

CALIFORNIA COMMUNITY COLLEGES

2011-12

FIVE-YEAR CAPITAL OUTLAY PLAN

Introduction Excerpt



***CHANCELLOR'S OFFICE
FACILITIES PLANNING & UTILIZATION UNIT***

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CALIFORNIA COMMUNITY COLLEGES

2011-12 FIVE-YEAR CAPITAL OUTLAY PLAN

I. INTRODUCTION..... 1

This excerpt contains the introductory chapter only. For a complete copy of the *California Community Colleges 2011-12 Five-Year Capital Outlay Plan*, please contact:

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I. INTRODUCTION

The California Community Colleges (CCC) form the largest postsecondary educational system in the world. The CCC system annually serves over 2.9 million students — 77% of the state's undergraduate public college students — in both vocational and academic program offerings. The system consists of 72 semi-autonomous districts encompassing 112 colleges, 70 approved off-campus centers, and 22 separately reported district offices. The system assets include over 23,151 acres of land, 4,982 buildings, and 68 million gross square feet of space that includes 43.1 million assignable square feet (ASF) of space. In addition, the system has innumerable off-campus outreach centers at various locations.

The California Postsecondary Education Commission (CPEC) projects approximately 81% of the enrollment growth in higher education over the next decade will occur in the community college system. Further, the statewide unemployment rate of 12.6 % has resulted in students enrolling in community colleges to pursue education and retraining to get back into the workforce. If the statewide economy continues to decline and the unemployment rate continues to rise, more and more workers will be depending on the community colleges for job retraining.

Background. Government Code sections 13100-13102 require the Governor to annually submit a five-year capital infrastructure plan to the Legislature in conjunction with the Governor's Budget. To accomplish this, every entity of state government is required to provide to the Department of Finance (DOF) information related to capital infrastructure needs and costs for a five-year period. Additionally, Education Code sections 67501 and 67503 require the California Community Colleges Chancellor's Office to prepare a five-year capital outlay plan identifying the statewide needs and priorities of the California Community Colleges.

Summary of Results. The 2011-12 Five-Year Capital Outlay Plan for the California Community Colleges is presented here in compliance with the requirements of Government Code sections 13100-13102 and Education Code sections 67501 and 67503. This Five-Year Plan — covering the period from 2011-12 through 2015-16 — includes **\$21 billion** of capital facility needs for the CCC system as shown below in **Table 1**. This amount includes **\$13.1 billion** for construction of new facilities for enrollment growth and **\$7.9 billion** for modernization of existing facilities. An additional **\$9.5 billion** of currently identified facilities needs are deferred to future years as shown in **Table 2**, with **\$4.4 billion** of out-year costs for continuing phases of projects started within the Five-Year Plan time frame and **\$5.1 billion** of need carried over into subsequent plan years, primarily for modernization projects. At this time, the total unmet facilities needs for the community college system have been estimated at approximately **\$30.5 billion**.

Table 1 - TOTAL FACILITIES NEEDS & COSTS

		Assignable Square Feet (ASF)	Costs
A	UNMET FACILITIES NEEDS:		
	New Facilities for Enrollment Growth	15,663,000	\$15,672,405,000
	Modernization of Existing Facilities	27,464,000	\$14,817,474,000
	Total Unmet Needs	43,127,000	\$30,489,879,000
B	PROPOSED FACILITIES IN 5-YEAR PLAN:		
	New Facilities For Enrollment Growth	15,663,000	\$13,109,296,000
	Modernization of Existing Facilities	16,906,000	\$7,927,456,000
	Total Proposed Facilities	32,569,000	\$21,036,752,000
	DEFERRED FACILITIES NEEDS:		
	New Facilities For Enrollment Growth	—	\$2,563,109,000
	Modernization of Existing Facilities	10,558,000	\$6,890,018,000
A-B = C	Total Deferred Needs	10,558,000	\$9,453,127,000

Table 2 - DEFERRED FACILITIES NEEDS & COSTS

		Assignable Square Feet (ASF)	Costs
C1	CONTINUING PHASES OF PROJECTS STARTED IN PLAN:		
	New Facilities For Enrollment Growth	N/A	\$2,563,109,000
	Modernization of Existing Facilities	N/A	\$1,825,629,000
	Total Continuing Phases		\$ 4,388,738,000
C2	NEED CARRYOVER:		
	New Facilities For Enrollment Growth		\$ —
	Modernization of Existing Facilities	10,558,000	\$5,064,389,000
	Total Need Carryover	10,558,000	\$5,064,389,000
C1+C2 = C	Total Deferred Needs	10,558,000	\$9,453,127,000

Areas of Understatement. The **\$30.5 billion** need identified in this report is a conservative estimate of the total unmet facilities needs for the community college system. This estimate is likely to be considerably understated because the cost estimates used for estimating systemwide needs are understated for the following reasons (systemwide facilities needs and costs will be discussed in detail in the body of the report):

- The *average* cost for all space types is used to estimate costs. This assumption results in understated costs because the average includes the less expensive space types, while the facilities needed by the CCC system are projected to include the more expensive space types such as laboratory and library space.
- Site development costs are not included in the cost estimates because it is impossible to estimate the average site cost per assignable square foot since site development costs vary substantially from project to project.
- For the statewide modernization projects, it is assumed that the buildings over 25 years old will be modernized at seventy-five percent of the cost of a new building. Since many of the CCC systems buildings are over thirty years of age, it is likely that many of the buildings will need to be dropped and replaced at a significantly greater cost rather than remodeled.

Characteristics of the Plan. This Five-Year Plan has been developed to meet the requirements of Government Code sections 13100-13102 and Education Code sections 67501 and 67503. Individual projects have been evaluated with respect to:

- funding priorities for the system per the CCC Board of Governors (BOG) priority criteria;
- capacity/load ratios (i.e. existing facility capacity to enrollment load) for the various space types at each campus; and
- the district's ability to successfully complete projects within the timeframe of the plan.

The first year of the plan, 2011-12, includes 260 projects totaling \$2.3 billion. This includes 81 state funded projects at \$878 million, including \$474 million of state funding and \$404 million of local funding. The remaining 179 projects are funded solely by the districts at an additional \$1.4 billion. The projects in the last four years of the plan have been scheduled based on facility needs and logistics, irrespective of funding availability. This scheduling is a crucial step in moving toward a Five-Year Plan that truly demonstrates the unmet facility needs of the entire CCC system rather than one that simply reflects available funding.

Plan Constraints. This Five-Year Plan quantifies and articulates all the capital infrastructure needs for the community college system to the greatest extent possible pursuant to the requirements of Government Code sections 13100-13102 and Education Code sections 67501 and 67503. As with past submittals, the CCC Chancellor's Office (CO) has continued to refine

the comprehensive Systemwide Five-Year Capital Outlay Plan. Districts have made progress in submitting individual five-year plans that more accurately reflect actual unmet capital needs and these efforts are reflected in this plan.

Despite this progress, the local five-year plans still do not completely represent the unmet capital needs of the CCC system. The Chancellor's Office will continue to estimate a portion of the unmet needs throughout the system and, in consultation with the Association of Chief Business Officers Facilities Task Force, will continue to identify best practices and streamline existing processes in order to ensure high quality district capital outlay planning.

FUSION. The Facility Utilization Space Inventory Options Net project (FUSION) is a web-based project planning and management tool. The districts initiated the development of this system to assist with facilities planning efforts. The core of the data system is the Facilities Condition Assessment completed for all buildings in the CCC system. This assessment is providing a wealth of data regarding the modernization needs of the system. Districts are also able to use other components of FUSION for project planning, project management and administration, and other activities that will assist in identifying needed facilities and bringing those facilities on line in an efficient manner.

Ready Access. The "Ready Access" program is a tool initiated by the Chancellor's Office to streamline the capital outlay process, thereby bringing facilities online faster and less expensively. The Ready Access program provides lump-sum state funding for all project phases in one Budget Act appropriation. The goal of Ready Access is to save state bond dollars, with no cost to the General Fund, while allowing local community college districts the ability to complete their projects faster in order to address growth and modernization facility needs. The program saves the state money because a local contribution to offset state supportable costs is required in order for districts to participate in the program and by shortening the period to complete projects by at least one year. There is no change to the administrative and legislative oversight of capital outlay projects under the Ready Access program.

Design Build. The CCC system received approval to take advantage of opportunities that may be provided by the Design Build project delivery system to reduce costs and expedite projects. Design Build allows a district to enter into a single contract with a design build team for design and construction of a building. Senate Bill 614 (SB 614) became effective on January 1, 2008 and gave all community college districts the option to enter into design build contracts for state and/or locally funded projects exceeding \$2.5 million. SB 614 also extended the authority of community districts to use the design build delivery system to January 1, 2014.

The 2011-12 budget contains two Design Build projects seeking state funding for the design phase of their projects as authorized pursuant to SB614.

CCC Project Submittal Process. To apply for state capital outlay funds, community college districts annually submit project proposals to the Chancellor's Office in two parts. The first part, an Initial Project Proposal (IPP), is a three-page concept paper and is used by the Chancellor's Office for systemwide need analysis and prioritization. The IPP step in the screening process allows the Chancellor's Office to more accurately assess the district's capital outlay needs on a

systemwide priority basis before there is a significant investment of time and money in projects by the districts. Projects are initially submitted to the Chancellor’s Office for review by July 1 using the three-page IPP form. After evaluating the IPPs, the Chancellor’s Office notifies the districts of those IPPs to be developed into Final Project Proposals, which are due the following year for possible submission to the BOG for project scope approval.

The second part of the capital outlay process, a Final Project Proposal (FPP), is a fully developed project proposal that is to be considered for inclusion in the Governor’s Budget. The FPP provides a justification for the project and budget detail, and describes the relationship of the proposed project to the district’s comprehensive educational and facility master plans. It is also expected that the districts will explore why there are no viable alternatives to the proposed project.

Board of Governors Priority Criteria. “Project scope approval” is defined as a project that meets the BOG criteria for prioritizing capital outlay projects and may be eligible for funding pursuant to the requirements, standards, and guidelines outlined in the Education Code, title 5, *California Code of Regulations*, the *State Administrative Manual/Capitalized Assets*, section 6800, and the *Facilities Planning Manual*.

Final Project Proposals for funding consideration in 2011-12 were submitted to the Chancellor’s Office in July 2009. Staff began ranking capital outlay projects using the Capital Outlay Priority Criteria adopted by the BOG in November 1999. Requests for life-safety projects (A1) are of highest priority, followed by requests for equipment to complete projects (A2), followed by requests that address seismic deficiencies or potential seismic risk in existing buildings (A3), and infrastructure projects, when failure or loss would otherwise result (A4). The Capital Outlay Priority Criteria provides that no more than 50 percent of the state funds available for community college capital outlay are committed to address Category A projects.

Once continuing of phases of previously funded projects and new Category A projects are prioritized, projects in the remaining categories are prioritized based on various factors using the priority criteria. The funding configuration for the other categories B-F is as follows:

Category	Funding Formula
B Increase Instructional Capacity	50 percent of remaining funds after funding Category A projects.
C Modernize Instructional Space	25 percent of remaining funds after funding Category A projects.
D Complete Campus Concept	15 percent of remaining funds after funding Category A projects.
E Increase Institutional Support Services Capacity	5 percent of remaining funds after funding Category A projects.
F Modernize Institutional Support Services Space	5 percent of remaining funds after funding Category A projects.

Based on the Chancellor's Office review of the FPPs, the district Five-Year Capital Outlay Plans and projects previously approved by the BOG, the eligible "new start" (versus continuing) projects are prioritized and presented to the BOG annually for review and approval of project scope. This list of new start projects includes, at most, one qualified project from any Category B through F per authorized site.

Funding Approval Process. The Chancellor's Office develops an annual Capital Outlay Plan for submittal to the Department of Finance for consideration of funding in the next budget cycle from this prioritized list of scope-approved projects. Projects in Categories B through F are ranked by eligibility points (highest to lowest). The Capital Outlay Plan includes a maximum of one project from any Category B through F per authorized site. This ensures that, with the exception of projects that address health and safety, seismic or infrastructure failure problems, only one "new start" project per year is funded per authorized site. If more than one project is eligible for potential funding from Categories B through F per authorized site, the project with the highest local ranking from the district's Five-Year Plan is proposed for funding. Annual funding of these projects is contingent upon their ability to meet the Governor's priorities and the availability of funds to meet continuing needs. The Administration and Legislative Budget Committees scrutinize all capital construction projects to determine if projects meet current priorities, i.e., seismic, life-safety, vital infrastructure, major code deficiencies, and increased instructional access.

The capital outlay plan is developed using a "**zero-based**" budgeting method in which all proposals eligible to compete in a specific fiscal year are evaluated to determine that the highest priority projects are included in the spending plan based on the funds available. Final Project Proposals not included in a specific year's spending plan must compete in a subsequent budget cycle. Between budget cycles, districts may update or modify the proposals as needed to reflect changing local needs or priorities. Final Project Proposals that are submitted for state funding but do not receive appropriations in a Budget Act have no special standing in subsequent budget cycles.

Future Capital Outlay Needs. It is evident that the state's postsecondary student growth in the next decade will place a larger burden, relative to the other public postsecondary systems, on the community college system — a burden the CCC system cannot effectively bear without significant new, increased expenditures for facilities.

The Chancellor's Office has done an analysis of the total facilities needs for the community college system over the next ten years (2011-12 thru 2020-21) (**Appendix G**). The total facilities needs for the next ten years, including the **\$30.5 billion** of capital facility needs identified in this 5-Year Plan, are estimated at approximately **\$35.8 billion**. Resources currently available are estimated at **\$18.2 billion** of local Proposition 39 bond funds. All available state General Obligation bonds have been programmed and/or expended. Generally, current and future local Proposition 39 bond funds will fund over 40% of state supportable facilities and 100% of non-state supportable facilities such as parking lots/garages, stadiums, cafeterias, bookstores, and health centers. The remaining need for facilities to be funded by state general obligation bonds is **\$17.6 billion** based on this level of local contribution. This equates to a need for **\$3.5 billion** of state general obligation bond funding every two years.

Given this great need, the state must continue to work closely with the districts to appropriately allocate scarce resources to adequately address the needs of the growing numbers of community college students in California.

Year Round Operations (YRO). The CCC system is the most aggressive California public postsecondary segment in the use of alternative scheduling and has been very successful in maximizing the use of existing facilities year-round. The average number of days of instruction for the 112 colleges has increased from 271 days per year in 1996-97 to 292 days for the current year. For the purpose of evaluating facility usage, 2008-09 summer FTES is 43% of average Primary term FTES. Winter FTES is 11.8% of average Primary term FTES (see Chapter IV and Appendix H for a detailed discussion of YRO).

Statewide General Obligation Bonds/Lease-Revenue Bonds. Proposition 47 (2002) and Proposition 55 (2004) provided community colleges with a total of \$1.67 billion from state general obligation bonds. Proposition 1D (2006) provided \$1.478 billion in state bond funds for community college projects. All of the existing state bond funds for community colleges have either been spent or are committed to projects. The 81 projects included in the 2011-12 spending plan at \$474 million (state funding) will require a new education bond approved by the voters in November 2010.

Proposition 39 – Local Funds. The funding for community college facilities is a responsibility shared by the state and local community college districts. The primary source of financing for the local share of construction costs is voter-approved local bonds. From June 1998 through November 2000, when bond measures required two-thirds voter approval, only 10 community college districts passed local bonds, providing \$875.5 million for community college facilities. Since passage of Proposition 39, voters have approved 83 of 96 (86%) local bond measures, authorizing \$22.8 billion in bonds for 64 community college districts.

Voluntary Local Contribution. In November 1999 the BOG adopted new criteria for prioritizing capital outlay projects. The new priority criteria emphasize a “least cost to the state” policy. The “least cost to the state” policy stretches scarce state resources to help meet enrollment growth and modernization needs by providing an incentive for districts to contribute local dollars to projects. Thus far, the policy appears to be very successful in achieving that objective.

In the 2011-12 Capital Outlay Plan, 74 of 81 (91%) of the 2011 state-funded projects provide for a local contribution. Total state funded projects for 2011-12 equal \$878 million including both state funding and local contributions, consisting of 77 new start projects at \$656 million and 4 continuing projects at \$222 million. Local contributions provide \$404 million of the \$878 million in project costs to support state funded projects in the 2011-12 budget, a “system” contribution of 46 percent. Additionally, local contributions will provide another \$753 million in years 2012-13 thru 2013-14 to complete state projects funded in 2011-12.

Districts construct many projects using only local funding. An additional \$1.44 billion in projects is funded entirely with local funds in 2011-12, including 46 new projects at \$ 0.04

billion and 133 continuing projects at \$1.4 billion. **The local contribution is 80% for 2011-12 when these projects funded entirely by districts are taken into account.**

The local bonds must be used to fund non-state supportable but educationally essential capital outlay such as land acquisition, parking, cafeterias, bookstores, and health centers. The land acquisition is particularly significant because the land costs can be equal to or greater than the cost of the buildings depending on the area where the district is located. The State Allocation Board funds 50% of *actual* land costs for K-12 projects. The community colleges must fund all land costs locally.

Additionally, the CCC does not augment project costs once costs are approved in the budget. Therefore, cost overruns at bid award are paid for by the district. Since this happens later in the process, these additional local contributions cannot be captured in this plan.

The voluntary contribution has been very successful in providing incentive for districts to participate in the state capital outlay program; thereby, reducing overall state costs which then allows more districts to participate in the state program.

Organization of the Plan. The body of the 5-year plan provides a description of the methodology used to estimate the unmet needs of the community college system. The Appendices at the back include the following:

- **Appendix A** – Government Code sections 11301 and 11302 and Education Code sections 67501 and 67503
- **Appendix B** –Capital Outlay Five-Year Plan – Project List
- **Appendix C** - more detailed information regarding the methodology utilized to identify the facilities needs and estimate the costs associated with those facilities needs.
- **Appendix D** – a summary of the updated BOG priority criteria for funding capital outlay projects.
- **Appendix E** – Enrollment and Weekly Student Contact Hour Projections by District
- **Appendix F** – Temporary Buildings Report
- **Appendix G** - Ten-Year Need Analysis
- **Appendix H** - Year Round Operation Analysis