p. GG 217

Requested 1990-91 .....	\$527,000
Recommendation pending .....	527,000

**SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS**

*Analysis  
page*

1. Transfer to Cover Apparent Fund Deficit. Withhold recommendation on the proposed \$527,000 transfer from SAFCO to the Capital Outlay Fund for Public Higher Education pending receipt of a clarification regarding the purpose of the transfer and information that justifies the proposed transfer amount.

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**ANALYSIS AND RECOMMENDATIONS****Deficit in Capital Outlay Fund for Public Higher Education (COFPE)**

*We withhold recommendation on the proposed \$527,000 transfer from SAFCO to the Capital Outlay Fund for Public Higher Education pending receipt of a clarification regarding the purpose of the transfer and information that justifies the proposed transfer amount.*

The budget includes \$527,000 in Item 9860-302-036 for transfer from the Special Account for Capital Outlay (SAFCO) to the Capital Outlay Fund

for Public Higher Education (COFPHE) on June 30, 1990. The budget does not indicate the purpose of the proposed transfer. According to Department of Finance (DOF) staff, the transfer is needed to pay interest on a \$6.2 million loan from the General Fund to COFPHE made in December 1988.

**Background.** In November 1988, due to insufficient funds, the Controller denied COFPHE payments on bills submitted by the postsecondary education segments. In December 1988, the Governor, without informing the Legislature, approved a \$6.2 million loan from the General Fund to COFPHE (pursuant to Government Code Section 16351) to enable COFPHE to pay its bills. Subsequently, the 1989-90 budget proposed a transfer of \$6,750,000 from the 1988 Higher Education Capital Outlay Bond Fund to provide COFPHE the funds needed to repay the loan. In the 1989 Budget Act (Item 9860-302-785) the Legislature approved a transfer of \$5,846,000, based on information provided by the administration indicating that this was the actual additional amount needed in COFPHE to repay the loan, after liquidation of all other claims against the fund. At the administration's request, the Legislature specified in Item 9860-302-785 that the transfer take place on *June 30, 1989*. This action would allow the General Fund loan to be recorded as repaid at the close of the 1988-89 fiscal year.

**General Fund Loan Not Repaid on June 30.** Although Government Code Section 16351 specifies that General Fund loans authorized under that section be repaid as soon as there are sufficient monies to do so, the loan to COFPHE was not repaid on June 30, 1989, as intended under the 1989 Budget Act. In a letter dated November 27, 1989, the Controller's Office informed DOF that it intended to transfer the \$6.2 million principal *plus* \$546,000 in interest from COFPHE to the General Fund on December 6, 1989 (the anniversary of the loan) because the maximum loan term permitted under Section 16351 is one year. The Controller subsequently made this transfer. Thus, the loan was repaid more than five months later than intended. We estimate the *additional* interest charged to COFPHE as a result of this unnecessary delay to be approximately \$235,000.

**Need for Proposed 1990-91 Transfer is Unclear.** The Governor's Budget document (page GG 219) indicates that without the transfer proposed in Item 9860-302-036 COFPHE would experience a \$527,000 deficit. As noted above, DOF staff state that the proposed transfer is needed to pay the interest on the \$6.2 million General Fund loan. (According to a memo from DOF dated January 17, 1990, the difference between the \$546,000 interest expense and the \$527,000 proposed in this item—\$19,000—is the amount remaining in COFPHE after all other claims against the fund "had been liquidated.") According to the Controller's staff, however, the interest on the General Fund loan was repaid on December 6, 1989 and there are no further COFPHE obligations to the General Fund.

If the statement by the Controller's staff is accurate, and the fund condition statement in the budget indicating that COFPHE faces a

**UNALLOCATED CAPITAL OUTLAY—CAPITAL OUTLAY FUND FOR PUBLIC  
HIGHER EDUCATION—DEFICIT—Continued**

deficit also is accurate, then the reason for the deficit must be that there are still unpaid bills tied to prior appropriations from COFPHE. We cannot advise the Legislature on the need for the proposed transfer until the administration clarifies the purpose of the transfer and provides information that justifies the proposed transfer amount. We therefore withhold recommendation pending receipt of this information.

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