

California Community Colleges

Capital Outlay Planning

Background

California Community Colleges capital outlay demands far exceed the available state resources to fund them. Currently, there is a backlog of over \$1.8 billion in the Board of Governors' (Board) approved proposals and over \$5 billion of identified projects in district five-year capital outlay plans. This backlog includes projects that were submitted by the districts and approved by the Board up to five years ago. Funding inadequacies, technological advances, and changes in district and state priorities have made many of the projects on the backlog list outdated.

After 1998-99, the existing general obligation bond funds for higher education will run out. Past bond acts have provided the community colleges with \$150 million per year for capital outlay projects. Proposition 1A was placed on the November 1998 ballot to provide \$9.2 billion for K-12 through higher education facilities projects for the next four years. Of this amount, higher education would get \$2.5 billion. This is less than the \$3 billion that higher education supporters had been seeking, which would have provided \$250 million per segment per year for four years. Assuming the traditional 3-way split, the current proposal would provide to community colleges approximately \$186 million per year for 4 years, and an additional \$55 million during the last 2 years of the bond for new campuses, small campuses and off-campus centers.

The capital outlay program has multiple stages. After receipt in February and subsequent review of Final Project Proposals from the districts (in addition to reviewing the districts' five-year capital outlay plans and Board previously-approved projects), the Chancellor's Office prepares a preliminary list of "new start" (versus continuing) projects eligible for scope approval by the Board. This list is submitted to the Board for review and comment at its July meeting. Shortly after the state's annual Budget is enacted and refined project information is provided by the districts, the Chancellor's Office reviews the preliminary list of scope-approved projects according to Board priority criteria (Attachment A). Once that analysis is complete, the final list is placed as an action item on the September Board agenda for project scope approval. The proposed capital outlay plan (Attachment B) for the next fiscal year is prepared from the project scope approval list. This plan is submitted to the Department of Finance by August 15 for consideration in the upcoming Governor's Budget, and appears as an action item in the September Board agenda.

Project Scope Approval 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, called an Initial Project Proposal (IPP), is a three-page concept paper. The second part, called a Final Project Proposal (FPP), is a complete proposal with justification and budget detail. Projects are to be 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 develop into FPPs due the following February for possible submission to the Board for project scope approval. It is expected that each district will discuss in the FPP the relationship of the proposed project with the district's comprehensive educational and facility master plans. It is further expected that the districts will explore why there is no viable alternative other than to support the proposed project.

“Project scope approval” means that the project meets the Board's 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 of the *California Code of Regulations*, the *State Administrative Manual/Capitalized Assets, Section 6800*, and the *Facilities Planning Manual* (formerly known as the *Capital Outlay Handbook*) for the *California Community Colleges*.

Projects are currently prioritized into categories according to Board-established priority criteria (Attachment A). Within each major category (A, B, and C in the Board's priority criteria) highest priority is given to completing projects that have been previously funded. Requests for equipment to complete a project (A2) are also a very high priority; only life-safety projects are given higher priority (A1). The next priority is for infrastructure projects when failure or loss would otherwise result (A3). After the completion of previously funded and new Category A projects have been prioritized, the next category considered is for planning studies (B1) and new or remodeled instructionally related projects (B2). Category B2 projects are prioritized based on the ratio of the college's space deficiency (capacity) to enrollment growth (load), or “capacity-to-load ratio.” The last category consists of new child development, theater arts and physical education projects that promote a complete campus concept or provide for other capital outlay needs (C1-C4). Current Board criteria provide that eighty percent of the funds remaining after completion of previously-funded and Category A projects shall be expended on Category B2 “new start” projects and the other twenty percent on Category C new start projects. Projects are approved according to Board criteria in single or a combination of phases known as: acquisition (a), studies/master planning and preliminary plans (p), working drawings (w), construction (c), and equipment (e). At the request of the Board, the Chief Business Officers Facilities Task Force continues to discuss further revisions to the existing criteria to incorporate new factors such as temporary structures and technology renovations.

Based on the Chancellor's Office review of the FPPs, the districts' five-year capital outlay plans and Board previously-approved projects, the eligible “new start” (versus continuing) projects are prioritized by the Board criteria and are presented to the Board annually for review and approval of project scope. This list includes, at most, one qualified project from Category B2 *and* one project from Category C1 per authorized site.

Funding Approval Process

From this prioritized list of scope-approved projects, the Chancellor's Office develops an annual capital outlay plan for submittal to the Department of Finance prior to August 15 for consideration of funding in the next year's Governor's Budget. All Category B projects are prioritized for funding on the basis of existing facility capacity to current/projected enrollment load ("*capacity-to-load ratio*"). All Category C projects are prioritized for funding 1) if the proposed project does not add to or replace an existing facility of similar use on the campus, and 2) by the date the college was established.

At most, this plan includes one scope-approved project from Category B *or* one scope-approved project from Category C per authorized site. This ensures that only one "new start" project per year is funded per authorized site. If more than one scope-approved project is eligible for funding from Categories B and C per authorized site, the highest prioritized project from the district's five-year plan is proposed for funding. Funding of these projects each year is contingent upon their ability to meet the Governor's priorities and the availability of money to meet those needs. The Administration and legislative committees, among others, scrutinize all capital construction projects to determine if the projects fit within current priorities, i.e., seismic, life-safety, vital infrastructure, major code deficiencies, and increased instructional access.

An appeals process is available if a district feels its project was omitted in error from either the scope approval or proposed funding lists. Districts are first urged to contact their facilities planner at the Chancellor's Office for an explanation of their project's priority status. If the district still feels its project should be on the list, districts may appeal in writing to the Chancellor.

Prioritizing Capital Outlay Projects: General Criteria

1. Capital outlay projects are annually prioritized based on criteria set by the Board of Governors. Projects are approved in these phases:
 - Acquisition (a)
 - Preliminary Plans (p)
 - Working Drawings (w)
 - Construction (c)
 - Equipment (e)
2. Only after it has been determined by the district and the Chancellor's Office that there is no viable alternative to constructing or remodeling a facility will a proposed construction or remodeling project be considered for state funding.

3. Available funds will first be expended on Category A projects followed by Category B and Category C projects which have received prior funding from the capital outlay program for preliminary plans (p) and/or working drawings (w). Eighty percent of the funds remaining in any given fiscal year shall be expended on Category B “new start” (versus continuing) projects and the other 20 percent on Category C “new start” projects.
4. The Board of Governors may make exceptions to established priorities when it determines that to do so will benefit community colleges.

Prioritizing Capital Outlay Projects: Priority Criteria

Category A. To activate existing space.

1. Remediates an existing condition that poses an imminent danger to the life or safety of students, staff, or the public including emergency exit for disabled persons (*life safety projects*).
2. Equipment for previously funded projects.
3. Replacement or alterations to infrastructure when failure or loss would otherwise result.

Category B. To provide for new space or remodeling of existing space for instruction and for academic and administrative support facilities.

1. Master plans and preliminary plans when major deficiencies exist and it is projected that the district will receive capital outlay funding within five years.
2. Remodeling and new construction of classrooms, teaching laboratories, libraries, and learning resource centers (including land acquisition costs and site development when necessary to site facilities). Projects within this classification will be prioritized on the basis of existing facility capacity to current/projected enrollment load (“*capacity-to-load ratio*”):
 - a. Remodeling projects
 - b. New construction of classroom or teaching laboratory
 - c. New construction of library or learning resources space
3. Remodeling and new construction of academic and administrative support facilities (including offices, student support facilities, land acquisition, and site development costs when necessary to site facilities). Projects within this classification will be prioritized on the basis of existing facility capacity to current/projected enrollment load (“*capacity-to-load ratio*”):
 - a. Remodeling projects
 - b. New construction of faculty offices

- c. New construction of administrative office space
- d. New construction of other support facilities

Category C. To provide for other capital outlay projects and promote a complete campus concept.

1. Physical education facilities, performing arts (theater) facilities, and child care/development facilities. (*Category C1 projects are prioritized for funding: 1) if the proposed project does not add to or replace an existing facility of similar use on the campus, and 2) by the date the college was established.*)
2. Cafeterias, maintenance shops, warehouse, energy conservation projects, and other support facilities.
3. Other capital outlay projects that promote a complete campus.
4. Renewal and improvement of existing instructional and support facilities.

Life-Safety Projects

Background. The number of “life-safety” construction projects (*Category A1*) has risen greatly in recent years. The impact of this trend is that many classroom projects are not being built in high growth areas of the state because life-safety projects have first claim on available funds. The following qualifying criteria for life-safety projects are a response to these concerns. The basic premise of these criteria is to require documentation of the unsafe condition from a qualified third party. Not qualifying as a life-safety project does not preclude the project for consideration within the existing criteria for capital outlay. Districts are expected to participate to the extent practicable in a locally funded program of routine and deferred maintenance on an annual recurring basis.

Definition. A life-safety project is a capital outlay project for the remediation of an existing condition that poses an imminent danger to the life or safety of students, staff, or the public including emergency exit for disabled persons.

Qualifying Criteria. To qualify as a life-safety project, the project:

1. Must be supported by evidence of the danger to safety in the form of a study by a qualified building or safety professional detailing the unsafe condition.
2. If a building replacement is proposed, the project:
 - a. Must be accompanied by a comparison between the estimated cost to retrofit the existing building versus the estimated cost to build a replacement building. The cost to retrofit

must be more than fifty percent of the cost to build a replacement in order for the replacement project to qualify for funding;

- b. Must include usage that is the same as the usage in the building being replaced.
3. Must include plans and funding for the demolition of the building or condition being remediated.