

CAPITAL OUTLAY

Capital Outlay Overview

Capital outlay expenditures are estimated to increase significantly in the budget year, due to increased debt service payments for bonds that have been used to acquire capital assets.

Expenditures for capital outlay are proposed to total \$1.8 billion from all state funds in 1992-93. This is about \$400 million, or 28 percent, more than estimated current-year expenditures. Capital outlay expenditures reflect the state's *current* costs for capital outlay programs, either through debt service payments or direct appropriations (pay-as-you-go financing) to acquire assets. (The expenditure figure does not include the spending of bond proceeds, because they do not represent a current cost to the state until the bonds are paid off in future years.)

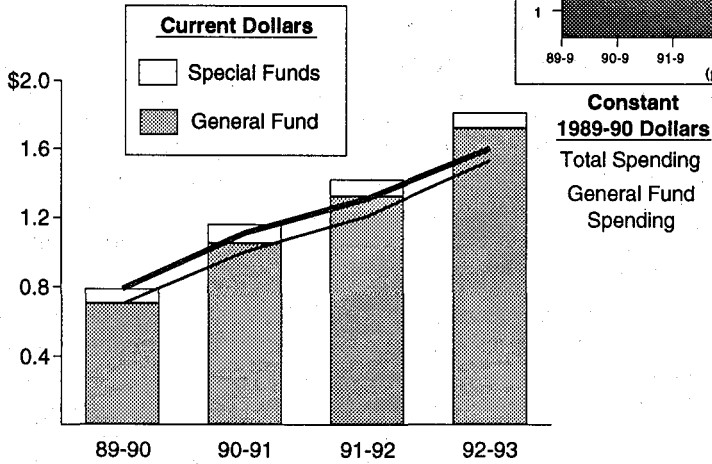
Of the \$1.8 billion in expenditures, \$1.7 billion, or 95 percent, is for General Fund debt service payments. This includes debt service payments of \$1.5 billion for general obligation bonds and about \$213 million for lease-payment bonds. The remaining expenditures include direct appropriations from the General Fund (\$22 million) and special funds (\$86 million), such as the Special Account for Capital Outlay (SAFCO) and the Motor Vehicle Account, to acquire capital assets.

As shown in Chart 1, expenditures for capital outlay, excluding transportation programs and the state water project, have increased significantly over the past four years — from \$786 million in 1989-90 to \$1.8 billion in 1992-93. This increase is directly attributable to the increase in General Fund debt service payments for bond programs. Over the same period, debt service payments have increased from \$669 million to \$1.7 billion — a 156 percent increase. In contrast, expenditures from direct appropriations have declined by 15 percent over this time period.

Chart 1

**Growth in Capital Outlay Expenditures^a
1989-90 through 1992-93**

All State Funds (in billions)

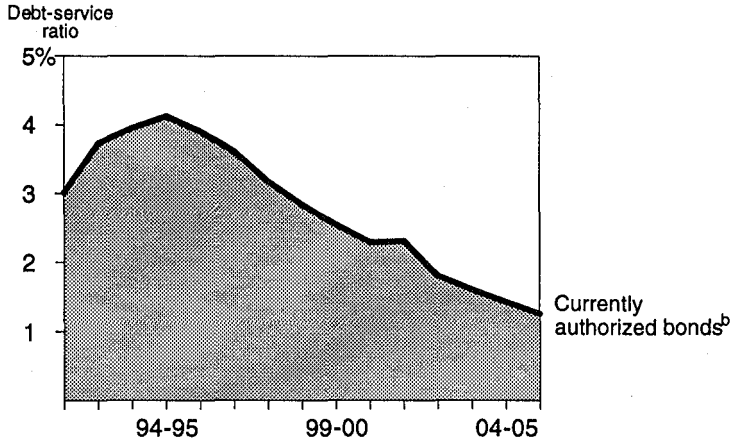


^a Excludes transportation programs and the state water project.

Currently, the amount of debt service paid from the General Fund as a percentage of state General Fund revenues (that is, the state's debt ratio) is still relatively low — about 3 percent. The debt ratio, however, has risen sharply in recent years, as it was 1.9 percent in 1989-90. As shown in Chart 2, if all currently authorized bonds are sold (but no others are authorized), the state's debt ratio could reach a peak of about 4 percent in 1994-95 and decline to 1.3 percent in 2005-2006.

Chart 2

Projected General Fund Debt-Service Ratio^a 1991-92 through 2005-06



^a Assumes 7.0 percent interest rate on general obligation bonds and 7.5 percent interest on lease-payment bonds. Also assumes 5 percent revenue growth in 1991-92 and 1992-93, and 7.5 percent annual revenue growth from 1993-94 through 2005-06.

^b Based on State Treasurer's plan for selling currently authorized bonds.

Spending by Major Programs

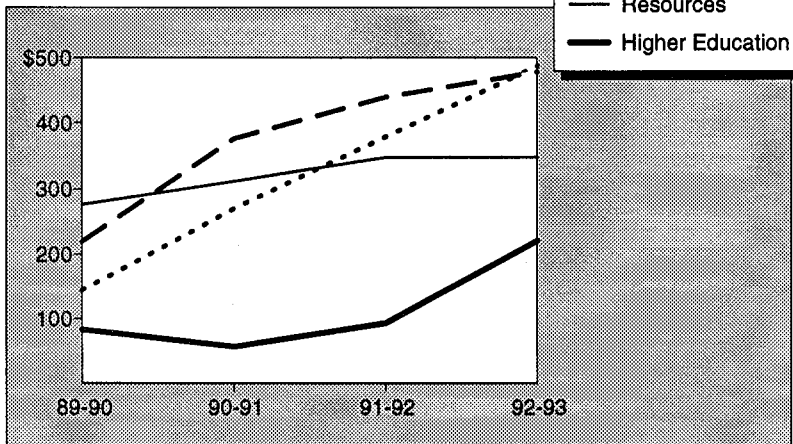
About \$1.5 billion, or 84 percent, of capital outlay expenditures fall within four areas — K-12 education, youth and adult corrections, resources, and higher education. Chart 3 shows the expenditures in each of these areas over the past four years. It indicates that expenditures for education (especially K-12) are growing rapidly, while the rate of increase is slowing for corrections and leveling out for resources. Total expenditures are highest in K-12 education, where in 1992-93 they are expected to reach \$487 million, a 26 percent increase over the current year.

About 25 percent of the debt service payments for youth and adult corrections and higher education are for lease-payment bonds. This represents a slight decrease in their proportion of debt service for lease-payment bonds from the level of 28 percent in 1991-92. However, debt service for lease-payment bonds will increase in the future as projects that have been financed under this method are completed.

Chart 3

Capital Outlay Expenditures By Selected Program Areas 1989-90 through 1992-93

All State Funds (In millions)



Summary of the 1992-93 Capital Outlay Program

Table 1 shows that the Governor's Budget proposes *appropriations* of \$757 million in *bond funds* and special funds for the state's 1992-93 capital outlay program. This is about \$200 million, or 37 percent, more than current-year appropriations. This increase is due to the higher level of general obligation bond financing proposed in the budget. The proposed program includes general obligation bonds (\$446 million) and lease-payment bonds (\$197 million). Nearly all of the general obligation bond funding, however, is contingent upon approval of bond measures in the 1992 elections. In addition to these proposed appropriations, there is nearly \$115 million proposed in direct appropriations from state special funds and federal funds for capital outlay. These appropriations are primarily for projects in the areas of resources and transportation-related departments (mainly the Department of Motor Vehicles and the California Highway Patrol). The estimated future cost to complete the Governor's proposed 1992-93 capital outlay program is about \$2 billion. The majority of this future cost is in higher education to complete projects on various campuses, and in the transportation-related portion of the budget to complete a new headquarters and parking garage

complex for the Department of Motor Vehicles and the California Highway Patrol.

Table 1**1992-93 Capital Outlay Program^a****(In millions)**

Program Area	Bond Funds	Special Funds	Federal Funds	Total Funding^b	Estimated Future Cost
Legislative/Judicial/Executive	—	—	—	—	—
State and Consumer Services	—	\$5.1	\$3.6	\$8.7	\$10.9
Transportation-related	—	27.3	—	27.3	252.0
Resources	\$42.4	50.2	2.7	95.3	80.5
Health and Welfare	—	13.5	4.0	17.5	1.1
Youth and Adult Correctional	36.8	—	—	36.8	30.4
Higher Education	548.7	—	—	548.7	1,576.2
General Government	14.9	6.5	1.6	23.0	12.0
Totals	\$642.8	\$102.6	\$11.9	\$757.3	\$1,963.0

^a Excludes transportation programs and the state water project.

^b Includes reimbursements.

The major emphasis of the proposed capital outlay program is in higher education. Nearly \$549 million, or about 73 percent, of the proposed appropriations for capital outlay are designated for this area. These funds consist of \$366.7 million in general obligation bonds and \$182 million in lease-payment bonds. K-12 is not included in the proposed capital outlay program because appropriations for K-12 projects are not made by the Legislature. Rather, funds for such projects are allocated by the State Allocation Board. Major elements of the balance of the state's capital outlay program are:

- The resources area includes \$95.3 million, of which over 45 percent (\$42.4 million) is from general obligation bonds. The balance of the program is funded from various special funds, such as the Off-Highway Vehicle Fund, and federal funds.
- The youth and adult corrections area includes \$36.8 million, all of which is from general obligation bonds. The budget does not include any proposals for new prisons.
- The business, transportation, and housing area (excluding highways and rail) includes \$27.3 million, all of which is from various special funds, such as the Motor Vehicle Account.
- A total of \$23 million is proposed for general government, of which \$14.9 million is from general obligation bonds. The remainder is

funded through special funds, including \$3.7 million from the SAFCO, and federal funds.

- The health and welfare area includes \$17.5 million, most of which is from special funds and federal funds for the Employment Development Department.

LAO Assessment of Major Budget Issues

In this section, we identify some of the major issues in the Governor's Budget. A fuller discussion of these issues is contained in our analysis of the affected department or program which follows this overview.

- *The proposed capital outlay budget is highly contingent in nature.* To the extent that general obligation bond measures are not approved by the voters, funding to carry out most of the Governor's capital outlay proposal for 1992-93 will not be available, or may require the use of more expensive lease-payment bonds. (See Item 5240, Department of Corrections Capital Outlay, and Overview of Higher Education Capital Outlay.)
- *The proposed amount of general obligation bonds is inadequate to meet identified infrastructure needs in several areas.* Absent any changes in state policies, the general obligation bond level proposed by the administration will leave a backlog of unfunded capital outlay projects in several areas, including education and youth and adult corrections. (See Item 5240, Department of Corrections Capital Outlay; Item 6350, School Facilities Aid Programs; and the Overview of Higher Education Capital Outlay.)
- *The proposed budget includes \$182 million in lease-payment bonds for higher education capital outlay projects.* These projects should, instead, be financed with general obligation bonds in order to reduce future General Fund costs for debt service. (See Overview of Higher Education Capital Outlay.)
- *The budget does not propose any funds for new prisons.* There is no proposal, even though overcrowding in state prisons remains about 75 percent above design-bed capacity. This makes it difficult for the Legislature to review the Governor's spending plan in the context of the overall budget. (See Item 5240, Department of Corrections Capital Outlay.)
- *The Department of General Service's five-year capital outlay plan does not address the state's long-standing policy to own, rather than lease, most of its office space in Sacramento.* Although leasing is more expensive than purchasing or constructing office space, the administration continues to rely on this approach. In Sacramento, over 50 percent

of the state's office space is leased. (See Item 1760, Department of General Services Capital Outlay.)

Other Budget Issues

How Large is the Financing Needed for the State's Infrastructure?

We find that tens of billions of dollars will be needed to fund the state's infrastructure needs over the next decade.

While there are no precise measures of the state's capital outlay requirements, the Legislature has two sources of information regarding the general magnitudes of those needs. These include the 10-year capital outlay and infrastructure plan prepared by the Department of Finance, and the five-year capital outlay plans developed by various state agencies. As shown in Table 2, the 10-year plan identifies the need for nearly \$55 billion for state-funded infrastructure (at both the state and local levels). This total includes \$26.4 billion from special funds and federal funds — for transportation programs — and \$28 billion in general obligation bonds.

Table 2

Department of Finance Projected Capital Outlay Needs 1991-92 through 2000-01

(in billions)

	10-Year Total
Transportation	\$28.4 ^a
State Office Buildings	0.8
Natural Resources and Environmental Quality	5.2
Jails and Youth and Adult Corrections	11.4
K-12 Education	1.6
Higher Education	7.2
Total	\$54.6

^a Includes \$26.4 billion to be funded from state and federal gasoline tax revenues and state truck weight fees for the Department of Transportation.

Source: Department of Finance, 1991 Capital Outlay and Infrastructure Report.

As shown in Table 3, the five-year plans for state agencies identify state-level infrastructure needs totaling about \$41 billion between 1992-93 and 1996-97. This total includes \$13 billion for highways (to be funded with federal and state gasoline tax revenues and state truck weight fees) and \$28 billion for all other needs, including rail (typically funded in large part through state general obligation bonds).

Table 3

**Projected Capital Outlay Needs
For the State and K-12 Education
1992-93 through 1996-97**

(In billions)

	Five-Year Total
Transportation	\$15.0 ^a
State and Consumer Services	0.3
Resources	0.7 ^b
Health and Welfare	0.2
Youth and Adult Corrections	4.4
K-12 Education	15.4
Higher Education	5.2
General Government	0.1
Total	\$41.3

^a Includes \$12.7 billion to be funded from state and federal gasoline tax revenues and state truck weight fees for the Department of Transportation.

^b Excludes amounts for the Coastal Conservancy, the Santa Monica Mountains Conservancy, the Tahoe Conservancy, and the Wildlife Conservation Board, which do not prepare five-year plans.

Source: Legislative Analyst's estimates, based on information from state departments.

The estimates included in the above plans should be viewed with caution, because the plans are incomplete and also may include proposals that, upon examination, do not merit funding. Nevertheless, recognizing the weaknesses of these plans, we believe they provide a reasonable assessment of the overall magnitude of need in those areas included in the plans. Thus, using these documents as benchmarks, it seems clear that the state will need to invest tens of billions of dollars in infrastructure over the next decade. We estimate that the state's debt ratio would reach a peak of about 7.5 percent in 1997-98 if all currently authorized bonds are sold and general obligation bonds are used to fulfill both the state's and K-12 education's five-year identified infrastructure needs of \$28.5 billion. If the state is unwilling to incur a debt ratio of this magnitude, it will have to make some very difficult choices among its capital requirements.

Department of General Services—Capital Outlay Item 1760

Expenditures	
Requested 1992-93	\$2,786,000
Fiscal Recommendations	
Total recommended approval	\$2,456,000
Recommendation pending	330,000

MAJOR ISSUES

▶ **State-Owned Office Space.** The administration currently has no plan to consolidate Sacramento-based state employees into state-owned office space in accordance with a long-established state policy.

Findings and Recommendations

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1. **Office Space Planning.** The department's five-year plan does not address the state's long-standing policy to own, rather than lease, most of its office space in Sacramento. Recommend that the department report at budget hearings on its plans for consolidation of state employees in state-owned office buildings, including steps that could be taken to expedite the consolidation. 12

2. **Site 7 Parking Garage.** Withhold recommendation on \$330,000 in Item 1760-301-036(2), pending receipt and review of a department feasibility study on funding state parking facilities with parking fees. 13

Overview of the Budget Request and the Five-Year Capital Outlay Plan

The budget proposes \$2,786,000 in 1992-93 to fund two major capital outlay projects for the Department of General Services. The two projects, which would be funded from the Special Account for Capital Outlay (SAFCO), are an upgrade of the central utility plant in Sacramento

DEPARTMENT OF GENERAL SERVICES—Continued

(\$2,456,000 for construction) and a 500-space parking garage also in Sacramento (\$330,000 for preliminary plans and working drawings).

Five-Year Capital Outlay Plan

The department's five-year plan proposes expenditures totaling \$216 million for 11 projects. Table 1 shows the plan's total expenditures for different functional components. The plan does not include any proposals for three Bay Area buildings affected by the Loma Prieta earthquake in 1989. The plan indicates, however, that decisions on these buildings will be finalized after completion in the spring of a Bay Area facilities study.

Table 1

**Department of General Services
Five-Year Capital Outlay Plan
1992-93 through 1996-97**

(in millions)

Project Category	1992-93	1993-94	1994-95	1995-96	1996-97	Totals
Sacramento office buildings	\$3.8	\$4.0	\$45.1	—	—	\$52.9
Other office buildings	3.8	56.2	2.1	\$84.3	\$0.2	146.6
Other facilities	7.0	6.0	0.2	3.1	—	16.3
Totals	\$14.6	\$66.2	\$47.4	\$87.4	\$0.2	\$215.8

Analysis and Recommendations

The department's five-year capital outlay plan does not address the state's long-standing policy to own, rather than lease, its office space in Sacramento. We recommend that the department report at budget hearings on its plans for consolidation of state employees in state-owned office space, including steps that could be taken to expedite the consolidation.

For several years, we have discussed the lack of planning for new state office buildings by the previous and current administrations. In particular, the state has failed to implement the Capitol Area Plan (CAP), which was statutorily adopted in 1977 and established a framework for development of state-owned land in a 72-block area south of the Capitol. The office element of the CAP included a goal that, by 1987, 90 percent of state offices in the Sacramento area should be in state-owned buildings. At the time the CAP was adopted, 64 percent of state offices in the Sacramento area were in state-owned buildings. Rather than moving towards the CAP's 90 percent goal, the percentage of state-owned office space has *steadily decreased*, and is now less than 50 percent. Conversely, the amount of state-leased space has almost

tripled over the same time period. The state now leases about 6 million square feet, at an annual cost of over \$80 million. In just two years, from 1988 to 1990, annual lease costs increased by \$26 million.

It is evident in the department's current five-year plan that the administration has had no plan to implement the CAP. The five-year plan lists only one new office building for Sacramento — Site 4 in the Capitol Area. This project, which was to be a 400,000 square foot office building for the Board of Equalization (BOE), received a \$500,000 appropriation in the 1984 Budget Act to complete preliminary plans. No additional funding has ever been requested to complete design work and construct this building. The BOE has recently signed an agreement to move into a leased facility currently under construction in downtown Sacramento. In our analysis of the board's support budget in the Legislative, Executive, Judicial section of the *Analysis*, we provide a detailed discussion of this lease agreement.

Legislative Request for Plan. Recognizing the lack of implementation of the CAP, the Senate adopted SCR 39 in 1991. The resolution requests that the department prepare a plan to consolidate, to the extent feasible, state employees and functions within the Capitol Area and adjacent areas, consistent with the CAP. The department was to submit a schedule for preparing the plan by December 1, 1991. At the time this analysis was prepared, the department had not submitted this schedule, but indicated that a schedule would be available in the spring. We recommend that the department report at budget hearings on its schedule for implementing the CAP, including what steps could be taken to expedite the consolidation of state employees into state-owned office space.

Central Plant Upgrade

We recommend approval.

The budget proposes \$2,456,000 from the SAFCO to upgrade and overhaul major equipment at the Central Utility Plant in Sacramento. Funding for working drawings for this project was included in the 1991 Budget Act. The amount requested for construction is consistent with legislative intent, and we recommend approval.

Site 7 Parking Garage

We withhold recommendation on \$330,000 under Item 1760-301-036(2) for planning a 500-space parking garage, pending receipt and review of a department feasibility study on using parking revenues to fund new state parking facilities.

The budget requests \$330,000 for preliminary plans and working drawings for a 500-space parking garage in the Capitol Area. Estimated future construction costs are \$6 million. The garage would include 5,000 square feet of

DEPARTMENT OF GENERAL SERVICES—Continued

commercial/office space. 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. The project is consistent with implementation of the Capitol Area Plan, which calls for development of parking garages to replace surface parking lots.

Potential to Use Parking Revenues Rather Than the SAFCO. The *Supplemental Report of the 1991 Budget Act* expresses legislative intent that the department prepare a study to assess the feasibility of using parking revenues from state parking facilities for the construction of new parking facilities. The study was to be submitted to the Legislature by January 1, 1992. At the time this analysis was prepared, this study had not been sent to the Legislature. Consequently, we withhold recommendation on the budget request, pending receipt and review of the department's feasibility study.

Supplemental Report Language

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

**Veterans' Home of California—Capital Outlay
Item 1970**

Expenditures	
Requested 1992-93	\$5,959,000
Fiscal Recommendations	None

**Overview of the Budget Request and the
Five-Year Capital Outlay Plan**

The budget includes \$6 million for capital outlay at the Veterans' Home in Yountville, which is operated by the Department of Veterans Affairs (DVA).

The department's five-year plan is summarized in Table 1. The DVA plans to spend \$33.8 million in state (\$16.7 million) and federal (\$17.1 million) funds to complete the renovation and expansion of facilities at the Veterans'

Home. The federal government typically funds 65 percent of the cost of major capital outlay projects at the home.

Table 1

**Department of Veterans Affairs
Five-Year Capital Outlay Plan
1992-93 through 1996-97**

(in millions)

Project Category	1992-93	1993-94	1994-95	1995-96	1996-97	Totals
Resident facilities	\$8.3	\$11.8	\$3.6	—	\$2.5	\$26.2
Support facilities	—	0.1	0.3	\$6.2	—	6.6
Minor projects	0.5	0.1	0.2	0.1	0.1	1.0
Totals	\$8.8	\$12.0	\$4.1	\$6.3	\$2.6	\$33.8

For 1992-93, the department's five-year plan requests \$8.3 million for six major capital outlay projects (including \$0.2 million for ongoing program management services by the Office of Project Development and Management and related consultants) and \$0.5 million for two minor projects. The budget includes nearly \$6 million for the program management services and three of the major projects included in the plan. These projects continue the state's efforts to upgrade facilities at the home. The specific budget proposals are summarized in Table 2.

Table 2

**Department of Veterans Affairs
1992-93 Capital Outlay Program**

(in thousands)

Project	Phase ^a	Budget Bill Amount	Estimated Future Cost ^b
Item 1970-301-036: Special Account for Capital Outlay			
(1) Section G (intermediary/domiciliary)	w	\$323	\$1,407
(2) Program management	—	191	—
(3) Annex II and chiller (intermediate)	wc	1,693	—
(4) Main kitchen and food service system	s	135	—
Item Total		\$2,342	\$1,407
Item 1970-301-890: Federal Trust Fund			
(1) Annex II and chiller (intermediate)	wc	\$3,617	\$3,520
Program Totals		\$5,959	\$4,927

^a Phase symbols indicate: w = working drawings; c = construction; s = study.

^b Department estimate.

VETERANS' HOME OF CALIFORNIA—Continued

Supplemental Report Language

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

Department of Transportation—Capital Outlay
Item 2660

Expenditures	
Requested 1992-93	\$536,000
Fiscal Recommendations	None

Overview of the Budget Request and the
Five-Year Capital Outlay Plan

This item appropriates funds for 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 office building in Oakland, authorized for lease-purchase under Ch 1472/88 (SB 2831, Deddeh), is currently under construction, with occupancy expected in the fall of 1992. After the new Oakland building is occupied, Caltrans plans to sell its current District 4 building in San Francisco.

Five-Year Plan. As Table 1 shows, the department's five-year capital outlay plan calls for spending \$45 million over the next five years, including \$1.4 million in the budget year. Over 20 percent of the five-year spending plan is for "unidentified" major projects. In the future, the five-year plan should identify projects the department believes will be needed and their relative priority in the plan, rather than include a lump-sum amount for unidentified projects.

Budget Proposal. The budget proposes only \$536,000 in 1992-93 — all of which is for minor capital outlay projects (\$250,000 or less per project). These projects range from \$29,000 to correct water supply system deficiencies at five facilities in San Diego, to \$108,000 for similar work at three facilities in Eureka. The capital outlay amount in the budget is less than planned for 1992-93, primarily because Caltrans has decided to postpone planned

renovations of the San Diego District office pending completion of a study of the cost/benefit of constructing a new district office in San Diego.

Table 1						
Department of Transportation Five-Year Capital Outlay Plan—Administrative Facilities 1992-93 through 1996-97						
(in thousands)						
Project Category	1992-93	1993-94	1994-95	1995-96	1996-97	Totals
Redding District Office	—	—	\$325	\$300	—	\$625
Headquarters, Sacramento	—	\$4,791	—	—	—	4,791
Fresno District Office	—	—	—	15,000	—	15,000
Los Angeles District Office	—	—	500	—	—	500
San Bernardino District Office	—	—	1,000	400	—	1,400
Bishop District Office	—	—	2,845	—	—	2,845
San Diego District Office	\$515	—	5,000	—	—	5,515
Unidentified major projects	—	—	—	—	\$10,000	10,000
Minor capital outlay	850	925	800	840	885	4,300
Totals	\$1,365	\$5,716	\$10,470	\$16,540	\$10,885	\$44,976

**Department of the California
Highway Patrol—Capital Outlay
Item 2720**

Expenditures	
Requested 1992-93	\$15,087,000
Fiscal Recommendations	None

**Overview of the Budget Request and the
Five-Year Capital Outlay Plan**

Five-Year 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. Table 1 shows that the department plans design, construction, and acquisition activities totaling \$154 million over the next five years. The department plans to devote 82 percent

DEPARTMENT OF THE CALIFORNIA HIGHWAY PATROL—Continued

(\$126 million) of this amount to acquire 32 facilities under lease-with-purchase option agreements. This amount does not include an estimated \$28 million the CHP will pay in lease costs for the facilities.

Table 1

**Department of the California Highway Patrol
Five-Year Capital Outlay Plan
1992-93 through 1996-97**

(in millions)

Project Category	1992-93	1993-94	1994-95	1995-96	1996-97	Totals
Purchase leased offices	\$14.7	\$17.7	\$47.8	\$22.0	\$23.4	\$125.6
Construction of area offices	12.3	3.4	10.0	.1	.3	26.1
Options and appraisals	—	—	—	—	—	.1
Minor capital outlay	.5	.5	.5	.5	.5	2.5
Totals	\$27.5	\$21.6	\$58.3	\$22.7	\$24.2	\$154.3

Budget Proposal. The budget proposes \$15,087,000 from the Motor Vehicle Account for CHP capital outlay, as displayed in Table 2. The budget-year amount is about 55 percent of the amount scheduled for 1992-93 in the five-year plan, primarily because the budget defers exercising purchase options on three of the four facilities scheduled for acquisition under the plan.

In addition to the 1992-93 capital outlay request, the budget includes Budget Bill language under Item 2720-001-044 authorizing the department to enter into lease agreements with purchase options (each with an estimated purchase price exceeding \$2 million) at eight locations. According to the five-year capital outlay plan, these proposed options would cost a combined \$27 million to exercise during 1995-96 and 1996-97. The estimated rental cost for these eight facilities totals \$6.5 million prior to acquisition.

Department Headquarters Plan Combined with DMV Proposal. The CHP capital outlay plan does not include an estimated cost for a joint CHP/Department of Motor Vehicles (DMV) headquarters complex planned for construction in Sacramento. The DMV capital outlay plan shows an estimated cost of \$185 million for this complex, and an additional \$66 million for renovation of existing headquarters space. The budget includes \$4,470,000 under the DMV capital outlay item for preliminary plans for the new space. Our analysis of the proposed joint headquarters appears in our analysis of the DMV capital outlay program under Item 2740.

Table 2

**Department of the California Highway Patrol
1992-93 Capital Outlay Program**

(In thousands)

Project	Phase ^a	Budget Bill Amount	Estimated Future Cost ^b
Item 2720-301-044			
(1) Minor capital outlay	pwc	\$442	—
(2) West Sacramento—new logistical facility	c	10,256	—
(3) San Francisco—new office	c	3,149	—
(4) Coalinga—purchase leased office	a	1,035	—
(5) San Luis Obispo—new office	w	185	\$3,400
(6) Options and appraisals	—	20	—
Totals		\$15,087	\$3,400

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

^b Department estimate.

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.

DEPARTMENT OF MOTOR VEHICLES

Department of Motor Vehicles—Capital Outlay Item 2740

Expenditures	
Requested 1992-93	\$11,682,000
Fiscal Recommendations	
Recommendation pending	\$4,470,000

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1. **DMV/CHP Joint Headquarters Complex.** Withhold recommendation on \$4,470,000 requested in Item 2740-301-044 for preliminary plans for the joint headquarters complex, pending completion of the study of headquarters space needs that the Legislature funded last year.

Overview of the Budget Request and the Five-Year Capital Outlay Plan

Five-Year Plan. The Department of Motor Vehicles (DMV) capital outlay program has historically concentrated on renovation, replacement, and construction of field offices from which the DMV personnel serve the public. The focus of the department's current five-year capital outlay plan, however, is on a \$252 million project to construct a headquarters complex in Sacramento to be shared with the California Highway Patrol (CHP). This project is discussed in more detail below. As Table 1 shows, the DMV plans capital outlay projects totaling about \$260 million over the next five years. This amount does not include \$62 million needed in 1997-98 to complete the planned DMV/CHP headquarters, nor does it include amounts needed for annual rental costs for field offices to be acquired through lease-with-purchase option arrangements. We believe the DMV should provide such information in future plans.

Table 1

**Department of Motor Vehicles
Five-Year Capital Outlay Plan
1992-93 through 1996-97**

(In millions)

Project Category	1992-93	1993-94	1994-95	1995-96	1996-97	Totals
CHP/DMV joint headquarters complex	\$4.5	\$5.4	\$175.2	\$1.9	\$2.5	\$189.5
Acquisitions of leased field offices	6.4	15.4	11.5	21.9	9.6	64.8
Field office remodels/expansions	0.1	1.6	—	—	—	1.7
Minor capital outlay	0.7	0.7	0.7	0.7	0.7	3.5
Totals	\$11.7	\$23.1	\$187.4	\$24.5	\$12.8	\$259.5

Budget Proposal. The budget proposes \$11,682,000 from the Motor Vehicle Account for DMV capital outlay in 1992-93, the exact amount scheduled in the five-year capital outlay plan. Table 2 summarizes the budget request and the estimated costs to complete the proposed projects.

Table 2

**Department of Motor Vehicles
1992-93 Capital Outlay Program
Item 2740**

(in thousands)

Project	Phase ^a	Budget Bill Amount	Estimated Future Cost ^b
Item 2740-301-044:			
(1) Minor capital outlay	pwc	\$731	—
(2) CHP/DMV joint headquarters	p	4,470	\$247,087
(3) Rancho Cucamonga field office	a	3,975	—
(4) Norco field office	a	2,405	—
(5) Remodel San Diego office	p	28	487
(6) San Bernardino — lobby expansion	p	45	630
(7) Bell Gardens — lobby expansion	p	28	437
Totals		\$11,682	\$248,641

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

^b Department estimate.

DEPARTMENT OF MOTOR VEHICLES—Continued

Analysis and Recommendations**CHP/DMV Joint Headquarters Complex**

We withhold recommendation on \$4,470,000 requested in Item 2740-301-044 for preliminary plans for a joint DMV/CHP headquarters facility, pending completion of a study required by the Legislature of alternative ways of meeting headquarter space needs.

The budget includes \$4,470,000 from the Motor Vehicle Account for preliminary plans for a joint DMV/CHP headquarters complex in Sacramento. The complex would provide roughly 1.5 million square feet of new and renovated office space, plus a parking garage of 953,400 square feet. The DMV estimates additional costs of more than \$247 million to complete the complex.

The Request for Funds to Develop Preliminary Plans is Premature. The 1991-92 budget, as submitted to the Legislature, proposed \$559,000 for a master site plan and environmental impact report for this project. The Legislature — concerned that there had not been an adequate evaluation of either the DMV/CHP space needs or alternatives to meet these needs — instead appropriated \$439,000 in the 1991 Budget Act for a study of the joint space needs of the departments' headquarters operations. This study is not yet completed. Nevertheless, the amount requested in the 1992-93 budget is for a project that is essentially unmodified from what was proposed last year by the DMV/CHP.

The departments expect to complete this study in March 1992, as originally planned. Presumably, the study will identify significant ways to economize on meeting the departments' headquarters space needs and result in a much less costly proposal. Until the study has been completed and sent to the Legislature for review, however, any proposal for further spending is premature. Accordingly, we withhold recommendation on the \$4,470,000 requested in Item 2740-301-044 for preliminary plans, pending receipt and review of the completed study and a spending proposal consistent with its findings.

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 Tahoe Conservancy—Capital Outlay Item 3125

Expenditures	
Requested 1992-93	\$7,514,000
Fiscal Recommendations	
	None

Overview of the Budget Request

The budget projects total expenditures of \$7.5 million for capital outlay by the California Tahoe Conservancy in 1992-93. This amount consists of \$279,000 in reimbursements and Budget Bill appropriations totaling \$7.2 million from the following sources.

Section 8(g) Funds. The budget proposes an appropriation of \$6.7 million from the Outer Continental Shelf Lands Act, Section 8(g) Revenue Fund in 1992-93. The conservancy indicates that it will use (1) \$5 million of these funds to continue its programs of land acquisition for various purposes, (2) \$871,000 for continued stream environment zone acquisition and watershed restoration, and (3) the remaining \$875,000 to continue its program to increase public access and recreation. In the past, these ongoing programs have been supported by a variety of funds, including the Lake Tahoe Acquisitions (Bond) Fund and the Public Resources Account.

Habitat Conservation Fund. The budget proposes an appropriation of \$489,000 from the Habitat Conservation Fund (HCF) in 1992-93. The conservancy requests these funds for wildlife habitat acquisition and restoration, in accordance with the California Wildlife Protection Act of 1990 (Proposition 117). These expenditures are proposed to be supported from funds transferred to the HCF from the Unallocated Account, Cigarette and Tobacco Products Surtax Fund.

Reimbursements. The conservancy requests expenditure authority for \$279,000 in reimbursements to be used for stream environment zone acquisition and watershed restoration. These reimbursements will come from (1) \$149,000 in coverage mitigation fees collected by the Tahoe Regional Planning Agency for transfer to the conservancy and (2) \$130,000 from the conservancy's sale of coverage and other marketable rights.

CALIFORNIA TAHOE CONSERVANCY—CAPITAL OUTLAY—Continued

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.

**Department of Forestry and Fire
Protection—Capital Outlay
Item 3540**

Expenditures	
Requested 1992-93	\$6,681,000
Fiscal Recommendations	
Total recommended approval	\$6,681,000

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- Proposed Bonds.** Recommend that the Department of Finance report at budget hearings on its plans to finance the completion of projects in the budget for the Department of Forestry and Fire Protection.

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**Overview of the Budget Request and the
Five-Year Capital Outlay Plan**

The budget proposes \$6,681,000 in 1992-93 for the capital outlay program for the Department of Forestry and Fire Protection. This amount includes \$100,000 from the Forest Resources Improvement Fund and \$6,581,000 from the California Wildland Protection, Improvement, and Modernization Bond Fund, a general obligation bond measure proposed by the administration for the 1992 ballots. In prior years, the department's capital outlay program has been funded by direct appropriations, generally from the Special Account for Capital Outlay (SAFCO).

Five-Year Capital Outlay Plan

The department's five-year capital outlay plan proposes expenditures totaling \$134 million for 131 major projects and \$37 million for minor projects (\$250,000 or less per project) between 1992-93 and 1996-97. Table 1 displays the plan's proposed totals by fiscal year.

Table 1

**Department of Forestry and Fire Protection
Five-Year Capital Outlay Plan
1992-93 through 1996-97**

(in millions)

	1992-93	1993-94	1994-95	1995-96	1996-97	Totals
Minor projects	\$11.2	\$4.0	\$6.0	\$8.0	\$8.0	\$37.2
Major projects	12.0	23.4	45.5	39.3	14.0	134.2
Totals	\$23.2	\$27.4	\$51.5	\$47.3	\$22.0	\$171.4

The plan emphasizes replacement/renovation of many of the department's older facilities, 86 percent of which were constructed before 1960. The plan identifies \$12 million in major capital outlay needs for 1992-93, and the budget funds \$4.8 million of this total. The department has also identified \$11.2 million in minor capital outlay funding needs for 1992-93, of which the budget funds \$1.8 million.

Analysis and Recommendations

The major elements proposed in the budget include (1) \$3,331,000 to complete four previously funded projects, (2) \$259,000 for studies or preliminary plans for five new fire fighting stations associated with the department's "Balancing of Acres" program, (3) \$368,000 for studies or preliminary plans to replace six fire fighting stations and one emergency command center, and (4) \$822,000 for five land acquisitions. Table 2 summarizes the proposed projects.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION—Continued

Table 2			
Department of Forestry and Fire Protection 1992-93 Capital Outlay Program			
(In thousands)			
Project	Phase^a	Budget Bill Amount	Estimated Future Cost^b
Item 3540-301-709			
(1) Sonoma HQ, auto shop replacement	ce	\$767	—
(2) Silverado FFS, relocation	p	68	\$1,581
(3) Lake-Napa HQ, replace emergency command center	ap	535	665
(4) Lassen-Modoc HQ, replace repair shop	p	34	760
(5) Feather Falls FFS, replacement	ce	689	—
(6) Elk Creek FFS, acquire leased site	a	35	—
(7) Ponderosa FFS, replacement	ce	793	—
(8) Truckee FFS, new station	s	63	1,177
(9) Cohasset FFS, replacement	s	50	1,005
(10) McCloud FFS, new station	p	47	717
(11) Big Bend FFS, new station	p	45	613
(12) Shandon FFS, acquire leased site	a	77	—
(13) Independence FFS, new station	s	63	984
(14) Lyons Valley FFS, replacement	s	55	965
(15) Sage FFS, replacement	s	55	1,146
(16) Esperanza FFS, replacement	p	51	958
(17) Shaver Lake FFS, new station	p	41	893
(18) Sand Creek FFS, acquire leased site	a	75	—
(19) Murphy's FFS, replacement	s	55	973
(20) Bitterwater Helitack Base, replacement	ce	1,082	—
(21) Options and Appraisals	a	40	—
(22) Minor capital outlay	pwc	1,861	—
Item totals		<u>\$6,581</u>	<u>\$12,437</u>
Item 3540-301-928			
(1) Jackson Demonstration Forest	a	<u>\$100</u>	<u>—</u>
Totals		<u>\$6,681</u>	<u>\$12,437</u>

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

^b Department estimate.

Inadequate Bond Funding Proposed

We recommend that the Department of Finance report at budget hearings on its plans for financing the completion of projects in the CDF's 1992-93 capital outlay program.

The budget includes general obligation bond funding of \$19.6 million for the CDF — \$6.6 million for capital outlay and \$13 million for telecommunications equipment and airplanes. (Our discussion of the noncapital outlay portions of this proposal is included in the Resources section of this *Analysis* under Item 3540.) It is our understanding that the entire bond to be proposed for voter approval may not exceed \$20 million, which is only sufficient for the CDF's proposed 1992-93 expenditures. An additional \$12 million will be needed, however, to complete the projects proposed for funding in 1992-93. Given that the proposed bond level may be insufficient to fully fund all projects, we recommend that the Department of Finance report at budget hearings on its plans to finance the completion of these projects.

Supplemental Report Language

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

**Department of Fish and Game—Capital Outlay
Item 3600**

Expenditures	
Requested 1992-93	\$6,687,000
Fiscal Recommendations	
Recommendation pending	\$1,392,000

Findings and Recommendations

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1. **Five-Year Plan.** The department's five-year plan does not contain information needed by the Legislature in order to assess the department's capital needs. 28

DEPARTMENT OF FISH AND GAME—Continued

2. **Experimental Hatchery.** We withhold recommendation on 30 \$1,392,000 for preliminary plans and working drawings for an experimental trout and steelhead hatchery pending receipt of a previously funded study.

Overview of the Budget Request and the Five-Year Capital Outlay Plan

The budget proposes \$6.7 million in 1992-93 for the Department of Fish and Game's (DFG) capital outlay program. The amount provided includes \$5.4 million from various state special funds and \$1.3 million from federal funds.

Five-Year Capital Outlay Plan

The department's five-year plan does not contain information needed by the Legislature in order to assess the department's capital needs.

The department's five-year capital outlay plan lists expenditures totaling \$32 million for 27 major projects and \$7 million for minor capital outlay projects (\$250,000 or less per project) between 1992-93 and 1996-97. Table 1 displays the plan's proposed totals by fiscal year. The budget funds six of the eight major capital outlay projects shown in the first year of the department's plan.

Table 1

Department of Fish and Game Five-Year Capital Outlay Plan 1992-93 through 1996-97

(in millions)

Project Category	1992-93	1993-94	1994-95	1995-96	1996-97	Totals
Minor projects	\$1.8	\$1.4	\$1.4	\$1.5	\$1.5	\$7.6
Major projects	5.3	7.3	4.4	5.5	9.1	31.6
Totals	\$7.1	\$8.7	\$5.8	\$7.0	\$10.6	\$39.2

In our *Analysis of the 1990-91 Budget Bill*, we indicated that the department's capital outlay plan was incomplete. The department's most recent five-year plan is similarly deficient. Specifically, the plan contains *no* descriptive information regarding (1) the department's capital needs, (2) how the proposed projects address those needs, and (3) how priorities are set. In light of the department's past problems in raising sufficient special fund revenues to support its ongoing program costs, it is important for the

Legislature to have this information in order to assess the tradeoffs of using limited special fund monies for capital expenditures or for program support.

Analysis and Recommendations

The budget proposes a total of \$6.7 million for the department's capital outlay program. This amount includes \$3,053,000 for working drawings and/or construction to complete four previously funded major projects; \$575,000 for preliminary plans, working drawings, and construction for a new water well at Fish Springs Hatchery; \$45,000 for budget schematics; and \$1,622,000 for 15 minor projects. Also included is \$1,392,000 for preliminary plans and working drawings for an experimental hatchery, which was approved by the voters in 1988 as part of Proposition 70. Table 2 summarizes the proposed projects. The Budget Bill also includes reappropriations of several minor capital outlay projects under Item 3600-490.

Table 2

Department of Fish and Game 1992-93 Capital Outlay Program

(in thousands)

Project	Phase ^a	Budget Bill Amount	Estimated Future Cost ^b
Item 3600-301-140: Environmental License Plate Fund			
(1) Minor projects	pwc	\$242	—
Item 3600-301-200: Fish and Game Preservation Fund			
(1) Minor projects	pwc	\$687	—
(2) Hot Creek Hatchery, replace building	wc	1,015	—
(3) Darrah Springs Hatchery, refurbish ponds	c	496	—
(4) Budget schematics	—	45	—
(5) Mokelumne River Hatchery, Salmon Egg Taking Facility	c	917	—
(6) Red Bluff Fish Habitat, shop	c	625	—
(7) Fish Springs Hatchery, water well	pwc	575	—
(8) Reimbursements, minor projects	—	-44	—
(9) Payable from Federal Trust Fund	—	-1,061	—
Item totals		\$3,255	—
Item 3600-301-235: Cigarette and Tobacco Tax Products Surtax Fund			
(1) Minor projects	pwc	\$740	—
(2) Reimbursement, minor projects	—	-3	—
(3) Payable from Federal Trust Fund	—	-237	—
Item totals		\$500	—

Continued

DEPARTMENT OF FISH AND GAME—Continued

Project	Phase ^a	Budget Bill Amount	Estimated Future Cost ^b
Item 3600-301-786: Wildlife, Coastal, and Parkland Protection Fund of 1988			
(1) Experimental Hatchery	pw	\$1,392	\$4,500
Item 3600-301-890: Federal Trust Fund for Transfer to Item 3600-301-200	—	\$1,061	—
Item 3600-311-890: Federal Trust Fund for Transfer to Item 3600-311-235	—	\$237	—
Program Totals, including reimbursements and federal funds		\$6,687	\$4,500
^a Phase symbols indicate: p = preliminary plans; w = working drawings; and c = construction. ^b Department estimate.			

Experimental Hatchery

We withhold recommendation on \$1,392,000 for preliminary plans and working drawings for an experimental hatchery, pending receipt of a previously funded project study.

The budget includes funding for preliminary plans (\$576,000) and working drawings (\$816,000) for an experimental hatchery for wild trout and native steelhead. Estimated future construction costs are \$4.5 million. Funding for the hatchery was included in Proposition 70 — the Wildlife, Coastal, and Park Land Conservation Bond Act — which was approved by the voters in June 1988. As part of the 1990 Budget Act, the Legislature appropriated \$93,000 for a study to delineate the programmatic needs of this experimental hatchery and to identify the appropriate facility scope and location. At the time this analysis was prepared, the study had not been completed. The study should be completed and available for review by the Legislature prior to budget hearings. We therefore withhold recommendation on the \$1,392,000, pending receipt and review of the study.

Supplemental Report Language

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

Wildlife Conservation Board—Capital Outlay Item 3640

Expenditures	
Total proposed expenditures	\$30,203,000
Requested in 1992 Budget Bill	12,044,000
Fiscal Recommendations	
	None

Overview of the Budget Request

The budget proposes total expenditures of \$30,203,000 for various capital outlay projects to be undertaken by the Wildlife Conservation Board (WCB) in 1992-93. These funds consist of (1) three Budget Bill appropriations totaling \$12,044,000 from the Habitat Conservation Fund (\$5,194,000), the Wildlife Restoration Fund (\$820,000), and the Wildlife and Natural Areas Conservation Fund (\$6,030,000) and (2) funds continuously appropriated to the board by Proposition 70 (\$18,159,000). The Governor's Budget includes items transferring \$3.7 million from the Environmental License Plate Fund and \$2 million from the Public Resources Account to the Habitat Conservation Fund created by the California Wildlife Protection Act of 1990 (Proposition 117).

Of the total proposed expenditures, the \$18.2 million in continuously appropriated funds do not require further legislative action. The remaining \$12 million is requested in the Budget Bill for various unspecified acquisition and development projects and project planning. The board traditionally does not identify specific projects or expected costs of the projects because the projects are tentative and subject to change. It has been the Legislature's practice to grant the board this unusual degree of budget flexibility.

DEPARTMENT OF BOATING AND WATERWAYS

Department of Boating and Waterways—Capital Outlay and Local Assistance
Item 3680

Expenditures	
Requested 1992-93	\$44,300,000
Fiscal Recommendations	
Total recommended reduction	\$1,500,000
Total recommended augmentation	68,000

Findings and Recommendations

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Capital Outlay

- 1. **Candlestick Point State Recreational Area (SRA). Increase Item 3680-301-516(1) by \$68,000.** Recommend augmentation of \$68,000, because the dredging project should be done by the Department of Boating and Waterways, instead of by the Department of Parks and Recreation. 33

Local Assistance

- 2. **Private Marina Loans. Reduce Item 3680-301-516(a)(3) by \$1.5 million.** Recommend reduction in the amount provided for private marina loans to bring the funding level in line with prior-year levels. 34

Overview of the Budget Request

The budget requests \$1,450,000 for capital outlay and \$41,150,000 for local assistance grants from the Harbors and Watercraft Revolving Fund for the Department of Boating and Waterways (DBW). The budget also includes \$1,700,000 in federal reimbursements under Item 3680-121-890 for local assistance projects that were completed prior to the budget year.

Capital Outlay

The budget includes \$15,000 for project planning, \$55,000 for one major capital outlay project, and \$1,380,000 for eight minor capital outlay projects (\$250,000 or less per project).

Analysis and Recommendations

Candlestick Point SRA—Boat Launching Facility

We recommend an augmentation of \$68,000, because the DBW should fund a dredging project, which is proposed in the Department of Parks and Recreation (DPR) budget. We further recommend supplemental report language stating legislative intent that future construction work for both the dredging and on-shore development at Candlestick Point SRA will be funded by the DBW. (Increase Item 3680-301-516(1) by \$68,000.)

The budget proposes \$55,000 under Item 3680-301-516(1) from the Harbors and Watercraft Revolving Fund (HWRF) for the DBW to develop working drawings for boat-launch facilities and other on-shore development at Candlestick Point SRA in San Francisco. This project is proposed in conjunction with a project to dredge a 200-foot turning basin and a one-mile channel in San Francisco Bay to facilitate boat launching at the new facility. The Governor's Budget proposes to fund the design cost of the dredging work under the DPR's capital outlay program. Thus, the DPR's budget includes \$68,000 under Item 3790-301-786(4) for this portion of the project. The total cost of the combined DBW/DPR project is \$2.1 million.

The Governor's 1991-92 budget, as submitted to the Legislature, included an identical proposal to split-fund the preliminary planning phase of this project. In our *Analysis of the 1991-92 Budget Bill*, we recommended that the Legislature fund both projects under the DBW, because (1) the HWRF, under existing law, may only be used for boating-related projects, whereas the DPR funding must be stretched to cover a wider variety of needs, and (2) the HWRF has an annual revenue stream, whereas the DPR has a limited amount of general obligation bonds available to address its capital needs. The Legislature appropriated \$149,000 to the DBW to develop preliminary plans for dredging and on-shore development work. The preliminary plans are scheduled to be completed in February 1992.

In accordance with the reasons stated above, and in view of prior legislative action regarding this project, we recommend that the Legislature augment the DBW's budget under Item 3680-301-516(1) by \$68,000 to fund the working drawings for the dredging, and reduce Item 3790-301-786(4) by the same amount. We further recommend supplemental report language stating legislative intent that the construction phase of both the dredging and on-shore developments are to be funded by the DBW.

DEPARTMENT OF BOATING AND WATERWAYS—Continued

Local Assistance**Overview of the Budget Request**

The budget proposes \$42,850,000 (including \$2,550,000 in transferred federal funds) from the HWRF for the DBW's local assistance programs in 1992-93. This amount includes \$36.5 million for the DBW's three primary assistance programs as follows: (1) \$7.5 million for 21 grants to public agencies for construction of boat-launching ramps, restrooms, and parking areas; (2) \$19.5 million for seven loans to local governments to help finance construction or improvement of public marinas; and (3) \$9.5 million to provide loans to private marina owners to develop, expand, or improve recreational marinas.

Analysis and Recommendations**Increased Loans to Private Marinas Not Justified**

We recommend the Legislature reduce the amount of funds proposed for loans to private marinas by \$1.5 million to bring the amount available for loans in line with prior-year levels. (Reduce Item 3680-101-516(a)(3) by \$1.5 million.)

The \$9.5 million proposed for loans to private marina owners represents a \$1.5 million increase in the amount appropriated by the Legislature for this purpose in 1990-91 and 1991-92. As in past years, the budget does not identify the specific projects and associated costs that the department expects to fund. Instead, the request is simply a lump-sum amount to be administered by the department. Given the prior level of funding for this program and the fact that the department has not provided any justification for the increase, we recommend that the Legislature reduce Item 3680-101-516(a)(3) by \$1.5 million.

Supplemental Report Language

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

State Coastal Conservancy—Capital Outlay Item 3760

Expenditures

Total proposed 1992-93	\$13,107,000
Total requested in 1992 Budget Bill	7,450,000

Fiscal Recommendations None

Overview of the Budget Request

The budget shows that the conservancy has \$13.1 million available for capital outlay projects in 1992-93. This amount includes \$7.5 million in Budget Bill appropriations from the following funds:

- Habitat Conservation Fund (Proposition 117 — \$4 million).
- California Wildlife, Coastal, and Park Land Conservation (Bond) Fund of 1988 (Proposition 70 — \$1.3 million).
- State Coastal Conservancy (Bond) Fund of 1984 (\$1.1 million).
- Parklands (Bond) Fund of 1980 (\$700,000).
- State Coastal Conservancy Fund (\$400,000).

The budget also shows an estimated carry-over balance of \$5.4 million available in 1992-93. This amount is part of a direct appropriation the conservancy received in 1988-89 for specific projects included in Proposition 70. In addition, the budget includes a reappropriation of an estimated \$244,000 from the State Coastal Conservancy Fund for a project previously approved by the Legislature. The conservancy anticipates spending all of these balances for capital outlay in the budget year.

The conservancy proposes expenditure of the new capital outlay appropriations in the following programs:

- Resource enhancement (\$4 million).
- Public access (\$1 million).
- Urban waterfront restoration (\$800 million).
- Coastal restoration (\$1.2 million).
- Agricultural land preservation (\$400,000).
- Site reservation (opportunity purchases — \$100,000).

STATE COASTAL CONSERVANCY—CAPITAL OUTLAY—Continued

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.

**Department of Parks and Recreation—
Capital Outlay and Local Assistance
Item 3790**

Expenditures	
Requested 1992-93	\$56,549,000
Fiscal Recommendations	
Total recommended approval	\$52,218,000
Total recommended reduction	3,275,000
Recommendation pending	1,056,000

MAJOR ISSUES

- ▶ **Capital Program—Budget Year.** Given the department’s support funding deficiency, the proposed capital program for 1992-93 appropriately emphasizes rehabilitation of existing facilities over new development.
- ▶ **Capital Program—Short Term.** Unless there is a significant improvement in the department’s ability to finance the operation of the park system or a reduction in the department’s scope of responsibilities, the department’s capital outlay program should continue to stress health/safety and rehabilitation projects.

Findings and Recommendations

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1. **Capital Program Emphasizes Rehabilitation.** The department’s capital outlay program for 1992-93 emphasizes rehabilitation of existing facilities over development of new

- facilities. The department's multi-year planning should, in the short term, continue to emphasize rehabilitation projects.
2. **Recommended Projects.** Our recommendations to approve capital outlay projects are subject to change, based on a forthcoming plan to close parks or transfer responsibility for park operations to other public entities. 42
 3. **Habitat Conservation Fund.** Recommend that the department report prior to hearings on potential acquisitions at specific parks, using Habitat Conservation funds. Recommend that the Legislature adopt supplemental report language listing the potential acquisition projects and requiring a report on the department's use of acquisition monies from the Habitat Conservation Fund. 42
 4. **Otay Mesa SRVA — Development.** Reduce Item 3790-301-263(2) by \$1,914,000. Recommend deletion of \$1,914,000 under Item 3790-301-263(2) to conform with recommendation in our analysis of the department's support budget not to fund an additional \$6.6 million for leasing and operating costs for the proposed park. 43
 5. **Montara SB—Access Improvements.** Reduce Item 3790-301-742(1) by \$1,293,000. Recommend deletion, without prejudice to the merits of the project, of \$1,293,000 under Item 3790-301-742(1), because the costs to operate and maintain the improved facilities will exacerbate the department's funding problems. 44
 6. **Benicia SRA—Wetlands Restoration.** Reduce Items 3790-301-786(1) and 3790-301-786(2) by \$1,430,000. Recommend deletion of \$1,430,000 for working drawings and construction, because the anticipated reimbursements for project costs will not be forthcoming. 44
 7. **Candlestick Point SRA—Boat Launch Facilities.** Reduce Item 3790-301-786(4) by \$68,000. Recommend deletion of \$68,000 under Item 3790-301-786(4) because the dredging project should be done by the Department of Boating and Waterways. 45
 8. **Carmel River SB—Day-Use/Parking Lot.** Withhold recommendation on \$1,056,000 under Item 3790-301-786(5), pending receipt by the department of a coastal permit and determination of project scope and cost. 46
 9. **Silver Strand SB—Inland Campground Development.** Withhold recommendation on reappropriation, pending clarification of project scope and cost. 46

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

Budget Overview

The budget includes \$39.3 million for capital outlay programs and \$17.3 million for local assistance programs administered by the Department of Parks and Recreation (DPR).

Capital Outlay

Overview of the Budget Request and the Five-Year Capital Outlay Plan

Five-Year Plan. The DPR's five-year capital outlay plan proposes expenditures of \$207 million for acquisitions to and development/rehabilitation of the state park system. In general, the plan provides very little of the basic information needed by the Legislature to assess the department's capital outlay needs. For each fiscal year, the plan includes brief descriptions and estimated costs for many capital projects. The plan does not indicate what criteria are used to assess capital needs, how the listed projects fit the criteria, and what the department's priorities are for funding projects.

Table 1

Department of Parks and Recreation 1992-93 Capital Outlay Program Summary

(In thousands)

Proposed New Appropriations	Fund	Budget Bill Amount
3790-301-164	Outer Continental Shelf Lands Act Section 8(g) Revenue Fund	\$2,600
3790-301-235	Public Resources Account	4,057
3790-301-262	Habitat Conservation Fund	2,500
3790-301-263	Off-Highway Vehicle Fund	6,204
3790-301-722	Parklands (Bond) Fund of 1984	3,577
3790-301-742	State, Urban, and Coastal Park (Bond) Fund of 1976	3,293
3790-301-786	California Wildlife, Coastal, and Parkland Conservation (Bond) Fund of 1988	15,677
3790-301-890	Federal Trust Fund	1,363
Total		\$39,271

Budget Request. The budget proposes \$39.3 million from various funding sources for the DPR's 1992-93 capital outlay program. Table 1 summarizes

the department's budget request by funding source. The budget also proposes to reappropriate funds for 25 projects and revert the unencumbered balances for six projects.

Analysis and Recommendations

Capital Program Emphasizes Rehabilitation

The department's capital outlay program for 1992-93 appropriately emphasizes rehabilitation of existing facilities over development of new facilities. The department's multi-year planning should, in the short term, continue to emphasize rehabilitation projects.

In general, the projects in the Governor's Budget emphasize rehabilitation of existing facilities and improvement of basic infrastructure, such as water and sewer systems. Given the department's current problems in obtaining sufficient funds to staff, operate, and maintain the state park system, we believe this is a reasonable approach. (Please see our analysis of the department's support budget for further discussion of its funding shortfall in the current and budget years.) In addition, the department currently has a backlog of rehabilitation needs exceeding \$100 million. Absent the implementation of strategies to (1) enhance the department's ability to finance the operation of the park system or (2) reduce the department's scope of responsibilities, we believe that the department's multi-year capital planning should, at least in the short term, emphasize health/safety and rehabilitation projects instead of new development. Over time, the funding of rehabilitation projects in lieu of new development will allow more efficient operation of the park system by reducing maintenance costs of existing parks and by reducing the need to increase staff to manage additional park facilities.

The budget includes \$6.2 million for the Off-Highway Vehicle (OHV) Program, \$8.2 million for state park acquisitions, and \$24.9 million for state park capital projects. Table 2 lists each of the projects in the department's budget-year request.

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

Table 2

**Department of Parks and Recreation
1992-93 Capital Outlay Program**

(In thousands)

Project	Phase ^a	Budget Bill Amount	Est. Future Cost ^b
Item 3790-301-164: Outer Continental Shelf Lands Act Section 8(g) Revenue Fund			
(1) Chino Hills, additional lands	a	\$2,600	—
Item 3790-301-235: Cigarette & Tobacco Products Surtax Fund			
(1) Navarro River Project: improvements, minor projects	pwc	315	—
(2) Reimbursement	—	-315	—
(3) Statewide, minor projects	pwc	3,957	—
(4) Tahoe SRA, visitor center exhibits	p	100	\$648
Item Totals		\$4,057	\$648
Item 3790-301-262: Habitat Conservation Fund			
(1) Habitat conservation purchases	a	\$1,000	—
(2) Santa Lucia Mountains, proposed additions	a	1,500	—
Item Totals		\$2,500	—
Item 3790-301-263: Off-Highway Vehicle Fund			
(1) Ocotillo Wells SVRA, additional lands	a	\$2,500	—
(2) Otay Mesa, day-use development	pwc	1,914	—
(3) Statewide, budget package/schematics	p	50	—
(4) Statewide, Off-Highway Vehicle, minor projects	pwc	1,490	—
(5) Statewide, opportunity purchases	a	200	—
(6) Statewide, pre-budget appraisals	p	50	—
Item Totals		\$6,204	—
Item 3790-301-722: Parklands Fund of 1984			
(1) Angel Island SP, seawall reconstruction	c	\$897	—
(2) Brannan Island SRA, rehabilitation and replacement	pwc	426	—
(3) Cuyamaca Rancho SP, Green Valley rehabilitation	c	780	—
(4) Leo Carrillo SB, facilities rehabilitation - minor project	pwc	225	—
(5) Statewide, recreational trails	—	510	—
(6) Statewide, relocation assistance	—	100	—
(7) Statewide, stewardship program	—	424	—
(8) Statewide, storm damage	—	99	—
(9) Statewide, volunteer program	—	116	—
Item Totals		\$3,577	—
Item 3790-301-742: State, Urban, and Coastal Park Fund			
(1) Montara SB, access improvements	c	\$1,293	—

Continued

Project	Phase ^a	Budget Bill Amount	Est. Future Cost ^b
(2) Statewide, accessibility expansion program	—	200	—
(3) Statewide, acquisition costs	—	200	—
(4) Statewide, inholding purchases	a	750	—
(5) Statewide, opportunity purchases	a	750	—
(6) Statewide, pre-budget appraisal	—	100	—
Item Totals		\$3,293	—
Item 3790-301-786: California Wildlife, Coastal, and Park Land Fund of 1988			
(1) Benicia SRA, wetland restoration	wc	\$1,430	—
(2) Reimbursement	—	-1,430	—
(3) Border Field SP, visitor center exhibits	c	175	—
(4) Candlestick Point SRA, boat launch facilities	w	68	\$603
(5) Carmel River SB, day-use/parking lot	c	1,056	—
(6) Carpinteria SB, recreational trails	pw	77	420
(7) Crystal Cove SP, infrastructure improvements	pw	590	574
(8) Crystal Cove SP, sewer system connection	c	806	—
(9) Folsom Lake SRA, rehabilitation, Granite Bay	c	821	—
(10) MacKerricher SP, rehabilitation/replacement	c	1,096	—
(11) Monterey SHP, Pacific House exhibits	c	988	—
(12) Mount Diablo SP, water system rehabilitation	c	1,860	—
(13) Samuel P. Taylor SP, water system	pw	692	—
(14) San Elijo SB, rehabilitation/replacement	p	132	2,271
(15) South Carlsbad SB, facilities rehabilitation	sp	341	2,845
(16) Statewide, budget packages/schematic planning	—	200	—
(17) Statewide, sno-park program	—	120	—
(18) Statewide, CEQA filing fees	—	30	—
(19) Statewide, Interpretive artifact exhibit/rehabilitation	—	250	—
(20) Statewide, recreational trails	—	1,850	—
(21) Statewide, stewardship program	—	3,000	—
(22) Statewide, storm damage	—	115	—
(23) Statewide, topographic surveys	—	200	—
(24) Statewide, volunteer program	—	1,210	—
Item Totals		\$15,677	\$6,713
Item 3790-301-890: Federal Trust Fund			
(1) Asilomar SB, Rocky Shores addition	a	\$588	—
(2) Big Basin Redwoods SP, Sempervirens Fund matching program	a	300	—
(3) Border Field SP, Tijuana visitor center exhibits	c	175	—
(4) California Redwoods Parks, Save-the-Redwoods League matching program	a	300	—
Item Totals		\$1,363	—
Item 3790-302-235: Cigarette and Tobacco Products Surtax Fund, for transfer to the Habitat Conservation Fund			
Program Totals		(\$2,500)	—
		\$39,271	\$7,361

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

^b Department estimate.

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY
AND LOCAL ASSISTANCE—Continued****Projects Recommended for Conditional Approval**

We recommend approval of the projects shown in Table 2, with the exception of the projects discussed below. Our recommendations for legislative approval of these capital outlay projects are subject to change, based on any forthcoming plan by the department to close parks or transfer responsibility for park operations to other public entities.

At the time this analysis was prepared, the department was considering strategies to cope with its funding deficiency and will formalize plans in the spring. Strategies under consideration include partial or total closure of parks and transferring jurisdiction of parks to other public entities. The department has not designated which parks, if any, will be affected by such actions. Should the affected parks have capital outlay projects proposed for 1992-93, we will reevaluate our recommendations prior to budget hearings.

Habitat Conservation Fund—Acquisitions

We recommend that the department report prior to hearings on the potential acquisitions to be made at specific parks with Habitat Conservation Funds (HCF). We further recommend that the Legislature adopt supplemental report language stating its intent that (1) the HCF monies be used for the potential acquisitions identified by the department and (2) the department report on its use of the funds that were continuously appropriated to the department for 1991-92 and that are appropriated for 1992-93.

Proposition 117, the California Wildlife Protection Act, which was approved by the voters in June 1990, provides the department with \$4.5 million annually from the HCF. These funds are to be allocated as follows:

- \$1 million for acquisitions in, and adjacent to, units of the state park system.
- \$1.5 million for projects within the Santa Lucia Mountain Range in Monterey County.
- \$2 million for matching grants to local agencies.

According to Proposition 117, the HCF monies 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 the restoration of wetlands and riparian habitat. We summarize the budget proposals for department acquisitions below. Our discussion of the local assistance grants to be supported from HCF monies is at the end of our analysis of this item.

Statewide Acquisitions. The budget includes \$1 million in Item 3790-301-262(1) for the department's statewide acquisitions for 1992-93. (This is in addition to the \$1 million available to the department for acquisitions in the current year.)

The Budget Bill includes language that lists the general areas of the state in which the 1992-93 acquisition funds will be expended. For purposes of legislative oversight, we recommend that the department provide a list of potential acquisition projects, by park unit, for which the acquisition funds will be used. We also recommend that the Legislature adopt supplemental report language that includes this list of potential acquisitions and requires the department to provide a report, by September 1, 1993, indicating how the funds have been allocated, including (1) the cost of each acquisition, (2) the location of acquired parcels, (3) the number of acres purchased, and (4) the types of habitat preserved by the acquisitions. A similar report for the \$1 million in acquisition monies that the department has received for 1991-92 should be sent to the Legislature by September 1, 1992.

Santa Lucia Mountain Range. The \$1.5 million available annually for projects in the Santa Lucia Mountain Range are for expenditures by the department and/or for grants to the Monterey Peninsula Regional Park District. In 1990-91 and 1991-92, the entire \$1.5 million was appropriated for grants to the district. For 1992-93, the \$1.5 million is proposed for acquisitions by the department. In order to give the Legislature a measure of oversight on the use of these funds, we recommend that the Legislature include the expenditure of these monies under the supplemental report language discussed above.

Otay Mesa SRVA—Development

We recommend deletion of \$1,914,000 to develop day-use facilities for the proposed Otay Mesa SRVA to conform to our recommendation not to fund an additional \$6.6 million for leasing and operating costs in 1992-93. (Reduce Item 3790-301-263(2) by \$1,914,000.)

The budget proposes \$1,914,000 to design and construct day-use facilities for a new OHV park at Otay Mesa in southern San Diego County. The department's support budget for 1992-93 includes a \$6.6 million augmentation to cover lease payments and operating costs at this facility. In our analysis of the DPR's support budget, we recommend that the Legislature not fund this facility because (1) the proposed lease is inconsistent with current state practice, (2) the department has not considered alternative sites that present more favorable lease terms, and (3) under the proposed lease, the state would lose all developed facilities when control of the property reverts to the owner after 20 years. In conformance with that recommendation, we also recommend that the Legislature delete the \$1,914,000 proposed for this project under Item 3790-301-263.

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY
AND LOCAL ASSISTANCE—Continued****Montara SB—Access Improvements**

We recommend deletion, without prejudice to the merits of the project, of \$1,293,000 for construction of access improvements because costs to operate and maintain the new facilities will exacerbate the department's funding problems. (Reduce Item 3790-301-742(1) by \$1,293,000.)

The budget proposes \$1,293,000 to construct a parking lot, comfort station, and trails at Montara State Beach in San Mateo County. The Legislature previously appropriated \$172,000 for preliminary plans and working drawings in the 1990 Budget Act. The department's proposal includes an economic analysis of the expected operating costs and user-fee revenues at the park upon completion of this project. The department estimates that annual operating and maintenance costs will be \$212,000, while annual day-use revenues will be only \$61,000. Given the department's current funding deficiency, we believe it would not be prudent to undertake additional development that could only exacerbate the DPR's ability to manage the state park system in light of its current funding deficiencies. We recommend, therefore, without prejudice to the merits of the project, that the Legislature not approve construction funding until the department can demonstrate that it will have sufficient operating resources to adequately manage existing park units and facilities.

Benicia SRA—Wetlands Restoration

We recommend deletion of \$1,430,000 for wetlands restoration at Benicia SRA because anticipated reimbursement for project costs will not be forthcoming. (Reduce Items 3790-301-786(1) and 3790-301-786(2) by \$1,430,000.)

The budget proposes \$1,430,000 to complete design and construction associated with removing old landfill material and restoring 18 acres of wetlands at Benicia State Recreation Area in Solano County. The budget includes \$1,430,000 under Item 3790-301-786(2) to reimburse the state for the cost of this project. These funds would come from the Shell Oil Spill Litigation Trust Committee. The committee administers a trust fund that was established as a mitigation for a 1988 oil spill at the Shell Company refinery in Martinez. The committee, however, recently determined that the proposed project is not a high enough priority for funding support. Therefore, reimbursement for the restoration at Benicia SRA will not be forthcoming. In view of this circumstance, we recommend that the Legislature delete the budget amount of \$1,430,000 and the reimbursement.

We would note that in December 1991, an engineering study was completed which recommended a wetlands restoration project at Benicia SRA costing

about \$2 million. The department indicates that it agrees with the project scope as recommended in the engineering study. Thus, the proposed budget amount is \$600,000 (30 percent) less than the amount needed for the project. If the department determines that the restoration project is a priority for funding with available state resources, a revised proposal for the total cost would merit legislative consideration.

Candlestick Point SRA—Boat Launch Facilities

We recommend deletion of \$68,000 for working drawings for a dredging project at Candlestick Point because this project should be entirely funded by the Department of Boating and Waterways (DBW). We further recommend supplemental report language stating legislative intent that the dredging project is to be accomplished by the Department of Boating and Waterways. (Reduce Item 3790-301-786(4) by \$68,000.)

The budget includes \$68,000 under Item 3790-301-786(4) (general obligation bond funds) for working drawings for dredging 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 DBW project to provide on-shore boat-launching facilities and other on-shore development at the park. The DBW's budget request includes \$55,000 from the Harbors and Watercraft Revolving Fund (HWRF) to develop working drawings for the on-shore development. The total cost of the combined DBW/DPR project is \$2.1 million.

For 1991-92, the Governor's Budget proposed a similar funding split for preliminary plans for this project. In our *Analysis of the 1991 Budget Bill*, we recommended that the DBW fund the entire project because (1) the HWRF, under existing law, may only be used for boating-related projects, whereas the DPR's funding 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 to address its capital outlay needs. The Legislature appropriated preliminary plan funding to the DBW for both the dredging and on-shore facilities. The plans are scheduled to be completed in February 1992.

In accordance with the reasons cited above and in view of prior legislative action regarding these projects, we recommend that the Legislature delete funding for working drawings under Item 3790-301-786(4) for the DPR and increase Item 3680-301-516(1) to provide the same amount from the HWRF to the DBW. We further recommend supplemental report language stating legislative intent that the construction phase of the dredging project is to be accomplished by the DBW.

**DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY
AND LOCAL ASSISTANCE—Continued****Carmel River SB—Day-Use/Parking Lot**

We withhold recommendation of \$1,056,000 under Item 3790-301-786(5) for construction of a day-use parking lot pending the department's receipt of a coastal permit and determination of project scope and cost.

The budget requests \$1,056,000 for construction of day-use facilities at Carmel State Beach in Monterey County. This project has experienced considerable delay due to the department's inability to obtain a coastal permit. According to the department, final determination of the permit issue is scheduled for the California Coastal Commission's February meeting. The department has also indicated that resolution of the permit issue could entail some design modifications to the project. We therefore withhold recommendation on the budget proposal pending resolution of the permit issue and final determination of project scope and cost.

**Reappropriations
(Item 3790-490 from Various Funds)**

The budget requests reappropriation of funds for 25 projects previously approved by the Legislature. The reappropriations are for 2 studies, 11 acquisitions, 9 major capital outlay projects, and 3 minor projects. Reappropriations are necessary for (1) study, preliminary plan, or working drawing funds that have not been encumbered within one year of appropriation or (2) acquisition, or construction funds that have not been encumbered within three years of appropriation. We recommend that the Legislature approve all of the reappropriations except for the project discussed below.

Silver Strand SB—Inland Campground Development

We withhold recommendation on Item 3790-490-722(4) pending clarification of the project scope and cost.

The budget proposes a reappropriation for construction of a 189-site campground at Silver Strand State Beach in San Diego County. The Legislature previously appropriated \$3,730,000 for construction in the 1987 Budget Act and reappropriated this amount in the 1989 Budget Act. According to information from the department, the project has been delayed in part due to the discovery of a rare plant and the resultant need to establish mitigation measures. This will require changes in project scope and in previously completed design drawings. We therefore withhold recommendation on the reappropriation of construction funds pending resolution by the department of the project scope and cost.

Reversions
(Item 3790-495 from Various Funds)

The budget includes reversions of unencumbered balances in six prior appropriations, including three studies and two acquisitions that will be completed prior to the start of the budget year and one acquisition at Wilder Ranch State Park for which previously appropriated funds are insufficient to purchase the property. We recommend approval of these reversions.

Local Assistance

The budget requests \$17,278,000 from four sources for the Department of Park and Recreation's local assistance programs. This represents a decrease of \$91.2 million, or 84 percent, from estimated current-year expenditures. The decrease is primarily due to the depletion of previously-authorized bond funds and elimination of one-time spending from the Public Resources Account. Table 3 lists the local assistance program by funding source and category of expenditure. The budget also requests a reappropriation for one project (Item 3790-491) and reversion of funds for one acquisition project (Item 3790-496) because the subject property was sold to another party. We recommend approval of the department's local assistance program for 1992-93. Below, we provide some additional information on the Habitat Conservation Fund grants program.

Table 3

Department of Parks and Recreation
Local Assistance Program Summary

(in thousands)

	Budget Bill Amount
3790-101-262 Habitat Conservation Fund	
(1) Habitat Conservation Program Grants	\$2,000
3790-101-263 Off-Highway Vehicle Fund	12,100
3790-101-786 California Wildlife, Coastal, and Parkland Conservation Fund of 1988	
(1) Historical/Archeological Grants	803
3790-101-890 Federal Trust Fund	
(1) Land and Water Conservation Fund	2,000
(2) National Historic Preservation Act of 1966	375
Total	\$17,278

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

Habitat Conservation Fund (HCF)

In keeping with the provisions of Proposition 117, the California Wildlife Protection Act, the budget provides \$2 million under Item 3790-101-262 for matching grants to local agencies. For 1991-92, the \$2 million appropriation was included in SB 402 (McCorquodale), which was vetoed by the Governor. However, because the Proposition 117 monies are continuously appropriated, the department has received the funds from the State Controller for use in the current year.

The Grant Program. The department has established criteria and a schedule for receiving, evaluating, and awarding the competitive grants to local agencies. The department established a deadline of December 20, 1991 for receipt of grant applications that will lead to (1) award of grants with the \$2 million in 1991-92 and (2) proposed grant recipients for 1992-93. The department indicates that the list of proposed 1992-93 grants will be included in a Department of Finance budget amendment letter in the spring. We will review the proposed grants at that time.

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.

**Santa Monica Mountains
Conservancy—Capital Outlay
Item 3810**

Expenditures	
Requested 1992-93	\$10,000,000
Fiscal Recommendations	None

Overview of the Budget Request

The budget proposes an appropriation of \$10 million in Item 3810-301 from the Habitat Conservation Fund to the conservancy for capital outlay and local assistance grants in 1992-93. 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 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.

Department of Water Resources—Capital Outlay Item 3860

Expenditures	
Requested 1992-93	\$2,420,000
Fiscal Recommendations	
	None

Overview of the Budget Request and the Five-Year Capital Outlay Plan

The Reclamation Board, within 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 the 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 \$351 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 (\$206 million) and (2) the Sacramento River (\$65 million). In addition, the department expects to continue funding the Merced County streams project (\$31 million).

DEPARTMENT OF WATER RESOURCES—CAPITAL OUTLAY—Continued

Table 1

**Department of Water Resources
Five-Year Capital Outlay Plan
1992-93 through 1996-97**

(In millions)

Project Category	1992-93	1993-94	1994-95	1995-96	1996-97	Total
Sacramento River flood control	\$0.3	\$7.7	\$18.5	\$21.5	\$17.0	\$65.0
American River watershed and vicinity flood protection	—	27.7	59.5	59.5	59.3	206.0
Sacramento River bank protection	1.0	1.5	1.5	1.5	1.5	7.0
Merced County streams	0.9	17.9	8.6	2.4	1.3	31.2
Riparian vegetation purchase	—	0.5	0.5	0.5	0.5	2.0
Cherokee canal	—	0.5	0.5	0.5	0.5	2.0
Colusa Basin drain	—	1.5	1.5	—	—	3.0
Clear Lake channel	—	—	—	—	4.0	4.0
Yuba River Watershed	—	4.0	—	—	—	4.0
Tule River	—	—	—	4.0	3.0	7.0
Caliente Creek	—	—	—	—	7.0	7.0
Other projects	0.2	7.0	2.0	2.0	2.0	13.2
Totals	\$2.4	\$64.3	\$92.6	\$91.9	\$96.1	\$351.4

Budget Request. The budget requests capital outlay funds totaling \$2.4 million to fund four projects in 1992-93. The budget assumes \$2.3 million of this amount will be funded entirely from a general obligation bond measure proposed by the administration for the 1992 ballots. Projects targeted for the proposed bond expenditures include (1) erosion control along the Sacramento River bank between Collinsville and Chico Landing (\$1 million), (2) the Merced County streams project (\$900,000), and (3) levee reconstruction in the Marysville/Yuba City area (\$300,000). The budget also proposes to fund a minor capital outlay project to enlarge the West Interceptor Canal near Sutter (\$220,000) with \$130,000 in bond funds and \$90,000 in reimbursements.

Department of Health Services—Capital Outlay Item 4260

Expenditures	
Requested 1992-93	\$2,795,000
Fiscal Recommendations	
Total recommended approval	\$2,795,000

Overview of the Budget Request

The budget requests \$2,795,000 from the Special Account for Capital Outlay (SAFCO) for the construction phase of the expansion of laboratory space and fire and life safety improvements at the Department of Health Services' Los Angeles facility on Temple Street. The amount requested also includes \$20,000 to prepare an asbestos management plan for the project.

Analysis and Recommendations

The funds requested for this project are consistent with the amount previously approved by the Legislature. We recommend approval of the budget proposal.

Supplemental Report Language

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental report language that describes the scope and cost of this project.

Employment Development Department— Capital Outlay Item 5100

Expenditures	
Requested 1992-93	\$14,714,000
Fiscal Recommendations	
	None

EMPLOYMENT DEVELOPMENT DEPARTMENT—Continued

Overview of the Budget Request and the Five-Year Capital Outlay Plan

The budget requests \$14.7 million for the Employment Development Department's (EDD) 1992-93 capital outlay program. The department's five-year capital outlay plan proposes expenditures totaling \$40 million between 1992-93 and 1996-97. The plan, which is summarized in Table 1, includes rehabilitation of 11 field offices (\$7.8 million), replacement of 10 field offices (\$31.4 million) and \$800,000 for minor capital outlay projects (\$250,000 or less per project).

Table 1

Employment Development Department Five-Year Capital Outlay Plan 1992-93 through 1996-97

(In millions)

Project Category	1992-93	1993-94	1994-95	1995-96	1996-97	Totals
Office rehabilitation	\$0.9	\$1.5	\$2.6	\$2.0	\$0.8	\$7.8
Lease/purchase new buildings	14.1	17.3	—	—	—	31.4
Minor projects	—	0.2	0.2	0.2	0.2	0.8
Totals	\$15.0	\$19.0	\$2.8	\$2.2	\$1.0	\$40.0

The budget proposes to fund the seven major capital outlay projects listed in the EDD's five-year capital outlay plan for 1992-93. The projects will be financed from several state and federal special funds, as shown in Table 2. The total budget amounts for each EDD field office project are as follows: Bakersfield (\$4,046,000), El Centro (\$2,244,000), Fresno (\$125,000), Fullerton (\$468,000), Indio (\$2,210,000), Redding (\$2,542,000), and Riverside (\$3,079,000). In addition, the Budget Bill includes language authorizing the EDD to enter into lease-with-purchase option agreements for new offices in Chico, Inglewood, Long Beach, and San Bernardino. The estimated purchase prices for these facilities range from \$2.2 million at Chico to \$6 million at Long Beach.

Table 2

Employment Development Department 1992-93 Capital Outlay Program

(In thousands)

Project	Phase ^a	Budget Bill Amount	Estimated Future Cost ^b
5100-301-185 Employment Development Department Contingent Fund			
(1) Fresno Office, renovation and asbestos abatement	pw	\$70	\$640
(2) Fullerton Office, renovation and asbestos abatement	c	62	—
Item Totals		\$132	\$640
5100-301-588 Unemployment Compensation Disability Fund			
(1) Bakersfield Office, build-to-suit lease/purchase	a	\$1,050	—
(2) Redding Office, build-to-suit lease/purchase	a	520	—
(3) Riverside Office, build-to-suit lease/purchase	a	71	—
Item Totals		\$1,641	—
5100-301-690 Employment Development Department Building Fund			
(1) Bakersfield Office, build-to-suite lease/purchase	a	\$2,996	—
(2) Redding Office, build-to-suit lease/purchase	a	2,022	—
(3) El Centro Office, new construction	c	1,472	—
(4) Indio Office, build-to-suit lease/purchase	a	2,210	—
(5) Riverside Office, build-to-suit lease/purchase	a	272	—
Item Totals		\$8,972	—
5100-301-870 Unemployment Administration Fund — Federal			
(1) Fullerton Office, renovation and asbestos abatement	c	\$406	—
(2) Fresno Office, renovation and asbestos abatement	pw	55	\$502
Item Totals		\$461	\$502
5100-301-871 Federal Unemployment Fund			
(1) El Centro Office, new construction	c	\$772	—
(2) Riverside Office, build-to-suit lease/purchase	a	2,736	—
Item Totals		\$3,508	—
5100-301-890 Federal Trust Fund, for transfer to the Unemployment Administration Fund — Federal			
(1) Fullerton Office, renovation and asbestos abatement	c	(\$406)	—
(2) Fresno Office, renovation and asbestos abatement	pw	(55)	(\$502)
Item Totals		(\$461)	(\$502)
Program Totals		\$14,714	\$1,142

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

^b Department estimate.

EMPLOYMENT DEVELOPMENT DEPARTMENT—Continued

Supplemental Report Language

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

Department of Corrections—Capital Outlay
Item 5240

Expenditures

Requested 1992-93 \$29,910,000

Fiscal Recommendations

Total recommended approval \$18,503,000

Total recommended reduction 11,370,000

Recommendation pending 37,000

MAJOR ISSUES

- ▶ **1992 General Obligation Bond Measure.** The budget assumes passage of a \$700 million bond measure for youth/adult correctional facilities during 1992. This would cover about one-half of the 1992-93 funding needs identified in the Department of Corrections' five-year facilities master plan.
- ▶ **Health Care for Women Prisoners.** The department needs to expedite development of the Female Prisoner Health Care Master Plan mandated by Ch 692/91 (AB 900, Roybal-Allard). The extent and type of health care facilities — including the proposed health care facility at the California Institution for Women — for women incarcerated in the state's prison system is dependent on this master plan, and on the completion of state-required regulations for correctional treatment centers.

Continued

MAJOR ISSUES

- ▶ **Major Potential General Fund Savings.** We recommend the Legislature revert spending authority for completed prison projects funded from lease-payment bonds and direct that the project savings be applied to offset debt service payments on the bonds. This could result in near-term savings of potentially several tens of millions of dollars.

Findings and Recommendations

*Analysis
Page*

New Prison Program

1. **New Prison Proposals Absent from Budget.** The budget does not include any spending proposals for new prisons, even though the department is still in the midst of the largest prison construction program ever undertaken in the United States. This impedes the Legislature from reviewing new prison needs, including major implications for future annual debt service and operating costs, in the context of the Governor's overall spending plan for the state. 57
2. **General Obligation Bond Proposal is Inadequate.** The budget assumes passage of a \$700 million general obligation bond measure for youth/adult correctional facilities during 1992. This would meet about one-half of the identified 1992-93 funding needs, with nothing remaining to meet needs in 1993-94. 60

Existing Facilities Capital Outlay Projects

3. **California State Prison, Folsom — Water Backflow Prevention System.** Withhold recommendation on \$37,000 requested in Item 5240-301-723(2) for preliminary plans for a backflow prevention system at Folsom (estimated future cost of \$958,000), pending (a) adequate definition of project scope/cost and (b) a report from the department to the fiscal committees as to the steps it has taken or will take to recover project costs from those responsible for design oversights in the construction of the new Folsom prison. 65

DEPARTMENT OF CORRECTIONS—Continued

4. **California Medical Facility, Vacaville — Gates Consent Decree. Reduce Item 5240-301-747(1) by \$921,000.** Recommend approval in the reduced amount of \$1,593,000 for working drawings and construction for modifications at the California Medical Facility required by the Gates consent decree, based on the department's revised cost estimate — a savings of \$921,000. 66
5. **California Institution for Women — Health Care Facility. Reduce Item 5240-301-747(3) by \$499,000.** Recommend deleting \$499,000 requested for preliminary plans and working drawings for a replacement health care facility (estimated future cost of \$9.1 million) at the California Institution for Women (CIW), because the request depends on (a) adoption of regulations for the licensing of correctional treatment centers — a new licensing category, and (b) a Female Health Care Master Plan under development pursuant to recently enacted legislation. Further recommend enactment of legislation allowing correctional institutions to continue to provide 24-hour care of a routine nature in infirmaries so that these needs may continue to be met at reasonable costs. 67
6. **Statewide — Lethal Electrified Fencing. Reduce Item 5240-301-751 by \$9.8 million.** Recommend deleting funds for preliminary plans, working drawings, and construction to install lethal electrified fencing at all non-minimum security institutions, because the department has not adequately evaluated alternative means of enhancing perimeter security and reducing state operating costs. Recommend that the Legislature direct the department, through supplemental report language, to conduct a full evaluation of such alternatives. 70
7. **San Quentin — Replace Receiving and Release Building. Reduce Item 5240-301-723 (3) by \$150,000.** Recommend deleting \$150,000 requested for preliminary plans for a replacement Receiving/Release building at San Quentin (estimated future cost of \$3.2 million), because the request is premature until the Office of the State Architect completes its surveys of this and other state buildings, and prioritizes the buildings for expenditures under the 1990 earthquake safety bond act. 71

Obsolete Spending Authority

8. **Spending Authority No Longer Needed for Completed Prisons.** Recommend that the Legislature add Item 5240-495 72

to the Budget Bill to revert spending authority for completed prison projects, and adopt Budget Bill language directing that identified project savings be applied to offset General Fund debt service payments for the projects.

Overview of the Budget Request and the Five-Year Capital Outlay Plan

New Prison Proposals Absent from Budget

As in prior years, the budget does not include any spending proposals for new prisons, even though the Department of Corrections (CDC) is still in the midst of the largest prison construction program ever undertaken in the United States, and acknowledges that more prisons are needed.

Instead, the budget includes \$29.9 million from various general obligation bond funds for renovations and modifications at existing institutions only. In this budget, the administration continues a bifurcated approach to the CDC's capital outlay planning and budgeting. For example, the department prepares two separate five-year capital outlay plans: one for new prisons, and one for existing facilities. While it submits a budget proposal for the existing facilities, it requests the Legislature to provide funds for new prisons outside of the normal budget process. This approach impedes the Legislature from reviewing new prison needs, including major implications for future annual debt service and operating costs, in the context of the Governor's overall spending plan for the state.

In this overview, we discuss the status of the new prison construction program and, in turn, the five-year capital outlay plans for new prisons and existing facilities. Following the overview, we review the budget request and make recommendations for legislative action on the Budget Bill.

Status of New Prison Construction Program

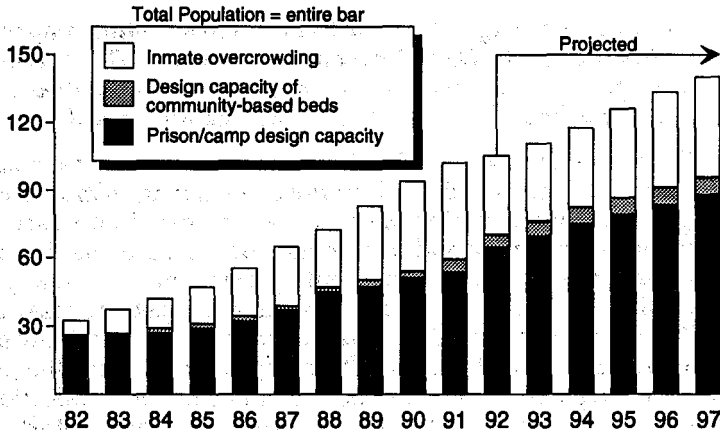
In response to an unprecedented increase in inmate population, the Legislature has appropriated, since 1980, approximately \$3.8 billion to construct about 48,000 new beds. When construction of these beds is completed, California will have an institutional capacity of approximately 74,800 prison and conservation camp beds. Despite this effort, however, the state has not been able to keep pace with inmate numbers, which have almost quadrupled over the last 10 years to a current population of close to 102,000 inmates. Chart 1 shows the growth of the inmate population, the design capacity of the prison system, and the overcrowding within the system since June 30, 1982, and projected to June 30, 1997. (The projected design capacity assumes enactment of the CDC's 1992 construction program, as shown in Table 1.)

DEPARTMENT OF CORRECTIONS—Continued

Chart 1

Prison Population and Capacity 1982 through 1997

(Inmates in thousands)



Data as of June 30 for each year.

Recently, inmate population growth has slowed, for reasons that are still not entirely clear. In the last six months, the population level has been essentially static. The department's projections of population, most recently revised in November 1991, take this into account. The department now anticipates that the numbers of inmates will grow to almost 140,000 by mid-1997. In the fall of 1990, the department had projected 173,000 inmates by mid-1996. While this growth is less dramatic than projected previously, it represents a substantial (38 percent) increase over the current inmate population. Barring changes in state policy regarding incarceration, a continued massive construction program probably will be required for the foreseeable future in order to house the projected prison population.

○ **Current Project Status.** Three prisons authorized by the Legislature — Calipatria (Imperial County), Delano (Kern County), and Lancaster (northern Los Angeles County) — are nearly complete and scheduled for occupancy during 1992. The design capacity of these prisons totals 6,900 beds. Three other prisons — Imperial County (south), Riverside II (eastern Riverside County), and Coalinga (Fresno County) — will be under construction during 1992 and ready for occupancy between October 1992 and October 1993. The

design capacity of these prisons totals 6,816 beds. The following four prisons authorized by the Legislature, with a total design capacity of 8,236 beds, are essentially on hold.

- **Downtown Los Angeles.** Commencement of construction of the California Reception Center is on hold due to pending litigation.
- **San Quentin.** The CDC has no schedule for the start of construction of the state/county joint use facility at San Quentin (Marin County) due to stalled negotiations with local water agencies.
- **Madera and Susanville.** The Madera County II (women's prison) and Lassen County II (Susanville) projects lack funds for construction due to the failure of the correctional bond measure at the November 1990 election. It is our understanding that the administration will seek appropriations of lease-payment bonds for the Madera and Lassen projects through legislation, as part of the Governor's proposal to stimulate the economy by expediting certain construction projects.

Five-Year Facilities Master Plan for New Prisons

According to the department's five-year facilities master plan, the prison system will be at 187 percent of design capacity by mid-1997, unless additional beds are authorized and funded by the Legislature. (Currently, the system is overcrowded to about 174 percent of design capacity.) To bring overcrowding to what the CDC considers a reasonable level (between 120 and 130 percent), the plan identifies a need to construct 31,836 new beds over the next five years (the equivalent of 14 typical prisons — 2,200 beds per prison) at an estimated cost of almost \$2.7 billion. Although the plan identifies a "proposed 1992 program" for 12,936 beds and \$1.1 billion of spending, the budget includes no spending proposal for new prisons. The plan also identifies, at a general level, funding needs for existing facilities capital outlay, special repairs/maintenance, administration of the capital outlay programs, and Youth Authority capital outlay. Altogether, the plan identifies a program for youth/adult correctional facilities totaling \$3.3 billion. Table 1 summarizes the planned program.

DEPARTMENT OF CORRECTIONS—Continued

Table 1

**Department of Corrections
Five-Year Facilities Master Plan
1992 through 1997**

(In millions)

Project Category	1992 Program	Identified Needs Beyond 1992	Total Identified Needs	Proposed Budget Bill Amount
State Prison—Madera County II (1,984 women's beds)	\$146.0	—	\$146.0	—
State Prison—Lassen County II (Levels I and II and reception beds)	189.5	—	189.5	—
Level I prisons—unidentified locations	—	\$697.0	697.0	—
Level I/ Level II Prisons— unidentified locations	348.6	—	348.6	—
Level II Prisons—unidentified locations	180.2	312.1	492.3	—
Level III Prisons—unidentified locations	207.3	165.7	373.0	—
Level IV Prison—unidentified location	—	83.7	83.7	—
Psychiatric (600 beds)	—	76.3	76.3	—
Reception center (1,700 beds)	—	146.4	146.4	—
Women's prison—unidentified location	—	99.9	99.9	—
Program administration, existing facilities capital outlay and other costs	200.0	228.0	428.0	\$62.2
Youth Authority capital outlay	100.0	96.0	196.0	6.9
Totals	\$1,371.6	\$1,905.1	\$3,276.7	\$69.1

General Obligation Bond Fund Proposal Inadequate

The budget assumes passage of a \$700 million general obligation bond measure for youth/adult correctional facilities during 1992. This would meet about one-half of identified 1992-93 funding needs, leaving nothing available for needs in 1993-94.

Is There a Plan to Finance the Identified Facilities Needs? In the facilities master plan, the CDC addresses the question of how the \$3.3 billion program is to be funded by stating that, "...as in the past, CDC will pursue funding arrangements most advantageous to the state." Thus, the Legislature is given no insight into the administration's financing plan for this major program.

Although the administration has not developed a financing plan for the prison facilities it has indicated are needed, the budget does assume approval by the Legislature and the voters of a \$700 million general obligation bond measure in 1992 for youth and adult correctional facilities. The \$700 million level of funding, however, would meet about one-half of the CDC's proposed "1992 program" identified in the five-year facilities master plan, with nothing remaining to meet financing needs in 1993-94.

In the past, because of an insufficient amount of general obligation bonds, the state has relied on a more expensive financing mechanism — lease-payment bonds — to make up the difference. We estimate that this practice already has committed the state to additional General Fund expenditures totaling roughly \$200 million (adjusted for inflation) over a 25-year period beginning in 1985-86. These added costs could be avoided in the future through a plan that clearly delineated the scheduled need for funding so that properly sized general obligation bond measures could be considered.

Strengths and Weaknesses of the Facilities Master Plan. The facilities master plan has several important strengths and weaknesses. The plan includes useful discussions of institution design capacity, inmate population growth, overcrowding policies, and bed needs. The plan, however, does not show, by fiscal year, when new beds should be brought on line, when project design/construction should commence, or when funding needs to be provided by the Legislature. The plan does not address contingencies in the event the plan is not implemented or deferred, nor is there a discussion on alternatives to more prisons — for example, alternatives to incarceration that have been suggested by the California Blue Ribbon Commission on Inmate Population Management and others that could dramatically reduce the need for new prison beds.

Existing Facilities Five-Year Capital Outlay Plan

If the state could stop building new prisons tomorrow, it would still face a formidable task in addressing facility/infrastructure needs at existing prisons and camps. Many of these prisons/camps are old and have experienced intense use through years of overcrowding. As summarized in Table 2, the CDC's capital outlay plan for existing facilities identifies 128 major projects, many minor projects (\$250,000 or less each), and expenditures totaling almost \$200 million over the next five years. For 17 of the 128 major projects, the plan does not identify estimated project costs. Thus, the \$200 million may underestimate the cost of addressing identified needs.

DEPARTMENT OF CORRECTIONS—Continued

Table 2

**Department of Corrections
Five-Year Capital Outlay Plan — Existing Facilities
1992-93 through 1996-97**

(dollars in millions)

Project Category	Number of Projects	1992-93	1993-94	1994-95	1995-96	1996-97	Totals
Utility system improvements	41	\$15.2	\$10.5	\$17.3	\$9.2	\$4.5	\$56.7
Housing units	5	3.4	9.6	7.7	16.2	1.6	38.4
Administrative facilities	11	—	—	2.3	11.6	0.8	14.7
Kitchen/dining facilities	10	0.2	1.8	2.5	5.7	1.5	11.6
Medical facilities	6	9.6	0.3	0.7	—	0.9	11.5
Warehouses	9	—	—	3.4	1.2	6.1	10.6
Security improvements	10	—	0.9	2.4	3.8	—	7.1
Other major capital outlay	36	3.1	4.8	8.0	7.9	2.4	26.2
Minor capital outlay	NA	3.5	4.2	4.2	4.2	4.2	20.3
Totals	128	\$35.0	\$32.1	\$48.4	\$59.7	\$21.9	\$197.1

As Table 2 shows, the most significant category of need is utility system improvements, with 41 identified projects and an estimated cost of \$56.7 million. This category includes projects to upgrade electrical distribution systems, upgrade/expand sewage treatment systems, and improve domestic water supply systems. Another significant category (\$38.4 million) is renovation/modification of inmate housing units. This category includes the replacement of modular dormitory units that were intended as temporary structures and are approaching the end of their useful life.

Strengths and Weaknesses of the Plan. Based on our review of other state capital outlay programs, we believe the CDC has a comparatively strong process in place for *responding* to facility problems identified in the field by the institutions. That process appears to be generally successful in directing

resources to high priority needs, and in identifying ways of minimizing project costs so that more projects can be implemented within given amounts of funding. The planning process breaks down, however, when it comes to assessing needs that cut across institution boundaries, where the identification and assessment of needs must be initiated centrally. An example is the lack of systemwide planning for health care facilities. This issue is discussed in more detail later in this *Analysis* under the department's request for the health care facility at the California Institution for Women.

A five-year capital outlay plan should provide advance indications of needs (by several years) to assure that the highest priority needs are addressed first, that relationships between projects (phasing considerations, etc.) are understood, and that potential implementation problems are addressed. In contrast to these planning principals, the budget requests authorization to begin four projects that were *not* identified as needs in the previous five-year plan (dated August 1990). The CDC has added these projects without any explanation as to the urgency to include them in the first year of the plan or why they were not part of the plan last year.

Another problem with the five-year plan is that it does not provide the informational *context* that the Legislature needs in making decisions about the direction, magnitude, and financing of the existing facilities capital outlay program. For example, the plan is simply a listing of projects and estimated costs. It does not include either descriptions of the projects or why the projects are needed. It does not include a general discussion of the major facility problems that need to be addressed, how the department assessed those needs and set its priorities, or how far the plan would go towards achieving specified program objectives. The above information should be in the plan, especially given the magnitude of the existing facilities program.

Analysis and Recommendations

The budget requests \$29,910,000 from various general obligation bond funds for the CDC's existing facilities capital outlay program, as shown in Table 3. The budget does not include five projects that were scheduled for funding in 1992-93.

The budget request includes \$11,639,000 from an as yet unauthorized 1992 general obligation bond fund (Item 5240-301-766). As indicated in Table 3, we recommend approval as budgeted for the minor capital outlay program (construction projects costing \$250,000 or less), five major projects, and budget packages and advance planning. Altogether, we recommend the Legislature approve \$18.5 million of the \$29.9 million request. Our recommendations for the remaining \$11.4 million follows.

DEPARTMENT OF CORRECTIONS—Continued

Table 3

**Department of Corrections
1992-93 Capital Outlay Program**

(In thousands)

Project	Phase ^a	Budget Bill Amount	Estimated Future Cost ^b	Analyst's Recom- mendation
Item 5240-301-723 (1986 bond)				
(1) Budget packages and advance planning	—	\$300	—	\$300
(2) Folsom — water backflow prevention system	p	37	\$958	pending
(3) San Quentin — replace receiving/release building	p	150	3,229	—
(4) Minor capital outlay	pwc	1,500	—	1,500
(5) Jamestown — renovate electrical distribution system	pw	85	967	85
Item 5240-301-747 (1988 bond)				
(1) California Medical Facility — Gates consent decree modifications	wc	2,514	—	1,593
(2) San Quentin — replace 500 Level II beds and support facility, Phase II	wc	3,386	9,161	3,386
(3) California Institution for Women — health care facility	pw	499	9,100	—
Item 5240-301-751 (1990 bond)				
(1) Statewide — lethal electrified fencing	pwc	9,800	—	—
Item 5240-301-766 (proposed 1992 bond)				
(1) Chino — upgrade electrical distribution system	c	6,804	—	6,804
(2) San Quentin — sewer renovation	c	1,900	—	1,900
(3) California Institution for Women — Brine pond contamination clean-up	c	935	—	935
(4) Minor capital outlay	pwc	2,000	—	2,000
Totals		\$29,910	\$23,415	\$18,503

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

^b Department estimate.

Projects For Which We Do Not Recommend Approval As Budgeted

As mentioned in our overview of the existing facilities five-year capital outlay plan, four of the six projects requested in the budget as newly authorized projects were not in the previous five-year capital outlay plan released in August 1990. This is contrary to the advance indication of needs expected from a multi-year planning exercise. One project — to install lethal electrified fencing around all non-minimum security institutions — does not appear in the current plan released last August. Table 4 summarizes these

projects and the amounts we recommend for each. A discussion of each project is provided below.

Table 4

**Department of Corrections
1992-93 Capital Outlay Program
Projects Requested As New Authorizations
And Not in Prior Five-Year Plans**

(In thousands)

	Phase ^a	Budget Bill Amount	Future Cost ^b	Analyst's Recom- mendation
Item 5240-301-723 (1986 bond)				
(2) Folsom — water backflow prevention system	p	\$37	\$958	pending
Item 5240-301-747 (1988 bond)				
(1) California Medical Facility — Gates consent decree modifications	wc	2,514	—	\$1,593
(3) California Institution for Women — health care facility	pw	499	9,100	—
Item 5240-301-751 (1990 bond)				
(1) Statewide — lethal electrified fencing	pwc	9,800	—	—
Totals		\$12,850	\$10,058	\$1,593

^a Phase symbols indicate: p = preliminary plans; w = working drawings; and c = construction.
^b Department estimate.

California State Prison, Folsom — Water Backflow Prevention System

We withhold recommendation on \$37,000 requested under Item 5240-301-723(2) for preliminary plans for a backflow prevention system at Folsom (estimated future cost of \$958,000), pending (1) adequate definition of project scope/cost by the CDC and (2) a report from the CDC to the fiscal committees, prior to budget hearings, as to the steps it has taken or will take to recover project costs from those responsible for design oversights in the construction of the new Folsom prison.

The budget includes \$37,000 for preliminary plans for installation of backflow prevention assemblies at numerous water line cross-connections at California State Prison, Folsom. The department estimates future costs for working drawings and construction of \$958,000. At the time this analysis was prepared, the department's consultant had not completed the budget package for the project. Thus, neither the scope nor the cost of the proposal included in the budget is known.

DEPARTMENT OF CORRECTIONS—Continued

The new prison at Folsom was completed and occupied in 1987. Since its opening, however, the water filtration plant at the new prison has operated under a *temporary* permit from the Department of Health Services (DHS) because the CDC did not install devices needed to prevent contamination of the water supply by potential "backflow" of wastewater. Under the budget proposal, the CDC would install the necessary backflow prevention devices at more than 250 locations throughout the old and new prisons at Folsom in order to comply with state health/safety regulations, and secure a permanent operating permit from the DHS for the filtration plant. According to the CDC, "The project corrects (1) oversights in the design of the new water treatment plant and distribution system at the New Folsom facility and (2) deficiencies in the water distribution system for the Old Folsom facility."

It is not clear why the problem should be corrected with state funds. The department spent approximately \$157 million to construct the new prison at Folsom. The new prison, as well as all other new prisons, had to be constructed to meet code requirements, including codes concerning water contamination. If, as stated by the CDC, the problems are due to oversights in design, it is not clear why the state, rather than those responsible for the oversights, should pay to correct the problem. The typical state design/construction contract requires that costs resulting from such errors and omissions be borne by the responsible parties.

In view of the above, we withhold recommendation on the request for preliminary plans, pending (1) adequate definition of project scope/cost by the CDC and (2) a report from the CDC to the fiscal committees, prior to budget hearings, as to the steps it has taken or will take to recover project costs from those responsible for design oversights.

California Medical Facility, Vacaville — Gates Consent Decree

We recommend a reduction of \$921,000 for working drawings and construction for modifications at the California Medical Facility required by the Gates consent decree, based on the department's revised cost estimate. (Reduce Item 5240-301-747(1) by \$921,000.)

The budget includes \$2,514,000 under Item 5240-301-747 for working drawings and construction for various facility modifications at the California Medical Facility in Vacaville. The modifications are required as part of a consent decree issued by a United States district court on March 8, 1990, arising out of a case entitled *Gates v. Deukmejian*. To comply with the court order, this project would make various modifications to:

- Improve access within the facility for mobility-impaired inmates.
- Provide office space for a Physical Medicine and Rehabilitation department required by the decree.

- Provide offices and inmate holding cells for a Suicide Prevention Program required by the decree.
- Provide additional toilets, sinks and showers for inmates.

In order to expedite the modifications, the CDC intends to start preliminary plans in the current year, using funds available for general advance planning purposes. Thus, the request in the budget for working drawings and construction is the first request related to this project that has been presented to the Legislature.

The amount included in the budget was based on a preliminary estimate by the CDC. After the budget was prepared, the CDC and the Department of General Services (DGS) reviewed the proposal and concluded that it could be carried out for substantially less than initially thought. On the basis of that revised cost estimate, we recommend approval of working drawings and construction in the reduced amount of \$1,593,000 — a savings of \$921,000.

California Institution for Women (CIW) — Health Care Facility

We recommend deletion of \$499,000 for preliminary plans and working drawings to replace the health care facilities at the California Institution for Women (estimated future cost of \$9.1 million) because the extent and type of health care facilities depend on (1) adoption of regulations for the licensing of correctional treatment centers — a new licensing category, and (2) a Female Health Care Master Plan currently under development pursuant to legislation enacted in 1991. (Reduce Item 5240-301-747(3) by \$499,000.)

We further recommend the enactment of legislation allowing correctional institutions to continue to provide 24-hour care in institution infirmaries for health care needs of a routine nature, so that state and local correctional institutions can continue to meet routine medical needs of inmates at reasonable costs.

The budget includes \$499,000 under Item 5240-301-747(3) for preliminary plans and working drawings for a replacement health care facility at the California Institution for Women in Frontera (San Bernardino County). The department estimates future costs of \$9.1 million for construction. This estimate, however, is preliminary in nature since the DGS has not completed a budget package for the project.

According to the department, the existing health care facilities at CIW — consisting of a 20-bed infirmary, two units (totaling 65 beds) housing HIV-infected inmates, and a 50-bed "support care unit" for psychiatric treatment — cannot meet current requirements for licensure as a 24-hour medical care facility. The department further states that the San Bernardino County Superior Court has ordered it to provide medical care at CIW in a licensed facility. The department has concluded that the cost of facility modifications

DEPARTMENT OF CORRECTIONS—Continued

needed to meet licensure requirements is prohibitive and, therefore, proposes replacement of the facility with a new 40-bed "correctional treatment center" (CTC).

For the reasons discussed below, we believe approval of the budget request is not warranted at this time.

Regulations for Correctional Treatment Centers Not Developed. Currently, the CDC operates three licensed hospitals (at the California Medical Facility, the California Institution for Men, and the California Men's Colony) and a Skilled Nursing Facility at the newly completed women's prison in Madera County. At the remaining 17 prisons, the CDC provides infirmary services, and transfers inmates requiring higher levels of care either to local hospitals or to one of the four licensed CDC facilities.

Chapter 1282, Statutes of 1987 (SB 331, Presley), created CTCs as a new category of licensed health care facility for use by state and local correctional agencies for inmates not requiring hospital or skilled nursing levels of care. Chapter 1282 requires the Department of Health Services (DHS), in conjunction with the CDC and other agencies, to develop licensure regulations for CTCs and submit these regulations to specified committees of the Legislature at least 60 days prior to adoption of the regulations. At the time this analysis was prepared, the regulations were in draft form only, and there was no certain date to submit them to the Legislature. Until these regulations are finalized, it is impossible to know whether the facility proposed in the budget for CIW would ultimately be licensable as a CTC, or what modifications would be required — and at what costs — to make the current facilities licensable.

Court Decision Allows Alternative Approaches. The court decision that the department cites as mandating the proposed CTC was issued in December 1987. The decision (*Whisman v. McCarthy*), however, does not order the department to establish a licensed facility at CIW. Instead, the decision states that, if the department provides medical services at CIW involving the admission of patients for periods of 24 hours or longer, then it must provide those services in a licensed facility. Thus, the department can meet the court mandate by directing inmates requiring 24-hour care either to local hospitals or to other CDC health care facilities that are licensed. Whether this is the best long-run strategy at CIW should be evaluated as part of a comprehensive plan for the delivery of women's health care services throughout the CDC system, a matter discussed further below.

In any event, since the court decision in 1987, the department has continued to operate the existing health care facilities at CIW for infirmary care. For the interim, the department has developed a "plan of correction," to which the court and the DHS have consented. Under the plan, the department is transferring inmates requiring 24-hour care to Ontario Community

Hospital and, during the current year, is spending more than \$800,000 from its 1991-92 General Fund support appropriation to make various repairs and modifications to the existing facility. Thus, inmate health care needs are being met at present.

Female Prisoner Health Care Master Plan Under Development. Even without this court ruling, the state faces a complex set of issues regarding the level of medical services the state can and should provide in the future at each of its prisons, and the medical services it should contract to other providers of medical care. These issues are systemwide in nature, and have a fundamental bearing on the future costs to the state of providing medical care to inmates (now an annual cost of \$237 million), the quality of care inmates receive, and selection of the best locations for hospitals, CTCs and other health care facilities.

Of special concern are the unique problems of providing medical care for the state's female inmates. In recognition of this, the Legislature enacted Ch 692/91 (AB 900, Roybal-Allard), which established the Women's Health Issues Task Force to help the CDC prepare a five-year Female Prisoner Health Care Master Plan. The enacted legislation requires that this plan assess female inmate health care needs, including analysis of necessary medical staff, *appropriate licensure categories*, and *proposals for facilities* necessary to provide effective female health care in a correctional setting. Chapter 692 calls for the plan to contain timetables and funding alternatives, and to consider the needs of individual institutions, as well as department-wide issues. The task force is to report its findings to the Legislature on or before December 31, 1992.

Recommendation on Funding. In view of the above, we believe the department needs to (1) expedite development of this plan and (2) evaluate the CTC regulations when they are available in final form. The department needs to do this before making the essentially irreversible and long-term commitment of resources entailed by design and construction of the proposed facility at CIW. We believe this is necessary to insure that, if the Legislature determines that a licensed facility is needed at CIW, it be designed in a manner that best meets women inmates' health care needs. Accordingly, we recommend deletion at this time of the \$499,000 requested under Item 5240-301-747(3) for preliminary plans and working drawings.

Recommended Legislation. The nature of health care services and facilities to be provided at CIW is not an isolated matter. If, ultimately, the *practical* effect of the court ruling is to force the state to provide a CTC wherever infirmary care is now provided, the state faces enormous costs to construct and operate CTCs throughout the Corrections and Youth Authority systems. Local correctional agencies also could incur significant costs in their systems for the same reasons. Part of the problem is that current law — in the court's view — requires provision of care in licensed facilities for even the most routine, minor medical needs *as long as a 24-hour stay is involved*. The current

DEPARTMENT OF CORRECTIONS—Continued

and long-standing practice at all state correctional institutions (other than CIW, in the wake of the court ruling) involves 24-hour stays in infirmaries for minor needs, such as recovery from the flu, where isolation of sick inmates from the general population is desirable to minimize spreading illness. The effect of the court ruling is to require that institutions choose between (1) hospitalizing these inmates, (2) leaving them in their cells, or (3) constructing CTCs.

The Legislature can re-create a middle-ground by enacting legislation permitting correctional institutions to continue to treat illnesses of a routine nature with 24-hour stays in infirmaries. We recommend that the Legislature enact such legislation so that correctional institutions can continue to meet routine medical needs at reasonable costs.

Our analysis of the CDC support budget (Item 5240-001-001) has additional discussion of CDC medical issues.

Statewide — Lethal Electrified Fencing

We recommend deletion of \$9.8 million for preliminary plans, working drawings, and construction to install lethal electrified fencing at all non-minimum security institutions. We recommend that the Legislature direct the department, through supplemental report language, to conduct a full evaluation of alternative means of enhancing perimeter security and reducing state operating costs. (Reduce Item 5240-301-751 by \$9.8 million.)

The budget includes \$9.8 million under Item 5240-301-751 for preliminary plans, working drawings, and construction to install lethal electrified fencing around the perimeters of all existing non-minimum security institutions in the state. The request includes funds for 30 emergency back-up electrical generators. Apart from the budget request, the department intends to spend an additional \$3.8 million, presumably using broad authority available to the administration to augment outstanding appropriations, to include the installation of such fencing at nine prisons currently under design or construction and the new women's facility in Madera County.

The department justifies this proposal on the basis of future anticipated annual savings of \$47.5 million that would be realized from deactivation of 228 of 298 gun towers statewide and elimination of 1,015 associated personnel-years of staffing. Under the proposal, the only towers that would continue to be staffed would be those adjacent to vehicle and pedestrian sallyport gates. Although the budget request is premised on deactivation of towers, the proposed project scope/cost does not provide for closing the towers and making them inoperable.

While perimeter security is an important priority, this proposal does not address any existing problems with perimeter security. As stated in the

CDC's Five-Year Facilities Master Plan, "The [annual] rate of escapes from institutions and camps in 1990 was less than 1 per 1,000 average daily institution population, the lowest rate since World War II. Nearly all were walk-aways from minimum security facilities."

The sole justification given for the proposal is the anticipated savings from deactivation of gun towers. We agree that the magnitude of potential savings from deactivation of gun towers warrants serious consideration. In our view, however, the department has not demonstrated that its proposal is the best means of achieving these savings. For example, the proposal only identifies two alternatives for providing perimeter security — the proposed electrified fences and the status quo. Yet, there are additional alternatives that we believe merit consideration. Among these are increased use of vehicle patrols, camera and electronic detection systems, and curved welded mesh fencing. In reviewing alternatives, the department also needs to examine potential legal and technical problems associated with installation and operation of lethal electrified fences.

In view of the above, we recommend deletion of the \$9.8 million requested for preliminary plans, working drawings, and construction. We further recommend that the Legislature adopt the following supplemental report language directing the department to conduct a full evaluation of alternative means of enhancing perimeter security and reducing state operating costs:

Prior to initiating installation of electrified fences at any facility or requesting funds from the Legislature for such installation, the department shall conduct a full evaluation of the benefits and costs of alternative means of meeting perimeter security needs and reducing state operating costs through deactivation of gun towers, including, but not limited to, the use, alone or in combination, of vehicle patrols; detection systems; and curved, laminated metal or welded mesh fences. The department shall report its findings and recommendations to the fiscal committees, the Joint Legislative Budget Committee, and the Joint Committee on Prison Construction and Operations on or before November 1, 1992.

San Quentin — Replace Receiving and Release Building

We recommend deletion of \$150,000 requested for preliminary plans for a replacement Receiving/Release building at San Quentin (estimated future cost of \$3.2 million), because the request is premature until the Office of the State Architect completes its surveys of this and other state buildings and prioritizes the buildings for expenditures under the 1990 earthquake safety bond act. (Reduce Item 5240-301-723(3) by \$150,000.)

The budget requests \$150,000 under Item 5240-301-723(3) for preliminary plans to replace the Receiving and Release building at San Quentin. Although designated as the Receiving and Release building — where the

DEPARTMENT OF CORRECTIONS—Continued

process of receiving and releasing inmates into and out of the prison takes place — most of the building is used to accommodate other activities, including offices for the Special Security Squad, Education Department offices, libraries, classrooms, and the San Quentin television studio. The CDC estimates future costs of \$3.2 million to demolish the existing building, and design and construct a replacement facility. At the time this analysis was prepared, however, the department and its consultant were reviewing the proposed project scope. Thus, neither the scope nor the cost of the proposal included in the budget is known.

The Receiving/Release building was constructed in 1859. It is an unreinforced brick structure, partially faced with stucco and constructed upon a rock base (which may account for its surviving the 1906 San Francisco earthquake). The department wants to replace the structure due to concerns about its seismic safety following the 1989 Loma Prieta earthquake. Because of this concern, the department has requested the Office of the State Architect (OSA) to conduct a structural survey to assess the safety of the building. At the time this analysis was prepared, the OSA survey of the building was not complete. Moreover, under the terms of the Earthquake Safety and Public Buildings Rehabilitation Bond Act of 1990, the OSA is presently surveying and prioritizing all state-owned buildings for seismic safety needs, including CDC facilities. The OSA expects to complete its prioritized listing, including detailed structural surveys of what it considers the 200 structures most in need of seismic rehabilitation, by June 30, 1992.

In view of the above, we recommend deletion of \$150,000 requested for preliminary plans for a replacement Receiving/Release building. Replacement of this building may warrant consideration by the Legislature as part of the budget process for 1993-94. At that time, the Legislature will have a basis upon which to consider the needs of this building against other seismic needs statewide. At that time, the department also should have a better definition of proposed project scope and costs. If the building is a high priority under the earthquake bond act's criteria, it may qualify for funding from the roughly \$190 million of available earthquake safety bond funds, freeing perhaps several million dollars of correctional facility bond funds for other correctional facility needs.

Spending Authority No Longer Needed for Completed Prisons

We recommend that the Legislature add Item 5240-495 to the Budget Bill to revert spending authority for completed prison projects and adopt Budget Bill language directing that identified project savings be applied to offset General Fund debt service payments for the projects.

Over the last several years, the department has completed construction of several prisons that were funded with lease-payment bonds. The budget

documents, however, show current-year and/or budget-year expenditures from lease-payment bond appropriations at three prisons that have been completed and occupied for some time. The budget indicates 1991-92 expenditures of almost \$10 million at Mule Creek State Prison (Amador County), even though that prison was completed and fully occupied by March 1989. The budget indicates 1991-92 expenditures of \$21.8 million and the availability of \$35.8 million for expenditure in the budget year at Pelican Bay State Prison (Del Norte County), even though that prison was completed and fully occupied by December 1989. Finally, the budget shows 1991-92 expenditures of \$4.7 million and the availability of \$11 million for expenditure in the budget year at the women's prison in Madera County, which was completed and fully occupied by November 1990.

Since construction of these prisons was completed some time ago, it is not clear what capital outlay expenditures would now be taking place. The recent expenditures and the availability of large amounts of money, however, point out a general problem with the lease-payment bond appropriations. Unlike all state capital outlay appropriations included in the annual budget act, the lease-payment appropriations lack a reversion date. Thus, spending authority from appropriations for completed prisons exceeding \$1.2 billion is available to the department for expenditure without legislative approval, even though the prisons for which the original legislative appropriations were provided are complete. The expenditure of lease-payment proceeds is restricted to uses for the facility for which the bonds were issued. Thus, the Legislature does not have the option of redirecting unspent bond proceeds from one prison to another or for other statewide purposes. The Legislature has the option to:

- Let unspent proceeds remain in special accounts until they would be used, either by the department for purposes at the specific prison (this would not require legislative review and approval) or to pay final debt service payments on the bonds. To the extent the department does not spend the proceeds, this latter case would offset payments that otherwise would be needed from the General Fund, but would do so perhaps 17 or 18 years hence.
- Realize the General Fund savings in the near term (including 1992-93) by using the unspent proceeds to meet the next debt service payments.

The second option is clearly preferable, not only because it results in earlier General Fund savings, but also because it *insures* that the General Fund savings actually occur by eliminating the possibility for the department to spend the proceeds at the specific prisons without legislative approval.

In view of the above, we recommend that the CDC provide the fiscal committees, prior to budget hearings, with a detailed accounting of expenditures for these projects, and identify all remaining balances (including any and all interest earnings). Once identified, these balances may then be redirected to help offset annual General Fund debt service payments

DEPARTMENT OF CORRECTIONS—Continued

on the bonds. Finally, we recommend that the Legislature add Item 5240-495 to revert the spending authority for these prison projects so the books may be closed. As a provision to the reversion item, we recommend that the Legislature adopt the following Budget Bill language, directing that the identified savings be applied to offset General Fund debt service payments for the projects:

The State Controller shall revert the unexpended balances of the appropriations cited in this item as of July 1, 1992, including any and all earnings on the proceeds of the bonds issued for purposes of the cited appropriations. The reverted funds are available and shall be used, to the maximum extent possible and as soon as possible, to offset General Fund payments that otherwise would be necessary for bond debt service. The State Treasurer shall annually report the amounts so used to the Legislature beginning January 10, 1993.

Adoption of the above recommendations could result in General Fund savings during the budget year, and possibly beyond, of potentially several tens of millions of dollars.

Supplemental Report Language

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

**Department of the Youth Authority—
Capital Outlay
Item 5460**

Expenditures

Requested 1992-93 \$6,933,000

Fiscal Recommendations

Total recommended approval \$6,867,000

Recommendation pending 66,000

MAJOR ISSUES

- ▶ **Five-Year Plan.** The Youth Authority's five-year capital outlay plan does not address the problem of accommodating projected increases in ward population that may bring overcrowding levels to more than 150 percent of the system's design capacity by the year 2000.

Findings and Recommendations

- | | <i>Analysis</i> |
|--|-----------------|
| | <i>Page</i> |
| 1. Five-Year Capital Outlay Plan Does Not Show How the Growing Numbers of Wards will be Accommodated. The Youth Authority's five-year capital outlay plan does not address the problem of accommodating projected increases in ward population that may bring overcrowding levels to more than 150 percent of the system's design capacity by the year 2000. | 75 |
| 2. Ventura School—Sports Area. Withhold recommendation on \$66,000 under Item 5460-301-751(4) for preliminary plans for the Ventura School sports area (future cost exceeding \$1.4 million), pending (a) clarification of project scope, cost, and schedule; and (b) justification as to why the estimated cost of the project has doubled from last year's proposal. | 78 |
| 3. Youth Training School—Ventilation System Study. Recommend adoption of supplemental report language directing the department, as part of its study to replace ventilation/cooling systems at the Youth Training School, to evaluate costs/benefits of alternative solutions, including elimination of the need for replacing the systems by constructing additional living units that are needed to alleviate overcrowding. | 79 |

Overview of the Budget Request and the Five-Year Capital Outlay Plan

The budget proposes \$6.9 million for the Department of the Youth Authority's (CYA) capital outlay program in 1992-93. It is unclear how this proposal relates to the department's five-year capital outlay plan, because the current plan — known as the Population Management and Facilities Master Plan — is more than a year old. That plan identified capital outlay spending needs of \$20.1 million for 1992-93 and a total of \$82 million over the five-year period 1992-93 through 1996-97. None of this proposed spending would add bed capacity to the system (currently 6,692 beds), even though the plan

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

shows an increase in ward population from 8,167 wards on June 30, 1990 to 10,187 wards by the year 2000. Unless additional bed capacity is provided or steps are taken to reduce the ward population, the CYA's institution overcrowding will increase from the current 22 percent to over 50 percent in the year 2000.

It is our understanding that the department will release an updated population management and facilities master plan prior to budget hearings and that it will address the overcrowding situation. We believe this information is essential for the Legislature to have in its consideration of CYA capital outlay needs. In order to facilitate the Legislature's review of CYA's annual budget requests for capital outlay, the administration should ensure that, in the future, the budget requests and master plans are prepared and available for review together.

Table 1

**Department of the Youth Authority
Five-Year Capital Outlay Plan
1992-93 through 1996-97**

(dollars in millions)

Project Category	No. of Pro- jects	1992-93	1993-94	1994-95	1995-96	1996-97	Totals
Earthquake safety retrofits	NA	\$2.5	\$7.8	\$6.2	\$4.3	—	\$20.8
Kitchen/dining facilities	5	3.2	1.2	—	—	—	4.4
Gymnasiums/sports areas	4	0.7	0.2	1.2	1.2	\$1.0	4.3
Housing unit modifications	7	0.5	0.7	0.7	0.2	0.2	2.3
Security improvements	3	—	0.1	0.4	0.1	1.5	2.1
Educational/vocational facilities	4	0.1	0.7	0.7	0.1	0.5	2.1
Administrative facilities	2	—	—	—	0.3	1.4	1.7
Other major capital outlay	11	6.9	1.7	1.2	0.2	1.0	11.0
Minor capital outlay	NA	6.2	6.3	6.7	7.1	6.5	33.8
Totals	36	\$20.1	\$18.7	\$17.1	\$13.5	\$13.1	\$82.5

Table 1 summarizes the department's five-year capital outlay program by fiscal year and major categories of projects. As the table indicates, the major emphasis of the plan involves upgrading facilities for seismic safety purposes. The budget, however, does not propose any spending for this purpose. In our view, the indicated needs for seismic work will need to be re-evaluated once the Office of the State Architect completes its work, under the 1990 Earthquake Safety and Public Buildings Rehabilitation Bond Act, of surveying and prioritizing seismic safety needs for all state-owned structures, including CYA buildings. This work should be completed by this summer.

Other significant categories of expenditure in the five-year plan include modifications of kitchen/dining facilities and the provision of gymnasiums/sports areas.

Based on our review of the capital outlay planning efforts of this and other state departments, we believe the CYA needs to devote more emphasis to its planning process, and improve the content/usefulness of its five-year plan. The current process lacks guidelines for identifying capital outlay needs and setting priorities among competing needs. These guidelines are needed to provide some uniformity and coherence of planning effort so that the department has a *systemwide plan*, rather than a compilation of competing requests from the institutions.

Analysis and Recommendations

The budget requests \$6,933,000 from general obligation bonds for the CYA capital outlay program in 1992-93. The CYA estimates future costs to complete these projects totaling about \$7 million. These requests are summarized in Table 2.

The budget request includes \$3,355,000 (Item 5460-301-751) from the 1990 general obligation bond fund and \$3,578,000 (Item 5240-301-766) from a proposed 1992 general obligation bond fund. This latter fund source is contingent on passage of a bond measure for youth/adult correctional facilities in 1992. The 1992 bond fund expenditures are proposed for part of the minor capital outlay program (\$1,839,000) and the construction phase (\$1,739,000) of the multi-purpose building at the Fred C. Nelles School in Whittier.

We recommend approval of five projects as budgeted. A discussion of the other two requests, and our recommendations for each, follows.

DEPARTMENT OF THE YOUTH AUTHORITY—
CAPITAL OUTLAY—Continued

Table 2

Department of the Youth Authority
1992-93 Capital Outlay Program

(In thousands)

Project	Phase ^a	Budget Bill Amount	Estimated Future Cost ^b	Analyst's Recommend- ation
Budget packages/planning	—	\$100	—	\$100
Nelles School—multi-purpose building	wc	1,851 ^c	—	1,851
Nelles School—maintenance building	p	65	\$2,694	65
Ventura School—sports area	p	66	1,431	pending
Youth Training School—kitchen renovation	c	2,034	—	2,034
Youth Training School—ventilation system improvements	s	40	2,907	40
Minor capital outlay	pw	2,777 ^d	—	2,777
Totals		\$6,933	\$7,032	\$6,867

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

^b Department estimate.

^c Includes \$1,739,000 from proposed 1992 general obligation bond fund.

^d Includes \$1,839,000 from proposed 1992 general obligation bond fund.

Ventura School — Sports Area

We withhold recommendation on \$66,000 requested for preliminary plans for the Ventura School sports area (future cost exceeding \$1.4 million), pending receipt of information (1) clarifying of project scope, cost, and schedule; and (2) justifying a doubling in estimated cost of the project since last year's proposal.

The budget includes \$66,000 under Item 5460-301-751(4) for preliminary plans for expansion of the gymnasium/sports area of the Ventura School. The proposed expansion consists of a 3,800 square foot addition to the gymnasium, a 3,200 square foot addition to the locker room (to provide a women's locker room at this coeducational school), handball courts, a replacement volleyball area, and a running track. The department estimates future costs for working drawings and construction of \$1.4 million. The department also indicates that equipment will be needed upon completion of construction, but has not identified what equipment may be needed or what it may cost.

In the 1991-92 budget, the department requested \$28,000 for preliminary plans for an almost identical proposal. The department withdrew the request when a revised cost estimate indicated that the budget amount was inadequate. The department has modified the prior request by deleting a football field and adding a volleyball area and two restrooms. The department indicates that the total estimated project cost is now \$1,497,000. This estimate is double the initial 1991-92 cost estimate for the project. The department has not provided information to justify this higher cost. Moreover, at the time this analysis was prepared, the Office of Project Development and Management (Department of General Services) had neither completed a project cost estimate nor developed a schedule for undertaking the project.

In view of the above, we withhold recommendation on the request, pending receipt of (1) the Office of Project Development and Management's cost estimate/schedule and (2) justification for the doubling of the cost from last year's proposal.

Youth Training School — Ventilation System Study

We recommend that the Legislature adopt supplemental report language directing that the department's study to replace ventilation/cooling systems at the Youth Training School (\$40,000 requested under Item 5460-301-751(6)) evaluate alternative solutions, including elimination of the need for replacing the systems by constructing additional living units that are needed to alleviate overcrowding.

The budget includes \$40,000 under Item 5460-301-751(6) for an engineering study to replace the ventilation/cooling systems in the three ward living units at the Youth Training School in Chino (San Bernardino County). The current ventilation/cooling systems consist of evaporative coolers and window air conditioning units. The department estimates future costs of \$2.9 million for the installation of roof-mounted refrigerated air conditioning systems at each of the units. This estimate, however, would be subject to change, based on the findings of the proposed engineering study.

Ventilation problems became apparent when the school — in response to overcrowding — began double-bunking wards in the rooms in 1983-84. According to the department, cooled air does not enter the rooms with adequate force to cool the upper portions of the rooms. Thus, during periods of hot weather, conditions can be uncomfortable for those sleeping in upper bunks.

There may be a better solution than the one that has been proposed to address this problem, and that is to address a bigger problem in the CYA system — overcrowding. As discussed above in our overview of the five-year capital outlay plan, the department needs to begin planning the construction of additional facilities to accommodate growing numbers of wards. State funds might be better spent alleviating overcrowding at the

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

Youth Training School living units and, in the process, eliminating the need to install expensive air conditioning systems in the three units in question. In addition, there may be less expensive technical solutions than the one proposed. Accordingly, we recommend that the Legislature adopt supplemental report language directing the CYA, as part of the study, to evaluate the costs/benefits of alternative solutions to the ventilation problem, including elimination of the need to replace the ventilation systems by constructing additional living units to alleviate overcrowding at the Youth Training School.

Supplemental Report Language

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

School Facilities Aid Programs—Capital Outlay

Item 6350

Expenditures

Requested 1992-93	\$127,136,000
Estimated 1991-92	90,097,000
Actual 1990-91	72,781,000
Requested increase \$37,039,000 (+41.1 percent)	

Fiscal Recommendations

Total recommended reduction	None
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MAJOR ISSUES

- ▶ **Lease-Purchase Program Backlog.** Absent any changes in state funding assistance requirements, the \$1.6 billion in additional bonds proposed by the administration will leave a multi-billion dollar backlog of funding requests for school facilities.

Continued

- ▶ **Proposed Constitutional Amendment.** Shifting to a simple majority vote, rather than two-thirds, for local school bond measures would increase districts' ability to fund facilities with local resources.

- ▶ **Deferred Maintenance.** The budget overstates the amount of funds that will be available for deferred maintenance by \$50 million over the two-year period of 1991-92 through 1992-93. The Proposition 98 guarantee is, therefore, underfunded by \$50 million.

Findings and Recommendations

	<i>Analysis Page</i>
1. Lease-Purchase Program. The amount of K-12 school facility bonds proposed by the administration for 1992 will be insufficient to fund the existing program. The Legislature, however, has several options to address the growing backlog of requests for state funding assistance.	82
2. Portable Classrooms — Rental Income. The budget overstates current-year rental income, which is to be transferred to the General Fund, by \$1.2 million.	84
3. Deferred Maintenance — Excess Repayments. The budget overstates the amount of excess repayments and, thus, the level of state support for deferred maintenance, by \$20.6 million in 1991-92 and \$28.8 million in 1992-93. This results in a \$49.4 million General Fund deficiency toward funding the Proposition 98 guarantee.	85

General Program Statement

School facilities aid programs provide state assistance for (1) construction of new schools; (2) modernization, air conditioning, and deferred maintenance for existing schools; and (3) leasing of portable classrooms.

With the exception of deferred maintenance, which is funded in the annual Budget Act, funding assistance for school facilities is provided primarily through statutory appropriations. The allocation of school facilities funds is determined by the State Allocation Board (SAB), which includes four members of the Legislature and one representative each from the Departments of Finance, Education, and General Services. The SAB is staffed by the Office of Local Assistance (OLA) in the Department of General Services.

SCHOOL FACILITIES AID PROGRAMS—Continued**Overview of the Budget Request**

The budget proposes a 100 percent increase in General Fund support for deferred maintenance.

The Governor's Budget proposes funding of \$127.1 million in 1992-93 for deferred maintenance. This amount includes a statutory appropriation of an estimated \$81.1 million in "excess repayments" and an appropriation of \$46 million from the General Fund, which is an increase of \$23 million, or 100 percent, over the General Fund amount included in the 1991 Budget Act.

Analysis and Recommendations**STATE SCHOOL BUILDING LEASE-PURCHASE PROGRAM**

The amount of K-12 school facilities bonds proposed by the administration for the 1992 ballots will be insufficient to fund the existing program.

Statutory funding for the construction and modernization of school facilities is provided from the proceeds of state general obligation bond sales. Through the State School Building Lease-Purchase program, the SAB allocates bond proceeds to school districts for (1) acquisition and development of school sites, (2) construction or modernization of school buildings, and (3) purchase of equipment for newly constructed buildings. In 1990, voters approved two bond measures totaling \$1.6 billion. The entire proceeds of these bond measure have been allocated to school districts.

Additional Bonds Proposed. The Governor's Budget indicates that the administration will support placing another \$1.6 billion in general obligation bonds on the 1992 ballots (\$800 million each in June and November). At the time this analysis was prepared, the SAB had approved over \$1.3 billion in apportionments (\$1.1 billion for new school construction projects and \$240 million for modernization of older schools) for which no state funds are currently available. The OLA estimates that, by June 1992, approved, but unfunded apportionments will increase from \$1.3 billion to \$2 billion. Moreover, the amount of pending requests is substantial. As of January 1992, the SAB had applications from school districts requesting over \$6.7 billion in state assistance.

Clearly, the \$1.6 billion in 1992 bonds proposed by the administration is far less than what will be needed to fund SAB-approved apportionments. Thus, absent any changes in the Lease-Purchase program or in the amount of K-12 bonds proposed for 1992, the backlog of approved state apportionments could grow to several billion dollars. Below, we discuss briefly some alternatives to address the state funding shortfall.

Increase State Funding for School Facilities. The Legislature and the Governor could propose more than \$1.6 billion in general obligation bonds for the K-12 facilities on the 1992 ballots. Given the level of district requests for state assistance, a substantial amount of additional bonds could be committed to construction of schools prior to the 1994 elections, when more bonds could be authorized. To the extent that a higher amount of bonds would be authorized in 1992 for K-12, either (1) the state's annual debt service (a General Fund cost) would increase to pay for the additional bonds or (2) bonds proposed for other infrastructure programs would be reduced if the Legislature did not want to increase the total amount of proposed bonds on the ballots.

Tighten Lease-Purchase Program Requirements. The Legislature could adopt policy changes that would tighten the eligibility for receiving state funding. For example, the state could (1) provide assistance only to construct schools that would operate on a year-round, rather than a traditional, calendar, or (2) provide assistance only to districts that implement district-wide multi-track year-round calendars. The state could also require financially able districts to fully fund their facilities needs with local revenue sources.

Shift Funding Responsibility to School Districts. The Governor's Budget indicates that the administration supports a constitutional amendment to allow a simple majority vote, rather than the current two-thirds majority requirement, on local school bond measures. At the time this analysis was prepared, this proposal was contained in ACA 6 (O'Connell), which was pending in the Legislature. Approval of this amendment by the voters would enhance districts' potential to provide additional local funds for school construction and modernization. For example, from 1986 to 1991, local school bond measures that would have authorized over \$1.6 billion in bonds received a simple majority, but less than a two-thirds vote. In the November 1991 elections, 10 of 12 unsuccessful local bond measures, totaling \$363 million, received a simple majority vote.

In our view, it makes sense for school districts to have a greater degree of authority and responsibility in raising funds for school facilities needs. At the same time, even with the adoption of a local majority vote, there may still be a legitimate role for the state to provide funding assistance to districts with a high need for school facilities and a low ability to raise sufficient local funds.

SCHOOL FACILITIES AID PROGRAMS—Continued**EMERGENCY PORTABLE CLASSROOM PROGRAM**

The budget overstates the amount of current-year rental income on portable classrooms that will be available for transfer to the General Fund by \$1.2 million.

Through the Emergency Portable Classroom program, the SAB allocates funds for the acquisition, installation, and relocation of portable classroom facilities, including furnishings, to be rented to districts with overcrowded schools. The SAB estimates that about 5,400 portable classrooms will be leased during the budget year. In recent years, the program has been funded with proceeds from K-12 general obligation bonds and from rental income on the portable classrooms. Except for about \$1 million, which is currently reserved to cover costs for moving portables between sites, all bonds earmarked for the program have been apportioned.

Chapter 333, Statutes of 1991 (SB 282, Leroy Greene), increased the maximum allowable annual rent that the SAB can charge for emergency portables from \$2,000 to \$4,000. As a result, the OLA estimates that total rental income will increase from \$9.4 million in 1990-91 to \$21.8 million in 1991-92. Prior to 1991-92, the OLA used this rental income to purchase additional portable classrooms. However, Control Section 24.30 of the 1991 Budget Act required the transfer of these monies to the General Fund in 1991-92. The Governor's Budget proposes to continue this practice in 1992-93. The Governor's Budget estimates that rental income will be \$23 million in the current year, and the same amount in 1992-93. However, discussions with the OLA indicate that the actual revenues in the current year will be \$1.2 million less than shown in the budget document for that year.

DEFERRED MAINTENANCE PROGRAM

Under this program, the state provides funding assistance for the repair and/or replacement of existing school building components (for example, roofs and utility systems) so that the educational process can safely continue. In 1990-91, approximately 1,000 school districts and county offices of education received deferred maintenance program funds. The SAB apportions funds from the State School Deferred Maintenance Fund on a dollar-for-dollar matching basis to school districts. In recent years, state support for the deferred maintenance program has been provided from General Fund appropriations in the Budget Act and from "excess repayments." Excess repayments are the amount by which school districts' principal and interest payments on State School Building Aid loans exceed the state's debt service costs.

Districts participating in this program are required to submit a five-year plan listing their deferred maintenance needs. The maximum amount of state aid that a school district may receive is based on a formula that takes into account the district's budget (in relation to districts of similar size and type) and the district's ADA. A district is eligible for state matching funds — a "basic apportionment" — equal to one-half of 1 percent that the formula calculation yields.

Current law also authorizes the SAB to provide an "additional apportionment" that is equal to the basic apportionment discussed above, to the extent that the Legislature appropriates funds for this purpose. (To date, the Legislature has not done so.) In addition, districts may apply for hardship funds for critical deferred maintenance projects that (1) must be carried out in the ensuing year and (2) cost more than the combined state and local contributions to the district for deferred maintenance. Under current law, the SAB may reserve no more than 10 percent of the funds available for deferred maintenance for critical hardship requests.

For 1991-92, districts were eligible for a basic apportionment totaling \$114 million and requested an additional \$10 million for critical hardship projects. Only \$72.9 million in state funding assistance were available, however. (The amount available consisted of \$49.9 million in 1990-91 excess repayments and a \$23 million General Fund appropriation from the 1991 Budget Act.) The SAB provided \$65.6 million towards the \$114 million basic apportionment and \$7.3 million for critical hardship projects.

Budget Overstates Funding Available for Deferred Maintenance

The budget overstates the amount of excess repayments and, thus, the level of state support for deferred maintenance, by \$20.6 million in 1991-92 and \$28.8 million in 1992-93. This results in a General Fund deficiency, for purposes of providing the Proposition 98 funding guarantee, of \$49.4 million.

Proposition 98 Deficiency. In our *Analysis of the 1991-92 Budget Bill*, we pointed out that the amount of excess repayments likely to be available for deferred maintenance was significantly overstated. The Governor's Budget again overstates this 1991-92 amount. Based on a recent estimate by the State Controller's Office, excess repayments in 1991-92 will be \$46.5 million — \$20.6 million less than the \$67.1 million indicated in the budget. In addition, the State Controller's Office estimates that excess repayments in 1992-93 will be \$28.8 million less than shown in the Governor's Budget. Consequently, because funding for deferred maintenance is included under the Proposition 98 guarantee, the current-year and budget-year overstatements of excess repayments (\$49.4 million total) represents a General Fund deficiency toward fully funding the "guarantee."

SCHOOL FACILITIES AID PROGRAMS—Continued

Budget Proposal. Our analysis indicates that, when combined with excess repayments, the proposed General Fund appropriation of \$46 million will not be sufficient to provide the entire basic apportionment in 1992-93. In view of the continuing shortfall of state matching funds, the \$46 million should be readily utilized, and we recommend that it be approved.



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Overview of Higher Education Capital Outlay

MAJOR ISSUES

- ▶ **Contingent Nature of Budget.** Implementation of the higher education capital outlay programs is contingent upon a number of factors, including passage during 1992 of a major general obligation bond measure, \$1.7 billion of future funding sources that the administration has not identified, and uncertainties surrounding enrollment growth.
- ▶ **Reduce Use of Lease-Payment Bonds.** We recommend that the Legislature adopt a policy of using general obligation bonds, instead of lease-payment bonds, as much as possible for higher education capital outlay needs, in order to minimize future General Fund costs.

Findings and Recommendations

Analysis
Page

1. **Contingent Nature of Proposed Programs.** The higher education capital outlay programs are contingent upon a number of factors. They are contingent on the successful passage during 1992 of a major general obligation bond measure. In addition, the proposed projects cannot be completed without \$1.1 billion of future funding sources that the administration has not identified. Finally, there are significant uncertainties surrounding the projected enrollment growth in California's higher education system, caused by the state's fiscal condition. 91
2. **Budget Does Not Identify How Future Costs Are to Be Met.** Recommend that the Department of Finance report to the fiscal committees, during budget hearings, on how the administration intends to fund the costs to complete the projects proposed in the budget, while keeping the projects on schedule. 92

3. **Recommended Bond Policy.** Recommend the Legislature adopt a policy of using general obligation bonds, instead of lease-payment bonds, as much as possible for higher education capital outlay needs, in order to minimize future General Fund costs. 94

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 \$5.2 billion over the five-year period 1992-93 through 1996-97 to fund the construction of new facilities, as well as alterations of existing facilities to meet various program needs.

In addition, UC has proposed three new campuses and CSU has proposed five new campuses. These new campus proposals have not yet reached the stage of being 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*, UC and CSU are reevaluating their new campus proposals. The CCC projects expanding six existing centers into full campuses and establishing 31 new centers, eight of which would become campuses by 2005.

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.
- The 1992-93 capital outlay programs proposed in the budget.
- Recent funding history of higher education capital outlay and the administration's plan for financing the proposed programs.
- A recommended policy on the use of general obligation and lease-payment bonds for higher education facility needs.

Five-Year Capital Outlay Plans

The five-year capital outlay plans prepared by each of the segments propose total expenditures of \$5.2 billion over the five-year period 1992-93 to 1996-97, as summarized in Table 1.

Table 1

Higher Education Capital Outlay Five-Year Capital Outlay Plans 1992-93 through 1996-97

(In millions^a)

Segment	1992-93	1993-94	1994-95	1995-96	1996-97	Totals
University of California	\$247.4	\$227.9	\$246.5	\$232.5	\$211.0	\$1,165.3
California State University	244.0	327.2	550.9	604.1	351.6	2,077.8
California Community Colleges	182.1	853.4	540.0	281.8	146.6	2,003.9
Totals	\$673.5	\$1,408.5	\$1,337.4	\$1,118.4	\$709.2	\$5,247.0

^a All amounts adjusted to ENR 4999, the construction cost index in use for the budget.

University of California. The University of California five-year capital outlay plan, dated October 1991, calls for expenditures of almost \$1.2 billion from 1992-93 through 1996-97. 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 and projected enrollments. The plan projects that undergraduate student enrollments will climb from an estimated 116,549 full-time equivalent (FTE) students in the current year to 121,273 FTE in 1996-97, a 4.0 percent increase over the five-year period.

The plan projects that graduate student enrollments will increase even faster — from 26,228 FTE in the current year to 30,626 in 1996-97, a 17 percent increase. For several years, UC capital outlay plans have projected similar increases in graduate enrollment. These increases, however, have not materialized because of limited funds in recent support budgets. The emphasis of UC's capital outlay program on accommodating increases in numbers of graduate students and associated faculty may need reevaluation, given past trends and continuing uncertainties about the state's ability to fund future graduate enrollment increases.

California State University. The California State University five-year plan, approved by the Trustees in September 1991, calls for the expenditure of more than \$2.0 billion from 1992-93 through 1996-97. Much, though not all, of these expenditures is directed at providing instructional facilities to accommodate growing student enrollments, projected to increase by 23,890 FTE students. This increase in capacity is equivalent to constructing instructional facilities for a campus the size of San Diego's (the system's largest). On a systemwide basis, the increased capacity would fully accommodate the 11 percent enrollment increase projected for 1996-97 (a total enrollment of 300,000 FTE, college-year basis).

During the four years from 1986-87 through 1990-91, FTE increased about 10 percent, from 252,789 to 278,502. From 1990-91 into the current year, however, enrollments have *fallen* by 8,452 FTE (3.0 percent) to 270,050 FTE. The budget proposes a modest increase in 1992-93 of 2,600 FTE. The budgeted level is 7,723 FTE below what was projected in the five-year plan for 1992-93. (This shortfall is equivalent to the entire enrollment at the Dominguez Hills campus.) If the current reduced *enrollment* level is an aberration limited to the current year and budget year, then enrollments could reach projected levels by the end of the five-year capital outlay plan period. And, the capital outlay program will — if implemented — accommodate the projected enrollments. If, however, reduced enrollment levels continue as a result of longer-term budget constraints, the capital outlay program — unless altered — will over-build the CSU system. Under this latter scenario, the plan may need to be reevaluated.

Community Colleges. The CCC recently completed its initial five-year capital outlay plan. The plan includes 570 major capital outlay projects, and totals \$2 billion between 1992-93 and 1996-97. This \$2 billion total is almost twice the amount estimated last year by the Chancellor's Office, prior to completing the project-specific five-year plan.

The Department of Finance (DOF) annually prepares 10-year enrollment projections for the community colleges. (For determining capital outlay needs, CCC enrollments are measured by weekly student contact hours.) Over the last three years, the CCC's enrollment growth of 16 percent has outpaced the DOF's projections. The DOF's most recent projections show CCC enrollments growing by 9 percent in the next five years. The CCC's five-year plan is based on the DOF enrollment projections.

Although the CCC's five-year plan includes a discussion of how each project accommodates enrollment growth, the plan does not summarize this information on a statewide basis. Such information would be useful to the Legislature in determining how the CCC's five-year plan addresses enrollment needs.

1992-93 Budget Proposals

The budget proposes capital outlay expenditures for the three segments totaling \$548 million in 1992-93, including \$366 million from a proposed general obligation bond fund and \$182 million from lease-payment bonds. Based on project cost estimates prepared by the segments, the costs to complete the projects proposed in the budget total \$1.6 billion. Table 2 summarizes the budget request.

Table 2

Higher Education Capital Outlay 1992-93 Capital Outlay Programs

(in thousands)

	Budget Bill Amounts			Future Costs ^a
	1992 General Obligation Bonds	Lease- Payment Bonds	Total	
University of California	\$139,942	\$92,623	\$232,565	\$338,732
California State University	124,774	89,331	214,105	788,540
California Community Colleges	101,380	—	101,380	464,000
Totals	\$366,096	\$181,954	\$548,050	\$1,591,272

^a Segment estimates, adjusted to ENR 4999, the cost index in use for budget.

Contingent Nature of Budget Proposal

The budget proposal for higher education capital outlay is contingent on a number of factors.

Future Bond Measures. First, 67 percent of the capital outlay requests for the budget year for higher education (\$366 million) is predicated on passage of a general obligation bond measure during 1992. At the time this *Analysis* was prepared, two bond proposals for higher education were pending in the Legislature. Senate Bill 119 (Hart) proposes a \$900 million measure and AB 257 (Hayden) proposes a \$1 billion measure, both for the June 1992 election. (The budget assumes authorization of \$900 million of general obligation bonds for higher education facilities in 1992.)

Unidentified Future Funding Sources. Even if the proposed bond measure succeeds, completion of the proposed projects is contingent on future sources of funding that the administration has not identified. As noted above, the estimated costs to complete the higher education projects proposed in the budget total \$1.6 billion. The budget proposes leaving about \$500 million of general obligation bonds available for expenditure after 1992-93. Thus, the gap between what is needed to complete the proposed projects and the available resources the administration has identified in its spending plan is about \$1.1 billion.

State's Fiscal Outlook and Enrollment Policies. Finally, the state's general fiscal problems cast uncertainty upon the enrollment growth assumptions on which the segments' capital outlay programs are largely based. As we noted above, the projected graduate enrollment increases, on which the UC program is partly based, have not occurred in recent years. In the current year, CSU's enrollments declined by 8,452 FTE students, due, at least in part,

to the state's fiscal constraints. (This decrease is equivalent to the entire enrollment at the San Bernardino campus.) On the other hand, community college enrollments have exceeded the state's projections for the last three years.

The state's current fiscal condition presents difficult choices for the Legislature — including decisions as to how much growth in higher education enrollments can be accommodated, and in what manner, during the next several years. The uncertainties over enrollment growth that arise from the current fiscal condition are not evident in the capital outlay plans, which continue to plan for enrollment growth on a "business as usual" basis. This approach may make sense if the impact of the current constraints on the state's ability to fund growth is for one or two fiscal years, since capital outlay plans need to be long-term in their view. If the impact of these constraints are longer-term, however, this approach may need to be re-examined, especially with regard to the UC and the CSU.

Recent Funding History/Administration's Financing Plan

In the past five years, the state has financed higher education capital outlay costs through General Fund lease-payment bonds (more than \$1.1 billion), general obligation bonds (more than \$1.0 billion), and a relatively minor amount (\$4 million) from the Special Account for Capital Outlay in the General Fund. Chart 1 compares the amounts appropriated from lease-payment and general obligation bonds since 1988-89 with amounts scheduled for higher education capital outlay under the five-year plans prepared by the segments. Chart 1 shows a dramatic drop in general obligation bond appropriations in 1991-92. This was due to the failure in the November 1990 election of the \$450 million bond measure for higher education. In that fiscal year, appropriations were \$295 million below the amount scheduled for expenditure under the five-year capital outlay plans prepared by the segments. In the other fiscal years, appropriations have ranged from about \$40 million to \$160 million below planned amounts.

Budget Does Not Identify How Future Costs Are to Be Met

We recommend that the Department of Finance report to the fiscal committees, during budget hearings, on how the administration intends to fund the costs to complete the projects proposed in the budget while keeping the projects on schedule.

Chart 1

Higher Education Capital Outlay Appropriations And Funding Needs Based on Segments' Five-Year Plans 1988-89 through 1996-97

(In millions)

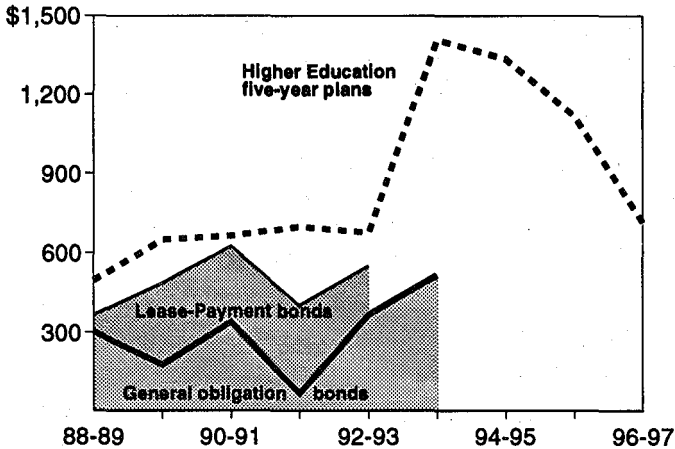


Chart 1 also shows a dramatic increase in planned spending from the budget year to 1993-94 and beyond. This increase is due largely to the prevalence of projects for which the budget requests preliminary plans and/or working drawings in 1992-93. The higher costs in the later years reflect the need to fund construction and equipment for these projects. As noted above, the estimated costs to complete the higher education projects proposed in the budget total \$1.6 billion. The budget proposes leaving about \$500 million of general obligation bonds available for expenditure after 1992-93, as Chart 1 indicates. Thus, the gap between what is needed to complete the proposed projects and the available resources the administration has identified in its spending plan is about \$1.1 billion. Although the five-year plans show declining expenditure needs after 1993-94, these still exceed historic levels by substantial margins, as shown in the chart.

Unless this \$1.1 billion gap is bridged by some funding source, it will not be possible to keep the projects included in the budget on the schedules proposed by the segments. In view of this, we recommend that the Department of Finance report to the fiscal committees, during budget hearings, on how the administration intends to fund the costs to complete the projects proposed in the budget while keeping the projects on schedule.

In the past, because of an insufficient amount of general obligation bonds for higher education capital outlay, the state has relied on lease-payment bonds (a more expensive financing mechanism) to make up the difference. We believe this can and should be minimized in the future, a subject to which we now turn.

Minimizing Use of Lease-Payment Bonds

We recommend that the Legislature adopt a policy of using general obligation bonds, instead of lease-payment bonds, to the maximum extent possible for higher education capital outlay needs, in order to minimize future General Fund costs.

The budget assumes passage by the Legislature and the voters during 1992 of a \$900 million general obligation bond measure for higher education facilities, and proposes to spend \$376 million of the bond proceeds in the budget year for higher education programs. Accounting for amounts proposed to be left in reserve for various purposes, the budget leaves about \$500 million of the bond funds available to complete the projects that it proposes. This is \$1.1 billion short of the \$1.6 billion needed, based on the project costs estimated by the three segments.

Lease-Payment Bonds Impose Major General Fund Costs. In the past, because of an insufficient amount of general obligation bonds for higher education capital outlay, the state has relied on lease-payment bonds to make up the difference. Lease-payment bonds are more costly than general obligation bonds due to a variety of factors, including higher interest rates, requirements for reserves, administrative costs, and insurance costs.

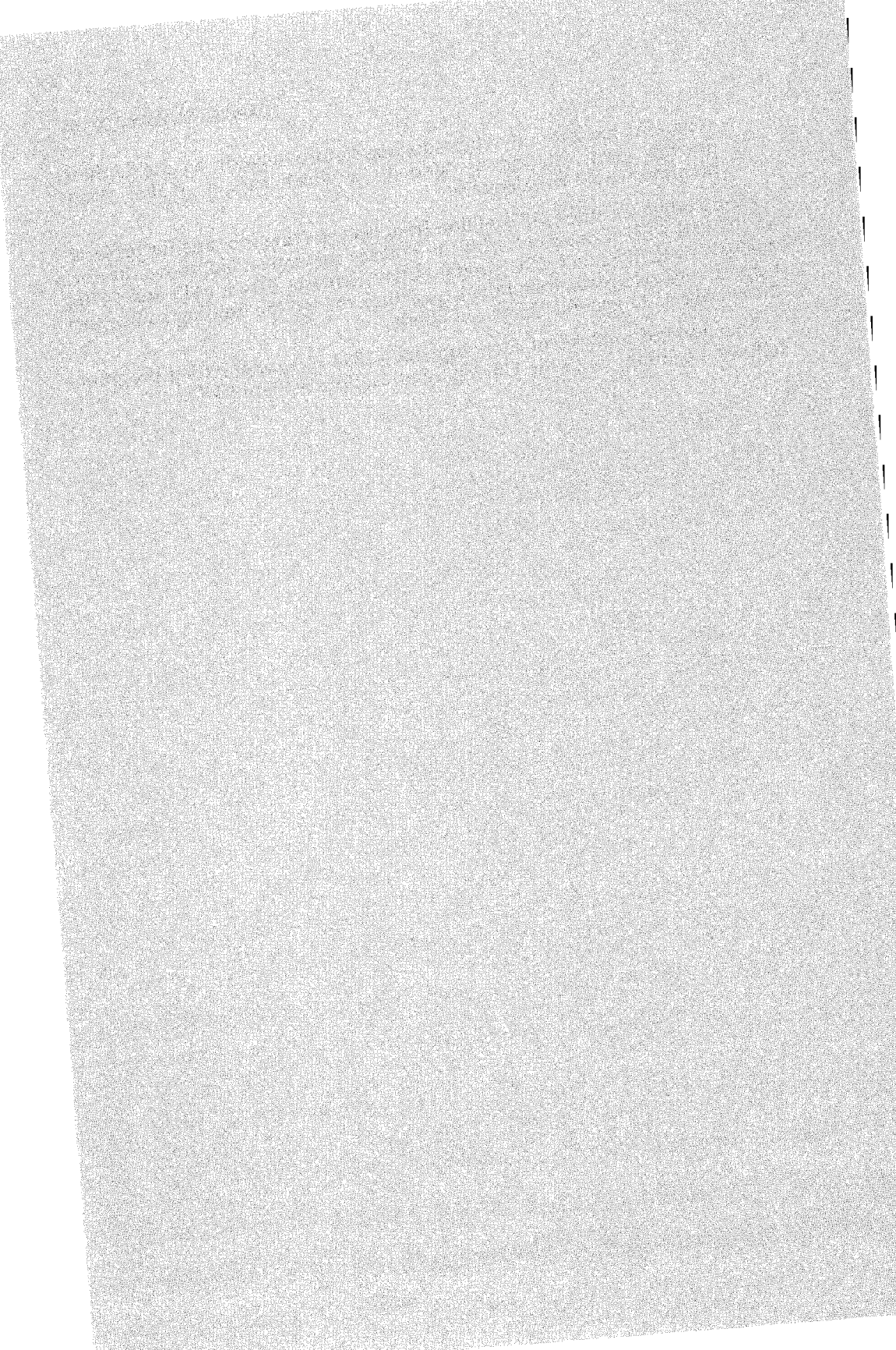
Legislature Should Decide Upon the Program It Wants and Fund it with General Obligation Bonds. With proper planning, the unnecessary General Fund costs associated with lease-payment bonds can be avoided. To do this, we believe the Legislature should adopt the following policies for funding the state's higher education facilities needs:

- Meet the needs to the maximum extent possible from general obligation bonds.
- Treat lease-payment bonds as a funding mechanism of last resort. Limit the use of lease-payment bonds to critical expenditures that cannot be deferred and for which general obligation bonds cannot be provided.
- Ask the state's voters to authorize enough general obligation bonds to *complete* the capital outlay projects that the Legislature wishes to initiate. If the Legislature believes that all of the higher education projects proposed in the budget should be approved as budgeted, general obligation bond measures totaling more than \$2 billion would be needed in 1992 to provide for completion of the projects. Alternatively, the Legislature could decide that a smaller capital outlay

program, focused on what the Legislature regards as the highest priority needs, should be funded, in which case a smaller bond measure would be adequate.

The budget includes \$182 million from lease-payment bonds for projects at UC and CSU. Consistent with the policies recommended above, in our analysis of the UC and CSU capital outlay requests (Items 6440 and 6610, respectively), we recommend the Legislature change the funding source for these projects to general obligation bonds.

Our detailed analysis of each segment's 1992-93 capital outlay program follows, beginning with the University of California (Item 6440).



University of California—Capital Outlay Item 6440

Expenditures

Requested 1992-93 \$232,565,000

Fiscal Recommendations

Total recommended approval \$215,759,000

Total recommended reduction 1,921,000

Recommendation pending 14,885,000

MAJOR ISSUES

- ▶ **Contingent Nature of Program.** Implementation of the proposed capital outlay program is *contingent* upon a number of factors, including passage during 1992 of a major general obligation bond measure, future funding sources that are not identified, and uncertainties surrounding enrollment growth.
- ▶ **Bond Policy.** We recommend that the Legislature adopt a policy of using general obligation bonds, instead of lease-payment bonds, to the maximum extent possible for higher education capital outlay needs, in order to minimize future General Fund costs. Accordingly, we recommend changing the proposed funding source for five UC projects from lease-payment bonds to general obligation bonds.
- ▶ **Accommodating Enrollments.** Assessing the budget's effect on accommodating growing enrollments at UC campuses is difficult, because UC has not included in its five-year plan information — requested by the Legislature in the *Supplemental Report of the 1990 Budget Act* — on how proposed projects address enrollment needs.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

Findings and RecommendationsAnalysis
Page**Five-Year Capital Outlay Plan**

1. **Graduate Enrollments.** Past University of California (UC) projects have been designed and constructed to provide space for graduate enrollment increases (and related faculty increases) that have not occurred, because recent support budgets have not provided funds for graduate enrollment increases. The five-year capital outlay plan continues to be based on assumed increases in graduate students and faculty that may not occur, given uncertainties about future state funding support for graduate enrollment increases. 100
2. **Assessing Enrollment-Generated Needs.** Assessing the budget's effect on accommodating growing enrollments at UC campuses is difficult, because UC has not included in its five-year plan, information — requested by the Legislature in the *Supplemental Report of the 1990 Budget Act* — on how proposed projects address enrollment needs. 103

Budget Request

3. **Emphasis on Research and Office Space.** The UC capital outlay program continues its emphasis on research facilities. The budget also indicates a new trend in the allocation of resources toward projects that primarily provide office space for faculty and other staff. 104
4. **Contingent Nature of Program.** Implementation of the proposed capital outlay program is contingent upon a number of factors, including passage during 1992 of a major general obligation bond measure, future funding sources that are not identified, and uncertainties surrounding enrollment growth. 105
5. **Use General Obligation Bonds Instead of Lease-Payment Bonds. Reduce Item 6440-301-660 by \$92,623,000 and increase Item 6440-301-705 by the same amount.** Recommend that the Legislature adopt a policy of using general obligation bonds, instead of lease-payment bonds, wherever possible for higher education capital outlay needs, in order to minimize future General Fund costs. Accordingly, we recommend changing the proposed funding source for five UC projects from lease-payment bonds to general obligation bonds. 106

6. **Excessive Costs for UC Office Buildings. Reduce Item 6440-301-705 by \$1,321,000.** 107
Recommend limiting the costs of UC office projects to that followed by the California State University (CSU) in its building cost guidelines. Accordingly, we recommend reductions to five proposed office projects. (Estimated future savings of \$31.7 million.)
7. **Postdoctoral Offices. Reduce Item 6440-301-705 by \$469,000.** 109
Recommend deletion of funding requested for postdoctoral offices, because (a) the state does not provide funds for annual support of postdoctoral positions and (b) these offices are not included in the space/utilization standards adopted by the Legislature for higher education. (Estimated future savings of \$2 million.)
8. **UC San Francisco — Emergency Shower/Eyewash System Improvements, Phase I. Reduce Item 6440-301-705(42) by \$131,000.** 110
Recommend deleting funds requested for preliminary plans and working drawings for Phase I improvements at UC San Francisco, because UC has not (a) justified the need for the water system modifications; (b) identified the scope, cost, or schedule for subsequent phases; or (c) assessed the potential statewide implications of the project.
9. **UC San Francisco — Library Release Space Improvements.** 112
Withhold recommendation on \$14,885,000 requested under Item 6440-301-705(39) for construction of Library Release Space Improvements at the San Francisco campus, pending information on (a) the steps the administration will take to assure that, in the future, significant scope changes are presented for the Legislature's review in a timely manner, and (b) when and at what cost the university intends to construct the teaching laboratory space it has deleted from the scope of this project.

Overview of the Budget Request and the Five-Year Capital Outlay Plan

Budget Request

The budget proposes appropriations totaling \$232.6 million to fund the state's share of the University of California's capital outlay program in 1992-93. Of this amount, \$92.9 million would come from General Fund lease-payment bonds. The remainder of the request — \$139.9 million — would come from an as yet unauthorized 1992 general obligation bond fund.

The budget assumes passage by the Legislature and the voters during 1992 of a \$900 million general obligation bond measure for higher education facilities. This amount is not adequate to either meet the needs identified by

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

each segment of higher education in their respective five-year capital outlay plans for 1992-93 and 1993-94 (\$2.1 billion total), nor to fund the estimated amount needed to initiate and complete the higher education capital outlay projects proposed in the budget (\$2.2 billion). The problems created by this mismatch between proposed funding and proposed programs are discussed in further detail in our overview of higher education capital outlay, which immediately precedes this section of the *Analysis*.

Five-Year Capital Outlay Plan

Past University of California projects have been designed and constructed to provide space for graduate enrollment increases (and related faculty increases) that have not occurred. Likewise, the five-year capital outlay plan is based on enrollments that may not occur.

The UC's five-year capital outlay plan, dated October 1991, calls for the expenditure of almost \$1.2 billion of state funds from 1992-93 through 1996-97, including about \$247 million in the budget year. The budget provides 94 percent of the amount requested in the plan for 1992-93. The amounts identified in the five-year plan do *not* include any amounts for the planning or establishment of new campuses. Table 1 shows UC's projected funding needs by fiscal year.

Table 1

**University of California
Five-Year Capital Outlay Plan
1992-93 through 1996-97**

(dollars in millions)

1992-93	1993-94	1994-95	1995-96	1996-97	Totals
\$247.4	\$227.9	\$246.5	\$232.5	\$211.0	\$1,165.3

In several respects, UC's five-year plan is a model that other state departments would do well to emulate. It indicates the priorities of projects throughout the five-year planning period, rather than just the first year. Where completion of projects extends beyond the fifth year, the plan indicates the cost to complete the projects. Information included in the plan, with very few exceptions, can be relied upon as accurate. Finally, project descriptions and campus overview sections, although sometimes lacking necessary detail, are well written and unambiguous.

Priority-Setting in the Plan. Although the plan ranks all projects in priority order, it is not clear on what basis the ranking is done. Unlike the

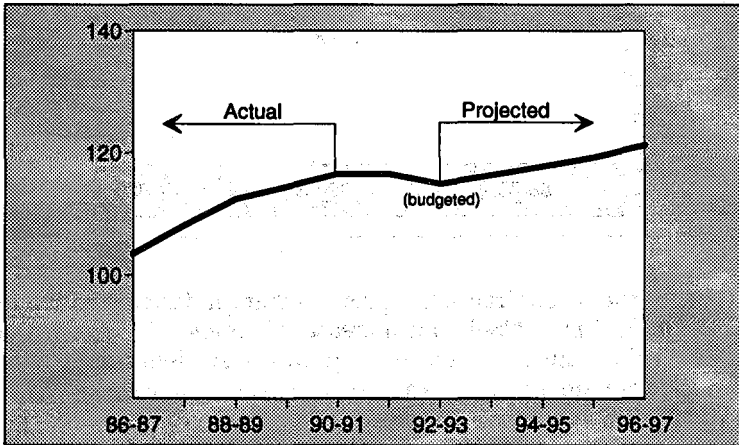
five-year plans for the other two segments of higher education, UC's plan does not include criteria or any other information indicating how UC determines its capital outlay priorities.

Undergraduate Enrollments. Chart 1 shows UC's projections of enrollment growth — converted to full-time equivalent (FTE) — for undergraduate students, as contained in the five-year capital outlay plan, as well as actual FTE enrollments since 1986-87. During the five-year period from 1986-87 to the current year, undergraduate FTE has increased from 103,506 to 116,549, almost 13 percent. From the current year, UC projects that undergraduate FTE will climb to 121,273 in 1996-97, a 4 percent increase over a five-year period. During the two-year period from 1990-91 to the budgeted year, however, undergraduate FTE is expected to *decline*.

Chart 1

**University of California
Undergraduate Enrollments (full-time equivalent)
1986-87 through 1996-97**

(In thousands)



Graduate Enrollments. Chart 2 shows UC's actual and projected FTE enrollments for graduate students for the same time period. In the current year, graduate FTE is not expected to be any higher than it was five years ago. The difference in recent enrollment trends for graduate and undergraduate students is due largely to an important distinction under state policy. Under the state's Master Plan for Higher Education, undergraduate enrollments are driven primarily by demographic factors, such as numbers

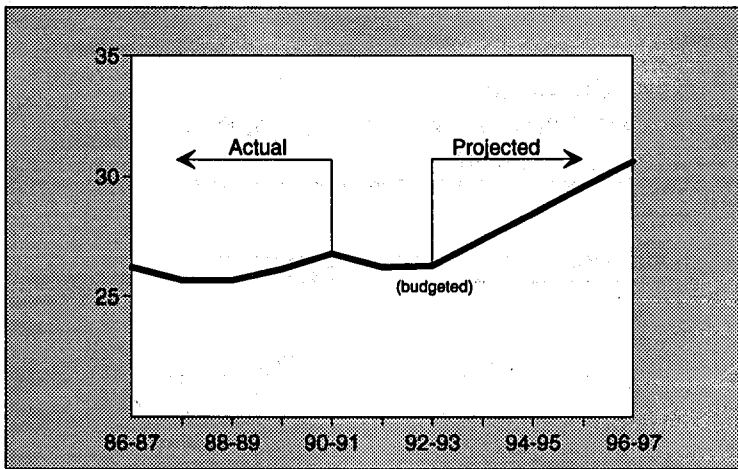
UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

of students graduating each year from the state's high schools, whereas graduate enrollments are subject to policy choices made each year by the university and the state.

Chart 2

**University of California
Graduate Student Enrollments (full-time equivalent)
1986-87 through 1996-97**

(in thousands)



In contrast to the recent trend, UC projects that graduate enrollments will climb to 30,626 FTE by 1996-97, an increase of almost 17 percent over the current year. This planned increase in graduate students is substantially greater, in percentage terms, than the 4 percent increase projected for undergraduate FTE. In terms of numbers of FTE students, the planned graduate student increase (4,398 FTE) is almost as much as the projected undergraduate student increase (4,724 FTE).

Funded Capital Outlay Program has been Based on Graduate Enrollment Increases. For several years, UC capital outlay plans have projected significant increases in graduate enrollment. As shown in Chart 2, graduate enrollment is no higher in the current year than in 1986-87, because funds have not been provided in recent budgets for graduate enrollment increases. Nevertheless, on the basis of these projections, over the past five years, the Legislature has appropriated approximately \$885 million for UC's capital

outlay program. We conclude that many of the funded projects have been designed and constructed to provide space for graduate enrollment increases (and related faculty increases) that have not occurred. The current five-year plan continues to be based on significant increases in graduate enrollments (and related faculty). This approach is questionable, given past trends and continuing uncertainties about future state funding in annual support appropriations for graduate enrollment increases.

Plan Still Does Not Show How Enrollments are Accommodated

The five-year capital outlay plan does not include information requested by the Legislature and, therefore, we are unable to advise the Legislature on the extent to which the plan accommodates enrollments.

Unfortunately, we are unable to advise the Legislature on the extent to which UC's five-year capital outlay plan provides for accommodating undergraduate and graduate enrollments. The plan does not specify, based on state standards, how many undergraduate or graduate students would be accommodated by the space to be constructed, nor does it identify the costs to design and construct that space, even though the Legislature requested this information in the *Supplemental Report of the 1990 Budget Act*. (In contrast, CSU and the California Community Colleges have provided such information to the Legislature for years.)

As a supplement to the plan, UC each year prepares a detailed set of "space analysis tables" for each campus. Much of the information included in these tables is useful. For example, the tables show how classroom space at each campus compares with the state's standards for such space, and how this measure changes upon completion of the projects proposed in the plan. Similar measures are not provided individually, however, for teaching laboratories, research laboratories, and faculty offices. The Legislature is not informed, therefore, on whether campuses currently have, for example, too much or too little teaching laboratory space, or whether they would have too much or too little teaching laboratory space upon completion of the projects proposed. As a result, the Legislature does not have answers to fundamental questions, such as the following:

- To what extent are campuses deficient (or surplus) in teaching laboratory space, faculty offices, and research space now and in the future?
- To what extent does the capital outlay plan address these deficiencies?
- Based on state standards, how many undergraduate and graduate students are accommodated under the projects in the plan?

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**Status of New Campus Planning**

Two years ago, during hearings on the 1990-91 budget, 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 campus and (2) reassess its enrollment assumptions associated with additional campuses. In the five-year capital outlay plan, UC reports that the Regents have identified three sites for final consideration for a tenth campus to be located in the San Joaquin Valley — the Lake Yosemite site, five miles northeast of Merced; the Table Mountain site, in Madera County, 12 miles north of Fresno; and the Academy site, 10 miles east of Clovis (Fresno County). Following an Environmental Impact Report (EIR) process, final site selection *may* occur by spring 1993. This schedule is tentative. In the report, UC states, "The schedule for continued planning of a tenth campus is dependent on the availability of adequate State resources to maintain the quality of existing programs as well as support expansion of the University."

Regarding possible eleventh and twelfth campuses, the university has not provided the Legislature with a reassessment of enrollment assumptions. At this point, those efforts are essentially on hold, given uncertainties about the future level of state support for the university.

Analysis and Recommendations

The University of California's 1992-93 capital outlay program includes nearly \$233 million of state funds for 52 major projects and three programs — minor capital outlay (\$250,000 or less per project), seismic planning, and advance/preliminary planning. Table 2 summarizes the request by project categories.

Emphasis on Research and Office Space

The UC capital outlay program continues an emphasis on research space and initiates an emphasis on office space.

Continued Emphasis on Research Space. As Table 2 indicates, research facilities constitute the largest category of expenditure proposed in the UC capital outlay budget. (Most UC projects include a mix of research, teaching, and office space. We have categorized projects as primarily one or another, based on the relative amounts of square feet proposed for these purposes.) The budget proposes expenditures in 1992-93 of \$96.6 million for research-related facilities, 42 percent of the total UC capital outlay request. Adding estimated future costs (post-budget year) to complete projects, research facilities account for planned expenditures totaling \$167 million.

Table 2

**University of California
1992-93 Capital Outlay Program**

(dollars in thousands)

Category	Number of Projects	Budget Bill Amount	Estimated Future Cost ^a	Total
Research facilities	10	\$96,617	\$70,050	\$166,667
Faculty/other offices	7	29,338	135,747	165,085
Instructional facilities	8	45,565	50,150	95,715
Library facilities	4	2,277	56,602	58,879
Mitigate hazards	6	9,958	16,321	26,279
Complete newly constructed facilities	9	16,286	4,181	20,467
Utilities/infrastructure	7	18,375	1,230	19,605
Other	4	14,149	4,451	18,600
Totals	55	\$232,565	\$338,732	\$571,297

^a University estimate.

Emerging Emphasis on Office Space. Table 2 also indicates a new trend in the allocation of resources toward projects that primarily provide office space for faculty, other staff, and graduate students. The budget-year amounts for office projects total \$29.3 million, but the future costs to complete these projects are estimated by UC to total \$136 million. The relatively large future cost is due to the fact that six of the seven office projects are proposed to the Legislature for the first stage of state funding (either preliminary plans or working drawings). As in any capital outlay project, by far the largest share of project costs is in the construction phase, which, in the case of these six projects, lies in the future.

Contingent Nature of Budget Proposal

The UC capital outlay program in the budget is contingent on passage of a bond measure in 1992 and on future funding from unspecified sources. It is also contingent on growth in enrollments and associated faculty.

The proposed capital outlay budget is contingent in nature, for a variety of reasons discussed in detail in the overview of higher education capital outlay preceding this section of the *Analysis*.

First, with 60 percent of the request (\$139.9 million) from a proposed bond fund, the program is predicated on passage during 1992 of a \$900 million general obligation bond measure for higher education facilities. Second, even if the proposed bond measure succeeds, *completion* in future years of the projects proposed in the budget is contingent on future sources of funding that the administration has not identified. Finally, the state's

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

general fiscal problems cast uncertainty upon assumptions of rapid growth in enrollments and associated faculty, on which the capital outlay program is largely based.

Proposals for Which We Do Not Recommend Approval as Budgeted

As discussed above, the budget includes almost \$233 million for 55 projects/programs for UC capital outlay. We recommend approval as budgeted for 47 of these requests, totaling \$216.9 million. Of this amount, we recommend that the Legislature change the financing from lease-payment bonds to general obligation bonds for five projects, totaling \$92,623,000, as discussed below. Our recommendations for the remaining eight projects are also discussed below.

Minimizing Use of Lease-Payment Bonds

We recommend that the Legislature adopt a policy of using general obligation bonds, instead of lease-payment bonds, to the maximum extent possible for higher education capital outlay needs, in order to minimize future General Fund costs, as discussed in our overview of higher education capital outlay. Accordingly, we recommend that the Legislature change the proposed funding source for five UC projects from lease-payment bonds to general obligation bonds (reduce Item 6440-301-660 by \$92,623,000 and increase Item 6440-301-705 by the same amount).

The budget includes five UC projects under Item 6440-301-660 for funding from lease-payment bonds. Table 3 lists the projects.

Table 3

University of California 1992-93 Capital Outlay Program Item 6440-301-660 (Lease-Payment Bonds)

(In thousands)

Project	Budget Bill Amount
Davis — Social Sciences/Humanities	\$23,617
Davis — Chilled water system expansion, phase 3	4,876
Riverside — Engineering unit 1	36,200
San Diego — Engineering unit 2	25,186
Santa Barbara — Biology and psychology renovations	2,744
Total	\$92,623

In our overview of higher education capital outlay immediately preceding the UC capital outlay analysis, we discuss in detail how the Legislature can minimize future General Fund costs by adopting the following policies for funding the state's higher education facilities needs:

- Meet the needs to the maximum extent possible from general obligation bonds.
- Treat lease-payment bonds as a funding mechanism of last resort. Limit their use to critical expenditures that cannot be deferred and for which general obligation bonds cannot be provided.
- Ask the state's voters to authorize enough general obligation bonds to *complete* the capital outlay projects that the Legislature wishes to initiate.

Accordingly, we recommend that the Legislature change the funding source for these five projects to general obligation bonds (reduce Item 6440-301-660 by \$92,623,000 and increase Item 6440-301-705 by the same amount). We make a similar recommendation for 11 CSU projects in our analysis of the CSU capital outlay program (Item 6610).

Excessive Cost for Office Buildings

We recommend limiting the costs of UC office projects to that followed by the CSU in its building cost guidelines. Accordingly, we recommend reductions to five proposed office projects totaling \$1,321,000 in the budget year (reduce Item 6440-301-705) and future savings of \$31.7 million.

As shown in Table 2, the budget requests funds for seven projects that primarily provide office space for faculty, graduate students, and staff. Six of these projects are proposed in the budget for the first time. (The Legislature previously approved funds for preliminary plans and working drawings for the Humanities/Social Sciences building at the Davis campus.) The six office projects for which the budget requests initial legislative authorization are listed in Table 4, with the allocations of space and the square foot costs proposed by UC for each building.

As Table 4 indicates, the construction costs proposed by UC for expansion of Dwinelle Hall at the Berkeley campus are \$100 per gross square foot. This is close to what the state provides for similar projects on CSU campuses. In contrast to UC, the CSU generally follows published guidelines of square foot costs for purposes of establishing project budgets. The CSU guidelines would call for costs averaging \$107 per gross square foot (gsf) for the same type of space proposed in these UC projects.

Table 4

**University of California
1992-93 Capital Outlay Program
Faculty/Graduate Student/Staff Office Projects**

(dollars in thousands)

Project	Budget Bill Amount	Future Cost	Space Allocations (assignable square feet)					Square Foot Building Cost (dollars per gross square foot)
			Classroom	Teaching Laboratory	Research	Office	Other	
Berkeley Dwinelle Hall expansion	\$410	\$9,636	—	—	6,300	23,000	—	\$100
Irvine								
Social Sciences Unit 2	1,278	31,267	—	—	10,530	44,934	—	162
Humanities/Fine Arts	1,423	32,759	5,900	28,100	10,590	38,550	—	160
Riverside								
Humanities/Social Sciences	794	18,186	9,025	4,030	1,480	37,540	10,245	144
San Diego								
Social Sciences	623	13,803	—	—	3,800	34,980	6,220	153
Santa Barbara								
Humanities/Social Sciences	1,193	28,989	10,600	13,180	6,160	53,730	5,620	155
Totals	\$5,721	\$134,640	25,525	45,310	38,860	232,734	22,085	

Other than the Dwinelle Hall project, the UC projects listed in Table 4 have square foot costs ranging from \$144 to \$162 per gs. The university justifies these relatively high costs on the basis that these are the costs it has used in the past to design and construct similar projects. We have asked UC to provide details showing how project budgets are established. We have not received this information. In the absence of specific justification, we find no analytical reason why the state should spend more for space for UC faculty, students, and staff than it does for the same type of space for CSU faculty, students, and staff. Accordingly, we recommend limiting the building costs of the five UC projects to \$107 per gs, with budget-year savings of \$1,321,000 and future cost savings of \$31.7 million, as shown in Table 5.

Table 5

**University of California
1992-93 Capital Outlay Program
Faculty/Graduate Student/Staff Office Projects
Analyst's Recommendations**

(In thousands)

	Budget Bill Amount	Analyst's Recommen- dation	Future Savings
Irvine — Social Sciences unit 2	\$1,278	\$914	\$8,732
Irvine — Humanities/Fine Arts	1,423	1,100	7,754
Riverside — Humanities/Social Sciences	794	624	4,082
San Diego — Social Sciences	623	478	3,472
Santa Barbara — Humanities/Social Sciences	1,193	874	7,660
Totals	\$5,311	\$3,990	\$31,698

Postdoctoral Offices

We recommend that the Legislature delete funding requested for postdoctoral offices, because (1) the state does not provide funds for annual support of postdoctoral positions and (2) these offices are not included in the space/utilization standards adopted by the Legislature for higher education. (Reduce Item 6440-301-705 by \$469,000. Estimated future savings of \$2 million.)

The budget proposes funds for several UC projects that include construction of over 14,000 assignable square feet of office space for postdoctoral fellows. Table 6 lists these projects, the amount of space provided overall and for postdoctoral fellows, and our recommendations.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

Table 6

**University of California
1992-93 Capital Outlay Program
Buildings with Postdoctoral Offices**

(dollars in thousands)

	Total Building Space (asf)	Post- doctoral Space (asf)	Budget Bill Amount*	Analyst's Recommen- dation	Future Savings
Berkeley College of Chemistry unit 3	57,654	1,952	\$13,182	\$12,792	—
Irvine Social Sciences unit 2	87,460	1,792	1,278	1,265	\$300
San Diego Social Sciences	45,000	1,296	623	615	200
Santa Barbara Humanities/Social Sciences	89,290	7,000	1,193	1,145	1,150
Physical Sciences renovation	61,952	2,131	455	445	350
Totals	341,356	14,171	\$16,731	\$16,262	\$2,000

* Amount for entire building, including postdoctoral offices.

Postdoctoral fellows are in residence at each UC campus, conducting research and assisting faculty in their research efforts. The state does not provide funds for support of postdoctoral fellows. Instead, virtually all support for postdoctoral fellows comes from extramural research grants. Also, the state's space/utilization standards for higher education do not provide for state funding of space for postdoctoral fellows. For these reasons, we recommend that the Legislature reduce Item 6440-301-705 by \$469,000, by deleting the funds proposed in the budget for postdoctoral office space, as shown in Table 6. This recommendation also results in a \$2 million future savings.

**UC San Francisco — Emergency Shower/Eyewash
System Improvements, Phase I**

We recommend that the Legislature delete funds requested for preliminary plans and working drawings for Phase I improvements at UC San Francisco, because UC has not (1) justified the need for the water system modifications of Phase I; (2) identified the scope, cost, or schedule for subsequent phases; or (3) assessed the potential statewide implications of the project. (Reduce Item 6440-301-705(42) by \$131,000. Estimated future savings for Phase I of \$879,000.)

The budget includes \$131,000 under Item 6440-301-705(42) for preliminary plans and working drawings for Phase I of improvements to the domestic water systems at the Parnassus Heights campus at UC San Francisco. The university estimates that future costs to complete Phase I will be \$879,000. Although the project is designated as Phase I, UC's five-year plan does not identify subsequent phases or costs.

At present, there are 278 emergency showers and/or eyewash stations on the Parnassus Heights campus for use in emergencies involving spillage of hazardous chemicals (used in various research and teaching laboratories). According to UC, almost 800 combination shower/eyewash units are needed at additional locations at the San Francisco campus to comply with building codes that have been changed to require placement of units "...in accessible locations that require no more than 10 seconds for the injured person to reach."

Proposal Does Not Include Any Emergency Shower/Eyewash Units. Despite the title of the project, the Phase I project proposed in the budget does not provide for the installation of any emergency shower/eyewash units. Installation of the units would be part of unspecified future phases, at unspecified future costs. Phase I actually involves modifying the domestic water systems in two campus buildings — the Health Sciences Instruction and Research building and the Medical Sciences building. According to UC, the current water systems "...are not adequate to support the deluge showers and eyewash fountains as required by code." Based on discussions with UC staff and review of the written proposal, we believe UC has not demonstrated why the proposed water system modifications are needed. For example, according to UC staff, the existing systems lack adequate water pressure for the *simultaneous* use of *all* existing and planned shower/eyewash units. It is not clear why this should be a criterion for design of the water systems, since an individual unit is used infrequently and for isolated instances — the entire number of shower/eyewash units would not be used simultaneously.

The university also has not demonstrated why the code change forces the installation of the additional units that is contemplated in subsequent phases. Building codes, including fire/life safety requirements, are revised on a regular basis. Therefore, only newly constructed buildings can ever be in complete compliance with codes. In fact, older buildings do not have to be in compliance with all current fire/life safety codes, unless major remodeling for other purposes takes place, in which case the affected area in the building is altered to meet existing codes. If UC believes the current situation is unsafe, then we would urge UC to clearly explain what makes the situation unsafe and how the proposed changes correct the situation. In this case, we also suggest that UC propose a project that includes the necessary shower/eyewash units.

Finally, if UC believes installation of additional shower/eyewash units is necessary at the San Francisco campus, it should also assess the statewide

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

implications of addressing similar problems at the many research and teaching laboratories throughout the university system where existing systems also do not meet the new code.

In view of the above, the budget proposal is both premature and incomplete. Accordingly, we recommend deleting funds requested for preliminary plans and working drawings (reduce Item 6440-301-705 (42) by \$131,000).

UC San Francisco — Library Release Space Improvements

We withhold recommendation on \$14,885,000 requested for construction of Library Release Space Improvements at the San Francisco campus (Item 6440-301-705(39)), pending information on (1) the steps the administration will take to assure that, in the future, significant scope changes are presented for the Legislature's review in a timely manner, and (2) when and at what cost the university intends to construct the teaching laboratory space it has deleted from the scope of this project.

The budget proposes \$14,885,000 under Item 6440-301-705(39) for construction of the Library Release Space Improvements project at the San Francisco campus.

Background. In the 1990 Budget Act, the Legislature appropriated \$1,905,000 from higher education bond funds for preliminary plans (\$749,000) and working drawings (\$1,156,000) to remodel space "released" by the move of the San Francisco campus library into a newly constructed facility. Under the schedule approved by the Legislature, UC was to complete the preliminary plans by January 1991 and the working drawings by November 1991, with a request for construction funds expected as part of the 1991-92 budget. Due to the failure of the November 1990 bond measure, UC postponed its request for construction funds. The university also decided to postpone completion of preliminary plans and reassess its planned use of the release space. This reassessment led to significant changes in the planned use of the space and the nature of this project.

Scope Change. In a letter dated November 21, 1991, the Director of Finance notified the Chair of the Joint Legislative Budget Committee of his intent to approve a change in the scope and cost of this project. The proposed changes included the following:

- A net decrease in teaching space (laboratory and lecture) from 16,320 assignable square feet (asf) to 12,600 asf.
- Elimination of 3,455 asf for Pharmacy teaching laboratories. The space now will be remodeled for research laboratory purposes. The UC indicates that the Pharmacy teaching laboratory space will be included in a future project at an unknown cost to the state.

- A net increase in research space from 23,370 asf to 30,653 asf.
- Remodeling of two large lecture halls (seating 150 people each) in the School of Nursing. These facilities are unrelated to the space vacated for the new library, and are actually located *in a different building*.
- An increase in total estimated project costs of \$6,586,000 (33 percent) from approximately \$20 million to \$26.6 million. The estimated cost to the state, however, would decrease by \$1,348,000. Of the total cost (\$26.6 million), an estimated \$7,886,000 will be provided by nonstate funds.

Based on the information provided at the time of the Director's letter, it was evident that not only were the proposed changes significant, but they already had been incorporated into the state-funded preliminary plans, which were nearing completion. It is not clear under what authority this was done. Moreover, since the design changes were made prior to the notification to the Legislature, the Legislature was given no meaningful involvement in the decision to change the legislatively approved project.

Response from Chair of Joint Legislative Budget Committee. In a letter dated December 11, 1991, the Chair advised the Director of Finance that, if the Director approved the proposed scope change, he would do so without the Chair's concurrence. The Chair also asked the Director to inform him as to the procedural changes that would be made to insure that, in the future, notification to the Legislature is provided *before* significant changes are made to legislatively approved projects.

Reply from the Director of Finance. In a letter dated January 13, 1992, the Director replied to the Chair's letter. In the letter, the Director did not address the Chair's request regarding procedural changes to insure future notification to the Legislature prior to significant project changes. The Director implied that he had approved the scope change by stating that the university was requesting construction funds in the 1992-93 budget (the scope/cost of the request in the budget is consistent with the proposed changes). He further stated that the university "...is prepared to fully discuss the project during the hearings this spring."

Recommendation on Budget Request Withheld. We withhold recommendation on the \$14,885,000 requested for construction under Item 6440-301-705(39), pending (1) a response to the Legislature to the specific concerns and questions raised by the Chair and (2) information from UC as to when it intends to request state funding of the Pharmacy teaching laboratories deleted from the project scope, and how much the space will cost.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

Supplemental Report Language

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

California State University—Capital Outlay
Item 6610

Expenditures

Requested 1992-93 \$214,105,000

Fiscal Recommendations

Total recommended approval \$195,125,000

Total recommended reduction 12,700,000

Recommendation pending 6,280,000

MAJOR ISSUES

- ▶ **Contingent Nature of Program.** The proposed capital outlay program is contingent upon a number of factors, including passage during 1992 of a major general obligation bond measure, future funding sources that are not identified, and uncertainties surrounding enrollment growth.
- ▶ **Bond Policy.** We recommend that the Legislature adopt a policy of using general obligation bonds, instead of lease-payment bonds, to the maximum extent possible for higher education capital outlay needs, in order to minimize future General Fund costs. Accordingly, we recommend changing the proposed funding source for 11 California State University projects, totaling \$89.3 million, from lease-payment bonds to general obligation bonds.

Continued

- **Unexplained Cost Increases.** The 1992-93 request is full of unexplained cost increases. These cost increases involve 21 projects and \$76 million in budget-year and future costs.

Findings and Recommendations

Analysis
Page

Five-Year Capital Outlay Plan

1. **Spending Plan May Need Reevaluation Based on Enrollment Growth.** California State University's (CSU) five-year capital outlay plan calls for a program exceeding \$2 billion over the next five years. If CSU enrollment levels decline as a result of budget constraints, the capital outlay program — unless altered — will over-build the CSU campuses. Thus, the plan may need to be reevaluated if CSU's support budget constraints continue. 118
2. **Five-Year Plan Priorities Unclear.** The plan's stated criteria for setting priorities does not distinguish between different types of space/facility needs. Thus, it is not clear how CSU weighs the need for a classroom facility, for example, against the need for administrative offices, performing arts centers, or other noninstructional space. 120

Budget Request

3. **Future Cost of Budget Proposal.** CSU estimates future costs totaling more than \$788 million to complete the projects proposed in the budget. The combined budget-year and future costs for these projects exceeds \$1 billion. 121
4. **Significant Share of Proposed Projects Largely Unrelated to Instructional Needs.** Noninstructional projects account for \$204 million in budget-year (\$56 million) and future costs (\$148 million), one-fifth of the total \$1 billion cost to initiate and complete proposed projects. 122
5. **Contingent Nature of Program.** The proposed capital outlay program is contingent upon a number of factors, including passage during 1992 of a major general obligation bond measure, future funding sources that are not identified, and uncertainties surrounding enrollment growth. 122

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

6. **Planned Delay in Construction of Projects.** Recommend that CSU report to the fiscal committees, prior to budget hearings, why it plans to delay construction of 29 projects proposed for preliminary plans and working drawings in 1992-93. 122
7. **Use General Obligation Bonds Instead of Lease-Payment Bonds.** Reduce Item 6610-301-660 by \$89,331,000 and increase Item 6610-301-705 by the same amount. Recommend that the Legislature adopt a policy of using general obligation bonds, instead of lease-payment bonds, wherever possible for higher education capital outlay needs, in order to minimize future General Fund costs. Accordingly, we recommend changing the proposed funding source for 11 CSU projects from lease-payment bonds to general obligation bonds. 124
8. **Increased Equipment Costs Not Justified.** Reduce Item 6610-301-705 by \$12,010,000. Recommend reducing amounts requested for equipment for nine projects because CSU has neither explained nor justified why the requests exceed amounts recognized by the Legislature in prior-year supplemental report language. 126
9. **Increased Project Costs Not Justified.** Reduce Item 6610-301-705 by \$334,000. Recommend reducing amounts requested for working drawings for a library addition at the Fullerton campus by \$271,000, and renovation of the Science building at the Northridge campus by \$63,000, because CSU has neither explained nor justified why the two project requests exceed amounts recognized by the Legislature in prior-year supplemental report language. Further recommend supplemental report language for these projects and for the renovation of the Engineering building at Northridge that continues estimated costs previously recognized by the Legislature (future savings of \$10.7 million). 127
10. **Other Unexplained Cost Increases Total Almost \$53 Million.** Withhold recommendation on \$2,749,000 requested under Item 6610-301-705 for preliminary plans and working drawings for nine projects, because CSU has not justified significant increases from previously estimated project costs, including increases in future costs for construction and equipment of \$50 million. 128
11. **Further Review Needed on Two Project Requests.** Withhold recommendation on \$1,286,000 requested under Item 6610-301-705 for preliminary plans and working drawings for an auditorium at the Fullerton campus (\$957,000) and a corporation yard at the San Francisco campus (\$329,000), because 129

information on the scope, cost, or need for these two projects was not provided until the end of January 1992.

12. **San Luis Obispo — Performing Arts Center. Reduce Item 6610-301-660 by \$356,000.** Recommend reducing the amount requested for construction of the Performing Arts Center at the San Luis Obispo campus by \$356,000, to eliminate a proposed reimbursement to private donors for working drawings, because this reimbursement is inconsistent with representations previously made to the Legislature about the funding of working drawings. Further recommend Budget Bill language, similar to language in the 1990 Budget Act, placing a cap on ultimate state expenditures for the project. 130
13. **San Marcos — Infrastructure/Site Development II and Academic Complex II.** Withhold recommendation on \$2,245,000 requested under Item 6610-301-705 for preliminary plans and working drawings for Infrastructure/site development II and Academic Complex II at the San Marcos campus, pending receipt of additional information. 131

Overview of the Budget Request and the Five-Year Capital Outlay Plan

Budget Request

The budget proposes appropriations totaling \$214.1 million to fund the state's share of the California State University's capital outlay program in 1992-93. Of this amount, \$89.3 million would come from General Fund lease-payment bonds. The remainder of the request — \$124.8 million — would come from an as yet unauthorized 1992 general obligation bond fund.

The budget assumes passage during 1992 of a \$900 million general obligation bond measure for higher education facilities. This amount is not related to either the needs identified by each segment of higher education in their respective five-year capital outlay plans for 1992-93 and 1993-94 (\$2.1 billion total) nor to the estimated amount needed to initiate and complete the higher education capital outlay projects proposed in the budget (\$2.2 billion). The problems created by this mismatch between proposed funding and proposed programs are discussed in further detail in our overview of higher education capital outlay, which precedes the University of California capital outlay section of the *Analysis* (Item 6440).

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

Five-Year Capital Outlay Plan

The CSU's \$2 billion spending plan may need reevaluation based on enrollment growth.

The CSU's five-year capital outlay plan, approved by the Trustees in September 1991, calls for the expenditure of more than \$2 billion of state funds from 1992-93 through 1996-97, including about \$238 million in the budget year. The budget provides 90 percent of the amount requested in the plan for 1992-93. The amounts identified in the five-year plan do *not* include any amounts for the planning or establishment of new campuses. Table 1 shows CSU's projected funding needs by fiscal year (adjusted to the construction cost index in use in the budget for higher education capital outlay).

Table 1					
California State University Five-Year Capital Outlay Plan 1992-93 through 1996-97					
(in millions ^a)					
1992-93	1993-94	1994-95	1995-96	1996-97	Totals
\$244.0	\$327.2	\$550.9	\$604.1	\$351.6	\$2,077.8

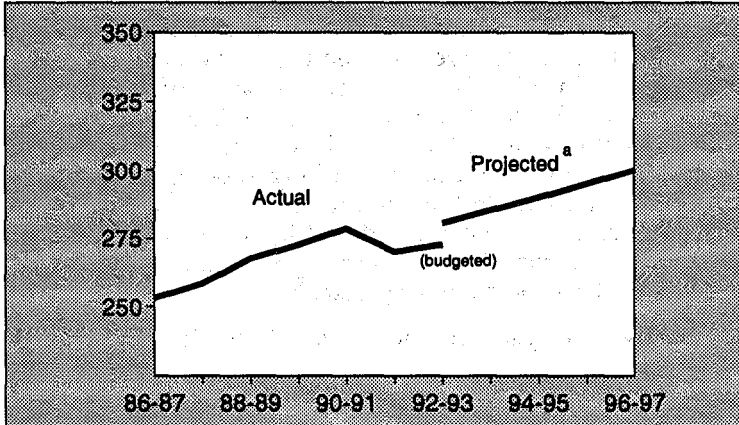
^a All amounts adjusted to ENR 4999, the construction cost index in use for the budget.

Student Enrollments. Chart 1 shows CSU's projections of full-time equivalent (FTE) enrollment growth, as contained in the five-year capital outlay plan, as well as actual FTE enrollments since 1986-87. During the four years from 1986-87 to 1990-91, FTE increased about 10 percent, from 252,789 to 278,502. From 1990-91 into the current year, however, enrollments have *fallen* by 8,452 FTE (3 percent) to 270,050 FTE. (This enrollment decline is equivalent to the entire enrollment at the San Bernardino campus.) The budget proposes a modest increase in 1992-93 of 2,600 FTE (less than 1 percent) to 272,650 FTE. This is virtually the same number of students that were on CSU campuses in 1989-90. Perhaps more significantly, the budgeted FTE level is 7,723 FTE below what was projected in the five-year plan for 1992-93 (see Chart 1). In effect, this shortfall in enrollment reflects a departure from the state's Master Plan for Higher Education. The CSU plan projects that enrollment will increase to almost 300,000 FTE (college-year basis) in 1996-97, an 11 percent increase over the current year.

Chart 1

California State University Full-Time Equivalent Enrollments 1986-87 through 1996-97

(In thousands)



^a Projections are from CSU's five-year capital outlay plan. The 1992-93 budget provides funds for 7,723 fewer full-time equivalent students than the plan projected for 1992-93.

Plan May Need Reevaluation Based on Enrollment Growth. As Chart 1 shows, the estimated enrollment for the current and budget years is significantly below projected levels contained in the five-year plan. If the current reduced enrollment level is an aberration limited to the current year and budget year, then enrollments could reach projected levels by the end of the five-year capital outlay plan period (1996-97). And, the capital outlay program will — if implemented — accommodate the projected enrollments. If, however, the reduced enrollment levels continue as a result of longer-term budget constraints, the capital outlay program — unless altered — will overbuild the CSU system. Under this latter scenario, the plan may need to be reevaluated.

How Helpful to the Legislature is the Five-Year Plan?

The CSU's five-year plan is one of the better plans prepared by state departments. It is generally well-organized and formatted to facilitate its use as a reference. It contains useful information on the numbers of students accommodated by each project and how each project changes the classroom, teaching laboratory, and faculty office capacity at campuses.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

The plan, however, could be improved. For example, it does not explain why projects are needed. This is particularly true for the many projects in the plan that provide little or no instructional space. Another shortcoming is that data within the document are internally inconsistent and also inconsistent with specific project information and campus data. For example, the plan shows five-year expenditure totals for Sonoma State University of \$52 million on one page and \$23 million on another. Finally, major changes in the plan from year to year are not identified. One of many examples of this involves a phased project for addition/renovation of science facilities on the Fullerton campus. In the 1990 Budget Act, the Legislature appropriated \$258,000 for preliminary plans for Phase II (the renovation portion) of this project, with estimated future costs for working drawings, construction, and equipment of \$13.7 million. In the current five-year plan, CSU has re-titled the project and increased the estimated cost by \$32.9 million (240 percent), without any indication that this is the same project under a different name, or without any explanation as to why costs have increased.

Future CSU five-year plans should include discussions of major changes.

Priority-Setting in the Five-Year Plan

The plans's stated criteria for setting priorities does not distinguish between different types of space/facility needs.

The plan provides a priority list for all projects included in the first year (1992-93) of the plan. The projects in the last four years are not placed in priority. Priorities for the first year are established by using a tiered set of categories in the following priority order:

1. ***Programs for Systemwide Benefit.*** Includes campus master planning, the minor capital outlay program, and feasibility studies for energy projects.
2. ***Correct Structural, Health and Safety Code Deficiencies.*** Includes seismic planning, boiler retrofits for air quality compliance, and various projects on specific campuses.
3. ***Funds to Make New and Remodeled Facilities Operable.*** Includes equipment for newly constructed facilities and various utility/infrastructure projects. (The title of this category is a misnomer, because several of the utility/infrastructure projects under this category are *not* related to making newly constructed or remodeled facilities operable, but are proposed to meet other needs.)
4. ***Funds to Meet Campus Deficiency Needs.*** This is a broad category including everything not placed in the other three categories.

According to the plan, priorities are assigned within this last category based on assessments of relative space deficiencies on each campus. This criteria, however, does not distinguish between *different types* of space/facility needs. Thus, it is not clear how CSU weighs the need for a classroom facility, for example, against the need for administrative offices, performing arts centers, or other noninstructional space. In future plans, CSU should eliminate this ambiguity by providing more definitive priority criteria for "campus deficiency needs."

Analysis and Recommendations

The CSU estimates future costs totaling more than \$788 million to complete the projects proposed in the budget. The combined budget-year and future costs for these projects exceeds \$1 billion.

The California State University's 1992-93 capital outlay program includes \$214 million of state funds for 89 projects/programs. Table 2 summarizes the request by project categories.

Table 2

California State University 1992-93 Capital Outlay Program Funding Summary by Category

(dollars in thousands)

Project Category	Number of Projects	Budget Bill Amount	Future Cost	Total Cost
Instructional facilities	27	\$50,541	\$413,890	\$464,431
Utilities/infrastructure	16	21,494	97,754	119,248
Libraries	3	2,792	97,218	100,010
Physical education/athletic facilities	5	23,615	65,649	89,264
Administration/other noninstructional	7	17,675	55,246	72,921
Mitigate hazards	12	29,499	32,126	61,625
Auditorium/performing arts center	2	14,991	26,657	41,648
Complete newly constructed facilities (equipment)	13	37,148	—	37,148
Minor capital outlay/statewide planning	4	16,350	—	16,350
Totals	89	\$214,105	\$788,540	\$1,002,645

As Table 2 shows, CSU estimates future costs totaling more than \$788 million to complete the projects proposed in the budget. The combined budget-year *and* future costs for these projects exceeds \$1 billion.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**Significant Share of Proposed Projects
Largely Unrelated to Instructional Needs**

Projects largely unrelated to instructional needs account for 20 percent of the total \$1 billion cost to initiate and complete proposed projects.

In terms of total estimated costs, Table 2 indicates that the largest expenditure category (including future costs to complete projects) is for facilities providing instructional space, followed by projects addressing utility systems/infrastructure. Twenty percent of the total cost of the proposed program is for projects that are largely ancillary to the instructional program. These include physical education/athletic facilities, an auditorium at the Fullerton campus, a performing arts center at the San Luis Obispo campus, various projects providing administrative office space, and a project at San Jose State University to provide landscaped pedestrian malls and gardens. Together, these projects account for \$204 million — \$56 million in the budget year and \$148 million in future years.

Contingent Nature of Budget Proposal

The proposed 1992-93 capital outlay budget is contingent on a number of factors.

There are several uncertainties surrounding CSU's capital outlay proposal for the budget year. First, 58 percent of the budget request (\$124.8 million) is predicated on passage during 1992 of a \$900 million general obligation bond measure for higher education facilities. Second, even if the proposed bond measure succeeds, completion of the projects proposed in the budget is contingent on future sources of funding that the administration has not identified. Finally, as discussed above, the state's general fiscal problems cast a cloud over the enrollment growth assumptions on which the CSU capital outlay program is largely based.

This issue is discussed in detail in the overview of higher education capital outlay, preceding our analysis of the University of California capital outlay program (Item 6440).

Project Schedules Delay Construction

We recommend that CSU report to the fiscal committees, prior to budget hearings, on why it plans to delay construction of 29 projects proposed for preliminary plans and working drawings in 1992-93.

The CSU has requested funds in the budget year for preliminary plans and working drawings for all 41 projects that CSU is proposing as "new starts." This is a departure from the Legislature's traditional budgeting practice for capital outlay projects. Generally, the Legislature limits initial

appropriations for a project to preliminary plans only, unless working drawings can be initiated before late in the budget year. This enables the Legislature to consider requests in the following year for working drawings and construction, on the basis of completed preliminary plans that delineate project scope and cost. If scope/cost problems surface during preparation of preliminary plans, the Legislature can make appropriate changes to the project, if it wants, while the project is still at a stage where changes are practical.

The major advantage of requesting funds for preliminary plans and working drawings at the same time, is to allow working drawings to be undertaken in the budget year, immediately after preliminary plans are completed, so that construction could begin earlier in 1993-94. This advantage is lost under the CSU proposal because, according to CSU's five-year plan, funds for the construction phase of 29 of the 41 projects will not be requested until 1994-95. As a consequence, CSU is delaying the construction phase and ultimate occupancy of these projects. Table 3 lists the 29 projects CSU intends to delay.

In view of the above, we recommend that CSU report to the fiscal committees, during budget hearings, regarding why it plans to request preliminary plan and working drawing funds and then delay construction fund requests until 1994-95.

Table 3

**California State University
1992-93 Capital Outlay Program
Projects CSU Plans to Delay Construction Until 1994-95**

Campus	Project
Chico	Education Classroom/Office I
Dominguez Hills	Technology center/Administration
Fresno	Classroom Building
Fullerton	Auditorium
Hayward	Science renovation
Humboldt	Wildlife/Fisheries renovation
Humboldt	Sciences and Laboratory renovation
Humboldt	Behavioral Sciences
Long Beach	Central Plant
Long Beach	Peterson Hall renovation/addition
Long Beach	Fine Arts renovation/addition
Los Angeles	Remodel Music Building
Los Angeles	Remodel Engineering/Technology
Los Angeles	Thermal Energy Storage/Utilities upgrade

Continued

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

Campus	Project
Northridge	Engineering renovation
Pomona	Classroom/Laboratory/Administration II
Pomona	Science addition
Sacramento	Site development/perimeter road
Sacramento	Classroom II
San Bernardino	Social and Behavioral Sciences
San Bernardino	Corporation Yard/Administration addition
San Diego	Science Laboratory Building
San Jose	Spartan Physical Education Complex
San Jose	Humanities
San Luis Obispo	Upgrade electrical system
San Marcos	Academic Complex II
Sonoma	Library
Stanislaus	Educational Services Building
Stanislaus	Professional Schools Building

Proposals for Which We Do Not Recommend Approval As Budgeted

As discussed above, the budget includes \$214.1 million for 89 projects/programs for CSU capital outlay. We recommend approval as budgeted for 58 of these requests. We recommend a funding source switch for 11 projects totaling \$89 million, for reasons discussed below. Our recommendations for the remaining projects are also discussed below.

Minimizing Use of Lease-Payment Bonds

We recommend that the Legislature adopt a policy of using general obligation bonds, instead of lease-payment bonds, to the maximum extent possible for higher education capital outlay needs, in order to minimize future General Fund costs. Accordingly, we recommend the Legislature change the proposed funding source for 11 CSU projects from lease-payment bonds to general obligation bonds (reduce Item 6610-301-660 by \$89,331,000 and increase Item 6610-301-705 by the same amount).

In our overview of higher education capital outlay, we discuss in detail how the Legislature can minimize future General Fund costs by adopting the following policies for funding the state's higher education facilities needs:

- Meet the needs to the maximum extent possible with general obligation bonds. (This is because the General Fund costs of these bonds are less than under lease-payment bonds.)

- Treat lease-payment bonds as a funding mechanism of last resort. Limit their use to critical expenditures that cannot be deferred and for which general obligation bonds cannot be provided.
- Ask the state's voters to authorize enough general obligation bonds to *complete* the capital outlay projects that the Legislature wishes to initiate.

The budget includes 11 CSU projects under Item 6610-301-660 for funding from lease-payment bonds. Table 4 lists the projects.

California State University 1992-93 Capital Outlay Program Item 6610-301-660 (Lease-Payment Bonds)	
(in thousands)	
Project	Budget Bill Amount
Bakersfield — Music Building addition	\$2,222
Fullerton — Science Building addition (equipment)	3,523
Long Beach — Dance Facility/Auditorium (equipment)	3,159
Long Beach — Applied Arts and Sciences renovation/addition	18,658
Northridge — Engineering addition, asbestos abatement, renovation	12,619
Pomona — Classroom/Laboratories/Administrative Building (equipment)	6,695
Sacramento — Classroom/Faculty Office/Laboratory Building, Phase I (Equipment)	1,207
San Bernardino — School of Business/Information Sciences Building (equipment)	4,332
San Bernardino — Health, Physical Education, Classroom, and Faculty Office Complex	21,911
San Francisco — Arts and Industry remodel/addition (equipment)	971
San Luis Obispo — Performing Arts Center	14,034
Total	\$89,331

Accordingly, we recommend the Legislature change the funding source for these 11 projects to general obligation bonds (reduce Item 6610-301-660 by \$89,331,000 and increase Item 6610-301-705 by the same amount). We make a similar recommendation for five UC projects, totaling \$92.6 million, in our analysis of the UC capital outlay program (Item 6440).

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

Increased Equipment Costs Not Justified

We recommend reducing amounts requested for equipment for nine projects by a total of \$12,010,000, because CSU has neither explained nor justified why the requests exceed amounts previously identified by CSU and recognized by the Legislature as needed to equip these projects. (Reduce Item 6610-301-705 by \$12,010,000.)

The budget includes requests totaling \$37.1 million to equip 13 CSU facilities. The amounts requested for nine of these projects exceed the amounts identified by CSU and recognized by the Legislature (through supplemental report language) at the times the Legislature appropriated funds for construction of each project. Table 5 shows the excess requests for each project.

Project	Budget Bill Amount	Exceeds Amount Recognized by Legislature	Percent Increase
Northridge—South Library conversion	\$1,093	\$975	826%
San Marcos—Academic complex I	6,406	2,808	78
Fullerton—Science addition	3,523	284	9
Sacramento—Classroom/Office/Laboratory	1,207	132	12
Fresno—Music remodel/addition	1,737	321	23
Contra Costa Center—Initial Facility	2,600	1,532	143
Pomona—Classroom/Laboratory/Administration I	6,695	3,603	117
San Bernardino—Business School	4,332	2,261	109
San Francisco—Arts and Industry remodel/addition	971	94	11
Totals	\$28,564	\$12,010	73%

The amounts requested for three projects are more than double what CSU told the Legislature they would cost. In one case — equipping the South Library conversion project at the Northridge campus — the request is more than *nine times* the amount previously represented to the Legislature as needed. These cost increases total \$12 million. The CSU has not indicated to the Legislature that these increases have taken place, nor justified why they

are necessary. We therefore recommend reductions to Item 6610-301-705 of this amount, as outlined in Table 5.

Project Costs Exceed Amounts Recognized by Legislature

We recommend reducing amounts requested for working drawings for a library addition at the Fullerton campus by \$271,000 and renovation of the Science building at the Northridge campus by \$63,000, because CSU has neither explained nor justified why the two project requests exceed amounts recognized by the Legislature in prior-year supplemental report language. We further recommend that, in adopting supplemental report language describing the scope/cost of these projects and the request for renovation of the Engineering building at Northridge, the Legislature continue to use estimated costs recognized for these projects in prior years (future savings of \$10.7 million). (Reduce Item 6610-301-705 by \$334,000.)

The budget includes design funds for two projects where the amounts requested exceed the amounts previously recognized by the Legislature through supplemental report language by more than 10 percent (adjusted for inflation). These projects are the library addition at Fullerton and renovation of the Science building at Northridge. The CSU estimates that the future costs for these projects will exceed by 25 percent and 10 percent, respectively, the amounts previously recognized by the Legislature.

Table 6 lists the two projects, as well as a third — renovation of the Engineering Facility at Northridge — where estimated future costs exceed the amount previously recognized by the Legislature.

Table 6

California State University 1992-93 Capital Outlay Program Requests and Estimated Future Costs that Exceed Amounts Recognized by Legislature

(dollars in thousands)

Project	Phase	Budget Bill Amount	Excess Amount	Percent Increase	Current Estimated Future Cost	Excess Amount	Percent Increase
Northridge—Engineer- ing renovation	pw	\$1,099	—	—	\$22,947	\$3,470	18%
Fullerton—Library addition	w	791	\$271	52%	30,283	6,117	25
Northridge—Science renovation	w	442	63	17	12,330	1,132	10
Totals		\$2,332	\$334	15%	\$65,560	\$10,719	20%

^a Phase symbols indicate: p = preliminary plans; w = working drawings.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

These cost increases total \$334,000 in 1992-93 and \$10.7 million in future years. The CSU has not indicated to the Legislature that these increases have taken place, nor justified why they are necessary. Therefore, we recommend the Legislature reduce the amounts requested for working drawings for a library addition at the Fullerton campus by \$271,000 and renovation of the Science building at the Northridge campus by \$63,000, for total savings of \$334,000 in 1992-93. We further recommend that, in adopting supplemental report language describing the scope/cost of these projects and renovation of the Engineering building at Northridge, the Legislature continue to use estimated costs recognized for these projects in prior-year supplemental report language (future savings of \$10.7 million).

Other Unexplained Cost Increases Total Almost \$53 Million

We withhold recommendation on \$2,749,000 requested for preliminary plans and working drawings for nine projects, because CSU has not justified significant increases from previously estimated project costs, including increases in estimated future costs of \$50 million.

The budget requests funds for preliminary plans and working drawings for various projects. The amounts requested for nine of these projects exceed the amounts estimated by CSU in last year's five-year plan as needed for the preliminary plans and working drawings (adjusted for inflation). As shown in Table 7, these increases range from 19 percent to 170 percent of last year's estimates (adjusted for inflation) and total \$2,749,000. More significantly, the estimated future costs for construction and equipment have increased in each case. These increases range from 11 percent to 116 percent of last year's estimates and total \$50 million. Taking budget-year and future costs into account, costs for the nine projects exceed last year's estimates by almost \$53 million.

The documentation submitted by CSU on each of these projects fails to provide any explanation or justification for these cost increases. Pending receipt of information justifying these cost increases, we withhold recommendation on the funds requested under Item 6610-301-705 for the nine projects, as outlined in Table 7.

Table 7

**California State University
1992-93 Capital Outlay Program
Requests and Estimated Future Costs that
Exceed Amounts Estimated Last Year**

(dollars in thousands)

Project	Phase ^a	Budget Bill Amount	Exceeds Amount Estimated Last Year		Current Estimated Future Cost ^b	Exceeds Amount Estimated Last Year	
Long Beach— Central Plant	pw	\$1,155	\$188	19%	\$27,050	\$2,697	11%
Fullerton—Electrical/com- munications upgrade	pw	1,069	615	135	18,173	9,757	116
Stanislaus—Professional Schools Building	pw	630	172	38	13,969	4,172	43
Dominguez Hills— Technology Center/ Administration	pw	1,063	236	29	27,564	5,738	26
Sonoma—Library	pw	1,313	386	42	33,854	10,676	46
Pomona—Science addition	pw	1,144	721	170	27,621	10,583	62
San Jose—Spartan Physi- cal Education Complex	pw	422	133	46	8,620	2,550	42
Sacramento—Student Services remodel	pw	261	56	27	4,128	656	19
Los Angeles—Remodel Music Building	pw	472	242	105	8,176	3,207	65
Totals		\$7,529	\$2,749	58%	\$169,155	\$50,036	42%

^a Phase symbols indicate: p = preliminary plans; w = working drawings.

^b CSU estimates.

Further Review Needed on Two Project Requests

We withhold recommendation on \$1,286,000 requested for preliminary plans and working drawings for an auditorium at the Fullerton campus (\$957,000) and a corporation yard at the San Francisco campus (\$329,000), because CSU did not provide any information on the scope, cost, or need for these two projects until the end of January.

The budget includes \$957,000 for preliminary plans and working drawings for an auditorium at the Fullerton campus (Item 6610-301-705(25)) and \$329,000 for preliminary plans and working drawings for a corporation yard at San Francisco State University (Item 6610-301-705(62)). The CSU estimates future costs for these projects of \$24.7 million and \$6.0 million, respectively. The university did not finish preparing documents in support

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

of these projects until late January, and did not provide information to the Legislature regarding the scope, cost, or need for the projects until then. Consequently, we have not been able to review the information in time to make recommendations as part of this analysis. Accordingly, we withhold recommendation on the \$1,286,000 requested for these projects under Item 6610-301-705, pending review of the information.

San Luis Obispo — Performing Arts Center

We recommend reducing the amount requested for construction of the Performing Arts Center at the San Luis Obispo campus by \$356,000, to eliminate a proposed reimbursement to private donors for working drawings, because this reimbursement is inconsistent with representations previously made to the Legislature about the funding of working drawings. (Reduce Item 6610-301-660 by \$356,000.)

The budget includes \$14,034,000 under Item 6610-301-660 (lease-payment bonds) for the state's share of construction of a Performing Arts Center at the San Luis Obispo campus.

Background. In the 1990 Budget Act, the Legislature appropriated general obligation bond funds for the state's share of preliminary plans for this project. As proposed by CSU, the project was to be funded two-thirds by the state and one-third by the City of San Luis Obispo and a private foundation, in recognition of the significant nonstate use of the center that would occur.

The CSU intended to request working drawing funds in 1991-92, but the budget did not include these funds due to the failure of the November 1990 bond measure for higher education facilities. During hearings on the 1991-92 budget, however, CSU indicated to the Legislature that this project would not be delayed as a consequence of the bond failure, because private donors had agreed to fund the working drawings. The five-year capital outlay plan approved by the Trustees last September confirms this, stating that the working drawings (\$349,000) are donor-funded.

Request Includes Reimbursement of Donor-Funded Working Drawings. Notwithstanding CSU's statements regarding donor funding of the working drawings, the budget request of \$14,034,000 for construction includes \$356,000 that is not for construction purposes. Instead, this amount is described in the project cost estimate as an "offset of donor-funded working drawings." The CSU proposal includes no further justification for this request. In view of the representations previously made to the Legislature, there is no reason the state now should reimburse the donors for the working drawings. Accordingly, we recommend the Legislature reduce the request for construction of the Performing Arts Center at the San Luis Obispo campus by \$356,000. (In another issue above, we recommend

switching the funding source for this project from lease-payment bonds (Item 6610-301-660) to general obligation bonds (Item 6610-301-705.)

Finally, we recommend that the Legislature adopt Budget Bill language that maintains the project cost limits contained in Budget Bill language in the 1990 Budget Act, adjusted for inflation.

San Marcos — Further Review/Discussion Needed on Two Proposals

We withhold recommendation on a total of \$2,245,000 requested under Item 6610-301-705 for preliminary plans and working drawings for two projects at the San Marcos campus — Infrastructure/site development, Phase II (\$612,000) and Academic Complex II (\$1,633,000) — pending further review/discussions with CSU regarding scope/costs of the projects.

The budget includes \$612,000 for preliminary plans and working drawings (Item 6610-301-705(72)) for the second phase of infrastructure/site development for the newest CSU campus, San Marcos. The CSU estimates future costs of \$12.3 million to complete this project. The budget also includes \$1,633,000 for preliminary plans and working drawings (Item 6610-301-705(73)) for a group of proposed buildings at the campus called "Academic Complex II." The CSU estimates future costs of \$35.9 million to complete these buildings.

Our review of these two projects indicates that the proposed scope and cost of each may be excessive. We have held several discussions with CSU on the projects since September 1991. In late January, we received additional information on the infrastructure/site development project that we have not had the opportunity to review or discuss with CSU. With regard to the Academic Complex II, we have asked CSU to provide information on the campus academic plan on which this project is based, and a comparison between graduate student research space and similar space at other campuses in the CSU system. Pending receipt of this information and further discussions with CSU, we withhold recommendation on the requests.

Supplemental Report Language

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

CALIFORNIA MARITIME ACADEMY—CAPITAL OUTLAY

California Maritime Academy—Capital Outlay Item 6860

Expenditures	
Requested 1992-93	\$125,000
Fiscal Recommendations	
Total recommended approval	\$125,000

Overview of the Budget Request and the Five-Year Capital Outlay Plan

The California Maritime Academy's five-year capital outlay plan calls for expenditure of almost \$13 million of state funds for various capital outlay needs over the next five years, including almost \$3 million in 1992-93. The budget provides only \$125,000 of this amount—for minor capital outlay projects. The plan is simply a listing of projects. Thus, it is not clear from the plan how needs were assessed, what the academy's priorities are for addressing those needs, why specific projects are needed, or what the bases are for given cost estimates and schedules. The academy should provide this information in future plans.

California Community Colleges—Capital Outlay Item 6870

Expenditures	
Requested 1992-93	\$101,380,000
Fiscal Recommendations	
Total recommended approval	\$82,348,000
Total recommended reduction	17,409,000
Recommendation pending	1,623,000

MAJOR ISSUES

- ▶ **Five-Year Plan.** The California Community Colleges' five-year plan (1992-93 through 1996-97) calls for expenditures of \$2 billion.
- ▶ **Project Review.** The Chancellor's Office is inconsistent in its review of project proposals submitted by the districts, resulting in higher than necessary state costs.
- ▶ **Field Act.** Enactment of Legislation exempting the California Community Colleges from requirements of the Field Act would save administrative costs and expedite the completion of projects.

Findings and Recommendations

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Planning/Review Process

1. **Capital Outlay Planning.** The California Community Colleges (CCC) have improved their capital outlay planning through completion of a long-range plan, a systemwide five-year plan, and the Board of Governors' establishment of a Commission on Innovation. 135
2. **Project Review.** In its review of capital outlay projects submitted by the districts, the Chancellor's Office often recommends many projects for state funding that either have insufficient programmatic justification or that have inappropriate scope and/or costs. 137
3. **Field Act.** Recommend adoption of legislation to exempt the community colleges from Field Act requirements. This would reduce administrative costs and expedite the completion of community college construction projects. 138

Budget Request

4. **Projects Exceed Construction Cost Guidelines. Reduce Item 6870-301-705 by \$1,880,000.** Recommend reductions for 12 projects because the estimated building costs for these projects exceed the community colleges' cost guidelines for similar projects. 141
5. **Project Requests Exceed Space Standards. Reduce Item 6870-301-705 by \$1,152,000.** Recommend reductions for six projects 143

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

- because the proposals include requests to construct additional space that is in excess of state space and utilization standards.
6. **Over-Budgeting of Equipment. Reduce Item 6870-301-705 by \$2,751,000.** Recommend reductions for three projects because the equipment requests are not related to the capital outlay projects. 146
 7. **Grossmont-Cuyamaca CCD — New College Entrance. Delete \$864,000 in Item 6870-301-705(42).** Recommend deletion because the project should be funded by San Diego County as a mitigation measure for a county-funded road-widening project. 147
 8. **College of the Sequoias CCD — Access/Street Widening/Utilities. Delete \$2,504,000 in Item 6870-301-705(99).** Recommend deletion because the district has not justified the scope of this project. 148
 9. **Los Angeles CCD — Southwest College, Lecture/Laboratory Building.** Withhold recommendation on \$1,069,000 under Item 6870-301-705(59), pending information on how the project accommodates campus enrollment. 149
 10. **Cerritos CCD — Remodel for Efficiency. Delete \$167,000 in Item 6870-301-705(14).** Recommend deletion because the proposal involves several small remodeling projects that are not funded within the state's capital outlay program for the community colleges. 150
 11. **Solano County CCD — Instructional Building Remodel. Delete \$584,000 in Item 6870-301-705(108).** Recommend deletion because this project is a secondary effect of another proposed project that was not included in the Governor's Budget. 150
 12. **Southwestern CCD — LRC/Music Remodel. Reduce Item 6870-301-705(112) by \$26,000.** Recommend reduction because the Chancellor's Office increased the district's cost estimate without explanation. 151
 13. **Remodeling/Equipment Projects.** Withhold recommendation on \$554,000 in Item 6870-301-705 for three projects, pending clarification of the need for these projects, including the justification of the significant proposals for new equipment. 151
 14. **Child Care Centers. Reduce Item 6870-301-705 by \$1,656,000.** Recommend reductions for six child care centers because the 152

budgeted amounts exceed the construction costs previously approved by the Legislature.

15. Kern CCD — Southwest Center. Delete \$5,525,000 in Item 154 6870-301-705. Recommend deletion of three projects because the proposed center has not been reviewed and approved by the California Postsecondary Education Commission.
16. Los Angeles CCD — Master Planning. Delete \$300,000 in 156 Item 6870-301-705(54). Recommend deletion because preparation of facilities master plans is a district responsibility.

Overview of the Budget Request and the Five-Year Capital Outlay Plan

The budget proposes appropriations totaling \$101.4 million to fund the California Community Colleges' (CCC) capital outlay program in 1992-93. Unlike the proposed programs for the University of California and the California State University, which include some projects to be funded with lease-payment bonds, the CCC's program is to be funded entirely with as yet unauthorized general obligation bonds. The budget assumes voter approval in 1992 of a \$900 million bond measure. As discussed in our overview of higher education capital outlay, the \$900 million in proposed higher education bonds would finance less than half of the \$2.1 billion program (total cost of projects) being proposed by the administration.

The CCC's five-year capital outlay plan calls for expenditures totaling \$2 billion, including \$182 million in the budget year. The budget provides 55 percent of this planned amount for 1992-93. The five-year plan, and CCC capital outlay planning in general, is discussed in more detail below.

Five-Year Plan

The California Community Colleges have improved their capital outlay planning in recent years through the completion of a long-range (15-year) plan, a systemwide five-year plan, and the Board of Governors' establishment of a Commission on Innovation.

Long-Range Plan. In accordance with the *Supplemental Report of the 1990 Budget Act*, the CCC submitted its long-range capital outlay plan to the Legislature in February 1991. The plan is based on the need to accommodate projected CCC enrollment increases through 2005. The plan projects that six existing off-campus centers will become full-service campuses and that 31 new centers will be established, eight of which will also become full-service campuses. At the time the long-range plan was completed, the Chancellor's Office estimated that capital outlay costs to implement the plan would total \$3.2 billion through 2005, based on an average yearly need of about \$210 million. This cost estimate appears to be significantly understated based on

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

the recently completed five-year plan that indicates a need for \$2 billion over the next five years.

Five-Year Plan. In January 1992, the CCC's Board of Governors approved the segment's first systemwide five-year capital outlay plan. This 800-page document represents a significant effort by the Chancellor's Office to provide an estimate of the segment's capital outlay needs based on projects identified by the districts. Table 1 shows the estimated annual project expenditures for 1992-93 through 1996-97. The \$2 billion cost for the five-year period represents almost two-thirds of the \$3.2 billion that the CCC's long-range plan projected would be needed through 2005.

Table 1

**California Community Colleges
Five-Year Capital Outlay Plan
1992-93 through 1996-97**

(in millions)

	1992-93	1993-94	1994-95	1995-96	1996-97	Totals
Planned expenditures	\$182.1	\$853.4	\$540.0	\$281.8	\$146.6	\$2,003.9

The plan was prepared in accordance with the *Supplemental Report of the 1990 Budget Act*. In general, the plan provides the information requested by the Legislature, including (1) district enrollment projections, (2) projects proposed for each district in each year of the plan (including a discussion of the programmatic basis for each project and how the project contributes to meeting enrollment needs), (3) estimated costs of each project and a schedule of when funding will be needed, and (4) the relative priority of projects on a district and statewide basis. For the second through fifth years of the plan, the statewide priorities are not determined for individual projects, but are grouped according to the CCC's priority criteria. Given the several hundred projects included in the plan, we believe this is a reasonable way to present the information.

Looking to the Future — The Commission on Innovation. The CCC has recently established a Commission on Innovation, which will explore new ways for the system to provide more cost-effective instruction in light of increasing enrollments. In conjunction with the commission, the Chancellor has appointed task forces which, in part, will be assessing ideas for more cost-effective use of facilities and alternative instructional delivery techniques. The task forces will complete their work in early 1993, with recommendations forwarded to the commission. Depending on what commission policies are implemented, future capital outlay needs might be

reduced to some extent. This would benefit the state, which is facing tens of billions of dollars in total infrastructure needs over the next decade.

The systemwide five-year plan total of \$2 billion is a reasonable measure of the overall magnitude of the CCC's capital outlay needs from 1992-93 through 1996-97. When coupled with five-year needs expressed by the other higher education segments (\$5.2 billion total), the state faces a major challenge in addressing these needs while also providing other state services and facilities. To the extent that funding for higher education capital outlay is not sufficient to meet all needs, it is critically important that the CCC, as well as the other two segments of higher education, (1) establish priorities such that the most important needs will be funded first; (2) minimize, where possible, the scope and cost of projects that are proposed for funding; and (3) minimize augmentations to projects after they receive appropriations.

Priority-Setting is Improved

In our *Analysis of the 1991 Budget Bill*, we observed that the CCC's priority-setting criteria did not reflect the system's most needed capital outlay projects. In particular, we discussed a criterion that, when applied by the Chancellor's Office, results in some lower priority, Category C projects (gymnasiums, theaters, child care centers) being placed ahead of higher priority, Category B projects (instructional, library, and administrative facilities). While the CCC's priority list for 1992-93 also applies this "fold-up" criterion, it is used to a much more limited extent than in 1991-92. We continue to urge the Chancellor's Office to eliminate this part of its priority-setting process.

Project Review is Neither Consistent Nor Thorough

In its review of capital outlay projects submitted by the districts, the Chancellor's Office recommends many projects for state funding that either have insufficient programmatic justification or that have inappropriate scope and/or costs.

The Chancellor's Office is responsible for reviewing specific capital outlay projects that are submitted by the community college districts for state funding. The Chancellor's Office reviews these proposals, determines which projects merit state funding, and establishes a priority list of projects for approval by the CCC Board of Governors and, thereafter, for approval by the Governor and the Legislature.

The standards listed below are generally the bases for evaluating capital outlay projects for various statewide programs, including the community colleges. We believe that *all* projects submitted by the Chancellor's Office for state funding should be reviewed to these standards in a consistent manner.

- The proposals should include a complete explanation of the facility problem and how the proposed project addresses that problem.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

- The proposals should be based on state standards that govern the amount of instructional, library, and office space a district should have in relation to its enrollment.
- Equipment requests should be for those items directly related to the capital outlay project, and not to replace old equipment or to enhance existing programs.
- The projects should adhere to established building cost guidelines, unless there are identified special circumstances.
- Requests for projects that have previously received state funding for other phases of the projects should conform in both scope and cost to that previously recognized by the Legislature.

Our analysis indicates that, because the Chancellor's Office is not consistent and is not sufficiently thorough in its review of district proposals, many projects in the Governor's Budget include excessive costs because basic scope and cost issues have not been addressed by the districts or the Chancellor's Office. As discussed later in this analysis, the budget includes 12 projects for which the estimate exceeds building cost guidelines, six projects to construct additional space in excess of state space standards, six requests for child care centers that exceed the construction costs previously approved by the Legislature, and three proposals for equipment that are not related to the capital outlay project.

We do not infer that the Chancellor's Office summarily disregards the standards outlined above. In fact, we recommend approval as budgeted of 87 of the 127 community college projects included in the Governor's Budget because the scope and cost of these proposals is reasonable when judged against the standards outlined above. Our concern is that the Chancellor's Office is inconsistent in its review of project proposals and its application of these standards. This issue is important because of the multi-billion dollar capital needs identified by the higher education segments. If the scope and cost of projects are targeted to only what is necessary to provide the educational service and what is allowable under state standards and guidelines, available state funding can be "stretched" to accommodate more capital needs.

Eliminate Field Act Review Requirements

We recommend the adoption of legislation to exempt the community colleges from the requirements of the Field Act. This would reduce administrative costs and expedite the completion of community college construction projects.

The construction, reconstruction, and alteration of community college and K-12 educational buildings are required to conform with parts of the state

statutes that are commonly known as the Field Act. The act places responsibility for reviewing the design and construction of K-14 school buildings with the Department of General Services (DGS). Within the DGS, this responsibility is carried out by the Office of the State Architect (OSA). The K-14 buildings are designed and constructed to structural safety standards developed by the OSA and published in the California Administrative Code. The OSA reviews the design drawings of K-14 projects for conformance with the Field Act building standards, and oversees inspection of K-14 construction projects. (The K-14 districts contract with OSA-approved inspectors for daily oversight of project construction, but OSA inspectors also make periodic visits to the construction site.)

It is our understanding that there is only a marginal difference in structural safety between buildings designed under the Field Act and all other state buildings, which are designed to Uniform Building Code (UBC) standards. Buildings designed under the UBC, including UC and CSU buildings, are also designed to withstand significant earthquakes. Thus, community college buildings, if designed to UBC requirements, would be comparable structurally to the UC and CSU buildings. Moreover, eliminating community college projects from Field Act requirements would remove the OSA's plan review function and could expedite construction of needed capital outlay projects. This would eliminate the administrative costs for the OSA involvement and allow the districts to occupy buildings sooner.

Accordingly, we recommend adoption of legislation to exempt the community colleges from Field Act requirements. Community college projects would still be designed to UBC standards but, like those of UC and CSU, would not be subject to review by the OSA. Construction would continue to be monitored by inspectors under contract to the districts.

Analysis of the 1992-93 Capital Outlay Program

The Governor's Budget proposes \$101.4 million in Item 6870-301-705 for 127 capital outlay projects. Table 2 compares the projects requested by the CCC Board of Governors and projects included in the budget. Table 2 shows the projects grouped by type, and includes the future costs to complete the projects and the additional weekly student contact hours (WSCH) capacity provided. As shown in the table, the budget funds 127 of 224 projects (and \$101 million of \$184 million) and provides an additional 363,814 WSCH instructional capacity, or 87 percent, of the 419,663 WSCH capacity requested by the CCC. In addition, the budget includes the 16 library/learning resource center projects requested by the Board of Governors. These projects will add about 250,000 assignable square feet of library space systemwide.

Table 2

**California Community Colleges
1992-93 Capital Outlay Program
Comparison with Governor's Budget**

(dollars in millions)

	Board of Governors' Request				Governor's Budget			
	Projects	1992-93 Request	Future Cost	WSCH ^a	Projects	1992-93 Budget	Future Cost	WSCH ^a
Mitigate code deficiencies	15	\$9.7	\$8.8	—	14	\$8.9	\$8.2	—
Equipment	23	23.0	—	59,100	14	10.9	—	54,170
Utilities/ infrastructure	11	14.7	20.1	—	6	8.7	4.1	—
Add instructional facilities	37	29.3	230.0	306,559	35	26.8	225.0	266,155
Upgrade instructional facilities	24	4.8	43.1	-19,368	23	5.3	42.1	-18,463
Libraries/LRCs	16	8.8	142.5	52,268	16	8.8	142.5	52,268
Support facilities	29	18.0	84.3	-23,343	2	4.5	0.8	—
Physical education facilities	22	8.5	116.0	17,866	—	—	—	—
Theaters	5	3.7	56.6	13,890	—	—	—	—
Child care centers (construction)	7	12.3	—	2,001	7	12.3	—	2,001
Child care centers (new projects)	21	2.8	45.4	3,007	—	—	—	—
New off-campus centers (2 centers)	7	12.4	26.4	7,683	7	12.4	26.5	7,683
Other	7	36.6	—	—	3	2.8	—	—
Totals	224	\$184.6	\$773.2	419,663	127	\$101.4	\$449.2	363,814

^a Weekly student contact hours.

The budget includes requests to complete 24 previously funded projects. These requests include (1) equipment for 14 projects, (2) seven child development centers, (3) a code correction project and an infrastructure project at Citrus College, and (4) a maintenance shop/warehouse at San Francisco City College. The other 103 budgeted projects are proposed for initial state funding (mostly for preliminary plans and working drawings). The future costs to complete these projects are \$449 million. According to the proposed project schedules, most of this amount (about \$400 million) will be needed for construction or construction and equipment funding in 1993-94. The following discussion of individual projects in the budget is grouped according to the categories shown in Table 2. We first discuss two issues that affect projects in more than one category.

Projects Exceed Construction Cost Guidelines

We recommend reductions totaling \$1,880,000 in Item 6870-301-705 for 12 projects because the estimated building costs for these projects exceed the CCC's cost guidelines for similar projects. (Estimated future savings are \$15.1 million.)

The Chancellor's Office maintains a building construction cost index for different types of academic and support space. These costs are expressed in dollars per assignable square foot (asf) and are based on costs of previous community college construction projects. The unit costs are increased annually to account for inflation. The building construction costs for the 12 projects in Table 3 exceed these guidelines. Table 3 shows the budget requests, the estimated future construction costs, and our recommendations for each project based on the appropriate cost indices.

The cost guidelines for community college facilities reflect the prior construction of a large number of buildings to meet the academic and support needs of the community colleges. The resulting facilities have successfully met those needs and, aside from any special site conditions or more stringent building code requirements, we see no reason to build more expensive facilities. Moreover, neither the districts nor the Chancellor's Office have provided any information to substantiate why these projects require state funding in excess of these cost guidelines.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

Table 3

**California Community Colleges
1992-93 Capital Outlay Program
Over-Budgeted Projects
Item 6870-301-705**

(in thousands)

Sub-Item	Project	Budget Bill Amount	Analyst's Recommendation	Estimated Future Construction Cost ^a	
				CCC	LAO
(39)	Glendale CCD, Glendale College—Multi-Use Laboratory Building	\$625	\$548	\$9,487	\$8,296
(40)	Glendale CCD, Glendale College—Classroom/Laboratory Addition	532	471	7,248	6,509
(55)	Los Angeles CCD, Mission College—Learning Resource Center	712	646	8,188	7,096
(62)	Los Rios CCD, Consumnes River College—Fine Arts Center	526	485	7,737	7,054
(65)	Los Rios CCD, Sacramento City College—Learning Resource Center	1,052	850	15,012	11,640
(67)	MiraCosta CCD, MiraCosta College—Engineering, Science, English Laboratories and Offices	7,882	6,942	—	—
(85)	Riverside CCD, Norco Center—Phase II Buildings	902	675	13,445	9,660
(93)	San Mateo CCD, Skyline College—Learning Resource Center	523	447	7,931	6,677
(96)	Santa Clarita CCD, College of the Canyons—Learning Resource Center	367	324	5,547	4,905
(103)	Sierra Joint CCD, Sierra College—Learning Resource Center	920	849	13,659	12,414
(114)	State Center CCD, Fresno City College—Library/Media Addition	423	387	5,735	5,288
(120)	Victor Valley CCD, Victor Valley College—Learning Resource Center	415	375	6,282	5,622
Totals		\$14,879	\$12,999	\$100,271	\$85,161

^a Estimated future cost excludes movable equipment.

In addition to having excessive building cost estimates, two of the projects in Table 3 include other construction costs that are excessive. The project for MiraCosta CCD (three new instructional buildings) includes \$420,000 to install one-half mile of 27-inch diameter waterline. The district's proposal indicates that an existing waterline will lay beneath one of the new buildings and will thus be abandoned and replaced with the new waterline. A less expensive and more commonly used alternative would be to replace a small section of the existing waterline in order to avoid the new buildings. The project for Riverside CCD (Norco Center, Phase II) includes about \$2.2 million in future earthwork and site development costs which do not appear necessary to provide the proposed instructional facilities. For example, the project includes such items as \$993,000 for covered walkways and \$286,000 for additional roads.

For all 12 projects, we are therefore recommending a reduction of \$1,880,000 under Item 6870-301-705. We also recommend that supplemental report language describing each of the projects include the reduced future construction costs as shown in Table 3. (Future savings would be approximately \$15.1 million.)

Project Requests Exceed State Space Standards

We recommend reductions totaling \$1,152,000 in Item 6870-301-705 for six projects because the proposals include requests to construct additional space that is in excess of state space and utilization standards. (Estimated future savings are \$18.1 million.)

In order to ensure the construction of higher education facilities that meet programmatic needs in an efficient and equitable manner, the state has standards for utilization and allocation of community college classroom, laboratory, office, and library space. These standards generate formulas which indicate the amounts of different space types (lecture, laboratory, etc.) that districts should have in order to accommodate their enrollments. The projects in Table 4 would provide districts with space in excess of the state standards. Although there are situations where exceeding the standard may be appropriate in order to meet the instructional program, neither the district nor the Chancellor's Office have made that case for these projects.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

Table 4

**California Community Colleges
1992-93 Capital Outlay Program
Projects With Excessive Space
Item 6870-301-705**

(In thousands)

Sub-Item	Location/Project	Budget Bill Amount	Analyst's Recommendation	Recommended Reduction
(9)	Barstow CCD, Barstow College— Learning Resource Center	\$281	—	\$281
(13)	Cerritos CCD, Cerritos College— Business Education Addition	208	—	208
(29)	Citrus CCD, Citrus College— Math/Earth Science Building	408	—	408
(116)	Ventura CCD, Moorpark College— Math/Science Building	517	\$437	80
(118)	Ventura CCD, Oxnard College— Letters and Science Building	351	289	62
(119)	Ventura CCD, Ventura College— Math and Science Complex	791	678	113
Totals		\$2,556	\$1,404	\$1,152

In light of the large enrollment-driven and other capital needs of the community colleges, we see no reason for the state to spend limited bond funds to provide excess space for the campuses included in Table 4. If the districts elect to include this excess space in their projects, the space should be built with district funds. The Chancellor's Office has used this approach for previous state-funded projects. Below, we briefly explain our recommendations for each project as listed in Table 4.

Barstow CCD — Learning Resource Center. This district has excess capacity in all space categories except library space, where the district is about 2,000 assignable square feet (asf) below the state standard. Included in the project scope is 7,500 asf of additional library space. The project also proposes additional space for the college's media services, which is justified. A revised proposal that is more in line with the state standards and evaluates better utilization of the district's other excess space would merit Legislative consideration. We therefore recommend deletion of this project (a reduction of \$281,000).

Cerritos CCD — Expansion of Business Education. The district's proposal is to construct 12,000 asf of business-related laboratories. Based on the state standards, however, the district has about 50,000 asf of lecture space in excess of the state standards. The district should alter a portion of this excess

space to meet the business laboratory needs. We therefore recommend deletion of this project (a reduction of \$208,000).

Citrus CCD — Math/Science Building. The budget includes \$408,000 for preliminary plans and working drawings for a new 25,000 asf math/science building at Citrus College. The building would replace two existing buildings, which the district indicates are in need of repair and have building code violations. The district, however, has about 31,000 asf of lecture space and 25,000 asf of laboratory space that is in excess of the state standards. This district should examine the current utilization of its facilities inventory prior to requesting state funding for additional building projects. We therefore recommend deletion of this project (a reduction of \$408,000).

Ventura CCD — Three Projects. The budget includes proposals for new science buildings at each of this district's three colleges — Moorpark, Oxnard, and Ventura. Although each college has lecture space in excess of the standard, all three of the proposals include the construction of additional lecture space — 7,800 asf at Moorpark, 6,100 asf at Oxnard, and 11,000 asf at Ventura. We recommend that the state not fund the lecture space in these three projects (a reduction of \$255,000).

In summary, we recommend reductions totaling \$1,152,000 in Item 6870-301-705 for the six projects described above. Total estimated future savings are \$18.1 million.

Mitigate Code Deficiencies

The budget proposes \$8.9 million for 14 projects to mitigate code deficiencies at community college campuses. This includes 12 projects to eliminate architectural barriers to the physically disabled (\$1,394,000 for preliminary plans and working drawings), a remodeling of the biology building at Citrus College (\$2,579,000 for construction), and demolition of portions of the main building at Los Angeles Southwest College (\$4,873,000). The main building demolition is due to discovery of an earthquake fault underneath the building. Funding to initiate the relocation of functions from the main building was provided in Ch 457/91 (AB 449, Tucker). The future costs to complete the architectural barrier projects are \$8.2 million. The scope and cost of all 14 projects are reasonable and we recommend approval.

Equipment

The budget proposes \$10.9 million to provide equipment and furniture for 14 projects which have previously received state funding for working drawings and construction. These projects have no future costs. We recommend approval of \$4,920,000 for 11 projects. We discuss the remaining three projects below.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

Over-Budgeting for Equipment

We recommend a reduction of \$2,751,000 in Item 6870-301-705 for three projects because the equipment requests are not related to the capital outlay projects.

The budget requests \$6 million to provide equipment for three community college projects. Our analysis indicates that the requests include \$2.7 million that is not related to the capital outlay projects. Table 5 lists the budget requests and our recommended reductions for each of the three projects.

Table 5				
California Community Colleges 1992-93 Capital Outlay Program Equipment Item 6870-301-705				
(In thousands)				
Sub- item	Location/Project	Budget Bill Amount	Analyst's Recommendation	Recommended Reduction
(56)	Los Angeles CCD, Southwest College—Technical Education Center	\$2,527	\$1,961	\$566
(76)	Pasadena CCD, Pasadena City Col- lege—Library Equipment and Books	2,860	1,040	1,820
(94)	Santa Barbara CCD, Santa Barbara City College—Business/Communi- cations Center	628	263	365
Totals		\$6,015	\$3,264	\$2,751

State budgeting practice provides funding within the capital outlay program for equipment that is needed *as a result of the capital outlay project*. Community college building projects usually increase a campus's building space dedicated to particular instructional programs or administrative functions. It is the intent of the capital program to fund equipment that is needed to accommodate these space increases for each affected program or function.

The requests in Table 5 include costs to *replace or supplement existing equipment inventories*. For example, the Los Angeles Southwest College Technical Education Center project results in a *net decrease* in classroom and office space, but the budget includes \$69,000 for new classroom and office equipment and furniture. In addition, the project involves a *relocation* of the college's physical science program to the new building, yet the district requests an additional \$249,000 for physics equipment. The projects at Santa

Barbara City College and Pasadena City College include similar requests for replacement or supplemental equipment. In addition, the Pasadena CCD proposal includes \$1,235,000 to purchase over 24,000 additional library books, including the replacement of almost 20,000 books that the district indicates it has "weeded out" in preparation for moving into the college's new library. State budgeting practice is to provide the initial complement of library books for *new* campuses. Additional library books at existing campuses are purchased over time through the support budget allocations.

We understand the community colleges' desire to have new equipment, but new or replacement equipment for current programs is provided through the annual support/operations budget. From 1985 through 1990, the state specifically appropriated \$141 million (including \$93 million in general obligation bond funds) to the districts for purchases of instructional equipment and library materials. Due to the failure of a general obligation bond measure for higher education facilities in November 1990, no separate appropriation for equipment was included in the 1991 *Budget Act*. The Governor's Budget for 1992-93 also does not propose specific equipment funding for the CCC.

There is a significant need to replace outdated equipment throughout the community college system. This need is probably growing with the termination of special state funding for this purpose in the current and budget years. This problem should be addressed by the Chancellor's Office on a *statewide* level, however, by exploring alternative funding sources or by providing incentives for districts to commit larger portions of their apportionments to equipment replacement. The CCC should not attempt to address the problem on a piecemeal basis by requesting additional equipment for those districts and programs that have capital outlay projects.

Utilities/Infrastructure

The budget includes \$8.7 million for six projects to make improvements to existing utility systems or other infrastructure. The estimated future costs are \$4.1 million. We recommend approval of projects at the following four districts, for which the cost and scope are reasonable — Antelope Valley (\$25,000), Barstow (\$773,000), Citrus (\$4,086,000), and Los Rios (\$474,000). We discuss the remaining two projects below.

Grossmont-Cuyamaca CCD — New Entrance Road

We recommend deletion of \$864,000 under Item 6870-301-705(42) to design and construct a new access road at Cuyamaca College because the project should be funded by San Diego County as a mitigation measure for a county-funded road-widening project.

The budget includes \$864,000 for preliminary plans, working drawings, and construction funding for a new entrance road for Cuyamaca College.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

According to the district, the road is needed because a planned project to widen a state highway (that serves as the college's frontage road) and install a permanent median strip will affect access to the campus. (According to information from Caltrans, the road-widening project, which is to be funded with San Diego County transportation funds, is scheduled for construction in 1995.) The district has provided a consultant's traffic study for the campus, indicating that completion of the county-funded project will restrict ingress and egress to the campus.

Because the frontage road is part of the state highway system, the environmental study for the widening project will be done by Caltrans. Caltrans should consider the findings of the district's traffic study in assessing the traffic-related impacts of the road-widening project. If Caltrans' study finds a *significant* impact on college, then the county would have to mitigate the impact with county transportation funds. We therefore recommend deletion of the \$864,000 in Item 6870-301-705(42) for the access road project.

College of the Sequoias CCD — Access/Street Widening/Utilities

We recommend deletion of \$2,504,000 under Item 6870-301-705(99) to design and construct infrastructure improvements at the College of the Sequoias because the district has not justified the scope of this project.

The budget include \$2.5 million for preliminary plans, working drawings, and construction to make infrastructure improvements at the College of the Sequoias. The project includes improvements to campus entrances and frontage roads and new water, gas, and communications lines. The district's proposal contains very little information to justify the scope of this project. For example, the district indicates that the frontage road improvements are needed to provide safer access to the campus. According to the district, the *entire* frontage road (Mooney Boulevard), not just the segment in front of the college, is being widened as part of an agreement between the City of Visalia and Caltrans. The district does not indicate why it, rather than the city or Caltrans, is required to fund the cost of these road improvements along its property. In addition to the road improvements, the proposal includes about \$260,000 for on-campus road work solely for providing access to a new parking lot. Parking lot work of this nature is not eligible for state funding and should be funded by the district. Finally, the proposal contains no explanation of the need for new gas utility lines (\$34,000) or communications lines (\$230,000).

Given these myriad of deficiencies with the district's submittal, we recommend that the Legislature not approve funding for the proposed project. It appears that the district may have problems regarding campus entrances and with the aging water supply system. A revised proposal

identifying the specific problems and cost-effective solutions to address them may warrant legislative consideration.

Add Instructional Facilities

The budget includes \$26.8 million for 35 projects that will provide additional instructional space. The estimated future cost of these projects is \$225 million. We recommend approval as budgeted of \$8,175,000 for preliminary plans and working drawing on 23 projects, \$1,089,000 for construction of a building addition for the Citrus College diesel technology program, and \$4,070,000 to acquire land for a new Community Skills Center in the Pasadena CCD. Our recommendation regarding over-budgeting of four projects at Glendale, Los Rios, MiraCosta, and Riverside CCDs were discussed earlier, as were our recommendations regarding excessive space requests for five projects at Cerritos, Citrus, and Ventura (three projects) CCDs. We discuss the other project in this category below.

Los Angeles CCD — Southwest College, Lecture/Laboratory Building

We withhold recommendation on \$1,069,000 under Item 6870-301-705(59) for preliminary plans and working drawings for a new instructional building, pending information on how the project accommodates campus enrollment.

The budget includes \$1,069,000 to design a 52,000 asf instructional building at Los Angeles Southwest College. The new building will replace functions that are currently located in sections of the college's main building, which are being demolished due to the recent discovery of an earthquake fault under that building. The district has not provided information indicating (1) the types and amounts of space (lecture, laboratory, etc.) that will be removed from the campus inventory with demolition of the main building and (2) the net effect of the main building demolition and new building construction on the campus's space inventory. Lacking this information, we cannot determine whether the amount of space requested in the new building is appropriate for accommodating the college's projected enrollment. We withhold recommendation on this proposal, pending receipt of this information.

Upgrade Instructional Facilities

The budget includes \$5.3 million for 23 projects to remodel/upgrade existing instructional facilities. The future costs of these projects are \$42.1 million. We recommend approval of \$3,877,000 for 17 projects because the scope and costs are reasonable. We discuss the other six projects below.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**Cerritos CCD — Remodel for Efficiency**

We recommend deletion of \$167,000 in Item 6870-301-705(14) for preliminary plans and working drawings because the proposal involves several small remodeling projects that are not funded within the state's capital outlay program for the community colleges.

The budget proposes \$167,000 to develop construction documents for 38 small remodeling projects at Cerritos CCD. The future construction costs for these projects are \$2.2 million. Only one project costs in excess of \$250,000. The other 37 projects range in cost from \$8,000 to \$132,000. Under the capital outlay program for the community colleges, the state funds *major* capital outlay projects, but does not fund minor capital outlay projects (\$250,000 or less per project). This is a reasonable and cost-effective practice because, given limited state funds and the large number of community college campuses, a state-financed minor capital outlay program would be costly and would provide only marginal benefit to any one campus or to the system in general. The proposed project at Cerritos College is simply a collection of small independent remodeling projects that community college districts are responsible for undertaking with their own funds. We therefore recommend deletion of the \$167,000 in Item 6870-301-705(14) for this project.

Solano County CCD — Instructional Building Remodel

We recommend deletion of \$584,000 under Item 6870-301-705(108) to remodel an instructional building at Solano Community College because this project is a secondary effect of another proposed project that was not included in the Governor's Budget.

The budget includes \$584,000 to remodel 6,200 asf of a building at Solano Community College. The space to be remodeled is currently occupied by the Early Childhood Education program. The district plans to move this program into a proposed new Childhood Education/Child Care Center on the campus. The district requested \$127,000 for design of the new child care center in 1992-93. The child care project, however, was not funded in the Governor's Budget. In view of the interrelationship between the child care center and the remodeling project, and because the child care project is not proposed for funding in 1992-93, we recommend deletion of \$167,000 for the remodeling project in Item 6870-301-705(108).

Southwestern CCD — LRC/Music Remodel

We recommend approval of \$34,000 — a reduction of \$26,000 — in Item 6870-301-705(112) because the Chancellor's Office increased the district's cost estimate without explanation. (Estimated future savings of \$462,000.)

The budget includes \$60,000 to design a remodeling of 1,800 asf and an addition of 1,500 asf at Southwestern College. As proposed by the district, the design work would cost \$34,000 and the construction costs would be \$320,000. These costs, which were supported by very detailed district estimates, appear reasonable. The Chancellor's Office, however, without explanation, increased the cost of the project by \$26,000 in design costs and \$462,000 in construction costs. Under the circumstances, we recommend approval of the project at the cost estimated by the district. Reduce Item 6870-301-705(108) by \$26,000 per the district's cost estimate for preliminary plans and working drawings. The future construction costs will be \$320,000, per the district's cost estimate, instead of \$782,000 as adjusted by the Chancellor's Office.

Remodeling/Equipment Projects

We withhold recommendation on \$554,000 for three remodeling projects, pending clarification of the need for these projects, including the justification of the significant proposals for new equipment.

The budget includes \$639,000 for preliminary plans and working drawings for the following three projects: (1) Contra Costa CCD, Contra Costa College — Vocational Education Remodel (\$144,000); (2) Chabot-Los Positas CCD, Chabot College — Humanities Building Remodel (\$208,000); and (3) Chabot College — Technology and Engineering Remodel/Addition (\$202,000). The districts indicate that these three projects are needed, in part, because the current facilities are inadequate to accommodate the space and equipment needs of the programs that the districts wish to offer. The equipment requested for these projects (a future state cost) is substantial. Of the total future costs (\$13 million) to complete these three projects, about \$6.4 million, or almost 50 percent, is for new equipment. Usually, equipment costs only constitute about 5 percent to 25 percent of total project costs. Moreover, only one of the projects involves the *addition* of any building space. We withhold recommendation on these three projects, pending clarification on (1) the programmatic needs for the building remodeling/additions and (2) why remodeling the space generates the need for state funding of new equipment.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**Libraries/Learning Resource Centers**

The budget includes \$8.8 million for preliminary plans and working drawings for 16 library projects. The future cost to complete these projects is \$142 million. We recommend approval of \$3,595,000 for seven projects at the following districts: Cabrillo, Foothill-DeAnza, Gavilan, Kern, Saddleback, San Diego, and San Jose-Evergreen. Our recommendation regarding over-budgeting of eight projects — at Glendale, Los Angeles, Los Rios, San Mateo, Santa Clarita, Sierra, State Center, and Victor Valley CCDs — were discussed earlier, as was our recommendation regarding an excessive space request for a project at Barstow CCD.

Support Facilities

The budget proposes funding for two facilities intended to improve campus support functions — \$4,443,000 to construct a 28,000 asf maintenance shop/warehouse at San Francisco City College and \$56,000 to design a 3,500 asf printing shop at Chabot College. The future costs of the printing shop are \$754,000. The cost and scope of these projects is reasonable and we recommend approval.

Child Care Centers

We recommend a reduction of \$1,656,000 in Item 6870-301-705 for six child care centers because the budgeted amounts exceed the construction costs previously approved by the Legislature.

The budget includes \$12.3 million for construction and equipment to complete seven child development/child care centers that received state funding in 1991-92 for preliminary plans and working drawings. Table 6 shows our recommendations for each of the seven projects.

Table 6

**California Community Colleges
1992-93 Capital Outlay Program
Child Care Centers
Item 6870-301-705**

(In thousands)

Sub-Item	Location	Budget Bill Amount	Analyst's Recommendation	Recommended Reduction
(2)	Antelope Valley CCD, Antelope Valley College	\$1,427	\$1,161	\$266
(10)	Butte CCD, Butte College	1,591	1,364	227
(19)	Chabot-Los Positas CCD, Chabot College	2,071	1,561	510
(82)	Rio Hondo CCD, Rio Hondo College	2,037	1,658	379
(87)	San Bernardino CCD, Crafton Hills College	1,203	1,069	134
(95)	Santa Clarita CCD, College of the Canyons	1,349	1,349	—
(111)	Sonoma County Junior CD, Santa Rosa Junior College	2,584	2,444	140
Totals		\$12,262	\$10,606	\$1,656

In approving design funding for four of these projects — at Chabot-Los Positas, Rio Hondo, San Bernardino, and Sonoma CCDs — the Legislature reduced the amounts requested by the CCC in order to bring the project budgets into line with the construction cost estimates for the other three child care projects and with the actual construction costs of previously funded child care centers at other community college campuses. The Legislature also adopted supplemental report language defining the scope and future construction costs of the seven projects listed in Table 6. Except for the Santa Clarita CCD project, the amount requested for construction of the projects exceeds the costs approved by the Legislature in the *Supplemental Report of the 1991 Budget Act*. Neither the districts nor the Chancellor's Office have provided any information to indicate why the districts are unable to design these projects within the budget approved by the Legislature. We therefore recommend reductions totaling \$1,656,000, as shown in Table 6, to fund the projects at the previously approved scope and cost levels.

New Off-Campus Centers

The budget includes \$12.4 million for projects associated with the development of two new community college off-campus centers — \$6.9 million for the Western Nevada County Center in Grass Valley (Sierra CCD) and \$5.5 million for the Southwestern Center in Bakersfield (Kern CCD).

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

Both of these centers were included in the CCC's long-range growth plan, which was discussed earlier in this analysis. We discuss these two proposals in more detail below.

Kern CCD — Southwest Center

We recommend deletion of \$5,525,000 in Item 6870-301-705 for three projects for a new off-campus center because the proposed center has not been reviewed and approved by the California Postsecondary Education Commission (CPEC).

The budget proposes \$5,525,000 for three projects to develop this new center — \$4,712,000 for land acquisition under Item 6870-301-705(49), \$333,000 for design associated with site development under Item 6870-301-705(50), and \$482,000 for design of the center's initial buildings under Item 6870-301-705(51). We have the following concerns with these proposals, as outlined below.

No CPEC Review/Approval. Section 66904 of the Education Code expresses legislative intent that community colleges should not receive capital outlay funds for new centers, unless such proposals are recommended by the California Postsecondary Education Commission. The CPEC has established specific guidelines for its review of proposed campuses and centers. These guidelines require districts to submit needs studies that include enrollment projections, evaluation of alternatives to the proposed center (including benefit/cost analyses), and estimates of the center's effect on other district campuses.

At the time this analysis was prepared, the district had not submitted any information to the CPEC to substantiate the need for developing this center. Development of the center in the southwestern part of Bakersfield involves the relocation of existing programs that are currently located at another district-owned center in downtown Bakersfield. The CPEC should review this proposal in order to assure that it is in the state's interest to invest capital outlay funds for the new center. We recommend, therefore, that the Legislature not provide any funding for the center prior to review and approval by the CPEC. In addition to this issue, we have the following concerns with two of the individual projects proposed in the budget.

Site Acquisition. The acquisition proposal is to purchase 164 acres. This amount of property exceeds that needed for a center, but would provide for a complete community college campus. It is not clear why the state should purchase this amount of property for the district. Moreover, the district indicates that the downtown center will be sold after the southwest center is opened. The district does not, however, propose to contribute any proceeds from this sale toward the costs of the new center, even though, according to the district, the state contributed 44 percent of the cost to develop the downtown center.

Site Development. This proposal contains significant, unexplained costs that do not seem necessary for the initial development of a center. For example, the request includes \$240,000 to install sewer and gas utility lines for *future* buildings, \$490,000 for rough grading of the site (no grading plan is provided), and a \$1,000-per-acre habitat conservation fee for the entire 164-acre site.

Given the above issues, we recommend deletion of \$5,525,000 in Item 6870-301-705 for the three projects proposed in the Governor's Budget.

Sierra CCD — Western Nevada County Center

The budget includes \$6.9 million for four projects associated with the initial development of this center — \$2,502,000 for land acquisition under Item 6870-301-705(104), \$1,186,000 for off-site development under Item 6870-301-705(105), \$2,555,000 for on-site development under Item 6870-301-705(106), and \$672,000 to design the initial buildings (43,000 asf) under Item 6870-301-705(107). The future cost to complete the buildings is \$13.1 million. The need for this center has been reviewed and approved by the CPEC. The cost and scope of the four projects are reasonable. We therefore recommend approval.

Other Projects

The budget proposes \$2.8 million for three other projects. We recommend approval of the request for \$2,177,000 under Item 6870-301-705(109) for the Sonoma CCD to purchase its currently leased Los Guillicos Center from the County of Sonoma, and \$328,000 under Item 6870-301-705(81) for a seismic hazards survey at the College of the Redwoods in Eureka. The survey is needed to identify the extent of earthquake faults running under the campus, in order to determine possible future building sites. The recent discovery of a fault on the campus has postponed development of a previously approved library addition. We discuss the third project in this category below.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

Los Angeles CCD — Master Planning

We recommend deletion of \$300,000 under Item 6870-301-6870(54) to prepare facilities master plans for three Los Angeles CCD campuses because funding for plans of this type is a district responsibility.

The budget includes \$300,000 to prepare facilities master plans for three of the Los Angeles CCD's nine campuses. (The Budget Bill specifies that these funds are for the Mission campus; however, the district's proposal indicates that the funds will be used for three unspecified campuses.) Community college districts throughout the state have developed facilities master plans for the campus or campuses within their district. Each district has been responsible for establishing and financing these district plans. We believe that this practice should continue and, therefore, recommend deletion of \$300,000 under Item 6870-301-705(54).

Supplemental Report Language

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

**California Exposition and State Fair—
Capital Outlay
Item 8560**

Expenditures	
Requested 1992-93	\$2,770,000
Fiscal Recommendations	None

Overview of the Budget Request

The budget requests \$2,770,000 for capital outlay projects at Cal Expo to be funded from the California Exposition and State Fair Enterprise Fund (Enterprise Fund). This amount includes \$2,585,000 for eight major projects and \$185,000 for seven minor projects, as shown in Table 1 below. The estimated future cost to complete these projects is \$8.4 million.

Table 1

**California Exposition and State Fair
1992-93 Capital Outlay Program**

(In thousands)

Project	Phase^a	Budget Bill Amount	Estimated Future Cost^b
Item 8570-301-510: Enterprise Fund			
(1) Unanticipated capital outlay projects	pwc	\$500	—
(2) Irrigation system	c	278	—
(3) Sound system	c	650	—
(4) Budget package/schematic planning	—	30	—
(5) West Gate	pw	50	\$1,000
(6) Central promenade	pwc	774	—
(7) Livestock II	pw	91	1,000
(8) Area 12 office building	sp	162	5,700
(9) East Gate	pw	50	700
(10) Minor projects	pwc	185	—
Program Totals		\$2,770	\$8,400

^a Phase symbols indicate: p = preliminary plans; w = working drawings; c = construction; and s = study.
^b Department estimate.

Supplemental Report Language

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

**Department of Food and Agriculture—
Capital Outlay
Item 8570**

Expenditures

Requested 1992-93 \$16,893,000

Fiscal Recommendations

Total recommended approval \$16,893,000

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

Overview of the Budget Request and the Five-Year Capital Outlay Plan

The budget proposes \$16.9 million for the construction phase of two capital outlay projects for the Department of Food and Agriculture. The department's five-year plan shows expenditures totaling \$25 million for eight major capital outlay projects and \$2 million for minor projects, as summarized in Table 1. In addition to the two major projects included in the budget, the plan proposes funding for two border inspection stations, a biological control laboratory, remodeling of the department's Sacramento headquarters building, and a greenhouse expansion and new access road at the department's facilities on Meadowview Road in Sacramento.

Table 1

Department of Food and Agriculture Five-Year Capital Outlay Plan 1992-93 through 1996-97

(In millions)

Project Category	1992-93	1993-94	1994-95	1995-96	1996-97	Totals
Major projects	\$16.9	\$1.4	\$5.1	\$0.1	\$1.3	\$24.8
Minor projects	0.2	0.5	0.5	0.5	0.5	2.2
Totals	\$17.1	\$1.9	\$5.6	\$0.6	\$1.8	\$27.0

Analysis and Recommendations

The budget includes \$2,029,000 from the Special Account for Capital Outlay (SAFCO) to retrofit the department's Chemistry Laboratory in Sacramento and \$14,864,000 in lease-payment bonds to construct a 56,000 square foot Plant Industry Laboratory in Sacramento. The Plant Industry building is included in the list of projects for which the Governor intends to seek early authority to use lease-payment bonds in order to expedite construction prior to enactment of the 1992-93 budget. The amounts proposed for these projects are consistent with the scope and cost previously approved by the Legislature. We recommend approval.

Supplemental Report Language

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

**Military Department—Capital Outlay
Item 8940**

Expenditures	
Requested 1992-93	\$3,024,000
Fiscal Recommendations	
Total recommended reduction	\$454,000

Findings and Recommendations

*Analysis
Page*

1. **Long Beach/Redondo Armory Addition. Reduce Item 8940-301-036(1) by \$454,000.** Recommend deletion of funding to develop construction documents for an addition at the Long Beach/Redondo armory, because the department has not justified the need for this project. 159

Overview of the Budget Request

The budget requests \$3,024,000 for the Military Department's 1992-93 capital outlay program. This amount includes \$1,424,000 in state funds and \$1,600,000 in federal funds. The budget proposes \$2,482,000 for 12 minor capital outlay projects, \$76,000 for property searches and environmental studies associated with the future relocation of five armories, \$12,000 for additional environmental studies for two other armory projects, and \$454,000 to design an armory addition.

Analysis and Recommendations

Long Beach/Redondo Armory Addition

We recommend deletion of funds to develop construction documents for an addition at the Long Beach/Redondo armory, because the department has not justified the need for the project. (Future savings of \$3.5 million.) (Reduce Item 8940-301-036(1) by \$454,000.)

MILITARY DEPARTMENT—Continued

The budget requests \$454,000 for preliminary plans and working drawings to design a 31,000 square foot addition to the Long Beach/Redondo Armory. The department indicates that the addition is needed to accommodate the relocation of a national guard company and headquarters staff from Fort MacArthur (the Los Angeles Air Force Base) in San Pedro to the Long Beach/Redondo facility. According to the department, the relocation is necessary to provide space at Fort MacArthur for additional military housing so that the Air Force will not close the base. (It is our understanding, however, that the Air Force is not *requiring* the National Guard to move off the base.) The department indicates that, because the project involves relocation of existing operations, the federal government will not participate in financing the project. Therefore, the state will have to fund the entire \$4 million cost. We have two concerns with this proposal.

Scope Not Justified. The scope of the proposed addition (31,000 square feet) is based on current federal space allowances. The department indicates that it currently uses about 19,000 square feet at Fort MacArthur in two buildings. The proposal does not indicate why the relocation to Long Beach would require such a large increase in space or to what extent the current facilities in Long Beach could accommodate the additional personnel.

Base Closure. Although the proposal is predicated on the need to free up space for more military housing (and thus prevent closure of the Air Force base), it is not clear that the department's relocation, in and of itself, will affect the future status of base operations — that is, it will not insure that the base remains open. Moreover, the department indicates that one alternative to the proposed relocation is to maintain the status quo. In this case, the National Guard would remain at Fort MacArthur.

Given the lack of justification for either the proposed project scope or the need to relocate the armory, we recommend that the Legislature not approve funding for the project. (Delete \$454,000 from Item 8940-301-036.)

Supplemental Report Language

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

Unallocated Capital Outlay Item 9860

Expenditures	
Requested 1992-93	\$800,000
Transfer to General Fund	(120,000,000)
Fiscal Recommendations	
Total recommended approval	\$800,000

Overview of the Budget Request

The budget proposes appropriations of \$800,000 for unallocated capital outlay in 1992-93. These include \$300,000 from the Special Account for Capital Outlay (SAFCO) for project planning and \$500,000 from a proposed Higher Education Capital Outlay Bond Fund for matching funds for energy grants. In addition, the Governor's Budget proposes to transfer \$120 million from the SAFCO to the General Fund.

Analysis and Recommendations

Project Planning

The budget requests \$300,000 from the SAFCO, under Item 9860-301-036, to finance the development of basic planning documents and cost estimates for new projects that the Department of Finance anticipates will be included in the 1993-94 or 1994-95 Governor's Budget. The Department of Finance 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.

Matching Funds for Energy Grants

The budget includes \$500,000 under Item 9860-310-705 for working drawings/construction of energy projects that are expected to be partially financed through federal grants for energy conservation. The proposed appropriation is dependent upon passage of a general obligation bond measure for higher education facilities in 1992. The Department of Finance,

UNALLOCATED CAPITAL OUTLAY—Continued

following a 30-day notification to the Legislature, would allocate the funds to the highest priority energy projects identified by the University of California, the California State University, the California Community Colleges, and the Maritime Academy. The amount proposed is identical to the amount for this purpose contained in the 1991 Budget Act.

Transfer to the General Fund

The budget includes \$120 million under Item 9860-303-036 for transfer from the SAFCO to the General Fund. The proposal would authorize the State Controller to make this transfer as of June 30, 1992.
