

## 2013-14 SYSTEMWIDE FIVE-YEAR CAPITAL OUTLAY PLAN

### ACTION

Presentation: Frederick E. Harris, Assistant Vice Chancellor, College Finance and Facilities Planning

## Item 2.6

### Issue

This item requests approval of the California Community Colleges 2013-14 Systemwide Five-Year Capital Outlay Plan prepared pursuant to the requirements of Government Code sections 13100-02 and Education Code sections 67501 and 67503.

### Background

The California Community Colleges (CCC) comprise the largest postsecondary system of education in the world. Approximately 2.6 million students are enrolled each year at 72 districts encompassing 112 campuses, 72 approved off-campus centers and 23 separately reported district offices. These assets include 24,398 acres of land, 5,192 buildings, and 72.4 million gross square feet of space that includes 46.9 million assignable square feet of space. The system also has numerous off-campus outreach centers at various facilities.

### STATE FUNDING AVAILABILITY

All of the existing state bond funds for CCC—a total of \$1.67 billion from Proposition 47 (2002) and Proposition 55 (2004), and \$1.48 billion from Proposition 1D (2006)—have either been spent or are committed to projects. Since the passage of Proposition 39 in November 2000, which lowered the threshold for voter approval of local bonds to 55 percent, 65 districts have passed \$23.5 billion in local bonds.

### STATUTORY AND REGULATORY REQUIREMENTS

#### District Master Plans

The districts' Five-Year Capital Outlay Plans are based on the local Educational Master Plan and Facilities Master Plan for each campus. The California Code of Regulations, title 5 section 51008 requires districts to establish policies for, and approve, comprehensive or master plans which include academic master plans and long range master plans for facilities.

Master plans define how a district will meet the needs of its students and the community. They outline the short and long-range goals for a community college district and its campus(es). Districts use master plans as a tool to periodically reevaluate educational programs and facilities needs in terms of past experience, current community requirements, and future goals.

An Educational Master Plan is therefore a prerequisite to the preparation of a Facilities Master Plan. The preparation of a Facilities Master Plan is in turn a prerequisite to the preparation of the Five-Year Capital Outlay Plans districts submit annually to the Facilities Planning Unit (FPU) of the Chancellor's Office.

### Educational Master Plans

An Educational Master Plan defines a district's goals for the future of the educational program. An educational plan describes current programs and details how those programs should develop in the future. The plan may introduce new programs and describe how those programs will be integrated into the curriculum and the direction in which they will grow in the future. Districts must consider state codes and regulations, long-term budget considerations, staffing requirements, and new educational delivery methods and technology when developing their educational master plans.

### Facilities Master Plans

A Facilities Master Plan is derived from the education master plan and provides a blueprint for the facilities and technology that will be required to fully implement the Educational Master Plan of a district for each campus. The decisions a district makes in developing a Facilities Master Plan are very important due to the permanent nature of any decisions made. The construction process for buildings is lengthy and once buildings are constructed, change is very difficult. This is evidenced by the fact that 67 percent of buildings in the community college system are over 25-years old and 46 percent are over 40-years old.

### District and Systemwide 5-Year Capital Outlay Plans:

Education Code sections 81820-23 require the governing board of each community college district to annually prepare and submit to the Board of Governors of the California Community Colleges (Board) a five-year plan for capital construction. These District Five-Year Capital Outlay Plans are typically due to the FPU by July 1 of each year.

The FPU reviews and approves the districts' Five-Year Capital Outlay Plans as part of the annual Capital Outlay Grant Application Process (please refer to *Attachment A* for further explanation of this process). California Code of Regulations title 5 section 57014 requires that, prior to receiving state funding, capital construction projects must be included in a district's approved Five-Year Capital Outlay Plan.

Once the local Five-Year Capital Outlay Plans are approved by the FPU, the Systemwide Five-Year Capital Outlay Plan (5YCOP) is compiled using the information included in each district's approved plan. Government Code sections 13100-02 require each entity of state government to provide annually 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 FPU to prepare a 5YCOP that identifies the needs and priorities of the entire CCC system. The 5YCOP presented to the Board for approval in this item is intended to satisfy all of these statutory and regulatory requirements and define the facilities needs of the system irrespective of whether

there are sufficient funds available. The Systemwide 5YCOP is submitted to the DOF and the Legislature after approval by the Board.

The Systemwide 5YCOP is the culmination of the annual State Capital Outlay Grant Application Process, and is that list of projects for a particular fiscal year that is approved by the Board and submitted to the DOF for consideration of funding in the following January 10 Governor's Budget. The annual Capital Outlay Plan is the basis for the first year of the 5YCOP. The 2013-14 (annual) Capital Outlay Spending Plan is also being presented to the Board in the May 2012 agenda.

## Analysis

### 2013-14 Systemwide Five-Year Capital Outlay Plan Summary

The FPU has evaluated and approved each district's 2013-14 Five-Year Capital Outlay Plan with respect to:

- Funding priorities for the system per the Board's priority criteria,
- Capacity load ratios (i.e., existing facility capacity to enrollment load) for the various space types at each campus, and
- District's ability to successfully complete projects within the plan's timeframe.

For the period from 2013-14 through 2017-18, the CCC system has a projected need of \$20.3 billion in capital facilities needs, of which \$11.3 billion is for construction of new facilities and \$9 billion is for modernization of existing facilities. An additional \$9.1 billion of currently identified facilities needs are deferred to future years with \$4.8 billion in out-year costs for continuing phases of projects started within the five-year plan time frame and \$4.3 billion of need carryover into subsequent plan years, primarily for modernization projects. At this time, the total unmet facilities needs for the community college system for the five-year period of the plan are estimated to be approximately \$29.4 billion. This unmet need includes estimated costs for the construction of an additional 13 million assignable square feet (asf) for new facilities to meet enrollment growth and 27.3 million ASF for the modernization of existing facilities.

### First Year of the 5YCOP

The first year of the 5YCOP, 2013-14, includes 236 projects totaling \$1.8 billion. This includes 82 state-funded projects at \$630 million—consisting of \$358 million of state funding and \$272 million of local funding. The remaining 154 projects in the first year of the plan are funded solely by the districts at a cost of \$1.15 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 5YCOP that truly demonstrates the unmet facility needs of the entire CCC system rather than one that simply reflects available funding.

## Ten-Year Systemwide Capital Outlay Needs

The plan also contains an analysis of the ten-year (2013-14 to 2022-23) facilities needs for the community college system. This ten-year need is estimated to be approximately \$35.8 billion (which includes the \$29.4 billion identified in the 2013-14 5YCOP).

## Student Enrollment

The current economic and political environment has certainly had a negative impact on community college enrollments. District operating budgets have been cut necessitating reductions in course offerings and the number of sessions districts offer. Since 2008-09, the CCC system has sustained about \$800 million in cuts due to revenue shortfalls, a 12 percent reduction to its budget. Additionally, fees were increased from \$26 to \$36 in fall 2011 and are set to increase to \$46 in summer 2012. This reflects a 77 percent increase in student fees within a 1 year period and may be contributing to the downward trend in enrollment.

In a normal economic environment, CCC enrollment would have grown by about 5.5 percent in 2009-10. Instead, the decreased state funding caused enrollment to drop by nearly 284,000 students (a 10 percent decrease) from its peak of 2,894,000 in 2008-09 to 2,610,000 in 2010-11, indicating that this decline is directly a budgetary rather than a demand response. State budget reductions have forced the CCC to reduce course offerings by approximately 15 percent at a time when more students are seeking enrollment in a community college campus. In 2011-12 it is estimated that as many as 670,000 students seeking community college admission will not be served.

Even with reductions to the system, this CCC 2013-14 Five-Year Capital Outlay plan still identifies a current need for approximately 10.9 million additional assignable square feet. This translates to new classrooms and laboratories that are not available to offer course sections in green technology, nursing, and other vital educational programs. Nor are these spaces available to provide transfer courses students need to continue their education at public universities.

The capital outlay needs of the community college system are so great that this temporary downturn in enrollment will only delay, rather than decrease, the system's need for capital facilities. Historical trends indicate that CCC enrollment will continue to increase, and this current decrease in enrollment does not reduce the longer term need for new and modernized facilities.

## How are we doing?

The 2013-14 5YCOP identifies the need to construct a total of 40.3 million asf at a cost of \$29.4 billion. This includes cost for the construction of an additional 13 million asf for new facilities to meet enrollment growth and 27.3 million asf of modernization needs.

The first systemwide 5YCOP was completed for the 2002-03 fiscal year. That plan identified the need for 36.4 million asf of facilities in the community college system at a cost of \$12.1 billion. This includes \$4.5 billion for new facilities (10.2 million asf) and \$7.6 billion of modernization needs (26.2 million asf).

Since that first plan, the total systemwide needs have increased by 3.9 million asf (an 11 percent increase) and \$17.3 billion in costs (143 percent increase). The reasons for the increase in space needed and costs are varied and include:

The Systemwide 5YCOP is prepared a year in advance utilizing the available data from the previous fiscal year. Therefore, the 2013-14 5YCOP, due to the DOF on July 1, 2012, uses data from the districts' 2013-14 Five-Year Construction Plans submitted on August 1, 2011, which contain data from the previous fiscal year 2010-11. The 2002-03 5YCOP was based on the number of FTES in 2000-01 of 1,052,963 FTES whereas the 2013-14 plan is based on 1,279,621 FTES for 2010-11. This represents an average 22 percent increase in FTES throughout the system.

Construction of new space is more expensive than modernization of existing space and the type of space currently being constructed is the more expensive space such as laboratory, learning resource centers, and career technical spaces. Further, the need for new space at high growth campuses will be much higher than the average.

In recognition that projects throughout the state were bidding at substantially over authorized amounts, the Chancellor's Office cost guidelines were increased by 30 percent in 2007. This was followed by a change in the way inflation is calculated for state funded projects per DOF that accounted for an additional 25-30 percent increase in construction costs. These two changes resulted in substantial increases to project costs to meet the realities of the market.

In the past decade, the CCC has received a total of approximately \$3.5 billion in state funding to support about 521 projects (new start and continuing). The Legislature did not approve an education bond in 2008 and in 2010, creating a backlog of community college projects. The proposed 2013-14 Capital Outlay Plan is dependent upon a new bond in 2012. Without state bond funds, the backlog of community college projects will continue to grow. The FPU has received proposals for projects totaling approximately \$2.8 billion. This amount does not reflect the additional projects that would have been developed and submitted by the districts had state funding been made available to fund these projects under the normal budget process.

### **Recommended Action**

The recommendation is for the Board of Governors to approve the 2013-14 Systemwide Five-Year Capital Outlay Plan as presented.

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