



The Board of Governors of the California Community Colleges

PRESENTED TO THE BOARD OF GOVERNORS

DATE: July 8-9, 2013

SUBJECT: California Community Colleges 2014-15 Five-Year Capital Outlay Plan		Item Number: 2.1	
		Attachment: Yes	
CATEGORY:	College Finance and Facilities Planning	TYPE OF BOARD CONSIDERATION:	
Recommended By:	 Frederick E. Harris, Assistant Vice Chancellor	Consent/Routine	
		First Reading	
Approved for Consideration:	 Brice W. Harris, Chancellor	Action	X
		Information	

ISSUE: This item requests approval of the California Community Colleges 2014-15 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 form the largest postsecondary educational system in the world serving 2.4 million students annually. This represents one-quarter of the nation’s community college students and three-quarters of California’s public postsecondary undergraduate students in both vocational and academic program offerings. The California Community Colleges consists of 72 semi-autonomous districts encompassing 112 colleges, 72 approved off-campus centers, and 23 separately reported district offices. The districts’ assets include over 24,279 acres of land, 5,281 buildings, and 75.6 million gross square feet of space that includes 48.2 million assignable square feet of space. In addition, the California Community Colleges have innumerable off-campus outreach centers at various locations.

Government Code sections 13100-13102 require the governor to submit an annual 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 an estimate of 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.

RECOMMENDED ACTION: It is recommended that the Board of Governors approves the California Community Colleges 2014-15 Five-Year Capital Outlay Plan.

ANALYSIS:

STATE FUNDING AVAILABILITY

All of the existing state bond funds for California Community Colleges—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, 66 districts have passed \$26.2 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 master plans which include academic master plans and long range master plans for facilities.

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

An educational master plan is a prerequisite to the preparation of a facilities master plan. The preparation of a facilities master plan is in turn necessary for the preparation of the five-year capital outlay plans districts submit annually to the Facilities Planning and Utilization unit of the Chancellor's Office.

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 65 percent of buildings in the California Community Colleges are over 25-years old and 47 percent are over 40-years old.

DISTRICT AND THE CALIFORNIA COMMUNITY COLLEGES FIVE 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 a five-year plan for capital construction. These district five-year capital outlay plans are typically due to the Facilities Planning and Utilization unit by July 1 of each year.

The Facilities Planning and Utilization unit reviews and approves the 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 Facilities Planning and Utilization unit, the California Community Colleges Five-Year Capital Outlay Plan is compiled using the information included in each district's approved plan. As stated previously, the Chancellor's Office is required to prepare annually a five-year capital outlay plan that identifies the statewide needs, costs, and priorities of the California Community Colleges (Government Code §13100-02; Education Code § 67501 and 67503). The California Community Colleges Five-Year Plan presented to the Board of Governors for approval in this item is intended to satisfy all of these statutory and regulatory requirements and define the facilities needs of the California Community Colleges irrespective of whether there are sufficient funds available. The California Community Colleges Five-Year Capital Outlay Plan is submitted to the Department of Finance and the Legislature after approval by the Board of Governors.

The California Community Colleges Five Year Capital Outlay Plan is the culmination of the annual state capital outlay grant application process, and includes the list of projects for a particular fiscal year that is approved by the Board of Governors and submitted to the Department of Finance 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 California Community Colleges Five-Year Capital Outlay Plan. The 2014-15 (annual) capital outlay spending plan was approved by the Board of Governors at their May 2013 meeting.

CALIFORNIA COMMUNITY COLLEGES 2014-15 FIVE-YEAR CAPITAL OUTLAY PLAN SUMMARY

The Facilities Planning and Utilization unit has evaluated and approved each district's 2014-15 five-year capital outlay plan with respect to:

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

For the period from 2014-15 through 2018-19, the California Community Colleges have a projected need of \$19.5 billion in capital facilities needs, of which \$10.2 billion is for construction of new facilities and \$9.3 billion is for modernization of existing facilities. An additional \$9 billion of currently identified facilities needs are deferred to future years with \$5 billion in out-year costs for continuing phases of projects started within the five-year plan time frame and \$4 billion of need carryover into subsequent plan years, primarily for modernization projects. At this time, the total unmet facilities needs for the California Community Colleges for the five-year period of the plan are

estimated to be approximately \$28.5 billion. This unmet need includes estimated costs for the construction of an additional 12.3 million assignable square feet for new facilities to meet enrollment growth and 27.2 million assignable square feet for the modernization of existing facilities.

FIRST YEAR OF THE CALIFORNIA COMMUNITY COLLEGES FIVE-YEAR CAPITAL OUTLAY PLAN

The first year of the California Community Colleges 2014-15 Five-Year Capital Outlay Plan includes 191 projects totaling \$1.3 billion. This includes the 83 state-funded projects included in the 2014-15 (annual) capital outlay spending plan presented to the Board of Governors in the May 2013 agenda totaling approximately \$297 million in state funding and \$169 million in local funding (total \$466 million state and local funding). The state costs have been adjusted slightly (from \$301 million to \$297 million) to reflect revisions to projects since the capital outlay spending plan was approved by the board. The remaining 108 projects in the first year of the plan are funded solely by the districts at a cost of \$805 million. 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 California Community Colleges Five-Year Capital Outlay Plan that truly demonstrates the unmet facility needs of the California Community Colleges rather than one that simply reflects available funding.

TEN-YEAR CALIFORNIA COMMUNITY COLLEGES CAPITAL OUTLAY NEEDS

The plan also contains an analysis of the ten-year (2014-15 to 2023-24) facilities needs for the California Community Colleges. This ten-year need is estimated to be approximately \$35 billion (which includes the \$28.5 billion identified in the California Community Colleges 2014-15 Five-Year Capital Outlay Plan).

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 offered. Additionally, fees increased from \$26 to \$36 in fall 2011 and to \$46 in summer 2012. This reflects a 77 percent increase in student fees within a one year period and may be contributing to the downward trend in enrollment.

In a normal economic environment, the California Community Colleges had enrollment growth of about 5.5 percent in 2007-08 and 2008-09. The California Community Colleges have sustained severe budget reductions of about \$1.5 billion that caused enrollment to drop by nearly a half-million students (a 17 percent decrease) from its peak of 2.9 million in 2008-09 to 2.4 million in 2011-12, demonstrating that this decline is directly linked to budget cuts rather than demand. State budget reductions have forced the California Community Colleges to reduce course offerings by approximately 24 percent at a time when more students are seeking enrollment in a community college campus.

The passage of Proposition 30, The Schools and Local Public Safety Protection Act of 2012, by the voters on November 6, 2012 temporarily provides additional funding to California's education budget. This funding increase will allow the California Community Colleges to add back courses to

serve students turned away due to the state's financial crisis in the past four years and be better positioned to meet the increasing demand for college-educated workers.

Even with reductions to the budget, this California Community Colleges 2014-15 Five-Year Capital Outlay Plan still identifies a current need for approximately 10.4 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 California Community Colleges are so great that this temporary downturn in enrollment will only delay, rather than decrease, the California Community Colleges' need for capital facilities. Historical trends indicate that California Community Colleges 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 California Community Colleges 2014-15 Five-Year Capital Outlay Plan identifies the need to construct a total of 39.5 million assignable square feet at a cost of \$28.5 billion. This amount includes \$12.6 billion for the construction of an additional 12 million assignable square feet for new facilities to meet enrollment growth and \$15.9 billion for 27.2 million assignable square feet of modernization needs.

The first California Community Colleges Five-Year Capital Outlay Plan was completed for the 2002-03 fiscal year. That plan identified the need for 36.4 million assignable square feet of facilities in the California Community Colleges at a cost of \$12.1 billion. This included \$4.5 billion for new facilities (10.2 million assignable square feet) and \$7.6 billion of modernization needs (26.2 million assignable square feet).

Since that first plan, the total statewide needs have increased by 3.1 million assignable square feet (9 percent increase) and \$16.4 billion in costs (136 percent increase). The reasons for the increase in space needed and costs are varied and include:

The California Community Colleges Five-Year Capital Outlay Plan is prepared a year in advance utilizing the available data from the previous fiscal year. Therefore, the 2014-15 five-year capital outlay plan, due to the Department of Finance on July 1, 2013, uses data from the districts' 2014-15 five-year construction plans submitted to the Chancellor's Office on August 1, 2012, which contain data from the previous fiscal year 2011-12. The 2002-03 five-year capital outlay plan was based on the number of full-time equivalent students in 2000-01 of 1,052,963 full-time equivalent students whereas the 2014-15 plan is based on 1,184,006 full-time equivalent students for 2011-12. This represents an average 12 percent increase in full-time equivalent students throughout the California Community Colleges.

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.

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 the Department of Finance 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 California Community Colleges have received a total of approximately \$3.5 billion in state funding to support approximately 522 projects (new start and continuing). The Legislature has not placed an education bond on the ballot for voter approval since 2006, creating a backlog of community college projects. The proposed 2014-15 (annual) capital outlay spending plan is dependent upon a new bond in 2014. Without state bond funds, the backlog of community college projects will continue to grow. The Facilities Planning and Utilization unit has received proposals for projects totaling approximately \$2.5 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.

Attachment A

California Community Colleges Capital Outlay Grant Application Process

California Community College Districts have the responsibility to maintain, renew, and enlarge the facilities at their institutions on behalf of the students they serve. In order to accomplish these objectives, the districts are authorized to issue commercial paper and to seek local and state financing for their facilities.

In addition to these local efforts, the state's capital outlay program provides voter-approved statewide general obligation bonds through grants to fund capital outlay projects on community college campuses. These grants are developed pursuant to the annual state capital outlay grant application process and approved by the Board of Governors of the California Community Colleges.. Districts often leverage these grants with local funds; however, for some districts with minimal local resources for facilities, funds provided from the state capital outlay grant application process are the only source of funds available to modernize facilities and/or construct new buildings.

The Board of Governors has adopted priority funding categories to assist districts in their capital planning efforts so that the capital outlay proposals submitted for consideration of state funding reflect the state's priorities. The priority funding categories give preference to projects that best meet the following priorities:

- Expand campuses appropriately to meet enrollment demands,
- Modernize aging facilities,
- Meet the space utilization standards found in the California Code of Regulations, title 5, and,
- Leverage state funds with local funds to provide facilities at the least cost to the state.

The Chancellor's Office Facilities Planning and Utilization unit administers the capital outlay grant application process for the California Community Colleges on behalf of the Board of Governors. Under the policy guidance and direction of the Board of Governors, the Facilities Planning and Utilization unit assists districts in meeting guidelines, regulations, and other requirements to receive state funding for capital construction projects.

The capital outlay grant application process is based on the priority funding categories and has three district inputs which culminate in the annual Capital Outlay Spending Plan:

- 1) District five-year capital outlay plans,
- 2) Initial project proposals, and
- 3) Final project proposals.

BOARD OF GOVERNORS PRIORITY FUNDING CATEGORIES

There are six priority funding categories for which projects are classified (Categories A through F). Table 1 below illustrates the maximum share of state funding allocated to each category in a specific plan year as follows:

Table 1
Board Priority Funding Categories

Category	Funding Formula
A Health and Safety	No more than 50 percent of total available funds.
B Growth – Instructional Space	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	15 percent of remaining funds after funding Category A projects.
E Growth – Instructional Support	5 percent of remaining funds after funding Category A projects.
F Modernize – Instructional Support	5 percent of remaining funds after funding Category A projects.

Category A – Health and Safety Projects: The most critical projects, life-safety projects, are assigned to this category. . Projects involve life and safety issues and are ranked according to the number of people threatened or affected by the condition of a facility or site.

Categories B and E – Growth Projects: Projects that expand space on sites earn eligibility scores based upon a site’s need for space, projected enrollment growth over the next five years, the extent to which the proposed solution provides the needed space, and the extent to which local funds directly mitigate state costs of the project.

Categories C and F – Modernization Projects: Projects that modernize existing space earn eligibility points based upon the age and condition of the existing facility or its infrastructure and the extent to which local funds directly mitigate state costs of the project.

Category D – Complete Campus Projects: Projects in this category provide for reconstruction of existing space, construction of new space and purchase of equipment to promote a complete campus concept. Projects in this category do not fit the criteria for the other Board of Governors categories but are an integral part of a campus and essential to fulfilling the educational mission at each campus. Examples include physical education facilities, performing arts centers, and child development centers. Projects earn eligibility points based upon the age of the campus, additional programs/services that can be offered because of the project, the project design solution, and the extent to which local funds directly mitigate state costs of the project.

Funding Allocation Among Categories

Category A projects involve health and safety issues and are the highest priority in the Capital Outlay Spending Plan. These projects are ranked according to the number of people threatened or impacted by the condition of a facility or site, and no more than 50 percent of the annual allocation of state funds are made available for projects in this category.

Once the continuing phases of previously funded projects and new projects are prioritized, projects in the remaining categories are prioritized based on various factors for each priority funding category. The proposals compete for the highest ranking within each category based on points calculated using the age of facility, age of campus, enrollment capacity load ratios, cost, project scope, and local contribution.

Projects in categories B through F are ranked by eligibility points (highest to lowest). The annual Capital Outlay Spending Plan includes a maximum of one project from any category B through F per authorized site. 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. This ensures that more campuses will likely have new proposals included in the annual Capital Outlay Spending Plan.

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 capital outlay plan is proposed for funding. In recent years, the number of proposals seeking state funds and obtaining Board of Governors approval has greatly exceeded the amount of state funds available. Every year valid, meritorious proposals are excluded from the statewide spending plan. To mitigate such exclusions, the development of the proposed annual Capital Outlay Spending Plan may include a realignment of funds between categories.

DISTRICT FIVE-YEAR CAPITAL OUTLAY PLANS

Education Code § 81820-23 require the governing board of each community college district to annually prepare and submit to the Facilities Planning and Utilization unit a five-year plan for capital construction. California Code of Regulations, title 5 § 57014 requires districts to receive approval of their five-year capital outlay plans from the Facilities Planning and Utilization unit prior to receiving state funding for projects. Districts are also required to complete district and campus master plans before preparing their five-year capital outlay plans. The districts’ five-year capital outlay plans are submitted to the Facilities Planning and Utilization unit on July 1 of each year.

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 § 51008 requires districts to establish policies for, and approve, comprehensive master plans which include academic master plans and long range master plans for facilities.

An educational master plan defines how a district will meet the needs of its students and the community and outlines the short and long-range goals for a community college district and its

campus(es). Districts use educational master plans as a tool to periodically reevaluate educational programs and facilities needs in terms of past experience, current community requirements, projected enrollment and future goals.

An educational master plan is a prerequisite to the preparation of a facilities master plan. The preparation of a facilities master plan is in turn necessary for the preparation of the five-year capital outlay plans districts submit annually to the Facilities and Planning Utilization unit.

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 65 percent of buildings in the California Community Colleges are over 25-years old and 47 percent are over 40-years old.

Although educational programming is always supposed to drive facilities planning, the permanent nature of facilities will limit or dampen the ability of the educational master plan to respond to rapid changes in educational program, delivery systems and technology. Given this permanence, there are many factors districts must take into consideration as they develop facilities master plans:

1. **Community College Change and Growth** - Community colleges are inherently difficult to plan because the only constant is change – change in the size of the campus, rules and regulations, educational programs, administration, staff and faculty, and a myriad of other factors. Community college campuses often grow to many times their original size over a long period of time so the need to plan for and respond to change must be integral to a facilities plan.
2. **Campus Design Guidelines** – The facilities master plan must define campus design guidelines, not only to provide a cohesive look for the entire campus but to ensure access and functionality. The campus needs to be designed for flexibility so that facilities can change to the extent possible to support changes in the educational program.

3. **State Rules and Guidelines** – California’s community colleges are governed by laws, regulations and guidelines that are utilized by various governmental entities (i.e., Board of Governors of the California Community Colleges, Department of Finance, Division of the State Architect) in the review of new campuses and building projects. The facilities master plan for any campus must be consistent with state rules and guidelines.
4. **California Environmental Quality Act** – The California Environmental Quality Act requires districts to define and possibly mitigate the impact of construction or new development on neighboring properties. Districts must evaluate the impact of traffic, pedestrian traffic, storm water run-off, historic structures and features, and a variety of other potential impacts on neighboring properties when developing a new site or starting a new project on an existing site.
5. **Operational Considerations** – The facilities planning process must take into account various operational issues, including those that influence staffing requirements and energy usage for new and/or modernized facilities. Incentives are provided by the Board of Governors and the various utility companies that encourage energy efficient design and construction. Laws and regulations impact staffing levels such as: the 75/25 percent full-time/part-time ratio of faculty; the 50 Percent Law which requires 50 percent of the operating costs to be spent on instruction; funding caps which limit the growth of a district, and collective bargaining which determines class size limitations and other working condition issues. Classroom scheduling issues must also be taken into account when determining the number and size of classrooms: faculty preference of rooms, availability of rooms, size of rooms, physical adequacy of rooms to teach specific types of courses, and the preference of students and faculty for morning classes.
6. **Funding Availability** – Funding for community college facilities is always less than what is required to support the facility needs of the California Community Colleges. State funding is dependent upon the passage of statewide general obligation bonds, and local funding is dependent upon the passage of local general obligation bonds. In recent years, the availability of state funds to finance new community college projects has been constrained due to the lack of an education bond in 2008, 2010, and 2012. Local bond funds are constrained due to voter reluctance to approve bonds due to the current negative economic environment as well as decreases in assessed property values which prevent the issuance of approved local bonds. Facilities master plans must plan to the extent possible for buildings that are efficient, flexible (can be used for more than one purpose and adaptable to change over time), and cost effective. Careful planning of classroom scheduling within existing facilities can increase facility utilization without the need for new buildings. Districts must explore alternative instructional delivery options such as distance education which can also mitigate the need for new facilities.

Districts submit their five-year capital outlay plans using the Facility Utilization Space Inventory Options Net (FUSION) online database. FUSION is a web-based project planning and management tool activated in May 2003. A consortium of community college districts provided the initial funds to develop FUSION, and all districts annually fund the operation and maintenance of FUSION. The Foundation for California Community Colleges and the Facilities Planning and Utilization unit provide support for FUSION. FUSION provides the Facilities Planning and Utilization unit, district staff and consultants access to data and applications useful in assisting with the administration of

district capital outlay programs. Districts use FUSION to better assess the various components of their current buildings, update their annual space inventory reports, and update their annual district five-year capital outlay plans. FUSION is also used to prepare initial project proposals and selected components of final project proposals as part of the application process for state capital outlay funds.

INITIAL PROJECT PROPOSALS

An initial project proposal is submitted by districts requesting state funding for projects included in the district five-year capital outlay plan. The initial project proposal provides a general project description including space, cost and funding schedule. Projects are to be submitted to the Facilities Planning and Utilization unit by July 1 using the three-page initial project proposal form.

The description of the intent and purpose of each project enables the Facilities Planning and Utilization unit to determine the appropriate priority funding category to assign for the project. The initial project proposal step in the screening process also allows the Facilities Planning and Utilization unit to more accurately assess a district's capital outlay needs before there is a significant investment of time and money in projects by the district. After evaluating the initial project proposals, the Facilities Planning and Utilization unit notifies the districts of those to be developed into final project proposals which are due the following year.

FINAL PROJECT PROPOSALS

A final project proposal describes the scope, cost, schedule, and financing array of a project and includes conceptual drawings of the project. The description of the project in the final project proposal includes an assessment of the problems of the existing facilities, as well as an analysis of alternatives considered prior to proposing the recommended solution. The proposal includes a detailed space array, detailed cost estimate and summary calculation of the state fundable equipment allowance.

The Facilities Planning and Utilization unit staff performs an in-depth analysis of each final project proposal. This analysis determines the following for each project:

- Accurate cost and scope
- Priority funding category for each project
- Feasible calendar and timing of state funds, and
- Comparison of a project's merits with other projects in the same category.

Scope Approval

An final project proposal is eligible for inclusion in the annual Capital Outlay Spending Plan if it is consistent with the requirements, standards, and guidelines outlined in the Education Code, California Code of Regulations, title 5, and the State Administrative Manual/Capitalized Assets § 6800. The Facilities Planning and Utilization unit determines whether or not a proposal satisfies the required governmental rules and regulations and works with districts to refine project proposals.

ANNUAL CAPITAL OUTLAY PLAN

The Facilities Planning and Utilization unit develops an annual Capital Outlay Spending Plan that will be proposed for approval by the Board of Governors. The development of the annual Capital Outlay Spending Plan draws upon a project's priority funding category, ranking among other projects within the same category, and total need for state funds versus the availability of state funds to determine which projects may be included in the spending plan. Following Board of Governors approval, the annual Capital Outlay Spending Plan is submitted to the Department of Finance for consideration of funding in the next budget cycle.

Project Phasing. The annual Capital Outlay Spending Plan includes projects seeking state financing to complete preliminary plans, working drawings, construction, and equipment phases. Brand new projects are known as "new start projects," and projects seeking to obtain state funding for their remaining project phases are known as "continuing projects."

Ready Access Projects. A "ready access" project is a special type of new start project that is seeking a state appropriation for all phases in a single budget cycle. A district is required to finance at least ten percent of the state supportable cost for a ready access project and must commit to completing the project with no changes in scope or state financing.

Design-Build Projects. "Design-Build" is a project delivery method that community college districts can use instead of the traditional design-bid-build delivery method. A design-build project will be funded in two phases: 1) design and 2) construction. The design-build delivery method involves a process whereby district staff work with an architect to develop minimum design standards, room capabilities, and functional adjacencies for new or redesigned space without first establishing floor plans. These design standards are assembled into bid documents accompanied by the anticipated project budget and distributed to multiple design-builders so that they can develop proposed solutions with various floor plans and elevations. District staff reviews the various proposals and select a winning design-builder who in turn completes the development of construction documents and builds the project.

Following a successful pilot test involving more than ten projects at eight districts, Senate Bill 614 (chapter 471/statutes 2007) authorized community colleges to use the design-build delivery method for both locally-funded and state-funded community college projects costing more than \$2.5 million. Senate Bill 1509 extended the authority of community college districts to use the design build delivery system to January 1, 2020.

Annual funding of the proposed projects is contingent on meeting the governor's priorities and the availability of funds to meet continuing needs. The development of the annual Capital Outlay Spending Plan also considers the state funds needed by projects in future budget years so that a project included in the annual Capital Outlay Spending Plan can have a reasonable expectation to receive the state funds necessary in future years to allow completion of the project.

Annual “Zero-Based” Budgeting Method. The annual Capital Outlay Spending 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 annual Capital Outlay 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 and resubmit in the next budget cycle. Otherwise final project proposals that are submitted for state funding but do not receive appropriations in the annual state budget act have no automatic special standing in subsequent budget cycles.

Appeals Process. An appeal process is available when a district believes that its project was omitted in error from the proposed annual Capital Outlay Spending Plan. Districts are urged to contact their facilities specialist in the Facilities Planning and Utilization unit for an explanation of the project’s priority status. After discussions with the facilities specialist, if need be districts may appeal in writing to the Chancellor’s Office.

DEPARTMENT OF FINANCE/LEGISLATIVE PROCESS

Once the annual Capital Outlay Spending Plan is approved by the Board of Governors, the Facilities Planning and Utilization unit advocates for state funding with the Department of Finance and the Legislature for inclusion in the governor’s budget and the state budget act, respectively. The final project proposals included in the Capital Outlay Spending Plan are transitioned into Capital Outlay Budget Change Proposals and submitted to the Department of Finance on July 1 of each year (usually a year after the final project proposals are submitted to the Facilities Planning and Utilization unit).

The Department of Finance evaluates each Capital Outlay Budget Change Proposal for potential inclusion in the next governor’s budget. Once the project is included in the governor’s budget, it is then evaluated by legislative staff for potential inclusion in the final state budget act. The Administration and Legislative Budget Committees scrutinize all capital construction projects to determine if projects meet current state priorities, i.e., seismic, life-safety, vital infrastructure, major code deficiencies, and increased instructional access.