

CAPITAL OUTLAY

CAPITAL OUTLAY SUMMARY

Again this year, we discuss in our companion document *The 1991-92 Perspectives and Issues* (Part 4 — "State Infrastructure"), some of the major infrastructure problems facing the Legislature. These problems include identifying the state's infrastructure needs, setting priorities to meet these needs, assessing the state's bonded indebtedness, and establishing a financing plan to carry out the Legislature's priorities, including the extent and timing of future bond measure submittals to the voters. Based on our analysis of these problems, we conclude that a statewide plan that identifies infrastructure needs in a priority sequence and a financing plan to establish the orderly and timely implementation of the statewide plan must be developed if the infrastructure needs of California are to be met in a timely and efficient manner.

Chapter 1435, Statutes of 1990 (SB 1825, Beverly), requires the Director of Finance to prepare a 10-year projection of the state's potential need for financing capital outlay. This report is due to the Legislature by February 1, 1991 and is to be updated annually. At the time this analysis was written the report had not been submitted. Hopefully, this document will include the information necessary to serve as a blueprint for a financing plan to begin meeting the state's infrastructure needs in a timely and efficient manner.

What is the Current Demand for Infrastructure Financing?

Any estimates of costs to meet statewide infrastructure needs should be used cautiously. On the one hand, the data do not reflect all potential needs due to the incompleteness of the state's planning process. On the other hand, the data may include proposals that, upon examination, do not merit funding. One indication of the current magnitude of infrastructure needs can be seen in Table 1, which shows that \$39 billion will be needed for state and K-12 projects over the next five years.

Table 1
Projected Capital Needs
For the State and K-12 Education
1991-92 through 1995-96
(in billions)

	<i>Five-Year Total</i>
State/Consumer Affairs	\$0.4
Transportation	12.4
Resources	0.7
Health/Welfare	0.2
Youth/Adult Corrections	5.9
Education	19.3
General Government	<u>0.1</u>
Total	\$39.0

Source: LAO estimates, based on information from departments.

Another measure of 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

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for deferred maintenance of existing infrastructure (Table 1 does not include any estimated costs for this problem) and another \$49 billion for new infrastructure. In the intervening years, some progress has been made in addressing these needs in areas such as prisons, education and, most recently, in transportation. Nevertheless, as shown in Table 1, the estimated five-year costs for infrastructure in these areas is now \$35 billion. Moreover, in other areas of state government little has been done to address the needs identified in this report.

As indicated above, these various estimates have many shortcomings. Nevertheless, based on available information, it is clear that the state's infrastructure needs over the next decade are easily in the *tens of billions of dollars*.

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

Summary of the 1991-92 Capital Outlay Program

Table 2 provides a summary of the capital outlay program included in the Governor's 1991-92 Budget. The proposed program totals nearly \$564 million, of which \$440 million (78 percent) is from bond financing. The bond financing plan includes \$107 million from general obligation bonds in the areas of resources, youth/adult corrections, and higher education. The remaining \$333 million in bond financing is for lease-payment bonds for higher education. The estimated future cost to complete the Governor's proposed 1991-92 programs is over \$583 million. The majority of this future cost is in (1) the transportation portion of the budget to complete a new headquarters and parking garage complex for the Departments of Motor Vehicles and the California Highway Patrol and (2) higher education to complete projects on various campuses.

Table 2
1991-92 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^a</i>
Legislative/Judicial/Executive	—	\$1.2	—	—
State and Consumer Services	—	12.4	\$2.6	\$7.8
Transportation	—	8.3	—	266.7
Resources	\$34.9	44.9	0.8	11.1
Health and Welfare.....	—	28.0	—	12.0
Youth and Adult Correctional.....	20.2	—	—	30.9
Higher Education.....	385.1	—	—	234.9
General Government.....	—	22.9	2.2	20.4
Totals	\$440.1	\$117.7	\$5.6	\$583.8

^a Department estimates.

The major emphasis of the capital outlay portion of the Governor's Budget is in Higher Education, where \$385 million is included. This represents 68 percent of the total program. These funds consist of \$52 million in general obligation bonds and \$333 million in lease-payment

bonds. Debt payments for the lease-payment bonds come from the General Fund as direct appropriations to either the University of California, California State University, or the community colleges. Major elements of the balance of the program are:

- The resources area includes \$80.6 million, of which over 40 percent (\$34.9 million) is from general obligation bonds. The balance of the program is funded from various special funds such as the Off-Highway Vehicle Fund, SAFCO, Cigarette/Tobacco Products Surtax, and federal funds.
- A total of \$22.9 million from SAFCO is proposed for General Government. The major part of this is \$17 million for Department of Food and Agriculture laboratories in Sacramento.
- Youth/Adult Correctional includes \$20.2 million for existing prison facilities. Although there is significant overcrowding in existing prisons and projections indicate a continued high rate of incarceration, the Governor's Budget neither includes any proposal for new prisons nor indicates what measures will be taken to meet this need.
- A total of \$28 million from SAFCO is proposed under Health and Welfare. The majority of this is for improvements at state hospitals.

For each of the elements of the Governor's capital outlay program, we outline and evaluate the department's five-year plan, and make recommendations on the requested projects.

DEPARTMENT OF JUSTICE—CAPITAL OUTLAY

Item 0820-301 from the General
Fund, Dealers Record of Sale
Special Account

Budget p. LJE 68

Requested 1991-92.....	\$250,000
Recommended approval	250,000

ANALYSIS AND RECOMMENDATIONS

We recommend approval of \$250,000 in Item 0820-301-460 for expansion of the Criminal-ID Section.

The budget requests \$250,000 from the General Fund, Dealers Record of Sale Special Account, for expansion of the Cal-ID Automated Fingerprint Identification System room. This expansion will provide space for computer equipment needed to accommodate a growth in program requirements as a result of the Long-Gun Registration Program pursuant to Ch 9/90 (AB 497, Connelly). Our analysis indicates that this project is reasonable in scope and cost.

STATE TREASURER—CAPITAL OUTLAY

Item 0950-301 from the General
Fund Special Account For
Capital Outlay

Budget p. LJE 102

Requested 1991-92.....	\$942,000
Recommended approval	942,000

ANALYSIS AND RECOMMENDATIONS

The budget requests \$942,000 from the General Fund, Special Account For Capital Outlay, for construction funds to remodel 7,392 square feet of space in the Jesse M. Unruh Building to relocate and expand the Treasurer's computer center. Relocation of the existing computer area is necessary to correct for (1) potential damage from water leaks, and (2) a potential security risk because of a skylight above the computer room. Expansion of the facility will allow the Treasurer's Office to consolidate all of its computer operations in the Unruh Building. Currently, some of its computer hardware, including two mainframe computers and reader/sorter equipment, is located in the Archives Building, which is scheduled for demolition in the next few years.

The Legislature approved funds for preliminary plans and working drawings in the 1990 Budget Act. The preliminary plans were approved by the Public Works Board on January 25, 1991. The project remains within the scope and cost approved by the Legislature. We therefore recommend approval.

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 the capital outlay project approved under this item.

FRANCHISE TAX BOARD—CAPITAL OUTLAY

Item 1730-301 from the General
Fund, Special Account For
Capital Outlay

Budget p. SCS 103

Requested 1991-92.....	\$384,000
Recommended approval	384,000

ANALYSIS AND RECOMMENDATIONS

The budget requests \$384,000 from the General Fund, Special Account for Capital Outlay, for two projects at the Franchise Tax Board (FTB) central office in Sacramento. The two projects are (1) an upgrade of the

air-conditioning system to provide increased capacity for computer and electrical equipment (\$324,000) and (2) procurement and installation of a free-standing freight elevator (\$60,000).

Increase in Air-Conditioning Capacity

We recommend approval.

The budget requests preliminary plan, working drawing, and construction funds to install a new 72-ton air-cooled chiller at FTB's central office. The project also includes associated water pumps, piping, controls, and electrical work. The department's existing chiller capacity is insufficient to maintain recommended temperatures for computer and electrical equipment during the summer months. The department indicates that temperatures for the electrical equipment, have exceeded recommended levels by as much as 12 degrees. In addition, FTB plans to install new equipment in the future, which, according to a recent study of the air-conditioning system, will result in a capacity deficiency of 47 percent. Our analysis indicates that the proposed installation of a 72-ton chiller is reasonable and should provide the department with the capacity necessary to operate current and future computer and electrical equipment without risk of damage or shut-down. We therefore recommend approval.

Freight Elevator

We recommend approval.

The budget requests \$60,000 for procurement and installation of a free-standing freight elevator at FTB's central office. Installation of the new elevator would allow an existing freight elevator, which is not designed for freight use and is damaged and needs repair, to be converted to passenger use. The project appears reasonable and we recommend approval.

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 the major capital outlay project under this item.

DEPARTMENT OF GENERAL SERVICES—CAPITAL OUTLAY

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

Budget p. SCS 127

Requested 1991-92.....	\$9,262,000
Recommended approval.....	184,000
Recommended reduction.....	3,087,000
Recommendation pending.....	5,991,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

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1. **Central Plant Upgrade.** Withhold recommendation on \$5,991,000 in Item 1760-301-036(1) for working drawings and construction for upgrading Central Plant pending receipt and review of information required by the 1990 Budget Act language. 1216
2. **Site 7 Parking Garage.** Reduce Item 1760-301-036(2) by \$3,087,000. Recommend deletion of funds for land acquisition and preliminary plans for parking garage in Sacramento because garage does not need to be completed until 1995. Also recommend that the Legislature adopt a policy requiring all future state parking facilities to be funded with parking fees. 1217

MAJOR ISSUES

- Although the department's five-year capital outlay plan emphasizes construction of state office buildings in Sacramento and the state pays over \$65 million annually to lease office space in Sacramento, the department's budget does not include any proposal for new state office space.
- Proposed parking garage, and all future state parking facilities, should be financed with parking fees.

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

Table 1 shows the department's \$400 million five-year plan. The plan includes 16 projects and has one major emphasis—construction of state office buildings in Sacramento. Three Sacramento buildings previously

authorized through legislation other than the Budget Act are part of the plan. These include the Secretary of State/State Archives (\$90 million for construction), the Franchise Tax Board Phase II (\$34 million for construction), and the Library and Courts Annex Building (\$23 million for working drawings and construction). The plan also includes \$28 million to design and construct a new Sacramento building for the Department of Justice (DOJ). The department recently indicated, however, that the DOJ has no plans to seek funding for this building. Instead, the DOJ is planning to lease space within a private office building being constructed near its present Sacramento offices on Broadway.

Although the major emphasis of the department's five-year plan is construction of state office buildings, the department's budget does not include any funds for this purpose.

Table 1
Department of General Services
Five-Year Capital Outlay Plan
1991-92 through 1995-96
(in thousands)

<i>Project Category</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>	<i>Totals</i>
Sacramento Office Buildings	\$129,240	\$49,110	\$3,750	\$45,790	\$11,430	\$239,320
Other Office Buildings	55,440	—	2,180	2,130	84,300	144,050
Other Facilities	10,030	5,150	—	350	3,150	18,680
Totals	\$194,710	\$54,260	\$5,930	\$48,270	\$98,880	\$402,050

Capitol Area Plan

In our analyses of the 1989-90 and 1990-91 Budget Bills, we discussed the significant increase since 1977 in leased office space and annual lease costs for state agencies in Sacramento. Between 1977 and 1989, the percentage of state-owned office space in Sacramento decreased from 64 percent to 52 percent, while the amount of leased space rose by 2.7 million net square feet and annual lease costs increased more than sixfold to \$65.5 million. These events are contrary to the Capitol Area Plan (CAP), which was adopted by the Legislature in 1977 and has a goal of accommodating 90 percent of all Sacramento state office space in state-owned facilities.

In August 1990, the Auditor General released a consultant's study examining implementation of the CAP and the Sacramento Facilities Plan (an element of the CAP). The study concluded that, while the CAP's 90 percent goal for state-owned office space is arbitrary and inflexible, reducing state-leased space is nevertheless desirable because of long-term cost savings from owning rather than leasing office space. The study also concluded that the Department of General Services has the responsibility, but not the authority, to implement the plan. According to the study, the lack of implementation has been mainly due to a lack of leadership. Constructing state office buildings have simply not been a priority.

Additional Reports to be Issued. The department prepares an annual progress report to the CAP. At the time this analysis was written, the update was not available. In February, the department will also release the ninth supplement to the Sacramento Facilities Plan. According to the

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department, this document will include a space allocation plan for all state-owned and state-leased offices in Sacramento. Finally, the Department of Finance, in accordance with the *Supplemental Report of the 1990 Budget Act*, is to develop a financing plan for state office buildings. This plan was to be submitted to the Chair of the Joint Legislative Budget Committee by January 31, 1991. Upon receipt and review of each of these documents, we will provide a report to the subcommittees.

Earthquake-Damaged State Buildings — An Update. Three Bay Area buildings were closed after the Loma Prieta earthquake. Chapter 1339, Statutes of 1990 (AB 4333, Quakenbush), provided the following appropriations for repair/renovation of two San Francisco buildings: 525 Golden Gate Avenue — \$14.7 for all phases of the project; 350 McAllister Street — \$6.5 million for preliminary plans and working drawings. (The estimated construction cost for 350 McAllister Street is \$54.4 million.) The projected completion dates for these two projects are January 1994 and June 1996, respectively.

Future plans for the Oakland State Office Building, which incurred the most severe damage, are undetermined at this time. The department has recently engaged a private consultant for a Bay Area facilities study. The study is scheduled for completion in August and will recommend either repairing or replacing the Oakland building or relocating state offices to a new building site in the Oakland area. The department indicates that 1992-93 will be the earliest any decision regarding the Oakland building could be implemented.

1991-92 Budget Proposal

The budget requests \$9,078,000 from the Special Account for Capital Outlay (SAFCO) for two major projects in Sacramento — an upgrade of the Central Heating and Cooling Plant and a new state parking garage within the Capitol Area. In addition, the budget includes \$184,000, also from SAFCO, for two minor projects.

ANALYSIS AND RECOMMENDATIONS**Central Plant Upgrade**

We withhold recommendation on \$5,991,000 in Item 1760-301-036(1) for working drawings and construction associated with upgrading the Central Plant pending receipt and review of information required by 1990 Budget Act language.

The budget includes \$5,991,000 for design and construction to upgrade and overhaul major equipment at the Central Plant, Sacramento. Funding for preliminary plans for this project was included in the 1990 Budget Act. The 1990 Budget Act also contained language specifying that approval to proceed with the plant upgrade is contingent upon legislative receipt and review of (1) a cost analysis for converting the plant's chiller drives from gas turbines to electric motors and (2) a cost/benefit analysis of a cogeneration project for the plant.

The department indicates that the required information will be available by mid-March. We therefore withhold recommendation pending receipt of this information.

Site 7 Parking Garage

We recommend deletion of \$3,087,000 under Item 1760-301-036(2) for land acquisition and preliminary plans for a new parking garage in Sacramento because the garage does not need to be completed until 1995. We also recommend that the Legislature adopt a policy requiring all future state parking facilities to be financed with revenue bonds, and that debt service on the bonds be paid from parking revenues.

The budget contains \$3,087,000 for land acquisition (\$2,937,000) and preliminary plans (\$150,000) for a 500-space parking garage, including 5,000 square feet of ground-floor office or commercial space. The estimated future cost for working drawings and construction is \$6 million. The garage would be located within the Capitol area, at the southeast corner of 8th and P Streets in Sacramento. This site is owned by the Employment Development Department, hence the department's request for acquisition funds.

According to the department, the garage is a required mitigation measure, as set forth in the environmental impact report for the new Secretary of State/State Archives project (Site 7 of the CAP). Constructing the garage would also enhance implementation of the CAP, which calls for increased development of parking garages to replace surface parking lots, which are then to be used for additional offices or housing. Development of the new archives building and the Library and Courts Annex (Site 5 in the CAP) will result in a loss of 240 surface parking spaces in the Capitol area. While we agree that a parking structure should be developed, we have the following concern with this proposal and with the funding policy that it reflects.

Funding Not Needed in 1991-92. According to the department, in order to provide for the increased parking demand of the new archives building, the garage must be completed prior to occupancy by the Secretary of State, which will not occur until 1995-96. Garage construction would not have to commence until early to mid-1994 in order to meet this requirement. Thus, on the basis of timing, we recommend deletion of the department's 1991-92 budget request for this project.

Garage Should be Self-Funded. The budget year proposal is to be funded from the SAFCO, and the department indicates that future SAFCO funding is proposed for the project's \$6 million design and construction cost. In recent years, the SAFCO has funded capital outlay projects for several state agencies, including major rehabilitation of the Veteran's Home and the state hospitals. The SAFCO funds are, nevertheless, limited each year and, in some years, the Legislature has funded only the highest priority projects, such as fire and life-safety improvements, and elected to redirect SAFCO funds to the General Fund.

Given the large demand on the SAFCO for capital outlay needs and the demands to be placed on the General Fund in 1991-92, we recommend

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that the Legislature not approve \$3 million in 1991-92, and potentially another \$6 million in the future, from the SAFCO for a parking garage. In order to reduce the future demand for SAFCO funding, we recommend that the Legislature adopt a policy that future state parking facilities be funded from parking fees. To implement this policy, we recommend that the Legislature adopt the following supplemental report language.

It is the intent of the Legislature that all future state parking facilities are to be financed with revenue bonds and that the debt for these bonds is to be repaid with fees charged to users of state parking facilities.

Minor Capital Outlay

We recommend approval.

The two minor projects are: (1) Jesse Unruh Building — \$85,000 to make a first-floor women’s restroom accessible to the handicapped and to provide a new handicapped accessible men’s restroom in the basement and (2) San Bernardino — \$99,000 to make all restrooms in the state building accessible to handicapped individuals. The scope and cost of these projects are reasonable and we recommend approval.

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 this item.

DEPARTMENT OF VETERANS’ AFFAIRS—CAPITAL OUTLAY

Item 1970-301 from the General Fund, Special Account for Capital Outlay and the Federal Trust Fund

Budget p. SCS 158

Requested 1991-92.....	\$5,250,000
Recommended approval	3,302,000
Recommended reduction.....	1,781,000
Recommendation pending	167,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis page

1. *Renovation of Domiciliaries. Reduce Item 1970-301-036(6) by \$363,000 and Item 1970-301-890(1) by \$847,000.* Recommend reduction of funds for construction phase of renovating Sections H and K because the department has not justified a \$1,210,000 increase in the project costs previously approved by the Legislature. 1220

2. **Additional Chiller Capacity. Reduce Item 1970-301-036(4) by \$406,000.** Recommend deletion of funds for preliminary plans, working drawings and construction of expanded chiller capacity at the Veterans' Home because current chiller capacity will meet the facility's needs into 1997. 1221
3. **Kitchen Renovation Study.** Withhold recommendation on \$167,000 in Item 1970-301-036(5) for study of the Main Kitchen project pending justification of need to review work previously approved by the Legislature. 1221
4. **Minor Capital Outlay. Reduce Item 1970-301-036(1) by \$165,000.** Recommend deletion of funds to remove the PCB equipment from the Veterans' Home because the Office of the State Architect (OSA) has responsibility for statewide removal of PCB equipment and funds for this purpose are included in OSA's 1991-92 budget. 1222

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

The Department of Veterans' Affairs (DVA) operates the California Veterans' Home in Yountville. Currently, the Yountville facility provides five levels of care, ranging from dormitory to acute nursing care, to roughly 1,300 veterans.

Five-year plan. Table 1 indicates that the DVA plans to spend \$44.1 million in state (\$21.3 million) and federal (\$22.8 million) funds over the next five years to complete the renovation and expansion of facilities at the Veterans' Home in Yountville. The federal government typically funds roughly 65 percent of the total project cost of major capital outlay projects at the home.

Table 1
Department of Veteran's Affairs
Five-Year Capital Outlay Plan
1991-92 through 1995-96
(in thousands)

<i>Projects</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>	<i>Totals</i>
Veterans' Home, Yountville:						
Skilled Nursing Facilities.....	—	—	\$2,968	—	\$2,570	\$5,538
Intermediate Care Facilities.....	—	\$3,407	3,603	—	—	7,010
Dormitories.....	\$3,965	1,574	5,940	—	—	11,479
Support Facilities.....	406	779	6,991	\$2,825	6,200	17,201
Program Management.....	442	—	—	—	—	442
Minor Capital Outlay.....	437	841	461	384	295	2,418
Totals.....	\$5,250	\$6,601	\$19,963	\$3,209	\$9,065	\$44,088

Budget Request. The budget requests \$5.3 million to fully implement the 1991-92 portion of the department's five-year capital outlay plan. The proposed amount includes \$2.7 million from the Special Account for Capital Outlay (SAFCO) and \$2.6 million of federal funds. Specifically, the request provides:

- \$4.0 million (\$1.4 million SAFCO funds, \$2.5 million federal funds) for preliminary plans, working drawings, and construction to re-

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model residential buildings at the home. The future cost of these projects is estimated at \$6.4 million.

- \$406,000 from the SAFCO for a second chiller in the central chiller plant to provide air-conditioning to the renovated buildings.
- \$442,000 from the SAFCO for ongoing program management services provided by the Office of Project Development and Management (OPDM) and related consultants.
- \$437,000 from the SAFCO for four minor capital outlay projects.

ANALYSIS AND RECOMMENDATIONS**Renovation of Domiciliaries**

We recommend reductions of \$363,000 in Item 1970-301-036(6) and \$847,000 in Item 1970-301-890(1) for the construction phase to remodel Sections H and K because the DVA has not justified a \$1,210,000 increase in project cost. We recommend approval of the remaining \$1,013,000 in Items 1970-301-036(2), (3), and (6), and \$1,742,000 in Item 1970-301-890(1) for renovations of Sections H, K, J, and G

The budget requests \$1,376,000 from the SAFCO, and \$2,589,000 from the Federal Trust Fund for renovation of four residential buildings to meet current handicapped, fire and life safety codes, as well as to provide environmental improvements. The projects include the construction phase of Sections H and K (\$1,136,000 SAFCO, \$2,589,000 federal), preliminary plans for Section G (\$165,000 SAFCO), and working drawings for Section J (\$75,000 SAFCO). The estimated future cost of completing Sections G and J is \$6.4 million.

The Section H and K project was previously approved by the Public Works Board (PWB) for the preliminary plan and working drawing phases as two separate projects. At that time, the scope and cost of the projects were consistent with those approved by the Legislature. Since then, these projects have been combined based on an estimated cost savings that could be attained in lieu of over constructing the projects individually. Our analysis, however, reveals that the current request is \$1.4 million or 57 percent higher than the amount previously approved by the Legislature when funds for construction were first approved for the two projects in the 1988 Budget Act. Our analysis of the cost increase indicates that \$143,000 is justified to cover inflationary increases in construction costs. The department's sole explanation for the remaining \$1,210,000 of the increase is that the estimate is new and improved. The department should provide the Legislature with a detailed explanation of why these additional costs would be incurred. This would provide the Legislature with a basis for assessing the merits of the increase in the project cost. Based on the lack of information in the department's submittal and in view of prior approvals by the Legislature and the PWB we recommend that the amount requested be reduced by \$1,210,000 [\$363,000 from the SAFCO in Item 1970-301-036(6) and \$847,000 federal funds in Item 1970-301-890(1)]. If the department submits the above information, a request for augmentation may warrant legislative consideration.

Additional Chiller Capacity Not Justified

We recommend deletion of \$406,000 in Item 1970-301-036(4) for additional chiller capacity at the Veterans' Home because the current chiller system capacity will satisfy cooling needs at the home until 1997.

The budget requests \$406,000 from the SAFCO to install a second chiller in the central chiller plant at the Veterans' Home. This project will add 700 tons of capacity to the existing 600 ton water chilling system. According to the department, the additional chiller capacity is needed by November 1, 1993, in order to ensure adequate capacity to connect Section G to the system when renovation of that section is complete. The latest project schedule for the Veterans' Home, however, indicates that the construction phase of Section G will not begin until February 1994, with a completion date of April 1995. Therefore, on a timing basis, funding for additional chiller capacity is not needed in 1991-92.

Furthermore, based on our analysis of the department's chiller system capacity/demand data, additional capacity will not be required before 1997. This is because the department has not considered one of the advantages of a central chiller plant. This advantage is the efficiency realized by connecting several buildings to a central system rather than installing chiller units at each building. Taking this into consideration reveals that the current system has adequate capacity to connect all buildings in the Veteran's Home Master Plan that house veterans. In addition, if other buildings (such as administration, recreation, theater, nursing education, and main kitchen) are renovated and/or connected to the central system, an added capacity of about 125 tons would be necessary rather than the proposed 700 tons. In any case, this additional capacity would not be required before 1997. Consequently, we recommend deletion of the \$406,000 requested for additional chiller capacity.

Kitchen Renovation Study Not Justified

We withhold recommendation on \$167,000 under Item 1970-301-036(5) pending justification from the department as to the need for a study of the Main Kitchen renovation project.

The budget includes a request for \$442,000 for ongoing Program Management services provided by the OPDM and its consultants to implement the Master Plan for the Veterans' Home. This amount includes \$167,000 to perform a detailed study of the plans for renovating the Main Kitchen, and \$275,000 for ongoing program management services. We recommend approval of the \$275,000 for ongoing services. The need for \$167,000 related to renovating the Main Kitchen is unclear.

Background. In the 1987 Budget Act, the Legislature approved \$129,000 for the preliminary plan phase of renovating the Main Kitchen. Based on the department's schedule, these plans were to be completed by February 1, 1988. In approving the funds, the Legislature also adopted language in the *Supplemental Report of the 1987 Budget Act* specifying that the plans were to be developed for (1) installation of cook-chill equipment only, with minimum alterations related directly to installation

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of the equipment, and (2) other food service alterations. The department was also to detail the justifications for including any alterations work related to (1) installation of cook-chill equipment and (2) other food service renovations.

According to the department's December 1990 Project Status Report, the preliminary plans for this project are complete and the estimated total project cost is \$7.4 million. When the Legislature approved this project in 1987 the approved total project cost was \$5.1 million. Thus, the current estimate is 46 percent higher than the approved budget level. Inflation during that time period would account for only 9 percent of this increase. The department's current request makes no mention of this higher cost.

Current Proposal. The proposal related to the Main Kitchen renovation project would consist of the following tasks:

- Asbestos survey, plans and specs (\$40,000).
- Verify existing conditions (\$50,600).
- Analyze construction phasing (\$26,400).
- Plan review/value engineering (\$37,200).
- Detailed, updated cost estimates (\$12,800).

In light of the fact that preliminary plans for this project have been completed, it is not clear why some of the proposed tasks are necessary. For example, to complete preliminary plans the presence of asbestos, other existing conditions, and construction phasing must be determined. We therefore withhold recommendation on the \$167,000 requested for the main kitchen pending clarification from the department on the problem with the work done to date, and the basis for the need and cost of each proposed task. In addition, prior to budget hearings, the department should submit information to the Legislature (1) identifying the reasons for the higher current estimated costs and (2) provide information as requested in the 1987 supplemental report language.

Minor Projects

We recommend a reduction of \$165,000 from Item 1970-301-036(1) for a minor capital outlay project to replace the PCB transformers at the Veterans' Home because the Office of the State Architect (OSA) has responsibility for statewide removal of the PCB equipment and funds for this purpose are included in the OSA's 1991-92 budget.

The budget requests \$473,000 for four minor capital outlay projects. (\$250,000 or less per project) These include \$165,000 to remove Polychlorinated Biphenyl (PCB) contaminated equipment from the facility, \$103,000 to install fire sprinkler systems at various maintenance facilities at the home, \$61,000 for improvements to the home's sewage system, and \$108,000 for items that were not included in the major capital outlay projects which remodeled Sections A, D and E at the Veterans' Home.

The OSA is responsible for the removal of PCB equipment from all state-owned buildings and has requested \$3.1 million in the budget year for this program. We therefore recommend that the Legislature not

approve the request for \$165,000 to remove this equipment. Instead the OSA should remove the equipment using funds provided for the statewide program.

We recommend approval of the remaining \$272,000 in Item 1970-301-036(1) for the other three minor capital outlay projects.

Supplemental Report Language

For the 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.

DEPARTMENT OF TRANSPORTATION—CAPITAL OUTLAY

Item 2660-311 from the State
 Highway Account, State
 Transportation Fund

Budget p. BTH 90

Requested 1991-92.....	\$1,164,000
Recommended approval.....	771,000
Recommended pending.....	393,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

- | | <i>Analysis
page</i> |
|--|--------------------------|
| 1. Fire/Life Safety Modifications, District 4 office (50 Higuera Street), San Luis Obispo. Withhold recommendation on \$319,000 under Item 2660-311-042(2), for fire and life safety alterations, pending receipt of cost information from department. | 1224 |
| 2. Fire/Life Safety Modifications, District 4 office (20 Higuera Street), San Luis Obispo. Withhold recommendation on \$74,000 in Item 2660-311-042(3) for fire and life safety alterations, pending receipt of cost information from the department. | 1225 |

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

This analysis addresses the Department of Transportation's (Caltrans) capital outlay program for administrative facilities. These facilities include the department's headquarters building in Sacramento and its office buildings in 11 districts (one district leases a building). The new District 4 lease-purchase office building in Oakland, as authorized by Ch 1472/88 (SB 2831, Deddeh), is currently under construction, with occupancy expected in fall 1992. After the new Oakland building is occupied, Caltrans plans to sell its current District 4 building in San Francisco.

Table 1 shows that the department plans to spend \$6.2 million over the next five years for fire and life safety projects at four buildings. The plan

DEPARTMENT OF TRANSPORTATION—CAPITAL OUTLAY—Continued

also includes annual lump-sum appropriations to finance minor capital outlay projects (\$250,000 or less per project).

Table 1
Department of Transportation
Five-Year Capital Outlay Plan
1991-92 through 1995-96
(in thousands)

<i>Projects</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>	<i>Totals</i>
District 2 (Redding)	\$522	—	—	—	—	\$522
Headquarters (Sacramento)	—	\$4,791	—	—	—	4791
District 5 (San Luis Obispo)	278	—	—	—	—	278
District 11 (San Diego)	—	610	—	—	—	610
Minor Capital Outlay	700	700	\$700	\$700	\$700	3,500
Totals	\$1,500	\$6,101	\$700	\$700	\$700	\$9,701

ANALYSIS AND RECOMMENDATIONS**Major Capital Outlay**

The budget requests \$832,000 for fire and life safety modifications in the District 2 office in Redding (\$513,000) and the District 5 office in San Luis Obispo (\$319,000). The Legislature appropriated funds for each of these projects in the 1988 Budget Act. Neither project was undertaken, however, because the appropriated funds were used instead to obtain Federal matching grants for highway projects. A discussion of each project follows.

Redding Fire/Life Safety

We recommend approval.

The budget requests \$513,000 for construction for fire and life safety renovations at the District 2 office building in Redding. The Legislature appropriated \$486,000 for this project in 1988. The proposed modifications include covering existing partitions, providing one-hour fire walls, installation of fire sprinklers and installation of duct smoke detectors. The project scope is the same as approved by the Legislature in the 1988 Budget Act. The increase in cost reflects an adjustment for inflation. We therefore recommend approval.

San Luis Obispo Fire/Life Safety

We withhold recommendation on \$319,000 under Item 2660-311-042(2) pending receipt of cost information from the department.

In the 1988 Budget Act, the Legislature appropriated \$261,000 for a fire/life safety project at the District 4 office in San Luis Obispo. The District 4 office is divided between two buildings, at 20 and 50 Higuera Street. Because 20 Higuera Street is a historical building and subject to different construction requirements than 50 Higuera Street, the budget proposal divides the work into (1) a major capital outlay project at 50 Higuera Street (\$319,000) and (2) a minor project at 20 Higuera Street (\$74,000). The total project cost is \$393,000, which is a 50 percent increase over the amount appropriated by the Legislature in 1988.

Caltrans indicates that project cost has increased due to inflation and two changes in the proposed alterations. These changes include the addition of fire sprinklers (\$13,000) and elevator modifications to provide handicapped accessibility (\$91,000). It is unclear why fire sprinklers have been added to the project as they are not required by code and were not deemed necessary in 1988. In addition, the project approved in 1988 included funds for elevator modifications. In view of this, we recommend deletion of the amounts attributable to these changes. After adjusting for inflation, this results in a \$116,000 reduction.

To date, Caltrans has not provided information showing how the original project scope has been broken down into the two proposed projects. Thus we are unable at this time to recommend to the Legislature how the \$116,000 reduction should be allocated between the major and minor capital outlay proposals. Prior to budget hearings, Caltrans should provide the Legislature information indicating how the recommended reduction should be allocated. Pending receipt of this information, we withhold recommendation on the \$319,000 requested for the San Luis Obispo project.

Minor Capital Outlay

We recommend approval of \$258,000 for three minor capital outlay projects in Item 2660-301-042(3).

We withhold recommendation of the remaining \$74,000 under Item 2660-311-042(3) pending receipt of further information on the San Luis Obispo fire and life safety project.

The budget requests \$332,000 for four minor capital outlay projects. These projects range in cost from \$42,000 for handicap modifications for restrooms to \$154,000 for handicap modifications to elevators, both in the District 2 office in Redding. We recommend approval of three of the minor projects, with a total cost of \$258,000.

San Luis Obispo. As discussed above, the budget includes a minor project for \$74,000 for fire/life safety modifications in the San Luis Obispo building at 20 Higuera Street. We withhold recommendation on this request, pending receipt of further information from Caltrans.

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 this item.

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

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

Budget p. BTH 109

Requested 1991-92.....	\$1,132,000
Recommended approval.....	1,132,000

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

Five-Year Capital Outlay Plan

The Department of the California Highway Patrol's (CHP) five-year capital outlay program is focused on providing new and replacement area offices to house personnel who carry out the various law enforcement missions of the department. The program also includes the construction of new facilities for the department's headquarters and central logistical operations. Table 1 shows that the department plans design, construction, and acquisition activities totaling \$122.5 million over the next five years. The department plans to devote over 50 percent of these resources to construction and acquisition of 34 facilities under build-to-suit arrangements with lease-purchase options. Funds for construction of a replacement office in central Los Angeles and one in San Francisco were not included in the department's 1991-92 capital outlay budget. The requests for these funds were withdrawn pending completion of preliminary plans and working drawings.

**Table 1
Department of the California Highway Patrol
Five-Year Capital Outlay Plan
1991-92 through 1995-96
(in thousands)**

<i>Projects</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>	<i>Totals</i>
Purchase Leased Offices	—	\$21,439	\$11,294	\$23,777	\$6,716	\$63,226
Construction of Area Offices.....	\$6,929	9,119	13,403	125	250	29,826
New Headquarters	600	1,230	25,000	—	—	26,830
Options and Appraisals.....	40	20	20	20	20	120
Minor capital outlay	500	500	500	500	500	2,500
Totals	\$8,069	\$32,308	\$50,217	\$24,422	\$7,486	\$122,502

Department Headquarters Plan Combined with DMV Proposal

A major component of CHP's five-year capital outlay plan is the construction of a new \$25 million headquarters facility on the site of its current First Avenue headquarters operation. A request for \$600,000 for the preliminary plan phase of this project was withdrawn from the 1991-92 budget in lieu of a joint proposal with the Department of Motor Vehicles (DMV) to construct a combined headquarters complex at the

site. For a discussion of this proposal, please see our analysis of the DMV capital outlay program (Item 2740-301-044).

Overview of the Budget Request

The budget requests \$1,132,000 from the Motor Vehicle Account, State Transportation Fund for the CHP 1991-92 capital outlay program. This includes three major and four minor (\$250,000 or less per project) capital outlay projects. These projects are summarized in Table 2. In addition, the department requests authorization to enter into lease agreements with purchase options which exceed \$2 million at 10 locations during the 1991-92 fiscal year. Provisional language for this purpose is included in the Budget Bill under Item 2720-001-044.

Table 2
Department of the California Highway Patrol
1991-92 Capital Outlay Program
Item 2720-301-044
(in thousands)

Sub-Item	Project	Location	Phase ^a	Budget Bill Amount	Estimated Future Cost
(1)	Minor projects	Various	c	\$330	—
(2)	Logistical Facility	Sacramento	w	442	\$8,934
(3)	Replace field Office	San Francisco	pw	209	3,138
(4)	Replace field office	San Luis Obispo	p	131	3,588
(5)	Property options and appraisals	Various		20	—
Totals				\$1,132	\$15,660

^a Phase symbols indicate: p = preliminary plans, w = working drawings, c = construction.

ANALYSIS AND RECOMMENDATIONS

Projects Recommended for Approval

We recommend approval of the following projects.

Minor Projects. The budget requests \$330,000 for four minor projects ranging from \$45,000 for the installation of automatic gate openers at two divisional offices and the Los Angeles Communications Center to \$180,000 to install energy-absorbing systems on the guardrails of the high-speed track at the CHP Academy.

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 1992-93.

Replacement Facility — San Luis Obispo. The budget requests \$131,000 for preliminary plans to construct a replacement facility for the San Luis Obispo Area Office. The existing structure, constructed in 1967, does not meet space and security needs, contains asbestos, and is not in compliance with the Essential Facilities Seismic Safety Act of 1986. The proposed new facility will consist of 16,720 gross square feet to house approximately 65 personnel, a regional communications center, and will meet the requirements of an essential services structure. The current estimated future cost to complete this project is \$3,588,000. Our analysis

DEPARTMENT OF THE CALIFORNIA HIGHWAY PATROL—CAPITAL OUTLAY—Continued

indicates that this project meets programmatic needs and is reasonable in both scope and cost.

Sacramento Logistical Facility

We recommend approval of \$442,000 under Item 2720-301-044 (2) for working drawings, contingent on receipt of preliminary plans prior to budget hearings.

The budget requests \$442,000 for the working drawings phase of constructing a new logistical complex on the site of the CHP Academy in west Sacramento. The estimated future cost of this project is \$8,934,000 and is consistent with prior costs approved by the Legislature. On this basis, we recommend approval.

In the 1989 Budget Act, the Legislature appropriated \$93,000 for preliminary plans 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 request for working drawings.

San Francisco Area Office

We recommend approval of \$13,000 to complete preliminary plans, and \$196,000 for working drawings, under Item 2720-301-044 (3), contingent on receipt of preliminary plans. The budget requests \$13,000 for completion of preliminary plans and \$195,000 for the working drawings phase of construction of a replacement area office in San Francisco.

The estimated total cost of this project is now \$3,439,000 and represents an increase of \$302,000, or 9.6 percent, over prior costs approved by the Legislature. This increase is due primarily to a scope change which added 2,007 square feet to the project (from 15,000 square feet to 17,007 square feet). The additional space will house office and locker space that was overlooked in the original proposal. This change and associated costs are reasonable. Thus, we recommend approval of funds for working drawings, contingent on receipt of preliminary plans prior to budget hearings. If the completed preliminary plans are not available to the Legislature at that time, we recommend the Legislature not approve the requested funds.

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 MOTOR VEHICLES—CAPITAL OUTLAY

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

Budget p. BTH 112

Requested 1991-92.....	\$6,046,000
Recommended approval.....	5,623,000
Recommended reduction.....	423,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

- | | |
|---|--------------------------|
| | <i>Analysis
page</i> |
| 1. <i>Sacramento Headquarters-Remodeling. Reduce Item 2740-301-044(2) by \$153,000.</i> Recommend reduction of \$153,000 for furniture for the renovated space. Recommend approval of the remaining \$1,666,000, contingent on completion of preliminary plans. | 1230 |
| 2. <i>Sacramento Joint DMV/CHP Headquarters Complex-Study. Reduce Item 2740-301-044(3) by \$270,000.</i> Recommend reduction of \$270,000 for development of Master Plan and Environmental Impact report because various elements of the proposed study are premature. Recommend approval of the remaining \$289,000 to develop an alternative study of the available options to meet DMV/CHP headquarters space needs. | 1231 |

OVERVIEW OF THE BUDGET REQUEST AND THE FIVE-YEAR CAPITAL OUTLAY PLAN**Five-Year Capital Outlay Plan**

The Department of Motor Vehicles (DMV) capital outlay program has historically been concerned primarily with renovation, replacement, and construction of field offices from which the DMV personnel serve the public. For the 1991-92 budget year, the DMV's capital outlay plan includes study monies for a 1.5 million square foot joint DMV/California Highway Patrol (CHP) headquarters complex in Sacramento.

Table 1
Department of Motor Vehicles
Five-Year Capital Outlay Plan
1991-92 through 1995-96
(in thousands)

<i>Projects</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>	<i>Totals</i>
Headquarters remodeling	\$1,819	—	—	—	—	\$1,819
CHP/DMV joint headquarters complex	559	—	—	—	—	559
Field office acquisitions	2,960	16,324	28,542	3,000	—	50,826
Minor capital outlay	1,279	600	600	600	600	3,679
Totals	\$6,617	\$16,924	\$29,142	\$3,600	\$600	\$56,883

Table 1 shows that the department plans to spend \$56.9 million on capital outlay projects over the next five years including \$50.8 million for

DEPARTMENT OF MOTOR VEHICLES—CAPITAL OUTLAY—Continued

acquisition of 25 leased field offices. These figures do not include the future cost of planning, design, and construction of the joint headquarters complex estimated at \$251 million over seven years.

Budget Request

The budget requests \$6,046,000 in Item 2740-301-044 for the DMV capital outlay program for 1991-92. This amount includes \$2,960,000 to exercise purchase options on two leased field offices, \$1,819,000 to convert 36,000 square feet of storage space to usable office space at the DMV's headquarters facility, \$559,000 to develop a Master Plan for a joint headquarters facility for the DMV and CHP, and \$708,000 for eight minor capital outlay projects (\$250,000 or less per project).

ANALYSIS AND RECOMMENDATIONS**Projects Recommended for Approval**

We recommend approval of the following projects.

Minor Projects. The budget requests \$708,000 for eight minor capital outlay projects, all of which involve the installation of additional lighting in parking lots of field operation offices. The scope and cost of these projects appear reasonable.

Purchase of Leased Facilities. The budget requests \$2,960,000 to exercise purchase options on two Field Operations Division facilities at Redlands and Hemet. The Redlands site includes an 8,844 square foot building on 62,614 square feet of land, while the Hemet site includes a 9,900 square foot building on 78,890 square feet of land. Both projects appear reasonable in cost, and will result in long-term savings to the state.

Projects Recommended for Reduction**Sacramento Headquarters Remodeling**

We recommend a reduction of \$153,000 under Item 2740-301-044(2) because this amount represents an unjustified increase in the project's cost, as previously approved by the Legislature. We recommend approval of the remaining \$1,666,000 for construction, contingent upon receipt of preliminary plans prior to budget hearings.

The budget includes \$1,819,000 for the construction phase of remodeling 36,000 square feet of warehouse space, providing office space to meet the department's projected staffing growth by 1992. The cost of construction is \$1,660,000 and is consistent with the amounts previously approved by the Legislature for this project. We therefore recommend approval of this amount, contingent upon receipt of completed preliminary plans prior to budget hearings. If the completed plans are not available to the Legislature at that time, we recommend the Legislature not approve this project.

The budget amount also includes an additional \$153,000 under this item to provide for component furniture equipment for 51 workstations in the remodeled area. The department has not provided any justification for this request other than the desire to have new furniture in the altered

space rather than use existing furniture. The employees who will occupy these workstations have been hired, and are currently utilizing conventional furniture. Thus, when the employees move into the renovated space, their current furniture can be moved at the same time. We recommend that the Legislature not approve monies for this purpose.

Joint DMV/CHP Headquarters Complex Study

We recommend a reduction of \$270,000 in Item 2740-301-044(3) because various components of the proposal are premature. We recommend approval of the remaining \$289,000 to develop an alternative study of the DMV/CHP headquarters space needs, detailing the various options available to the Legislature.

Background. The DMV and the CHP are both in the process of evaluating the future facility needs of their respective headquarters operations. The two departments currently occupy state-owned property adjacent to one another on First Avenue in Sacramento, and each has outgrown its existing headquarters facilities.

In 1987, at the request of the CHP, the Department of General Services', Office of Project Development and Management (OPDM) undertook a Space Allocation Study for CHP headquarters which became the basis for CHP's plan to develop a new headquarters facility on the site of its existing two-building complex. This study concluded that CHP would require 197,500 square feet in order to meet future space allocation needs.

In September 1990, at the request of the DMV, the OPDM prepared a facilities plan for DMV's Sacramento Headquarters. As a result of these efforts, the OPDM concluded that there are apparent advantages to developing a joint DMV/CHP complex on the existing site. The proposed joint-use complex would be developed under a multi-phase project consisting of the following:

- Demolition of the two CHP headquarters structures.
- Construction of a 981,640 square foot office building and 953,400 square feet of parking.
- Renovation of DMV's East headquarters building.
- Selling DMV's West headquarters facility.

The resulting complex would comprise a total of roughly 1.5 million square feet of office space plus the parking garage of 953,400 square feet. The estimated cost of this project is about \$251 million. The 1991-92 budget requests \$559,000 for a Master Site Plan and an Environmental Impact Report, the first phase of developing this complex.

Need to Study Future Space Requirements. Based on available information, we conclude that there is a need to address facilities improvements for the DMV and CHP headquarters operations. Both departments have outgrown their headquarters facilities and are currently leasing space to meet their present staffing requirements. In view of this and recognizing that there will be some future growth, it is evident that both departments will require alterations to their existing facilities and possibly additional space in order to meet future space needs.

DEPARTMENT OF MOTOR VEHICLES—CAPITAL OUTLAY—Continued

Concerns With Current Proposal. Based on our analysis of the earlier studies of the future space needs of DMV and CHP's headquarters operations, we believe that the current proposal to develop 1.5 million square feet of office space and 953,400 square feet of parking is excessive. These figures are based on growth rate assumptions that, in our view, are not likely to be realized over the 17-year period assumed in the studies. For example, there is no consideration given to the effect that increased automation and technological developments would have over this period on the space needs of the departments' headquarters operations.

Furthermore, the size of the proposed complex is overstated because the plan (1) fails to consider any potential space savings resulting from shared common areas, (2) provides the CHP with 65,000 square feet, or 33 percent, more space than the CHP has requested in its *own* separate headquarters proposal, and (3) includes parking for 3,178 automobiles, without considering the extent to which employees would increase their use of public transit, carpooling and other alternative modes of commuting.

Alternative Study. Based on these concerns, we believe that further study is needed to re-evaluate the assumptions built into the DMV and the CHP's current proposal. This alternative study should include an analysis of the various options for addressing the headquarters requirements of the DMV and the CHP, including maximum use of existing facilities. It should list for each alternative, (1) complete cost estimates (identifying funding source), (2) an economic cost-benefit analysis, and (3) a schedule for implementation. The study should also include the DMV and the CHP's desired alternative and the basis for this choice over the other alternatives. The study should not go so far as to include an Environmental Impact Report because this would limit the Legislature's ability to select a solution it deems appropriate. Based on the department's cost information, we estimate that the cost of this alternative study would be \$289,000.

Summary of Recommendation. In summary, we recommend that the Legislature delete \$270,000 in Item 2740-301-044(3) because portions of the proposal are premature. We recommend approval of \$289,000 for an alternative study to re-evaluate the basic assumptions of the proposal and to analyze alternative solutions to the departments' headquarters space requirements.

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.

CALIFORNIA TAHOE CONSERVANCY—CAPITAL OUTLAY

Item 3125-301 from the Lake

Tahoe Acquisitions Fund and
other funds

Budget p. R 5

Total proposed expenditures 1991-92.....	\$11,670,000
Requested in 1991 Budget Bill for 1991-92.....	9,270,000
Recommended approval	9,270,000

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget projects total expenditures of \$11.7 million for capital outlay by the California Tahoe Conservancy in 1991-92. This amount consists of (1) Budget Bill appropriations totaling \$9 million, (2) \$270,000 in reimbursements and (3) an estimated carryover balance of \$2.4 million available for capital outlay in the budget year.

Bond Funds. The budget proposes a total of \$7.4 million from the Lake Tahoe Acquisitions (1982 Bond) Fund for conservancy bond act acquisitions in 1991-92. This amount consists of (1) a \$5 million Budget Bill appropriation and (2) a carryover of \$2.4 million of bond funds from the current-year appropriation. Total proposed bond fund expenditures are about \$9.8 million less 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 undeveloped property. Thus, the conservancy must use other funds for its projects involving acquisition of developed property or the addition of site improvements.

We discuss the status of the bond fund acquisition program in more detail below.

Section 8(g) Funds and Reimbursements. The budget proposes a Budget Bill appropriation of \$3.5 million from the Outer Continental Shelf Lands Act, Section 8(g) Revenue Fund in 1991-92. The conservancy indicates that it will use (1) \$1.5 million of these funds to continue its program to increase public access and recreation and (2) the remaining \$2 million to continue its program of stream environment zone and watershed restoration in the Lake Tahoe basin. In addition, the conservancy requests expenditure authority for \$270,000 in reimbursements to be used for the latter program. These reimbursements will come from (1) \$144,000 in coverage mitigation fees collected by the Tahoe Regional Planning Agency for transfer to the conservancy and (2) \$126,000 from the sale of coverage and other marketable rights by the conservancy.

Habitat Conservation Fund. The budget proposes an appropriation of \$500,000 from the Habitat Conservation Fund (HCF) in 1991-92. This appropriation is in accordance with the California Wildlife Protection Act of 1990 (Proposition 117), which was approved by the voters in June 1990. Proposition 117, among other things, provides \$500,000 annually for 30

CALIFORNIA TAHOE CONSERVANCY—CAPITAL OUTLAY—Continued

years from the HCF to the conservancy, generally for wildlife habitat acquisition and wetlands restoration, beginning in 1990-91. (For an additional discussion of Proposition 117 and the HCF, please see our analysis of the Wildlife Conservation Board's budget in Item 3640 which is in the front portion of this document.)

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 7,400 environmentally sensitive lots are located on the California side of the Lake 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 5,300 lots. As of December 1990, the conservancy had authorized the acquisition of approximately 3,900 lots at an average cost of about \$12,800 per lot for total costs of \$50 million (plus transaction costs such as appraisal, 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 4,200 lots, with the average value ranging from \$11,000 to \$15,000 per lot.

Anticipated Progress Through 1991-92. Table 1 shows the projected status of the Lake Tahoe Acquisitions (1982 Bond) Fund at the end of 1991-92, 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 \$83.9 million from the bond fund since it began operations in 1984, including the \$5 million requested by the budget for capital outlay in 1991-92. A reserve of \$1.1 million would remain available for future appropriation and expenditure.

Table 1
California Tahoe Conservancy
Projected Status of Lake Tahoe Acquisitions (1982 Bond) Fund
June 30, 1992
(in thousands)

Total bonds authorized.....	\$85,000
Cumulative expenditures through 1991-92, approved and proposed:	
Support.....	\$3,900
Capital outlay:	
Lot acquisition program.....	58,900
Acquisition grants for soil erosion projects.....	8,000
Access and recreation lands.....	8,800
Wildlife lands.....	4,300
Total.....	<u>(\$83,900)</u>
Remaining reserve—June 30, 1992.....	\$1,100

The request for an additional \$5 million in bond funds in 1991-92 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. The conservancy indicates that this will be the final request from the 1982 bond fund for capital outlay and grants, because it will need the remaining reserve at the end of the budget year for support costs of the bond program in 1992-93.

CALIFORNIA CONSERVATION CORPS—CAPITAL OUTLAY

Item 3340-301 from the General
Fund, Special Account for
Capital Outlay

Budget p. R 17

Requested 1991-92.....	\$140,000
Recommended approval	140,000

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

The budget proposes \$140,000 from the Special Account for Capital Outlay (SAFCO) for minor capital outlay. This request consists of the completion of improvements at the California Conservation Corps' Academy in San Luis Obispo. The most recent version of the Corps' multi-year capital outlay plan (dated February 1990) indicated a need in 1991-92 of approximately \$1 million for minor capital outlay projects at various other locations. The budget does not fund these projects. In addition, for the three fiscal years 1992-93 through 1994-95 the plan projects capital outlay needs totaling \$2.1 million.

In our *Analysis of the 1990-91 Budget Bill*, we pointed out that the Corps' capital outlay plan was incomplete and did not give the Legislature the information it needs to assess the Corps' capital outlay needs. The plan is a four-year spending plan, rather than the five-year plan required by the State Administrative Manual. The Corps has made marginal improvements in the plan by providing, for the first time, some descriptive information about facility needs, projects, and priorities. It is our understanding that a revised plan covering the fiscal years through 1995-96 is forthcoming.

ANALYSIS AND RECOMMENDATIONS

We recommend approval of \$140,000 requested to complete improvements at the Academy.

We recommend approval of \$140,000 requested from SAFCO for the completion of improvements at the Academy in San Luis Obispo. The proposed work is the final portion of a multi-phased program to upgrade and expand the facilities at San Luis Obispo. This final work consists of

CALIFORNIA CONSERVATION CORPS—CAPITAL OUTLAY—Continued

completion of paved walkways between buildings, a 40-vehicle parking lot, and repairs to existing roads and parking lots.

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 the capital outlay project approved under this item.

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

Item 3540-301 from the General
Fund, Special Account for
Capital Outlay

Budget p. R 80

Requested 1991-92.....	\$9,154,000
Recommended approval.....	5,883,000
Recommended reduction.....	355,000
Recommendation pending.....	2,916,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

*Analysis
page*

1. Capital Outlay Implications of Assuming Fire Protection Responsibilities on Certain Lands. Recommend that the department report to the fiscal subcommittees prior to hearings on the capital outlay implications of an agreement with federal agencies to assume fire protection responsibility for more than one million acres.

1238
2. Minor Capital Outlay. Recommend approval of \$1,185,000 for minor capital outlay. Withhold recommendation on balance of request — \$340,000 — pending review of report on capital outlay implications of department's agreement to assume fire protection responsibility for more than one million acres. (See Issue 1 above.)

1240
3. Fresno Air Attack Base. Withhold recommendation on \$2,576,000 requested for working drawings and construction pending receipt of specific information requested by the Legislature in the *Supplemental Report of the 1990 Budget Act*.

1240
4. *Technical Reductions. Reduce Item 3540-301-036 by \$82,000.* Recommend approval in reduced amounts for working drawings and construction of (a) \$749,000 for the Sonoma Unit Auto Shop, (b) \$803,000 for the Sandy Point Fire Station (Santa Cruz County), and (c) \$881,000 for the Pongosa Fire

1241

Station (Shasta County), consistent with current cost estimates and prior legislative actions on these projects.

5. ***Bitterwater Helitack Base. Reduce Item 3540-301-036 (8) by \$118,000.*** Recommend approval in reduced amount of \$1,069,000 for working drawings and construction of helitack base in San Benito County, consistent with prior legislative actions on this project. 1241
6. ***Tuscan Butte Lookout. Reduce Item 3540-301-036 (3) by \$130,000.*** Recommend deletion of funds requested to acquire site of Tuscan Butte Lookout (Tehama County) because acquisition at this time confers no clear advantage to the state, and the department can continue to lease the site. 1242
7. ***Emergency Command Center Relocation Study. Reduce Item 3540-301-036 (9) by \$25,000.*** Recommend deletion of requested capital outlay funds because study is properly funded within department's existing support budget. 1243

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

The budget proposes \$9,154,000 from the SAFCO for capital outlay for the Department of Forestry and Fire Protection (CDF). The proposed program is summarized in Table 1.

Table 1
Department of Forestry and Fire Protection
1991-92 Capital Outlay Program
Item 3540-301-036
(in thousands)

<i>Project</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's recommendation</i>
(1) Sonoma Unit Auto Shop	wce	\$809	\$749
(2) Sandy Point Fire Station	wce	817	803
(3) Tuscan Butte Lookout	a	130	—
(4) Feather Falls Fire Station	ce	676	676
(5) Pongosa Fire Station	wce	889	881
(6) Rainbow Conservation Camp	a	480	480
(7) Fresno Air Attack Base	wce	2,576	— ^b
(8) Bitterwater Helitack Base	wce	1,187	1,069
(9) Sacramento headquarters relocation	s	25	—
(10) Options and appraisals	—	40	40
(11) Minor capital outlay	pwc	<u>1,525</u>	<u>1,185^c</u>
Totals		<u>\$9,154</u>	<u>\$5,883</u>

^a Phase symbols indicate: p = preliminary plans; w = working drawings; c = construction; s = study; e = equipment; and a = acquisition.

^b Analyst withholds recommendation.

^c Analyst withholds recommendation on \$340,000.

The 1991-92 request restores funding for six of the seven CDF projects vetoed by the Governor from the 1990 Budget Act. The appropriations were from a general obligation bond fund that had been proposed in pending legislation. The Governor vetoed these appropriations, stating that they were premature because an appropriate level of bonds for

DEPARTMENT OF FORESTRY AND FIRE PROTECTION—CAPITAL OUTLAY—Continued

November 1990 had not been determined. The bond measure — the California Park, Recreation and Wildlife Enhancement Act of 1990 — was subsequently enacted by the Legislature but failed to gain the voters' approval in the November 1990 election. That failure has implications for the department's long-range capital outlay funding needs, which we discuss below. In addition to the six projects approved by the Legislature in the 1990 Budget Act, the 1991-92 request also includes costs for (1) the state's share of construction costs for a joint state/federal air attack base in Fresno, (2) acquisition of an existing fire lookout in Tehama County, and (3) a study for relocation of the department's statewide emergency command center, presently located in downtown Sacramento.

The Five-Year Capital Outlay Plan

The department's five-year capital outlay plan (dated November 1, 1990) identifies spending needs totaling \$153 million through 1995-96. This amount does not include anticipated minor capital outlay spending (construction projects of \$250,000 or less — the budget includes \$1.5 million for minor capital outlay for 1991-92). The plan projected a need of \$18.1 million for major capital outlay projects in 1991-92, or \$10.5 million more than requested in the budget.

The five-year plan was prepared in anticipation of successful passage of the Park, Recreation and Wildlife Enhancement bond measure at the November 1990 election. The bond measure allocated \$31 million of general obligation bonds for the CDF capital outlay — roughly equal to the amount projected for spending in the first two years of the five-year capital outlay plan. Although the plan is not explicit about the sources of funding expected for its implementation, it is clear from the program's funding history — which has consisted largely of modest annual amounts from the SAFCO and repeated deferral of identified needs — that the plan was predicated on the availability of bond funds. Thus, the failure of the bond measure raises questions about the ability of the state to implement the department's capital outlay plan. This problem, of course, is shared by many of the state's capital outlay programs, and is discussed more broadly in the capital outlay overview in this *Analysis* and in our companion document *The 1991-92 Budget: Perspectives and Issues*.

Plan Includes No Information on Significant New Initiative

We recommend that the CDF report to the fiscal subcommittees on the capital outlay implications of its proposal to assume fire protection responsibility for over one million acres currently the responsibility of the federal government.

The capital outlay plan is short on descriptive information regarding (1) program/facility needs and (2) the basis for project priorities. This shortcoming is of particular concern with regard to a new departmental initiative. The plan refers to a need for revision "...prompted when the U.S. Forest Service decided that they cannot continue to provide

emergency response to certain 'State Responsibility Areas' (SRA) that they have historically provided. [CDF] will need to expand and establish facilities into these SRAs." The plan states that it includes new projects for this purpose, *but does not identify the projects or their cost*. The CDF staff, however, advise us that six projects are involved, at a total cost of \$5.5 million.

The department's support budget includes a request for redirection of funds to provide staff for the more than one million acres for which the department proposes to assume fire protection responsibility. (Please see our analysis of the support request (Item 3540-001) for additional discussion of this issue.) These staff would be housed in leased trailers or other temporary facilities until permanent facilities are built. The department's minor capital outlay request includes \$340,000 for construction of temporary facilities at four locations. It is not clear from the department's proposal (1) exactly where *permanent* facilities would be constructed, (2) how their costs were estimated, (3) whether land acquisition may be necessary, (4) what priority the construction projects have relative to other facility needs, or (5) why new facilities are even needed. (For example, the option may exist to assume or share existing federal facilities.)

In view of the above, we recommend that the CDF address the above issues, along with any other capital outlay implications of the proposal, and report to the fiscal committees prior to budget hearings.

ANALYSIS AND RECOMMENDATIONS

The budget proposes approximately \$7.0 million for working drawings, construction, and equipment for six major capital outlay projects and about \$1.5 million for minor capital outlay projects (costing \$250,000 or less). Table 1 shows that the request also would fund land/facility acquisition projects in Butte and San Diego Counties (\$610,000), a study for relocating the statewide emergency command center (\$25,000), and provide \$40,000 to obtain options and appraisals for land acquisition purposes.

Projects for Which We Recommend Approval as Budgeted

We recommend approval of \$1,196,000 for two projects and to obtain options/appraisals, as budgeted.

We recommend approval as budgeted for two of the six projects previously approved by the Legislature. The amounts budgeted for the two projects are consistent with the amounts previously approved, and each project is needed. The two projects are: Feather Falls fire station in Butte County (working drawings and construction, \$676,000) and Rainbow Conservation Camp in San Diego County (acquisition, \$480,000).

The budget also includes \$40,000 to obtain options and appraisals for future land acquisition proposals. This request is reasonable, and we recommend approval.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION—CAPITAL OUTLAY—Continued**Projects for Which We Withhold Recommendation****Minor Capital Outlay**

We withhold recommendation on \$340,000 requested under minor capital outlay for construction of temporary fire station facilities, pending the department's report to the fiscal subcommittees on the long-range capital outlay implications at these sites. We recommend approval of the balance of the minor capital outlay request — \$1,185,000.

The budget includes \$1,525,000 for 12 minor capital outlay projects, ranging in cost from \$25,000 to construct temporary fire station facilities at Hayfork (Trinity County) to \$193,000 to construct additional space for the emergency command center in Oroville (Butte County). The request for eight of the projects, totaling \$1,185,000, is reasonable, and we recommend approval of this amount.

The remaining four projects included in the minor capital outlay request (\$340,000) would construct temporary facilities in the following four areas in which fire protection currently is provided by the U.S. Forest Service: Hayfork (Trinity County), McCloud (Siskiyou County), Big Bend (Shasta County), and Shaver Lake (Fresno County). These are some of the areas for which the department proposes to assume fire protection responsibility due to changes in the department's agreement with federal agencies. The department has not established a need for these temporary facilities. Moreover, these projects have implications for *permanent* facilities the CDF has planned in the same areas, costing several million dollars. Pending receipt and review of the department's response concerning the long-range capital outlay implications of the agreement with the federal agencies, we withhold recommendation on the \$340,000 request for temporary facilities.

Fresno Air Attack Base

We withhold recommendation on \$2,576,000 requested for working drawings and construction of improvements to the Fresno Air Attack Base, pending submittal of information requested by the Legislature in the Supplemental Report of the 1990 Budget Act.

The budget provides \$2,576,000 for the state's share of working drawings, construction, and equipment for improvements to the Fresno Air Attack Base — a joint fire fighting facility of the department and the U.S. Forest Service. The estimated total project cost (at present) is \$5.2 million, with the state and federal government sharing the cost equally. In the 1990 Budget Act, the Legislature appropriated \$71,000 for preliminary plans for these improvements. Due to concerns over ongoing revisions in project scope and increasing estimates of project cost (the estimated cost doubled between release of the 1990-91 Budget and the budget hearings), the Legislature stated in the *Supplemental Report of the 1990 Budget Act* that any subsequent funding request for the project be accompanied by specific information, including (1) justification of the

need for all proposed improvements and (2) delineation of the respective responsibilities of the state and federal government for project design, management, and cost. The Legislature further stated its intent that the department undertake to minimize cost. At the time this analysis was prepared, this information had not been provided to the Legislature. Pending receipt and review of this information, along with completed preliminary plans for the project, we withhold recommendation on the request for \$2,576,000.

Projects for Which We Recommend Reductions

Technical Reductions

We recommend a reduction of: (1) \$60,000 and approval in the reduced amount of \$749,000 for the Sonoma Unit Auto Shop, (2) \$14,000 and approval in the reduced amount of \$803,000 for the Sandy Point Fire Station (Santa Cruz County), and (3) \$8,000 and approval in the reduced amount of \$881,000 for the Pondosa Fire Station (Shasta County).

Based on current cost estimates, the proposals for Sonoma, Sandy Point, and Pondosa can be reduced by \$60,000, \$14,000, and \$8,000 respectively. The scope of these projects and the reduced level of funding are consistent with prior legislative actions. Thus, we recommend approval of the reduced amounts, a total reduction of \$82,000.

Bitterwater Helitack Base

We recommend a reduction of \$118,000 and approval in the reduced amount of \$1,069,000 for working drawings, construction, and equipment for the Bitterwater Helitack Base (San Benito County) to be consistent with prior legislative actions.

The budget proposes \$1,187,000 for working drawings, construction, and equipment for a new helitack base near Bitterwater in San Benito County. This project has a long and contentious funding history, as outlined below.

- The Legislature first appropriated funds for the project in the 1986 Budget Act — \$500,000 for preliminary plans, working drawings, and construction. The Governor vetoed \$425,000, leaving \$75,000 for preliminary plans and working drawings only.
- When the Legislature reappropriated funds for preliminary plans and working drawings in the 1988 Budget Act, the estimated total project cost had risen from \$500,000 to \$968,000. The Legislature adopted Budget Bill language requiring the department to conduct a value engineering study to minimize project costs.
- The department transmitted the completed preliminary plans and value engineering study to the Legislature in April 1989. With this submittal, the department requested a \$201,000 *augmentation*, bringing the estimated total project cost to \$1,169,000, or 21 percent above the 1988 estimate. The Legislature reduced the construction request by \$187,000, leaving a \$14,000 augmentation to the 1988 estimate.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION—CAPITAL OUTLAY—Continued

- The department returned in March 1990 with a request for working drawings (\$55,000) and construction (\$1,124,000). The department needed reauthorization of working drawings because the prior appropriation reverted on June 30, 1989. The construction request sought not only to restore the \$187,000 cut made by the Legislature in the 1989 Budget Act, but also to add another \$40,000. This time, the Legislature reduced the new request by \$110,000.
- The Governor vetoed the appropriation, objecting to the funding source (general obligation bonds that were to be submitted to the voters at the November 1990 election).

Current Request Again Includes Higher Costs. Once more, the department is requesting funds for working drawings (\$57,000) and construction (\$1,130,000). For the second year in a row, the department seeks to restore reductions made by the Legislature *and* add more funding (another \$8,000). The department's estimate of total project cost is 11 percent higher than the budget approved by the Legislature last year.

Our review of the preliminary plans indicates that a functional helitack base can be designed and constructed within the amount approved by the Legislature last year. The department has not justified the higher cost. Instead, the department has submitted the same proposal (at an increased cost) that was disapproved by the Legislature last year. The helitack base now is more than four years behind schedule (since preliminary plans *consistent with a legislatively approved budget* still do not exist), and is *no* nearer to completion than it was two years ago. Under the circumstances, we recommend a reduction of \$118,000 and approval in the reduced amount of \$1,069,000 for working drawings, construction, and equipment, consistent with last year's action by the Legislature.

Tuscan Butte Lookout Acquisition

We recommend deletion of \$130,000 requested for acquisition of the Tuscan Butte Lookout (Tehama County) because the department can continue to lease the property, and possibly secure an option to purchase if there is a clear economic advantage for the state to acquire the property.

The budget proposes \$130,000 to acquire the 2.6-acre site of the Tuscan Butte fire lookout. This amount includes \$100,000 for property costs and \$30,000 for Department of General Services' (DGS) administrative costs. The lookout is located in Tehama County, 10 miles northeast of Red Bluff, and is one of several means by which the department spots fires in the northern Sacramento Valley and adjacent foothills. The site is under a 49-year lease from a private owner, under which the department pays a dollar a year. The department desires to acquire the site because the lease expires July 31, 1991 and the owner has indicated his desire to increase the rent to about \$6,000 a year, with provisions for rent escalation in future years.

We have several concerns with the proposal. First, there is no clear economic advantage for the state to acquire the property. According to the DGS, Office of Real Estate and Design Services (the agency responsible for any negotiations for this property), the net present value of the stream of rent payments to be made by the state over the next 25 years, based on the owner's proposal, is \$122,000. The amount proposed in the budget exceeds these 25-year payments.

Second, it is not clear that acquisition of the lookout is justified from a program standpoint. The department in recent years has been abandoning lookout towers in various locations in favor of more effective fire reporting methods, such as aerial surveillance and reports from citizens living in the increasingly populated areas protected by the department.

The lease expiration date of July 31, 1991 is not the driving factor for appropriating acquisition funds at this time. By the department's own admission, it would not be able to acquire the site by this date, even if acquisition funds were available on July 1 because of the time required for property negotiations and other administrative tasks. Therefore, the DGS, on behalf of the department, already is negotiating an extension of the lease. The department also has available to it funds to secure an option to purchase the property in a future year, if it believes that to be a prudent course.

In view of the above, we recommend deletion of the \$130,000 requested to acquire the lookout site.

Sacramento Emergency Command Center Relocation Study

We recommend deletion of \$25,000 requested for a study to relocate the department's statewide emergency command center, since this is properly funded within the department's existing support budget.

The budget includes \$25,000 for a study of relocation possibilities for the department's statewide emergency command center, currently located in downtown Sacramento. This proposal is not for capital improvements. Instead, the study is to review current programs/facilities. This may or may not result in a proposal for capital improvements. Studies of this nature are appropriate, but, as is the case for other departments, they are generally performed by facilities planning staff, or funded from the department's consulting services amount in the support budget. If the department considers this study a priority, the funds included in its annual support budget should be used for this purpose. Consequently, we recommend deletion of the \$25,000 requested from the SAFCO.

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 this item.

DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY

Items 3600-301 from the Fish
and Game Preservation Fund
and various funds

Budget p. R 126

Requested 1991-92.....	\$3,249,000
Recommended approval.....	3,147,000
Recommended reduction.....	102,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

*Analysis
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1. **Red Bluff Fish Habitat Shop. Reduce Item 3600-301-200 by \$102,000.** Recommend deletion of funds requested for acquisition, preliminary plans and working drawings because the department has not justified either the program need or scope/cost of the project. 1245

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

The budget requests \$3.2 million (including reimbursements and federal funds) for the Department of Fish and Game's (DFG) capital outlay program in 1991-92. The request includes \$1.6 million from the nondedicated portion of the Fish and Game Preservation Fund. The request also includes \$658,000 from various reimbursements and \$358,000 from federal funds.

Five-Year Capital Outlay Plan. The department's multi-year capital outlay plan, updated October 23, 1990, calls for expenditures totaling \$30 million for the five fiscal years 1991-92 through 1995-96. This amount includes \$2.1 million expected from various reimbursements and \$1.4 million anticipated from federal funds. The capital outlay plan called for expenditures totaling \$5.5 million in the budget year or 72 percent more than proposed in the budget. This discrepancy is due largely to two projects on which planning work is behind schedule and which were not included in the budget.

ANALYSIS AND RECOMMENDATIONS

The budget includes \$3,249,000 for the DFG capital outlay program. This amount includes \$658,000 from various reimbursements and \$358,000 from federal funds. Table 1 summarizes the capital outlay program for 1991-92. The request provides for (1) improvements at three existing hatcheries, (2) acquisition, preliminary plans and working drawings for a maintenance shop in Red Bluff (referred to in the Budget Bill as a "fish habitat shop"), (3) various minor capital outlay projects (each costing \$250,000 or less) and (4) the preparation of schematic drawings for purposes of future budget proposals. The estimated future costs to complete the projects proposed in this budget total \$2.1 million.

Table 1
Department of Fish and Game
1991-92 Capital Outlay Program
(in thousands)

<i>Project</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommen- dation</i>	<i>Estimated Future Cost^b</i>
Item 3600-301-200: Fish and Game Preserva- tion Fund				
(1) Minor capital outlay	pwc	\$1,429	\$1,429	—
(2) Hot Creek Hatchery	c	974	974	—
(3) Darrah Springs Hatchery	pw	56	56	\$536
(4) Budget schematics	—	20	20	—
(5) Mokelumne River Hatchery	pw	98	98	936
(6) Red Bluff Fish Habitat Shop	apw	102	—	625
(7) Reimbursements—minor projects	—	—158	—158	—
(8) Payable from Federal Trust Fund	—	—358	—358	—
Item totals		\$2,163	\$2,061	\$2,097
Item 3600-301-235: Cigarette and Tobacco Products Surtax Fund				
(1) Minor capital outlay	pwc	500	500	—
(2) Reimbursements	—	—500	—500	—
Item totals		—	—	—
Item 3600-301-320: Oil Spill Prevention and Administrative Fund				
(1) Budget schematics	—	\$15	\$15	—
Item 3600-301-786: Wildlife, Coastal, and Park Land Conservation Fund of 1988				
(1) Minor capital outlay	pwc	40	40	—
(2) Budget schematics	—	15	15	—
Item totals		\$55	\$55	—
Item 3600-301-890: Federal Trust Fund For transfer to Item 3600-301-200				
Program Totals, including reimbursements and federal funds		\$3,249	\$3,147	\$2,097

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

^b Department estimates.

Except for one project discussed below, the department's capital outlay request is reasonable from both a scope and cost standpoint. Consequently, we recommend approval for the balance of the request.

Red Bluff Fish Habitat Shop

We recommend deletion of \$102,000 requested in Item 3600-301-200(6) for acquisition, preliminary plans, and working drawings for replacement of a maintenance shop in Red Bluff because the department again has not justified either the program need or the scope/cost of the project.

The budget requests \$102,000 from the Fish and Game Preservation Fund for (1) acquisition of land for a new maintenance shop (\$39,000) and (2) preliminary plans and working drawings for the shop (\$63,000). According to DFG staff, the \$102,000 request consists of \$73,000 from salmon stamp funds (from commercial salmon fishing fees) and \$29,000

DEPARTMENT OF FISH AND GAME—CAPITAL OUTLAY—Continued

from federal funds payable to the Fish and Game Preservation Fund. The proposed 10,000 square foot facility would replace an existing 1,200 square foot shop where fish screens and fish ladders are built and maintained by DFG staff. The estimated future cost for construction is \$625,000. The DFG staff intend to apply for \$545,000 of federal funds for construction, with the balance of \$80,000 expected from salmon stamp funds.

This project was previously proposed in the 1989 Budget Bill. In our *Analysis of the 1989-90 Budget Bill* (page 1031), we recommended disapproval of the project because the proposal did not include information addressing the following:

- The basis for the proposed size of the new building (eight times the size of the existing maintenance shop).
- Why acquisition of a new site is necessary.
- The basis of the estimated acquisition cost (no appraisal available).
- Why funds for preliminary plans and working drawings are needed prior to acquisition of the site.
- What will be done with the abandoned site and building, and
- Operating cost impact of the new facility.

The department withdrew its request prior to budget hearings, without addressing these issues. The department has reintroduced the proposal, again without addressing the issues discussed above.

Moreover, the 1991-92 request includes \$133,000 under minor capital outlay for preliminary plans, working drawings *and construction* of a similar fish screen/ladder maintenance shop in Yreka (Siskiyou County). This is less than one-fifth the proposed cost of the Red Bluff shop. At the time this analysis was prepared DFG staff were unable to explain why the department can design and construct a replacement shop in Yreka (where more fish screens are maintained than in Red Bluff) as a minor capital outlay project (defined as \$250,000 or less) yet cannot do the same in Red Bluff.

In view of the above we recommend deletion of the requested funds.

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.

WILDLIFE CONSERVATION BOARD—CAPITAL OUTLAY

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

Budget p. R 131

Total proposed expenditures 1991-92.....	\$47,038,000
Requested in 1991 Budget Bill	10,152,000
No recommendation	10,152,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

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1. Unspecified Capital Outlay Projects: We make no recommendation on a total of \$10,152,000 requested in various items 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. 1248

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$47 million for various capital outlay projects to be undertaken by the Wildlife Conservation Board (WCB) in 1991-92. As shown in Table 1, these funds consist of (1) three Budget Bill appropriations totaling \$10,152,000 and (2) funds continuously appropriated to the board by Proposition 70 (\$36.9 million). Table 1 also shows that the Budget Bill includes items transferring \$500,000 from the Environmental License Plate Fund and \$2.5 million from the Public Resources Account to the Habitat Conservation Fund (HCF) created by Proposition 117. For a more extensive discussion of Proposition 117, please see our analysis of Item 3640.

**Table 1
Wildlife Conservation Board
Proposed Expenditures for Capital Outlay
1991-92
(dollars in thousands)**

<i>Item/Description</i>	<i>Fund</i>	<i>Amount</i>
<i>Budget Bill appropriations:</i>		
3640-301-262	Habitat Conservation	\$4,182
3640-301-447	Wildlife Restoration.....	920
3640-301-787	Wildlife and Natural Areas Conservation.....	5,050
Subtotal.....		(\$10,152)
<i>Budget Bill transfers to Habitat Conservation Fund:</i>		
3640-311-140	Environmental License Plate.....	(500)
3640-311-235	Public Resources Account, Cigarette and Tobacco Products Surtax	(2,472)
Subtotal.....		(\$2,972)
<i>Proposition 70 continuous appropriations:</i>		
1988 California Wildlife, Coastal, and Park Land Conservation		\$36,886
Total.....		\$47,038

WILDLIFE CONSERVATION BOARD—CAPITAL OUTLAY—Continued

In addition to the amounts proposed in the budget, it is likely the board will have a substantial amount of additional funds carried over from the current year available for expenditure on capital outlay projects in 1991-92. Specifically, the budget assumes that the board will spend a total of \$57.2 million for capital outlay projects during the current year. This is \$21.4 million more than the largest amount spent by the board in any of the previous 10 years. In all probability, a portion of the \$57.2 million will be carried over into 1991-92 and remain available for expenditure.

ANALYSIS AND RECOMMENDATIONS**Information on Capital Outlay Projects is Not Adequate**

We make no recommendation on \$10,152,000 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 \$47 million for WCB capital outlay projects in 1991-92. Of this amount, \$10.2 million is requested 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:

- \$5,050,000 from the Wildlife and Natural Areas Conservation (Bond) Fund for acquisition, restoration and enhancement projects benefiting unique, fragile, threatened or endangered species (\$5,000,000); and project planning (\$50,000).
- \$4,182,000 from the Habitat Conservation Fund (HCF) for the implementation of Proposition 117.
- \$920,000 from the Wildlife Restoration Fund for land acquisition.

As in past years, the board has not identified (1) the specific projects it 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. Despite these problems, 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.

DEPARTMENT OF BOATING AND WATERWAYS—CAPITAL OUTLAY

Item 3680-301 from the Harbors and Watercraft Revolving Fund

Budget p. R 142

Requested 1991-92.....	\$1,610,000
Recommended approval.....	1,568,000
Recommended reduction.....	42,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis page

1. **Candlestick Point State Recreation Area—Boat Launching Facility. Reduce Item 3680-301-516(1) by \$42,000.** Recommend net reduction of \$42,000 because (a) request for working drawings is premature and (b) the department should prepare preliminary plans for related facilities. Further recommend adoption of supplemental report language that describes the scope of this project. 1249

ANALYSIS AND RECOMMENDATIONS

The budget requests \$1.6 million from the Harbors and Watercraft Revolving Fund (HWRF) for capital outlay projects proposed by the Department of Boating and Waterways (DBW) in 1991-92. The funds will be used to develop boating facilities in the state park system, at State Water Project reservoirs and at other state-owned property.

Candlestick Point State Recreation Area—Boat Launching Facility

We recommend a net reduction of \$42,000 requested from the HWRF, consisting of (1) a deletion of \$125,000 for working drawings because it is uncertain when or if the Department of Parks and Recreation (DPR) will be allowed to proceed with its share of project construction and (2) an augmentation of \$83,000 for the cost of the DPR's preliminary plans for the project. Finally, we recommend the adoption of supplemental report language that describes the scope of this project. (Reduce Item 3680-301-516(1) by \$42,000.)

The budget proposes expenditures from the HWRF totaling \$200,000 for the DBW to prepare preliminary plans (\$75,000) and working drawings (\$125,000) in 1991-92 for a boat launching facility at Candlestick Point State Recreation Area (SRA), a state park located on San Francisco Bay. In addition, the budget proposes \$123,000 in the DPR budget from the 1988 park bond fund for preliminary plans (\$83,000) and working drawings (\$40,000) for dredging a 200-foot long turning basin and a one-mile long boat channel adjacent to the park, to allow for boat access to the bay from the proposed launching facility. The DBW and the DPR estimate that the future costs of both projects will total \$2.2 million.

Because of the complexity of the environmental regulation process for the dredging, it is not certain when or even if the DPR will receive these

DEPARTMENT OF BOATING AND WATERWAYS—CAPITAL OUTLAY—Continued

project approvals. It would be premature for the DBW to proceed with the working drawing phase of the launching facility project before the DPR has received permits indicating that the rest of the project can be accomplished. Also, postponement of these working drawings should not delay construction of the project, because the project schedule indicates that neither the DPR nor the DBW will begin the working drawing phase in the budget year. Accordingly, we recommend a reduction of \$125,000 from the HWRF requested for the DBW's working drawings for this project in 1991-92.

In addition, we believe that the dredging project should be administered by the DBW and funded from the HWRF because (1) the two departments' requests are part of the same project and (2) the HWRF is the more restricted funding source. Accordingly, we recommend an augmentation of \$83,000 in Item 3680-301-516 for the preliminary plan phase of the dredging. The net effect of these recommendations on the DBW budget would be a \$42,000 reduction in this item. In our analysis of Item 3790-301-786(2), we make a corresponding recommendation to delete \$123,000 requested by the DPR to fund preliminary plans and working drawings for the dredging project.

Finally, we recommend the adoption of supplemental report language specifying that the funds appropriated in Item 3680-301-516(1) are for preliminary plans for both the Candlestick Point SRA boat launching facility and related bay dredging.

Project Planning and Minor Projects

We recommend approval of (1) \$10,000 proposed for use in evaluating proposed projects and preparing budget estimates for 1992-93 and (2) \$1.4 million for minor capital outlay projects as follows:

- Bethany Reservoir SRA (Alameda County)—\$162,000
- Benbow Lake SRA (Humboldt County)—\$3,000
- Clear Lake State Park (Lake County)—\$110,000
- Delta Meadows River Park (Sacramento County)—\$85,000
- Folsom Lake SRA (Sacramento County)—\$250,000
- Lake Oroville SRA (Butte County)—\$120,000
- Silverwood Lake SRA (San Bernardino County)—\$95,000
- Statewide boat ramp extensions—\$250,000
- Boating facility emergency repairs and improvements—\$250,000
- Immediate safety and access improvement needs—\$75,000

The proposed expenditures for planning and minor capital outlay projects are reasonable in scope and cost, and appear to be justified.

STATE COASTAL CONSERVANCY—CAPITAL OUTLAYItem 3760-301 from various
funds

Budget p. R 155

Total proposed expenditures 1991-92.....	\$15,977,000
Requested in 1991 Budget Bill for 1991-92.....	11,250,000
Recommended approval.....	11,250,000

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget shows that the conservancy has \$16 million available for capital outlay projects in 1991-92. This amount includes \$11.3 million in Budget Bill appropriations from the following funds:

- Habitat Conservation Fund (Proposition 117—\$4 million).
- State Coastal Conservancy (Bond) Fund of 1976 (\$1.4 million).
- State Coastal Conservancy (Bond) Fund of 1984 (\$3 million).
- Fish and Wildlife Habitat Enhancement (1984 Bond) Fund (\$250,000).
- California Wildlife, Coastal, and Park Land Conservation (Bond) Fund of 1988 (Proposition 70—\$2.6 million).

In addition, the budget shows an estimated carry-over balance of \$5.4 million available in 1991-92. 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 \$4.7 million of this balance for capital outlay and the remaining \$700,000 for related conservancy support costs in the budget year. Consequently, the conservancy expects to spend the full \$16 million available for capital outlay activities in the budget year.

The conservancy proposes expenditure of the Budget Bill appropriations in the following programs:

- Resource enhancement (\$4 million).
- Public access (\$2.5 million).
- Urban waterfront restoration (\$2.5 million).
- Coastal restoration (\$1.5 million).
- Agricultural land preservation (\$500,000).
- Site reservation (opportunity purchases—\$250,000).

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.

**DEPARTMENT OF PARKS AND RECREATION — CAPITAL
OUTLAY AND LOCAL ASSISTANCE**

Items 3790-101, 301, 490 and 491
from various sources

Budget p. R181

Requested 1991-92.....	\$56,754,000 ^a
Recommended approval.....	41,073,000
Recommended reduction.....	3,963,000
Recommendation pending.....	11,718,000

^a Of this amount, \$30,260,000 is for local assistance.

Capital Outlay

1. Backlog of Projects. Recommend that the Department of Parks and Recreation (DPR) report to the Legislature prior to budget hearings on the steps it is taking to reduce the large backlog of capital outlay projects funded prior to 1988. 1255
2. Rehabilitation Needs Exceed Available Funding. Recommend the adoption of supplemental report language requiring the DPR to provide more complete information when requesting funds for rehabilitation projects. 1257
3. Preliminary Plans Not Available. Recommend approval of funds for four projects, totaling \$3,671,000, contingent on receipt of preliminary plans prior to budget hearings. 1259
4. Matching Federal Funds. Recommend the adoption of Budget Bill language under Item 3790-301-786(1) specifying that construction funds for exhibits at Border Field State Park not be spent until matching federal funds are made available. 1261
5. *Acquisition, Plumas-Eureka State Park. Reduce Item 3790-301-262 by \$605,000.* Recommend deletion of acquisition funds because there is no need to purchase this property since it already belongs to the state. 1262
6. *Replace Seawalls, Angel Island State Park. Reduce Item 3790-301-722(1) by \$879,000.* Recommend deletion because preliminary plans will not be available to the Legislature in time for budget hearings. 1263
7. *Windsurf Facility, Brannan Island State Recreation Area. Reduce Item 3790-301-722(2) by \$64,000.* Recommend reduction of funds for working drawings and a combination shower/restroom building, because neither are needed in the budget year. 1263
8. Program Center, Candlestick Point State Recreation Area. Withhold recommendation on \$1,055,000 under Items 3790-301-722(3) and 3790-301-786(3). Withhold recommendation on construction funds pending explanation of why project cost has increased by 19 percent and how the DPR plans to operate the theater facility. 1264

9. **Initial Development, Henry Coe State Park. Reduce Item 3790-301-722(5) by \$982,000.** Recommend deletion of construction funds because the department should use these funds for projects for which there is a demonstrated demand. 1266
 10. **Rehabilitate Facilities, Leo Carillo State Beach. Reduce Item 3790-301-722(6) by \$90,000. (Future Savings — \$394,000).** Recommend deletion of funds for preliminary plans and working drawings because department has not justified the need for this project. 1267
 11. **Boat Launch Facilities, Candlestick Point State Recreation Area. Reduce Item 3790-301-786(2) by \$123,000. (Future savings — \$593,000).** Recommend deletion of funds for preliminary plans and working drawings because project should be funded by the Department of Boating and Waterways. 1268
 12. **Rehabilitate Water System, Mount Diablo State Park.** Withhold recommendation on \$1,838,000 in Item 3790-301-786(8) pending receipt of (a) preliminary plans and (b) the department's plan for reducing water usage in the state park system. 1269
 13. **Farmhouse Restoration, Wilder Ranch State Park. Reduce Item 3790-301-786(18) by \$1,220,000.** Recommend deletion of construction funds because there is no need to fund additional restoration projects at Wilder Ranch SP now. 1270
 14. **Old Sacramento State Historic Park, Museum of Railroad Technology. Delete Item 3790-490-391(1).** Recommend that funds not be reappropriated because there are currently no available funds to complete this project. 1272
 15. **Day-Use Facilities, Carmel River State Beach. Delete Item 3790-490-721(1).** Recommend that funds not be reappropriated because there is no available schedule for project completion. 1273
 16. **Day-Use Facilities, Salt Point State Park. Delete Item 3790-490-722(7).** Recommend that funds not be reappropriated because department is not proceeding with the project. 1273
 17. **Construct mine shaft, Empire Mine State Historic Park.** Delete Item 3790-490-786(1). Recommend funds not be reappropriated because preliminary plans are not ready. 1273
 18. **Landfill Closure, Benicia State Recreation Area.** Withhold recommendation on Item 3790-490-786(1) to reappropriate funds for this project pending receipt of information on project scope and cost. 1274
- Local Assistance**
19. **Habitat Conservation Grants.** Withhold recommendation on \$3.5 million under Item 3790-101-262 pending receipt of department's plan for implementing the program. 1276
 20. **Federal Trust Fund Program.** Withhold recommendation on \$5,325,000 under Item 3790-101-890 pending receipt of infor- 1277

DEPARTMENT OF PARKS AND RECREATION — CAPITAL OUTLAY AND LOCAL ASSISTANCE—Continued

mation on the actual amount of federal funds available for this program.

21. Status of Local Assistance Projects. Recommend the Legislature adopt supplemental report language requiring the DPR to submit an annual report on the status of funded local assistance projects. 1278

MAJOR ISSUES

Due to the failure of the California Park, Recreation and Wildlife Enhancement (Bond) Act in November 1990, the department's capital outlay program over the next five years is seriously underfunded.

BUDGET OVERVIEW

The budget includes \$56,754,000 for the capital outlay programs (\$26,494,000) and local assistance programs (\$30,260,000) administered by the DPR. This year, we have included our analysis of the DPR local assistance programs with our analysis of the capital outlay program to assist the Legislature in its review of the interrelated needs and effects of these two capital improvement programs.

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

The DPR's five-year capital outlay plan proposes expenditures of \$181 million for acquisitions to and development of the state park system for 1991 through 1995. The plan was developed, however, prior to voter disapproval of the California Park, Recreation, and Wildlife Enhancement (Bond) Act in November 1990. Because of the defeat of this bond measure, the DPR will have, assuming enactment of the proposed Governor's Budget, only about \$20 million remaining in various bond sources for its future capital outlay program. The DPR does have other potential sources of capital outlay funding, including the State Park and Recreation Fund, the Environmental License Plate Fund, the Habitat Conservation Fund, and the Public Resources Account of the Cigarette and Tobacco Products Surtax Fund. The budget proposes expenditures of \$4.8 million from these sources for the DPR's capital outlay program in 1991-92.

If the department is to meet its proposed plan for acquisition and development of the state park system over the next five years, it will need to develop other sources of funding. Such sources could include general obligation bonds, lease-payment bonds, funding from the Special Ac-

count for Capital Outlay in the General Fund, and direct appropriations from the General Fund. To date, neither direct appropriations nor lease-payment bonds have been used to fund the DPR's capital outlay program.

Department Maintains Large Backlog of Capital Outlay Projects

We recommend that, prior to budget hearings, the DPR provide a report to the Legislature indicating, for uncompleted projects funded prior to 1988, (1) the balance of funds not yet encumbered by contract, including transfers to the Architectural Revolving Fund, and (2) whether all or part of the project will be completed in the budget year.

Based on the latest available DPR capital outlay report (December 30, 1990), the department currently has a large number of capital outlay projects that have yet to be completed. Although many of these projects have been funded in the last few years and are currently making reasonable progress toward completion, the report indicates that the DPR has 38 projects funded prior to 1988 that have not been completed. Table 1 indicates, by year of appropriation, the number of these projects that remain to be completed.

Table 1
Department of Parks and Recreation
Uncompleted Major Capital Outlay Projects
Funded through 1987.

<i>Year of Initial Appropriation</i>	<i>Number of Uncompleted Projects</i>
1979	1
1982	3
1983	1
1984	4
1985	8
1986	7
1987	<u>14</u>
Total	38

This backlog of projects raises several issues of concern for the Legislature. First, projects that the Legislature considered as priorities have not been completed. Second, the DPR's ability to complete more recent projects is diminished, as staff time is allocated to addressing problems with the older projects. Finally, a portion of the backlog consists of projects that are not likely to proceed in the near term. This ties up limited capital outlay funds that could be used for other projects.

The following examples highlight some of the problems that the DPR has encountered in completing these projects:

- The Legislature appropriated \$6 million in the *1979 Budget Act* for land acquisition and development of facilities at Lake Elsinore State Recreation Area in Riverside County. The DPR has encountered problems acquiring the property through condemnation proceedings. Consequently, the property has not been purchased and there is no known date for when the state will take ownership. Furthermore, there is no current scope or scheduled completion date for the development portion of the project.

DEPARTMENT OF PARKS AND RECREATION — CAPITAL OUTLAY AND LOCAL ASSISTANCE—Continued

- The Legislature appropriated \$4 million in the *1982 Budget Act* and \$2.5 million in the *1983 Budget Act* for the East Bay Shoreline project in Alameda County. At the time the project was funded, it had no recognized scope or cost. The latest DPR report indicates that there is still no recognized schedule, scope, or cost for this project.
- In the *1986 Budget Act*, the Legislature appropriated \$300,000 for dam repairs at Plumas-Eureka State Park. The project is currently not proceeding due to disagreements over scope between the DPR and the Department of Water Resources.
- The Legislature appropriated \$467,000 in the *1985 Budget Act* for construction of immediate public-use facilities at Andrew Molera State Park in Monterey County. When bids for the project were opened in late 1989, all of them were more than 30 percent over the amounts available for appropriation.
- Based on discussions with the department and our analysis of the latest DPR capital outlay report, there appear to be several reasons why projects have been delayed so significantly. The most apparent reason is that several of these projects were funded by the Legislature prior to the development of adequate scope and cost information. For example, in the case of the East Bay Shoreline project, discussed above, funds were appropriated prior to a determination that the proposed project (or any project) could actually be accomplished. The result is that, nine years later, there is still no definition of the scope of work to be accomplished, nor a schedule for undertaking the project. Another example is a \$1 million project funded in the *1989 Budget Act* to reconstruct the San Buenaventura Pier in Ventura County. According to the DPR report, the scope of the project was still being developed after the appropriation had already been made.
- For the most part, the above problems could be avoided in the future by not funding projects before the DPR has developed a reasonable scope and cost estimate. In those instances where the Legislature believes a capital improvement is necessary, but the prerequisite scope/cost information has not been developed, the Legislature should consider adopting supplemental report language directing the DPR to submit a defined project by a certain future date rather than appropriate funds for an uncertain project. By taking this approach, the Legislature can help to ensure that the projects that are eventually funded (1) reflect the Legislature's intent for the capital improvement and (2) can be completed in a reasonable amount of time, within the amount appropriated by the Legislature.
- Some of the other problems that the department has encountered include (1) delays in negotiating agreements with other state departments or local agencies, (2) difficulties in obtaining necessary

environmental permits, and (3) delays resulting from competitive bids coming in over budget, thus requiring scope changes, legislative augmentations, or both.

- In view of the current situation, we recommend that, prior to budget hearings, the DPR report to the Legislature on the steps it is taking to reduce this backlog of projects. Specifically, the report should address (1) the current status of all uncompleted projects funded prior to 1988, (2) the amount of funds encumbered by contract for each project, including funds transferred to the Architectural Revolving Fund, and (3) whether all or part of the projects will be completed in the budget year. Based on the information that the DPR provides, the Legislature may want to consider reverting the unencumbered balance of the funds for some of these projects in order to fund other projects that could proceed in the budget year.

State Park Rehabilitation Needs Exceed Available Funding

We recommend that the Legislature adopt supplemental report language requiring the Department of Parks and Recreation to provide more complete information when requesting funds for rehabilitation projects in the budget. Such information is necessary because the department's identified rehabilitation needs far exceed the amount of capital outlay funds that is currently available.

The budget request includes \$5.6 million for various rehabilitation projects in the state park system. Of this amount, \$5.5 million is for the construction phase of projects previously approved by the Legislature and \$90,000 is for preliminary plans and working drawings for a new project at Leo Carillo State Beach. This is the only new rehabilitation project requested in the budget. As discussed later in this analysis, we recommend deletion of funds for the Leo Carillo SB project, because the department has not provided sufficient information to indicate whether a problem exists at that park unit.

The department's request to fund only one new rehabilitation project does not reflect the magnitude of the DPR's overall need in this area. In October 1990, the DPR provided the Legislature with a list of identified rehabilitation projects throughout the state park system. The estimated cost for these identified projects exceeds \$100 million. This is over \$80 million more than the amount of bond funds the DPR will have available for capital outlay after the budget year, assuming enactment of the Governor's Budget.

The DPR rehabilitation program includes a wide range of capital improvement activities. For example, the department's definition of work under the rehabilitation program includes such diverse projects as replacement of a water system that does not meet health codes and paving of an existing dirt parking lot. Clearly, the need and urgency for these wide-ranging types of projects varies greatly.

Given the magnitude of this identified need for rehabilitation, the DPR is facing a major program to improve and expand facilities in the state park system. In conjunction with this program, the Legislature will need

DEPARTMENT OF PARKS AND RECREATION — CAPITAL OUTLAY AND LOCAL ASSISTANCE—Continued

better information to be able to review and assess the department's rehabilitation proposals. The type of information that the Legislature needs includes, but is not limited to, (1) a complete explanation of why a proposed rehabilitation project is needed, (2) the relative costs and benefits of proposed projects, (3) any reports that indicate the magnitude of problems and how the proposed project would alleviate them, and (4) programmatic effects resulting from not undertaking the project. Although it is not practical for the department to provide this information for those projects already proposed in the budget, this information should be provided starting with projects proposed for 1992-93 and thereafter. In order to ensure that the Legislature receives this information, we recommend that the Legislature adopt the following supplemental report language:

It is the intent of the Legislature that the Department of Parks and Recreation provide comprehensive information when requesting capital outlay funds for facilities rehabilitation projects. This information should be provided for projects proposed for funding in 1992-93 and thereafter. Such information should include, but not be limited to, (1) an explanation of the programmatic need for the project, (2) the relative costs and benefits of the project, (3) any reports that indicate the magnitude of problems within the facilities proposed for rehabilitation and how the proposed project will alleviate the problems, and (4) the programmatic impacts that would result from delaying the project.

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$26,494,000 from various funding sources for the DPR 1991-92 capital outlay program. The department proposes to use these funds for (1) major and minor capital outlay projects in state parks and vehicular recreation areas, (2) the purchase of additional land to add to the existing state park system, and (3) planning. Table 2 summarizes the department's capital outlay request by funding source. The budget also proposes reappropriation of funds for 24 projects and reversions of the remaining balances for 18 projects.

Table 2
Department of Parks and Recreation
1991-92 Capital Outlay Program Summary
(in thousands)

<i>Proposed New Appropriations</i>	<i>Fund</i>	<i>Budget Bill Amount</i>
3790-301-235	Public Resources Account	\$3,800
3790-301-262	Habitat Construction Fund	1,000
3790-301-263	Off-Highway Vehicle Fund	3,323
3790-301-721	Parklands (Bond) Fund of 1980	290
3790-301-722	Parklands (Bond) Fund of 1984	4,329
3790-301-742	State, Urban & Coastal Park (Bond) Fund of 1976	775
3790-301-786	California Wildlife, Coastal and Parkland Conservation (Bond) Fund of 1988	12,152
3790-301-890	Federal Trust Fund	825
Total		\$26,494

A. Projects Recommended For Approval

We recommend approval of 29 projects, totaling \$15,772,000 from various sources.

Our analysis of the department's budget request for 1991-92 indicates that projects totaling \$15,772,000 are reasonable in both scope and cost. As examples, these projects include:

- *Acquisitions*, ranging from \$90,000 for matching grants for Anza-Borrego State Park to \$450,000 for statewide opportunity purchases.
- *Off-Highway Vehicle program projects*, ranging from \$50,000 for pre-budget property appraisals to \$2.2 million for construction of day-use facilities at Hungry Valley State Vehicular Recreation Area.
- *Minor capital outlay projects* (\$250,000 or less per project), ranging from \$104,000 to construct a shower/restroom building at Richardson Grove State Park to \$250,000 to construct two shower/restroom buildings at Pismo State Beach.
- *Other statewide programs*, including stewardship of natural resources (\$3.4 million), volunteer projects (\$950,000), and the Sno-Park program (\$250,000).

We recommend approval of these projects in the amounts requested, as summarized in Table 3.

B. Projects Recommended For Contingent Approval

We recommend approval of four projects, totaling \$3,671,000, contingent on receipt of preliminary plans prior to budget hearings.

Our analysis indicates that the amounts requested for four of the projects discussed below are consistent with prior cost estimates approved by the Legislature, adjusted for inflation. At the time this analysis was prepared, however, the DPR had not provided the Legislature with the completed preliminary plans for these projects. We recommend approval of the budget requests for these projects 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 the projects.

These four projects are:

- \$919,000 under Item 3790-301-722(4) for construction to rehabilitate and provide electricity to five restroom/shower buildings at Cuyamaca Rancho SP in San Diego County.
- \$910,000 under Item 3790-301-786(5) for construction to install a sewer system connection for Crystal Cove SP in Orange County.
- \$812,000 under Item 3790-301-786(6) for construction to rehabilitate facilities, including restrooms, a lifeguard tower and a concessions building, at Folsom Lake SRA in El Dorado County.
- \$1,030,000 under Item 3790-301-786(7) for construction to rehabilitate facilities, including restrooms, campsites, and the entrance area, at MacKerricher SP in Mendocino County.

DEPARTMENT OF PARKS AND RECREATION — CAPITAL OUTLAY AND LOCAL ASSISTANCE—Continued

Table 3
Department of Parks and Recreation
1991-92 Capital Outlay Program
Projects Recommended for Approval
(in thousands)

<i>Item/Project</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Future Cost^b</i>
3790-301-235 — PRA			
(1) Minor Projects (Non-OHV).....	—	\$3,800	—
3790-301-262 — Habitat Conservation Fund			
(1) Anza-Borrego SP, Matching Program.....	a	90	—
(2) Malakoff Diggins SHP.....	a	305	—
3790-301-263 — Off-Highway Vehicle Fund			
(1) Hungry Valley SVRA, initial development work.....	c	2,185	—
(2) Statewide, OHV budget package/schematics planning.....	—	50	—
(3) Minor Projects, OHV.....	—	938	—
(4) Statewide, OHV opportunity purchases.....	a	100	—
(5) Statewide, OHV pre-budget appraisals.....	—	50	—
3790-301-721 — Parklands (Bond) Fund of 1980			
(1) Statewide Opportunity Purchases.....	a	290	—
3790-301-722 — Parklands (Bond) Fund of 1984			
(7) Statewide, Recreational Trails.....	—	510	—
(8) Statewide, Stewardship Program.....	—	424	—
(9) Statewide, Volunteer Program.....	—	116	—
3790-301-742 — State, Urban, and Coastal Park (Bond) Fund of 1976			
(1) Statewide, Acquisition.....	a	100	—
(2) Statewide, Inholding Purchases.....	a	450	—
(3) Statewide, Opportunity Purchases.....	a	160	—
(4) Statewide, Pre-Budget Appraisals.....	—	65	—
3790-301-786 — California Wildlife, Coastal and Parkland (Bond) Fund of 1988			
(4) Carpinteria SB, Recreational Trails.....	pw	74	\$416
(9) Point Sal SB, Day Use Development.....	—	226	—
(10) San Simeon SB, Recreational Trails.....	—	248	—
(11) South Carlsbad SB, Facilities Rehabilitation....	s	162	— ^c
(12) Statewide, Non-OHV budget packages/schematic planning.....	—	200	—
(13) Statewide, Sno-Park program.....	—	120	—
(14) Statewide, Interpretive artifact and exhibit rehabilitation.....	—	250	—
(15) Statewide, Stewardship program.....	—	3,000	—
(16) Topographic surveys.....	—	200	—
(17) Volunteer program.....	—	834	—
3790-301-890 — Federal Trust Fund			
(1) Big Basin Redwoods SP, Sempervirens fund matching program.....	a	300	—
(2) Border Field SP, Visitor center exhibits.....	c	275	—
(3) California Redwoods Parks, Matching Program.....	a	250	—
Totals.....		\$15,772	\$416

^a Phase symbol indicates: s = study; a = acquisition; p = preliminary plans; w = working drawings; and c = construction.

^b Department estimates.

^c Future cost unknown.

C. Projects For Which We Withhold Recommendation or Recommend Changes

The budget includes \$7,051,000 for 11 projects that we have not previously discussed. Table 4 lists these projects, the amounts requested for each in the Budget Bill, our recommendations, and the department's estimated future costs. A discussion of each of our recommendations follows.

Table 4
Department of Parks and Recreation
1991-92 Capital Outlay Program

Projects For Which We Withhold Recommendation or Recommend Changes
(in thousands)

<i>Item/Projects</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>	<i>Future Cost^a</i>
Item 3790-301-262				
(3) Plumas - Eureka SP, Acquisitions.....	a	\$605	—	—
3790-301-722 Parklands (Bond) Fund of 1984				
(1) Angel-Island SP, Replace Seawall	c	879	—	—
(2) Brannan Island SRA, Windsurf facility ...	pw	84	\$20	\$650
(3) Candlestick Park SRA, Program Center ..	c	325	pending	—
(5) Henry Coe SP, Initial Development	c	982	—	—
(6) Leo Carillo SB, Facilities Rehabilitation..	pw	90	—	394
3790-301-786 — California Wildlife, Coastal and Parkland (Bond) Fund of 1988				
(1) Border Field SP, Construct Exhibits	c	175	175	—
(2) Candlestick Point SRA, Boat Launch Facilities.....	pw	123	—	593
(3) Candlestick Point SRA, Program Center.....	c	730	pending	—
(8) Mt. Diablo SP, Rehabilitate Water System	c	1,838	pending	—
(18) Wilder Ranch SP, Farmhouse Restoration	c	1,920	—	—
Total		\$7,051	\$195	\$1,637

^a Phase symbol: a = acquisition; p = preliminary plans; w = working drawings; and c = construction.

^b Department estimates.

Border Field State Park — Construct Exhibits

We recommend approval of \$175,000 under Item 3790-301-786(1) to construct exhibits at the visitor center at Border Field State Park. We also recommend that the Legislature adopt Budget Bill language making the availability of these funds contingent on receipt of federal funds.

The budget requests \$175,000 under Item 3790-301-786(1) to construct exhibits for a visitor center at Border Field State Park in San Diego County. The exhibits will provide interpretation of the adjacent Tijuana Estuary and include photographs of native wildlife and plants, maps, polarized light collages and interactive video displays. Exhibits will also include signs for trails in the Estuary. Our analysis indicates that the project has merit, and we recommend approval of the budget amount. The total estimated project cost, however, is \$450,000 and the viability of

DEPARTMENT OF PARKS AND RECREATION — CAPITAL OUTLAY AND LOCAL ASSISTANCE—Continued

the project is dependent on receipt of \$275,000 in federal funds. Consequently, we recommend that the Legislature adopt the following Budget Bill language:

Funds appropriated under category (1) of this item for exhibits at Border Field State Park shall not be available for expenditure until the department has received certification that federal funds have been appropriated to the department for this project.

Plumas-Eureka State Park — Acquisition

We recommend a reduction of \$605,000 under Item 3790-301-262(3) because the proposed acquisition is unnecessary given that the property already belongs to the state.

The budget requests \$605,000 under Item 3790-301-262(3) to purchase two separate parcels of property (504 acres) for additions to Plumas-Eureka SP in Plumas County. Funding for this acquisition is proposed from the Habitat Conservation Fund, which was created by the voter-approved California Wildlife Protection Act of 1990. Under the terms of the Act, the DPR annually receives \$4.5 million for both local assistance grants (\$3.5 million) and acquisitions in and adjacent to units of the state park system (\$1 million). The state acquisition funds must be used for the following purposes: (1) acquiring deer and mountain lion habitat, (2) acquiring habitat to protect rare, threatened, endangered, or protected species, (3) acquiring wetlands, (4) acquiring aquatic habitat, and (5) acquiring riparian habitat.

Property Already Belongs to the State. The land that the DPR proposes to acquire is currently owned by the Department of Water Resources (DWR). The DWR originally purchased the property from the United States Forest Service in 1980, with the intent of eventually transferring the property to the DPR. The DWR now proposes to sell the property for an amount equal to the exchange value in 1980, which is the basis for the \$605,000 requested in the budget.

It is not clear why the DPR considers this to be a high-priority acquisition project at this time. The land is already owned by the state and therefore not in any immediate danger of private development. Moreover, it is not clear why the DPR must spend state funds to acquire the property. Other options could include either the DWR simply transferring the land to the DPR, or negotiating an interagency agreement under which the DPR would manage the property.

In view of the above, the proposal to spend \$605,000 to transfer this property from one state department to another is not a prudent use of limited state funds. We, therefore, recommend that the Legislature delete the request for \$605,000 under Item 3790-301-262(3). These funds should instead be used to fund other priority acquisition projects that meet the requirements of the Habitat Conservation Fund.

Replace Seawalls — Angel Island State Park

We recommend a deletion of \$879,000 under Item 3790-301-722(1) for construction of seawalls, because preliminary plans will not be available in time for legislative review.

The budget requests \$879,000 under Item 3790-301-722(1) for construction to replace four seawalls at Angel Island SP in Marin County. The Legislature approved preliminary plan and working drawing funds for this project in the 1990 Budget Act.

Preliminary Plans Not Available. According to the DPR's latest project schedule, preliminary plans for this project will not be completed until August 1991. This delay is due, in part, to the DPR's expectation that it will take until August to receive necessary permits from environmental agencies such as the Bay Conservation and Development Commission. Until the various permits are granted, the actual scope of work and associated costs of the project are uncertain. Thus, the department is requesting the Legislature to approve construction funds without knowing (1) the actual scope of the project or (2) whether the amount of funds requested for construction is appropriate. Furthermore, based on the DPR's latest project schedule, a contract for this project is not expected to be awarded until July 1992. Thus, given the uncertainty of the time required to obtain permits and make any associated changes to the drawings, coupled with the DPR's track record in implementing projects, it is not clear that construction funds could be used in the budget year. Under these circumstances, we recommend the Legislature not approve the request for \$879,000 in construction funds.

Brannan Island State Recreation Area — Windsurf Facility

We recommend a reduction of \$64,000 under Item 3790-301-722(2) because (1) funds for working drawings are not needed in the budget year and (2) the DPR has indicated that a new restroom/shower building at this park is not necessary at this time.

The budget requests \$84,000 under Item 3790-301-722(2) for preliminary plans (\$33,000) and working drawings (\$51,000) to create a windsurfing beach and day-use facilities and to construct a new restroom/shower building at Brannan Island State Park in Sacramento County. The project includes (1) demolition of an existing restroom building, (2) construction of a new combination restroom/shower building, (3) grading and landscaping to create a windsurfing beach at Windy Cove, and (4) other day-use improvements at Windy Cove. The future cost of the project is estimated to be \$650,000.

Schedule Does Not Include Time For Permit Approvals. According to the DPR's latest schedule for the Brannan Island project, preliminary plans are expected to be completed in March 1992 and working drawings to be underway by May 1992. This schedule, however, does not include any time for the department to obtain necessary environmental permits prior to the working drawing phase. Moreover, because this project includes significant site grading and creation of a new beach, the permit approval process could be extensive and may require changes in the

DEPARTMENT OF PARKS AND RECREATION — CAPITAL OUTLAY AND LOCAL ASSISTANCE—Continued

project prior to obtaining the necessary approvals. The Legislature should be aware of any problems encountered during the permit process and have available a description of the actual work to be accomplished plus the associated cost for this work, before working drawing funds are provided. Under the budget proposal, the Legislature would be authorizing the completion of construction documents (working drawings) without full knowledge of either the scope or cost of the project. We therefore recommend that funds for working drawings be deleted. This would result in a reduction of \$51,000 under Item 3790-301-722(2). A request for working drawing *and construction funds* in 1992-93, based on completed preliminary plans, would warrant legislative consideration.

New Restroom/Shower Building Not Needed. In the 1988 Budget Act, the Legislature appropriated \$548,000 to replace three restroom buildings in the Willow Creek campground at Brannan Island State Park with three combination shower/restroom buildings. Because of a funding problem, the DPR, in November 1990, reduced the scope of the project to replace only two of the buildings. The department indicated that replacement of the third building was not necessary at this time, and would not take place until sometime in the future, when funding was available. Thus, we recommend that the scope of the proposed project be reduced to remove construction of the new restroom/shower building. Based on our analysis, deletion of this building from the project should reduce future project costs by \$211,000 and the costs for preliminary plans by \$13,000.

In summary, we recommend a total reduction of \$64,000 in Item 3790-301-722(2), consisting of \$51,000 associated with working drawings and \$13,000 for preliminary plans for the restroom/shower building. The remaining \$20,000 will provide for development of preliminary plans on the balance of the project.

Candlestick Point State Recreation Area — Cultural Program Center

We withhold recommendation on \$325,000 under Item 3790-301-722(3) and \$730,000 under Item 3790-301-786(3) pending receipt of information explaining why the project cost has increased more than \$600,000 over the state's original estimate. We also recommend that, prior to budget hearings, the department report to the Legislature on how it plans to operate this theater facility.

The budget requests a total of \$1,055,000 under Item 3790-301-722(3) and Item 3790-301-786(3) for construction of a cultural program center at Candlestick Point SRA in San Francisco. The total cost of the project is estimated to be \$3.3 million, including the \$1.1 million included in the budget, a previous appropriation of \$1.7 million, and an additional \$500,000 in anticipated savings from a related day-use/landscaping development project.

Background. Since 1984, the Legislature has appropriated \$4.1 million for a project at Candlestick Point SRA to develop (1) day-use facilities/landscaping and (2) a cultural program center. As originally approved, the program center was to be an outdoor amphitheater. Over time, the

Legislature has changed the scope of the project to include a building consisting of a 400-seat stage area, offices, and classrooms.

In January 1990, due to high construction bids, the Office of the State Architect (OSA) recommended dividing the project into two separate contracts in order to reduce costs. Thus, DPR is proceeding with the day-use/landscaping portion in the current year, and requesting that the Legislature provide a \$1.1 million augmentation for the program center in the budget.

No Explanation For Increased Costs. Despite the OSA's explanation that the high bids were due primarily to the day-use and landscaping portions of the project, the department is now requesting additional funds for construction of the cultural center. To date, the DPR has not provided justification for this increased cost. For example, the only information provided to explain increased building costs of \$500,000 is that bid results were higher than anticipated. Further, the department has indicated that the building contract now includes some costs that were previously part of the landscaping project, but does not explain what this work is, or why it is now included with the building. Without an adequate explanation of the reasons for the increased project cost, we cannot at this time make a recommendation to the Legislature on the proposed augmentation. We therefore withhold recommendation on the request, pending the receipt of further information from the department.

Program Center Has Evolved Into Theater. Based on our review of the drawings and specifications of the proposed project, it appears that the project currently before the Legislature is not simply a program center, but a full-scale theater. The proposed theater includes a fly gallery, sophisticated lighting, theatrical rigging systems, and an orchestra pit. Our review of available information indicates that these theatrical elements were not anticipated in the project approved by the Legislature. This change has substantial impact on both the initial construction cost and the ongoing program/operations costs. For example, the department has yet to inform the Legislature on how it will manage and pay for the programs to be staged in the new theater. The annual costs of managing these programs, including the costs of booking performers, marketing, and facility operations, could be substantial. In addition, the Legislature needs information on the department's management plan to ensure that the proposed facility will be effectively utilized. We therefore recommend that, prior to budget hearings, the department report to the Legislature on its plans for managing the facility, including (1) the types of programs that will be produced, (2) who will manage these programs and carry out bookings, marketing, and facility operations, (3) the expected costs and financing options for these programs, and (4) how the facility's sophisticated equipment will be maintained. The Legislature needs this information to be able to assess the full ongoing cost, as well as the one-time construction cost, of this project.

In addition, the cost of the theater, as proposed, is too high. For example, the proposed Candlestick Point theater is comparable to theaters constructed at mature California State University (CSU) cam-

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pus. Based on the CSU cost guidelines for such facilities, the cost of constructing the Candlestick Point theater is more than \$600,000 over the cost to construct a similar theater at a CSU campus. Thus, should the Legislature decide to proceed with the proposed theater, we recommend that the appropriation be reduced by \$600,000. If the department can demonstrate that some of these additional costs are due to unique site conditions, the Legislature should give appropriate consideration to those conditions.

Henry Coe State Park — Initial Development

We recommend deletion of \$982,000 under Item 3790-301-722(5) for construction of day-use facilities because the department should use these funds instead for projects for which there is a demonstrated demand.

The budget includes \$982,000 under Item 3790-301-722(5) for construction to develop a second vehicular entrance into Henry Coe State Park in Santa Clara County. The project includes (1) grading 13 miles of an existing dirt road, including installation of seven concrete fords, (2) an 82-car paved parking lot, (3) two restroom buildings, (4) installation of one 10,000-gallon and one 3,000-gallon water tank, and (5) landscape improvements. This project originally received funding in the 1985 *Budget Act*, but was never completed due to increases in project cost.

Project Provides No Additional Recreational Benefits. This project provides a second vehicle access into the back country of the 67,000-acre Henry Coe State Park. Currently, vehicle access into the park is from the City of Morgan Hill, which is 10 miles west of the park. The proposed project would upgrade a 13-mile dirt road that runs from Highway 152, south of the park, to the park's southern edge. The dirt road is currently closed to vehicle traffic.

The department indicates that the proposed project is necessary to provide increased access to the park's backcountry. Based on current visitor attendance at Henry Coe SP, however, it is not clear whether demand exists for a second access road into the park. According to the DPR, current visitation at the park is 25,000 people annually, or 68 persons per day. This attendance level does not indicate that there is a burden being placed on existing facilities. In addition, because visitors from the populous San Jose/Livermore/San Ramon area would have to drive past the existing entrance for an additional 30 miles just to reach the start of the 13-mile dirt road, it is not clear to what extent this new entrance would be used.

Moreover, our analysis of the project, including an onsite review, indicates that the project does not provide any additional recreational benefits that are not currently available. For example, visitors to the park may currently hike on any of several trails running from the park headquarters into the backcountry area. Because of the park's size, the backcountry begins after only a few miles. Thus, it is not clear what additional benefits would be provided by this \$1 million project.

While it may be desirable at some point in the future to develop further access into Henry Coe State Park, this particular project does not appear to be necessary at this time. Given the limited amount of bond funds available for the DPR's development program, we believe these funds would be better spent on projects that provide necessary recreational opportunities for which there is a demonstrated demand. We therefore recommend that the Legislature delete the request for \$982,000 under Item 3790-301-722(5). If, in the future, the DPR can demonstrate that this project is necessary to provide needed recreational opportunities at Henry Coe State Park, then the project may merit legislative consideration.

Leo Carillo State Beach — Rehabilitate Facilities

We recommend deletion of \$90,000 under Item 3790-301-722(6) for preliminary plans and working drawings because the department has not demonstrated a need for this project. (Future savings — \$394,000).

The budget includes \$90,000 under Item 3790-301-722(6) for preliminary plans and working drawings for the rehabilitation of facilities at Leo Carillo State Beach in Los Angeles and Ventura Counties. The project includes (1) reconstruction of a visitor contact station, (2) redesign of the entrance turnaround area, (3) replacement of three septic leach systems, and (4) installation of four miles (22,000 feet) of curbs. The future construction cost of the project is estimated to be \$394,000.

Project Lacks Justification. The DPR indicates that this project is necessary because (1) the existing visitor contact station is in need of repair, (2) the turnaround/entrance area is confusing and not properly delineated, and (3) drivers, particularly those with four-wheel drive vehicles, are currently parking illegally on landscaped areas of the beach. No information has been provided explaining the problems with the leach fields.

The department has provided no indication of the extent of the problems that are occurring and, therefore, whether the proposed project is necessary. For example, the department indicates that the entrance turnaround area is confusing, but does not explain the problems that it is causing or why it needs to be replaced at this point in time. In addition, the department plans to construct over four miles of curbing without demonstrating (1) that less-costly alternatives were considered or (2) that the proposed curbing will actually prevent four-wheel drive vehicles from parking illegally. Finally, the DPR indicates that one of its reasons for replacing the contact station is that the architectural style is not in keeping with the rest of the park. While this may be true, this problem does not appear to justify the expenditure of limited available bond funds, particularly since the DPR has identified over \$114 million in other needed rehabilitation projects statewide.

Because the department has not adequately justified the need for this project, we recommend deletion of the proposed \$90,000 for preliminary plans and working drawings under Item 3790-301-722(6). This will result in a future savings of \$394,000.

DEPARTMENT OF PARKS AND RECREATION — CAPITAL OUTLAY AND LOCAL ASSISTANCE—Continued**Candlestick Point SRA — Boat Launch Facilities**

We recommend a reduction of \$123,000 under Item 3790-301-786(2) for preliminary plans and working drawings because this project should be entirely funded by the Department of Boating and Waterways. (Future savings — \$593,000.)

The budget requests \$123,000 under Item 3790-301-786(2) for preliminary plans (\$83,000) and working drawings (\$40,000) for dredging of a 200-foot turning basin and a one-mile channel in San Francisco Bay to facilitate boat launching at Candlestick Point State Recreation Area in San Francisco. This project is proposed in conjunction with a Department of Boating and Waterways (DBW) project to provide on-shore boat-launching facilities and other on-shore developments at the park. The total cost of the combined DBW/DPR project is estimated to be \$2.2 million.

Funding Should Come From Harbors and Watercraft Revolving Fund. Under the Harbors and Navigation Code, the DBW is authorized to use monies in the Harbors and Watercraft Revolving Fund (HWRF) for the construction of boating facilities, including those on sites owned by the DPR. In the past, the DBW has maintained a policy of only funding primary boating facilities (such as launch ramps and parking lots), and leaving it to either local governments or the DPR to fund necessary access facilities, such as dredging channels or constructing roads. The DBW maintains this policy in order to maximize the number of facilities it can provide with available funds.

We recommend that this project be entirely financed by the DBW, because (1) the HWRF is a fund that, under existing law, may only be used for boating-related projects, whereas the DPR's funds must be stretched to cover a wider range of needs, and (2) the HWRF has an annual revenue stream, whereas the DPR has a limited amount of general-obligation bonds available for development.

The HWRF Is A Restricted Fund. The DPR's development program must address many needs throughout the state park system. For example, the department may determine that one park unit requires the development of overnight camping facilities, while another unit might require restoration of damaged natural areas. Although some of the DPR's available bond funds are restricted by programmatic category, most of the funds can be used for any of several different types of projects. Thus, the DPR maintains discretion over the types of projects that can be funded. Funds from the HWRF, however, may only be used for projects related to boating, including the development of boating facilities in the state park system. Given that the HWRF funds can only be used for projects of this type, it makes sense to totally fund the project from the HWRF, while leaving the DPR with the flexibility to use its funds for other types of development projects.

The HWRF Has An Annual Revenue Stream. The HWRF receives revenues and transfers annually from (1) motorboat fuel taxes, (2) boat

registration fees, and (3) loan repayments and interest. The budget estimates that revenues and transfers will total \$45 million from these sources in 1991-92. (Under a recommendation we make in Item 3680-101-516 — Department of Boating and Waterways (DBW) — this amount would be reduced to \$31 million in 1991-92. This amount would permit funding of local assistance projects at their current-year level and the proposed project at Candlestick Point.) The DPR, on the other hand, has only a limited amount of general obligation bond funds available for development projects. With voter disapproval of the proposed California Parks, Recreation, and Wildlife Enhancement (Bond) Act in November 1990, it is uncertain when the DPR will receive any additional funds for its capital outlay program. Since the DPR's funds are limited and the HWRF receives revenues on an annual basis, it again appears to make more sense to fund this project through the HWRF.

Consequently, without prejudice to the project, we recommend that the DBW pay the full cost, including dredging, for the Candlestick Point SRA boat-launch facility. This would result in a reduction of \$123,000 under Item 3790-301-786(2). For a further discussion of this proposal, please see our analysis of the DBW capital outlay request under Item 3680-301.

Rehabilitate Water System — Mount Diablo State Park

We withhold recommendation on \$1,838,000 under Item 3790-301-786(8) for construction of a new water system pending receipt of (1) completed preliminary plans and (2) information regarding the department's efforts to reduce water usage both at Mount Diablo SP and throughout the state park system.

The budget requests \$1,838,000 under Item 3790-301-786(8) for construction to rehabilitate and upgrade the existing water system at Mount Diablo State Park in Contra Costa County. The project includes the rehabilitation of three existing water tanks and installation of a new 500,000-gallon water tank, a new chlorine disinfection system, water pumps, and approximately 20,000 linear feet of new pipe. The Legislature appropriated \$211,000 for preliminary plans and working drawings for this project in the *1990 Budget Act*.

Preliminary Plans Not Available. According to the latest project schedule provided by the DPR, preliminary plans for the proposed water system project will not be available until March 1991. As previously discussed, the Legislature needs the completed preliminary plans to verify project scope and cost prior to providing construction funds. Although in other cases we have recommended approval of projects pending receipt of completed preliminary plans, we withhold recommendation on this project for the reasons discussed below.

Impact on Water Usage. According to information provided by the DPR, the proposed water system project at Mount Diablo SP not only rehabilitates the existing system, but also provides additional water capacity to meet projected increased use in the future. Given the current water shortages in California, however, it is not clear that providing increased water capacity at Mount Diablo SP is either necessary or

DEPARTMENT OF PARKS AND RECREATION — CAPITAL OUTLAY AND LOCAL ASSISTANCE—Continued

desirable at this time. In addition, this project also raises the question of whether the DPR is currently undertaking any efforts to reduce water usage throughout the state park system. Because of the facilities that are provided in state park units, including a large number of restrooms and showers, the DPR is a major water user in the state. Given the current drought conditions in California, the department should be examining options to reduce water usage in the state park system. The proposed project at Mount Diablo SP raises a concern that perhaps the department has not yet embarked on such a study. Clearly, given the current conditions, expanding water capacity at state park units should be a last resort, proposed only after all efforts to reduce usage have been exhausted.

Because of this, we recommend that the DPR report to the Legislature, prior to budget hearings, on both the impact of the proposed Mount Diablo water system project and the department's efforts statewide to reduce water usage at state park units. Specifically, the department should provide information on (1) the extent to which the proposed project will increase water usage in Mount Diablo SP, (2) whether the DPR has yet secured increased water supplies for this increased capacity, (3) efforts previously undertaken and/or under consideration to reduce water usage at Mount Diablo SP, and (4) efforts considered or undertaken statewide to reduce water usage throughout the state park system. The department should also discuss the costs and benefits of implementing various options to reduce water usage such as reducing water pressure for plumbing fixtures, or placing time-limits on shower facilities.

Wilder Ranch State Park — Farmhouse Restoration

We recommend a reduction of \$1,220,000 under Item 3790-301-786(18) for construction because there is no demonstrated need to fund additional restoration projects at Wilder Ranch at this time.

The budget requests \$1,220,000 under Item 3790-301-786(1) for construction to restore a farmhouse at Wilder Ranch State Park in Santa Cruz County. The farmhouse is one of a series of buildings in the Wilder Ranch Cultural Reserve, which consists of a Victorian residence, a carriage/horse barn, a bunkhouse and the farmhouse. The Legislature appropriated \$1.2 million to restore the Victorian in the 1986 Budget Act and \$608,000 to restore the bunkhouse in the 1990 Budget Act. Working drawing funds for the farmhouse project were previously approved in the 1985 Budget Act.

Wilder Ranch State Park was first opened to the public in late 1989, but to date, there has been little demonstrated level of visitor interest in the park. Based on its recreational information system, the DPR indicates that the park should eventually generate about 15,000 visitors per year. The DPR does not explain how this number was determined and whether it is realistic. In addition, given that the Legislature has already funded two other restoration projects at Wilder Ranch SP, it is not clear what additional benefits would be provided by restoration of a third building at

this time. The DPR should instead wait until there is a recognized visitor demand before proposing to restore any more structures at Wilder Ranch SP. We believe that the limited bond funds available for historical development projects would be better spent on those projects for which there is currently a demonstrated visitor demand.

Consequently, given the limited amount of bond funds available and the fact that the Legislature has already funded two other restoration projects at Wilder Ranch State Park, we recommend that funds for the farmhouse restoration be deleted. These funds should instead be used for historical restoration parks at other state park units where there is currently a high level of visitor demand. We therefore recommend deletion of \$1,220,000 under Item 3790-301-786(18).

Table 5
Department of Parks and Recreation
1991-92 Capital Outlay Program
Reappropriations Recommended for Approval
(dollars in thousands)

<i>Item/Projects</i>	<i>Phase^a</i>	<i>Initial Year of Appropriation</i>	<i>Future Cost</i>
Item 3790-490-140 Environmental License Plate Fund			
(1) South Yuba Trail, Independence Bridge Replacement	pwc	90	—
3790-490-721 Parklands (Bond) Fund of 1980			
(2) Cuyamaca Rancho SP, Green Valley Rehabilitation.....	pw	90	\$919
(3) Rehabilitation, Statewide: Archaeological.....	—	90	—
(4) Restoration, Statewide: CCC Historic	—	90	—
3790-490-722 Parklands (Bond) Fund of 1984			
(1) California Citrus SHP, Artifact Acquisition	p	89	—
(2) China Camp SP, Day-Use Rehabilitation.....	pw	89	—
(3) Angel Island SP, Seawall Replacement	pw	90	879
(4) Big Basin SP, Sewage System Rehabilitation	pwc	90	—
(5) Crystal Cove SP, Sewer Connection.....	pw	90	910
(6) Los Encinos SHP, Garnier House.....	—	90	—
3790-490-728 Wildlife Enhancement Fund			
(1) Lake Oroville SRA, Lime Saddle Project	pwc	89	—
3790-490-786 California Wildlife, Coastal and Parkland (Bond) Fund of 1988			
(2) State Indian Museum	s	89	—
(4) California Citrus SHP, Historic Structures	pwc	90	—
(5) California Citrus SHP, Reimbursements	—	90	—
(6) Mackerricher SP, Facilities Rehabilitation.....	pw	90	1,030

DEPARTMENT OF PARKS AND RECREATION — CAPITAL OUTLAY AND LOCAL ASSISTANCE—Continued

Table 5—Continued
Department of Parks and Recreation
1991-92 Capital Outlay Program
Reappropriations Recommended for Approval
(dollars in thousands)

<i>Item/Projects</i>	<i>Phase^a</i>	<i>Initial Year of Appropriation</i>	<i>Future Cost</i>
(7) Monterey SHP, Pacific House Exhibits	pw	90	916
(8) Statewide: Sno-Park Program	—	90	—
(9) Monterey SB, Sand City Dunes Restoration	—	90	—
(10) Mt. Diablo SP, Visitor Center Exhibits	pwc	90	—
Total			\$4,654

^a Phase symbol indicates: p=preliminary plans; w=working drawings; c=construction.

REAPPROPRIATION (Item 3790-490 from various funds)

The budget requests the reappropriation of funds for 24 projects previously approved by the Legislature. Reappropriation of funds is necessary for (1) preliminary plan, working drawing, or agency-retained funds that have not been encumbered within one year of appropriation, or (2) construction funds that have not been encumbered within three years of appropriation. We recommend that the Legislature approve reappropriation of funds for the 19 projects listed in Table 5.

We recommend that the Legislature not reappropriate funds for four projects. We also withhold recommendation on one reappropriation request. A discussion of these five projects and our recommendation for each follows.

Old Sacramento State Historic Park — Museum of Railroad Technology

We recommend deletion of Item 3790-490-392(1).

The Legislature appropriated preliminary plan funds (\$728,000 from the State Park and Recreation Fund) for the Museum of Railroad Technology under Item 3790-301-391(1) of the 1990 Budget Act. The project involves construction of a new railroad technology museum and has an estimated future cost of \$20 million. To date, there is no funding source available to complete either working drawings or construction of this project. In addition, preliminary tests at the project site have revealed the presence of toxic materials, which could increase future project costs even further.

Until a source of funding is identified and available, it is premature to continue the design phase of this project. We therefore recommend that the Legislature not reappropriate preliminary plan funds at this time. In addition, because the department has indicated that most of the funds have already been transferred to the Architectural Revolving Fund, we recommend that the Legislature adopt the following reversion item:

3790-495 Reversion, Department of Parks and Recreation. As of June 30, 1991, the unencumbered balances of the appropriations, including those amounts

transferred to the Architectural Revolving Fund, provided in the following citation shall revert to the fund balance of the fund from which the appropriation was made:

392 - State Parks and Recreation Fund, Item 3790-301-392(1), Budget Act of 1990, 90.AC.600, Old Sacramento SHP, Museum of Railroad Technology - preliminary plans.

Carmel River State Beach — Day-Use Facilities

We recommend deletion of Item 3790-301-721 (1).

The Legislature originally appropriated preliminary plan and working drawing funds (\$139,000 from the Parklands (Bond) Fund of 1980) for new parking and day-use facilities at Carmel River SB under Item 3790-301-721(1) of the 1988 Budget Act. Funds were reappropriated in the 1990 Budget Act. Initial preliminary plans for the project have been completed, but have not yet been approved due to the DPR's inability to obtain necessary permits. In January 1991, the Monterey County Planning Commission denied the DPR's latest permit application. At the time this analysis was prepared, the department still did not have a schedule for permit approval, and the extent of work that may ultimately be permitted was unknown. Given the uncertainty surrounding this project, we recommend that the Legislature not reappropriate working drawing funds at this time. Once the department obtains a permit and the actual work to be undertaken is known, a proposal to proceed with development may merit legislative consideration.

Salt Point State Park — Day-Use Facilities

We recommend deletion of Item 3790-490-722 (7).

The Legislature appropriated funds for preliminary plans and working drawings (\$120,000 from the Parklands (Bond) Fund of 1984) for rehabilitation of day-use and campground facilities at Salt Point SP under Item 3790-301-722(6) of the 1990 Budget Act. At the time this *Analysis* was prepared, the department had suspended work on preliminary plans for the project, pending a reevaluation of the project's relative costs and benefits. In addition, construction funds for this project were not included in the budget. Because the future of this project appears uncertain, we recommend that the Legislature not reappropriate working drawing funds at this time. Once the DPR determines how it intends to proceed with the project, a request for working drawing and construction funds may warrant legislative consideration.

Empire Mine State Historic Park — Construct Mine Shaft

We recommend deletion of Item 3790-490-786 (1).

The Legislature appropriated preliminary plans and working drawing funds (\$250,000 from the Parklands (Bond) Fund of 1988) for this project under Item 3790-301-786(2) of the 1989 Budget Act and reappropriated funds in the 1990 Budget Act. The project involves construction of a 750-foot long horizontal mine tunnel with an electric mine train for visitor tours at Empire Mine SHP. According to the DPR, this project requires a General Plan amendment, which is delaying the completion of

DEPARTMENT OF PARKS AND RECREATION — CAPITAL OUTLAY AND LOCAL ASSISTANCE—Continued

preliminary plans. In addition, the department has not identified a funding source for the estimated \$2 million in future project costs. Until the preliminary plans are completed and a funding source is identified and available, it is premature for the department to continue design work on this project. We therefore recommend that the Legislature not reappropriate working drawing funds for this project at this time.

Benicia State Recreation Area — Landfill Closure

We withhold recommendation on Item 3790-490-786(3) pending information on the project's current scope and cost.

The Legislature appropriated funds for working drawings (\$200,000 from the Parklands (Bond) Fund of 1988) for this project under Item 3790-301-786(1) of the 1990 Budget Act. The project involves closing a landfill and restoring wetland areas in the Benicia SRA. According to the department, this project is now under management of the Department of General Services (DGS). The DGS is currently reviewing the information that has been gathered to date to determine whether the amount of funds appropriated by the Legislature in the 1990 Budget Act (\$200,000) is adequate to continue with the project. At the time this analysis was prepared, the DGS still had not completed its assessment. We therefore withhold recommendation on the project pending receipt of further information from the department.

REVERSIONS (Items 3790-495 and 496)

We recommend approval.

The budget requests reversion of the unencumbered balances in 18 prior appropriations for DPR capital programs. This includes 12 prior appropriations under Item 3790-495 and six under Item 3790-496. The DPR indicates that 15 of these fund balances are being reverted because the department has either completed the project, or has encumbered by contract all of the funds expected to be used for the project. The remaining three reversions are for acquisition projects that the department indicates cannot proceed any further. These acquisition projects include (1) funds provided in the 1980 Budget Act for condemnation proceedings, (2) funds provided in the 1984 Budget Act for land acquisitions at El Presidio de Santa Barbara SHP in Santa Barbara County, and (3) funds provided in the 1988 Budget Act for statewide acquisition projects. In each case, the DPR indicates that there are no further acquisition projects that can be purchased with these funds. Therefore, the DPR is requesting reversion of the balances to fund other projects proposed in the budget year. Our analysis indicates that the proposed reversions are reasonable and we recommend approval.

LOCAL ASSISTANCE

Overview of Budget Request

The budget requests \$30,260,000 from four sources for the Department of Parks and Recreation's local assistance programs. This represents a

reduction of \$152.4 million, or 83 percent, from estimated current-year expenditures for local assistance. This decrease primarily reflects (1) elimination of one-time spending from the Public Resources Account and (2) a reduction in the amount of available bond funds. Table 6 presents an overview of the proposed local assistance program by funding source and category of expenditure. The budget also requests reappropriation for five projects and reversions of fund balances for six projects.

Table 6
Department of Parks and Recreation
Local Assistance Program Summary
 (in thousands)

	<i>Budget Bill Amount</i>
3790-101-262 Habitat Construction Fund	
(1) Habitat Conservation Program Grants.....	\$2,000
(2) Santa Lucia Mountain Range.....	1,500
3790-101-263 Off-Highway Vehicle Fund	9,925
3790-101-786 California Wildlife, Coastal, and Parkland Conservation Fund of 1988	
(1) Per Capita Program Grants	11,510
3790-101-890 Federal Trust Fund	
(1) Land and Water Conservation Fund	5,000
(2) National Historic Preservation Act of 1966	325
Total	<u>\$30,260</u>

A. Programs Recommended For Approval

Off-Highway Vehicle Grants. The budget requests \$9,925,000 under Item 3790-101-263 for 65 grants from the Off-Highway Vehicle (OHV) Fund to cities, counties, special districts, or federal agencies. This is a decrease of \$4.2 million, or 29 percent, below estimated current-year expenditures for OHV local assistance. Under the OHV program, grants may be provided for the planning, acquisition, development, operation and maintenance, and resource conservation of trails, facilities, or other areas used by off-highway motor vehicles. Table 7 provides a breakdown of the proposed OHV local assistance program by category of expenditure. Our analysis indicates that the amount proposed under Item 3790-101-263 is reasonable and we recommend approval.

Table 7
Department of Parks and Recreation
Item 3790-101-263
OHV Local Assistance Grants by Category
 (dollars in thousands)

<i>Category</i>	<i>Budget Bill Amount</i>	<i>Number of Grants</i>
Planning	\$221	8
Acquisition.....	2,260	4
Development.....	1,524	12
Operations/Maintenance.....	5,590	36
Resource Conservation.....	330	5
Total.....	<u>\$9,925</u>	<u>65</u>

DEPARTMENT OF PARKS AND RECREATION — CAPITAL OUTLAY AND LOCAL ASSISTANCE—Continued

Per Capita Grants. The budget includes \$11,510,000 for Per Capita Program grants under Item 3790-101-786(1). Under the California Wildlife, Coastal, and Parkland Conservation Fund (bonds), approved by the voters in 1988, the DPR received \$120 million for allocation on a per capita basis to cities, counties, and districts for local park and recreation projects. Of the total \$120 million, 40 percent is allocated to counties and regional park or open-space districts and 60 percent is allocated to cities and other districts. The DPR indicates that after expenditure of the proposed \$11.5 million, there will be no further funds available for this program. Our analysis indicates that the proposal is reasonable and we recommend approval.

Reappropriation. The budget requests reappropriation of five projects under Item 3790-491-140. These projects were originally funded under Item 3790-101-140 of the 1990 Budget Act. The department indicates that the proposed reappropriation of funds are necessary to continue to fund the administrative costs associated with these projects. We recommend approval.

Reversions. The budget requests reversions of the unencumbered balances for six projects funded from the Off-Highway Vehicle Fund under Item 3790-496-263. These projects were originally funded under Item 3790-101-263 of either the 1989 or 1990 Budget Act. The department indicates that three projects have been withdrawn by grant recipients: (1) Valyermo resource protection in the Angeles National Forest, (2) Trail Canyon road reconstruction in Death Valley National Forest, and (3) Bassets operation and maintenance, in Sierra County. The remaining projects have excess fund balances because they were downscoped by the grant recipients. The department estimates that the total amount of funds to be reverted is \$439,000. We recommend approval.

B. Projects for Which We Withhold Recommendation

Habitat Conservation Fund Grants Program

We withhold recommendation on \$3.5 million for habitat conservation grants under Item 3790-101-262, pending receipt of the department's plan for implementing the program.

The budget includes \$3.5 million under Item 3790-101-262 for grants to local agencies from the Habitat Conservation Fund. The funds are divided into two categories: (1) projects located in the Santa Lucia Mountain Range in Monterey County (\$1.5 million) and (2) matching grants to local agencies (\$2 million).

Background. Under Proposition 117, the California Wildlife Protection Act, approved by the voters in June 1990, the Department of Parks and Recreation (DPR) annually receives \$4.5 million for habitation conservation purposes. This amount consists of \$3.5 million for local assistance grants and \$1 million for state park acquisitions. Thus, the budget includes \$3.5 million in local assistance funds under this item and \$1 million under Item 3790-301-262 for acquisitions in, and adjacent to,

units of the state park system. According to the Act, the habitat conservation funds may be used for acquisition, restoration, or enhancement of deer, mountain lion, or rare, threatened or endangered species habitat. Funds may also be used for restoration of wetlands and riparian habitat.

Santa Lucia Program. Under Proposition 117, \$1.5 million must be used for projects in the Santa Lucia Mountain Range. These funds may be allocated for either state capital outlay or acquisition projects, or for grants to the Monterey Regional Park District to finance projects undertaken by the district.

Matching Grants Program. The remaining \$2 million under Proposition 117 is available to the DPR for 50 percent matching grants to local agencies. These grants can be used for any of the purposes listed above, or for projects that bring urban residents into parks and wildlife areas.

Department Lacks Plan. At the time this analysis was prepared, the DPR had not yet finalized a plan for implementing the habitat conservation grants program. The department indicates that it is in the process of establishing the criteria it will eventually use to evaluate and rank grant proposals and that it plans to award grants in the budget year. Because the department has not been able to provide either the criteria or a schedule for program implementation, there is no information available to allow the Legislature to assess whether proposed expenditures meet the Legislature's priorities. We therefore withhold recommendation on the \$3.5 million under Item 3790-101-262, pending receipt of information from the DPR concerning its criteria and schedule for implementing the grants program.

Grants From Federal Trust Fund

We withhold recommendation on \$5.3 million in Item 3790-101-890 for local assistance projects payable from the Federal Trust Fund, pending further information on the level of Federal funds available for the program.

The budget requests \$5,325,000 from the Federal Trust Fund for local assistance projects that are funded with Federal grants. Of this amount, \$5 million is for projects under the Federal Land and Water Conservation Act and \$325,000 is for projects under the National Historic Preservation Act. The Federal funds are apportioned to the states by the Federal Department of Interior.

Due to the difference in the Federal and state fiscal years, the amount of available Federal funds is not necessarily known at the time the state budget is prepared. In order to obtain this information in a timely manner, the Legislature, as part of the *Supplemental Report of the 1990 Budget Act*, adopted language requesting the DPR to report as soon as the information is available on: (1) the amount of funds apportioned by the federal government to the department for these grants, (2) the complete list of local projects submitted to the department for review, (3) the list of projects approved by the director, and (4) the final list of projects approved by the federal government.

DEPARTMENT OF PARKS AND RECREATION — CAPITAL OUTLAY AND LOCAL ASSISTANCE—Continued

At the time of this analysis, the DPR did not have information on the amount of available Federal funds. The DPR expects to have this information by the time of legislative hearings on the budget. Once the total amount of funding is known, the DPR's schedule for implementing the rest of the program should also be available. We, therefore, withhold recommendation on the requested \$5.3 million in Item 3790-101-890, pending receipt of information on the actual federal funding level for this program.

Legislature Needs Report on Local Assistance Projects

We recommend that the Legislature adopt Supplemental Report Language requiring the DPR to provide an annual report on the status of previously-funded local assistance projects.

Each year, the DPR provides grants to local park and recreation districts for local assistance projects. For example, in the 1990 Budget Act, about \$60 million was appropriated from eight different sources for projects ranging from a Mineral Exhibit Building in Mariposa to a swimming pool complex in the City of Bellflower. Funds are also available for statewide trail grants and per capita grants to local jurisdictions based on population.

Currently, although the Legislature appropriates large sums of money for local assistance projects, it is not kept informed on the progress in implementing the projects. In view of the large number of projects and the high level of funding, we believe the DPR should report annually to the Legislature on the status of these projects. At a minimum, the Legislature should be informed of (1) fund transfers by DPR to local jurisdictions, (2) the work that has been accomplished by local jurisdictions and (3) whether or not projects are being completed in a timely manner. Because the DPR already obtains this information as part of its ongoing administration of the program, this report should not pose an unnecessary burden. Thus, we recommend that the Legislature adopt the following Supplemental Report Language:

On or before October 1, 1991 and annually thereafter, the Department of Parks and Recreation shall report to the Legislature on the status of projects funded under the local assistance program. This report shall include the following information for each project not completed by June 30, 1990: (1) the status of the expenditure of funds by the DPR, (2) status of work completed on the project to date, and (3) estimated completion date of the 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.

**SANTA MONICA MOUNTAINS CONSERVANCY—
CAPITAL OUTLAY**

Item 3810-301 from the Habitat
Conservation Fund

Budget p. R 194

Requested 1991-92.....	\$10,000,000
Recommended approval.....	10,000,000
Recommended reduction.....	None

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

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1. Proposition 117 Funding. Recommend (a) approval of \$10 million requested in this item and (b) adoption of supplemental report language for purposes of project definition and legislative oversight. 1279

ANALYSIS AND RECOMMENDATIONS

Habitat Conservation Fund Projects

We recommend approval of \$10 million requested from the Habitat Conservation Fund for capital outlay and grants in 1991-92. We further recommend adoption of supplemental report language (1) listing the projects that may be funded from this item and (2) directing the conservancy to provide the Legislature 30 days notice before encumbering these funds.

The budget proposes an appropriation of \$10 million in Item 3810-301-262 from the Habitat Conservation Fund (HCF) to the conservancy for capital outlay and local assistance grants in 1991-92. This proposal is in accordance with the California Wildlife Protection Act of 1990 (Proposition 117), an initiative statute approved by the voters in June 1990.

Proposition 117, among other things, provides \$10 million annually for five years from the HCF to the conservancy for acquisition of wildlife habitat and related open-space projects in the Santa Monica Mountains and the Rim of the Valley Corridor (primarily the Santa Susana Mountains and the Simi Hills), beginning in 1990-91. (For additional discussion of Proposition 117 and the HCF, please see our analysis of the Wildlife Conservation Board's budget in Item 3640 which is in the front portion of this document.)

The 1991 Budget Bill does not schedule any specific projects. Instead, the \$10 million is a lump-sum appropriation. As a result, the Legislature would not have any effective control over expenditure of these funds. At its meeting of July 2, 1990, however, the conservancy's board adopted a workplan designating 52 projects to be funded from the total \$50 million available from the HCF. These potential projects fall into the following categories:

- Santa Monica Mountains (Highway 101 corridor): 16 projects totaling \$20 million.

**SANTA MONICA MOUNTAINS CONSERVANCY—
CAPITAL OUTLAY—Continued**

- Santa Susana Mountains: nine projects totaling \$24.3 million.
- Simi Hills: 20 projects totaling \$23 million.
- Bob Hope properties: six projects totaling \$19.5 million.

The total estimated amount approved for the projects by the conservancy board is \$86.6 million. Because this exceeds the total funds available from the HCF by \$36.6 million, the board directed the conservancy to carry out as many of the key projects as circumstances and available funds would permit.

Our review of these potential projects indicates that, although they are still in the preliminary planning stages, the projects generally are consistent with the conservancy's legislatively established program objectives. We also believe that the list of 52 projects, unlike the lump sum appropriation in the Budget Bill, does provide a basis for meaningful legislative control of the conservancy's plans for using the \$10 million proposed in the budget.

On this basis, we recommend approval of these funds requested in Item 3810-301-262. We further recommend adoption of supplemental report language that lists the projects in the conservancy's workplan for potential HCF funding and indicates the Legislature's intent that (1) the funds appropriated in this item are to be used for projects on this list and (2) the conservancy provide the chairs of the fiscal committees 30 days written notice prior to encumbering these funds for specific projects. This recommendation is consistent with the Legislature's adoption of similar supplemental report language for the conservancy's capital outlay program in past years.

Other Capital Outlay Funds Available in 1991-92

The budget does not reflect any carryover balances in the conservancy's capital outlay program in 1991-92. The conservancy estimates, however, that a related public agency, the Mountains Recreation and Conservation Authority (MRCA), will carry over to the budget year up to \$9.8 million in capital outlay balances from the current year. The MRCA, a joint powers authority made up of the conservancy and two local recreation and park districts in the Santa Monica Mountains area, performs basically the same property acquisition functions as the conservancy but is not subject to direct state budgetary control.

Most of these MRCA acquisition funds are from property sales to the National Park Service (NPS), and are restricted to future purchases of properties that are federal priorities for addition to the Santa Monica Mountains National Recreation Area. The MRCA may sell an additional property to the NPS in 1991-92, which would provide an estimated \$8.6 million in additional funds for acquisitions in the federal Santa Monica Mountains Zone.

Similarly, the conservancy also indicates that funds from the Santa Monica Mountains Conservancy Fund—its revolving fund—may be available for new acquisitions in the budget year if it sells some current conservancy property holdings.

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY

Item 3860-301 from the Special
Account for Capital Outlay

Budget p. R 197

Requested 1991-92.....	\$10,700,000
Recommended approval.....	9,300,000
Recommended reduction.....	1,400,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

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1. *Ongoing Construction on the Sacramento River Bank Protection Project. Reduce Item 3860-301-036 by \$1.4 Million.* Recommend reduction because the department (a) will not be ready to begin construction until 1992-93 at the earliest and (b) has not established a schedule for the environmental review of the project. 1282

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

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 Valley 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.

Five-Year Capital Outlay Plan. Table 1 summarizes the DWR's five-year capital outlay plan. The plan includes a total of \$231.7 million in construction expenditures over the five-year period. The thrust of the DWR's plan is to complete flood control protection work along (1) the American River watershed and vicinity (\$99 million) and (2) the Sacramento River (\$76.4 million). In addition, the department expects to begin funding of the Merced County streams project (\$18.5 million), which is a four-year project consisting of four reservoirs.

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY—Continued

Table 1

**Department of Water Resources
Five-Year Capital Outlay Plan
1991-92 through 1995-96
(in thousands)**

<i>Project</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>	<i>Total</i>
Sacramento River flood control						
Verona to Freeport.....	\$8,900	—	—	—	—	\$8,900
Other sections.....	5,000	\$19,500	\$20,000	\$17,000	\$6,000	67,500
American River watershed and vicinity flood protection.....	—	18,000	24,000	14,000	43,000	99,000
Merced County streams.....	—	2,300	6,600	7,900	1,700	18,500
Sacramento River bank protection....	1,800	1,000	1,500	1,500	1,500	7,300
Colusa Basin drain.....	—	2,000	2,000	—	—	4,000
Riparian vegetation purchase.....	500	500	500	500	500	2,500
Clear Lake channel.....	—	4,000	4,000	—	—	8,000
Other projects.....	1,850	4,150	2,000	2,000	6,000	16,000
Totals.....	\$18,050	\$51,450	\$60,600	\$42,900	\$58,700	\$231,700

Budget Request. The Governor's Budget requests capital outlay funds totaling \$10.7 million from the Special Account for Capital Outlay (SAFCO) to fund the Sacramento River bank protection project (\$1.8 million) and the Sacramento urban area levee reconstruction project (\$8.9 million). Due to other funding priorities, the budget does not propose to fund \$7.4 million in projects included in the five-year plan.

ANALYSIS AND RECOMMENDATIONS

Our review of the department's budget for 1991-92 indicates that the request for the Sacramento urban area levee reconstruction project is reasonable in scope and cost, and is consistent with state and federal funding requirements. The proposed request is to finish remedial repair work to levees on the east side of the Sacramento River from Verona to Freeport, in order to increase the protection of the metropolitan area of Sacramento from floods. The state and local sponsor are responsible for funding LERRs and cash to total 25 percent of project costs. The project is scheduled to be completed by November 1992. The COE estimates project costs to total \$43.6 million. This request is for the remaining estimated state costs of the project.

Sacramento River Bank Protection Project

We recommend deletion of \$1.4 million requested from the Special Account for Capital Outlay (SAFCO) for the planned construction work on the Sacramento River bank protection project during 1991-92, because the department (1) will not be ready to start work until 1992-93 at the earliest and (2) has not established a schedule for the necessary environmental review. (Reduce Item 3860-301-036(1) by \$1.4 million.)

The budget includes \$1.8 million from SAFCO to fund the state's share of construction costs (\$1.4 million) and operating expenses (\$400,000) on the Sacramento River bank protection project. This is an ongoing project to maintain the integrity of the levee system along the Sacramento River by preventing erosion of banks. Each year, several contracts are under-

taken to line a portion of the riverbank with rock, to mitigate the environmental impacts of the project, and, in some areas, to implement alternative bank protection measures.

Current-Year Activities. The 1990 Budget Act appropriated \$1.2 million from SAFCO for work on two project sites. However, current-year work has been delayed because of environmental concerns related to winter-run salmon and bank swallows. Currently, the DWR is working with the National Marine Fisheries Service and the Department of Fish and Game (DFG) to minimize impacts of the project on the habitat. According to staff, they expect the final environmental assessments to be completed by August and September 1991 and to begin construction during November and December 1991.

Planned Budget-Year Contracts. Due to the delays in current-year construction, work planned for 1991-92 has been delayed. According to department staff, there are two construction contracts planned for 1991-92. However, staff advise that they have not (1) selected construction sites for one of the two contracts, (2) initiated design work for either contract, and (3) scheduled the completion of the environmental assessments. The department anticipates putting the contracts to bid in early 1992-93 or as late as 1993-94. Furthermore, the current project schedule assumes that any environmental concerns will be resolved without delay. At the time we prepared this analysis, neither the DWR nor the DFG was able to provide any information on the environmental impacts of the project.

Conclusion. In our view, it is not yet necessary to provide the \$1.4 million proposed for construction, because the department will not be ready to proceed to bid and begin construction until 1992-93 at the earliest. Consequently, we recommend that the Legislature delay funding for the project until 1992-93, when the department will be ready to begin construction and have a better idea of any needed environmental mitigation.

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 capital outlay project approved under this item.

DEPARTMENT OF HEALTH SERVICES—CAPITAL OUTLAY

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

Budget p. HW 104

Requested 1991-92.....	\$3,298,000
Recommended approval.....	3,298,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

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- Los Angeles Laboratory. We recommend approval of \$2,773,000 for the construction phase of this renovation project, contingent upon receipt of completed preliminary plans. 1285

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

The Department of Health Services (DHS) owns and operates laboratory facilities at Berkeley, Los Angeles, Fairfield, and Fresno. The department's five-year capital outlay plan consists of three major projects: (1) construction of a Sacramento Public Health Center near DHS headquarters, (2) construction of a regional laboratory in Richmond, and (3) completion of renovations at the department's Los Angeles facility. As shown in Table 1, implementation of DHS's five-year plan would require expenditures of \$33,732,000.

**Table 1
Department of Health Services
Five-Year Capital Outlay Plan
1991-92 through 1995-96
(in thousands)**

<i>Projects</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>	<i>Totals</i>
Sacramento Public Health Center ...	\$8,300	\$2,900	—	—	—	\$11,200
Richmond Regional Laboratory.....	1,758	13,700	—	—	—	15,458
Los Angeles Laboratory.....	5,574	—	—	—	—	5,574
Minor Capital Outlay.....	300	300	\$300	\$300	\$300	1,500
Totals.....	\$15,932	\$16,900	\$300	\$300	\$300	\$33,732

The 1991-92 Governor's Budget requests \$2,773,000 for the construction phase of the Los Angeles renovation project, and \$525,000 for three minor (\$250,000 or less per project) capital outlay projects. No funds are included in the budget for the remaining major projects.

Statewide Facility Needs Plan

Chapter 1584, Statutes of 1990 (AB 3708, Campbell), requires that, by March 1, 1991, the Department of Health Services submit to the Legislature a programmatic and facilities needs plan to meet the projected requirements of the statewide health programs over a five-year period. In addition, this law authorizes General Services to enter into a lease-purchase agreement, and the Public Works Board to issue revenue

bonds (not to exceed \$54,500,000) to establish a DHS laboratory and office facility in Richmond. Thirty days prior to signing an agreement for acquisition of the Richmond facility, the department must report to the Legislature (1) the terms of the proposed agreement, (2) how the acquisition will meet the needs of DHS for laboratory facilities in the East Bay area, and (3) implementation plans for acquisition and renovation of the Richmond facility and renovation of the 2151 Berkeley Way facility, including project planning guides and cost estimates for both projects.

This study should result in a revised and improved five-year capital outlay plan for DHS. We plan to report to the Legislature upon receipt of the statewide facilities needs document.

ANALYSIS AND RECOMMENDATIONS

Minor Capital Outlay

We recommend approval of \$525,000 for three minor capital outlay projects.

The budget includes \$525,000 from SAFCO in Item 4260-301-036(1) for three minor capital outlay projects. These include \$250,000 for an addition to the central temperature alarm and monitoring system at the Berkeley facility, \$193,000 for minor renovations to the Emergency Response Laboratory at the Fairfield facility, and \$82,000 to remodel the East Parking Lot at the Los Angeles facility. Each of these projects appear to be reasonable in scope and cost.

Renovation of Los Angeles Laboratory

We recommend approval of \$2,773,000 in Item 4260-301-036(2), contingent on receipt of preliminary plans prior to budget hearings.

The budget includes \$2,773,000 for the construction phase of expansion of laboratory space and fire and life safety improvements at the DHS Los Angeles facility on Temple Street. This project will convert 10,000 square feet of office space into 26 laboratory stations and support space. In addition, the project will provide fire and life safety improvements to the existing laboratory space in order to correct code deficiencies. The funds requested in the budget are consistent with the amount previously approved by the Legislature. We recommend approval of this proposal, contingent on receipt of preliminary plans prior to budget hearings. If the plans are not available to the Legislature at that time, we recommend the Legislature not approve the requested funds.

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 this item.

**DEPARTMENT OF DEVELOPMENTAL SERVICES—
CAPITAL OUTLAY**

Item 4300-301 from the General
Fund, Special Account for
Capital Outlay

Budget p. HW 121

Requested 1991-92.....	\$19,419,000
Recommended approval.....	4,489,000
Recommendation pending.....	14,930,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

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1. Five-year plan. The Department of Developmental Services should improve the informational content of its five-year plan because the document lacks value as a planning tool. 1286
2. *Camarillo-Renovation of Living Units 20-23 and 26-29.* Withhold recommendation on \$14,930,000 from SAFCO in Item 4300-301-036(2) pending justification of \$4.3 million in increased costs. 1287
3. *Sonoma-Water Treatment System.* Recommend approval of \$2,649,000 for construction under Item 4300-301-036(3) contingent on receipt of preliminary plans. 1288

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 developmental centers: Agnews, Camarillo, Fairview, Lanterman, Porterville, Sonoma, and Stockton. At Camarillo State Hospital, the DDS provides administrative and facility support to the Department of Mental Health (DMH) which provides direct treatment to 650 patients with mental disabilities.

Major fire and life safety and environmental improvements were completed in the client living units at all seven developmental centers in July 1982, with the exception of the units at Camarillo that are operated by the DMH. The DMH units are in the final phases of renovation.

Five-Year Capital Outlay Plan

The Department of Developmental Services should improve the informational content of its five-year plan because the document lacks value as a planning tool.

The five-year capital outlay plan for the DDS consists of a combination of specifically proposed projects as well as several additional projects for which studies have either been recently completed or are currently underway. Together, these projects will address (1) remodeling the acute care hospital at Lanterman, (2) replacing infrastructure systems state-

wide, and (3) remodeling support facilities and kitchens statewide. The department has thus far identified specific projects totaling \$8.9 million over the next five years.

We find the DDS's current five-year plan to be deficient. Its value as a planning document is negligible. For example, the document mentions that prior renovation efforts did not encompass nonclient occupied building and utility systems. The plan, however, does not provide any insight into the DDS's assessment of either the need or potential costs to address these areas. Furthermore, for the few projects identified in the document, the DDS has put in priority sequence the three projects requested for 1991-92 and simply identifies projects in the last four years (1992-93 to 1995-96) of the plan in alphabetical order of the Developmental Centers. As a result the document does not inform the Legislature of the department's capital improvement needs, the relative priority of these needs or the extent to which the DDS's capital outlay program will require future funding.

Current Budget Request.

The 1991-92 budget requests \$19,419,000 from the SAFCO for the construction phase of renovating the Camarillo State Hospital DMH-operated living units (\$14,930,000), the construction phase of enlarging the water treatment capacity at Sonoma Developmental Center (\$2,649,000), and 11 minor capital outlay projects (\$1,840,000).

The budget proposal does not include funds for two major capital outlay projects included in the department's five-year plan (totaling \$1,049,000), nor does it fully fund the DDS's minor capital outlay program which consisted of a total of 42 projects (\$6,028,000).

ANALYSIS AND RECOMMENDATIONS

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

We withhold recommendation of \$14,930,000 in Item 4300-301-036(2) from the SAFCO for the construction phase of fire and life safety, and environmental improvements to the DMH-operated living units at Camarillo pending justification of a \$4,256,000 increase in project costs.

The budget requests \$14,930,000 from the SAFCO for renovation of approximately 107,228 gross square feet in eight living units located in four buildings at Camarillo State Hospital. The purpose of this project is to correct code and environmental deficiencies. These units are administered by the DDS and operated by the DMH under an interagency agreement.

In the 1988 Budget Act, the Legislature appropriated \$935,000 for preliminary plans and working drawings for this project. At that time the Legislature also adopted language in the *Supplemental Report of the 1988 Budget Act* specifying the scope and cost of the project. The current estimated total project cost is \$15.9 million which is \$4.3 million or 37 percent higher than the amount authorized by the Legislature in the 1988 Budget Act. According to the department, the major factors contributing to this increase are asbestos abatement costs and inflation. A

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

cost comparison of the previous submittal and the current estimate prepared by the OPDM reveals significant cost increases in the following categories: (1) site (\$614,000), (2) general (\$275,000), (3) plumbing (\$275,000), (4) electrical (\$839,000), and (5) special consultants (\$124,000).

The information submitted by the department shows the increased costs without any explanation of why there are these significant differences in each category. Consequently, we have no basis to evaluate the merit of these various increases. We therefore withhold recommendation on the request for \$14,930,000 for this project pending a justification from the department for the cost increases.

Sonoma Water Treatment System

We recommend approval of \$2,649,000 from the SAFCO in Item 4300-301-036(3) for expansion of the water treatment system at Sonoma contingent on receipt of preliminary plans prior to budget hearings.

The budget requests \$2,649,000 from the SAFCO in Item 4300-301-036(3) for the construction phases of expanding the water treatment, storage, and distribution system at Sonoma State Developmental Center. The Legislature approved \$263,000 for preliminary plans (\$121,000) and working drawings (\$142,000) in the 1990 Budget Act. The current request is consistent with the amounts authorized by the Legislature for the construction phase of this project. We therefore recommend that the Legislature approve \$2,649,000 for this project contingent on completion of preliminary plans prior to budget hearings. If the plans are not available to the Legislature at that time, we recommend that the Legislature not approve these funds.

Minor Capital Outlay

We recommend approval.

The budget requests \$1,840,000 from the SAFCO in Item 4300-301-036(1) for eight minor capital outlay projects (\$250,000 or less per project). These range from \$65,000 to provide privacy curtains to 36 beds of Unit 77 at Camarillo State Hospital to \$250,000 to construct a modular expansion to Day Training and Activities Center space at Agnews Developmental Center. Our analysis indicates that each of the proposed projects is reasonable in scope and cost. We therefore recommend approval of \$1,840,000 as budgeted.

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 this item.

DEPARTMENT OF MENTAL HEALTH—CAPITAL OUTLAY

Item 4440-301 from the General
Fund, Special Account for
Capital Outlay

Budget p. HW 137

Requested 1991-92.....	\$814,000
Recommended approval	814,000

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

The Department of Mental Health (DMH) is assigned the responsibility of providing care and treatment to about 3,856 mentally disadvantaged 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 620 patients at Camarillo State Hospital and contracts with the Department of Developmental Services (DDS) for administrative support services. The DMH also has an interagency agreement with the Department of Corrections to provide psychiatric services to correctional inmates at the California Medical Facility at Vacaville.

Five-Year Capital Outlay Plan. The DMH is currently in the eighth year of its system-wide program to make fire and life safety and environmental improvements to patient living units at the five hospitals that provide care for the mentally disabled. This program has consisted of numerous projects which enabled all of the hospitals to meet the facilities standards required for full accreditation in October 1987. In order to maintain accreditation, however, the department must provide for the timely completion of the renovation program.

The department's 1991-92 capital outlay program proposes to spend \$101,273,000 over the next five years primarily on (1) main kitchen and dining room remodeling, (2) continued fire, life-safety, and environmental improvements (FLSEI), (3) new building construction, and (4) remodeling of existing buildings. Table 1 summarizes the DMH's current five-year plan.

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

<i>Projects Category</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>	<i>Totals</i>
Kitchens and dining rooms	\$1,297	\$42,866	—	—	—	\$44,163
Fire, life-safety, and environmental improvements.....	11,622	—	—	—	—	11,622
Construct new buildings	8,087	48	\$1,510	\$3,402	—	13,047
Remodel existing buildings	407	13,821	—	802	\$12,802	27,832
Other major projects.....	523	1,159	432	—	1,012	3,126
Minor Capital Outlay.....	\$1,483	—	—	—	—	1,483
Totals.....	\$23,419	\$57,894	\$1,942	\$4,204	\$13,814	\$101,273

DEPARTMENT OF MENTAL HEALTH—CAPITAL OUTLAY—Continued

Budget Proposal. The budget does not include any funding for DMH major capital outlay projects in 1991-92. Rather, it requests \$814,000 from SAFCO in Item 4440-301-036(1) for seven minor capital outlay projects, compared to the \$1.5 million for 13 minor projects proposed in the five-year plan. The only major capital outlay project relating to FLSEI, the construction phase of Patton's Building 70, was not included in the budget due to a slippage in the project schedule resulting from delays in earlier phases of FLSEI renovations at Patton. This project will be included for funding in the DMH's 1992-93 budget proposal. None of the other projects proposed by the DMH for funding in the budget year were required to meet accreditation standards. It should be noted that a major capital outlay request for \$14.9 million for the construction phase of FLSEI for DMH-occupied space at Camarillo State Hospital is included in the 1991-92 budget request for the DDS (please see Item 4300-301-036 in this *Analysis*).

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The 1991-92 budget requests \$814,000 for seven minor capital outlay projects. The projects approved in the Governor's Budget are as follows:

- Upgrade Central Medical Services Facility-Atascadero (\$212,000).
- Install Sewage Grinders-Napa (\$168,000).
- Install Showers-Napa (\$48,000).
- Improve Hospital Highway Access-Atascadero (\$170,000).
- Install North Yard Trash Bin Apron-Metropolitan (\$75,000).
- Provide Climate Control for Gym Facility-Atascadero (\$116,000).
- Improve Pedestrian Safety-Atascadero (\$25,000).

The above projects have been reviewed for reasonableness in scope and cost, and based on our analysis, we recommend approval as budgeted.

**EMPLOYMENT DEVELOPMENT DEPARTMENT—
CAPITAL OUTLAY**

Item 5100-301 from various
funds

Budget p. HW 156

Requested 1991-92.....	\$4,528,000
Recommended approval.....	4,400,000
Recommendation pending.....	128,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

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|--|--------------------------|
| <p>1. <i>Source of Funding. Delete \$893,000 from Item 5100-301-185, delete \$1,771,000 from Item 5100-301-508, reduce Item 5100-301-870 by \$2,664,000, and add Item 5100-301-690 in the amount of \$2,664,000.</i> Recommend that the Legislature appropriate funds for the state's share of projects in this item from the EDD Building Fund rather than the EDD Contingent Fund and the Unemployment Compensation Disability Fund.</p> | 1293 |
| <p>2. Remodel Field Offices. Recommend approval of \$4,180,000 to remodel five field offices contingent on receipt of preliminary plans prior to budget hearings.</p> | 1293 |
| <p>3. Project Planning. Withhold recommendation on \$128,000 in Item 5100-301-870(1) for project planning associated with four lease-purchase proposals pending receipt of detailed cost estimates of services to be provided.</p> | 1294 |
| <p>4. Post-Audit Report. Recommend that the Legislature adopt supplemental report language directing the department to provide an annual post-audit report on the status of funds appropriated for minor capital outlay projects.</p> | 1294 |

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

The Employment Development Department (EDD) 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 through the department's 125 field offices across the state and headquarters complex in Sacramento.

Five-Year Capital Outlay Plan. The primary focus of the EDD's five-year capital outlay plan is the rehabilitation of 10 field offices and the purchase of nine replacement offices. As Table 1 indicates, the department plans to spend a total of \$33.2 million in state and federal funds over the next five years for office rehabilitation (\$7.8 million), acquisitions (\$24.4 million), and minor capital outlay projects (\$1.0 million).

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

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

<i>Projects Category</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>	<i>Totals</i>
Major Capital Outlay						
Office rehabilitation.....	\$4,180	\$1,477	\$238	\$1,745	\$111	\$7,751
Purchase of new offices.....	128	14,887	9,396	—	—	24,411
Minor Capital Outlay.....	220	200	200	200	200	1,020
Totals.....	\$4,528	\$16,564	\$9,834	\$1,945	\$311	\$33,182

Current Budget Request. The Governor's Budget requests \$4,528,000 for the 1991-92 portion of the EDD's capital outlay five-year plan. These funds will provide for the construction phase of rehabilitating three field offices (\$3,997,000), the planning and working drawing phases of two additional rehabilitation projects (\$183,000), overhead costs for the lease and purchase of four new buildings (\$128,000), as well as two minor capital outlay projects (\$220,000).

The Budget Bill appropriates monies from three separate funds for transfer to the Unemployment Administration Fund-Federal. These include \$893,000 from the EDD Contingent Fund (Item 5100-301-185), \$1,771,000 from the Unemployment Compensation Disability Fund (Item 5100-301-588) and \$1,135,000 from the Federal Trust Fund (Item 5100-301-890). In addition, the Budget Bill includes provisional language authorizing the department to expend \$729,000 from the Architectural Revolving Fund (ARF). This amount represents unexpended balances of funds previously appropriated to the EDD for minor capital outlay projects in the Budget Acts of 1985, 1986, and 1987. Table 2 shows the funding and transfers of these monies as proposed in the budget.

Table 2
Employment Development Department
1991-92 Capital Outlay Program
(in thousands)

<i>Project</i>	<i>Phase^a</i>	<i>Source of Fund Transfers</i>			<i>Subtotal</i>		<i>Totals</i>
		<i>Federal Trust</i>	<i>EDD Contingent</i>	<i>Unemp. Comp. Disability</i>	<i>Unemp. Admin. Fed.</i>	<i>ARF^b</i>	
Hollywood.....	c	\$(96)	\$(370)	\$(494)	\$960	\$546	\$1,506
Santa Barbara.....	c	(425)	(181)	(458)	1,064	—	1,064
Stockton.....	c	(614)	(214)	(599)	1,427	—	1,427
El Centro.....	pw	—	—	—	—	103	103
Fullerton.....	pw	—	—	—	—	80	80
Project planning (Riverside, In- dio, Bakersfield, Redding)....	admin	—	(128)	—	128	—	128
Minor Capital Outlay.....	pw	—	—	(220)	220	—	220
Totals.....		\$(1,135)	\$(893)	\$(1,771)	\$3,799	\$729	\$4,528

^a Phase symbols indicate: admin = project overhead, c = construction, p = preliminary plans, w = working drawings.

^b Architectural Revolving Fund.

ANALYSIS AND RECOMMENDATIONS**Source of Funding**

We recommend that the state's share of the department's 1991-92 capital outlay appropriation be funded from the EDD Building Fund rather than from the EDD Contingent and Unemployment Compensation Disability funds. We recommend that the Legislature delete \$893,000 from Item 5100-301-185 and \$1,771,000 from Item 5100-301-508, reduce Item 5100-301-870 by \$2,664,000, and add Item 5100-301-690 in the amount of \$2,664,000 for support of the EDD's 1991-92 capital outlay program.

The department's 1991-92 capital outlay appropriation includes transfers of \$2,664,000 from the EDD Contingent Fund (\$893,000) and the Unemployment Compensation Disability Fund (\$1,771,000) to the Unemployment Administration Fund-Federal to finance office renovations and project planning. These funds represent the state's portion of the department's 1991-92 funding for capital outlay.

Chapter 1036, Statutes of 1989 (AB 706, Lancaster), establishes the EDD Building Fund and provides that this fund shall be used for the acquisition, construction, or renovation of department facilities. The Governor's 1991-92 Budget (p. HW 153) reflects a reserve of \$8,495,000 in this fund in the budget year. We recommend that the Legislature appropriate monies from this fund for the department's 1991-92 capital outlay program, and delete the Budget Bill appropriations in Item 5100-301-185 and Item 5100-301-588, and reduce the appropriation in Item 5100-301-870. This will allow for Building Fund monies to be used for the only purpose for which they can be used, and allow for monies from the EDD Contingent Fund and the Unemployment Compensation Disability Fund to be freed up for programmatic needs. The \$893,000 in the EDD Contingent Fund could be used to offset General Fund expenditures in the EDD support budget.

Projects Recommended for Approval

We recommend approval of \$4,180,000 to remodel five field offices, contingent on receipt of preliminary plans prior to budget hearings.

Office Renovations. The budget requests \$4,180,000 for the planning and design (\$183,000) and construction (\$3,997,000) phases of remodeling five field offices. These projects consist of asbestos abatement and renovation to improve safety and efficiency at offices in Hollywood (\$1,506,000), Santa Barbara (\$1,064,000), Stockton (\$1,427,000), El Centro (\$103,000), and Fullerton (\$80,000).

The request for the Hollywood, Santa Barbara, and Stockton offices is for construction funds. The amount requested and the project scope is consistent with prior legislative approvals. At the time the analysis of this item was prepared, however, the EDD had not provided the Legislature with the completed preliminary plans for these projects. We recommend approval of these projects contingent on receipt of preliminary plans prior to budget hearings. If the preliminary plans are not available to the

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

Legislature at that time, we recommend that the Legislature not approve the projects.

The request for the El Centro and Fullerton projects is for funds to develop preliminary plans and working drawings to improve the offices in a manner similar to the three other offices under this item. The scope and cost of the projects at El Centro and Fullerton appear reasonable and we recommend approval.

As discussed above, we recommend that the Legislature appropriate monies from the EDD Building Fund for the five projects.

Minor Projects. The budget requests \$220,000 for two minor capital outlay projects consisting of space alterations at field offices in San Bernardino (\$145,000) and Santa Ana (\$75,000). Both of these projects appear reasonable in scope and cost.

Project Planning

We withhold recommendation on \$128,000 in Item 5100-301-870(1) for project planning associated with four lease-purchase proposals pending receipt of detailed cost estimates of services to be provided.

The budget requests \$128,000 to fund planning costs of build-to-suit lease-purchase projects to replace field offices in Riverside, Indio, Bakersfield, and Redding. Each of these four projects is in the planning phase, for which the Office of Real Estate and Design Services (OREDS) would charge a project administration fee of \$32,000 per project.

To provide these and other services, the OREDS has requested \$170,000 in the 1991-92 budget (see Item 1760-001-666 in this *Analysis*) to convert 3.0 limited-term positions to permanent status for dedicated support of EDD projects. The amount charged for the above four projects appears excessive given that the \$128,000 charged to these projects would represent over 75 percent of the annual cost of the three positions dedicated to the support of the EDD. Thus, we withhold recommendation on this request pending a detailed cost estimate of the services to be performed by the OREDS.

Post-Audit Report on Use of Minor Capital Outlay Funds

We recommend that the Legislature adopt supplemental report language directing the department to provide a post-audit report on the status of funds appropriated for minor capital outlay projects, to be submitted on or before October 1, 1991, and each year thereafter.

The 1991-92 budget request for the EDD's capital outlay program includes \$729,000 from the Architectural Revolving Fund representing unexpended balances of funds that were previously authorized for use in various minor capital outlay projects from 1985 through 1987. The fact that the budget authorizes the department to spend prior years' savings for projects in the budget year indicates that the EDD has neglected to revert unexpended balances and in some cases has not undertaken approved minor capital outlay projects. To keep the Legislature informed

on the status of the EDD's approved minor capital outlay program, the department should submit to the Legislature a post-audit report on or before October 1, 1991 (and each year thereafter) on the status of funds approved for minor capital outlay projects. Thus, we recommend that the Legislature adopt the following supplemental report language:

On or before October 1, 1991 and continuing each year thereafter, the Employment Development Department shall report to the Legislature on the status of projects approved under the minor capital outlay program. This report shall include, for each project funded in the previous fiscal year, (1) the status of the work completed to date, (2) the amount of funds expended by the EDD to date, (3) an estimate of additional expenditures required to complete the project, and (4) the estimated completion date of the project.

Supplemental Report Language

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

DEPARTMENT OF CORRECTIONS — CAPITAL OUTLAY

Item 5240-301 from the 1990
Prison Construction Fund

Budget p. YAC 27

Requested 1991-92.....	\$14,790,000
Recommended approval.....	9,458,000
Recommended reduction.....	1,513,000
Recommendation pending.....	3,819,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

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| <p>1. Department Cannot Complete Two Prisons. Due to voter disapproval of the November 1990 Bond Act, funding is not available to complete construction of prisons in Susanville and Madera.</p> <p>2. New Prison Capital Outlay Needs. The Governor's Budget does not include any proposals for new prisons, even though the Department of Corrections will require over \$4 billion in capital outlay funds over the next five years.</p> <p>3. Five-Year Facilities Master Plan. The Department of Corrections should submit its 1991-1996 Facilities Master Plan to the Legislature, and should advise the Legislature how it plans to comply with the stipulated December 1 deadline in the future.</p> <p>4. Minor Capital Outlay. Recommend the adoption of supplemental report language requiring the Department of Cor-</p> | <p>1299</p> <p>1299</p> <p>1300</p> <p>1302</p> |
|--|---|

DEPARTMENT OF CORRECTIONS — CAPITAL OUTLAY—Continued

- rections to annually submit to the Legislature a post-audit report on the minor capital outlay program.
5. Preliminary Plans Not Available. Recommend approval of funds for three projects totaling \$4,946,000, contingent on receipt of completed preliminary plans prior to budget hearings. 1303
 6. *Upgrade Primary and Secondary Electrical System, California Institute For Men (Chino). Reduce Item 5240-301-751 (7) by \$537,000 (future savings — \$6.1 million).* Recommend deletion because department has not demonstrated what, if any, problems currently exist with the CIM's electrical system. 1304
 7. *Sewer Rehabilitation, San Quentin. Reduce Item 5240-301-751 (10) by \$209,000.* Recommend reduction of amount requested for working drawings because project schedule does not include time required to obtain necessary permits. 1305
 8. *Water Quality Study, California Rehabilitation Center (Norco). Reduce Item 5240-301-751 (16) by \$85,000.* Recommend deletion of study funds because institution does not have a problem with its current water sources. 1306
 9. Upgrade Wastewater Treatment Plant, Sierra Conservation Center (Jamestown). Withhold recommendation on \$241,000 under Item 5240-301-751 (17). Withhold recommendation pending explanation of why a recently completed project to upgrade this system did not provide sufficient capacity. 1307
 10. Brine Contamination Clean-Up, California Institute For Women (Frontera). Withhold recommendation on \$75,000 under Item 5240-301-751 (12). Withhold recommendation on funds requested for clean-up of brine contamination because department has not justified that the scope of the proposed project is necessary. 1308
 11. *Main Kitchen Renovation, Deuel Vocational Institution, Tracy. Reduce Item 5240-301-751 (6) by \$46,000.* Recommend deletion of study funds because department has not demonstrated that any problem currently exists with the DVI's kitchen. 1309
 12. Replace 500-bed Modular Units, San Quentin. Withhold recommendation on \$3,503,000 under Item 5240-301-751 (9). Withhold recommendation because scope and cost of budget proposal has not yet been finalized, and because Legislature needs information on plan to phase construction over three years. 1309
 13. *Construct Chapel, California Institute for Women (Frontera). Reduce Item 5240-301-751 (12) by \$636,000.* Recommend deletion of capital outlay project because department has already obtained a modular chapel at the CIW. 1310

MAJOR ISSUES

- The Department of Corrections will need to construct an additional 56,000 beds by 1996, at a cost of over \$4 billion, to meet the CDC's planned overcrowding level. There are currently no bond funds available to fund this program, and the Governor's Budget does not include any proposal to address this problem.
- The CDC has failed to provide its 1991-1996 Facilities Master Plan as required by the Legislature.
- Due to voter disapproval of the November 1990 Bond Act, two authorized prisons, Susanville and Madera, cannot be completed.

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

Status of the New Prison Construction Program

The California Department of Corrections (CDC) remains in the midst of the largest prison construction program ever undertaken in the United States. In response to an unprecedented increase in inmate population, the Legislature has appropriated, since 1980, approximately \$3.8 billion to construct about 48,000 new beds. When construction of these beds is completed, California will have an institutional capacity of approximately 74,000 prison and conservation camp beds. Despite this effort, however, the CDC's latest (fall 1990) population projections indicate that, without additional construction beyond that already funded, institutions will be overcrowded by almost 220 per cent by 1996. With voter disapproval of the November 1990 Prison Construction Bond Act, the department does not have enough bond funds available to construct any new prisons to meet this future need.

Background. In mid-1980, California's inmate population was approximately 23,500, which was roughly equal to the system's design capacity. Between that time and January 1, 1991, the institutional population nearly quadrupled, growing from 23,500 to 93,470. Looking ahead, the CDC estimates an inmate population of 173,000 by mid-1996.

In response to this dramatic increase in inmate population, the Department of Corrections has undertaken the largest prison construction program in the history of the United States. To date, construction has

DEPARTMENT OF CORRECTIONS — CAPITAL OUTLAY—Continued

been completed on 26,600 beds, another 9,300 are currently under construction, and 11,900 are in some stage of design. Funding is currently available to complete construction of all of these beds. The Legislature also has authorized construction of an additional two prisons, in Madera and Susanville, with a total design capacity of 4,200 beds. There are currently not enough bond funds available to complete construction of these two prisons.

Future Costs. Despite this unprecedented prison construction program, the CDC is still not keeping pace with projected population increases. When all of the prisons currently funded are completed, the CDC will have a capacity of about 74,000 beds. The CDC estimates that it also will have 10,000 community-based beds available by 1996. To achieve this capacity in community-based beds will require a more concentrated and successful effort on the part of the CDC than has been experienced in the past. (For further discussion on community corrections, please see our companion document *The 1991-92 Budget: Perspectives and Issues*.) However, assuming availability of these community-based beds, and without construction of any additional beds, institutions will be overcrowded by 220 percent by 1996.

Currently, the CDC has a policy of planning to overcrowd its institutions at somewhere between 20 percent and 30 percent, depending on the function of the institution. Assuming an average overcrowding ratio of 125 percent, by 1996 the CDC will need to construct an additional 56,000 beds beyond those already funded. Based on the department's information, the costs for constructing these beds would be over \$4 billion.

No Bond Funds Available to Fund New Prisons. Despite the identified need for new prison construction, there are currently not enough bond funds available to undertake construction of additional prisons. In fact, as mentioned above, there are not enough funds available to complete the prisons at Susanville and Madera that the Legislature authorized in 1990. The availability of financing will depend on (1) the voters' willingness in the future to approve additional general-obligation bond issues for new prison construction, (2) the Legislature's willingness to approve the use of non-voter-approved debt (lease-payment bonds), and (3) the availability of other fund sources, such as SAFCO or direct appropriations. To date, the majority of new prison construction has been financed by general-obligation bonds, while lease-payment bonds have been used to fund about 45 percent of the program. Additional sources, such as SAFCO or direct appropriations, have been used to only a minor extent.

Conclusion. In summary, the Legislature will need to determine how it plans to proceed with new prison construction in the budget year. Some of the questions that will need to be addressed include:

- To what extent is the Legislature willing to enact policy changes to limit the growth in the prison population? Available policy options

include such changes as increased use of community correction beds, changes in sentencing laws, or use of early release programs.

- Does the Legislature accept the CDC's plan to construct enough beds to achieve system-wide overcrowding of about 125 percent? Increasing or decreasing the level of planned overcrowding could affect significantly the cost of the future prison construction program.
- What methods of financing will be used for new prison construction? What alternatives will be considered should the voters reject issuance of any more general-obligation bonds? Available options include further use of lease-payment bonds, SAFCO, or direct appropriations. (For a further discussion of the options available for financing the state's future infrastructure needs, please see our companion document *The 1991-92 Budget: Perspectives and Issues* (Part Four "State Infrastructure").

New Prisons In Susanville and Madera Lack Funding

The department does not have funds available to construct authorized prisons in Susanville and Madera.

In the current year, the Legislature appropriated \$1.3 billion in Ch 981/90 (SB 549, Presley) for design and construction of six new prisons and 1,000 conservation camp beds. Funding for two of the new prisons, Madera and Susanville, was divided between the 1990 Prison Construction Fund (\$90 million) and the November 1990 Prison Construction Bond Act (\$281 million). With voter disapproval of the November 1990 Prison Construction Bond Act, the CDC is left without enough funds to complete these two prisons.

Due to this lack of available funding, the CDC proposes to only proceed through the design phase of the two prisons. The estimated design costs for the two institutions is \$15 million. The balance of the available funds (\$75 million) will be used to fund the department's 1991-92 and 1992-93 programs for major/minor capital outlay at existing facilities, special repairs and support of the CDC's Planning and Construction Division. As a result, the Legislature will need to appropriate an additional \$356 million to construct these two prisons.

No Proposal For New Prisons

The Governor's Budget does not include any proposals for new prisons, even though the department's information indicates that an additional 56,000 new beds will be needed by 1996 to meet the CDC's planned overcrowding level. The cost of this construction will be over \$4 billion.

Budget Request is Incomplete. The CDC's capital outlay program is organized into two distinct efforts: (1) a program for the renovation of existing facilities and (2) a multibillion-dollar program to construct new prisons. The budget request for 1991-92 — \$14.8 million — addresses only the smaller part of CDC's capital outlay needs — renovations. This entire request is from the 1990 Prison Construction Fund, general-obligation bonds approved by the voters in June 1990.

DEPARTMENT OF CORRECTIONS — CAPITAL OUTLAY—Continued

The budget does not request funds for the new prison construction program, even though an estimated 56,000 beds beyond those already funded will need to be constructed by 1996 to meet the CDC's planned overcrowding level. This continues a trend of requesting funds for new prison projects in a piece-meal fashion in legislation other than the annual Budget Bill. As we have pointed out previously, 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 the CDC's capital outlay program, as well as its relationship to the department's annual support needs, the CDC should provide the fiscal committees with a comprehensive plan identifying capital outlay funding plans for new prisons in 1991-92.

This information is particularly important, given the November defeat of the proposed bond measure and the growth in the CDC's capital outlay and support costs over the past decade. Since 1980, the Legislature has approved the construction of 52,000 new prison beds, at a cost of almost \$4 billion. We estimate that the CDC will be spending more than \$4.7 billion annually by 1996 (in 1996 dollars) to operate the prison system at this higher capacity.

The Department's Five-Year Capital Outlay Plans

The Department of Corrections should submit its 1991-1996 Facilities Master Plan for new prisons to the Legislature, and should advise the Legislature how it will comply with the December 1 reporting deadline in the future.

New Prisons. The department prepares its five-year capital outlay plans for new prisons and existing facilities as separate documents. The department estimates that it will need at least \$4 billion during the next five years to build new prisons if it is to meet its guidelines for prison overcrowding (120 percent to 130 percent of design capacity).

In the *Supplemental Report of the 1989 Budget Act*, the Legislature included language requiring the CDC to transmit its five-year plan to the Legislature by December 1 of each year. Last year, the CDC did not submit its five-year plan until March 1990. This year, the CDC did not meet the December 1 deadline and, at the time this *Analysis* was prepared, the 1991-1996 Facilities Master Plan had not yet been submitted. The Legislature needs this information on a timely basis in order to have sufficient time to assess the CDC's proposals for the new prison construction program. Therefore, the department should submit the Facilities Master Plan to the Legislature well in advance of this year's budget hearings and, at the same time, advise the Legislature what steps it will take to ensure compliance with the required annual reporting deadline of December 1.

Existing Prisons. The department's five-year plan for existing facilities identifies projects totaling \$174.7 million over the next five years, including \$24.7 million in 1991-92. Except for the deferral of five projects,

the budget addresses this identified need. In several cases, however, projects are being funded over a longer time period than the department originally requested.

ANALYSIS AND RECOMMENDATIONS

The budget requests \$14,790,000 from the 1990 Prison Construction Fund in Item 5240-301-751 for 15 major capital outlay projects, 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 three descriptive categories. For each category, Table 1 shows the amount requested in the Budget Bill, the department's estimated future costs, and our recommendation.

Table 1
Department of Corrections
1991-92 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^a</i>
Utility System Improvements.....	9	\$6,375	\$5,303	\$10,200
Brine Contamination Clean-Up.....	2	160	85	—
Other major projects.....	4	4,555	370	12,200
Minor construction projects.....	—	3,500	3,500	—
Planning and studies.....	—	200	200	—
Totals.....	15	\$14,790	\$9,458	\$22,400

^a Department estimates.

Projects For Which We Recommend Approval As Budgeted

We recommend approval of six projects in Item 5240-301-751 totaling \$4,363,000. A brief description of these projects follows.

Upgrade Primary and Secondary Electrical System, California Correctional Center (CCC), Susanville. The budget proposes \$108,000 under Item 5240-301-751 (2) for an assessment of the primary-secondary electrical distribution system at CCC. The assessment will provide information to determine the need for upgrading the system in the future.

Brine Contamination Study, California Correctional Institution (CCI), Tehachapi. The budget includes \$85,000 in Item 5240-301-751 (3) to develop a closure plan for a brine contaminated site at the CCI. A recent consultant study indicated that groundwater has been affected due to periodic overflows of the CCI's existing brine ponds. Because the Regional Water Quality Control Board (RWQCB) is likely to require that a closure plan be developed, the request for study funds appears reasonable.

Upgrade Primary and Secondary Electrical System, California Correctional Institution (CCI), Tehachapi. The budget includes \$100,000 under Item 5240-301-751 (4) for an assessment of the primary-secondary electrical distribution system at the CCI. The study will provide information to determine the need for upgrading the system in the future.

DEPARTMENT OF CORRECTIONS — CAPITAL OUTLAY—Continued

Construct Vehicle Sallyport, Deuel Vocational Institute (DVI), Tracy. The budget includes \$370,000 under Item 5240-301-751(5) for preliminary plans, working drawings, and construction of a vehicle sallyport at the DVI. The institution requires a second sallyport to accommodate the increased number of inmates who must be transported and processed each day because of the mission change designating a portion of the DVI as a reception center. Because the transporting and processing of inmates takes precedence over commercial vehicles, delays of up to two hours for commercial vehicles have been experienced at the DVI. Our analysis indicates that the need for the sallyport is justified, and we recommend approval. Our recommendation is based on the mission change at the DVI being a permanent change. Should the CDC's latest five-year plan indicate a change in the DVI's reception center mission, we would recommend that the Legislature not approve the project.

Budget Packages/Advance Planning. The budget proposes \$200,000 under Item 5240-301-751(1) for budget packages/advance planning of projects included in the department's five-year capital outlay plan for existing 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 better by improved budget packages and advance planning on existing facility projects, and the proposed amount should accomplish this objective.

Minor Capital Outlay Projects

We recommend that the Legislature adopt supplemental report language requiring the Department of Corrections to provide a post-audit report to the Legislature on the minor capital outlay program.

The budget includes \$3,500,000 for 25 minor capital outlay projects (\$250,000 or less per project) in Item 5240-301-751(14). These projects range in cost from \$40,000, for improved housing unit ventilation at the Northern California Women's Facility, to \$250,000, for several projects to implement Proposition 139, the Joint Venture Inmate Work Program, which the voters approved in November 1990. Although we recommend approval of the proposed funding level for the minor capital outlay, we believe the Legislature should receive information regarding the annual implementation of this program.

Legislature Needs Post-Audit Report. Each year, the Legislature appropriates funds to the CDC for minor capital outlay projects. The Legislature does not include the specific projects in the Budget Bill. Instead, a lump-sum appropriation is provided, based on project information developed by the CDC. In spending the approved funds, the CDC can modify any project or substitute projects, as long as each complete project does not exceed \$250,000 and the CDC obtains approval from the Department of Finance.

The CDC, however, does not report to the Legislature on the status of projects undertaken through the minor capital outlay program. In order

to keep the Legislature informed as to the expenditure of the funds, the CDC should provide the Legislature information on (1) the funded projects and whether or not another project has been substituted for a funded project, (2) the total cost of each project, (3) the status of work completed on each project, and (4) estimated completion dates. This information is similar to information provided to the Legislature on other multimillion dollar minor capital outlay programs (such as the University of California and California State University). These other reports have facilitated Legislative oversight, while providing lump-sum appropriations has given the departments the flexibility to respond to changing needs that can be addressed through the minor capital outlay program.

In order to obtain the necessary information, we recommend that the Legislature adopt the following supplemental language:

On or before October 1, 1991 and continuing each year thereafter until October 1994, the Department of Corrections shall provide a status report to the Legislature on the minor capital outlay program. The report shall include (1) a list of projects funded in the previous fiscal year, (2) the estimated cost of those projects, (3) the status of all unfinished projects, and (4) estimated completion dates of all unfinished projects. The report shall also indicate whether the work is being undertaken by Inmate Day Labor, direct construction, or the Department of General Services.

Projects For Which We Recommend Contingent Approval

We recommend approval of three projects totaling \$4,946,000, contingent on receipt of completed preliminary plans prior to budget hearings.

Our analysis indicates that the amounts requested for the three projects noted below are consistent with prior cost estimates approved by the Legislature, adjusted for inflation. At the time this analysis was prepared, however, the CDC had not provided the Legislature with the completed preliminary plans for these projects. We recommend approval of the respective budget requests, 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 the projects.

The three projects are:

- \$799,000 under Item 5240-301-751 (8) for construction to upgrade the primary and secondary electrical system at San Quentin.
- \$3,427,000 under Item 5240-301-751 (11) for construction to upgrade the boiler facility at the CIW.
- \$720,000 under Item 5240-301-751 (15) for construction to upgrade the primary and secondary electrical system at the CRC.

Projects for Which We Recommend Changes to the Budget

The following is a description of the remaining projects (as separated by category as shown in Table 1) in the 1991-92 budget and our recommendation for each project.

Utility System Improvements Category

The budget includes \$6,375,000 for nine major projects to upgrade utility systems at existing facilities. As shown in Table 2 and discussed

DEPARTMENT OF CORRECTIONS — CAPITAL OUTLAY—Continued

briefly above, we recommend either approval as budgeted, or approval contingent on receipt of preliminary plans, for five projects totaling \$5,154,000 under this category. A discussion of the four remaining utility improvement projects and our recommendation for each follows.

Table 2
Department of Corrections
Item 5240-301-751
Utility System Improvements
(in thousands)

<i>Sub Item</i>	<i>Project</i>	<i>Location</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>	<i>Estimated Future Cost</i>
(2)	Upgrade Primary/Secondary, Electrical.....	Susanville	s	\$108	\$108	Unknown
(4)	Upgrade Primary/Secondary, Electrical.....	Tehachapi	s	100	100	Unknown
(7)	Upgrade Primary/Secondary, Electrical.....	Chino	pw	537	—	\$6,100
(8)	Upgrade Primary/Secondary, Electrical.....	San Quentin	c	799	799	—
(10)	Sewer Renovation.....	San Quentin	pw	358	149	1,900
(11)	Upgrade Boiler Plant.....	Frontera	c	3,427	3,427	—
(15)	Upgrade Primary/Secondary, Electrical.....	Norco	c	720	720	—
(16)	Water Quality Study.....	Norco	s	85	—	Unknown
(17)	Expand Sewage Treatment System.....	Jamestown	pw	241	Pending	2,200
	Totals.....			\$6,375	\$5,303	\$10,200

^a Phase symbols indicated: S=study, P=preliminary plans, W=working drawings, C=construction.

Primary and Secondary Electrical Upgrade at California Institute For Men (CIM), Chino.

We recommend deletion of \$537,000 in Item 5240-301-751(7) for preliminary plans and working drawings to upgrade the primary and secondary electrical system at the CIM because the scope of the project is not justified (Future savings: \$6.1 million).

The budget requests \$537,000 in Item 5240-301-751(7) for preliminary plans and working drawings for upgrading the primary and secondary electrical system at the CIM (future cost — \$6.1 million). Over the past few years, the CDC has undertaken a program to study, and where necessary to upgrade/repair, the primary and secondary electrical systems at its older institutions. The proposed project is based on recommendations of such a study. The project includes replacement of the main substation and transformer (\$2.3 million), conversion of overhead transmission lines to underground lines (\$1.6 million), replacement of power poles (\$894,000), and replacement of overloaded transformers and other code-related work (\$875,000). The balance of funds (\$431,000) is required for design fees and construction management.

Although the CIM's primary and secondary electrical system may be in need of some repair, the study upon which the project is based does not provide adequate justification to undertake a \$6.6 million project. In general, the study does not indicate either the extent of the current problems or how the proposed solution will address the problems. For example, the information provided to justify replacement of the main substation reveals that the substation equipment is old. No data is provided to describe the existing problem, other than that spare parts are not readily available and the substation and fencing are not adequately grounded.

Similarly, replacement of the power poles is based on the single statement that, "many of the power poles on the overhead line circuits have dangerously deteriorated and should be replaced." There is no indication as to either how many poles need to be replaced, or the basis for the cost estimate to replace them. Moreover, replacement of the power poles should not be part of the capital outlay program. Instead, this should be funded from the CDC's special repairs budget in priority with other special repair needs, for which the department requests \$10 million in the Budget Bill. Furthermore, the study also does not explain why other overhead transmission lines should be placed underground, rather than simply replacing the necessary poles. Finally, the study's only justification for upgrading the main transformer is that it is loaded to 93 percent of capacity.

Based on the available information, it is not possible to determine (1) whether a current problem exists with the CIM's primary and secondary electrical system or (2) if there is a problem, whether the proposed solution is the most cost-effective alternative. Consequently, we recommend deletion of the requested \$537,000 for preliminary plans and working drawings. This will result in future savings of \$6.1 million.

Sewer Rehabilitation, San Quentin

We recommend (1) approval of preliminary plans (\$149,000) and a reduction of \$209,000 in Item 5240-301-751(10) for working drawings and (2) a reduction in the amount of work included in a sewer renovation project at San Quentin, because the project schedule is not realistic, and some of the work will be accomplished during construction of the San Quentin Joint-Use Facility.

The budget requests \$358,000 in Item 5240-301-751(10) for preliminary plans (\$149,000) and working drawings (\$209,000) for a project to renovate the sewer system at San Quentin (future cost — \$1.9 million). The project scope is based on a consultant report completed in 1988. The project will rehabilitate the existing sewer system and prevent the inflow of storm water into the sewer system. Our analysis indicates that the need for the project is justified, and we recommend approval with the conditions discussed below.

Schedule is Not Realistic. The project schedule indicates that preliminary plans will be completed and approved by the Public Works Board by February 1992, and that working drawings will begin in March 1992. This schedule is not realistic, for two reasons.

DEPARTMENT OF CORRECTIONS — CAPITAL OUTLAY—Continued

First, because the study is based on conditions existing in 1988, the preliminary plan phase will require more work than usual to assess current conditions. In fact, for that reason, the department indicates that preliminary plan costs are higher than normal because of the need for an increased amount of site inspection to verify existing conditions.

Second, the schedule does not include any time to acquire the necessary permits from agencies such as the RWQCB and the Bay Necessary and Development Commission. The CDC indicates that, because the project only improves the sewer system, it should not have any difficulty in obtaining the necessary permits. One of the project's objectives, however, is to reduce the inflow of stormwater into San Quentin's sewer system that occurs during the rainy season. The major causes of this inflow are (1) leaks through broken manhole covers and (2) cross-connections between storm drains and the sewer system. The consultant study indicates that the rate of current inflow may be as high as two million gallons per day. Once the sewer system is repaired, the stormwater will no longer enter the system, but will instead be diverted into San Francisco Bay. Environmental control agencies have recently begun to tighten the regulations on stormwater run-off, because it has been recognized as a major source of water pollution. It is reasonable to assume, therefore, that the CDC's permit request will undergo a fairly detailed and time-consuming review.

Moreover, we believe the Legislature should have the information that will be obtained from further site investigation and through the permit process before it appropriates funds for working drawings. Otherwise, the Legislature will not have the information it needs to assess the appropriate scope and cost of the project.

In view of these factors, we recommend that the Legislature fund only preliminary plans in the budget year. This would result in a reduction of \$209,000 in the amount requested for the project.

Scope Reduction. According to the CDC, part of the San Quentin sewage system runs through the construction site for a new Joint-Use Facility. (The Joint-Use Facility has been approved and funded under Ch 981/90 (SB 549, Presley), and will provide prison/jail space for the state and Marin County). The CDC indicates that about 10 percent of the sewage renovation project proposed in the budget will be undertaken instead as part of the Joint-Use project, which is scheduled for initial construction in December 1992. We, therefore, recommend that in adopting supplemental report language for the sewage renovation project, the Legislature reduce the project's scope by deleting the work to be accomplished with the Joint-Use Facility. This scope reduction will result in a future savings of \$160,000 to the project included in the budget.

Water Source and Quality Study, CRC, Norco

We recommend deletion of \$85,000 in Item 5240-301-751(16) for a study to assess the water quality at the CRC because the department has not demonstrated that a water quality problem exists with the current water sources.

The budget requests \$85,000 in Item 5240-301-751 (16) for an engineering study to determine the most cost-effective way to upgrade the CRC's water quality. The study will include engineering drawings, sketches, and cost/benefit analyses of alternative proposals to improve the institution's water quality. Some of the alternatives to be studied include (1) chemically treating the water pumped from existing wells, (2) obtaining water from other municipal sources, and (3) blending the CRC's water with water from another source.

No Problem Exists With Current Water Sources. According to the department, the CRC has a total of eight water wells. Of these wells, two are currently in service. According to the CDC, these two wells supply sufficient amounts of water to meet the institution's needs. The water from these wells meets all quality standards. Moreover, if necessary, water from a third well can be used if blended with water from the other two wells in order to meet quality standards. A fourth well that provides water at water quality standards was taken out of service by the CDC in 1988 due to mechanical problems and is not being repaired because existing wells are meeting current needs. Thus, except for the well that requires blending, none of these wells has been cited for not meeting current state water quality standards. On this basis, there is sufficient water capacity available from the three wells to meet the institution's needs.

The CRC has identified the other four wells as having water quality problems. None of these wells, however, have been in service since 1988. In fact, one of the wells has not been used since 1957. In any case, as discussed above, the institution does not require use of these wells to provide its needed supply of water. In view of this, we recommend deletion of the requested \$85,000.

Upgrade Wastewater Treatment Plant, Sierra Conservation Center (SCC), Jamestown

We withhold recommendation on \$241,000 in Item 5240-503-751 (17) for preliminary plans and working drawings to upgrade the sewage treatment system at the SCC pending information explaining why a recently completed project to upgrade this system failed to provide adequate capacity.

The budget requests \$241,000 in Item 5240-301-751 (17) for the preliminary plan and working drawing phase of a project to upgrade the sewage treatment system at the SCC (future cost — \$2.2 million). The request is based on the recommendations of a consultant's study, which indicated that the current system does not have enough processing or storage capacity. To address these deficiencies, the proposed project will provide a secondary clarifier to increase the system's processing capacity by 350,000 gallons per day (a 70 percent increase), a new storage pond, and additional spray-field capacity.

Wastewater Plant was Recently Modified. In the 1985 Budget Act, the Legislature appropriated \$1.2 million to expand the SCC's sewage treatment system to provide additional capacity for the 500-bed "quick-build" addition at the institution (final occupancy — 1989). The system

DEPARTMENT OF CORRECTIONS — CAPITAL OUTLAY—Continued

was expanded to treat an average of 500,000 gallons per day of sewage flow, with associated storage and spray-field capacity. According to information provided by the CDC, the department's construction management firm, Kitchell Construction Management, value-engineered the project and reduced the number of storage ponds that were constructed. The CDC did not indicate whether additional scope changes were also undertaken.

It is not clear what occurred between the time value-engineering took place and the present, so that system capacity now needs to be expanded by 70 percent. The Legislature needs information from the department that substantiates the need for this project. Questions that should be addressed include: Has the institution's population increased by a higher amount than originally projected? Is the sewage flow higher than projected when the system was designed? If the flow is higher than projected, what is the CDC's assessment of the reasons for the higher flow? What water conservation measure has the institution undertaken and/or planned in order to reduce the flow into the system? The department should provide information addressing these questions and explaining why the value-engineered project cannot meet present demand. We withhold recommendation on the requested \$241,000, pending receipt of this information from the department.

Brine Contamination Project Category**Brine Contamination Clean-Up, California Institute For Women (CIW), Frontera**

We withhold recommendation on \$75,000 in Item 5240-301-751 (13) for preliminary plans and working drawings to clean up brine-contaminated soil at the CIW because the scope of the project has not been justified.

The budget requests \$75,000 in Item 5240-301-751 (13) for preliminary plans and working drawings to clean up brine-contaminated soil at the CIW. The project is in response to a clean-up and abatement order issued by the Regional Water Quality Control Board (RWQCB) in 1987. The project's scope includes removal of 1,200 cubic yards of contaminated soil and disposal of the soil at a Class III hazardous waste site. Additionally, the project involves leveling, filling in, and placing an asphalt cap over the existing ponds, and installing several monitoring wells.

Project Scope Unjustified. Although we recognize the department's need to clean up contaminated soil in accordance with the RWQCB's abatement order, the Legislature has not yet received any information justifying the scope of this project. In particular, no information has been provided to (1) justify the department's particular proposal for cleaning up the site and (2) identify the alternative approaches to site clean-up that were considered and the reasons they were rejected. For example, the department does not explain how it determined that 1,200 cubic yards of soil need to be removed and whether less-expensive alternatives are available for disposal. In addition, no justification is provided for the

amount of site grading and paving that the department proposes (\$375,000). Finally, the Legislature needs information on why the project cost doubled from the CDC's original estimate (\$500,000) to the amount requested in the Budget Bill (\$1 million). Without this information, we cannot, at this time, make a recommendation on the project. We therefore withhold recommendation on the proposed \$75,000 requested for preliminary plans and working drawings.

Miscellaneous Major Projects Category

The budget requests \$4,555,000 for four projects that do not fall under the other descriptive categories discussed above. One of these projects, the Vehicle Sallyport at the DVI, was discussed under the section on projects we recommended for approval. A discussion of the other three projects and our recommendation for each follows.

Main Kitchen Renovation, Deuel Vocational Institution (DVI), Tracy

We recommend deletion of \$46,000 in Item 5240-301-751 (6) for a study of the main kitchen at the DVI because the department has not provided adequate information on the problems that exist with the DVI kitchen.

The budget requests \$46,000 in Item 5240-301-751 (6) for a study to examine the kitchen facilities at the DVI. The study will investigate the physical layout and security of the serving and food handling areas, and the adequacy of the food storage areas and mechanical and electrical systems. The study will also address the possibility of using cook/chill methods at the DVI.

The proposal does not identify the problems at the DVI that this study is meant to address. In addition, our on-site review of the facility revealed no significant problems that the institution has not already addressed.

Because our analysis has not identified a need for this study, we recommend that the project be deleted. Consequently, we recommend deletion of the proposed \$47,000.

500 Level II Beds, San Quentin

We withhold recommendation on \$3,503,000 in Item 5240-301-751 (9) for working drawings and initial construction to replace a 500-bed modular living unit with permanent facilities, pending receipt of final cost and scope information and an explanation of the department's plan for phasing construction of the project.

The budget requests \$3,503,000 in Item 5240-301-751 (9) for working drawings (\$486,000) and the first phase of construction (\$3,017,000) to replace the 500-bed modular unit (H-unit) at San Quentin with permanent structures (future cost — \$12.2 million). Currently, the H-unit consists of modular buildings including 20 dorms, a program administration building, a kitchen, dining halls, and visiting facility, plus a control tower and sallyport. Under the budget-year request, Phase I construction will include two Level I dormitories modified for Level II inmates, site work, utilities, and fencing. Construction of the remainder of the project, consisting of three additional dormitories, a kitchen and dining facilities, and an administration building, will be completed over the following two years.

DEPARTMENT OF CORRECTIONS — CAPITAL OUTLAY—Continued

Project Information Incomplete. At the time this analysis was prepared, the final cost and scope of this phase of the project had not yet been completed. In addition, the budget proposes phased construction of the project over three years, which is a change from the previous proposal to phase construction in two parts. The CDC needs to provide information on (1) the reason for phasing construction over three years, (2) the estimated additional costs resulting from this phased construction, and (3) a revised schedule for completion of design and bid documents. We withhold recommendation on the requested amount of \$3,503,000, pending receipt of this information.

Construct Chapel — California Institute For Women

We recommend deletion of \$636,000 in Item 5240-301-751(12) for preliminary plans, working drawings, and construction of a chapel at the CIW because the institution is in the process of lease-purchasing a modular chapel, and it would be more expensive to remove the modular chapel than to keep it.

The budget requests \$636,000 in Item 5240-301-751(12) for preliminary plans, working drawings, and construction of a chapel/religious activities building at the CIW. The scope of the project includes a 5,040-square foot building with a main sanctuary area, offices for four chaplains, and associated classroom and storage facilities. The basis of the request is that there is insufficient space for religious activities at the CIW and that, by not providing adequate space for such activities, the institution is denying inmates their constitutional rights.

The CIW is Currently Lease-Purchasing Modular Chapel. In July 1990 the CDC obtained a 2,800 square foot modular chapel for the CIW. The chapel was ready for occupancy in December 1990. Under the terms of the lease, the CDC is to pay the lessor \$64,000 per year for a three-year period. At the end of the three years, the CDC can obtain ownership of the unit by paying \$1 to the lessor. Should the CDC choose not to purchase the building, it must pay the lessor \$4,000 to remove the unit. Thus, it would be less costly for the CDC to own the building than to have it removed.

To date, the CDC's only argument in favor of constructing a new chapel over the modular unit is that the modular unit has an expected life span of 10-15 years which is shorter than a permanent building. Due to the nature of the lease-purchase arrangement, however, ownership of the modular chapel is a sunk cost. By the time the capital outlay project is completed, the CDC will already own the modular unit. It does not make sense, therefore, to construct a second chapel at this time. In the future, when the modular chapel is no longer functional, the Legislature should consider a capital outlay project for this purpose. Because the institution has already met its needs for the next several years, we recommend deletion of the \$636,000 requested for the new chapel.

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 this item.

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

Item 5460-301 from the 1990
Prison Construction Fund

Budget p. YAC 66

Requested 1991-92.....	\$5,390,000
Recommended approval.....	4,118,000
Recommended reduction.....	1,129,000
Recommendation pending	143,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

*Analysis
page*

1. Recommend approval of \$1,362,000 in Item 5460-301-751 (4) for construction of an infirmary at the Fred C. Nelles School in Whittier, contingent on receipt of preliminary plans prior to budget hearings. 1314
2. *Statewide Field Act Study. Reduce Item 5460-301-751 (2) by \$700,000 (Future savings: about \$18 million).* Recommend deletion of funds for seismic study of educational buildings because the Office of the State Architect (OSA) is conducting a similar study. 1314
3. *Construct Program Center, El Paso de Robles School. Reduce Item 5460-301-751 (3) by \$18,000 (Future savings: \$405,000).* Recommend deletion of preliminary plans for new program center because needs can be met within existing office space. 1316
4. *Multipurpose Building, Fred C. Nelles School, Whittier. Reduce Item 5460-301-751 (5) by \$85,000 (Future savings: \$1.8 million).* Recommend deletion of funds for preliminary plans because the department has failed to show that additional space is needed for recreational and educational programs. 1317
5. *Maintenance Building, Fred C. Nelles School. Withhold recommendation on \$115,000 under Item 5460-301-751 (6). Withhold recommendation on funds for preliminary plans pending receipt of final scope, cost, and schedule information.* 1318

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

6. Construct Sports Area, Ventura School. Withhold recommendation on \$28,000 under Item 5460-301-751 (7). Withhold recommendation on funds for preliminary plans pending receipt of final scope, cost, and schedule information. 1318
7. *Kitchen Renovation, Youth Training School (YTS), Chino.* 1319
Reduce Item 5460-301-751 (8) by \$326,000 (Future savings: \$1.9 million). Recommend deletion of funds for preliminary plans and working drawings because department has not demonstrated need to convert from a conventional to a cook/chill system at YTS.

MAJOR ISSUES

- Because the OSA is conducting a study of the seismic safety of state buildings (including those of the Department of the Youth Authority (CYA), a similar study proposed by the CYA would be duplicative.
- The Legislature faces a major policy issue on whether state institutions should be upgraded to meet Field Act requirements. The cost of compliance could be in the hundreds of millions of dollars.

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

As indicated in Table 1, the CYA's five-year capital outlay plan projects spending \$69 million through 1995-96 for (1) design and construction at four institutions and three camps and (2) renovation of educational buildings statewide to meet Title 24 (Field Act) standards. As discussed below, the CYA estimates that the total cost of the Field Act renovations of all CYA facilities could exceed \$60 million. Other proposals in the five-year plan include projects to provide capacity-related expansion of central administration, kitchen, classroom, maintenance, and vocational training facilities at existing institutions. The five-year plan does not include any funds to construct additional beds. Except for the deferral of three projects, the budget addresses the five-year plan request for 1991-92.

Table 1
Department of the Youth Authority
Five-Year Capital Outlay Plan
1991-92 through 1995-96
(in thousands)

<i>Projects</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>	<i>Totals</i>
Statewide (Field Act Compliance) ...	\$3,217	\$14,934	—	—	—	\$18,151
El Paso de Robles (Paso Robles).....	108	1,054	\$220	\$1,100	\$220	2,702
Fred C. Nelles (Whitter).....	1,327	5,184	265	582	230	7,588
Ventura (Ventura)	72	1,525	—	—	—	1,597
Youth Training School (Chino)	130	1,693	1,060	1,130	—	4,013
Camps.....	—	—	193	1,163	1,163	2,519
Minor Capital Outlay	5,650	6,215	6,300	6,675	7,050	31,890
Planning	100	100	100	100	100	500
Totals	\$10,604	\$30,705	\$3,138	\$10,750	\$3,763	\$68,960

ANALYSIS AND RECOMMENDATIONS

The budget requests \$5,390,000 for nine projects in Item 5240-301. Funding for all of these projects is proposed from the 1990 Prison Construction Fund — general obligation bonds approved by the voters in June 1990. Table 2 lists each of these projects, the amount proposed in the Budget Bill, our recommendation for each, and estimated future costs.

Table 2
Department of the Youth Authority
1991-92 Capital Outlay Program Summary
(in thousands)

<i>Project</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommen- dation</i>	<i>Future^b Cost</i>
(1) Budget Packages/Advanced Planning	—	\$100	\$100	—
(2) Statewide: Field Act Compliance	s	700	—	\$17,451
(3) El Paso de Robles: Program Center.....	p	18	—	405
(4) Fred C. Nelles: Infirmary.....	c	1,362	1,362	—
(5) Fred C. Nelles: Multipurpose Building.....	p	85	—	1,788
(6) Fred C. Nelles: Maintenance Building	p	115	pending	2,954
(7) Ventura School: Sports Area.....	p	28	pending	718
(8) Youth Training School: Kitchen Renovation..	pw	326	—	1,865
(9) Minor Capital Outlay	—	2,656	2,656	—
Totals		\$5,390	\$4,118	\$25,181

^a Phase symbol indicates: s = study; p = preliminary plans; w = working drawings; and c = construction.

^b Department estimates.

Projects Recommended For Approval

We recommend approval of two projects totaling \$2,765,000. A brief description of these projects follows.

Budget Packages and Preliminary Planning. 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 previously been appropriated. The Budget Bill includes related language defining the specific purposes for which the \$100,000 may be spent. We agree with the department that the Legislature and the administration would be served by improved budget information and advanced planning and that the amount proposed is necessary to accomplish this purpose.

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

Minor Capital Outlay. The budget requests \$2,656,000 in Item 5460-301-751(9) for 29 minor capital outlay projects (\$250,000 or less per project). These projects range in cost from \$12,000 to construct a flammable materials storage building at the Ventura School to \$249,000 to install backflow preventers in the water system at the Northern Reception Center-Clinic in Stockton. Our review indicates that these proposed expenditures are justified.

Construct New Infirmary — Fred C. Nelles School, Whittier

We recommend approval of \$1,362,000 under Item 5460-301-751(4) to construct a new infirmary at the Nelles School in Whittier, contingent on receipt of preliminary plans prior to budget hearings.

The budget requests \$1,362,000 under Item 5460-301-751(4) for construction of a new infirmary at the Fred C. Nelles School. The Legislature approved preliminary plan and working drawing funds for this project in the 1990 Budget Act. Our analysis indicates that the amount requested for this project reflects the cost estimate 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 the project. We recommend approval of the amount requested for the project, contingent on receipt of completed preliminary plans prior to budget hearings. If the preliminary plans are not available to the Legislature prior to budget hearings, we recommend that the Legislature not approve the project.

Other Projects

The balance of the CYA capital outlay budget includes \$1,272,000 for six projects with a total estimated future cost of \$25 million. A discussion of these projects and our recommendation for each follows.

Statewide Field Act Study

We recommend a reduction of \$700,000 in Item 5460-301-751(2) to study existing educational facilities for compliance with the Field Act (seismic safety) because the OSA is already conducting a survey of all state buildings to determine seismic safety, including those belonging to the CYA (Future savings: \$18 million).

The budget requests \$700,000 under Item 5460-301-751(2) for a study of all the CYA's educational buildings to assess the amount of work necessary to bring them into compliance with Title 24 (Field Act) standards. The department estimates the future cost of this work at about \$18 million, but acknowledges that this amount could be significantly understated.

Background. The Field Act is a body of statutes enacted in 1933 that establishes special seismic safety requirements for public school buildings. Under the law, public school buildings must be issued a certificate of occupancy by the Department of General Services (DGS) before they are placed in service. As part of this certification process, the DGS

approves building designs and requires that specific construction inspection procedures be followed. Violation of the Field Act is a felony.

Prior to 1980, the CYA did not construct its educational buildings to meet Field Act requirements. The department (along with DGS) interpreted an exemption in the law for city and county correctional facilities to also apply to the CYA. Based on an opinion from its legal counsel, the CYA changed its policy and, since 1980, has constructed educational buildings to meet Field Act standards. The CYA now proposes to renovate all pre-1980 educational buildings to meet Field Act standards as well. The department estimates that this work will require renovation of over two million square feet of space. Funds for the design and construction phases would be requested in future years.

Seismic Evaluation of State Buildings Already Underway. In the 1990 Budget Act, the Legislature appropriated \$544,000 to the OSA to begin a program to conduct seismic evaluations of all K-12 school buildings and state-owned buildings. The goal of the program is to develop a priority list of state-owned buildings, so that the state can begin to renovate those buildings that pose the greatest risk of seismic failure. To gather the necessary information, the OSA will send out a survey in February 1991 to all state departments, requesting information on all of the department's buildings. The CYA is to be included in the survey. Once the priority list is compiled, the OSA will then have the responsibility of overseeing the renovations of the buildings, subject to legislative approval. Given this statewide effort, the CYA's proposal is duplicative and not necessary. We, therefore, recommend deletion of the requested \$700,000 under Item 5460-301-751 (2).

Legislature Needs To Set Policy on The Field Act. The CYA's legal opinion that its educational buildings must meet Field Act standards raises the following significant policy questions for the Legislature:

- Should the Field Act apply to all state departments that run K-14 education programs, such as the CYA, Corrections, and Developmental Services?
- If the Field Act should apply to these departments, should it apply to all of the buildings within a facility or just the educational buildings?

Application of the Field Act To Other Departments. Under the Field Act, a school building is defined as, "any building used, or designed to be used, for elementary or secondary school purposes and constructed, reconstructed, altered or added to, by the state or by any city or city and county." The law makes a specific exemption for city and county correctional facilities, but makes no such exemption for state facilities. Thus the question arises as to whether the Legislature intended the law to apply to all state departments that run educational programs, regardless of their overall mission.

The CYA, in its legal opinion, expresses the concern that the state could be held liable in the event of an injury occurring in a non-Field Act building. This is a legitimate concern and, in order to assist the Legislature on this matter, we have requested a formal Legislative Counsel opinion on this issue, as it pertains to the CYA. We have also

**DEPARTMENT OF THE YOUTH AUTHORITY—
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asked Legislative Counsel to consider the same question in regard to the other state departments. Depending on Legislative Counsel's opinion, the Legislature may choose to either include or exempt these departments from the Field Act requirements.

One of the factors facing the Legislature is whether *all* state buildings within an institution should meet Field Act standards, rather than just the educational buildings. In the case of public schools, the law does distinguish between educational facilities and other types of buildings, for example bleachers and grandstands, small accessory structures to athletic fields and temporary-use buildings. Because the intent of the law in regard to 24-hour facilities is unclear, the CYA is proposing that the state Building Standards Commission exempt all *noneducational* CYA buildings from Field Act requirements. This would then result in a situation where wards committed to the CYA spend part of the day in Field Act buildings and the balance of the day and all night in non-Field Act buildings.

Clearly, on a policy level, having different buildings within a 24-hour facility constructed to different seismic safety standards makes no sense. The CYA estimates that the total cost of renovating all of its buildings, to meet Field Act standards, would exceed \$60 million as opposed to the estimated \$18 million to renovate only educational buildings. It should be noted that these estimates are based on limited information; based on state experience in other areas, the estimates could be significantly understated. Moreover, adding in renovation of all the other state department's facilities could increase this cost into the hundreds of millions of dollars. Because of this potential cost, the Legislature will want to carefully consider how it plans to proceed.

Construct Program Center — El Paso de Robles School

We recommend a reduction of \$18,000 under Item 5460-301-751 (3) for preliminary plans to construct a new program center at Paso de Robles, because the school should be able to meet its office needs through better management of existing space (Future savings: \$405,000).

The budget requests \$18,000 under Item 5460-301-751 (3) for preliminary plans to construct a new program center at the El Paso de Robles School. The center will provide individual office space for 13 supervisory staff associated with a 100-bed conservation camp that was opened in October 1988 and a 160-bed living unit that was opened in April 1990. The estimated future cost of this project is \$405,000.

According to the CYA, this project is needed because there is currently not enough office space to provide individual offices for 140 supervisory staff at the El Paso de Robles School. Currently, there are only 127 individual offices available for the 140 staff, meaning that 13 staff share office space. The department indicates that the sharing of office space creates operational problems and reduces the effectiveness of certain programs.

The request for the proposed office building is based solely on the CYA's desire to provide individual office space. The department, however, has not demonstrated that there is a programmatic problem under the current situation. For example, the department indicates that psychologists require individual offices because they meet individually with wards. While this argument has merit, the CYA has not illustrated either why other positions, such as office assistants, the volunteer coordinator, and the canteen manager, also require separate offices or what programmatic benefit would be attained with individual offices.

Because the extent of the problem at El Paso de Robles does not appear to justify a major capital outlay project of this magnitude, we recommend deletion of the requested \$18,000 under Item 5460-301-751 (3). This would result in future savings of \$405,000.

Construct New Gymnasium — Fred C. Nelles School, Whittier

We recommend a deletion of \$85,000 in Item 5460-301-751(5) to develop preliminary plans for a new multipurpose building at the Fred C. Nelles School, because the CYA has not justified the need for a new facility. (Future savings: \$1.8 million).

The budget requests \$85,000 under Item 5460-301-751(5) for preliminary plans for a new multipurpose building at the Fred C. Nelles School in Whittier. The project proposes construction of an 11,135 gross square foot building, including a gymnasium, classrooms, activity areas, locker rooms, and dressing/shower areas. The estimated future cost of the project is \$1.8 million.

Need For The Project Unclear. The CYA indicates that a new multipurpose building is necessary because the Nelles School cannot provide required recreational and meeting space for its current ward population. Although Nelles currently has a full-size gymnasium, the department indicates that only 240 of its current population of 650 wards can currently be programmed in the gym on a given day. The department also indicates that during the summer, the poor ventilation in the building makes it difficult to use. Finally, the CYA indicates that there is currently not enough classroom or other space available for activities such as religious groups, meetings with caseworkers, or drug-treatment programs.

According to the CYA's standards, wards are required to receive 40 minutes of exercise per day. Currently, the Nelles School has several facilities with which to provide recreational opportunities, including a gymnasium, an outdoor recreation area, and a swimming pool. These facilities are similar to what is available at other CYA schools. In fact, according to information provided by the CYA, the gymnasium at Nelles provides as much or more useable space than gymnasiums currently used at El Paso de Robles, Northern Reception Center, Southern Reception Center, Ventura, and the Youth Training School. It is not clear, therefore, why construction of a second gymnasium at Nelles is necessary to provide wards with their required recreational opportunities. Instead, it appears that construction of a second gymnasium would simply enhance the current recreational opportunities.

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

Similarly, the CYA has provided no information justifying its claim that the Nelles School lacks adequate activity space for needed programs. Moreover, the department is proposing another capital outlay project that, if funded, would free up the current maintenance building at Nelles which the department proposes to use for additional educational and vocational programs. Thus, any of the activity space problems that the Nelles School currently is experiencing should be mitigated by this other project.

Lacking a demonstrated need for either (1) additional recreational space or (2) additional activity space, we recommend that the Legislature delete the funds for this project. This would result in a reduction of \$85,000 under Item 5460-301-751 (5) and a future savings of \$1.8 million.

School Maintenance Building — Fred C. Nelles School, Whittier

We withhold recommendation on \$115,000 under Item 5460-301-751 (6) to develop preliminary plans for a new maintenance facility, pending receipt of final scope and cost information.

The budget requests \$115,000 under Item 5460-301-751 (6) for preliminary plans for a new maintenance facility at the Fred C. Nelles School. The department indicates that the proposed project is necessary because the existing maintenance facility is not secure, and the wards have access to materials that can be used to make weapons or to facilitate escapes. In addition, construction of a new facility will allow the current maintenance building to be used to provide additional space for educational or other programs.

The CYA originally estimated that the total project would cost \$3.1 million. The department indicates, however, that using a prototypical design, previously used for the El Paso de Robles School, may reduce total project cost by as much as \$1 million. At the time this *Analysis* was prepared, however, scope and cost information for the project had not yet been finalized.

Although the project may have merit, without scope and cost information we cannot make a recommendation to the Legislature on this project. We therefore withhold recommendation on the proposed \$115,000 under Item 5460-301-751 (6), pending receipt of final scope and cost information.

Construct Sports Area — Ventura School

We withhold recommendation on \$28,000 requested under Item 5460-301-751 (7) for preliminary plans to construct a sports area at the Ventura School, pending receipt of scope and cost information on the project.

The budget requests \$28,000 under Item 5460-301-751 (7) for preliminary plans to (1) construct a 3,800 square foot addition on to the gymnasium, (2) construct a 3,200 square foot addition to the locker room and (3) construct a standard-sized football field surrounded by a four-

lane running track. The department indicates that this project is necessary because the Ventura School currently lacks a full-sized basketball court and a field for recreational activities. The estimated future cost of this project is \$718,000.

It appears that some additional recreational space at the Ventura School may be warranted. At the time this *Analysis* was prepared, however, the department had not yet provided final scope, cost and schedule information on the proposed project. Without this information, it is not possible to determine whether cost or size of the various elements of the project are justified. We therefore withhold recommendation on the requested \$28,000 under Item 5460-301-751(7) pending receipt of scope, cost, and schedule information.

Convert Kitchen to Cook/Chill, Youth Training School (YTS), Chino

We recommend a reduction of \$326,000 under Item 5460-301-751(8) because the department has not justified the need to convert the current food service program at YTS to a cook/chill operation (Future savings: \$1.9 million).

The budget requests \$326,000 for preliminary plans and working drawings to convert the existing food-service system at the YTS to a cook/chill operation. Under cook/chill, food is prepared up to three days in advance and then blast-chilled for storage. The food is then reheated prior to serving. The benefit of a cook/chill system is that it can assist in food-service management by reducing the amount of time required to prepare food on any given day. The project (and estimated future costs) includes the purchase and installation of new equipment (\$1 million), remodeling the existing kitchen and six satellite kitchens (\$192,000), and mechanical and electrical work (\$128,000).

Need For Cook/Chill Not Justified. The budget request is based on the recommendation of a master study that was done for all kitchens in the CYA system. The study recommended that two schools, Ventura and YTS, convert to a cook/chill system, while the other schools should continue to operate a conventional food service system. The consultant's study, however, fails to address either (1) the extent of the current problems at YTS, (2) how conversion to cook/chill solves these problems, or (3) the advantages and disadvantages of continuing with a conventional food service system. For example, the study cites the high level of overcrowding at YTS (200 percent) as the primary reason to convert to cook/chill. Based on the CYA's latest population projections, however, overcrowding at the YTS is expected to be reduced to 120 percent of design bed capacity by the start of the budget year. The study makes no further reference to current problems with the food-service system. The study provides no discussion of the costs and benefits associated with renovating the existing kitchen for conventional food service.

In addition to the study, the only other information provided by the CYA to justify conversion to cook/chill is several Environmental Health Surveys conducted at the YTS. None of these surveys, however, indicates problems that would be solved by converting to a cook/chill system. For example, one survey indicates that the YTS cannot always maintain

**DEPARTMENT OF THE YOUTH AUTHORITY—
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proper food temperature (140 degrees) during the transportation of food to satellite kitchens. The survey, however, goes on to state that the problem could be solved by the YTS obtaining new electrically-heated carts and hot food-holding cabinets in the main kitchen. Similarly, the surveys indicate other equipment problems, particularly with the dishwashers, but in each case states that the equipment simply be repaired or replaced.

Because the department has failed to indicate why conversion to cook/chill is either necessary or beneficial, we recommend that the project be deleted. This would result in a reduction of \$326,000 in Item 5460-301-751(8) and a future savings of \$1.9 million. In the future, if the department determines that its current facilities are inadequate, it should document the extent of the problem and clearly indicate how the proposed project remedies those problems. Such a proposal may warrant legislative consideration.

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 this item.

OVERVIEW OF HIGHER EDUCATION CAPITAL OUTLAY

OVERVIEW AND RECOMMENDATIONS

Over the next 15 years, enrollments in California's three segments of higher 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 of \$3.9 billion over the five-year period 1991-92 to 1995-96 to fund the construction of new facilities as well as alterations of existing facilities to meet various program needs. (The CCC has not prepared a systemwide five-year plan, but does project an annual capital outlay spending need of \$210 million, which we have incorporated in the \$3.9 billion total.) In addition, the UC has proposed three new campuses and the CSU has proposed five new campuses. These new campus proposals have not yet been incorporated into the five-year capital outlay plans. Indeed, pursuant to language adopted by the Legislature in the *Supplemental Report of the 1990 Budget Act*, the UC and the CSU are reevaluating their new campus proposals. The CCC projects a need to expand six existing centers into full campuses and establish 32 new centers, eight of which would become campuses by 2005.

MAJOR ISSUES

- Defeat of the \$450 million general obligation bond measure for higher education facilities at the November 1990 election complicates the state's efforts to meet higher education facility needs occasioned by enrollment growth. If the state is to accommodate current/projected enrollments, re-evaluation of the proposed higher education capital outlay programs is needed.

The following is an overview of the capital outlay programs for higher education. This overview includes a discussion of:

- The five-year capital outlay plans for each segment.
- Bond funds available for higher education capital outlay.
- The consequences of the failure of the general obligation bond measure on the November 1990 ballot.
- The 1991-92 capital outlay programs proposed in the budget.

OVERVIEW OF HIGHER EDUCATION—CAPITAL OUTLAY—Continued

- A description of our framework for evaluating the 1991-92 proposals in light of the fiscal environment created by the failure of the passage of the bond measure.

Five-Year Capital Outlay Plans

University of California. The University of California's five-year capital outlay plan, dated October 1990, calls for expenditures totaling over \$1.1 billion from 1991-92 through 1995-96. A significant portion of these expenditures is for research space and other facilities not directly related to accommodating student enrollments. Another portion of these expenditures would provide instructional facilities to accommodate current/projected enrollments. The plan projects that undergraduate student enrollments will climb from 122,400 in the current year to 128,600 in 1995-96, a 5.1 percent increase over the five-year period. The plan projects that graduate student enrollments will increase even faster — from 26,700 in the current year to 32,600 in 1995-96, a 22 percent increase. The five-year plan, however, does not specify how many undergraduate or graduate students would be accommodated by the instructional-related space to be constructed under the plan, nor does it identify the costs to design and construct the space.

California State University. The California State University's five-year plan, approved by the Trustees in October 1990, calls for the expenditure of almost \$1.7 billion from 1991-92 through 1995-96. A significant portion of these expenditures is directed at providing instructional facilities to accommodate growing student enrollments. The plan provides for construction of additional classroom and teaching laboratory space to accommodate about 30,000 FTE students, bringing capacity from a systemwide average of 96 percent of enrollment in the budget year to 100 percent in 1995-96. This increase in capacity is equivalent to constructing instructional facilities for a campus the size of San Diego (the system's largest) and Sonoma State University as well. As we pointed out in *The 1990-91 Budget: Perspectives and Issues* (Capital Outlay for Higher Education), existing campuses have enough room to accommodate projected enrollments to the year 2005 and beyond, provided the necessary facilities are constructed.

Community Colleges. As mentioned above, the CCC has not submitted a systemwide five-year plan, but does project annual capital outlay spending needs of about \$210 million, or \$1.05 billion over the next five years. The Chancellor's Office indicates that a systemwide plan will be submitted to the Legislature in September 1991 for the fiscal years 1992-93 through 1996-97.

Bond Funds for Higher Education

In the past five years, the state has financed 99 percent of higher education capital outlay costs through either general obligation bonds (about \$875 million) or General Fund lease-payment bonds (almost \$900 million). Below we discuss the two types of bonds as they relate to

past and future funding of the higher education capital outlay programs, including the fund conditions of the various general obligation bond funds.

General Fund Lease-Payment Bonds. These are commonly referred to as "revenue bonds," which is a misnomer in the context of higher education since the facilities financed by the bonds do not generate revenues. Instead, the debt service on the bonds is paid solely from General Fund appropriations made to the respective segments for "lease payments" on the capital improvements. Unlike general obligation bonds, authorization to issue lease-payment bonds is not dependent on voter approval and the bonds are not backed by the full faith and credit of the state.

To the extent lease-payment bonds are regarded by investors as riskier than general obligation bonds, the state must pay higher interest rates for them. Thus, lease-payment bonds are more expensive to the state and therefore increase the state's debt at a faster rate than if general obligation bonds were used. Assuming an interest rate premium of 0.5 percent, lease-payment bonds are about 15 percent more expensive than general obligation bonds, after adjusting for the effects of inflation during the 20-year plus debt service period. For example, if the Legislature were to authorize for each year of the five-year plans the same amount of lease-payment bonds for higher education capital outlay that is proposed for 1991-92 (\$333 million) the General Fund would incur \$275 million more in debt service payments (adjusting for inflation) than if general obligation bonds were used.

1986 Bond Fund Overcommitted. The fund condition statement in the Governor's Budget document for the Higher Education Capital Outlay Bond Fund — the general obligation bond fund approved in 1986 — projects that the fund will be in deficit as of June 30, 1991 by \$892,000. This deficit is due primarily to (1) inadequate provision for required interest payments on loans from the Pooled Money Investment Account (PMIA) used for construction cash flow purposes and (2) administrative augmentations of project appropriations. According to the fund condition statement an *additional* \$2.7 million will be needed in the budget year and beyond for more interest payments as well as payment to the Treasurer for bond issuance costs.

To address the problem, the budget proposes a transfer (in Item 9860-302-791) of \$13 million from the June 1990 Higher Education Capital Outlay Bond Fund to the 1986 bond fund. We do not believe that a transfer of funds from the June 1990 bond fund is the best way of addressing the projected deficit in the 1986 fund, as we discuss in detail in our analysis of Item 9860-301-791. The budget further proposes new appropriations from the 1986 bond fund totaling \$6.7 million which we discuss in our analyses of the UC capital outlay program (Item 6440-301) and the CSU capital outlay program (Item 6610-301). With the proposed transfer and 1991-92 Budget Bill appropriations, the budget projects an unappropriated balance of \$4.2 million in the fund at the end of the budget year.

OVERVIEW OF HIGHER EDUCATION—CAPITAL OUTLAY—Continued

1988 General Obligation Bond Fund. According to the budget document, the unappropriated balance of the 1988 Higher Education Capital Outlay Bond Fund as of June 30, 1991, will be approximately \$13 million. The budget proposes 1991-92 capital outlay expenditures totaling \$3.4 million and estimates interest payments on PMIA loans of \$4 million, leaving a projected balance at the end of the budget year of \$5.6 million.

June 1990 General Obligation Bond Fund. In June 1990 the voters approved a \$450 million general obligation bond measure for higher education facilities. The Legislature appropriated about \$380 million from the June 1990 Higher Education Capital Outlay Bond Fund in the 1990 Budget Act. The budget proposes 1991-92 expenditures for support and capital outlay totaling \$40.6 million plus the proposed \$13 million transfer to the 1986 bond fund (discussed in detail in our analysis of Item 9860-302-791). If the Legislature adopted these budget proposals, the unappropriated balance in the fund at the end of the budget year would be approximately \$16.2 million.

November 1990 General Obligation Bond Measure. The November 1990 ballot included another \$450 million general obligation bond measure for higher education facilities. This measure, however, was not approved by the voters. Thus, the only general obligation bond funds available for appropriation for higher education capital outlay in 1991-92 are the unappropriated balances of the 1986, 1988 and June 1990 bond funds discussed above. According to the budget document, these unappropriated balances will total almost \$82 million as of June 30, 1991. This is far short of the combined \$688 million of spending proposed in the segments' five-year plans for 1991-92.

Consequences of the Failure of the November 1990 Bond Measure

The capital outlay plans of the higher education segments call for \$3.9 billion of spending over the next five years, including \$688 million in 1991-92. The failure of the higher education bond measure on the November 1990 ballot is more than a \$450 million setback primarily affecting the amount of funds available for expenditure in 1991-92. It also calls into question the viability of the funding strategy that underlies the segments' plans for spending \$3.9 billion during the entire five-year period. The five-year capital outlay plans were predicated not only on the success of the November 1990 bond measure but also on (1) passage of major general obligation bond measures every two years thereafter and (2) annual authorizations of lease-payment bonds to make up the balance.

If the Legislature were to fund the segment's planned expenditures through 1993-94 exclusively with general obligation bond funds, a general obligation bond measure of *at least \$2 billion* would need to be placed before the voters in 1992. Of course, when examined in detail, some of the expenditures proposed in the plans may not merit funding. Nevertheless, the funding challenge needed to meet the legitimate capital outlay needs of higher education is great.

1991-92 Budget Proposals

The failure of the November 1990 higher education bond measure already has profoundly affected the higher education capital outlay programs presented in the budget. Chart 1 compares the segments' combined spending plans for 1991-92 with the respective amounts proposed by the budget.

Chart 1
**1991-92 Higher Education Capital Outlay Programs
Comparison of Five-Year Plans and Governor's Budget**

(dollars in thousands)

	Number of Projects	1991-92 Amount	Associated Future Costs ^a
Five-Year Plans	311	\$687,520	\$1,416,501
Governor's Budget	109 ^b	385,081	234,900
Deferred	215 ^b	302,439	1,211,953

^a Estimates by the higher education segments.

^b Includes 13 projects for which funding is *partially* deferred.

The budget proposes capital outlay expenditures for the three segments totaling \$385 million. The estimated costs to complete the projects funded in the budget total \$235 million. The budget defers \$302 million (and 215 projects) planned for expenditure in 1991-92 under the five-year capital outlay plans. The future costs associated with these expenditures — that is, the costs that otherwise would have been incurred in 1992-93 and beyond to complete the projects — also are deferred. These costs total \$1.2 billion.

What are the implications for accommodating enrollment growth of deferring these projects? In the case of the UC, this is difficult to assess since the UC five-year plan does not include information the Legislature requested in the *Supplemental Report of the 1990 Budget Act* regarding how each project addresses enrollment needs. In the case of the CSU, the budget includes funds for projects providing instructional space accommodating 7,277 FTE students. The budget defers other projects that, when completed, would provide instructional space accommodating approximately 11,000 FTE students. The budget includes funds for CCC

OVERVIEW OF HIGHER EDUCATION—CAPITAL OUTLAY—Continued

projects providing instructional space to accommodate nearly 90,000 Weekly Student Contact Hours (WSCH), while deferring projects providing instructional space to accommodate 196,000 WSCH.

The deferrals of instructional-related projects throughout higher education will increase overcrowding of instructional facilities at campuses in some cases marginally, in some cases dramatically, but in all cases temporarily *if* the state is able to resume funding all necessary instructional space after the budget year. If the state is unable to finance the additional instructional space planned by the segments, however, the cumulative effects on campuses could be serious and even ultimately require that the state limit enrollments.

Framework for Analysis of 1991-92 Requests

As discussed above, the failure of the November 1990 bond measure places higher education capital outlay programs in a fiscal environment of limitation and uncertainty. It does not, however, eliminate the need to construct facilities to accommodate significant enrollment increases projected for the next five years and beyond and to meet other program needs. In view of the above, our approach in reviewing the budget proposals for each segment's capital outlay program is different than in prior budget analyses. This approach seeks to concentrate the limited resources available on projects that accommodate student enrollments. To do this requires reducing the current emphasis of the programs on research-related projects or other projects not directly related to enrollment. In many cases such projects meet legitimate needs and have merit. In the current funding environment, however, we believe an increased emphasis on projects needed for enrollment would better insure that the state will be able to accommodate growing enrollments.

In this approach we assumed that, until the voters approve additional general obligation bonds for higher education facilities, the amount proposed in the budget from general obligation and lease-payment bonds (\$385 million) is a maximum amount. This includes \$333 million from lease-payment bonds. We believe the 1991-92 amount should be considered a maximum level, given the fact that, over the past five years, the Legislature has approved an average of \$179 million from lease-payment bonds. Within the constraint of the \$385 million proposed in the budget for higher education capital outlay we have reviewed projects in all segments on the basis of relative need.

Thus, we have reviewed the higher education programs within the following framework:

- Does a project meet critical fire/life safety needs?
- Is a project directed primarily at accommodating undergraduate enrollment growth by providing instructional space? Would its deferral result in a shortage of instructional space on a campus based on adopted state standards?

Chart 2

**1991-92 Higher Education Capital Outlay Programs
Summary of Budget Bill and Analyst's Recommendations**

(dollars in thousands)

Segment	<i>Budget Bill</i>				<i>Analyst's Recommendations</i>			
	General Obligation Bonds	Lease Payment Bonds	Future Cost	Instructional Capacity	General Obligation Bonds ^d	Lease Payment Bonds ^e	Future Cost	Instructional Capacity
University of California	\$20,611	\$110,562	\$155,308	108,872 ^a	\$15,107	\$98,616	\$135,632	139,644
California State University	21,621	110,491	47,210	7,277 ^b	21,965	126,832	302,516	18,220
California Community Colleges	10,110	111,686	32,382	89,544 ^c	10,348	92,386	150,325	198,933
Totals	\$52,342	\$332,739	\$234,900	N/A	\$47,420	\$317,834	\$588,473	N/A

^a UC units = assignable square feet of classroom and teaching laboratory space.

^b CSU units = full-time equivalent students accommodated.

^c CCC units = weekly student contact hours (student hours of room use per week).

^d Includes following amounts on which recommendation withheld: UC \$3,495,000 and CCC \$402,000.

^e Includes following amounts on which recommendation withheld: UC \$32,243,000; CSU \$5,073,000; CCC \$1,214,000.

OVERVIEW OF HIGHER EDUCATION—CAPITAL OUTLAY—Continued

- Would deferral of a project (1) delay occupancy of a building needed for the above purpose or (2) create undue risk of utility system failure?

If the answer with regard to a given project to any of the above questions is yes, we recommend the project be funded. To the extent monies remain available after funding these projects, we recommend that projects not directly related to enrollment growth, but which merit funding, be approved to provide a balanced capital outlay program.

We apply the above framework to all projects scheduled by the segments' five-year plans for expenditure in 1991-92, regardless of whether they are included in the budget. On this basis we recommend the Legislature delete funding for certain projects proposed in the budget and that the Legislature augment the budget to fund other projects. Under this framework no segment is "entitled" to a given share of available funding. Instead, we have tried to insure that funds are directed to projects that meet the most urgent needs, regardless of segment boundaries.

Chart 2 summarizes the amounts proposed in the 1991-92 budget for each segment and our recommendations.

As shown in Chart 2, our recommendations would result in the funding of projects that, when completed, would provide instructional space to accommodate 18,220 FTE students on CSU campuses and 198,933 WSCH on community college campuses. The budget requests funds for instructional space accommodating 7,277 FTE students on CSU campuses and 89,544 WSCH on community college campuses. We are unable to present comparable data for the UC program because the UC's five-year plan and other information provided to the Legislature does not identify the extent to which proposals accommodate student enrollment. Adoption of these recommendations would also leave an additional reserve of nearly \$5 million of general obligation bonds that could be used for planning of future projects.

Our detailed analysis of each segment's 1991-92 capital outlay program follows.

UNIVERSITY OF CALIFORNIA — CAPITAL OUTLAY

Item 6440-301 from various
bond funds

Budget p. E 74

Requested 1991-92.....	\$131,173,000
Recommended approval.....	68,567,000
Recommended reduction.....	26,868,000
Recommended augmentation.....	9,418,000
Net recommended approval.....	77,985,000
Recommendation pending.....	35,738,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS*Analysis
page*

1. Preliminary Plans not yet Available. Recommend approval of six proposed projects totaling \$6,053,000 contingent on receipt of completed preliminary plans prior to budget hearings. 1337
2. UCLA — Powell Library Seismic and Fire/Life Safety Upgrade. Withhold recommendation on \$32,243,000 requested under Item 6440-301-660 pending clarification of discrepancies between (a) a recent project status report to the Legislature, (b) recently completed preliminary plans, and (c) prior actions by the Legislature on this project. 1337
3. *UC Riverside — Soils/Plant Nutrition Building Upgrade. Transfer \$4,828,000 from Item 6640-301-791 (5) to Item 6440-301-660.* Recommend the Legislature fund this seismic upgrade project at UC Riverside from lease-payment bonds rather than general obligation bonds in order to use limited general obligation bonds to develop preliminary plans/working drawings for other projects. 1341
4. *Seismic Planning. Reduce Item 6440-301-785 by \$1 million.* Recommend deletion of \$1 million requested in Item 6440-301-785 for seismic planning because the Legislature already has approved funds for the Office of the State Architect (OSA) to conduct such planning and OSA's 1991-92 budget includes additional funds for this purpose. 1341
5. *Equipment Requests. Augment Item 6440-301-660 by \$3,719,000.* Recommend augmenting Item 6440-301-660 (lease-payment bonds) to add equipment for two projects nearing completion of construction: Irvine Medical Center, Psychiatric Inpatient Facility (\$1,530,000) and Irvine, Steinhilber Hall renovation (\$2,189,000). 1342
6. UCLA — Young Hall East Renovation. Withhold recommendation on \$1,150,000. Withhold recommendation on \$1,150,000 requested under Item 6440-301-791 (3) for working drawings for renovation of Young Hall East at UCLA 1345

UNIVERSITY OF CALIFORNIA — CAPITAL OUTLAY—Continued

pending receipt/review of a required report to the Legislature directed at reducing project costs.

7. *UC San Diego — Classroom Building. Augment Item 6440-301-791 by \$527,000.* Recommend augmentation to finance working drawings for Classroom Building 1 on the San Diego campus because deferral of this project would result in campus classroom space dropping to 76 percent of the need under state space/utilization standards. 1345
8. *UC San Diego — Undergraduate Visual Arts. Augment Item 6440-301-791 by \$102,000.* Recommend augmentation to finance preliminary plans and working drawings for planned renovations of the Mandeville Center in order to remove undergraduate visual arts studios from dilapidated, unsuitable space. 1346
9. *UC Riverside — Engineering Units 1 and 2. Augment Item 6440-301-791 by \$313,000.* Recommend the following for engineering facilities needed to accommodate newly established engineering program at UC Riverside: (a) approval of \$1,252,000 requested under Item 6440-301-791 for working drawings of Engineering Unit 1 and (b) augment Item 6440-301-791 by \$313,000 to add preliminary plans for Engineering Unit 2. 1347
10. *UC Irvine — Engineering Unit 2. Reduce Item 6440-301-660 by \$25,241,000.* Recommend approval of \$1,750,000 and a reduction of \$25,241,000 in Item 6440-301-660 (2) by limiting the construction of the Engineering Unit 2 project to the proposed lecture/seminar hall structure. Recommend deleting funds for construction of the second proposed structure, consisting largely of research and office space (74 percent of the building) that does not directly accommodate projected increases in undergraduate enrollment. 1348
11. *UC Davis — Social Sciences/Humanities Building.* Withhold recommendation on \$879,000 requested under Item 6440-301-791 for working drawings for the Social Sciences/Humanities Building on the Davis campus pending receipt/review of data substantiating (a) office space needs at this campus and (b) the basis for the proposed construction cost. 1349
12. *UC Riverside — Central Plant Boiler Renewal, Phase 2.* Withhold recommendation on \$1,466,000 requested under Item 6440-301-782 for Phase 2 boiler renewal at the Riverside campus pending receipt/review of Department of Finance report on (a) why another project (at UC Irvine) required to meet the same air quality regulations is not funded in the budget and (b) the implications of the regulations for statewide expenditures and air quality. 1349
13. *UC San Francisco — Health Science Instruction/Research Electrical Improvements. Reduce Item 6440-301-791 by* 1350

\$627,000. Recommend deletion of \$627,000 requested under Item 6440-301-791 (7) for preliminary plans and working drawings for electrical improvements to the Health Science Instruction/Research Building at UC San Francisco because the improvements are tied to another project that has been deferred.

14. *UC Davis — Chilled Water Expansion. Augment Item 6440-301-660 by \$4,757,000.* Recommend augmentation of \$4,757,000 to add construction of chilled water expansion at the Davis campus because the expansion is needed for the cooling needs of campus buildings, including the Engineering Unit 2 facility now under construction. 1351
15. University to Fund Some Preliminary Plans with Own Funds. Recommend that the university report to the fiscal committees prior to budget hearings on its plans to fund preliminary plan requests that were not included in the budget. 1352

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

Budget Request

The budget proposes various appropriations totaling \$131.2 million to fund the state's share of the University of California (UC) capital outlay program in 1991-92. Of this amount, \$110.6 million would come from General Fund lease-payment bonds. These bonds are referred to commonly as "revenue bonds," which is a misnomer, since the facilities constructed with the bonds do not generate revenues. Instead, the General Fund repays the principal and interest on the bonds. In the 1990 Budget Act the Legislature approved \$104.3 million of lease-payment bonds for the UC capital outlay program.

The remainder of the 1991-92 request — \$20.6 million — would come from various general obligation bond funds approved by the voters before the November 1990 election. The budget would have requested considerably more funds (probably about \$100 million) for UC's capital outlay program had a \$450 million bond measure for higher education facilities not been defeated in that election. The consequences of that defeat are discussed in our overview section on higher education capital outlay, as well as later in this analysis of the UC capital outlay program.

UNIVERSITY OF CALIFORNIA — CAPITAL OUTLAY—Continued

MAJOR ISSUES

- Defeat of \$450 Million General Obligation Bond Measure. The measure's defeat complicates the state's efforts to meet higher education facility needs occasioned by enrollment growth. If the state is to accommodate current/projected enrollments, reevaluation of the proposed higher education programs is necessary, including the UC's continuing emphasis on research-related facilities.
- Assessing the budget's impact on accommodating growing enrollments at the UC campuses is made difficult because the university has not included in its five-year capital outlay plan information — requested by the Legislature in the *Supplemental Report of the 1990 Budget Act* — regarding how proposed projects address enrollment needs.

Five-Year Capital Outlay Plan

The UC's five-year capital outlay plan, dated October 1990, calls for the expenditure of over \$1.1 billion from 1991-92 through 1995-96, including \$235 million in the budget year. The budget provides about 55 percent of this planned amount, due primarily to the failure of the November 1990 higher education bond measure.

Last year, in our *Analysis of the 1990-91 Budget Bill*, we recommended that the UC improve its capital outlay plan in order to better inform the Legislature how proposed projects address needs related to enrollment growth and other needs such as research and support activities. We pointed out that the Legislature needed this information so that it could (1) assess the relative needs for proposed projects, (2) set priorities and (3) strike an appropriate funding balance between projects meeting enrollment needs and projects addressing other needs. The Legislature adopted language in the *Supplemental Report of the 1990 Budget Act* specifying, among other things, that the UC's subsequent capital outlay plan explain how each project contributes to accommodating needs associated with current/projected enrollments of graduate and undergraduate students, and other needs, and rough estimates of the costs of meeting those needs. Unfortunately, the UC's latest plan does not include this information. The Legislature needs this information more than ever because the failure of the November 1990 bond measure calls into

question the state's ability to fully address needs related to enrollment growth.

Consequences of the Failure of the November 1990 Bond Measure

The capital outlay plans of the state's three segments of higher education call for \$3.9 billion of spending over the next five fiscal years, including \$688 million in the budget year. As discussed in our overview of higher education capital outlay, these spending plans were predicated not only on the success of the \$450 million bond measure on the November 1990 ballot but also on (1) passage of major general obligation bond measures every two years thereafter and (2) annual authorizations of nonvoter approved debt (lease-payment bonds) to make up the balance. Thus, the failure of the November bond measure is not only a \$450 million setback, largely manifested in reduced capital outlay budget proposals for 1991-92, but raises questions about the viability of the future funding strategy for implementing the plans. Although all of the requests in the plans may not merit funding, much of the planned funding will be required to meet legitimate needs of the higher education segments, including significant needs occasioned by enrollment growth.

In UC's case, failure of the bond measure has resulted in deferral of up to 36 of the 54 projects requested by the UC Regents for funding in the budget. In addition, the budget provides only part of the amounts requested for three other projects. Chart 1 compares the Regents plan for 1991-92, including the future costs to complete those projects, with the budget and its associated future costs.

The budget defers \$104.3 million planned for expenditure in 1991-92 by the five-year capital outlay plan. The future costs associated with these expenditures — that is, the costs that otherwise would have been incurred in 1992-93 and beyond to complete the projects — also are deferred. These costs total almost \$204 million.

What are the implications of these deferrals for accommodating enrollment growth at the UC campuses? This is difficult to assess since, as noted above, UC's five-year plan does not include the information requested in the *Supplemental Report of the 1990 Budget Act* regarding how each project addresses enrollment needs. In addition, the detailed space tables provided by the UC, as supplemental information to the five-year plan, also do not indicate how many students are accommodated by planned projects, nor do they compare existing/planned teaching laboratory space with current/projected needs for this type of space. The CSU and the community colleges provide this information, making it possible to assess how projects proposed by those segments accommodate enrollment.

New Campuses

During last year's budget hearings the fiscal subcommittees considered UC's proposal to establish three new campuses later in this decade. In the *Supplemental Report of the 1990 Budget Act* (Item 6440-001-001) the Legislature stated its intent that the university (1) expedite the planning for one new campus and (2) reassess its enrollment assumptions associ-

UNIVERSITY OF CALIFORNIA — CAPITAL OUTLAY—Continued

Chart 1

**University of California
1991-92 Capital Outlay Program
Comparison of Five-Year Plan and Governor's Budget**

(dollars in thousands)

	Number of Projects	1991-92 Amount	Associated Future Costs ^a
Regents Five-Year Plan	54	\$235,484	\$345,911
Governor's Budget	18 ^b	131,173	155,308
Deferred	39 ^b	104,311	203,872

^a UC estimates.^b Includes three projects for which funding is *partially* deferred.

ated with additional campuses. The university was to provide a status report to the Legislature by December 1, 1990. At the time this analysis was written, the report had not been sent to the Legislature. According to the UC staff, the Regents will be asked to approve this report at their February 1991 meeting.

ANALYSIS AND RECOMMENDATIONS

The University of California's 1991-92 capital outlay program includes \$131,173,000 for 18 projects, including a minor capital outlay program and a proposal for planning seismic-related improvements.

Framework for Analysis

As discussed above and in our overview of higher education capital outlay, the failure of the November 1990 bond measure places higher education capital outlay in a fiscal environment of limitation and uncertainty. It does not, however, eliminate the need to construct facilities to accommodate significant enrollment increases projected for the next five years and beyond and to meet other program needs. In view of the above, our approach in reviewing the budget proposals for capital outlay is different than in prior budget analyses. As described in our overview of higher education capital outlay, this approach seeks to concentrate the limited resources available on projects that accommo-

date undergraduate enrollment. To do this requires reducing the current emphasis of the capital outlay programs on research-related projects or other projects not directly related to enrollment. In many cases such projects meet legitimate needs and have merit. In the current funding environment, however, we believe an increased emphasis on projects needed for enrollment growth would create more balance in the programs and better ensure that the state will be able to accommodate growing enrollments.

We describe our analytical approach and its rationale in more detail in our overview of higher education capital outlay. To briefly reiterate, however, we have considered the amount proposed in the budget from general obligation and lease-payment bonds (\$385 million) as a maximum level for these programs. Within the constraint of the \$385 million proposed in the budget for higher education capital outlay we have reviewed projects in all segments on the basis of relative need.

With this approach in mind, we have reviewed the combined higher education programs within the following priority framework:

- Does a project meet critical fire/life safety needs?
- Is a project directed primarily at accommodating undergraduate enrollment growth by providing instructional space? Would its deferral result in a shortage of instructional space on a campus based on adopted state standards?
- Would deferral of a project (1) delay occupancy of a building needed for the above purpose or (2) create undue risk of utility system failure?

If the answer with regard to a given project to any of the above questions is yes, we recommend the project be funded. To the extent monies within the proposed \$385 million remain available after funding such projects, we recommend that projects not directly related to enrollment growth, but which merit funding, be approved to provide a balanced capital outlay program. A summary of the net effect on the UC, the California State University and the community colleges' 1991-92 capital outlay programs is provided in our overview discussion of higher education capital outlay.

Our analysis and recommendations for the UC's capital outlay program, made within the above priority framework, follows. To facilitate analysis of UC projects, we have divided them into descriptive categories as shown in Chart 2. Some 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 instructional-related or research-related based on the relative square footage assigned to these purposes.

Continued Emphasis on Research Space

As Chart 2 indicates, the largest category of expenditure proposed in the UC capital outlay budget are projects to mitigate hazards (\$81.2 million). These proposed projects include \$32.2 million for seismic

UNIVERSITY OF CALIFORNIA — CAPITAL OUTLAY—Continued

Chart 2

**University of California
1991-92 Capital Outlay Program
Summary by Project Categories**
**1991-92 Budget
(dollars in thousands)**

Category (primary purpose)	Number of Projects	Total State Cost	Estimated Future Cost ^a
A. Mitigate hazards	6	\$81,231	\$11,156
B. Complete newly constructed facilities	1	117	--
C. Instructional-related facilities	3	2,356	43,352
D. Research-related facilities	4	39,997	73,138
E. Faculty/administrative offices	1	879	24,127
F. Utilities/infrastructure	2	2,093	3,535
G. Minor capital outlay	N/A	4,500	--
Totals	17	\$131,173	\$155,308

^a University estimates.

and fire safety improvements to the UCLA's Powell Library and \$40.8 million for an addition to the Doe and Moffitt Libraries at Berkeley — a project that includes seismic upgrading and other code corrections to the existing structures.

When future project costs are taken into account, however, the largest category of expenditure becomes new research-related facilities, continuing an emphasis on research-related facilities that we noted in last year's *Analysis*. The budget-year and future costs of these four research-related projects total \$113 million. By contrast the budget-year and future costs for the three projects in the budget that primarily provide instructional space total \$45.7 million.

Accommodating Enrollment Growth. According to the UC's capital outlay plan, enrollment is projected to increase from 161,100 students in the current year to 173,300 by 1995-96, an increase over the five-year period of 12,200 students (7.5 percent). This increase exceeds the current enrollments at either UC Santa Cruz or UC Riverside. As with the other two higher education segments, accommodating enrollment growth needs to be a major emphasis of the UC's capital outlay efforts.

Analysis of Specific Projects

Chart 3 summarizes our recommendations for each project proposed in the Budget Bill, as well as additional projects we believe warrant funding under the priority approach described above. The projects are grouped by the descriptive categories used in Chart 2. As summarized in Chart 3, we recommend reductions totaling \$26.9 million, augmentations totaling \$9.4 million, and have withheld recommendation on \$35.7 million. Our analysis and recommendations for specific projects follow.

Projects for Which We Recommend Approval or Contingent Approval

We recommend approval of six proposed projects totaling \$6,053,000 (as summarized in Chart 3) contingent on receipt of completed preliminary plans prior to budget hearings.

Our analysis indicates that four projects proposed in the budget, totaling \$55,936,000, are justified and the amounts are consistent with prior legislative action. We recommend approval as budgeted for these projects. Six other proposed projects, totaling \$6,053,000, are justified and include amounts consistent with prior legislative action. At the time this analysis was prepared, however, the UC had not provided the Legislature with completed preliminary plans for these projects. Therefore, we recommend approval of these projects contingent on receipt of completed preliminary plans. If the preliminary plans are not available to the Legislature prior to budget hearings 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

As shown in Chart 3, this category includes six projects totaling \$81.2 million, with future costs estimated at \$11.2 million. We recommend approval as budgeted or approval contingent on receipt of preliminary plans for three projects that are needed to meet critical fire/life safety needs. These project requests total \$43 million.

We withhold recommendation on \$32.2 million requested for construction of seismic and fire safety improvements to the Powell undergraduate library at UCLA, pending review of (1) recently completed preliminary plans and (2) a report recently sent to the Legislature pursuant to the *Supplemental Report of the 1990 Budget Act*. In this category, we also recommend (1) a funding switch for \$4.8 million requested for a seismic upgrade project at UC Riverside and (2) deletion of \$1 million requested for university-wide seismic planning. Our recommendations for these requests are discussed below.

UCLA — Powell Library Seismic and Fire/Life Safety Upgrade

We withhold recommendation on \$32,243,000 requested under Item 6440-301-660(3) for construction of seismic and fire/life safety improvements to Powell Library at UCLA pending clarification of discrepancies between (1) a project status report submitted to the Legislature

Chart 3

**University of California
1991-92 Capital Outlay Program
Summary of Analyst's Recommendations**

(in thousands)

Project	Phase ^a	Budget Bill			Analyst's Recommendations		
		General Obligation Bonds	Lease Payment Bonds	Estimated Future Cost	General Obligation Bonds	Lease Payment Bonds	Estimated Future Cost
MITIGATE HAZARDS							
Berkeley--Doe and Moffitt Libraries	c	--	\$40,785	\$1,026	--	\$40,785	\$1,026
Los Angeles--Powell Library	c	--	32,243	--	--	pending	--
San Francisco--Fire Alarm System	wc	\$2,249	--	2,909	\$2,249 ^b	--	2,909
San Francisco--Fire Protection Water Supply	w	126	--	6,960	126 ^b	--	6,960
Seismic planning	p	1,000	--	--	--	--	--
Riverside--Soils/Plant Nutrition Seismic	c	4,828	--	261	--	4,828	261
COMPLETE NEWLY CONSTRUCTED FACILITIES							
Santa Cruz--Science Library released space	e	117	--	--	117	--	--
Irvine Medical Center--Psychiatric Inpatient Facility	e	--	--	--	--	1,530	--
Irvine--Steinhaus Hall renovation	e	--	--	--	--	2,189	--
INSTRUCTIONAL-RELATED FACILITIES							
Los Angeles--Young Hall East renovation	w	1,150	--	19,341	pending	--	pending
Santa Cruz--College Ten	w	607	--	13,269	607 ^b	--	13,269
Santa Cruz--Music Facility	w	599	--	10,742	599 ^b	--	10,742
San Diego--Classroom Building	w	--	--	--	527 ^b	--	10,786
San Diego--Mandeville renovations	pw	--	--	--	102	--	1,195

Chart 3—CONTD							
Project	Phase ^a	Budget Bill			Analyst's Recommendations		
		General Obligation Bonds	Lease Payment Bonds	Estimated Future Cost	General Obligation Bonds	Lease Payment Bonds	Estimated Future Cost
RESEARCH-RELATED FACILITIES							
Irvine--Engineering Unit 2	c	--	26,991	4,789	--	1,750	^c
San Diego--Visual Arts Facility	c	--	10,534	568	--	10,534	568
Riverside--Engineering Unit 1	w	1,252	--	37,940	1,252 ^b	--	37,940
Riverside--Engineering Unit 2	p	--	--	--	313	--	20,135
San Diego--Engineering Unit 2	w	1,220	--	29,841	1,220 ^b	--	29,841
FACULTY/ADMINISTRATIVE OFFICES							
Davis--Social Sciences/Humanities	w	879	--	24,127	pending	--	pending
UTILITIES/INFRASTRUCTURE							
Riverside--Boiler renewals, phase 2	c	1,466	--	--	pending	--	--
San Francisco--HSIR electrical improvements	pw	627	--	3,535	--	--	--
Davis--Chilled Water expansion, phase 3	c	---	--	--	--	4,757	--
OTHER							
Minor capital outlay program	pwc	4,500	--	--	4,500	--	--
Totals		\$20,611	\$110,562	\$155,308	\$11,612^d	\$66,373^e	\$135,632
^a Phase symbols indicate the following: p = preliminary plans; w = working drawings; c = construction; e = equipment. ^b Recommended amount contingent on receipt of preliminary plans. ^c Recommended amount contingent on receipt of additional information. ^d Analyst withholds recommendation on a total of \$3.5 million. ^e Analyst withholds recommendation on a total of \$32.2 million.							

UNIVERSITY OF CALIFORNIA — CAPITAL OUTLAY—Continued

January 22, 1991, (2) preliminary plans submitted to the State Public Works Board January 25, 1991 that indicate an additional \$1.5 million is needed for construction, and (3) prior legislative actions on this project.

The budget includes \$32,243,000 under Item 6440-301-660 (3) for construction of seismic and fire/life safety improvements to the Powell undergraduate library at UCLA. This amount is consistent with the construction cost recognized by the Legislature in the *Supplemental Report of the 1990 Budget Act*, adjusted for inflation.

During last year's budget hearings the UC indicated that unforeseen problems that had arisen during preparation of preliminary plans threatened to increase construction costs of the Powell Library project by as much as \$14 million. Although preliminary plans were far from complete, the UC requested that the Legislature appropriate funds for working drawings. University staff committed to an effort to eliminate as much of the potential cost increase as possible, while still meeting program objectives, before requesting construction funds. With this understanding, the Legislature appropriated \$1.9 million for working drawings and adopted supplemental report language stating in part that "...the campus work towards a solution to minimize future construction costs. The Legislature recognizes that this effort may be accompanied by a change in project scope and/or increase in project cost." The university was to report to the Joint Legislative Budget Committee and the fiscal committees on or before December 1, 1990, "...on the status of the project, including adequate detail to fully inform the Legislature on all options for minimizing costs and their programmatic implications."

The status report was submitted to the Legislature on January 22, 1991. Three days later the university submitted completed preliminary plans and a cost estimate to the State Public Works Board (PWB) and requested that the board approve the preliminary plans at its February 1991 meeting. Our *preliminary* review of these two submittals reveals the following:

- The report to the Legislature presents a construction budget that is consistent with the budget request. The submittal to the PWB presents a construction budget that is \$1,492,000 higher. The PWB submittal attributes the cost increase to "interim staging" costs, but provides no basis for the cost increase.
- The report to the Legislature provides a cursory evaluation of the options considered to minimize costs, even though the Legislature requested "adequate detail to fully inform the Legislature on all options for minimizing costs and their programmatic implications."
- The "interim staging" costs submitted to the PWB include \$2,575,000 for construction of a "tensile structure" for the temporary housing of certain library functions and \$2 million for construction of a modular building for the permanent relocation of the Graduate School of Library and Information Sciences. None of the information provided to the Legislature to support past funding requests for this project ever mentioned the need for these two structures. The \$4.6 million

cost of the structures is in addition to more than \$1.2 million previously recognized by the Legislature as part of the project budget for relocation costs and leasing of temporary space during construction.

In view of the late receipt of the above information and the various discrepancies between the two submittals, we withhold recommendation on the \$32,243,000 requested for construction pending further review of the documents and receipt of information from the UC clarifying the various issues.

UC Riverside — Soils/Plant Nutrition Building Seismic Upgrade

We recommend the Legislature approve the \$4,828,000 requested for construction of seismic improvements to the Soils/Plant Nutrition Building under Item 6440-301-660 (lease-payment bonds) instead of under Item 6440-301-791 (5) in order to use limited general obligation bond funds for planning/design needs on other higher education projects.

The budget includes \$4,828,000 under Item 6440-301-791 (general obligation bonds) for construction of seismic improvements to the Soils and Plant Nutrition Building at UC Riverside (to be used after the upgrade for the university's management school). We recommend that the Legislature approve the request under Item 6440-301-660 (lease-payment bonds) instead, in order to maximize the amount of general obligation bonds available for preliminary plans and working drawings for other higher education projects. According to the State Treasurer's staff, there are legal, technical and credit problems that would prevent the Treasurer from selling lease-payment bonds to fund preliminary plans or working drawings, absent concurrent appropriation authority for lease-payment bonds to construct the facility. Thus, of the two types of bonds proposed in the budget for higher education projects, general obligation bonds must be used to fund preliminary plans or working drawings. We believe it would be prudent for the Legislature to use the limited amount of remaining general obligation bonds for those purposes. Consequently, we recommend the Legislature fund the construction phase of the Riverside project from lease-payment bonds, thereby freeing-up \$4.8 million in general obligation bonds for other uses.

University-Wide Seismic Planning

We recommend deletion of \$1 million requested in Item 6440-301-785 for seismic planning because the Legislature already has approved funds for the Office of the State Architect (OSA) to conduct such planning and OSA's 1991-92 budget includes additional funds for this purpose.

The budget includes \$1 million in general obligation bond funds for UC to conduct university-wide seismic planning, including the preparation of

UNIVERSITY OF CALIFORNIA — CAPITAL OUTLAY—Continued

preliminary plans for unspecified projects. The Legislature appropriated \$544,000 in the 1990 Budget Act for the Office of the State Architect to conduct a survey of seismic needs of all state buildings for purposes of identifying the highest priority needs. Included in the 1990 Budget Act amount was an appropriation of \$182,000 from the June 1990 Higher Education Capital Outlay Bond Fund for the specific purpose of defraying costs of surveying UC and other higher education facilities. The budget proposes a second increment of \$338,000 for this work by the State Architect, including \$113,000 from the June 1990 Higher Education Capital Outlay Bond Fund. The \$1 million request for seismic planning in the UC item would, to some extent, duplicate work by the State Architect. Moreover, to the extent the UC request is used for preparation of preliminary plans for seismic upgrade, it could prematurely commit funds to projects that later may be determined by the State Architect's survey to be of low statewide priority. For these reasons we recommend deletion of the \$1 million requested in Item 6440-301-785.

B. Complete Newly Constructed Facilities

We recommend the following augmentations to Item 6440-301-660 (lease-payment bonds) to provide equipment needed to complete funded facilities now under construction: \$1,530,000 for the Irvine Medical Center, Psychiatric Inpatient Facility and \$2,189,000 for the Steinhaus Hall renovation at UC Irvine.

The budget includes \$117,000 in Item 6440-301-791(9) for equipment for the Science Library Released Space project at the Santa Cruz campus. We recommend approval as budgeted. The budget, however, defers funding for four other equipment requests in the five-year plan, totaling \$12,259,000. Based on schedule information provided by the UC, two of these deferred requests will be needed in the budget year because the related construction projects will be completed or virtually completed and ready for installation of equipment before July 1992. Chart 4 shows these two equipment requests, as well as the single equipment request in the budget, with the UC's estimated construction completion dates.

Without the equipment the constructed facilities will not be fully useable. Therefore, we recommend that the Legislature augment Item 6440-301-660 (lease-payment bonds) by a total of \$3,719,000 for equipment for the Irvine projects, as summarized in Chart 4.

Chart 4

**University of California
1991-92 Capital Outlay Program
Equipment**
**Items 6440-301-660 and 6440-301-791
(dollars in thousands)**

Project	Budget Bill Amount	Analyst's Recommendation	Construction Completion Date
Santa Cruz--Science Library Release Space	\$117	\$117	June 1992
Irvine Medical Center--Psychiatric Inpatient Facility	--	1,530	August 1992
Irvine--Steinhaus Hall Renovation	--	2,189	June 1992
Totals	\$117	\$3,836	

Instructional and Research-Related Space

Chart 5 provides a comparison of the square footage assigned to various types of space in the instructional-related and research-related projects proposed in the budget and under our recommendations. We have withheld recommendation on the UCLA Young Hall East renovation project pending additional information. Consequently, the effect of this project is not included in the totals for Analyst's Recommendation in Chart 5.

C. Instructional-Related Facilities

The budget includes \$1,206,000 for working drawings for two instructional-related facilities at the Santa Cruz campus — College Ten academic facilities and a new Music Facility. The UC estimates future costs for these projects totaling \$24 million. We recommend approval of these requests contingent on receipt of completed preliminary plans prior to budget hearings. The budget also includes \$1,150,000 for working drawings to upgrade the east wing of Young Hall on the Los Angeles campus. As discussed below, we withhold recommendation on this request.

The UC five-year plan scheduled expenditures totaling \$1.4 million for four other instructional-related projects. The budget does not include these funds. We recommend an augmentation of \$527,000 for working drawings (contingent on receipt of completed preliminary plans) for a

Chart 5

**University of California
1991-92 Capital Outlay Program
Instructional and Research-Related Space**

Assignable Square Feet

Project	Lecture/ Classroom	Teaching Laboratory	Research	Faculty Office	Graduate Student Office	Adminis- tration	Other	Total
BUDGET BILL								
Instructional-Related Space:								
Santa Cruz--College Ten	6,058	14,452	12,274	4,290	2,080	3,021	1,820	43,995
Santa Cruz--Music Facility	--	15,570	830	3,020	640	725	6,215	27,000
Los Angeles--Young Hall East renovation	--	8,032	-9,526	2,038	--	3,338	1,501	-1,293
Research-Related Space:								
Irvine--Engineering Unit 2	4,630	10,690	31,990	4,752	2,244	12,464	7,347	74,117
Riverside--Engineering Unit 1	1,800	26,560	49,600	8,400	4,850	8,925	3,900	104,035
San Diego--Engineering Unit 2	1,196	19,794	33,411	5,339	5,214	4,922	10,149	80,025
San Diego--Visual Arts Facility	--	--	28,831	1,859	11,475	--	7,982	50,147
Budget Bill Totals	13,684	95,098	147,410	29,698	26,503	26,719	38,914	378,026
ANALYST'S RECOMMENDATIONS								
Instructional-Related Space:								
Santa Cruz--College Ten	6,058	14,452	12,274	4,290	2,080	3,021	1,820	43,995
Santa Cruz--Music Facility	--	15,570	830	3,020	640	725	6,215	27,000
San Diego--Classroom Building 1	25,000	--	--	--	--	5,021	6,135	36,156
San Diego--Mandeville renovations	--	16,264	--	--	472	1,001	-322	17,415
Research-Related Space:								
Irvine--Engineering Unit 2	4,630	--	--	--	--	--	--	4,630
Riverside--Engineering Unit 1	1,800	26,560	49,600	8,400	4,850	8,925	3,900	104,035
Riverside--Engineering Unit 2	--	8,320	19,520	10,650	5,250	3,150	--	46,890
San Diego--Engineering Unit 2	1,196	19,794	33,411	5,339	5,214	4,922	10,149	80,025
San Diego--Visual Arts Facility	--	--	28,831	1,859	11,475	--	7,982	50,147
Analyst's Recommendation Totals	38,684	100,960	144,466	33,558	29,981	26,765	35,879	410,293

planned Classroom Building at UC San Diego, and an augmentation of \$102,000 for preliminary plans and working drawings for renovation of space at UC San Diego for undergraduate art studios, for reasons discussed below.

UCLA — Young Hall East Renovation

We withhold recommendation on \$1,150,000 requested under Item 6440-301-791 (3) for working drawings for renovation of Young Hall East at UCLA pending receipt/review of a required report to the Legislature directed at reducing future renovation costs.

The budget includes \$1,150,000 from general obligation bonds for working drawings to upgrade chemistry laboratory facilities in the East Wing of Young Hall at UCLA. The university estimates future project costs of \$19.3 million. The Legislature approved \$932,000 in the 1990 Budget Act for preliminary plans and requested, through supplemental report language, that the UC "thoroughly reevaluate its renovation needs to (1) identify what work is essential to meet program and life safety needs and (2) reduce project cost, as appropriate." The UC is to report to the Legislature on its findings prior to budget hearings and the budget request may need to be revised as a result.

We withhold recommendation on the request pending receipt/review of this report. As currently proposed, the project renovates 54,700 asf of existing space at a high cost (budget-year and future costs total \$20.5 million) yet results in marginal enhancements/increases to instructional space. Only 8,538 asf of existing teaching laboratory space would be upgraded under the current proposal. An additional 8,032 asf of existing space would be converted to teaching laboratories. The remainder of space to be renovated is largely research and office space. If the UC's report proposes significant reductions from the current estimated cost for renovations, the project may merit funding in the budget year within the fiscal constraints faced by the higher education capital outlay programs. Otherwise, the Legislature may wish to defer funding this project until a viable financing plan is in place for higher education capital outlay needs.

UC San Diego — Classroom Building 1

We recommend a \$527,000 augmentation to Item 6440-301-791 to add working drawings for the planned Classroom Building 1 on the San Diego campus because deferral of this project would result in campus classroom space dropping to 76 percent of the need under state space/utilization standards.

The UC's five-year capital outlay plan proposes expenditure in the budget year of \$527,000 for Classroom Building 1 at the San Diego campus. The budget does not include funds for this project. The university estimates future costs of \$10.8 million. According to the UC's space data tables, if this project were deferred UC San Diego's classroom space would fall to 76 percent of the space needs under the state's space/utilization standards, given projected enrollment increases. This would constitute a relatively serious space shortage that should be

UNIVERSITY OF CALIFORNIA — CAPITAL OUTLAY—Continued

addressed. If the project is constructed by 1995, as assumed under the five-year plan, the campus would have 86 percent of the needed classroom space. In recognition of the priority of this need the UC already has committed nonstate funds to prepare preliminary plans. Based on the above, we recommend augmenting the budget by \$527,000 to add working drawings for Classroom Building 1, contingent on the Legislature receiving the completed preliminary plans prior to budget hearings.

UC San Diego — Mandeville Renovations (Undergraduate Visual Arts)

We recommend an augmentation of \$102,000 to Item 6440-301-791 to add preliminary plans and working drawings for renovations of the Mandeville Center in order to remove undergraduate visual arts studios from dilapidated, unsuitable space.

The budget proposes \$10,534,000 in Item 6440-301-660(4) for construction of a Visual Arts Facility at UC San Diego. The project provides new studios and office space for faculty and graduate students in the visual arts programs. The project does not provide space for undergraduate students. When the UC requested preliminary plans for the project in the 1989-90 budget, however, the UC justified the request in large part on the basis that the project would enable the campus to remove undergraduate teaching studios from unsuitable space in World War II-era quonset huts. The original UC proposal stated that "the existing quonset huts used for undergraduate teaching laboratories are ill suited for instructional purposes. The buildings are dilapidated beyond repair, provide an insufficient amount of usable square footage, are poorly configured and are too remote from other Visual Arts Department facilities."

Rather than construct new facilities for the undergraduate programs, however, UC proposed a two-step solution. Under the first step, the new Visual Arts Facility would be constructed to provide offices and studios for faculty and graduate students. Upon completion of that facility faculty and graduate students would move from existing space in the Mandeville Center. Step two consisted of renovating the vacated Mandeville Center to provide undergraduate teaching laboratories, thereby enabling abandonment of the quonset huts. The UC's five-year plan schedules expenditures in 1991-92 for both projects — \$10,534,000 for construction of the faculty/graduate student facility and \$102,000 for preliminary plans and working drawings for renovating the Mandeville Center for the undergraduate spaces. The five-year plan identifies the faculty/graduate student facility as the *first priority of all proposed UC projects* for 1991-92. The plan identifies the Mandeville Center renovations as priority number 30. The budget includes funds for the first project and not for the second.

In order to address the unsuitable conditions under which undergraduate programs in Visual Arts are conducted we recommend that both projects be funded. Accordingly, we recommend an augmentation of \$102,000 to Item 6440-301-791 to add preliminary plans and working drawings for the Mandeville Center improvements. The estimated future cost for this project is \$1.2 million.

D. Research-Related Facilities

This category includes four projects totaling \$40 million in the budget year, with future costs totaling \$73.2 million. One of the proposed projects is the Visual Arts Facility at UC San Diego. We recommended approval as budgeted (\$10,534,000) for the project for reasons given above in our discussion of the Mandeville Center renovations on that campus. We recommend approval, contingent on receipt of completed preliminary plans, for a \$1.2 million request for working drawings for Engineering Unit 2 at UC San Diego. Our recommendations for the other two projects in this category follow. In addition, as discussed below, we recommend the Legislature augment the budget to provide preliminary planning funds for an engineering building at UC Riverside.

UC Riverside — Engineering Units 1 and 2

We recommend approval of \$1,252,000 requested under Item 6440-301-791 (4) for working drawings of Engineering Unit 1 at the Riverside campus. We further recommend an augmentation of \$313,000 under Item 6440-301-791 to add preliminary plans for Engineering Unit 2 because the second facility is a necessary adjunct to the first unit to enable establishment of a viable engineering sciences program at UC Riverside.

The budget includes \$1,252,000 from general obligation bonds for working drawings for the Engineering Unit 1 project at the Riverside campus. The UC estimates future costs of \$37.9 million to complete this project. In addition, the UC plans an Engineering Unit 2 project at an estimated total cost of \$20.4 million. According to UC staff, the Engineering Unit 2 is a necessary adjunct to the first project in order to establish a viable engineering program on campus. The five-year plan scheduled \$313,000 for preliminary plans for Unit 2 in 1991-92 but the budget does not provide these funds.

The Regents have approved establishing an engineering sciences program at the Riverside campus. Implementation of the program, however, depends on construction of the Engineering Unit 1, which currently is scheduled for completion in January 1995, and the subsequent construction of Engineering Unit 2, scheduled for completion in the fall of 1995.

On the basis of assigned space and costs, the Riverside Engineering proposals emphasize research. On the other hand, the two projects provide assignable square feet for the undergraduate program and, according to the UC, the projects are essential for the new engineering program. In addition, of all the UC campuses, Riverside is the fastest-growing and has more potential than any other to accommodate increased enrollments, if necessary facilities are constructed. A major component of the campus growth plan is successful development of the engineering programs. In this light, we recommend an augmentation of \$313,000 to Item 6440-301-791 to develop preliminary plans for the Engineering Unit 2.

UNIVERSITY OF CALIFORNIA — CAPITAL OUTLAY—Continued
UC Irvine — Engineering Unit 2

We recommend approval of \$1,750,000 in Item 6440-301-660(2) to fund construction of the proposed lecture/seminar hall structure portion of the Engineering Unit 2 project. We recommend the Legislature delete the remaining \$25,241,000 requested for construction of the separate laboratory/office structure, consisting largely of research and office space (74 percent of the building).

The budget proposes \$26,991,000 in General Fund lease-payment bonds for construction of the Engineering Unit 2 project at the Irvine campus. The UC estimates future costs for equipment of \$4.8 million. Preliminary plans have been completed for the project and working drawings are under preparation. The completed preliminary plans propose two separate structures — a 4,630 asf lecture hall/seminar room building and a 69,500 asf laboratory/office building for civil, mechanical and electrical engineering, as well as the Office of Academic Computing. Based on the detailed cost estimate for the preliminary plans, we estimate that approximately \$1.8 million of the construction cost is attributable to the lecture/seminar structure and \$25.2 million is attributable to the laboratory/office structure.

Lecture/Seminar Building. The proposed lecture/seminar building addresses a serious campus-wide space shortage and should proceed. According to the UC's space data tables, lecture/classroom space at Irvine would drop to 65 percent of space needs under state standards without construction of this building, given projected enrollment growth. The proposed building alleviates the shortage to some extent, bringing the campus to 70 percent of space need in the anticipated year of occupancy, 1993-94.

Laboratory/Office Building. The laboratory/office building provides 10,700 asf for teaching laboratories (15 percent of the space in the building), 32,000 asf for research laboratories (46 percent) and 26,800 asf for academic and administrative offices (39 percent). We recognize that research and office space are necessary and appropriate components of academic facilities. However, if the state is to accommodate the enrollment needs faced by the segments with the limited resources available, it must concentrate its spending on those projects that accommodate the most students at reasonable cost. Our combined recommendations for higher education capital outlay, based on an integrated analysis of the three segments' plans, utilizes nearly all proposed funding. Thus, lacking sufficient available funds, we recommend the Legislature defer construction of the proposed laboratory/office structure by deleting the related \$25,241,000 under Item 6440-301-660(2).

In view of the above we recommend a reduction of \$25,241,000 and approval in the amount of \$1,750,000 in Item 6440-301-660(2) to construct the Lecture/Seminar Building at UC Irvine. We note that the estimated square foot costs for the building are relatively high (building cost of \$196 per gross square foot. By contrast the CSU's cost guidelines call for \$104 per gross square foot in the budgeting/design of classroom space.) On the

basis of further discussion with UC staff on the design details of the proposed building we may recommend a further reduction prior to budget hearings.

E. Faculty/Administrative Office Space

The budget proposes funds for one project in this category which we discuss below.

UC Davis — Social Sciences/Humanities Building

We withhold recommendation on \$879,000 requested under Item 6440-301-791 (2) for working drawings for the Social Sciences/Humanities Building on the Davis campus pending receipt/review of data substantiating (1) the office space need to be addressed by this proposal and (2) the basis for the proposed construction cost.

The budget proposes \$879,000 from general obligation bonds for working drawings for a new Social Sciences/Humanities Building on the Davis campus. The university estimates future costs of \$24.1 million. Of the 81,000 asf of space proposed in the new building, approximately 62,000 asf (77 percent) is for faculty and administrative offices and conference rooms. Unlike CSU and the community colleges, the UC does not provide the Legislature data comparing existing/planned faculty office space at each campus with current/projected office space needs. Thus, we are unable at this time to advise the Legislature whether the proposed offices are needed.

In addition, we note that the estimated building cost (\$136 per gross square foot) is about 30 percent higher than other state projects providing similar space. Given the limited resources available for higher education capital outlay needs, greater attention needs to be given to minimizing construction costs wherever possible.

In view of the above, we withhold recommendation on \$879,000 requested under Item 6440-301-791 for working drawings, pending receipt/review of data substantiating (1) the need for the proposed office space and (2) the basis for the proposed construction cost.

F. Utilities/Infrastructure

The budget includes \$2.1 million for two utility/infrastructure projects, discussed below. Also discussed below is our recommendation that the Legislature add construction funds to expand the chilled water system at the Davis campus.

UC Riverside — Central Plant Boiler Renewal, Phase 2

We withhold recommendation on \$1,466,000 in Item 6440-301-782(1) requested for Phase 2 boiler renewal at the Riverside campus pending receipt/review of a report from the Department of Finance on (1) why another project (at UC Irvine) required to meet the same air quality regulations is not funded in the budget and (2) the implications of the regulations for statewide expenditures and air quality.

The budget proposes \$1,466,000 from the Higher Education Capital Outlay Bond Fund (of 1986) for the second and final construction phase

UNIVERSITY OF CALIFORNIA — CAPITAL OUTLAY—Continued

of improvements to the central plant boilers at UC Riverside. The proposed funds actually are part of a \$13 million transfer from the 1990 Higher Education Capital Outlay Bond Fund. (See our discussion of this issue in our analysis of Item 9860-302-791.) These improvements are required to meet strict new air quality standards promulgated by the South Coast Air Quality Management District. State institutions throughout much of southern California face similar compliance issues that undoubtedly will require major expenditures. For example, the budget includes \$5.1 million for this purpose at seven CSU campuses. UC's capital outlay plan scheduled \$3.5 million in 1991-92 for construction of boiler modifications at UC Irvine to meet the same air quality requirements, but the budget does not include these funds. The budget does not include funds to modify boilers at many other state institutions located in the South Coast Air Quality Management District.

It is not clear what the overall state costs of complying with the new regulations may be, or what benefits to air quality will result. We therefore recommend that the Department of Finance report to the fiscal committees prior to budget hearings on the implications for state expenditures (throughout state government) of the new air quality regulations and the consequent benefits to air quality. The department also should explain why the budget does not include funds for the Irvine project if compliance with the air quality standards is as necessary at that campus as at Riverside. Pending receipt/review of this report we withhold recommendation on the \$1,466,000 requested for boiler renewal at UC Riverside.

UC San Francisco — Health Science Instruction/Research Electrical Improvements

We recommend deletion of \$627,000 requested under Item 6440-301-791 (7) for preliminary plans and working drawings for electrical improvements to the Health Science Instruction/Research Building at UC San Francisco because the improvements are tied to another project that has been deferred.

The budget proposes \$627,000 from the June 1990 bond fund for preliminary plans and working drawings of electrical system improvements to the UC San Francisco, Health Science Instruction/Research (HSIR) Building. The university estimates future costs of \$3.5 million. The proposed improvements would increase the building's electrical capacity by 80 percent. According to the UC, increasing power usage in the building (primarily from increasing amounts of laboratory equipment) is resulting in peak electrical loads beyond the existing system's design capacity. The campus anticipates further increases in electrical loads when new laboratories are constructed in building space vacated by the campus library. The five-year plan scheduled \$15,822,000 for construction of those laboratories in 1991-92 but the budget does not include these funds. Our review indicates that the proposed electrical improvements made necessary by that construction can also be deferred. Consequently, we recommend deletion of the \$627,000 requested for preliminary plans

and working drawings for the HSIR building electrical improvements. Finally, any future proposal for this project should include information on projected electrical loads to establish the basis for the requested 80 percent increase in capacity.

UC Davis — Campus Chilled Water Expansion, Phase 3

We recommend an augmentation of \$4,757,000 to Item 6440-301-660 to finance construction to expand the chilled water system at the Davis campus because expansion is needed for the cooling needs of campus buildings, including the Engineering Unit 2 facility now under construction.

The five-year plan schedules \$4,757,000 for expenditure in 1991-92 for the third phase of expansion of chiller capacity at the UC Davis central plant in order to meet projected growth in cooling needs for campus buildings. The budget does not include these funds.

The Legislature approved \$449,000 for preliminary plans and working drawings for this project in the 1990 Budget Act. In our *Analysis of the 1990-91 Budget Bill* we suggested that the project could be deferred and recommended deletion of the \$449,000 request. In response, the UC provided data indicating that a one-year deferral of the project would drop the campus chilled water "diversity factor" to 67 percent because of the chilled water demands that would be placed on the system with the completion of the Engineering Unit 2 facility. (Under generally accepted engineering practice, a chilled water system's diversity factor should not drop below 70 percent for sustained, efficient operations.) Moreover, UC stated that "the delay would prolong campus use of this outdated system. Continued operation of the old system is contingent on the availability of parts that have been extremely difficult to obtain in the past. Our experience has been that the unavailability of parts has increased plant down-time as parts had to be manufactured. A lengthy outage during the summer months would jeopardize critical research and force the campus into deciding which campus buildings would have to be operated without chilled water service. In short, any delay in the chilled water project could seriously effect long-term programs."

On the basis of the above, the Legislature approved the requested funds. Nothing has changed during the last year to indicate that the chilled water expansion should now be deferred. Therefore, we recommend an augmentation of \$4,757,000 under Item 6440-301-660 to finance construction of the expansion.

G. Minor Capital Outlay

We recommend approval.

The budget includes \$4,500,000 for minor capital outlay projects (\$250,000 or less per project) throughout the UC system. This amount is \$2 million less than requested under the five-year plan. We recommend approval of the budget request which enables UC to address fire/life safety and other facility needs in a cost-effective manner.

UNIVERSITY OF CALIFORNIA — CAPITAL OUTLAY—Continued

University to Fund Some Preliminary Plans with Own Funds

We recommend that the university report to the fiscal committees prior to budget hearings on its plans to fund preliminary plan requests that were not included in the budget.

The budget does not include funding for 14 requests for preliminary plans contained in the UC's five-year plan, totaling approximately \$6.6 million. The estimated future costs of these 14 projects total \$184 million. At the time this analysis was prepared UC staff indicated that the university was considering use of nonstate funds to prepare at least some of these preliminary plans, in the hope that adequate state funds would be available in the 1992-93 budget to keep the projects on schedule. We recommend that the university report to the fiscal committees prior to budget hearings on the preliminary plans it intends to fund, the basis for the projects selected and the funding sources to be used.

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.

CALIFORNIA STATE UNIVERSITY — CAPITAL OUTLAY

Item 6610-301 from various
bond funds

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Requested 1991-92.....	\$132,112,000
Recommended approval.....	113,758,000
Recommended reduction.....	13,281,000
Recommended augmentation.....	29,966,000
Net recommended approval.....	143,724,000
Recommendation pending.....	5,073,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

*Analysis
page*

1. Improvement Needed in Management of CSU's Capital Outlay Program. Recommend that the CSU report to the fiscal committees, prior to budget hearings, on the steps it will take to improve management of the state's program for CSU capital outlay, particularly how the CSU will (a) assure compliance with laws and administrative procedures governing capital outlay expenditures and (b) complete projects within legislatively approved budgets and schedules. 1357

2. Deficit in 1986 Bond Fund. Recommend that the Legislature, if it approves funds for any of the 11 project requests 1362

- under Item 6610-301-782 (1986 Higher Education Capital Outlay Bond Fund), do so instead under Item 6610-301-791 (June 1990 bond fund) because a deficit exists in the 1986 bond fund.
3. Preliminary Plans Not Yet Available. Recommend approval of two proposed projects totaling \$9.1 million contingent on receipt of completed preliminary plans prior to budget hearings. 1362
 4. *Seismic Planning. Reduce Item 6610-301-782(2) by \$500,000.* Recommend deletion of \$500,000 requested for seismic planning because the Legislature already has approved funds for the Office of the State Architect (OSA) to conduct such planning and OSA's 1991-92 budget includes additional funds for this purpose. 1363
 5. *Fresno — Domestic Water System Repairs/Upgrades. Reduce Item 6610-301-782(6) by \$55,000.* Recommend deletion of \$55,000 requested for preliminary plans for proposed repairs/upgrades to the domestic water system at CSU Fresno because further study is required to define a solution to the system's problems. 1365
 6. *Chico — O'Connell Technology Center — Equipment. Reduce Item 6610-301-525(1) by \$125,000.* Recommend a reduction of \$125,000 and approval in the reduced amount of \$4,134,000 for equipment for the O'Connell Technology Center at the Chico campus to be consistent with the amount previously recognized by the Legislature, adjusted for inflation. 1365
 7. *Equipment Requests. Augment Item 6440-301-660 by \$2,407,000.* Recommend additional funds to finance equipment for the following projects nearing completion of construction: San Diego — Chemistry/Geology addition (\$574,000); Sacramento — Classroom/Office/Laboratory Building (\$783,000); and Contra Costa off-campus center — Initial Facility (\$1,050,000). 1367
 8. *Chico — Ayres Hall Renovation. Reduce Item 6610-301-660(2) by \$2,708,000.* Recommend deletion of funds requested for construction of renovations to Ayres Hall at the Chico campus because (a) funds already are available for this project at a lower cost and (b) the proposal results in a loss of instructional space and does not effectively address enrollment needs. 1369
 9. *Instructional-Related Space. Augment Item 6610-301-660 by \$2,241,000 and Item 6610-301-791 by \$3,690,000.* Recommend augmentations to finance 12 instructional-related projects providing space to accommodate 9,521 FTE students. 1369
 10. *Library Facilities. Augment Item 6610-301-791 by \$1,172,000.* Recommend the following augmentations to fi- 1370

CALIFORNIA STATE UNIVERSITY — CAPITAL OUTLAY—Continued

nance library additions needed to address library space deficits: \$594,000 (working drawings) for San Diego State University; \$443,000 (working drawings) for CSU Fullerton; and \$135,000 (preliminary plans) for Sonoma State University.

11. **Long Beach — Gymnasium/Physical Education Addition.** 1372
Reduce Item 6610-301-660 (6) by \$9,370,000. Recommend deletion of \$9,370,000 requested for construction of a gymnasium/physical education addition on the Long Beach campus because the proposal does not provide instructional-related space to accommodate current/projected enrollment.
12. **Physical Education Facilities. Augment Item 6610-301-791** 1374
by \$670,000. Recommend augmentations to Item 6610-301-791 (general obligation bonds) totaling \$670,000 to finance working drawings for physical education facilities at three campuses, emphasizing provision of instructional-related space to accommodate 1,287 FTE students.
13. **Statewide — Retrofit Boilers.** Withhold recommendation on 1375
\$5,073,000 requested under Item 6440-301-791(1) for boiler retrofits intended to comply with new air quality regulations in the South Coast Air Quality Management District pending receipt/review, prior to budget hearings, of (a) completed preliminary plans and (b) a Department of Finance report on the implications of the regulations for statewide expenditures and air quality. Further recommend that the CSU explain to the fiscal committees, prior to budget hearings, its authority to spend support budget funds for preparation of preliminary plans and working drawings for this proposal.
14. **Utilities/Infrastructure Projects. Augment Item 6610-301-** 1377
660 by \$18,823,000 and Item 6610-301-791 by \$963,000. Recommend augmentations to Item 6610-301-660 (lease-payment bonds) totaling \$18,823,000 and to Item 6610-301-791 (general obligation bonds) totaling \$963,000 to finance six projects needed to provide (a) utilities services to facilities under construction or (b) critical improvements to existing utilities/infrastructure systems.
15. **Northridge — Engineering Addition. Reduce Item 6610-** 1380
301-782(7) by \$323,000. Recommend deletion of \$323,000 requested under Item 6610-301-782(7) for working drawings for the Engineering addition at CSU Northridge because the proposal is largely unrelated to instructional needs.
16. **Imperial Valley Off-Campus Center. Reduce Item 6610-** 1380
301-785(1) by \$200,000. Recommend deletion of \$200,000 requested under Item 6610-301-785 (1) for preliminary plans for improvements to the Imperial Valley off-campus center.

Further recommend that the CSU report to the fiscal committees at the budget hearings on the priority of the Imperial Valley proposal relative to all other projects in the Trustees' five-year plan as requested by the Legislature in the *Supplemental Report of the 1990 Budget Act*.

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

Budget Request

The budget proposes various appropriations totaling \$132.1 million to fund the state's share of the California State University (CSU) capital outlay program in 1991-92. Of this amount, \$110.5 million would come from General Fund lease-payment bonds. These bonds are referred to commonly as "revenue bonds," which is a misnomer, since the facilities constructed with the bonds do not generate revenues. Instead, the General Fund repays the principal and interest on the bonds. In the 1990 Budget Act the Legislature approved \$82.1 million of lease-payment bonds for the CSU capital outlay program.

The remainder of the 1991-92 request — \$21.6 million — would come from various general obligation bond funds approved by the voters before the November 1990 election. The budget would have requested considerably more funds (probably about \$100 million) for CSU's capital outlay program had a \$450 million bond measure for higher education facilities not been defeated in that election. The consequences of that defeat are discussed in our overview section on higher education capital outlay, as well as later in this analysis of the CSU capital outlay program.

MAJOR ISSUES

- Defeat of \$450 Million General Obligation Bond Measure. The measure's defeat complicates the state's efforts to meet higher education facility needs occasioned by enrollment growth. If the state is to accommodate current/projected enrollments, reevaluation of the CSU and other proposed higher education programs is needed.
- Management of the CSU capital outlay program needs to be improved if (1) funded/planned facilities are to be completed on time for use by CSU students and faculty and (2) bond funds approved by the Legislature and the voters are to be spent effectively.

CALIFORNIA STATE UNIVERSITY — CAPITAL OUTLAY—Continued
Five-Year Capital Outlay Plan

The CSU's five-year capital outlay plan, approved by the Trustees in October 1990, calls for the expenditure of almost \$1.7 billion from 1991-92 through 1995-96, including \$238 million in the budget year. The budget provides about 55 percent of this planned amount.

The CSU five-year plan projects that full-time equivalent (FTE) student enrollment will climb from an estimated 267,000 FTE students in the current year to 293,000 FTE in 1995-96, a 9.7 percent increase over the five-year period. Under the plan, construction of additional classroom and teaching laboratory space will increase the segment's capacity by 30,000 FTE, bringing capacity from a systemwide average of 96 percent of enrollment in the budget year to 100 percent in 1995-96. This increase in capacity is equivalent to constructing instructional facilities for a campus the size of San Diego State University (the system's largest) plus Sonoma State University. As we pointed out in *The 1990-91 Budget: Perspectives and Issues*, existing campuses have enough room to accommodate projected enrollments to the year 2005 and beyond, provided the necessary facilities are constructed. The above, however, illustrates the magnitude of the task faced by CSU in accommodating increased numbers of students. The planned expenditure of \$1.7 billion is equivalent to about \$55,000 for each FTE accommodated.

Consequences of the Failure of the November 1990 Bond Measure

The capital outlay plans of the higher education segments call for \$3.9 billion of spending over the next five fiscal years, including \$688 million in the budget year. As discussed in our overview of higher education capital outlay, these spending plans were predicated not only on the success of the \$450 million bond measure on the November 1990 ballot but also on (1) passage of major general obligation bond measures every two years thereafter and (2) annual authorizations of nonvoter approved debt (lease-payment bonds) to make up the balance. Thus, the failure of the November bond measure is not only a \$450 million setback — largely manifested in reduced capital outlay budget proposals for 1991-92 — but raises questions about the viability of the future funding strategy for implementing the plans. Although, after examination, all of the requests in the plans may not merit funding, much of the planned funding will be required to meet legitimate needs of the higher education segments, including significant needs occasioned by enrollment growth.

In the CSU's case, failure of the bond measure has resulted in deferral of up to 68 of the 93 projects requested by the Trustees for funding in the budget. In addition, the budget provides only part of the amounts requested for 10 other projects. Chart 1 compares the Trustees plan for 1991-92, including the future costs to complete those projects, with the budget and its associated future costs.

Chart 1

**California State University
1991-92 Capital Outlay Program
Comparison of Five-Year Plan and Governor's Budget**

(dollars in thousands)

	Number of Projects	1991-92 Amount	Associated Future Costs ^a
Trustees' Five-Year Plan	93	\$230,671	\$695,434
Governor's Budget	25 ^b	132,112	47,210
Deferred	78 ^b	98,559	665,307

^a CSU estimates.

^b Includes 10 projects for which funding is *partially* deferred.

The budget defers \$99 million planned for expenditure in 1991-92 by the five-year capital outlay plan. The future costs associated with these expenditures — that is, the costs that otherwise would have been incurred in 1992-93 and beyond to complete the projects — also are deferred. These costs total \$665 million.

New Campuses

During last year's budget hearings the fiscal subcommittees considered CSU's proposal to establish five new campuses. In the *Supplemental Report of the 1990 Budget Act* (Item 6610-001-001) the Legislature directed CSU to reassess its long-range growth plan. The CSU reported to the Legislature in January 1991 that it is developing a new model for projecting enrollments. According to the report, CSU expects that projections from that model and a consequent reassessment of the need for new campuses and off-campus centers will be ready at the next required reporting date in August 1991.

ANALYSIS AND RECOMMENDATIONS

The California State University's 1991-92 capital outlay program includes \$132,112,000 for 25 projects, including a minor capital outlay program and preparation of a "seismic safety action plan."

Improvement Needed in Management of CSU's Capital Outlay Program

We recommend that the CSU report to the fiscal committees, prior to budget hearings, on the steps it will take to improve management of the

CALIFORNIA STATE UNIVERSITY — CAPITAL OUTLAY—Continued

state's program for CSU capital outlay, particularly with regard to how the CSU will (1) assure compliance with laws and administrative procedures governing capital outlay expenditures and (2) complete projects within legislatively approved budgets and schedules.

The CSU capital outlay program is one of the most significant in state government today in terms of expenditures and the extent of facilities under design, construction and planning. In the five fiscal years 1986-87 through 1990-91, the Legislature has appropriated about \$725 million for the CSU program (almost exclusively from general obligation and General Fund lease-payment bond funds). The current CSU capital outlay plan calls for \$1.7 billion of expenditures during the next five fiscal years.

Our ongoing review of the CSU capital outlay program, however, indicates that problems exist in the management of the program. Below are examples of these problems.

Project Delays. Of the 28 CSU projects funded for either working drawings or construction in the 1989 Budget Act, 24 projects are behind schedule by an average of 9 months.

Problems with Quarterly Progress Report. The quarterly progress report — a potentially important management tool for the CSU, as well as for others — has little value. Typically, the report is not prepared in a timely manner and relevant information is either not filled in or is inaccurate.

Lack of Project Control. During the first eight months of the current year, the State Public Works Board (PWB), at the request of the CSU, augmented appropriations for 13 CSU projects by over \$11 million and reverted a like amount from savings in other projects. Three other projects cannot proceed at this point because the estimated costs exceed (by a total of \$7.5 million) the amounts approved by the Legislature by more than the 20 percent maximum augmentation that the PWB is permitted to approve.

Incomplete Sets of Working Drawings Represented as Complete. Prior to soliciting construction bids on a project the CSU must submit completed working drawings to the Department of Finance (DOF) and receive from the DOF a signed approval to proceed to bid. In our inquiries on the status of the CSU projects, the CSU staff have acknowledged that, for some projects, incomplete sets of working drawings have been submitted and approved as "completed" documents.

Legislative Oversight Disregarded. Under Government Code Section 13332.11, the Director of Finance must advise the Legislature (through specified legislative committees) of certain scope changes and/or augmentations to approved projects at least 20 days before proceeding with the change/augmentation. The DOF and the CSU have disregarded legislative responses, and proceeded with proposals, in instances where the Legislature disagreed. Moreover, in two instances, the CSU proposal was submitted to the Legislature *after* the CSU had committed the state

to proposed expenditures and had actually undertaken the proposed change.

CSU Should Report on Steps to Improve Program Management. The problems we have identified indicate that the CSU capital outlay program needs to be managed better if (1) funded and planned facilities are to be completed on time to accommodate CSU students and faculty and (2) bond funds approved by the Legislature and the voters are to be spent effectively. We recommend that the CSU report to the fiscal committees, prior to budget hearings, on the steps it will take to improve management of the state's program for CSU capital outlay, particularly how the CSU will (1) assure compliance with laws and administrative procedures governing capital outlay expenditures and (2) complete projects within legislatively approved budgets and schedules.

Framework for Analysis of 1991-92 Request

As discussed above and in our overview of higher education capital outlay, the failure of the November 1990 bond measure places higher education capital outlay in a fiscal environment of limitation and uncertainty. It does not, however, eliminate the need to construct facilities to accommodate significant enrollment increases projected for the next five years and beyond and to meet other program needs. In view of the above, our approach in reviewing the budget proposals for capital outlay is different than in prior budget analyses. As described in our overview of higher education capital outlay, this approach seeks to concentrate the limited resources available on projects that accommodate student enrollment. To do this requires reducing the current emphasis of the capital outlay programs on research-related projects or other projects not directly related to enrollment. In many cases such projects meet legitimate needs and have merit. In the current funding environment, however, we believe an increased emphasis on projects needed for enrollment growth would create more balance in the programs and better insure that the state will be able to accommodate growing enrollments.

We describe our analytical approach and its rationale in more detail in our higher education capital outlay overview. To briefly reiterate, however, we have considered the amount proposed in the budget from general obligation and lease-payment bonds (\$385 million) as a maximum level for these programs. Within the constraint of the \$385 million proposed in the budget for higher education capital outlay we have reviewed projects in all segments on the basis of relative need.

Thus, we have reviewed the higher education programs within the following framework:

- Does a project meet critical fire/life safety needs?
- Is a project directed primarily at accommodating undergraduate enrollment growth by providing instructional space? Would its deferral result in a shortage of instructional space on a campus based on adopted state standards?

CALIFORNIA STATE UNIVERSITY — CAPITAL OUTLAY—Continued

- Would deferral of a project (1) delay occupancy of a building needed for the above purpose or (2) create undue risk of utility system failure?

If the answer with regard to a given project to any of the above questions is yes, we recommend the project be funded.

To the extent monies remain available after funding such projects, we recommend that projects not directly related to enrollment growth, but which merit funding, be approved to provide a balanced capital outlay program.

Our analysis and recommendations for the CSU's capital outlay program, made within the above framework, follows. To facilitate analysis of the CSU projects, we have divided them into descriptive categories as shown in Chart 2.

Chart 2			
California State University 1991-92 Capital Outlay Program Funding Summary by Project Categories			
1991-92 Budget (dollars in thousands)			
	Number of Projects	Total State Cost	Estimated Future Cost^a
A. Mitigate hazards	8	\$3,322	\$13,041
B. Complete newly constructed facilities	4	8,936	--
C. Instructional-related space	4	57,845	7,226
D. Library facilities	2	36,457	7,176
E. Physical Education facilities	1	9,370	387
F. Utilities/Infrastructure	2	11,648	--
G. Other	4	4,534	19,380
Totals	25	\$132,112	\$47,210

^a Based on estimates prepared by the CSU.

Chart 3 summarizes the amounts requested in the budget from general obligation bonds and General Fund lease-payment bonds and our recommended amounts for each type of bond. We recommend various reductions totaling \$13.3 million and augmentations totaling \$30 million for a net augmentation to the CSU request of \$16.7 million. Our recommendations would result in the funding of projects that, when completed, would provide instructional space to accommodate 18,220 FTE students. The budget requests funds for instructional space accommodating 7,277 FTE.

Chart 3

**California State University
1991-92 Capital Outlay Program
Summary of Analyst's Recommendations**

(in thousands)

Category (primary purpose)	<i>Budget Bill</i>			<i>Analyst's Recommendations</i>		
	General Obligation Bonds	Lease Payment Bonds	Estimated Future Cost ^a	General Obligation Bonds	Lease Payment Bonds	Estimated Future Cost ^a
A. Mitigate hazards	\$762	\$2,560	\$13,041	\$207	\$2,560	\$10,382
B. Complete newly constructed facilities	4,677	4,259	--	4,677	6,541	--
C. Instructional-related space	--	57,845	7,226	3,690	57,378	181,148
D. Library facilities	--	36,457	7,176	1,172	36,457	64,551
E. Physical Education facilities	--	9,370	387	670	--	29,588
F. Utilities/Infrastructure	11,648	--	--	7,538	18,823	16,589
G. Other	4,534	--	19,380	4,011	--	258
Totals	\$21,621	\$110,491	\$47,210	\$21,965	\$121,759	\$302,516

^a CSU estimates.

Chart 4

**California State University
1991-92 Capital Outlay Program
Projects to Mitigate Hazards**

(in thousands)

Project	Phase	Budget Bill			Analyst's Recommendations		
		General Obligation Bonds	Lease Payment Bonds	Estimated Future Cost ^a	General Obligation Bonds	Lease Payment Bonds	Estimated Future Cost ^a
Hayward--Art and Education renovation	wc	--	\$2,560	--	--	\$2,560 ^b	--
Seismic safety action plan	p	\$500	--	--	--	--	--
Seismic bracing of library stacks	p	20	--	\$3,000	\$20	--	\$3,000
Chico--Correct fire code violations	p	65	--	2,107	65	--	2,107
Fresno--Domestic water system	p	55	--	2,659	--	--	--
Sacramento--Fume hood modifications	p	33	--	502	33	--	502
San Francisco--Correct fire/life safety deficiencies	p	64	--	3,939	64	--	3,939
San Jose--Wahlquist renovation	p	25	--	834	25	--	834
Totals		\$762	\$2,560	\$13,041	\$207^c	\$2,560	\$10,382

^a CSU estimates.^b Amount contingent on receipt of completed preliminary plans.^c Analyst recommends approval of all general obligation bond amounts from Item 6610-301-791 instead of Item 6610-301-782.

Fresno — Domestic Water System Repairs/Upgrades

We recommend deletion of \$55,000 requested under Item 6610-301-782 (6) for preliminary plans for proposed repairs/upgrades to the domestic water system at CSU Fresno because further study is required to define a solution to the system problems.

The budget includes \$55,000 under Item 6610-301-782(6) (1986 bond fund — transfer from 1990 bond fund) for preliminary plans for repairs and upgrading of the domestic water system at CSU Fresno. The CSU estimates future project costs of \$2.7 million. There is little basis for this estimate, however, since the CSU has yet to conduct a detailed study of the system to define the problems and solutions.

The domestic water system at the Fresno campus has been experiencing problems with occasional backflow of contaminated irrigation water into the domestic water system. There are numerous cross-connections between the existing underground piping systems of the campus' water systems for irrigation, domestic and nonpotable water and the systems lack adequate backflow prevention devices. Part of the CSU proposal is directed at correcting this health/safety code violation. The proposal also would replace portions of the campus irrigation system. The CSU has not substantiated the need for these replacements which, in any event, are special repairs that, if needed, should be funded in priority with other special repair needs in the support budget.

The health/safety code problem needs to be addressed, but our review indicates that the CSU request is premature. For example, the CSU has not yet examined the water system to identify either the extent or location of piping cross-connections. Lacking this data, the CSU can neither identify the specific problem areas nor define an effective solution to the problems. We therefore recommend deletion of the \$55,000 request for preliminary plans. A proposal based on a thorough investigation and specific solutions to identified problems may warrant legislative consideration.

B. Complete Newly Constructed Facilities

The budget includes \$8.9 million for equipment needed to complete four funded construction projects. We recommend approval as budgeted for three of these requests, totaling \$4.1 million. We recommend (1) approval of the fourth request at a reduced amount of \$4.1 million and (2) a \$2.4 million augmentation to fund three requests not included in the budget, as explained below. Chart 5 summarizes the equipment requests and our recommendations.

Chico — O'Connell Technology Center

We recommend a reduction of \$125,000 and approval in the reduced amount of \$4,134,000 under Item 6610-301-525 (1) for equipment for the O'Connell Technology Center at the Chico campus to be consistent with the amount previously recognized by the Legislature, adjusted for inflation.

Chart 5

**California State University
1991-92 Capital Outlay Program
Equipment**

(in thousands)

Project	<i>Budget Bill</i>		Construction Completion Date ^a	<i>Analyst's Recommendations</i>	
	General Obligation Bonds	Lease Payment Bonds		General Obligation Bonds	Lease Payment Bonds
Chico--O'Connell Technology Center	--	\$4,259	April 1992	--	\$4,134
San Luis Obispo--Dairy Science I	\$161	--	July 1992	\$161	--
San Diego--Classroom/Student Services II	2,300	--	February 1992	2,300	--
San Diego--Chemistry/Geology addition chilled water expansion I	--	--	August 1992	--	574
San Marcos--Initial Facility	2,216	--	August 1992	2,216	--
Sacramento--Classroom/Office/Laboratory	--	--	August 1992	--	783
Contra Costa--Initial Facility	--	--	August 1992	--	1,050
Totals	\$4,677	\$4,259		\$4,677	\$6,541

^a CSU estimates.

The budget proposes \$4,259,000 under Item 6610-301-525 (lease-payment bonds) for equipment for the O'Connell Technology Center at the Chico campus. We recommend a reduction of \$125,000 and approval in the reduced amount of \$4,134,000, consistent with the amount the Legislature recognized (and CSU indicated was necessary) for this purpose in the *Supplemental Report of the 1989 Budget Act*, adjusted for inflation. Contrary to submittals for other equipment requests, the CSU submittal did not indicate that this cost was higher than the legislatively approved amount and has not provided any reasons for the higher amount.

Equipment Needs Not Included in Budget

We recommend the following augmentations to Item 6610-301-660, totaling \$2,407,000, to provide equipment needed to complete funded facilities now under construction: \$574,000 for the Chemistry/Geology addition at San Diego State University, \$783,000 for the Classroom/Office/Laboratory at the Sacramento campus and \$1,050,000 for the Initial Facility at the Contra Costa off-campus center.

As shown in Chart 5, the budget includes \$8.9 million for four equipment requests. The budget, however, defers funding for seven other equipment requests totaling \$22.5 million in the CSU 1991-92 request. Based on schedule information provided by CSU, three of these deferred requests will be needed in the budget year because the related projects are under construction and will be completed and ready for occupancy no later than the summer of 1992.

Without the equipment the constructed facilities will not be fully usable. Therefore, we recommend that the Legislature augment Item 6610-301-660 (lease-payment bonds) for the Chemistry/Geology addition at San Diego State University (\$574,000), the Classroom/Office/Laboratory Building at the Sacramento campus (\$783,000), and the Initial Facility at the Contra Costa off-campus center (\$1,050,000). The recommended amounts for the Sacramento and Contra Costa projects are less than scheduled in the CSU five-year plan (by \$396,000 and \$1.5 million, respectively) but are consistent with the amounts CSU previously indicated would be needed and recognized by the Legislature as future equipment costs in the *Supplemental Report of the 1989 Budget Act*, adjusted for inflation. Contrary to submittals for other equipment requests, the CSU submittal does not indicate why the request is higher.

C. Instructional-Related Space

The budget includes \$57.8 million for four projects in this category. This includes \$55.1 million for three projects to add instructional-related space. The CSU estimates future costs (equipment) for these projects totaling \$7.2 million. Together, these proposals would add instructional space adequate to accommodate 7,412 FTE students. We recommend approval of these proposals as budgeted. The other project in this category is estimated to cost \$2.7 million to upgrade instructional space at Ayres Hall on the Chico campus. This alteration proposal, while improving existing space, will result in a loss of instructional space for 135 FTE students. We

Chart 6

**California State University
1991-92 Capital Outlay Program
Instructional-Related Space**

(dollars in thousands)

Project	Phase ^a	Budget Bill				Analyst's Recommendations			
		General Obligation Bonds	Lease Payment Bonds	Future Cost ^a	FTE Capacity	General Obligation Bonds	Lease Payment Bonds	Future Cost ^a	FTE Capacity
SPACE ADDITIONS									
Fresno--Education Building	c	--	\$17,477	\$4,657	1,332	--	\$17,477	\$4,657	1,332
Fullerton--Classroom/Student Support/Faculty Office	c	--	12,903	812	2,004	--	12,903	812	2,004
San Francisco--Classroom/Office	c	--	24,757	1,757	4,076	--	24,757	1,757	4,076
Bakersfield--Music addition	wc	--	--	--	--	--	2,241 ^b	261	452
San Bernardino--Visual Arts	w	--	--	--	--	\$316 ^b	--	15,123	560
Pomona--Science addition	w	--	--	--	--	413 ^b	--	16,622	239
San Jose--Humanities	p	--	--	--	--	378	--	21,898	2,377
San Bernardino--Social and Behavioral Sciences addition/remodel	p	--	--	--	--	365	--	25,616	1,281
Pomona--Classroom/Laboratory/Administration II	p	--	--	--	--	196	--	8,087	1,598
Stanislaus--Professional Schools	p	--	--	--	--	144	--	9,861	923
Chico--Education/Classroom/Office	p	--	--	--	--	190	--	9,336	252
UPGRADE EXISTING SPACE									
Chico--Ayres Hall renovation	c	--	2,708	--	-135	--	--	--	--
San Francisco--Remodel Burk Education	w	--	--	--	--	425 ^b	--	15,149	330
Long Beach--Renovate Applied Arts and Sciences	w	--	--	--	--	572 ^b	--	20,821	451
Fullerton--Science renovation	w	--	--	--	--	329 ^b	--	13,663	840
Long Beach--Renovate Fine Arts	p	--	--	--	--	362	--	17,485	218
Totals		--	\$57,845	\$7,226	7,277	\$3,690	\$57,378	\$181,148	16,933
^a CSU estimates. ^b Amount contingent on receipt of completed preliminary plans.									

recommend deletion of this request, as discussed below. Further, in this category of projects, we recommend the Legislature augment the budget by \$5.9 million to finance 12 projects that, when complete, will accommodate an additional 9,521 FTE student enrollment. Chart 6 summarizes our recommendations for instructional-related facilities.

Chico — Ayres Hall Renovation

We recommend deletion of \$2,708,000 requested under Item 6610-301-660(2) for construction of renovations of Ayres Hall on the Chico campus because (1) funds already are available for the project at a lower cost and (2) the proposal results in a net loss of instructional space.

The budget includes \$2,708,000 under Item 6610-301-660(2) for construction of renovations to Ayres Hall at the Chico campus. Construction funds already have been provided for this project. The Legislature appropriated \$1,641,000 in the 1987 Budget Act for working drawings and construction of the proposed Ayres Hall renovations. These funds are still available for expenditure. The CSU has not substantiated the need for the additional funds requested in the budget.

Even if the CSU could justify the increased costs, the proposal does not effectively address enrollment needs. Ayres Hall is currently used for art programs on the Chico campus. The proposal would upgrade this space to enhance the art programs. As indicated in Chart 6, however, the proposed renovations would result in a *loss* of 135 FTE of instructional space.

In view of the above, we recommend deletion of this request.

Recommended Augmentations — Instructional-Related Facilities

We recommend augmentations to Item 6610-301-660 (lease-payment bonds) totaling \$2,241,000 and to Item 6610-301-791 (general obligation bonds) totaling \$3,690,000 to finance 12 instructional-related projects providing space to accommodate 9,521 FTE students.

The CSU five-year plan scheduled expenditures in 1991-92 for 20 instructional-related projects, totaling \$14.3 million, that are not included in the budget proposal. These projects would have added or upgraded instructional space (future costs of \$267 million) and created net additional capacity to accommodate approximately 11,000 FTE students.

Our analysis indicates that 12 of these projects most effectively accommodate enrollment. These projects are shown in Chart 6 under Analyst's Recommendations. As illustrated in Chart 6 these projects will provide instructional space to accommodate 9,521 more FTE students than the projects included in the budget. We believe the Legislature should provide funds in the budget year for these projects because each project addresses enrollment-related needs at the respective campus. Unless these projects proceed the ability for these campuses to accommodate student enrollment will be hampered. We, therefore, recommend the Legislature augment the budget by \$5.9 million to fund these projects. (Upon further discussion with CSU staff concerning technical

CALIFORNIA STATE UNIVERSITY — CAPITAL OUTLAY—Continued

funding aspects of each project we may recommend revised amounts for some proposals at the budget hearings.)

The other eight projects originally included in the CSU's expenditure plan either (1) upgrade space to enhance programs without providing additional instructional space or (2) provide a net increase of instructional space at excessive cost. Consequently, we have not recommended that the Legislature consider funding these projects in the budget year.

D. Library Facilities

In this category the budget includes two construction requests (for the Bakersfield and San Bernardino campuses) totaling \$36.5 million in the budget year, with future costs (equipment) estimated at \$7.2 million. The scope and cost of these projects is consistent with prior legislative approvals and we recommend approval of the budget amounts. The CSU five-year plan also proposes \$1.6 million in 1991-92 for preliminary plans or working drawings for three library projects, but the budget does not include these funds.

Recommended Augmentations — Libraries

We recommend augmentations to Item 6610-301-791, totaling \$1,172,000, to finance the following library additions needed to address library space deficits: \$594,000 (working drawings) for San Diego State University; \$443,000 (working drawings) for CSU Fullerton; and \$135,000 (preliminary plans) for Sonoma State University.

Our recommendations for the five library proposals included in the five-year capital outlay plan for 1991-92 are summarized in Chart 7.

The budget does not include funds for the San Diego, Fullerton and Sonoma proposals. As indicated in Chart 7, without these projects library space at these campuses would drop substantially below the space called for under existing state standards, based on projected increases in enrollment and volumes in the library collections by the second year past the planned occupancy date (the "target year" for planning library facilities under current standards). At the Fullerton campus, for example, existing library space would provide only 58 percent of the space called for by the standards by the target year of 1996-97.

In view of the above, we recommend augmentations to Item 6610-301-791 (general obligation bonds) to finance the following: working drawings for library additions at San Diego State University (\$594,000) and CSU Fullerton (\$443,000) and preliminary plans for a library addition at Sonoma State University (\$135,000). For the reasons discussed below, the amounts we have recommended are less than the \$1.6 million proposed for the three campuses in the CSU capital outlay plan.

In the 1990 Budget Act the Legislature approved funds for preliminary plans for the San Diego and Fullerton library additions, but specified through language in the *Supplemental Report to The 1990 Budget Act* that the CSU prepare *two alternative sets of preliminary plans* for each project. The Legislature would then choose between these alternative

Chart 7

**California State University
1991-92 Capital Outlay Program
Library Facilities**

(dollars in thousands)

Project	Phase	Budget Bill			Analyst's Recommendations			Campus Library Capacity ^b	
		General Obligation Bonds	Lease Payment Bonds	Future Cost ^a	General Obligation Bonds	Lease Payment Bonds	Future Cost ^a	With Project	Without Project
Bakersfield--Stiern Library	c	--	\$18,615	\$2,946	--	\$18,615	\$2,946	134	47
San Bernardino--Library addition	c	--	17,842	4,230	--	17,842	4,230	84	55
San Diego--Library addition	w	--	--	--	\$594 ^c	--	29,170	102	66
Fullerton--Library addition	w	--	--	--	443 ^c	--	20,070	109	58
Sonoma--Library addition/remodel	p	--	--	--	135	--	8,135 ^d	101	60
Totals		--	\$36,457	\$7,176	\$1,172	\$36,457	\$64,551		

^a CSU estimates.

^b Percentage of existing state library space standards at planned occupancy date plus two years.

^c Amount contingent on receipt of preliminary plans.

^d LAO estimate based on information from CSU.

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designs when it subsequently considered working drawings requests for the projects. One set for each project would be based on new library space standards proposed by the CSU (Scheme One) and the other set (Scheme Two) based on standards that are different in one key respect, that is, the Scheme Two standards provide reader station space on the basis of existing state standards rather than the more liberal reader station space allowance proposed by the CSU. The differences in space allocations and project costs between the alternatives are significant. The combined estimated costs for working drawings, construction and equipment for the San Diego and Fullerton projects under Scheme One are \$57.3 million, compared to \$50.3 million under Scheme Two. Our recommendations for the San Diego and Fullerton projects are based on Scheme Two because the CSU has not demonstrated the need for the higher reader station space allowance under their proposed standards. Our recommended amount for the Sonoma library addition is based on the Scheme Two standards as well as the CSU's cost guidelines for library space.

Required Report to Legislature Expected Soon. The *Supplemental Report of the 1990 Budget Act* directs the California Postsecondary Education Commission (CPEC) to review the CSU's proposed library space standards and make recommendations to the Legislature by November 1, 1990, in order that the Legislature may consider and act upon the proposed standards during deliberations on the 1991-92 budget. These standards will have important implications for the design and cost of CSU library projects, not only in the budget year but for years to come. At the time this analysis was prepared the CPEC report was in final preparation and expected to be sent to the Legislature shortly. We will review the final document and report, as appropriate, to the Legislature.

E. Physical Education Facilities

The budget proposes \$9,370,000 for construction of a gymnasium/physical education addition at CSU Long Beach. We recommend deletion of this request, which does not provide instructional space. The five-year plan includes four other physical education projects scheduled for working drawings in the budget year totaling \$1.7 million, but the budget does not include these funds. We recommend augmentations totaling \$670,000 to finance working drawings for three of the projects, which include instructional-related space, as discussed below.

Chart 8 summarizes our recommendations for physical education facilities.

Long Beach — Gymnasium/Physical Education Addition

We recommend deletion of \$9,370,000 requested under Item 6610-301-660 (6) for construction of a gymnasium/physical education addition on the Long Beach campus because the proposal does not provide instructional-related space to accommodate current/projected enrollment.

Chart 8

**California State University
1991-92 Capital Outlay Program
Physical Education Facilities**

(dollars in thousands)

Project	Phase	<i>Budget Bill</i>				<i>Analyst's Recommendations</i>			
		General Obligation Bonds	Lease Payment Bonds	Future Cost	FTE Capacity	General Obligation Bonds	Lease Payment Bonds	Future Cost	FTE Capacity
Long Beach--Physical Education addition	c	--	\$9,370	\$387	--	--	--	--	--
San Bernardino--Physical Education/ Classroom/Office	w	--	--	--	--	\$485	--	\$23,088 ^a	499
Northridge--Physical Education addition	w	--	--	--	--	70	--	2,800 ^b	346
Fullerton--Physical Education addition	w	--	--	--	--	115	--	3,700 ^b	442
Totals		--	\$9,370	\$387	--	\$670	--	\$29,588	1,287

^a CSU estimate.^b LAO estimate based on information from CSU.

CALIFORNIA STATE UNIVERSITY — CAPITAL OUTLAY—Continued

As indicated in Chart 8, the proposed gymnasium/physical education addition at the Long Beach campus does not provide instructional-related space. At present, CSU Long Beach has 115,000 asf of physical education space, including a gymnasium with seating for 1,980. The CSU proposal would add 58,000 asf, including a 5,000-seat gymnasium, additional showers, lockers and coaches' offices. In view of the current fiscal constraints faced by the higher education programs and the consequent need to concentrate available funds on projects directly accommodating current/projected enrollments we recommend deletion of the \$9,370,000 requested under Item 6610-301-660 (6) for construction of the Long Beach gymnasium/physical education addition.

Recommended Augmentations — Physical Education Facilities

We recommend augmentations to Item 6610-301-791 (general obligation bonds) totaling \$670,000 to finance working drawings for three physical education facilities, emphasizing provision of instructional-related space to accommodate 1,287 FTE students.

The other three projects listed in Chart 8 include both physical education and instructional space. The CSU five-year plan scheduled working drawings expenditures for these projects in 1991-92 but the budget does not include these funds. The CSU estimates future costs totaling \$42.7 million for construction and equipment for these projects. We recommend augmentations to Item 6610-301-791 to finance the working drawing phase for the following aspects of each project:

- \$485,000 for the Physical Education/Classroom/Faculty Office complex at CSU San Bernardino. The San Bernardino campus currently has 21,600 asf of physical education space, including a 400-seat gymnasium/activity room. The planned CSU project would add 89,000 asf of physical education space, including a 5,000-seat gymnasium. The project also would add 5,140 asf for the Nursing and Military Science departments. The project includes instructional space to accommodate 499 FTE students. Our review indicates that rapid enrollment growth (both past and projected) at the San Bernardino campus justifies the planned instructional, office and physical activity spaces. (The Trustees' request for the budget lists this project as one of five "critical projects" for 1991-92.)
- \$70,000 for a Physical Education addition/renovation at CSU Northridge. We recommend that the Legislature approve funds to develop working drawings for physical education instructional laboratories (13,000 asf and 18 FTE) and conversion of 2,448 asf of activity space into lecture space (424 FTE). Based on information available from the CSU, we estimate a future cost for this work of \$2.8 million. Northridge currently has approximately 61,700 asf of physical education space, including two gymnasiums. We recommend that the Legislature defer the noninstructional portion of the planned project (estimated construction/equipment cost of \$9.5 million), including a new gymnasium, dance complex, additional locker rooms and remodeled faculty offices.

- \$115,000 for a Physical Education addition at CSU Fullerton. We recommend the Legislature approve this level of funding to develop working drawings for a 19,430 asf addition to include classroom space (2,730 asf), a gymnastics room (14,500 asf) and 20 faculty offices (2,200 asf), with an estimated future cost of \$3.7 million. Fullerton currently has 92,300 asf of physical education space, including a 23,200 asf gymnasium. We recommend the Legislature defer the remainder of the space proposed in the five-year plan (estimated future cost of \$3.7 million), including a new gymnasium, graduate research laboratories and replacement faculty offices.

The augmentations recommended above are contingent on receipt of completed preliminary plans prior to budget hearings. Preliminary plans for the above projects were funded in the 1990 Budget Act. Our recommendations to fund only portions of the planned projects at the Fullerton and Northridge campuses may or may not be feasible, depending on the specific designs incorporated in the preliminary plans. If the completed preliminary plans indicate that the relevant areas are not readily separable, we would recommend that the Legislature defer the projects entirely.

F. Utilities/Infrastructure

The budget includes \$11.6 million for two utility/infrastructure proposals. We recommend approval of one request contingent on receipt of completed preliminary plans — \$6,575,000 to upgrade the electrical distribution system at CSU Northridge. We withhold recommendation on the second proposal — statewide boiler retrofits — for reasons discussed below. We also recommend augmentations totaling \$19.8 million for six utilities/infrastructure projects included in the CSU five-year plan for 1991-92, yet not included in the budget, as discussed below.

Chart 9 summarizes our recommendations for projects in the utilities/infrastructure category.

Statewide — Boiler Retrofits

We withhold recommendation on \$5,073,000 requested under Item 6610-301-791 (1) to retrofit boilers at seven campuses to comply with new air quality regulations issued by the South Coast Air Quality Management District pending receipt/review of (1) completed preliminary plans and (2) a report from the Department of Finance on the implications of the regulations for statewide expenditures and air quality.

We further recommend that the CSU report to the fiscal committees, prior to budget hearings, on its authority to spend support budget funds to prepare preliminary plans and working drawings for this proposal.

The budget proposes \$5,073,000 from general obligation bonds for preliminary plans, working drawings, construction and equipment of boiler retrofits at seven CSU campuses located in the jurisdiction of the South Coast Air Quality Management District.

Chart 9

**California State University
1991-92 Capital Outlay Program
Utilities/Infrastructure**

(in thousands)

Project	Phase	Budget Bill			Analyst's Recommendations		
		General Obligation Bonds	Lease Payment Bonds	Future Cost ^a	General Obligation Bonds	Lease Payment Bonds	Future Cost ^a
Long Beach--Upgrade Electrical System	c	--	--	--	--	\$7,100	--
Bakersfield--Upgrade Utilities	wc	--	--	--	--	2,151	--
Northridge--Upgrade Electrical System I	c	\$6,575	--	--	\$6,575	--	--
Fullerton--Central Plant Phase V	c	--	--	--	--	4,502	--
Northridge--Utilities Infrastructure	wc	--	--	--	--	5,070	--
Statewide--Boiler retrofits	pwce	5,073	--	--	--	pending	--
San Diego--Upgrade Electrical System	pw	--	--	--	520	--	\$8,378
Fullerton--Upgrade Electrical System I	pw	--	--	--	443	--	8,211
Totals		\$11,648	--	--	\$7,538	\$18,823	\$16,589

^a CSU estimates.

Proposed Project. The retrofitting of existing boilers is proposed to meet strict new air quality standards promulgated by the district. State institutions throughout much of southern California face similar compliance issues that undoubtedly will require major expenditures. Yet the budget does not include funds to modify boilers at many of these state institutions. In our analysis of the University of California capital outlay program (Item 6440-301) we recommend that the Department of Finance report to the fiscal committees prior to budget hearings on the implications for expenditures throughout state government of the new air quality regulations and the consequent benefits to air quality. Pending receipt/ review of this report and the completed preliminary plans for the CSU projects, we withhold recommendation on the CSU request. Finally, if the Legislature approves funds for this proposal, we recommend that the amount for each campus be scheduled separately in the Budget Bill rather than as a lump sum. This will provide more appropriate cost-control and accountability.

The CSU has proceeded with preliminary plans and working drawings. According to CSU staff both the budget and the CSU five-year capital outlay plan are in error in characterizing the proposal as including preliminary plans and working drawings. Instead, the CSU has completed preliminary plans and begun preparation of working drawings (at an estimated cost of \$227,000) with funds appropriated for deferred maintenance and special repairs in its 1989-90 support budget (Item 6610-021-036 of the 1989 Budget Act). Thus, the \$5,073,000 request in the capital outlay budget is for construction and equipment only. It is not clear under what authority the CSU has committed support budget funds for these capital outlay expenditures. It is also unclear under what authority it has commenced preparation of working drawings since the State Public Works Board has not approved completed preliminary plans, as required by law. The CSU should provide an explanation to the fiscal committees, prior to budget hearings, on its authority for the above actions.

Recommended Augmentations — Utilities/Infrastructure

We recommend augmentations to Item 6610-301-660 (lease-payment bonds) totaling \$18,823,000 and to Item 6610-301-791 (general obligation bonds) totaling \$963,000 to finance six projects needed to provide (1) utilities services to facilities under construction or (2) critical improvements to existing utilities/infrastructure systems.

The Trustees request for 1991-92 included five projects deemed as "critical projects," four of which fall into the utilities/infrastructure category. The budget includes funds for only one of these projects — an electrical distribution system upgrade at CSU Northridge. The Trustees' requests for the three other utilities projects deemed as critical total approximately \$10 million. The budget includes \$82 million for nine projects listed in the Trustees' request as lesser priorities. We recommend augmentations to finance the three "critical" projects and three other utility projects as discussed below. Our recommended augmentations are based on the following considerations:

CALIFORNIA STATE UNIVERSITY — CAPITAL OUTLAY—Continued

- **Long Beach — Upgrade Electrical Infrastructure.** The campus is experiencing power outages of increasing frequency and severity due to the outmoded and overloaded condition of the electrical system. This project was deemed a critical priority by the Trustees.
- **Bakersfield — Upgrade/Expand Chilled Water System.** The CSU states that this proposal to increase campus central chilled water capacity is needed to provide cooling for the Walter Stiern Library, funded for construction in the budget, and scheduled for occupancy in September 1993. This project was deemed a critical priority by the Trustees. On this basis we recommend adding the project. We may, however, modify our recommendation depending on receipt of data from CSU demonstrating the current and projected need for chilled water as well as the need for all elements of the proposed project. Finally, the amount we have recommended is \$220,000 less than the Trustees' request, to account for an anticipated rebate from the Pacific Gas and Electric Company.
- **San Diego — Upgrade Electrical Distribution System.** According to the CSU, this project is needed to upgrade outmoded portions of the existing system and provide electrical capacity for the library addition. (The library project is not in the budget. However, we have recommended the Legislature add funds for working drawings). This project was considered a critical priority by the Trustees. On this basis, we recommend adding the project. We may, however, modify our recommendation on receipt of data from the CSU demonstrating the current/projected needs for electrical capacity, as well as the need for all elements of the proposed project.
- **Fullerton — Central Plant, Phase 5.** This project would increase the campus central chilled water capacity. The added capacity is necessary in order to provide cooling for the Science addition that is under construction.
- **Fullerton — Upgrade Electrical Distribution System.** This project will increase the capacity of the campus electrical distribution system. Lacking this project, the campus will not have sufficient electrical capacity for the Science addition, as well as other funded projects.
- **Northridge — Utilities Infrastructure.** According to CSU, the project is needed to provide water and sewer capacity for projects under construction, including the South Library conversion and the Business Administration/Economics and Education Building. The proposal is linked to an electrical upgrade project funded in the budget (see Chart 9). Accomplishing both projects together also would cause less disruption to campus activities and permit economies of scale through such measures as common trenching of utility lines.

As indicated in Chart 9, we have recommended amounts for five projects contingent on receipt of completed preliminary plans prior to

budget hearings. Also, after further discussion with CSU staff concerning technical aspects of the projects we may recommend revised amounts at the budget hearings.

G. Other Projects

The budget includes \$4.5 million for four proposals that do not fall into any of the above categories. The CSU estimates future costs for these projects totaling \$19.4 million.

We recommend approval of \$4 million for minor capital outlay projects (\$250,000 or less per project) throughout the CSU system. We also recommend approval of \$11,000 requested for preliminary plans to install an elevator in Trinity Hall at CSU Chico, needed for handicap access. As discussed earlier, we recommend that the Legislature appropriate amounts under Item 6610-301-791 (June 1990 bond fund) instead of Item 6610-301-782 (1986 bond fund) because there is a deficit in the 1986 bond fund. Our recommendations for the other two proposals in this category are discussed below.

Our recommendations for projects in this category are summarized in Chart 10.

Chart 10					
California State University 1991-92 Capital Outlay Program Miscellaneous Projects					
(in thousands)					
Project	Phase	Budget Bill		Analyst's Recommendations	
		General Obligation Bonds	Future Cost^a	General Obligation Bonds	Future Cost^a
Statewide--minor projects	pwc	\$4,000	--	\$4,000	--
Chico--Trinity Hall elevator-- handicap access	p	11	\$258	11	\$258
Northridge--Engineering addition	w	323	15,512	--	--
Imperial Valley off-campus center improvements	p	200	3,610	--	--
Totals		\$4,534	\$19,380	\$4,011^b	\$258

^a CSU estimates.
^b Analyst recommends that all general obligation bond amounts be approved in Item 6610-301-791 instead of Item 6610-301-782.

As indicated in Chart 10, we recommend deletion of the following two requests that are largely unrelated to instructional needs.

CALIFORNIA STATE UNIVERSITY — CAPITAL OUTLAY—Continued**Northridge — Engineering Addition**

We recommend deletion of \$323,000 requested under Item 6610-301-782(7) for working drawings for the Engineering addition at CSU Northridge because the project is largely unrelated to instructional needs.

Of the 53,700 asf proposed in this facility, 36,700 asf (68 percent) is for research laboratories, offices and miscellaneous non-instructional space. The proposal provides only 88 FTE of teaching laboratory space at total project cost of \$15.8 million. This project has merit and may warrant funding in the future. However, under the current fiscal environment faced by higher education capital outlay programs, we recommend the Legislature defer this project. Thus, we recommend the Legislature delete the \$323,000 requested for working drawings in Item 6610-301-782(7).

Imperial Valley Off-Campus Center Improvements

We recommend deletion of \$200,000 requested under Item 6610-301-785(1) for preliminary plans for improvements to the Imperial Valley off-campus center because the proposal is largely unrelated to instructional needs.

We also recommend that the CSU report to the fiscal committees at the budget hearings on (1) the priority of the Imperial Valley proposal relative to all other projects in the Trustees' five-year plan as requested by the Legislature in the Supplemental Report of the 1990 Budget Act.

Budget Proposal. The proposed improvements to the off-campus center in Calexico consist of a faculty office/student services building (11,910 asf), a new physical plant facility (6,970 asf) and renovation of the 2,200 asf auditorium. None of the proposed improvements directly accommodate current/projected enrollments. Moreover, our review indicates that the proposal has no clear relationship to general facility needs. For example:

- The CSU proposes multiple offices for individual faculty members.
- The amount proposed in the budget for preliminary plans (\$200,000) exceeds the amount that the CSU estimates is needed for that purpose (\$136,000).
- After release of the Governor's Budget, the CSU sent a revised proposal to the Department of Finance that increased the estimated future cost of the project from \$3.6 million to \$6 million. Essentially, the recent submittal by the CSU proposes a completely different project.
- The proposal in the budget was supposed to be based on the findings of a comprehensive five-year plan for the Imperial Valley center requested by the Legislature in the *Supplemental Report of the 1990 Budget Act*. That plan, due to the Legislature on October 1, 1990, had not been sent when this analysis was prepared.

Report Requested by the Legislature. The *Supplemental Report of the 1990 Budget Act* also required the CSU to identify the priority of any

capital outlay proposals for the Imperial Valley center relative to all other capital outlay proposals in the systemwide five-year capital outlay plan. The CSU, however, has not identified these projects as requested by the Legislature. Instead, the CSU has placed the Imperial Valley proposal into a category called "funds to support off-campus centers," which it shares with one other project. The priority of the two proposals in this category are not identified relative to the other projects in the five-year plan. In response to our inquiry as to why the CSU had taken this action rather than follow the legislative request, the CSU replied in a letter dated January 28, 1991, that "Priority is a relative term, and while the Trustees establish the relative priority for all projects within the system, the Department of Finance makes the final decision as to which projects will be included in the Governor's Budget." We do not believe the reply is responsive to the Legislature's concern relating to the system-wide priority of the Imperial Valley project. We, therefore, recommend that, prior to budget hearings, the CSU respond to the Legislature's request to place the Imperial Valley proposal in priority sequence on a system-wide basis.

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.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY

Item 6870-301 from the Public
Buildings Construction Fund
and from the June 1990
Higher Education Capital
Outlay Bond Fund

Budget p. E 131

Requested 1991-92.....	\$121,796,000
Recommended approval	89,716,000
Recommended reduction.....	30,464,000
Recommended augmentation.....	11,402,000
Net recommended approval.....	101,118,000
Recommendation pending	1,616,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

- | | |
|--|-----------------|
| | <i>Analysis</i> |
| | <i>page</i> |
| 1. Long-Range Plan. The Board of Governor's long-range plan includes capital outlay needs of \$3.2 billion over the next 15 years. | 1383 |
| 2. Five-Year Capital Outlay Plan. The Chancellor's Office has not prepared a systemwide five-year capital outlay plan as | 1385 |

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

- required by the *Supplemental Report of the 1989 Budget Act*.
3. The CCC's priority-setting criteria and priority-setting procedures do not reflect the system's most needed capital outlay improvements. Recommend the Legislature adopt supplemental report language directing the Board of Governors to reexamine the current priority-setting process for capital outlay projects. 1386
 4. *Recommend deletions of \$22,342,000 in Item 6870-301-660 for 9 projects and \$3,704,000 in Item 6870-301-791 for 13 projects that do not meet essential CCC capital outlay needs.* 1393
 5. *Recommend augmentations of \$6,469,000 in Item 6870-301-660 for 1 project and \$4,933,000 in Item 6870-301-791 for 22 projects that are needed to accommodate current and projected community college enrollments.* 1396
 6. *Citrus CCD—Physical Sciences Remodel. Reduce Item 6870-301-791 (4) by \$192,000.* Recommend reduction of \$192,000 to remodel the physical science building because construction contingency is overstated and the proposal includes replacement equipment unrelated to the remodeling project. 1397
 7. *Citrus CCD—Biology Remodel. Reduce \$207,000 in Item 6870-301-791 (7).* Recommend reduction of \$207,000 for working drawings because the district should prepare preliminary plans only for the safety-related and handicapped access building improvements. 1402
 8. *Desert CCD—Campus Fire Water System. Reduce \$232,000 in Item 6870-301-791 (8).* Recommend reduction of \$232,000 to upgrade water supply system because the district has already funded working drawings and the proposal includes unexplained construction costs added by the Chancellor's Office. 1402
 9. *Contra Costa CCD—Hazardous Chemical Storage Building. Reduce Item 6870-301-791 (9) by \$150,000.* Recommend reduction of \$150,000 for chemical storage building to coincide with the district's revised cost estimate. 1403
 10. *Peralta CCD—Seismic Upgrade/Renovation Projects. Reduce Item 6870-301-660 (24) by \$472,000 and delete \$634,000 under Item 6870-301-791 (18).* Recommend reduction of \$472,000 in Item 6870-301-660 (24) for improvements to district warehouse and office building because only high-priority, seismic upgrading of the district's warehouse and Conroy Office buildings, plus relocation of the district maintenance function, should be funded. Also recommend deletion of \$634,000 in Item 6870-301-791 (18) because all 1403

- recommended work can be funded with the \$828,000 in Item 6870-301-660 (24).
11. Citrus CCD—Electrical System Upgrade. Withhold recommendation on \$402,000 in Item 6870-301-791 (6) to upgrade campus electrical system because the district has not clearly explained the need for the amount of work in the proposal. 1404
 12. Mt. San Antonio CCD—Fire Water System Replacement. Withhold recommendation on \$1,214,000 in Item 6870-301-660 (22) to replace the fire water system pending clarification of project scope. 1405
 13. *Santa Barbara CCD—Business/Communications Building. Reduce Item 6870-301-660 (28) by \$272,000.* Recommend reduction of \$272,000 to construct business/communications building because the district has not justified the need for a 7 percent local cost mark-up. 1405
 14. *Budget Proposals Exceed Previously Approved Costs. Reduce Item 6870-301-660 by \$2,003,000.* Recommend reduction of \$2,003,000 for construction of four projects because budget proposals exceed legislatively approved cost. 1406
 15. *Mt. San Jacinto CCD—Business and Technology Building. Reduce Item 6870-301-660 (23) by \$256,000.* Recommend reduction of \$256,000 to construct and equip business and technology building because the proposal includes replacement equipment that is not related to construction of the building. 1406

OVERVIEW OF THE BUDGET REQUEST AND CCC CAPITAL OUTLAY PLANNING

Long-Range Plan

The Board of Governor's long-range plan projects that community college capital outlay needs will total \$3.2 billion over the next 15 years.

In accordance with the *Supplemental Report of the 1988 Budget Act*, the California Community Colleges' (CCCs') Board of Governors recently adopted a systemwide plan for community college growth through 2005. The plan is based on a projected systemwide enrollment increase of over 500,000 students in the next 15 years. With regard to the need for new community college campuses and centers, the plan proposes: (1) that six existing centers become full-service campuses and (2) establishment of 32 new centers, 8 of which would become full-service campuses. The Chancellor's Office estimates that implementing this plan would require *\$3.2 billion* in capital outlay expenditures through 2005, or an average of \$210 million per year. This includes \$1.8 billion for additions and improvements to existing campuses and centers and \$1.4 billion to develop new campuses and centers.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**MAJOR ISSUES**

- The CCC's long-range plan includes expanding six centers into full campuses and establishing 32 new centers, 8 of which will become campuses by 2005.
- The CCC estimates \$3.2 billion in capital outlay needs through 2005.
- State capital outlay costs for the CCC could be reduced or eliminated by lowering the two-thirds voting requirement on local bond measures to a simple majority and by either re-establishing a district cost-sharing requirement or having the program funded entirely by the districts.
- The Chancellor's Office has not prepared a systemwide five-year plan as required by the Legislature.
- The CCC's priority-setting procedures do not reflect the system's highest priority capital outlay needs.

The state currently is required to fund 100 percent of state-supportable community college capital outlay costs. (Prior to 1990-91, districts were required to share up to 10 percent of project costs based on their available reserves.) As discussed in our 1991-92 *Perspectives and Issues* (Part Four — "State Infrastructure"), future state outlays for community college projects could be reduced or eliminated by lowering the two-thirds vote for local bond measures to a simple majority vote and by either re-establishing a district cost-sharing requirement or having the program funded entirely by the districts.

In accordance with the *Supplemental Report of the 1990 Budget Act*, the CCC was to submit the long-range plan in early February to the Joint Legislative Budget Committee and the legislative fiscal and appropriate policy committees. We will review the plan and provide comments and recommendations, as appropriate, to the Legislature prior to budget hearings.

Five-Year Capital Outlay Plan

The Chancellor's Office has not prepared a systemwide five-year capital outlay plan as required by the Supplemental Report of the 1989 Budget Act.

The *Supplemental Report of the 1989 Budget Act* required the community colleges to prepare a systemwide five-year capital outlay plan. In our *Analysis of the 1990 Budget Bill*, we reported that the Chancellor's Office had not developed such a plan, but instead had simply compiled and submitted all of the district's two- to five-year list of projects. Unfortunately, a CCC five-year plan is still not developed. The Chancellor's Office indicates that it will submit a five-year plan in September 1991 for 1992-93 through 1996-97. Given the substantial needs already identified by the districts in their individual five-year plans and the large number of new centers and campuses projected by the CCC's long-range plan, it is essential that the Chancellor's Office provide the Legislature with a five-year plan.

Budget Request

The budget proposes \$121.8 million to fund 66 projects in the CCC's capital outlay program for 1991-92. Of this amount, \$111.7 million would come from General Fund lease-payment bonds (the Public Buildings Construction Fund). In recent years, these bonds have been commonly referred to as "revenue bonds," which is a misnomer, however, because the facilities constructed with these bonds *do not generate any revenue*. Instead, the General Fund pays the principal and interest on these bonds. In the 1990 Budget Act, the Legislature appropriated \$97.6 million of lease-payment bonds for the CCC's capital outlay program.

The balance of the 1991-92 budget proposal—\$10.1 million—would come from the Higher Education Capital Outlay Bond Fund of 1990, which was approved by the voters in June 1990. The budget would have requested more funds (up to \$100 million) for the CCC's capital outlay program, but a \$450 million higher education bond issue was rejected by the voters in November 1990. The consequences of that defeat are discussed below and in our overview section of higher education capital outlay.

Consequences of the Failure of the November 1990 Bond Measure

For 1991-92, the CCC submitted a request totaling \$221 million to fund 164 projects. Largely due to voter disapproval of the bond measure the budget only proposes \$122 million in funding for 66 projects. Although not all of the 164 requested projects would have merited funding, many represent legitimate CCC needs, particularly those associated with accommodating enrollment growth. In addition to a reduced capital outlay program, the CCC's support budget includes no bond funding for instructional equipment or asbestos abatement. In the *1990 Budget Act*, these programs received \$23 million and \$5 million, respectively, from the voter-approved June 1990 higher education bond funds.

Including the CCC's \$210 million estimated annual need for capital outlay, the three higher education segments' five-year plans total \$3.9 bil-

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

lion. As discussed in our higher education capital outlay overview section, these spending plans were predicated not only on voter approval of the failed November bond measure, but also on (1) passage of major general obligation bond measures every two years thereafter plus (2) annual authorizations of nonvoter-approved debt. Failure of the November bond measure has not only constrained the segments' 1991-92 capital outlay programs, but also challenges the viability of using this funding strategy in the future.

With less-than-expected capital outlay funds available in 1991-92 and the potential availability of future general obligation bond funds uncertain, it is important that the Legislature allocate 1991-92 capital funds to the segments' most critical facilities needs. Unfortunately, due in part to problems with the CCC's priority-setting system, as discussed below, many of the CCC's most critical needs are not addressed in the Governor's Budget.

ANALYSIS AND RECOMMENDATIONS**CCC Priority-Setting Is Flawed**

The CCC's priority-setting criteria and priority-setting procedures do not reflect the system's most needed capital outlay improvements. We recommend the Legislature adopt supplemental report language directing the Board of Governors to reexamine the current priority-setting process for capital outlay projects.

Although setting priorities inherently involves a degree of subjectivity, this can be minimized by establishing criteria such that the most critical needs are addressed first. In general, priority criteria should first reflect broad societal goals, such as the protection of life and property. Subsequent criteria should address primary institutional goals, which for the community colleges is, by statute, an educational mission to provide degree and certificate curricula in lower division arts and sciences and in vocational and occupational fields. As described below, two general problems with the CCC's priority-setting procedures result in priorities that do not address the system's most critical capital outlay needs.

Inappropriate Criterion. Chart 1 shows the CCC's current priority-setting criteria for capital outlay projects. Our major concern with the criteria is with Part 3 of the General Criteria, which states that the first \$20 million of requested funds will be for Category A or B projects and that at least 20 percent of remaining requested funds will be for projects in Category C that promote a complete campus concept. In applying this criterion, the CCC's priority lists show some Category C projects as higher priorities than projects in Category B—academic and administrative facilities. We understand the CCC's desire to develop full-service campuses by funding Category C projects. This criterion is arbitrary, however, and essentially contradicts the notion of priorities as established by the other criteria. In practice, it leads to priority lists in which child care centers and gymnasiums could receive funding instead of classrooms or libraries. This did not occur in 1989-90 or 1990-91 because most of

Chart 1

California Community Colleges Priority Criteria List for Capital Outlay Projects

Category A. To Activate Existing Space

1. Safety requirements, correction of hazardous conditions, and access for disabled persons.
2. Equipment for previously funded projects.
3. Replacement or alterations to infrastructure when failure or loss would otherwise result.
4. Alterations, renovations, or remodeling necessitated by previously funded projects.

Category B. To provide for new space or remodeling of existing space for instruction and for academic and administrative support facilities.

1. Funds for master plans and preliminary plans when major deficiencies in facilities exist.
2. Remodeling and new construction of classrooms, teaching laboratories, libraries, and learning resource centers (including land acquisition costs and site development when necessary to site facilities). Projects will be prioritized on the basis of existing capacity and current and projected need.
3. Remodeling and new construction of academic and administrative support facilities (including offices, student support facilities, land acquisition and site development costs when necessary to site facilities.)

Category C. To provide for other capital outlay projects and promote a complete campus concept.

1. Physical education facilities and performing arts (theater) facilities.
2. Child development/child care facilities.
3. Cafeterias, maintenance shops, warehouses, energy conservation projects, and other support facilities.
4. Other capital outlay projects which promote a complete campus.
5. Construction funds to renew and improve existing instructional and support facilities.

General Criteria

1. The Board of Governors may make exceptions to established priorities when it determines that to do so will benefit community colleges.
2. Projects that have already been approved and funded for working drawings will have preference over other projects in the same category.
3. The first \$20 million of requested capital outlay funds (slightly more or less depending on the actual cost of projects) will be for projects in Category A and the highest ranking projects in Category B. At least 20 percent of the requested funds in excess of the first \$20 million will be for projects in Category C.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

CCC's requests from all categories were funded. With reduced funding for 1991-92, however, several Category C projects are included in the Governor's Budget instead of higher priority, Category B projects.

Projects Placed In Improper Categories. The first three criteria in Category A are reasonable. With regard to CCC capital outlay, the state's priorities should reflect these three goals: (1) addressing hazardous conditions and problems of access for disabled persons, (2) providing equipment to complete investments in new and remodeled facilities, and (3) ensuring the operability of infrastructure serving existing facilities. In applying these and succeeding criteria, however, the Chancellor's Office focuses more on general, rather than the specific, criteria descriptions.

For example, Part 3 of Category A is for replacements or alterations to infrastructure *when failure or loss would occur*. In practice, however, the Chancellor's Office places *all* infrastructure projects within this category. For 1991-92, this includes a reclaimed water irrigation system and three access/entrance roads (on campuses that have an access/entrance road). These projects may be meritorious, but should be of lower priority than other community college needs since their deferral does not portend any *failure or loss*. Nevertheless, since the Chancellor's Office deems these projects to be high priorities, they are included in the Governor's Budget, while many instructional facilities remain unfunded.

As a second example, Part 4 of Category A is for renovations *necessitated* by previously funded projects. These are called "secondary effects" projects, which involve remodeling space left vacant when existing programs move into a newly completed facility. Again, applying the general criterion description, the Chancellor's Office will place *all* secondary effects in this category, whether or not the alterations are *necessary*, rather than *desirable*, to occupy the vacated space. These remodeling projects are placed higher on CCC's priority list than instructional facilities projects, regardless of a district's capacity to provide programs within existing space.

Conclusion. The CCC is faced with large, diverse facilities needs, including: (1) building additional space to provide instructional programs for a burgeoning enrollment, (2) replacing older, substandard or relocatable structures that are currently used for instruction, and (3) developing new centers and campuses, which will require large investments for land, infrastructure, and facilities. Available capital outlay funds must be directed to the most critical needs first, however. *The most critical needs should therefore also be the highest priorities.* As discussed above, though, the CCC's current priority-setting practice does not ensure funding of the system's most critical needs.

In view of the above, we recommend that the Legislature adopt the following supplemental report language directing the Board of Governors to reexamine the priority criteria and the CCC's priority-setting system for capital outlay projects:

It is the intent of the Legislature that the Board of Governors reexamine both the current capital outlay priority criteria and the Chancellor's Office priority-

setting process for capital outlay projects. This reexamination is to include reevaluation of the current priority criteria with the intent of eliminating the movement of lower priority projects to a higher-ranking and whether or not the category system is the most effective method of setting priorities. This reexamination is also to include a reassessment of the procedures used by the Chancellor's Office in applying the criteria to individual projects to ensure that the resulting priority list is both an accurate representation of each project and portrays the statewide capital outlay needs of the community college system. The Chancellor's Office shall report to the Legislature the results of this reexamination in conjunction with the submittal of the community college system five-year capital outlay plan to be submitted to the Legislature by September 1, 1991. This report shall also illustrate how each project was evaluated and placed in the priority list.

Framework for Analysis of Projects

Failure of the November 1990 bond measure places higher education capital outlay in a fiscal environment of limitation and uncertainty. It does not, however, eliminate the need for new facilities to accommodate current and projected enrollments. In view of the current situation, our approach in reviewing capital outlay budget proposals is different from previous budget analyses. This approach attempts to direct 1991-92 capital outlay funds to critical health/safety projects and to projects that accommodate enrollment growth.

Our analytical approach and its rationale is described in more detail in the overview section on higher education capital outlay. To briefly reiterate, we have assumed that the total of lease-payment and general obligation bonds proposed in the budget (\$385 million) is a maximum amount for these programs. Within the constraint of the proposed \$385 million, we reviewed higher education projects for all three segments on the basis of relative need and applied the following priority framework:

- Does the project address critical fire/life safety or handicapped accessibility needs?
- Does the project provide primarily instructional space to accommodate enrollment growth? Would its deferral result in a shortage of instructional space on a campus or district based on adopted state standards?
- Would deferral of a project (1) delay occupancy of a building needed for the above purpose or (2) create undue risk of utility system failure?

We recommend funding of all proposed projects yielding a "yes" answer to one of the above questions. To the extent that monies remain available after funding these projects, we recommend that projects proposed by the segments, but not included in the Governor's Budget, be funded in 1991-92 if they also meet the above test. Finally, we recommend that any remaining funds be allocated to meritorious projects not directly related to enrollment growth (such as UC research-related projects), but that provide a balanced capital outlay program. (One

Chart 2

**California Community Colleges
1991-92 Capital Outlay Program
Projects for Which We Recommend Approval**

 Items 6870-301-660 and 6870-301-791
 (dollars in thousands)

Sub-Item	Project	Phase ^a	Budget Bill Amount		Estimated Future Cost ^d	District Capacity ^e		WSCH Capacity ^f
			G.O. ^b	L-P. ^c		With Project	Without Project	
INFRASTRUCTURE								
(15)	Lake Tahoe CCD--Lake Tahoe College, Safety-lighting, sidewalk, fire access road	pwc	\$467	--	--	N/A	N/A	--
INSTRUCTIONAL FACILITIES								
(12)	Feather River CCD--Feather River College, Science module	ce	--	\$1,935	--	Lec. 100% Lab. 170	Lec. 81% Lab. 173	1,000
(30)	Sequoias CCD--College of the Sequoias, Home economics building	ce	--	3,394	--	Lec. 98 Lab. 91	Lec. 91 Lab. 86	6,063
(35)	Yosemite CCD--Modesto College, Automotive addition	c	--	2,298	\$400	Lab. 87	Lab. 85	1,266
LIBRARIES								
(2)	Chaffey CCD--Chaffey College, Learning resource center remodel/expansion	c	--	1,681	1,568	Lib. 94	Lib. 63	--
(36)	Yuba CCD--Woodland Center, Learning resource center	ce	--	3,093	--	Lec. 127 Lib. 84	Lec. 86 Lib. 31	5,594

Chart 2—CONTD

Sub-Item	Project	Phase ^a	Budget Bill Amount		Estimated Future Cost ^d	District Capacity ^e		WSCH Capacity ^f
			G.O. ^b	L-P. ^c		With Project	Without Project	
ADMINISTRATIVE FACILITIES								
(10)	Desert CCD--Copper Mountain Center, Library/learning resource center	ce	--	\$1,710	--	Office 68%	Office 40%	122
(21)	Mt. San Antonio CCD--Mt. San Antonio College, Student services center	c	--	6,594	\$349	Office 100	Office 85	--
OTHER FACILITIES								
(15)	Grossmont-Cuyamaca CCD--Cuyamaca College, Outdoor physical education facility	c	--	1,450	150	N/A	N/A	--
(20)	Mendocino CCD--Mendocino College, Fine Arts building	c	--	6,340	420	Lec. 163 Lab. 103	Lec. 149 Lab. 90	4,665
(32)	Ventura CCD--Moorpark College, Performing Arts building	c	--	6,985	420	Lec. 108 Lab. 91	Lec. 97 Lab. 83	11,120
Totals				\$467	\$35,480	\$3,307		29,830

^a Phase symbol indicates: p = preliminary plans; w = working drawings; c = construction; e = equipment.

^b General Obligation bond funds (Item 6870-301-791).

^c Lease-payment bond funds (Item 6870-301-660).

^d CCC estimates.

^e Based on most recent DOF enrollment projections for year of building occupancy and district space inventory in relation to adopted state space standards.

Individual campus or center capacity is used for geographically dispersed sites. Lec. = lecture space; Lab. = laboratory space; Lib. = library space.

^f Net increase in lecture and laboratory capacity after building occupancy, including all secondary effects.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

additional constraint on project selection is that lease-payment bond proceeds cannot be used for projects in which only design-stage funds are to be appropriated.)

To facilitate our discussion of the CCC projects, our analysis is separated into the following four categories: (1) proposed projects for which we recommend approval, (2) proposed projects for which we recommend deletion, (3) projects not included in the Governor's Budget that we recommend for funding, and (4) proposed projects for which we recommend reductions or withhold recommendation. For each category, we present a table listing all applicable projects and include a short discussion of specific projects where appropriate.

PROJECTS RECOMMENDED FOR APPROVAL

We recommend approval of \$49.2 million in Item 6870-301-660 for 17 projects and \$4.9 million in Item 6870-301-791 for 13 projects.

We recommend approval as budgeted of \$13,758,000 in Item 6870-301-660 and \$2,697,000 in Item 6870-301-791 for 15 projects to provide access for disabled individuals. The scope and cost of these projects are reasonable. We also recommend approval of \$1,686,000 in Item 6870-301-791 to procure equipment for four projects. The Legislature approved construction funding for these projects in the 1990 Budget Act. The equipment is necessary to make the facilities functional and the requested costs are reasonable.

In addition to the 18 projects discussed above, we also recommend approval of \$35,480,000 in Item 6870-301-660 for 10 projects and \$467,000 in Item 6870-301-791 for one project as shown in Chart 2. These projects have an estimated future cost of \$3.3 million.

For each project, the chart shows the budget request, the project phase(s) associated with that request, and the estimated future cost of remaining project phases. In addition, the chart includes two measures of how each project addresses district need. The first is the impact of the project on the district's lecture, laboratory, library, and/or office space inventory based on adopted state space standards. (For districts with geographically dispersed campuses or centers, the impact of the project on the individual campus or center capacity is listed). This first measure uses the Department of Finance's most recent district enrollment projection for the year of building occupancy. The second measure is the *net increase* in lecture and laboratory capacity from the project as measured by weekly student contact hours (WSCH) — the student hours of room use per week. Both measures account for all proposed secondary effects of the projects on district space inventories.

Most of the budget requests shown in Chart 2 are for construction or construction *and* equipment for projects for which the Legislature has previously appropriated working drawings. These requests are consistent with costs previously recognized by the Legislature. Chart 2 shows that, in general, the projects provide additional space that is justified when compared to state space standards. Below we discuss our reasons for

recommending approval of the infrastructure and "other facilities" projects in Chart 2.

- *Lake Tahoe CCD—Lake Tahoe Community College (Safety-lighting etc.)*. This safety-related project will provide sidewalks to the campus, lights for access roadways, and a fire access road.
- *Grossmont-Cuyamaca CCD—Cuyamaca College (Outdoor Physical Education)*. This project will provide the campus outdoor physical education facilities. In the 1988 Budget Act, the Legislature approved \$1.3 million to construct these facilities. The additional \$1.4 million requested for 1991-92 is due to relocation of the project site necessitated by soil conditions at the original site.
- *Mendocino CCD—Mendocino College (Fine Arts Building) and Ventura CCD—Moorpark College (Performing Arts Building)*. These previously funded projects include performing arts theaters. We recommend approval because the projects provide instructional space for an additional 16,000 WSCH and the campuses currently do not have theater facilities.

PROJECTS RECOMMENDED FOR DELETION

We recommend deletion of (1) \$22,342,000 in Item 6870-301-660 for 9 projects and (2) \$3,704,000 in Item 6870-301-791 for 13 projects because these projects do not meet essential CCC capital outlay needs and other, high-priority projects should instead be funded.

Chart 3 lists the projects that we recommend not be funded in 1991-92. In general, these recommendations are consistent with our previous discussion regarding flaws in the community college priority setting process that results in (1) placing lower priority (Category C) projects above higher-priority instructional facilities projects and (2) placing low-priority projects in inappropriate, high-priority categories. We, therefore, recommend that the Legislature not fund five infrastructure projects where deferral poses no threat of *failure or loss (as defined in the community college priority criteria)*, and nine child care facilities (these are low-priority projects that have been "moved-up" in priority ranking). In addition, four remodeling projects at Marin, Porterville, Merritt, and Moorpark Colleges—provide marginal changes in districts which have significant excess lecture and/or laboratory capacity. These remodeling projects may be *desirable* in order to upgrade existing space on these campuses. Nevertheless, in view of limited available funds, this remodeling is not *necessary* and should be deferred so that funds can be made available to projects needed to accommodate enrollment growth.

As shown in Chart 3, the 22 projects would provide increased capacity for 45,000 WSCH throughout the system. Over 80 percent of this total, however, is provided by just one project—DeAnza College secondary effects. We recommend that the Legislature defer funding for this project because the related project (computer/electronics/telecommunications building) has been delayed and, on a timing basis, the secondary effects project cannot begin the construction phase until 1993-94. The other 21 projects in Chart 3 only provide an additional 7,500 WSCH at a

Chart 3

**California Community Colleges
1991-92 Capital Outlay Program
Projects for Which We Recommend Deletion**
**Items 6870-301-660 and 6870-301-791
(dollars in thousands)**

Sub-Item	Project	Phase ^a	Budget Bill Amount		Estimated Future Cost ^d	District Capacity ^e		WSCH Capacity ^f
			G.O. ^b	L-P. ^c		With Project	Without Project	
INFRASTRUCTURE								
(16)	Grossmont-Cuyamaca CCD--Cuyamaca College, New college entrance	pwc	--	\$1,026	--	N/A	N/A	--
(20)	Saddleback CCD--Saddleback College, Reclaimed irrigation system	pwc	\$568	--	--	N/A	N/A	--
(22)	San Diego CCD--San Diego Miramar College, Access road	pwc	437	--	--	N/A	N/A	--
(27)	Santa Barbara CCD--Santa Barbara City College, Campus entry modification	pwc	--	871	--	N/A	N/A	--
(33)	Victor Valley CCD--Victor Valley College, Security/Fire access road	pwc	--	1,088	--	N/A	N/A	--
REMODELING								
(10)	Santa Clarita CCD--College of the Canyons, Remodel for efficiency	c	--	1,918	\$603	Lec. 95% Lab. 58	Lec. 93% Lab. 56	1,160
(11)	Foothill-DeAnza CCD--DeAnza College, Secondary effects, computer electronics	pw	180	--	1,971	Lec. 106	Lec. 94	37,506
(16)	Marin CCD--College of Marin, Student services, secondary effects	pwc	761	--	--	Lec. 156 Lab. 150	Lec. 156 Lab. 149	473
(18)	Kern CCD--Porterville College, Secondary effects, instructional building	pwce	--	1,207	--	Lec. 154 Lab. 165	Lec. 166 Lab. 160	-1,292
(25)	Peralta CCD--Merritt College, Conversion of space	ce	--	1,534	--	Lec. 155 Lab. 176	Lec. 158 Lab. 174	-5,104
(29)	Ventura CCD--Moorpark College, Graphics secondary effects	pwc	349	--	--	Lec. 113 Lab. 88	Lec. 108 Lab. 91	4,169

Chart 3—CONTD

Sub-Item	Project	Phase ^a	Budget Bill Amount		Estimated Future Cost ^d	District Capacity ^e		WSCH Capacity ^f
			G.O. ^b	L-P. ^c		With Project	Without Project	
ADMINISTRATIVE FACILITIES								
(13)	Grossmont-Cuyamaca CCD--Grossmont College, Information systems building	wce	\$518	--	--	Lec. 92% Office 104	Lec. 90% Office 98	2,953
CHILD CARE/DEVELOPMENT FACILITIES								
(2)	Antelope Valley CCD--Antelope Valley College	pw	74	--	\$1,147	Lab. 70	Lab. 70	175
(4)	Butte CCD--Butte College	pw	98	--	1,156	Lec. 147	Lec. 148	-757
(19)	Rio Hondo CCD--Rio Hondo College	pw	147	--	2,031	N/A	N/A	--
(19)	Lake Tahoe CCD--Lake Tahoe College	pwce	--	\$922	--	N/A	N/A	--
(21)	San Bernardino CCD--Crafton Hills College	pw	115	--	1,326	N/A	N/A	--
(23)	Santa Clarita CCD--College of the Canyons	pw	86	--	1,300	Lab. 61	Lab. 58	638
(26)	San Joaquin CCD--San Joaquin College	ce	--	2,796	--	Lab. 88	Lab. 81	405
(26)	Sonoma County Junior CD--Santa Rosa College	pw	208	--	2,792	Lec. 124 Lab. 84	Lec. 121 Lab. 81	4,884
(27)	South County CCD--Chabot College	pw	163	--	1,967	Lab. 104	Lab. 103	373
OTHER PROJECTS								
(13)	Fremont-Newark CCD--Ohlone College, Performing Arts facility	c	--	10,980	2,277	Lab. 138	Lab. 140	-579
Totals			\$3,704	\$22,342	\$16,570			45,004

^a Phase symbol indicates: p = preliminary plans; w = working drawings; c = construction; e = equipment.

^b General obligation bond funds (Item 6870-301-791).

^c Lease-payment bond funds (Item 6870-301-660).

^d CCC estimates.

^e Based on most recent DOF enrollment projections for year of building occupancy and district space inventory in relation to adopted state space standards. Individual campus or center capacity is used for geographically dispersed sites. Lec. = lecture space; Lab. = laboratory space; Lib. = library space.

^f Net increase in lecture and laboratory capacity after building occupancy, including all secondary effects.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

total budget-year and future cost of \$40.4 million. This, we believe, is not a prudent course for allocating limited capital outlay funds.

Our recommendation is not meant to infer that some of these projects are not meritorious or do not address worthwhile CCC goals. In fact, for 1990-91, we recommended that the Legislature approve construction funding (\$14 million) for eight new child care centers. With failure of the November bond issue, however, there are simply insufficient funds to proceed with new child care centers *and* with facilities that are critically needed to accommodate enrollment growth. Our recommendation emphasizes the latter course as a way to provide the greatest statewide benefit within limited capital outlay funds.

The following explains our recommendations for three projects in Chart 3 that are not encompassed by the above discussion.

- *Grossmont-Cuyamaca CCD—Grossmont College (Information Systems Building)*. This project would relocate the district information systems operations from a classroom building to a new administrative office building adjoining the district offices. Although the district needs additional lecture capacity, relocation of the information systems operations will allow only a marginal increase (from 90 percent to 92 percent of need). Moreover, the district is considering moving its district offices, now housed in relocatable buildings, to a permanent, off-campus structure. If the district elects this course, it would seem reasonable to also move the information systems function to the same location.
- *Santa Clarita CCD—College of the Canyons (Remodel for Efficiency)*. This remodeling project will *enhance* the use of existing space for instructional program delivery. At a total cost of \$2.5 million, however, this project provides only a marginal increase in campus capacity. Moreover, as discussed in the following section, we recommend two budget-year augmentations for this district that will provide additional campus capacity in laboratory and library space.
- *Fremont-Newark CCD—Ohlone College (Performing Arts Facility)*. This \$11 million project, which includes a new 400-seat theater, would *enhance* the college's current programs in theater, radio, and television and replace a small, black-box theater building. This may be a desirable project, but the district can sustain the current academic program within existing facilities. Thus, in order to finance projects that provide space to accommodate unmet needs (rather than enhancements), we recommend the Legislature defer funding for this project in 1991-92.

PROJECTS RECOMMENDED FOR AUGMENTATION

We recommend augmentations of \$6,469,000 in Item 6870-301-660 for 1 project and \$4,933,000 in Item 6870-301-791 for 22 projects because these projects are needed to accommodate current and projected community college enrollments.

Deleting funds for low-priority projects within the budget proposal for each segment of higher education allows these funds to be redirected to

higher-priority projects that more directly accommodate enrollment growth. Chart 4 lists the 23 CCC projects that we recommend the Legislature add to the Budget Bill.

As shown in Chart 4, each project—16 primarily for instructional needs and 7 primarily for library needs—addresses significant space shortages in the respective district. Completion of these projects will provide capacity for an additional 154,000 WSCH within the community college system. In addition, the library projects add 110,000 assignable square feet (asf) of library space. The future cost of these projects is \$134.5 million.

PROJECTS RECOMMENDED FOR REDUCTIONS/WITHHOLD RECOMMENDATION

Chart 5 lists the 12 projects for which we recommend reductions from the proposed budget amounts and the 2 projects for which we withhold recommendation pending clarification of unresolved issues. A discussion of each project shown in Chart 5 follows.

Citrus CCD—Physical Science Remodel

We recommend approval of \$1,183,000 under Item 6870-301-660(4)—a reduction of \$192,000—to remodel the physical science building because construction contingency is overstated and the proposal includes replacement equipment.

The budget requests \$1,375,000 to eliminate safety and handicapped access problems in the physical sciences building at Citrus College. The project includes replacing vent hoods and utility outlets in the chemistry laboratory and modifying doorways and restrooms to provide handicapped accessibility. These improvements should be undertaken. We recommend a reduction in the requested amount for the following reasons.

Contingency Overstated. For a remodeling project such as this, state budgeting practice is to include an amount for construction contingency equal to 7 percent of the estimated construction cost. This practice has historically provided sufficient funds for this purpose. The district's proposal, however, includes not only the 7 percent amount, but also an additional 15 percent. We recommend that this additional contingency allowance (\$144,000) be deleted from the budget request.

Equipment. In addition to making safety improvements to the physical science laboratories, the project includes remodeling three laboratory preparation/storage rooms into a new computer laboratory. Of the district's \$127,000 equipment request, only \$79,000 is related to equipping this new laboratory. The remaining \$48,000 is for physical science-related equipment. Since the project simply remodels existing physical science laboratories for the same laboratory purposes, there is no apparent reason to purchase new equipment as a result of the remodeling work in these laboratories. We, therefore, recommend that the Legislature delete the physical science equipment portion of the budget request (\$48,000).

In summary, we recommend a total reduction of \$192,000 in Item 6870-301-660(4).

Chart 4

**California Community Colleges
1991-92 Capital Outlay Program
Projects We Recommend for Augmentation**

Items 6870-301-660 and 6870-301-791 (dollars in thousands)

Project	Phase ^a	Budget	Analyst's		Estimated Future Cost ^b	District Capacity ^e		WSCH Capacity ^f
		Bill Amount	Recommendation ^b G.O. ^c	L-P. ^d		With Project	Without Project	
INSTRUCTIONAL FACILITIES								
Riverside CCD--Norco Center, Phase II buildings	p	--	\$208	--	\$10,617	Lec. 116% Lab. 126	Lec. 46% Lab. 85	18,612
Riverside CCD--Moreno Valley Center, Phase II building	p	--	235	--	9,956	Lib. 88 Lec. 101 Lab. 134	Lib. 33 Lec. 50 Lab. 73	17,139
Santa Clarita CCD--College of the Canyons, Fine Arts building	p	--	120	--	7,034	Lec. 82 Lab. 82	Lec. 85 Lab. 56	3,816
Antelope Valley CCD--Antelope Valley College, Applied Arts building	p	--	173	--	10,185	Lec. 85 Lab. 85	Lec. 69 Lab. 55	22,337
South County CCD--Las Positas College, Science Center Phase I	p	--	143	--	6,038	Lab. 95	Lec. 68	4,801
Los Angeles CCD--West Los Angeles College, Fine Arts building	p	--	191	--	8,350	Lec. 152 Lab. 94	Lec. 177 Lab. 60	1,481
Victor Valley CCD--Victor Valley College, Technology building	pw	--	112	--	1,987	Lab. 71	Lec. 63	2,214
Mt. San Jacinto CCD--Menifee Center, Allied Health building	pw	--	147	--	2,450	Lec. 104 Lab. 76	Lec. 89 Lab. 67	8,719
Contra Costa CCD--Diablo Valley College, Classroom facility	pw	--	228	--	3,114	Lec. 94	Lec. 77	23,126
Mira Costa CCD--Mira Costa College, Classroom/ Engineering/Science building	c	--	--	\$6,469	2,287	Lec. 56 Lab. 100	Lec. 64 Lab. 78	2,287
Contra Costa CCD--Diablo Valley College, Music remodel/expansion	pwc	--	521	--	393	Lab. 80	Lab. 79	905
Glendale CCD--Glendale College, Multi-Use laboratory building	p	--	178	--	10,417	Lec. 83 Lab. 99	Lec. 80 Lab. 81	8,862

Chart 4—CONTD

Project	Phase ^a	Budget	Analyst's		Estimated Future Cost ^b	District Capacity ^e		WSCH Capacity ^f
		Bill Amount	Recommendation ^b G.O. ^c	L-P. ^d		With Project	Without Project	
INSTRUCTIONAL FACILITIES—CONTD								
Los Rios CCD--Consumnes River College, Fine Arts complex	p	--	\$158	--	\$7,491	Lec. 89% Lab. 87	Lec. 88% Lab. 83	7,964
Rancho Santiago CCD--Rancho Santiago College, Business/computer building	p	--	241	--	10,794	Lec. 95 Lab. 92	Lec. 92 Lab. 84	10,863
Mt. San Jacinto CCD--Mt. San Jacinto College, Music building	pw	--	91	--	1,465	Lec. 108	Lec. 89	1,702
Grossmont-Cuyamaca CCD--Grossmont College, Drama laboratory remodel	pwc	--	1,318	--	186	Lec. 85 Lab. 88	Lec. 84 Lab. 87	2,141
LIBRARIES								
Santa Clarita CCD--College of the Canyons, Library	p	--	92	--	4,859	Lib. 91	Lib. 36	
Victor Valley CCD--Victor Valley College, Learning resource center	p	--	114	--	6,303	Lib. 105	Lib. 38	
Glendale CCD--Glendale College, Library expansion/remodel	p	--	130	--	7,157	Lec. 84 Lib. 100	Lec. 73 Lib. 53	9,658
Cabrillo CCD--Cabrillo College, Learning resource center expansion/remodel	p	--	162	--	8,028	Lib. 89 Lab. 90	Lib. 45 Lab. 88	773
State Center CCD--Fresno City College, Library/media addition	p	--	94	--	4,688	Lib. 89 Lec. 96	Lib. 45 Lec. 90	6,993
Foothill-DeAnza CCD--DeAnza College, Learning resource center remodel/expansion	p	--	150	--	9,151	Lib. 80	Lib. 66	--
San Jose-Evergreen CCD--San Jose City College, Learning resource center remodel/expansion	pw	--	127	--	1,563	Lib. 83	Lib. 72	--
Totals		--	\$4,933	\$6,469	\$134,513			154,393

^a Phase symbol indicates: p = preliminary plans; w = working drawings; c = construction; e = equipment.
^b Amount may change pending further discussions with the Chancellor's Office.
^c General obligation bond funds (Item 6870-301-791).
^d Lease-payment bond funds (Item 6870-301-660).
^e Based on most recent DOF enrollment projections for year of building occupancy and district space inventory in relation to adopted state space standards.
 Individual campus or center capacity is used for geographically dispersed sites. Lec. = lecture space; Lab. = laboratory space; Lib. = library space.
^f Net increase in lecture and laboratory capacity after building occupancy, including all secondary effects.

Chart 5

**California Community Colleges
1991-92 Capital Outlay Program
Projects for Which We Recommend Reductions
or Withhold Recommendation**

Items 6870-301-660 and 6870-301-791 (dollars in thousands)

Sub-Item	Project	Phase ^a	Budget Bill Amount		Estimated Future Cost ^d	Analyst's Recommendation	District Capacity ^e		WSCH Capacity ^f
			G.O. ^b	L-P. ^c			With Project	Without Project	
MITIGATE HAZARDS									
(4)	Citrus CCD--Citrus College, Physical science remodel	pwce	--	\$1,375	--	\$1,183	N/A	N/A	--
(7)	Citrus CCD--Citrus College, Biology remodel	pwc	\$244	--	\$2,471	37	N/A	N/A	--
(8)	Desert CCD--College of The Desert, Campus fire system	pwc	--	906	--	674	N/A	N/A	--
(9)	Contra Costa CCD--Contra Costa College, Hazardous chemical storage	pwc	276	--	--	126	N/A	N/A	--
(18)	Peralta CCD--District Center, Conroy/ Maintenance seismic upgrade	pwce	634	--	--	0	N/A	N/A	--
(24)	Peralta CCD--District Center, D. P./ Warehouse seismic upgrade	pwce	--	1,300	--	828	N/A	N/A	--
INFRASTRUCTURE									
(6)	Citrus CCD--Citrus College, Electrical system upgrade	pw	402	--	5,306	pending	N/A	N/A	--
(22)	Mt. San Antonio CCD--Mt. San Antonio College, Fire system replacement	pwc	--	1,214	--	pending	N/A	N/A	--

Chart 5—CONTD									
Sub-Item	Project	Phase ^a	Budget Bill Amount		Estimated Future Cost ^d	Analyst's Recommendation	District Capacity ^e		WSCH Capacity ^f
			G.O. ^b	L-P. ^c			With Project	Without Project	
INSTRUCTIONAL FACILITIES									
(5)	Coast CCD--Orange Coast College, Vocational technology building	c	--	\$12,034	\$3,164	\$11,209	Lab. 103%	Lab. 100%	4,930
(23)	Mt. San Jacinto CCD--Mt. San Jacinto College, Business and technology building	ce	--	4,334	--	4,078	Lab. 72	Lab. 61	3,367
(28)	Santa Barbara CCD--Santa Barbara City College, Business/Communications Center	c	--	5,032	796	4,760	Lab. 98	Lab. 92	3,024
(34)	Yosemite CCD--Modesto Junior College, Science building renovation/addition	c	--	6,797	300	6,387	Lab. 89	Lab. 87	2,781
LIBRARIES									
(1)	Cerritos CCD--Cerritos College, Learning resource center remodel/expansion	c	--	4,554	468	4,193	Lib. 88	Lib. 62	--
(10)	Desert CCD--Copper Mountain Center, Library/learning resource center	ce	--	2,560	--	2,153	Lab. 94 Lib. 96	Lab. 80 Lib. 21	608
Totals				\$1,556	\$40,106	\$12,505	\$35,628		14,710
<p>^a Phase symbol indicates: p = preliminary plans; w = working drawings; c = construction; e = equipment.</p> <p>^b General obligation bond funds (Item 6870-301-791).</p> <p>^c Lease-payment bond funds (Item 6870-301-660).</p> <p>^d CCC estimates.</p> <p>^e Based on most recent DOF enrollment projections for year of building occupancy and district space inventory in relation to adopted state space standards. Individual campus or center capacity is used for geographically dispersed sites. Lec. = lecture space; Lab. = laboratory space; Lib. = library space.</p> <p>^f Net increase in lecture and laboratory capacity after building occupancy, including all secondary effects.</p>									

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**Citrus CCD—Biology Remodel**

We recommend approval of \$37,000 under Item 6870-301-791 (7)—a reduction of \$207,000—to remodel a biology building because the district should prepare preliminary plans only for proposed safety-related and handicapped access improvements.

The budget requests \$244,000 to prepare preliminary plans and working drawings to remodel the biology building at Citrus College. The proposal includes safety-related improvements in biology laboratories (such as installing vent hoods, safety showers, and eyewashes) and handicapped access improvements to the entire building. The amount requested in the budget, however, includes funds for a 4,500 sq ft biology laboratory addition. This additional space has been disapproved by the Chancellor's Office because the district currently has sufficient laboratory space. Consequently, it is unclear why the budget amount would include this work.

The safety-related and handicapped access improvements to this building should be accomplished. The required improvements and associated cost, however, are uncertain because the district has not undertaken the necessary architectural and engineering preliminary investigations and design work. Thus, although improvements are needed, the district needs to better define the project scope and develop more detailed and accurate cost estimates for the safety and handicapped access improvements. This information could then be used as a basis to request funding for working drawings and construction in 1992-93. We, therefore, recommend that the Legislature only provide \$37,000 to develop preliminary planning for the safety-related and handicapped access work, a reduction of \$207,000 in Item 6870-301-791 (7).

Desert CCD—Campus Fire Water System

We recommend approval of \$674,000 under Item 6870-301-660 (8)—a reduction of \$232,000—to upgrade the water supply system at the College of the Desert because the district has already prepared working drawings and the proposal includes unexplained construction costs added by the Chancellor's Office.

The budget includes \$906,000 to upgrade the water supply system at the College of the Desert. According to the district, the storage/supply system does not provide sufficient capacity for either fire flow or peak load demands. The proposed project would (1) increase current well-pump capacity, (2) install additional fire hydrants, (3) enlarge designated fire line sizes, and (4) install a 750,000 gallon storage tank and a fire pump system. The proposal appears reasonable and we recommend approval, albeit at a lower amount for the following reasons.

First, the district has already prepared working drawings and specifications for the project, therefore, \$75,000 contained in the budget request for this purpose is unnecessary. Second, the proposal includes \$157,000 in construction and contingency costs that were added to the district's proposal by the Chancellor's Office. Neither the Chancellor's Office nor

the district has been able to provide any reason why these additional funds are needed, thus we recommend the Legislature delete the \$157,000.

In summary, we recommend the Legislature reduce Item 6870-301-660(8) by \$232,000.

Contra Costa CCD—Hazardous Chemical Storage Building

We recommend approval of \$126,000 under Item 6870-301-791(9)—a reduction of \$150,000—for a chemical storage building because the reduced amount is consistent with the district's revised cost estimate.

The budget proposes \$276,000 for a hazardous chemical storage building (535 gross square feet) at Contra Costa College. This amount reflects the district's initial proposal for this project, which included an estimated building cost of \$280 per square foot. In response to our concerns about this high cost, the district reevaluated the proposal and revised the estimated cost to \$126,000 (\$158 per square foot). We recommend approval of this lower amount, a reduction of \$150,000 from the amount proposed in Item 6870-301-791(9).

Peralta CCD—Seismic Improvement/Renovation Projects

We recommend approval of \$828,000 in Item 6870-301-660(24)—a reduction of \$472,000—to fund only seismic improvements to the district's warehouse and Conroy Office buildings and relocation of the district maintenance function because other proposed building renovations can be deferred. Further, we recommend deletion of \$634,000 under Item 6870-301-791(18) because all recommended work can be accomplished with the \$828,000 in Item 6870-301-660(24).

The budget proposes \$1,934,000 for the following two repair/renovation projects at the Peralta Community College District: (1) \$634,000 in Item 6870-301-791(18) for the district maintenance building and an adjacent office building (Conroy Building) and (2) \$1,300,000 in Item 6870-301-660(24) for the district warehouse. These projects include seismic and other code-related improvements plus general refurbishing of the building and the administrative office/support areas within the buildings. Due to the safety-related portion of each project, the projects are listed by the Chancellor's Office as high priorities for state funding in 1991-92. Based on available information, the seismic and other code-related safety items should be undertaken. The balance of the work is not safety-related and does not need to be undertaken in order to make the safety-related improvements. Given the reduced amount of capital outlay funding available for higher education, we recommend deferral of the nonsafety-related work. Below is a discussion of each building and how our recommendation affects each proposal.

Conroy Office Building. The estimated seismic upgrade costs for the Conroy Office Building is \$70,000. As discussed above, we recommend that the Legislature defer the remaining \$241,000 for nonsafety-related improvements.

Maintenance Building. The estimated cost for seismic upgrading and other code-related improvements for this building is \$323,000. As an

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

alternative to upgrading the maintenance building, the district indicates that for a comparable cost of \$340,000, the building could be demolished and the maintenance function could be relocated within the nearby warehouse building. We recommend that the district proceed with this cost-effective option because it would remove an older, substandard building from the district's inventory.

Warehouse Building. The estimated cost for seismic improvements, plus upgrading electrical panels in the warehouse, is \$418,000. We recommend that the Legislature defer the additional \$882,000 proposed for nonsafety-related improvements.

Summary. As discussed above, the total cost to undertake the seismic and other code-related safety items totals \$828,000. This includes \$70,000 for the Conroy Building, \$418,000 for the warehouse and \$340,000 to relocate the maintenance function. This cost is \$472,000 less than the amount budgeted in Item 6870-301-660 (24). We, therefore, recommend approval of \$828,000 in Item 6870-301-660 (24)—a reduction of \$472,000—and deletion of the \$634,000 proposed in Item 6870-301-791 (18).

Citrus CCD—Electrical Utilities

We withhold recommendation on \$402,000 under Item 6870-301-791 (6) for preliminary plans and working drawings to upgrade the Citrus College electrical system because the district has not clearly explained a need for the amount of work included in the proposal.

The budget proposes \$402,000 to prepare preliminary plans and working drawings to upgrade the electrical distribution system at Citrus College. The estimated future cost for construction is \$5.5 million. The district maintains that the project is needed to (1) eliminate power outages that have occurred due to overloads, (2) provide increased capacity for future buildings and added electronic equipment (mainly personal computers), and (3) replace the fire alarm system, which does not meet current State Fire Marshal requirements. The project also includes the addition of roof-mounted air conditioning units, which the district maintains are needed as a result of heating loads associated with new electrical equipment.

We withhold recommendation on this proposal for the following reasons. First, the electrical upgrade is based on the district's estimate of increased electrical demand, but the district does not indicate the capacity of its *present* electrical system. We, therefore, cannot determine whether the scope of the district's proposal is appropriate. Second, personal computers have been added to higher education buildings statewide, but the Legislature has not previously been asked to increase a campus's electrical *and* air conditioning capacity because of added personal computers. We withhold recommendation on this budget proposal pending clarification of these issues.

Mt. San Antonio CCD—Fire Water System Replacement

We withhold recommendation on \$1,214,000 under Item 6870-301-660(22) to replace the fire water system at Mt. San Antonio College pending clarification of the project scope.

The budget proposes \$1,214,000 to replace the existing fire water system at Mt. San Antonio College. A 1986 flow test by the Los Angeles County Fire Department showed that the existing system does not meet current department codes. According to the district, the fire department requires a fire flow of 5,000 gallons per minute for five hours. (In general, these requirements vary with building size.)

In the 1990 Budget Act, the Legislature appropriated funds to upgrade the fire water system at the Pomona Campus of the California State University, which is adjacent to Mt. San Antonio College. Design of this new system at Pomona was based on the same fire department's requirements, but in this case the requirement was for a maximum fire flow of 4,000 gallons per minute for four hours. It is unclear as to why the fire water system requirements at the community college are greater than those for a much larger state university campus. We, therefore, withhold recommendation pending clarification of the appropriate design standard for this project.

Santa Barbara CCD—Business/Communications Building

We recommend approval of \$4,760,000 under Item 6870-301-660(28)—a reduction of \$272,000—to construct a business/communications building at Santa Barbara City College because the district has not supported the need to increase the cost by 7 percent simply because the project is located in Santa Barbara.

The budget proposes \$5,032,000 to construct a 21,000 asf business/communications building at Santa Barbara City College. The Legislature approved \$290,000 for project working drawings in the 1990 Budget Act, and a total future construction cost of \$4,396,000 was recognized by the Legislature in the *Supplemental Report of the 1990 Budget Act*.

For 1991-92, the district submitted a revised construction cost estimate for this project that is \$636,000 above their previous cost estimate. The higher costs are attributed to the need for an electrical transformer and retaining walls plus an increase in the estimated building cost. The revised building cost estimate is based on the costs of similar community college construction projects but also includes a 7 percent "local cost markup" for the Santa Barbara area. The district has not provided any information to substantiate this 7 percent mark-up, however. In some remote areas of the state, a local-area cost adjustment may, at times, be appropriate. The Santa Barbara area, however, certainly would not qualify for such a designation. The building cost for this project should therefore be budgeted like other community college projects of similar function. Thus, we recommend a reduction of \$272,000 in Item 6870-301-660(28).

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued
Budget Proposals Exceed Previously Approved Cost

We recommend a reduction of \$2,003,000 under Item 6870-301-660 for four projects because the budget requests exceed the construction cost originally approved by the Legislature.

The budget proposes \$23.4 million for construction of three projects—Orange Coast College vocational technology building (Item 6870-301-660(5), \$12,034,000), Modesto Junior College science building renovation/addition (Item 6870-301-660(34), \$6,797,000), and Cerritos College learning resource center remodel/expansion (Item 6870-301-660(1), \$4,554,000). The budget also includes \$2,560,000 in Item 6870-301-660(10) for construction and equipment for the Copper Mountain Center library/learning resource center. The amount budgeted for each of these four projects exceeds the construction costs approved by the Legislature when working drawing funds were appropriated in the 1990 Budget Act. The State Public Works Board approved preliminary plans for these projects on August 10, 1990. At that time, the Department of Finance certified to the Legislature that these projects were within approved scope and cost. The Chancellor's Office has not been able to provide justification for the higher costs proposed in the Governor's Budget for these projects. We, therefore, recommend approval of these four projects in the reduced amounts shown in Chart 5 resulting in a total reduction of \$2,003,000 in Item 6870-301-660.

Mt. San Jacinto CCD—Business and Technology Building

We recommend approval of \$4,078,000 in Item 6870-301-660(23)—a reduction of \$256,000—for construction and equipment for a business/technology building at Mt. San Jacinto College because the request includes replacement of equipment that is not related to construction of the building.

The budget requests \$4,334,000 in Item 6870-301-660(23) to construct and procure equipment for a 14,000 asf business and technology building at Mt. San Jacinto College to replace 25-year-old relocatable structures. The proposal includes \$3,273,000 for construction—an amount consistent with that previously approved by the Legislature—and \$1,061,000 for equipment.

Equipment purchases within capital outlay appropriations are for the *increases in assignable space*, for each affected program or function that occur *as a result of the capital outlay project*. The district's proposal includes costs to *replace* equipment or to augment the district's current equipment inventory. By occupying the new building and vacating older, substandard buildings, the project provides only small increases in campus space allocated to classrooms (98 asf), offices (179 asf) and photography (173 asf) and a decrease in space devoted to electronics. Nevertheless, the district's proposal includes purchasing substantial new equipment for these programs—\$11,000 for classrooms, \$28,000 for offices, \$73,000 for photography, and \$22,000 for electronics. In addition, the request includes \$111,000 in replacement equipment for a relocated 36-station computer lab.

The district maintains that its existing inventory for these programs is small or inadequate for the new facility and expanded programs. It is clear that the current, temporary facilities are inadequate, and in view of this the Legislature approved funds to design replacement facilities in the 1990 Budget Act. *The need for new facilities, however, does not in itself generate a need for new equipment.* In other words, new equipment may be needed because the existing equipment is old or obsolete, but new equipment is *not* needed just because a program is moving from an old building to a new building.

We understand the district's desire for replacement equipment. The presence of old and obsolete equipment is a problem throughout the community college system (as well as the UC and CSU systems). Nevertheless, those districts receiving capital outlay funds should not receive additional equipment simply because the state has financed a capital outlay project for that district. Instead, the Chancellor's Office needs to address the problem of inadequate equipment on a systemwide basis.

Based on our analysis of the district's request, we recommend a reduction of \$256,000 in Item 6870-301-660(23).

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.

**CALIFORNIA EXPOSITION AND STATE FAIR—CAPITAL
OUTLAY**

Item 8560-301 from the
California Exposition and
State Fair Enterprise Fund

Budget p. GG 75

Requested 1991-92.....	\$2,185,000
Recommended approval.....	1,715,000
Recommended reduction.....	470,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

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1. *Unanticipated Major Capital Outlay Projects. Reduce Item 8560-301-510(1) by \$470,000.* Recommend reduction because unallocated funds would provide unwarranted flexibility in funding major capital outlay projects. 1408

OVERVIEW OF BUDGET REQUEST

The budget requests \$2.2 million for capital outlay projects at Cal Expo, funded from the California Exposition and State Fair Enterprise Fund (Enterprise Fund).

CALIFORNIA EXPOSITION AND STATE FAIR—CAPITAL OUTLAY—Continued

ANALYSIS AND RECOMMENDATIONS

Unanticipated Major Capital Outlay Projects

We recommend deletion of \$470,000 from the Enterprise Fund for unanticipated projects because approval would give Cal Expo unwarranted flexibility in funding major capital outlay projects. (Reduce Item 8560-301-510(1) by \$470,000.)

The budget requests \$470,000 for unforeseen capital outlay needs. According to Cal Expo, it surveys state fair visitors each September to identify problems that may affect attendance at the next state fair. Cal Expo indicates that some of the problems identified through this process require projects with costs high enough (more than \$250,000) to require major capital outlay. Major capital outlay monies ordinarily are approved for specific projects through the budget process. The timeline for this process does not allow Cal Expo to obtain approval for major capital outlay and to complete a project before the start of the next state fair. Under the budget request, Cal Expo would have funding to complete such projects.

We believe the proposal provides an unwarranted level of flexibility in funding major capital outlay projects. The only basis Cal Expo has offered for the amount requested is the approximate cost of building additional restroom facilities. The funds also could be used for preliminary plans, working drawings, and construction of other types of projects costing \$250,000 or more. In our view, the need for this type of project can be anticipated and should be approved through the budget process. Furthermore, Cal Expo does have flexibility in its minor capital outlay allocation. The allocation for minor capital outlay can be modified during the budget year if a need arises that takes priority over approved minor capital outlay projects. Cal Expo can seek approval from the Department of Finance to redirect the allocation to cover the cost of the new project. Thus, we recommend deletion of the \$470,000 in Item 8560-301-510(1) for unanticipated projects.

Projects for Which We Recommend Approval

We recommend approval of \$1.7 million for projects that (1) are reasonable in scope and costs and (2) appear to be justified. The projects are as follows:

Waterway Infill. The budget requests \$312,000 to create a new pedestrian thoroughfare by filling in part of the lagoon.

Irrigation System. The budget requests \$50,000 to prepare plans for an automatic irrigation system for the Cal Expo fairgrounds.

Sound System. The budget requests \$250,000 for upgrading Cal Expo's sound system. Cal Expo proposes to contract for plans and drawings for a multi-year sound system renovation (\$50,000) and to buy and install new equipment (\$200,000).

Schematic Planning. The budget requests \$30,000 for use in evaluating proposed projects and preparing budget estimates for the 1992-93 budget year.

Minor Projects. The budget requests \$1.1 million for the following minor capital outlay projects:

- Replace Turf Club elevator at racetrack grandstand (\$130,000)
- Build two tram stations in parking lots (\$40,000)
- Landscape parking lots (\$130,000)
- Add new parking area (\$200,000)
- Upgrade south promenade of fairgrounds (\$200,000)
- Improve food and beverage service area (\$173,000)
- Replace inside rail at racetrack (\$200,000)

**DEPARTMENT OF FOOD AND AGRICULTURE—
CAPITAL OUTLAY**

Item 8570-301 from the General
Fund, Special Account for
Capital Outlay

Budget p. GG 104

Requested 1991-92.....	\$17,486,000
Recommended approval	17,164,000
Recommended reduction.....	322,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

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1. *Plant Industry Laboratory. Reduce Item 8570-301-036 (1) by \$322,000.* Recommend reduction for equipment, telephone and moving costs that the department will not incur until future years. 1410
2. *Sacramento Chemistry Laboratory.* Recommend approval of \$2,008,000 in Item 8570-301-036(2) for construction, contingent on receipt of preliminary plans. 1410

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

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.

Five-Year Plan. The major focus of the DFA's five-year capital outlay program is the construction of a new Plant Industry Laboratory in Sacramento, a new border inspection station in Woodfords (Alpine County), and renovation of the Chemistry Laboratory and headquarters facilities in Sacramento. Table 1 summarizes the department's capital outlay program which plans to spend \$20.6 million over the next five years.

**DEPARTMENT OF FOOD AND AGRICULTURE—
CAPITAL OUTLAY—Continued**

Table 1
Department of Food and Agriculture
Five-Year Capital Outlay Plan
1991-92 through 1995-96
(in thousands)

<i>Projects</i>	<i>1991-92</i>	<i>1992-93</i>	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i>	<i>Totals</i>
New Constructions						
Plant Industry Lab	\$14,688	\$272	\$50	—	—	\$15,010
Border Inspection Station.....	—	—	8	\$273	—	281
Renovations						
Chemistry Lab	2,008	—	—	—	—	2,008
Headquarters Building.....	—	200	1,171	—	—	1,371
Minor Capital Outlay.....	449	500	500	500	—	1,949
Totals.....	\$17,145	\$972	\$1,729	\$773	—	\$20,619

Budget Request. The budget includes \$17,486,000 under Item 8570-301-036 from the Special Account for Capital Outlay (SAFCO) consisting of construction to complete the Plant Industry (\$15,029,000) and Chemistry (\$2,008,000) laboratories, and three minor capital outlay projects (\$449,000).

ANALYSIS AND RECOMMENDATIONS

Sacramento Plant Industry Laboratory

We recommend a reduction of \$322,000 in Item 8570-301-036 (1) from the SAFCO for equipment, telephone, and moving costs that the department will not incur until future years. We recommend approval of the remaining \$14,707,000 for completion of the construction phase of the DFA's Plant Industry Laboratory on Meadowview Road in Sacramento.

The budget includes \$15,029,000 in Item 8570-301-036 (1) from the SAFCO for construction of the DFA's Plant Industry Laboratory. The Legislature approved funds for the preliminary plans (\$64,000) and working drawings (\$653,000) phases of this project in the 1990 Budget Act. Preliminary plans for this project were approved by the Public Works Board in December 1990. The amount proposed for construction includes \$322,000 for equipment, telephone and moving expenses that the department's own plans show will not be incurred in 1991-92 but rather in future years. Thus, we recommend a reduction of \$322,000 from this request. The remaining \$14,707,000 of this proposal is consistent with the scope and cost of the project as approved by the Legislature in 1990. Therefore, we recommend approval of \$14,707,000 in Item 8570-301-036 (1) for the construction phase of this project.

Sacramento Chemistry Laboratory

We recommend approval of \$2,008,000 in Item 8570-301-036 (2) from SAFCO for the construction phase of retrofitting fume hoods and heating, ventilating and air-conditioning (HVAC) roof-top units at the department's Sacramento Chemistry Laboratory contingent on receipt of completed preliminary plans prior to budget hearings.

The budget requests \$2,008,000 in Item 8570-301-036 (2) from the SAFCO for the construction phase of renovating and retrofitting fume hoods and roof-top HVAC units at the department's Sacramento Chemistry Laboratory. The project also consists of an upgrade to the electrical system and installation of new work benches and a walk-in refrigerator. The Legislature approved funds for the preliminary plans (\$70,000) and working drawings (\$92,000) phases of this project in the 1990 Budget Act. At that time, the Legislature also adopted language in the *Supplemental Report of the 1990 Budget Act* specifying the scope and cost of this project. The current request is consistent with the amount authorized by the Legislature for this project. At the time this *Analysis* was written the preliminary plans had not been completed. We therefore recommend approval of this request 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 these funds.

Minor Projects

We recommend approval.

The budget requests \$449,000 in Item 8570-301-036 (3) from the SAFCO for the installation of crash cushions at three DFA border inspection stations located in Blythe, Needles, and Winterhaven. The scope and cost of these projects appear reasonable. We therefore recommend approval as budgeted.

MILITARY DEPARTMENT—CAPITAL OUTLAY

Item 8940-301 from the General
Fund, Special Account for
Capital Outlay and the
Federal Trust Fund

Budget p. GG 157

Requested 1991-92.....	\$5,366,000
Recommended approval	1,373,000
Recommended reduction.....	3,993,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

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|--|--------------------------|
| 1. Five-year plan. The five-year plan provided by the Military Department does not provide the Legislature with an estimate of the future costs to the state of the department's capital outlay program. | 1412 |
| 2. Federal Moratorium on Funding. Recommend the Legislature adopt Budget Bill language restricting expenditure of state funds until a federal moratorium on funding is lifted. | 1413 |

MILITARY DEPARTMENT—CAPITAL OUTLAY—Continued

3. *Rancho Cordova Headquarters Complex. Delete \$1,080,000 in Item 8940-301-036(2) and \$165,000 in Item 8940-301-890(1).* Recommend deletion of funds for preliminary plans because space at Mather AFB, the proposed site for this project, has not yet been made available. 1414
4. *Lakeport Armory. Delete \$778,000 in Item 8940-301-036(4) and \$1,450,000 in Item 8940-301-890(2).* Recommend deletion of funds for construction because the federal moratorium on funds for this project has delayed the preliminary plans and working drawings phases. 1414
5. *Redlands Armory. Delete \$520,000 in Item 8940-301-036(5).* Recommend deletion of funds for land acquisition because the department is pursuing a grant deed or 99-year lease extension for the property. 1415

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

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 26,500 officers and enlisted personnel. The department oversees various other programs which involve an additional 6,500 nonmilitary personnel. To support its operations, the Military Department maintains a headquarters complex in Sacramento, 8 major bases, 124 armories, 4 aviation support facilities, and 50 support facilities and stations.

Five-Year Plan. The Military Department's five-year plan focuses on the dilemma posed by the fact that land leases at 23 armory sites across the state will expire between 1993 and the year 2012. The department plans to address the lease expirations through a prioritized approach of (1) obtaining grant deeds from municipalities for existing armory land leases, (2) obtaining 50-year lease extensions, or (3) purchasing land elsewhere in the community for construction of a new armory. Although the five-year plan identifies the timing for addressing the department's armory needs, it provides the Legislature with no indication of the estimated annual future costs to the state of implementing the plan. The Military Department should add cost estimates to the components of future five-year plans to enhance their value as planning tools.

Current Budget Request. The budget requests a total of \$5,366,000 from the SAFCO (\$3,152,000) and the Federal Trust Fund (\$2,214,000) for the Military Department's 1991-92 capital outlay program. The funds would be used to (1) construct the new Lakeport Armory (\$2,228,000), (2) develop preliminary plans for a new headquarters complex at Mather Air Force Base (\$1,245,000), (3) purchase land in Redlands and San Jose for armory construction (\$580,000), (4) plan and design of projects funded from federal funds (\$330,000), and (5) two minor capital outlay projects (\$983,000). The Department of Finance is proposing to use the \$3.2 million in funds from the SAFCO rather than 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 1991-92 program.

The department also proposes to spend \$17 million in federal construction funds, which are not subject to state appropriation, for construction of several projects throughout the state.

ANALYSIS AND RECOMMENDATIONS

Projects Recommended for Approval

We recommend approval of (1) \$983,000 requested in Items 8940-301-036(6) and 8940-301-890(3) for two minor capital outlay projects, (2) \$60,000 requested in Item 8940-301-036(3) for acquisition of additional land at the site of the proposed San Jose-Metcalf armory and (3) \$330,000 requested in Item 8940-301-036(1) for design and supervision of construction projects financed from federal funds.

We also recommend that the Legislature adopt Budget Bill language restricting the expenditure of funds until a federal moratorium on funding is lifted.

The budget requests \$384,000 from the SAFCO and \$599,000 from the Federal Trust Fund for two minor capital outlay projects consisting of clean-up and conversion of indoor ranges at nine armory locations (\$914,000) and installation of emergency exit lights at 35 armory locations (\$69,000). These requests are reasonable and we recommend approval.

The budget includes a proposal to spend \$60,000 to acquire two to three acres of additional land adjacent to six acres currently owned by the state at the site of the proposed San Jose-Metcalf armory. The land would be used for a leach field, and has been determined to be the most cost-effective solution to the site's sewage disposal requirement. We find this proposal to be reasonable in scope and cost.

The budget also requests \$330,000 from the SAFCO for project planning, working drawings, and supervision of construction financed from federal funds. The request includes \$125,000 for ongoing project designs and studies, as well as \$205,000 for supervision of the construction phase of projects to provide a training facility at Camp San Luis Obispo (\$185,000) and a vehicle storage building at the San Francisco Armory (\$20,000). We recommend approval.

Federal Moratorium on Military Construction. At the writing of this *Analysis* the federal government has in effect a moratorium on the expenditure of funds for military construction. Several of the department's projects which were approved in the 1990 Budget Act are effectively on hold, pending a lifting of the moratorium. In light of this, we recommend that the following language be included in the 1991 Budget Bill as a provision to Item 8940-301-036:

The Military Department shall not encumber funds appropriated in category (1) for the Camp San Luis Obispo and San Francisco projects until the federal moratorium on the expenditure of funds for these projects is lifted.

MILITARY DEPARTMENT—CAPITAL OUTLAY—Continued**Rancho Cordova Headquarters Complex**

We recommend deletion of \$1,080,000 in Item 8940-301-036(2) and \$165,000 in Item 8940-301-890(1) for preliminary plans to construct a new headquarters complex at Mather Air Force Base (AFB) because a decision on the final disposition of the base has not been made.

The budget requests \$1,080,000 from the SAFCO and \$165,000 from the Federal Trust Fund to develop preliminary plans for a proposed 240,000 square foot headquarters building, warehouse space, and vehicle maintenance shop at a to-be-determined site on the grounds of Mather AFB. This project would provide for consolidation, in a state-owned facility, of the Military Department's headquarters operation. The department's current headquarters operation is housed in three leased, two state-owned, and one federally licensed structure in Sacramento, and a federally constructed building and warehouse at Camp San Luis Obispo.

The department is addressing its short-term space and program requirements through utilization of leased space. Moreover, the department indicates it is currently pursuing a lease on 107,000 square feet of built-to-suit space on the I-50 corridor in Sacramento. The department plans to temporarily occupy this facility on a five- to seven-year term lease, pending the selection of a site for a permanent, consolidated headquarters facility. The department is currently working with the Sacramento Area Commission on Mather Conversion to obtain a 24-acre site at Mather AFB for the permanent headquarters site. Although the commission is completing its recommended Reuse Plan for Mather AFB, final approval on the disposition of the base will come from the U.S. Department of the Air Force. It is not known when the Air Force will act on this matter.

We recommend deletion of \$1,245,000 for preliminary plans because this request is premature. When the local and federal government bodies have made a final determination regarding disposition of Mather AFB, a request for preliminary plans to develop a headquarters facility at that site may warrant legislative review.

Lakeport Armory

We recommend deletion of \$778,000 from Item 8940-301-036(4) and \$1,450,000 from Item 8940-301-890(2) for the construction phase of the Lakeport Armory project because the federal moratorium on the expenditure of funds for this project has delayed the preliminary plan and working drawing phases of this project.

The budget includes a \$778,000 request from the SAFCO and \$1,450,000 from the Federal Trust Fund for the construction phase of the Lakeport Armory project. This project consists of a 22,598 square foot armory to house the 146 members of Company C, 579th Engineer Battalion.

The Legislature initially approved funds for preliminary plans (\$73,000) and working drawings (\$116,000) in the 1989 Budget Act. These funds were reappropriated to the department for the same purpose in the 1990 Budget Act with provisional language specifying that the

Military Department not encumber the reappropriated funds for preliminary plans and working drawings for the Lakeport Armory project unless the federal moratorium on the expenditure of funds for this project is lifted. At the writing of this *Analysis*, the federal moratorium is still in effect. We therefore recommend deletion of \$2,228,000 for the construction phase of this project because of the delay in the preliminary plan and working drawing phases.

Redlands Armory

We recommend deletion of \$520,000 in Item 8940-301-036(5) for acquisition of land for a new 22,947 square foot armory in Redlands because the department is currently pursuing a grant deed or a 99-year lease extension for the property where the existing armory is located.

The budget requests \$520,000 from the SAFCO to acquire a five-acre parcel of land in the Redlands area to construct a new 22,947 square foot armory to house the 113 authorized personnel of Company C, 4th Battalion 160th Infantry. The existing armory consists of 10,105 square feet, and is occupied under the terms of a lease that will expire in 1997. The proposed project will address the problems caused by the expiration of the current lease and the need to expand the armory to full required strength.

One option available to meet the department's needs is through the expansion of the current armory. The department staff have indicated that they are still in the process of negotiating with the community for a grant deed, or a 99-year lease extension for the property where the existing armory is located. As such, we agree with the department that the purchase of land and construction of a new armory should be the option of last resort. Since the existing lease will not expire until 1997, and given that the grant deed or lease extension options are still possible, we believe that the request for funds to purchase land for a new armory is premature. We therefore recommend deletion of \$520,000 in Item 8940-301-036(5), and recommend that the department update the Legislature on the status of negotiations with the Redlands community at the time of budget hearings.

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.

UNALLOCATED CAPITAL OUTLAY—PROJECT PLANNING

Item 9860-301-036 from the
 General Fund, Special
 Account for Capital Outlay

Budget p. GG 197

Requested 1991-92.....	\$300,000
Recommended approval	300,000

ANALYSIS AND RECOMMENDATIONS

Project Planning

We recommend approval.

The budget requests \$300,000 from the SAFCO 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 1992-93 or 1993-94 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 the use of these funds are the same as approved for this purpose in the current year.

UNALLOCATED CAPITAL OUTLAY—MATCHING FUNDS FOR ENERGY GRANTS

Item 9860-301-791 from the June
 1990 Higher Education
 Capital Outlay Bond Fund

Budget p. GG 198

Requested 1991-92.....	\$500,000
Recommended approval	500,000

ANALYSIS AND RECOMMENDATIONS

Matching Funds for Energy Grants

We recommend approval.

The budget includes \$500,000 from the June 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 1990 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—JUNE 1990 HIGHER
EDUCATION CAPITAL OUTLAY BOND FUND—TRANSFER**

Item 9860-302-791 from the June
1990 Higher Education
Capital Outlay Bond Fund

Budget p. GG 199

Requested 1991-92 Transfer.....	\$13,000,000
Recommended Reduction	13,000,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

*Analysis
page*

1. Transfer to Cover Apparent Fund Deficit. Recommend deletion of Item 9860-302-791, which proposes a \$13 million transfer from the June 1990 Higher Education Capital Outlay Bond Fund to the 1986 Higher Education Capital Outlay Bond Fund, because (a) the amount proposed for transfer is not necessary and (b) the proposal sets an undesirable fiscal precedent that undermines accountability for bond fund expenditures.

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2. Accounting of Bond Fund Expenditures. Recommend that the Department of Finance provide to the fiscal committees, prior to budget hearings, (a) a full accounting of appropriations/expenditures from the Higher Education Capital Outlay Bond Fund and (b) a proposal to balance the fund without transfers from other funds.

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ANALYSIS AND RECOMMENDATIONS

Transfer Proposed to Cover Deficit in Other Bond Fund

We recommend that the Legislature delete Item 9860-302-791, which transfers \$13 million from the June 1990 Higher Education Capital Outlay Bond Fund to the 1986 Higher Education Capital Outlay Bond Fund, because (1) the amount proposed for transfer is not necessary and (2) the proposed transfer sets an undesirable fiscal precedent that would undermine accountability of general obligation bond fund expenditures.

UNALLOCATED CAPITAL OUTLAY—JUNE 1990 HIGHER EDUCATION CAPITAL OUTLAY BOND FUND—TRANSFER—Continued

We further recommend that the Department of Finance provide to the fiscal committees, prior to budget hearings, (1) a full accounting of appropriations/expenditures from the Higher Education Capital Outlay Bond Fund and (2) a proposal to resolve the projected deficit in that fund without transfers from other funds.

The budget (Item 9860-302-791) includes a \$13 million transfer from the June 1990 Higher Education Capital Outlay Bond Fund to the 1986 Higher Education Capital Outlay Bond Fund. The funds were created by respective general obligation bond measures approved by the voters in 1986 and 1990.

The fund condition statement in the budget document for the Higher Education Capital Outlay Bond Fund—the bond fund approved in 1986—projects that the fund will be in deficit as of June 30, 1991, by \$892,000. This deficit is due primarily to (1) inadequate provision for required interest payments on loans from the Pooled Money Investment Account (PMIA) used for construction cash flow purposes and (2) administrative augmentations of project appropriations. According to the fund condition statement, an *additional* \$2.7 million will be needed in the budget year and beyond for more interest payments and payment to the State Treasurer for bond issuance costs.

To address the projected deficit problem, the budget proposes the transfer of *\$13 million* in this item from the June 1990 bond fund to the 1986 bond fund. The amount proposed for transfer far exceeds the amount shown in the fund condition statement needed to cover the deficit (about \$3.6 million, assuming the Department of Finance's estimates).

One reason for the \$13 million transfer is that the budget proposes *new project appropriations from the 1986 bond fund* even though that fund is stated to be in deficit. In reality, these appropriations (Item 6440-301-782 and Item 6610-301-782, totaling \$6.7 million) would be from the June 1990 bond fund under the administration's proposal. The remainder of the proposed transfer (about \$2.7 million) would serve as a reserve for administrative augmentations of project appropriations.

Amount of Deficit Problem Unclear. It is clear that a significant part of the proposed transfer amount is unrelated to the deficit in the 1986 fund. It is not clear, however, that the \$3.6 million portion proposed to address the apparent deficit problem — i.e., the extent to which the fund is overcommitted considering outstanding appropriations and obligations to pay PMIA interest and bond issuance costs — is accurate. Our review of periodic bond fund statements prepared by the Department of Finance, PMIA interest payment statements prepared by the Treasurer and actions by the State Public Works Board (PWB) indicates that the fund deficit as of June 30, 1991 may be \$2.6 million or more rather than the \$892,000 reported in the budget document. We also have been unable to reconcile the budget document with other documents on the 1986 bond fund status. For example, the Treasurer's data show actual expend-

itures from the 1986 bond fund for PMIA interest of \$9,549,000 in 1989-90. The budget document shows no such payments in 1989-90.

Proposed Transfer Sets an Undesirable Precedent. Whatever the true deficit amount is, we do not believe a transfer from another general obligation bond fund is the best way to address a deficit in the 1986 bond fund. Such a transfer sets an undesirable fiscal precedent and undermines accountability for expenditures from the bond funds. Each general obligation bond measure is unique, being approved by the voters at different elections, under different circumstances and often including different provisions governing the expenditure of funds. Moreover, neither the 1986 Higher Education Capital Outlay Bond Act nor the June 1990 Higher Education Capital Outlay Bond Act include provisions authorizing transfers of the bond proceeds to other bond funds. Consequently, we recommend that the Legislature delete Item 9860-302-791.

Accounting of Bond Fund Needed. In order to establish the true dimension of the deficit problem in the 1986 bond fund and maintain accountability for all general obligation bond funds, we recommend that the Department of Finance, prior to the budget hearings, provide the fiscal committees with (1) a full, detailed accounting of appropriations and expenditures from the 1986 bond fund and (2) a proposal to balance the fund without transfers from other funds. (Such a proposal is feasible as long as there remain unspent balances either in the fund or in prior appropriations that the Legislature can revert.)

**UNALLOCATED CAPITAL OUTLAY—TRANSFER TO THE
GENERAL FUND**

Item 9860-303-036 from the
General Fund, Special
Account for Capital Outlay

Budget p. GG 197

Requested 1991-92.....	\$119,000,000
Recommendation pending	119,000,000

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on \$119 million in Item 9860-303-036 for transfer from the Special Account for Capital Outlay (SAFCO) to the General Fund pending receipt of a more current tidelands oil revenues estimate and a determination from the Legislature as to the priorities for spending these revenues.

The budget includes \$119 million in Item 9860-303-036 for transfer from the SAFCO to the General Fund on June 30, 1991. This transfer is part of the Governor's proposal for eliminating the budget deficit.

Background. Public Resources Code Section 6217 specifies how revenues from the state's tidelands oil are to be distributed. As has been the

UNALLOCATED CAPITAL OUTLAY—TRANSFER TO THE GENERAL FUND—Continued

practice for several years, Control Section 11.50 of the annual Budget Act contains language that supersedes portions of Section 6217 and distributes the revenues based on the Legislature's priorities for the respective fiscal year. The 1990 Budget Act distributed about \$71 million of an estimated \$120 million in revenue to specific funds leaving the balance of revenues to be deposited into the SAFCO. Under the 1990 Budget Act provisions, any increase or decrease in tidelands oil revenues would therefore affect the balance of funds in the SAFCO.

1991-92 Budget Estimate. The 1991-92 budget proposal would authorize the State Controller to transfer, effective June 30, 1991, the sum of \$119 million from the SAFCO to the General Fund. This amount represents an anticipated increase in tidelands oil revenues over the amount estimated when the 1990-91 budget was approved. This estimated increase is based on *actual* revenues from July 1 to October 31, 1990, and *estimated* revenues from November 1, 1990 to June 30, 1991 (based on an assumed average price of \$24.50 per barrel of oil).

We have two concerns with this proposal.

First, any estimate of revenues from the sale of oil is highly uncertain at this time. Under the proposed transfer, a variation in the estimated increase would have one of two possible effects. If the increase is less than the \$119 million, then the transfer will result in a reduction in the SAFCO funds below the amounts the Legislature appropriated in 1990-91 for specific projects. This would result in an unknown number of approved projects not proceeding. On the other hand, if revenues are higher, the Legislature will have additional funds to either transfer to the General Fund or appropriate for other legislative priorities.

Second, the Legislature needs to determine its priorities for spending any current year revenues and 1991-92 revenues (proposed for distribution under Control Section 11.50 of the Budget Bill) from tidelands oil revenues. Once these priorities have been established the amounts, if any, to be transferred to the General Fund should be determined at that time.

We therefore withhold recommendation on \$119 million in Item 9860-303-036 pending receipt of more current tidelands oil revenues estimates and a determination from the Legislature as to the priorities for spending these revenues.
