



The Board of Governors of the California Community Colleges

PRESENTED TO THE BOARD OF GOVERNORS

DATE: July 17, 2017

SUBJECT: California Community Colleges 2018-19 Five-Year Capital Outlay Plan and the annual 2018-19 Capital Outlay Spending Plan		Item Number: 2.10	
		Attachment: Yes	
CATEGORY:	College Finance and Facilities Planning	TYPE OF BOARD CONSIDERATION:	
Recommended By:	 Mario Rodriguez, Vice Chancellor	Consent/Routine	
		First Reading	
Approved for Consideration:	 Eloy Ortiz Oakley, Chancellor	Action	X
		Information	

ISSUE: This item requests approval of the California Community Colleges 2018-19 Five-Year Capital Outlay Plan prepared pursuant to the requirements of Government Code sections 13100-13102 and Education Code sections 67500-67503 and the 2018-19 Capital Outlay Spending Plan.

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 114 campuses, 77 approved off-campus centers and 24 separately reported district offices. The districts' assets include over 24,425 acres of land, 5,951 buildings, and 87 million gross square feet of space that includes 52.3 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.

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 2018-19 Five-Year Capital Outlay Plan and the 2018-19 Capital Outlay Spending Plan.

ANALYSIS:

STATE FUNDING AVAILABILITY

Previous state general obligation bond funds for community colleges--Proposition 47 (2002) and Proposition 55 (2004) of \$1.7 billion and Proposition 1D (2006) \$1.5 billion—have either been spent or are committed to projects. The latest Proposition 51 (2016) provides \$2 billion of state bonds for funding community college projects. Since the passage of Proposition 39 in November 2000, which lowered the threshold for voter approval of local bonds to 55 percent, 68 of 72 districts have passed \$39.1 billion in local bonds, including the passage of \$10.3 billion in 2016 across 18 districts. However, many districts currently do not have local bonds available and must rely on state funding to support their capital outlay needs.

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 that 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 (for more details on the districts' master plans, refer to Appendix D of the Five-Year Capital Outlay Plan).

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 (refer to Appendix D of the Five-Year Capital Outlay Plan). 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. 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 systemwide 2018-19 Five-Year Capital Outlay Plan identifies a projected need of \$21.5 billion in capital facilities needs for the California Community Colleges over the five-year period of the plan (2018-19 to 2022-23). Of this amount, \$9.1 billion is for construction of new facilities and \$12.4 billion is for modernization of existing facilities. An additional \$8.4 billion of currently identified facilities needs are deferred to future years with \$5.7 billion in out-year costs for continuing phases of projects started within the five-year plan time frame and \$2.7 billion of need carryover into subsequent plan years, primarily for modernization projects. The total unmet facilities needs for the California Community Colleges for the five-year period of the plan are therefore estimated to be approximately \$29.9 billion (see Attachment A). 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 29.4 million assignable square feet for the modernization of existing facilities. Approximately 63 percent of the California Community Colleges facilities are 25 years or older and 51 percent are more than 40 years old in dire need of renovation.

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. The modernization need for the system 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. 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.

ANNUAL CAPITAL OUTLAY SPENDING PLAN

The 2018-19 Capital Outlay Spending Plan initially consisted of 29 projects--9 continuing and 20 new--with \$61.9 million in proposed state funding and \$53.5 million in local contributions at the time this Five-Year Plan was being developed. The 2018-19 Capital Outlay Spending Plan has since evolved as follow:

2017-18 Budget: The 2017-18 Capital Outlay Spending Plan, approved by the Board of Governors last year, sought support for 31 new start projects with \$49.8 million in proposed state funding and \$37 million in local contributions. Subsequently two projects were withdrawn by the districts, with 29 new start projects submitted to the Department of

Finance. Of these 29 projects, initially only nine projects were included in the 2017-18 Budget. Following Conference Committee actions, the 2017-18 Budget now includes a total of 15 projects with \$17 million in state funding and \$9.4 million in local contributions (see Attachment B).

2018-19 Budget Proposal: For the 2018-19 plan cycle, the California Community Colleges had submitted over 40 proposals for funding consideration. Majority of these proposals have been shifted to the next 2019-20 budget cycle as the 2018-19 Spending Plan has been devised to address unfunded projects from 2017-18 which represent the system's highest priority projects. The proposal for 2018-19 reflects a total of 33 projects--15 continuing and 18 new start projects--with an estimated \$65.8 million in proposed state funding and \$49.5 million in local contributions (see Attachment C).

TEN-YEAR CALIFORNIA COMMUNITY COLLEGES CAPITAL OUTLAY NEEDS

The plan also contains an analysis of the 10-year (2018-19 to 2027-28) facilities needs for the California Community Colleges. The first half of the 10-year analysis represents the proposed Five-Year Capital Outlay Plan of \$21.5 billion and out-year costs for continuing projects of \$5.7 billion or a total of \$27.2 billion. The second half of the 10-year includes carryover modernization need (\$2.7 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 \$14.8 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 2027-28 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 \$42 billion (\$27.2 billion for years 1-5 and \$14.8 billion for years 6-10 as depicted in Appendix G.2 of the Five-Year Capital Outlay Plan).

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 maintain access to students and be better positioned to meet the increasing demand for college-educated workers.

HOW ARE WE DOING?

The California Community Colleges 2018-19 Five-Year Capital Outlay Plan identifies the need to construct a total of 37.9 million assignable square feet at a cost of \$29.9 billion. This includes \$11.2

billion for the construction of an additional 8.5 million assignable square feet for new facilities to meet enrollment growth and \$18.7 billion for 29.4 million assignable square feet of modernization needs.

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 Facilities Planning and Utilization unit has received proposals for projects totaling over \$2 billion and the recent \$2 billion of state bond passage from Proposition 51 (2016) will provide the resources needed to fund community college projects.