





The Board of Governors of the California Community Colleges

PRESENTED TO THE BOARD OF GOVERNORS
DATE: May 16, 2016

SUBJECT: 2017-18 Five-Year Capital Outlay Plan		Item Number: 2.3	
		Attachment: Yes	
CATEGORY:	College Finance and Facilities Planning	TYPE OF BOARD CONSIDERATION:	
Recommended By:	 Mario Rodriguez, Acting Vice Chancellor	Consent/Routine	
		First Reading	
Approved for Consideration:	 Erik Skinner, Acting Chancellor	Action	X
		Information	

ISSUE: This item requests approval of the California Community Colleges 2017-18 Five-Year Capital Outlay Plan prepared pursuant to the requirements of Government Code sections 13100-13102 and Education Code sections 67500-67503.

BACKGROUND: The California Community Colleges comprise the largest postsecondary system of education in the world. Approximately 2.1 million students are enrolled each year at 72 districts encompassing 113 campuses, 78 approved off-campus centers and 24 separately reported district offices. The districts' assets include over 24,479 acres of land, 5,720 buildings, and 85.1 million gross square feet of space that includes 51.3 million assignable square feet of space. In addition, the California Community Colleges have many off-campus outreach centers at various locations. The California Community Colleges are currently serving approximately three-quarters of California's public undergraduate college enrollment in both vocational and academic program offerings.
(Background cont.)

RECOMMENDATION: It is recommended that the Board of Governors approve the California Community Colleges 2017-18 Five-Year Capital Outlay Plan.

(Background cont.)

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.

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, 67 districts have passed \$28.8 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 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 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 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 63 percent of buildings in the California Community Colleges are over 25-years old and 49 percent are over 40-years old.

DISTRICT AND THE CALIFORNIA COMMUNITY COLLEGES FIVE-YEAR CAPITAL OUTLAY PLANS

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 plan is the culmination of the annual state capital outlay grant application process.

CALIFORNIA COMMUNITY COLLEGES 2017-18 FIVE-YEAR CAPITAL OUTLAY PLAN SUMMARY

The 2017-18 Five-Year Capital Outlay Plan identifies a projected need of \$20.1 billion in capital facilities needs for the California Community Colleges over the five-year time frame of the plan (2017-18 to 2021-22). Of this amount, \$8.8 billion is for construction of new facilities and \$11.3 billion is for modernization of existing facilities. An additional \$7.9 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 \$2.9 billion of need carryover into subsequent plan years, primarily for modernization projects (see Attachment B). The total unmet facilities needs for the California Community Colleges for the five-year period of the plan are therefore estimated to be approximately \$28 billion. This unmet need includes estimated costs for the construction of an additional 8.5 million assignable square feet for new facilities to meet

enrollment growth and 28.4 million assignable square feet for the modernization of existing facilities.

The Five-Year Capital Outlay Plan includes individual projects, both state and locally funded, submitted by districts for all five years of the plan, plus systemwide facilities needs identified for each campus for the final three years of the plan to provide a more comprehensive picture of the California Community Colleges' facility needs. Specifically, systemwide enrollment growth need is determined by converting the estimated enrollment need (after excluding needs addressed by alternative delivery methods, projects submitted by districts, etc.) to ASF based on the space standards adopted by the Board of Governors. Systemwide modernization need is established based on the need to modernize existing buildings that are over 40 years old (after adjusting for projects submitted by districts).

The annual Capital Outlay Spending Plan is the basis for the first year of the California Community Colleges Five-Year Capital Outlay Plan and reflects the projects, following approval by the Board of Governors, to be submitted to the Department of Finance for consideration of funding in the following January 10 Governor's Budget. At the time the 2017-18 Five-Year Plan was developed, the draft 2017-18 Spending Plan consisted of 32 projects at a total cost of \$1.2 billion-- \$746 million to be funded by the state (see Attachment C) and \$492.6 million to be provided by the districts. Since then, a project has been withdrawn by a district. Funding for all new projects in the spending plan is dependent upon the passage of a statewide general obligation bond being approved by the voters in fall 2016. Another 124 projects are planned in the first year of the plan to be funded solely by the districts at a cost of approximately \$888 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 10-year (2017-18 to 2026-27) facilities needs for the California Community Colleges. The first half of the 10-year analysis represents the proposed Five-Year Capital Outlay Plan of \$20.1 billion and out-year costs for continuing projects of \$5 billion or a total of \$25.1 billion. The second half of the 10-year includes carryover modernization need (\$2.9 billion) and extends the projection methodologies used in the Five-Year Capital Plan as the basis for years 6-10. Total estimate for years 6-10 is projected to be \$14.9 billion and includes new facilities based on the enrollment level projected in the Five-Year Capital Plan and adjusted for future growth; modernization needs to replace/renovate existing buildings that will be over 25 years old by 2026-27 plus critical/life safety projects; and assumptions to cover projected capital outlay needs for new centers and inflation. The 10-year need is estimated to be approximately \$40 billion (\$25.1 billion for year 1-5 and \$14.9 billion for years 6-10).

STUDENT ENROLLMENT

Enrollment at the California Community Colleges peaked in 2008-09 with 2.7 million students. However, due to the state's budget deficit from declining tax revenues, the budget for the California Community Colleges was reduced by a total of \$1.5 billion, resulting in a 25 percent reduction of course offerings. The outcome was a 22 percent drop in enrollment, reducing the peak enrollment in 2008-09 of 2.7 million students to 2.1 million students in 2013-14.

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

HOW ARE WE DOING?

The California Community Colleges 2017-18 Five-Year Capital Outlay Plan identifies the need to construct a total of 36.9 million assignable square feet at a cost of \$28 billion. This amount includes \$10.6 billion for the construction of an additional 8.5 million assignable square feet for new facilities to meet enrollment growth and \$17.4 billion for 28.4 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 the construction of an additional 10.2 million assignable square feet for new facilities to meet enrollment growth and \$7.6 billion for 26.2 million assignable square feet of modernization needs.

Since that first plan, the total statewide costs have increased by \$15.9 billion (131 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 2016-17 plan is based on 1,163,710 Full-Time Equivalent Students in 2013-14. This represents an average 10.5 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 2017-18 Capital Outlay Spending Plan is dependent upon a new bond. Given the uncertainty of a new bond and the level of funding, the 2017-18 Capital Outlay Spending Plan reflects only those highest priority projects under the assumption of an annual funding level of approximately \$750 million. The Facilities Planning and Utilization unit has received proposals for projects totaling over \$2 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. Without state bond funds, the backlog of community college projects will continue to grow.