





The Board of Governors of the California Community Colleges

PRESENTED TO THE BOARD OF GOVERNORS

DATE: July 7-8, 2014

SUBJECT: California Community Colleges 2015-16 Five-Year Capital Outlay Plan		Item Number: 2.3	
		Attachment: Yes	
CATEGORY:	College Finance and Facilities Planning	TYPE OF BOARD CONSIDERATION:	
Recommended By:	 Dan Troy, 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 2015-16 Five-Year Capital Outlay Plan prepared pursuant to the requirements of Government Code sections 13100-13102 and Education Code sections 67501 and 67503.

BACKGROUND: The California Community Colleges form the largest postsecondary educational system in the world serving over 2.1 million students annually. This represents one-quarter of the nation’s community college students and approximately three-quarters of California’s public postsecondary undergraduate students in both vocational and academic program offerings. The California Community Colleges consist of 72 semi-autonomous districts encompassing 112 colleges, 76 approved off-campus centers, and 23 separately reported district offices. The districts’ assets include over 24,363 acres of land, 5,515 buildings, and 82.2 million gross square feet of space that includes 50.2 million assignable square feet of space. In addition, the California Community Colleges have many off-campus outreach centers at various locations.

Government Code sections 13100-13102 require the Governor to submit annually 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 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.

RECOMMENDATION: It is recommended that the Board of Governors approve the California Community Colleges 2015-16 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 \$1.5 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 \$26.7 billion in local bonds.

STATUTORY AND REGULATORY REQUIREMENTS

District Master Plans

The districts' five-year capital outlay plans are based on the local education master plan and facilities master plan for each campus. 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 education 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 education 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 education 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.

Education Master Plans

An education master plan defines a district's goals for the future of the educational program. An education master plan describes current programs and details how those programs should develop in the future. The plan may introduce new programs and describe how the 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 education 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 education master plan of a district for each campus. The decisions a district makes in developing a facilities master plan are critical due to the permanent nature of college facilities. This is evidenced by the fact that 64 percent of buildings in the California Community Colleges are over 25-years old and 48 percent are over 40-years old.

Education Code sections 81820-81823 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 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). The 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 information from the districts' approved plans. As required by state law, the plan identifies the statewide needs, costs, and priorities of the California Community Colleges (Government Code sections 13100-13102; Education Code sections 67501 and 67503). The California Community Colleges Five-Year Capital Outlay 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 spending plan is the basis for the first year of the California Community Colleges Five-Year Capital Outlay Plan. The 2015-16 Capital Outlay Spending Plan is also being submitted to the Board of Governors at its July 2014 meeting.

CALIFORNIA COMMUNITY COLLEGES 2015-16 FIVE-YEAR CAPITAL OUTLAY PLAN SUMMARY

The Facilities Planning and Utilization unit has evaluated and approved each district's 2015-16 five-year capital outlay plan with respect to:

- Funding priorities for the California Community Colleges per the Board of Governors' 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 time frame.

For the period from 2015-16 through 2019-20, the California Community Colleges have a projected need of \$20.4 billion in capital facilities needs, of which \$10 billion is for construction of new facilities and \$10.4 billion is for modernization of existing facilities. An additional \$8.9 billion of currently identified

facilities needs are deferred to future years with \$5.2 billion in out-year costs for continuing phases of projects started within the five-year plan time frame and \$3.7 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 \$29.3 billion. This unmet need includes estimated costs for the construction of an additional 11 million assignable square feet for new facilities to meet enrollment growth and 28 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 2015-16 Five-Year Capital Outlay Plan includes 200 projects totaling \$1.2 billion. This includes the 79 state-funded projects included in the 2015-16 Capital Outlay Spending Plan totaling approximately \$224 million in state funding and \$80 million in local funding (total \$304 million state and local funding). The remaining 121 projects in the first year of the plan are funded solely by the districts at a cost of \$893 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 (2015-16 to 2024-25) facilities needs for the California Community Colleges. This ten-year need is estimated to be approximately \$38.7 billion (which includes the \$29.3 billion identified in the California Community Colleges 2015-16 Five-Year Capital Outlay Plan).

STUDENT ENROLLMENT

The passage of Proposition 30, The Schools and Local Public Safety Protection Act of 2012, by the voters in November 2012 provides additional tax revenue to California's education budget through fiscal year 2018-19. The increased funding resulting from Proposition 30 is allowing the California Community Colleges to restore access to students turned away during the state's recent financial crisis and be better positioned to meet the increasing demand for college-educated workers.

Prior to the passage of Proposition 30, the budget for the California Community Colleges was reduced by \$1.5 billion requiring a 25 percent reduction of course offerings and leading to a 21 percent drop in enrollment from the peak of 2.9 million students in 2008-09 to 2.3 million students in 2012-13. Even with these reductions to the system, this systemwide California Community Colleges 2015-16 Five-Year Capital Outlay plan still identifies a current need for approximately 9.3 million additional assignable square feet without taking into consideration additional enrollment growth forecasted in the plan. This translates to new classrooms and laboratories that are not available to offer course sections in green technology, workforce development, and other vital education 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 the temporary downturn in enrollment will only delay, rather than decrease, the system's need for capital facilities. Historical trends indicate that California Community Colleges system 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 2015-16 Five-Year Capital Outlay Plan identifies the need to construct a total of 39 million assignable square feet at a cost of \$29.3 billion. This amount includes \$12.5 billion for the construction of an additional 11 million assignable square feet for new facilities to meet enrollment growth and \$16.8 billion for 28 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 2.6 million assignable square feet (7 percent increase) and \$17.2 billion in costs (142 percent increase). The reasons for the increase in space needed and costs are varied and include:

The 2002-03 Five-Year Capital Outlay Plan was based on 1,052,963 Full-Time Equivalent Students in 2000-01 whereas the 2015-16 plan is based on 1,126,898 Full-Time Equivalent Students in 2012-13. This represents an average 7 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 2015-16 Capital Outlay Spending Plan is dependent upon a new bond. 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.