

An Overview: Governor's Higher Education Bond Proposal

LEGISLATIVE ANALYST'S OFFICE

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Senate Education Committee





Higher Education Bonds Over the Past Decade

In Millions

	1996	1998	2000	2002	2004
UC	—	—	—	\$408	\$690
CSU	—	—	—	496	690
CCC	—	—	—	746	920
Totals	\$975^a	\$2,500^a	—	\$1,650	\$2,300

^a Not allocated among segments by bond measure.

- Voters approved \$7.4 billion in general obligation bonds for higher education over the past decade.
- Propositions in 1996 and 1998 did not allocate funds among segments. Allocation decisions were made by the Legislature. Specific allocations were made by the measures approved in 2002 and 2004.



Governor's Ten-Year Education Bond Proposal

In Millions

Purpose	Bond Act					Totals
	2006	2008	2010	2012	2014	
K-12						
New Construction ^a	\$1,700	\$3,000	\$2,000	\$1,700	\$1,000	\$9,400
Modernization ^a	3,300	1,200	2,164	2,368	3,068	12,100
Charters	1,000	—	468	46	466	2,400
Career Tech	1,000	—	468	466	466	2,400
Subtotals	(\$7,000)	(\$4,200)	(\$5,100)	(\$5,000)	(\$5,000)	(\$26,300)
Higher Education						
UC	\$1,933 ^b	—	\$1,000 ^b	\$1,233	—	\$4,167
CSU	1,733	—	800	1,233	—	3,767
CCC	1,733	—	800	1,233	—	3,767
Subtotals	(\$5,400)	—	(\$2,600)	(\$3,700)	—	(\$11,700)
Totals	\$12,400	\$4,200	\$7,700	\$8,700	\$5,000	\$38,000

^a Up to ten percent of these funds is to be used to create smaller learning environments.
^b \$200 million of this amount set aside for "telemedicine" projects.

- Governor's proposal provides \$11.7 billion to higher education over the decade.
- With the exception of a special allocation for telemedicine projects, the proposal allocates funds equally to each segment.



Proposed 2006-07 Capital Projects From 2006 Bond

- University of California**
 - \$315 million.
 - 29 projects.

- California State University**
 - \$234 million.
 - 15 projects.

- California Community Colleges**
 - \$492 million.
 - 55 projects.



How Do Bond Amounts Relate to Segments Plans?

- The Legislature has not received the administration's five-year infrastructure plan.

- All three segments, however, annually provide five-year plans, which include state-funded projects. For the most recent period (2006-07 through 2010-11), the segments have identified projects totaling:
 - CSU—\$5.9 billion.
 - CCC—\$6.5 billion.
 - UC—\$1.7 billion (based on expected resources available).

- Thus, identified projects for state funding total far in excess of what the bonds would provide.
 - Many projects, however, may not merit funding.
 - There are other ways to “dampen” demand for facilities funding (discussed below).



Basic Demographic Information

- Over the next several years, the college age population (18 to 24 year olds) will grow slightly faster than the overall state population.
 - Average annual growth rate through 2012 of 1.9 percent.

- In the following years, however, the college age cohort will decline.
 - Average annual decrease through 2020 of 0.5 percent.



Key Legislative Decisions: Bond Allocations

- Issue \$5.4 billion in 2006 bond act?**
 - We believe the amount in the Governor's plan is a reasonable amount for the next four years.

- Authorize future bond acts now?**
 - We would suggest authorizing only a 2006 bond.
 - Still awaiting Governor's infrastructure plan.

- Allocate equal amounts to each segment?**
 - We would strongly recommend against.
 - Having a higher education "pot," similar to the approach taken in 1996 and 1998, would maximize legislative flexibility and authority to annually address highest priority projects.

- Provide special allocation for telemedicine?**
 - We would strongly recommend against this—or any other—earmarked allocation as it unnecessarily limits the Legislature's discretion.



Key Legislative Decisions: Moderating Facilities Demand

- Legislature has ways to reduce the demand for, and costs of, infrastructure requested by segments.
- More extensive use of year-round education can provide a lot of new capacity essentially for free.
 - CSU currently at 9 percent of capacity in summer.
 - UC currently at about 20 percent of capacity in summer.
- Other steps:
 - Space utilization standards.
 - Cost guidelines.



Key Legislative Decisions: Other Funding Sources



UC Research

- Largest UC requests for new space is for research.
- There is an existing funding source—overhead research funds—that could be used more extensively to support these costs.



CCC Local Match

- Segment currently expects cost sharing on many projects.
- Legislature may wish to formalize this expectation in statute—similar to the K-12 facilities process.