

## MAJOR ISSUES

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### **Comprehensive Statewide Capital Outlay Plan Still Needed.**

The state is still faced with multibillion dollar capital outlay needs and limited resources to fund capital outlays. These needs should be reviewed in the context of a statewide program. We believe that the Legislature must take a comprehensive and proactive approach to this issue by developing a multiyear financing strategy based on a statewide needs assessment and an evaluation of its funding priorities. (See page I-12.)

**Need for New Prisons.** The Legislature is faced with both near-term and longer-term issues concerning prison space. In the near-term the Legislature needs to authorize two new prisons early in 1996 and address what will be at least a short-term prison capacity gap in 1998. For the longer term the Legislature must develop a strategy for accommodating an inmate population that—based on current projections and no changes in current law—will require financing and construction of 24 prisons by 2005 at a cost of \$7 billion. (See page I-33.)

### **Expansion of Department of the Youth Authority Institutions.**

The budget includes the initial funding for seven projects with a total cost of \$142 million to expand Youth Authority institutions by 1,450 beds. We recommend that the Legislature not approve six of the seven projects (1,400 beds) because the Youth Authority's population is expected to remain relatively stable in the short-term and the option of building additional program facilities instead of housing units should be considered. (See page I-41.)


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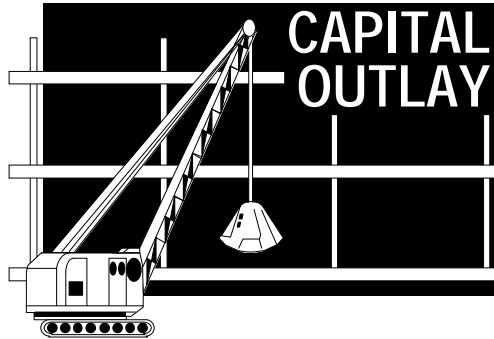
**Higher Education Capital Outlay.** The five-year capital outlay programs identified by the three segments of public higher education total \$6.6 billion—an average of over \$1.3 billion each year. Given the virtual certainty that funding at this level will not be available, it is essential that the segments prepare five-year plans that truly fit their near-term needs and identify highest priority projects on a systemwide basis. The Legislature also needs to be certain that projects funded in 1996-97 and thereafter meet the state's highest priorities for higher education on a *statewide* basis rather than an individual segment basis. (See page I-15.)

**Enrollment Plan Needed for California State University.** The California State University (CSU) currently has significant excess instructional capacity and its five-year capital outlay plan includes projects to add more capacity. For several years the CSU has not provided systemwide campus-by-campus enrollment projections that are necessary to evaluate the need for projects to increase instructional capacity. We recommend that the Legislature direct the CSU Chancellor's Office to prepare campus-by-campus projections in order to evaluate enrollment-related projects proposed in the budget and in future five-year plans. (See page I-54.)

**Water Supply at CSU Monterey Bay.** The new state university campus at Monterey Bay—on the former Fort Ord military base—may be limited to an enrollment of 12,500 full-time equivalent students because of an insufficient water supply. This enrollment level is one-half the planned enrollment for this campus. We recommend that the CSU report at budget hearings on this situation and the implications for future enrollments. (See page I-61.)

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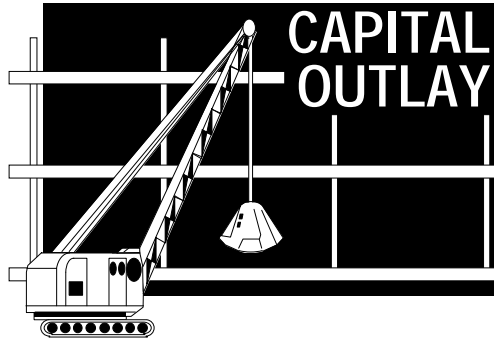
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## OVERVIEW

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**C**apital outlay expenditures continue to grow as a share of total state spending as a result of increased debt service payments for bonds that have been used to acquire capital assets.

Expenditures for capital outlay are proposed to total \$2.5 billion from all state funds in 1996-97. This is about \$85 million, or 3.5 percent, more than estimated current-year expenditures. Capital outlay *expenditures* reflect the state's *current costs* for capital outlay programs, either through debt service payments or direct appropriations (pay-as-you-go financing) to acquire assets. (The expenditure figure *does not* include the proposed appropriations of bond proceeds, because they do not represent a direct cost to the state until the bonds are paid off in future years.)

The \$2.5 billion in 1996-97 expenditures has three components:

- Debt service payments for general obligation (GO) bonds (\$2 billion).
- Payments for debt service on lease-payment bonds (\$458 million).
- Direct appropriations from the General Fund and from various special funds (\$131 million).

As shown in Figure 1, expenditures for capital outlay, excluding the state water project and direct expenditures on transportation, have increased significantly since 1989-90—growing from less than \$900 million to \$2.5 billion in 1996-97. This increase is directly attributable to the increase in debt service payments on GO bonds and lease-payment bonds. Over this same period, debt service payments have increased from \$700 million to \$2.4 billion, or nearly 250 percent.

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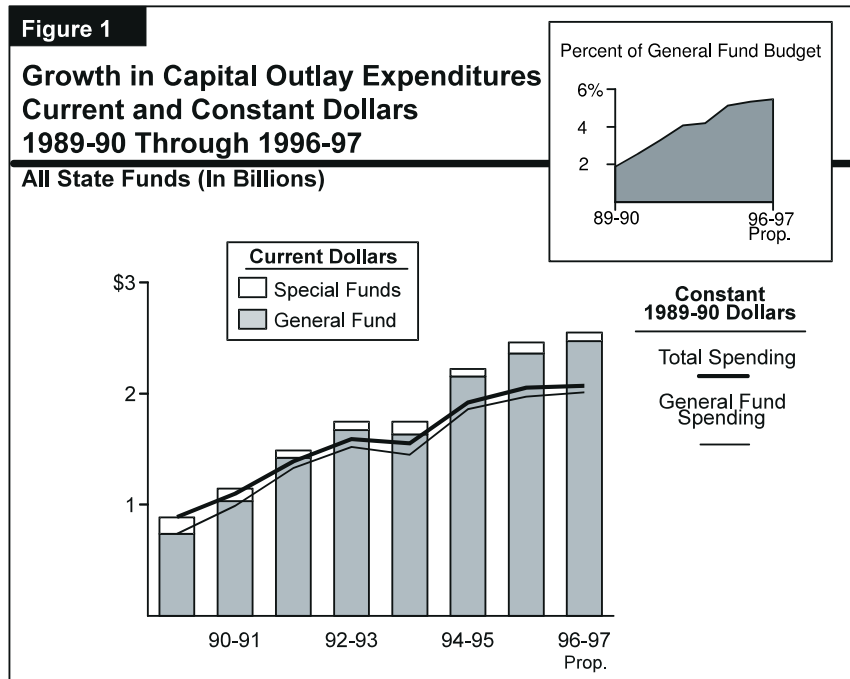


Figure 1 shows that General Fund expenditures for capital outlay (most of which is debt service) have increased from less than 2 percent of General Fund spending in 1989 to about 5.5 percent in the budget year.

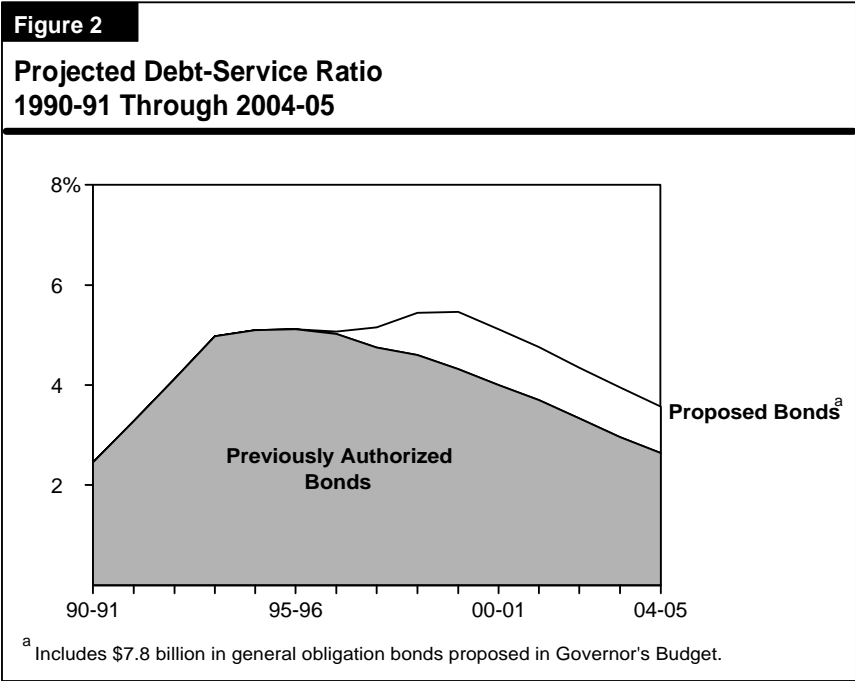
The proposed budget-year changes, by component of capital outlay expenditure, are as follows:

- **General Obligation Bond Debt Service.** The Governor's Budget reflects a General Fund cost increase of \$8 million over current-year expenditures of about \$1.95 billion for GO bond debt service.
- **Lease-Payment Bond Debt Service.** Debt service payments for lease-payment bonds are estimated to total \$458 million in 1995-96. This is an increase of \$83 million, or 22 percent, over the current year. These bonds are primarily used for higher education facilities, prisons, and state office buildings. About 94 percent of the debt service on these bonds is paid by the General Fund.
- **Direct Appropriations.** Capital costs through proposed direct appropriations total \$131 million—about \$5 million less than in

1995-96. These expenditures include \$81 million from the General Fund and \$50 million from various special funds, such as the Motor Vehicle Account.

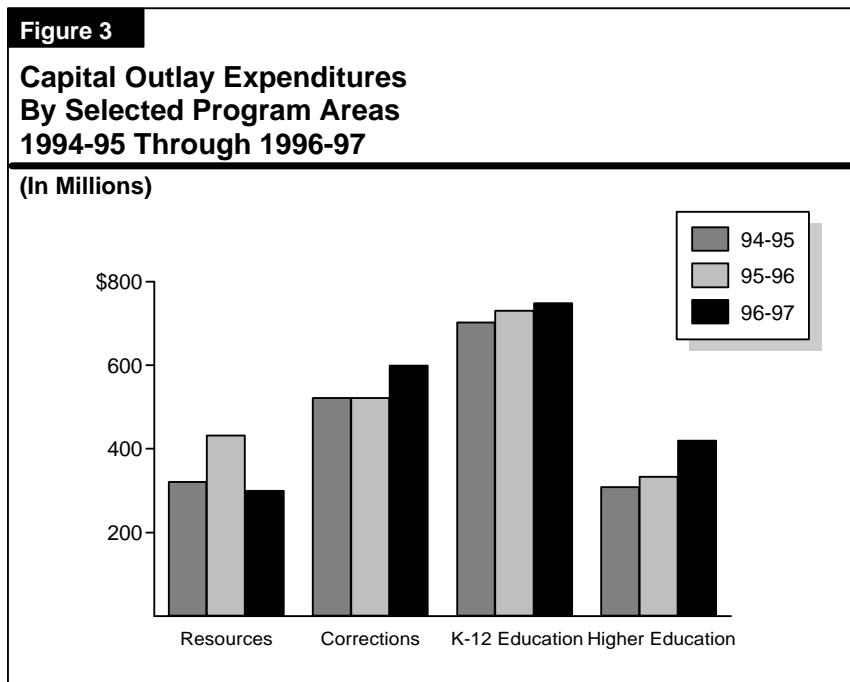
**Debt Service Ratio**

The amount of debt service as a percentage of state General Fund revenues (that is, the state's debt ratio) is estimated to be 5.1 percent for the current year. This ratio has risen since 1990-91 (when it was 2.5 percent), but will slowly decline in 1996-97 and beyond if no new bonds are authorized. (This projection uses our General Fund revenue estimates and does not account for any impacts of the Governor's tax cut proposals on future revenues.) Figure 2 shows the impact on the debt ratio if voters were to approve the Governor's general obligation bond proposals for the 1996 ballots (a total of \$7.8 billion). We estimate that sales of these additional bonds would increase the debt ratio in future years by about 1 percent.



## SPENDING BY MAJOR PROGRAMS

About \$2.1 billion, or 81 percent, of capital outlay expenditures fall within four areas—K-12 education, youth and adult corrections, resources, and higher education. Figure 3 shows the expenditures in each of these areas over the past three years. The figure reflects the increased costs to make debt payments on bonds issued for these programs. The expenditures do not necessarily reflect actual construction activity because of the lag between construction, bond sales, and debt payments.



## SUMMARY OF THE 1996-97 CAPITAL OUTLAY PROGRAM

We now turn from a discussion of capital outlay expenditures (the current costs of paying for capital assets) to a summary of the 1996-97 capital outlay program (proposals to obtain capital assets). The budget includes \$820 million for capital outlay programs (excluding transportation systems). This is an increase of \$130 million, or 19 percent, over current-year appropriations.



### Overview of Capital Outlay Needs

The five-year plans prepared by state agencies provide a project-specific inventory of needs. Figure 4 shows a summary of these five-year plans, which total \$25 billion for state agencies and for K-12 education. These five-year estimates should be viewed with caution because some of the plans are incomplete and also may include proposals that, upon examination, would not merit funding. Nevertheless, the plans provide a reasonable assessment of the overall magnitude of the agencies needs.

<b>Figure 4</b>	
<b>Projected Five-Year Capital Outlay Needs For the State and K-12 Education 1996-97 Through 2000-01</b>	
<b>(In Millions)</b>	
	<b>Five-Year Total</b>
Executive	\$50
State and Consumer Services	1,325
Department of Motor Vehicles/ California Highway Patrol	243
Resources	840
Health and Welfare	420
Youth and Adult Corrections	4,604
K-12 Education	10,500 <sup>a</sup>
Higher Education	6,610
General Government	228
<b>Total</b>	<b>\$24,820</b>

<sup>a</sup> Estimate only. No statewide five-year plan.

### Governor's Budget

Figure 5 (see page 10) compares each department's capital outlay funding request for 1995-96 with the amount approved by the administration for inclusion in the Governor's Budget. The budget includes about 60 percent of the \$1.4 billion requested. As shown in the figure, the projects in the budget have a future completion cost of \$730 million. About 50 percent of this future cost is for higher education.

<b>Figure 5</b>			
<b>1996-97 State Capital Outlay Summary</b>			
<b>(In Thousands)</b>			
<b>Department</b>	<b>Department Requests</b>	<b>Governor's Budget 1996-97 Amount</b>	<b>Future Cost</b>
Emergency Services	\$4,227	\$4,227	\$23,939
General Services	154,569	154,569	—
Transportation	2,118	2,118	—
Highway Patrol	12,528	10,000	5,468
Motor Vehicles	9,954	9,483	3,240
Tahoe Conservancy	14,217	2,983	—
Conservation Corps	380	380	—
Forestry and Fire Protection	52,556	16,743	15,250
Fish and Game	2,373	505	—
Wildlife Conservation Board	22,465	13,327	—
Boating and Waterways	10,251	4,512	2,312
Coastal Conservancy	6,660	4,663	—
Parks and Recreation	31,928	18,296	—
San Joaquin River Conservancy	40	40	—
Water Resources	11,025	6,400	—
Health Services	40,080	2,989	97,159
Mental Health	29,754	17,972	—
Employment Development	9,785	9,394	—
Corrections	79,639	84,812	39,487
Youth Authority	34,599	31,248	147,998
University of California	152,235	142,325	53,961
Hastings College of the Law	709	709	8,291
California State University	416,350	150,000	179,899
Community Colleges	321,652	119,592	139,576
Cal Expo	2,225	483	—
Food and Agriculture	2,178	1,036	4,096
Military	17,005	10,500	9,066
Veterans' Home of California	9,691	620	—
Unallocated capital outlay	200	200	0
<b>Totals</b>	<b>\$1,415,393</b>	<b>\$820,126</b>	<b>\$729,742</b>

Figure 6 shows the budget proposal for each department by funding type. Almost 80 percent of all funding (\$647 million) is proposed from GO bonds. About \$490 million of this bond funding is dependent on legislative and/or voter approval of new bonds in 1996. The budget also includes \$77 million from the General Fund for capital outlay projects. Other capital outlay funding is proposed from various special funds (\$59 million) and from federal funds (\$36 million). No new funding is proposed from lease-payment bonds.

<b>Figure 6</b>					
<b>1996-97 Capital Outlay Program</b>					
<b>Proposed Expenditures by Fund Type</b>					
<b>(In Thousands)</b>					
<b>Department</b>	<b>Bonds</b>	<b>General</b>	<b>Special</b>	<b>Federal</b>	<b>Total</b>
Emergency Services	—	\$4,227	—	—	\$4,227
General Services	\$154,569	—	—	—	154,569
Transportation	—	—	\$2,118	—	2,118
Highway Patrol	—	—	10,000	—	10,000
Motor Vehicles	—	—	9,483	—	9,483
Tahoe Conservancy	—	2,500	483	—	2,983
Conservation Corps	—	380	—	—	380
Forestry and Fire Protection	—	16,743	—	—	16,743
Fish and Game	—	—	305	\$200	505
Wildlife Conservation Board	1,561	—	11,766	—	13,327
Boating and Waterways	—	—	4,512	—	4,512
Coastal Conservancy	—	—	4,663	—	4,663
Parks and Recreation	178	5,481	12,037	600	18,296
San Joaquin River Conservancy	—	—	40	—	40
Water Resources	—	6,400	—	—	6,400
Health Services	—	2,989	—	—	2,989
Mental Health	—	17,972	—	—	17,972
Employment Development	—	—	3,004	6,390	9,394
Corrections	50,612 <sup>a</sup>	7,200	—	27,000	84,812
Youth Authority	27,748 <sup>a</sup>	3,500	—	—	31,248
University of California	142,325 <sup>a</sup>	—	—	—	142,325
Hastings College of the Law	709 <sup>a</sup>	—	—	—	709
California State University	150,000 <sup>a</sup>	—	—	—	150,000
Community Colleges	119,592 <sup>a</sup>	—	—	—	119,592
Cal Expo	—	—	483	—	483
Food and Agriculture	—	595	441	—	1,036
Military	—	8,470	—	2,030	10,500
Veterans' Home of California	—	620	—	—	620
Unallocated	—	200	—	—	200
<b>Totals</b>	<b>\$647,294</b>	<b>\$77,277</b>	<b>\$59,335</b>	<b>\$36,220</b>	<b>\$820,126</b>

<sup>a</sup> Dependent on legislative and/or voter approval of proposed bonds.

### Governor's Bond Proposals

The budget indicates the Governor's support for (1) the two bond measures already placed on the March 1996 ballot and (2) three additional bond measures for the November 1996 ballot. These five measures, totaling \$7.8 billion, are summarized below:

**March 1996 Ballot**

- \$2 billion for seismic retrofit of state-owned bridges and toll bridges (Proposition 192).
- \$3 billion for public education facilities (Proposition 203).
  - \$2.025 billion for K-12 education.
  - \$975 million for higher education.

**Governor's Proposal for November 1996 Ballot**

- \$2.2 billion for youth and adult corrections.
  - \$1.642 billion for six new state prisons.
  - \$150 million for additional capacity at the Department of the Youth Authority.
  - \$274 million for existing prison and Youth Authority facilities.
  - \$150 million for local juvenile detention facilities.
- \$540 million for water-related facilities and programs.
  - \$220 million to implement a water management plan for the San Francisco Bay/Sacramento-San Joaquin Delta.
  - \$320 million for local wastewater treatment plants and water reclamation facilities.
- \$100 million for a state infrastructure bank “dedicated to nontransportation infrastructure with an emphasis on projects that promote economic development.”

**Comprehensive Legislative**

**Review of Capital Outlay Still Needed**

The state continues to be faced with the situation we discussed last year in the *Analysis of the 1995-96 Budget Bill* (page I-13). The state and local governments have tens of billions of dollars in unfunded capital outlay needs. In recent years, bonds have been a primary fund source for capital outlay, but almost all GO bonds that were previously approved by the voters have been allocated to specific projects. The state's debt service costs have increased significantly since 1990, resulting in a relatively high General Fund debt service ratio of 5.1 percent. This ratio will decline, beginning in 1996-97, if no new bonds are approved and sold. We believe that the state could prudently approve and issue

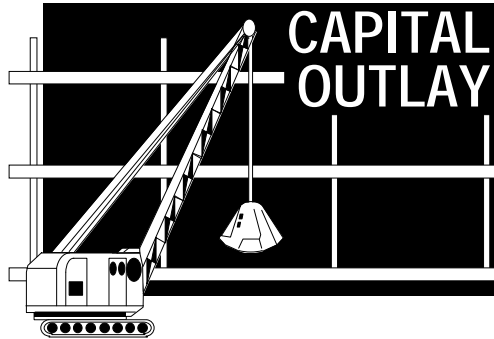
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additional GO bonds, but in doing so it is essential that any additional bonds be directed to the state's highest priority needs.

As we discussed last year, state capital outlay programs and consideration of assistance to local governments have not been reviewed and funded in the context of a statewide program. We believe that the Legislature must undertake a comprehensive review of the state's capital outlay needs, set priorities, and establish a financing plan to fund these priorities over a multiyear period.

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## CROSSCUTTING ISSUES

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### HIGHER EDUCATION CAPITAL OUTLAY

*After several years of enrollment declines at the three segments of public higher education, enrollments increased in the fall 1995. Enrollments are projected to increase in the next ten years, but to reach levels below what had been projected prior to the 1990s recession. As in recent years, the three segments of public higher education propose multi-billion dollar expenditures for capital outlay over the next five years. It is essential that the segments provide five-year plans which reflect their needs on a systemwide priority basis and that the Legislature fund those projects which are the highest statewide priorities for higher education.*

In this section we summarize the most recent enrollment projections, the five-year capital outlay plans, and the Governor's 1996-97 capital outlay budget proposal for the three segments of higher education.

#### Higher Education Enrollment Projections

In 1989, the Department of Finance (DOF) projected that enrollments at the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC) would increase 30 percent to 50 percent over the 15-year period between 1990 and 2005. These projections were made at a time when the segments had experienced several years of rapid growth—a trend that was expected to continue as the state's population and economy continued to grow. However, the state experienced a severe recession and population growth slowed considerably. Contrary to the earlier estimates, the three

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segments experienced enrollment declines of varying levels over this time period. After several years of decline, enrollments increased in 1995-96.

The DOF's most recent enrollment projections (fall 1995) estimate growth of 18 percent at the UC and 25 percent at both the CSU and the CCC through 2004 (the last year of DOF's projection). While significant, the enrollment levels for 2004 are about 10 percent lower across all three segments than the DOF's projections from 1989.

The department's projections show that there are two principal reasons for the reduced projections. First, total state population is expected to be less than previously projected. As a result, there will be fewer high school graduates, which constitute the primary enrollment pool. Second, lower percentages of high school graduates and other adults have been electing to enroll at the three segments. A variety of factors probably have contributed to this declining participation, including reduced state funding support for higher education in response to tight budgets and student fee increases. The DOF predicts that, over the projection period, these percentages (or "participation rates") will generally increase but will not reach the peak levels of the late 1980s.

**Projections by Others.** In addition to the DOF, the California Postsecondary Education Commission (CPEC), the UC's Office of the President, and the Chancellor's Office of the CCC have released long-range enrollment projections within the last 18 months. (The CSU Chancellor's Office has not issued long-range projections for the CSU system.)

- The CPEC's projections for each of the three segments in 2004 differ from the DOF's projections by less than 2 percent.
  - The UC projects enrollment of about 168,000 students in fall 2004, which is about 11,000 students (6 percent) *less than* DOF's estimate for that year. The UC's estimate incorporates the DOF's projections for high school graduates, but the UC assumes a lower participation rate of high school graduates attending the UC than does the DOF or the CPEC. (The UC assumes participation rates remain at the 1994 level.)
  - The CCC projects enrollment of 1.85 million students in 2004, which is about 175,000 students (10 percent) *more than* that projected by the DOF. The CCC's projections are based on (1) the DOF's demographic projections for various age cohorts and (2) the CCC's assumptions about future participation rates of these cohorts, which are higher than assumptions used by the DOF.
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## Five-Year Capital Outlay Plans

***An average annual appropriation of \$1.3 billion (three times recent funding levels) would be needed over the next five years to fully fund higher education capital outlay plans. Given the likely limitations of future capital outlay funding, it is essential that the state's highest priority needs for higher education be identified and funded from a statewide perspective rather than an individual segment perspective.***

As summarized in Figure 7, the segments' five-year plans propose expenditures totaling \$6.6 billion between 1996-97 and 2000-2001. Because most capital outlay projects are funded in phases over two to four years, these plans are similar to the segments' previous five-year plans, but are updated to reflect 1995 budget actions, revised priorities, and the addition of new projects. In our analyses of each segment's 1996-97 capital outlay program, we discuss their five-year plans in more detail.

<b>Figure 7</b>	
<b>Higher Education Capital Outlay Five-Year Plans 1996-97 Through 2000-2001</b>	
<b>(In Millions)<sup>a</sup></b>	
<b>Segment</b>	<b>Five-Year Totals</b>
University of California	\$756
California State University	2,327
Community Colleges	3,526 <sup>b</sup>
<b>Total</b>	<b>\$6,609</b>

<sup>a</sup> All amounts adjusted to ENR 5595, the construction cost index in use for the budget.

<sup>b</sup> No statewide five-year plan. Total based on districts' plans.

To fully fund these proposed plans, the Legislature would have to commit an average of \$1.3 billion per year—about three times the average capital outlay appropriations for higher education over the past five years. Given the virtual certainty that funding of this magnitude will not be available—particularly given the state's additional capital outlay needs in other program areas—it is essential that the segments prepare five-year plans that truly fit their near-term capital outlay needs and identify the highest priority projects from a systemwide perspective.

Figure 8 (see page 18) summarizes the segments' five-year plans by type of project. Over 50 percent of the five-year total is to construct new

buildings (instructional facilities, libraries, research space, etc.) on existing campuses, with the majority of this amount at the CSU and the CCC. An additional \$560 million is proposed to expand or develop new off-campus centers (mostly at the CCC). In our analysis of the CSU's and the CCC's capital outlay programs, we note that these two segments currently have significant excess instructional capacity. Thus, it is unclear to what extent the new instructional facilities proposed in their five-year plans will be needed over this time period.

<b>Figure 8</b>				
<b>Higher Education Capital Outlay Projects in Five-Year Plans</b>				
<b>(In Millions)</b>				
<b>Project Type</b>	<b>UC</b>	<b>CSU</b>	<b>CCC</b>	<b>Totals</b>
Building renovations	\$375	\$628	\$449	<b>\$1,452</b>
New buildings	194	1,267	2,212	<b>3,673</b>
Off-campus centers	—	58	506	<b>564</b>
Infrastructure	103	296	359	<b>758</b>
Minor capital outlay	84	78	—	<b>162</b>
<b>Totals</b>	<b>\$756</b>	<b>\$2,327</b>	<b>\$3,526</b>	<b>\$6,609</b>

As discussed earlier, changes and trends in participation rates among college age populations make future enrollment levels—and therefore, capital outlay needs—uncertain. Given the multibillion dollar cost of the five-year plans, the Legislature needs to be certain that the projects they fund, both in 1996-97 and thereafter, meet the *state's* highest priorities for higher education. Thus, the needs identified by the segments should be assessed on a *statewide* basis rather than on an *individual segment* basis. Otherwise, projects may be funded for one segment that, in the context of statewide needs, would be a lower priority than projects in another segment that are not funded.

### **Budget Proposal**

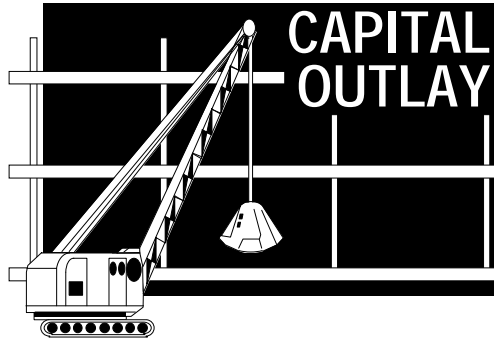
***The budget for higher education capital outlay is almost totally dependent on voter approval of a general obligation bond measure in 1996.***

As summarized in Figure 9, the budget proposes \$413 million in capital outlay funding for the three segments and for the Hastings College of the Law. This is an increase of \$13 million from the current year funding level. The estimated cost to complete all budgeted projects is \$382 million.

<b>Figure 9</b>			
<b>Higher Education Capital Outlay 1996-97 Programs</b>			
<b>(In Millions)</b>			
	<b>Budget Bill Amount</b>	<b>Future Cost</b>	<b>Totals</b>
University of California	\$142.3	\$54.0	<b>\$196.3</b>
Hastings College of the Law	0.7	8.3	<b>9.0</b>
California State University	150.0	179.9	<b>329.9</b>
Community Colleges	119.6	139.5	<b>259.1</b>
<b>Totals</b>	<b>\$412.6</b>	<b>\$381.7</b>	<b>\$794.3</b>

Only about \$14 million in previously authorized general obligation bonds remain available for new appropriations. The budget proposes to appropriate \$2 million of these funds for five UC projects, and keep the remaining bond funds in reserve to augment previously funded projects. The remaining \$411 million for 1996-97 would be funded from a \$975 million higher education general obligation bond measure that has been placed on the March 1996 ballot. There is no funding proposed from lease-payment bonds in the budget year.





## DEPARTMENTAL ISSUES

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### DEPARTMENT OF GENERAL SERVICES (1760)

The budget includes \$154.6 million from the Earthquake Safety and Public Buildings Rehabilitation Fund of 1990 (general obligation bonds) to structurally strengthen (retrofit) 14 state buildings.

#### Retrofit Projects

***We withhold recommendation on the \$154.6 million to structurally strengthen 14 state buildings pending completion of preliminary plans and review of refined scope and cost estimates for each project.***

In June 1990, voters approved \$300 million in general obligation bonds for safety-related renovations of state buildings (\$250 million) and matching grants for structural retrofits of local government buildings (\$50 million). As required by the bond measure, the Division of the State Architect (DSA) surveyed and evaluated the structural safety characteristics of state buildings. Through a multistep screening process, the highest priority projects were identified for expenditure of the bond funds. Buildings were evaluated by structural engineers and assigned a risk level of 1 through 7 (the highest risk).

In the 1995 Budget Act, the Legislature appropriated \$27.2 million in bond funds for 26 projects, including planning for the structural retrofit of 24 buildings, the demolition of a state parking garage in Los Angeles, and the relocation of an emergency communication microwave center in Los Angeles. In addition to the bond funds, the Legislature appropriated \$462,000 in other state and federal funds to prepare preliminary

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plans for the structural retrofit of an Employment Development Department building in Sacramento. Each of the structural retrofit projects was for buildings that were assigned a seismic risk level of 4, 5, or 6.

The Legislature also appropriated \$750,000 in bond funds for the DSA to perform detailed structural evaluations of other state buildings in order to determine whether any would be a higher risk (level 5 or 6) than the risk level 4 buildings (ten projects) that were funded in the 1995 Budget Act. In conjunction with this action, the Legislature adopted budget language specifying that funds appropriated for level 4 buildings could not be spent if the DSA identified any higher risk buildings.

In the current year, the DSA has accomplished several tasks necessary to implement the budgeted capital outlay program. These include:

- Contracting with design teams for each project.
- Forming a Peer Review Board (consisting of structural engineers) to review the retrofit schemes developed for each project and ensure consistency in applying retrofit guidelines established for the program.
- Working with departments occupying the buildings to be retrofitted in order to identify and minimize impacts on the departments' operations during the renovations.
- Working with the State Historic Preservation Office to address potential impacts on those buildings over 50 years old.
- Performing the additional building risk assessments and identifying additional risk level 5 and 6 buildings.

In general, the DSA has made good progress to date in planning and coordinating a large number of complex projects and the various issues associated with those projects.

The Governor's Budget includes \$154.6 million to complete the 14 bond-funded projects that are rated either risk level 5 or 6. Because the preliminary plans for these projects have not yet been completed, the amounts requested for each project reflects the cost estimate that was prepared over a year ago for the 1995-96 budget proposal. These plans are scheduled to be completed between February and April. Until these plans are available, the proposed structural improvements and associated cost estimate for each project is uncertain. We therefore withhold recommendation on the budget proposal pending review of the completed preliminary plans and cost estimates.

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## Reappropriation of Funds for Local Assistance

***We recommend deletion of Item 1760-491 to reappropriate funding for all local government seismic retrofit projects because such action is inconsistent with legislative intent as expressed in the 1995 Budget Act.***

The Earthquake Safety and Public Buildings Rehabilitation Bond Act of 1990 provided \$50 million to assist with seismic safety upgrading of certain local government buildings. This program is administered by the DSA. Projects funded with these bonds must include a 25 percent local matching contribution. In the 1994 Budget Act, the Legislature appropriated \$45.5 million in earthquake safety bonds for 114 local government projects.

In the 1995 Budget Act, the Legislature reappropriated any funds that were not encumbered by the local entities in 1994-95. The Legislature also adopted Budget Bill language stating its intent that all of these local government projects should begin construction by the end of 1995-96 and that funding for these projects would not be reappropriated for 1996-97. In addition, the Legislature required the DSA to submit a report by December 1, 1995 regarding the status of each project. Finally, the Legislature indicated two instances where reappropriations would be considered: (1) if completion of a grant-funded project is based on staging of other projects and (2) if a project involves construction of a new building (in lieu of retrofitting an existing building).

At the time this analysis was written, the required status report was not available. Thus, there was no information to substantiate the need, based on the Legislature's criteria, to reappropriate funds for *any* project let alone all projects. Consequently, the request to reappropriate funds for every project as proposed in the Governor's Budget is clearly inconsistent with legislative intent as expressed in the 1995 Budget Act that local projects move forward expeditiously in the current year. We therefore recommend deletion of Item 1760-491. We will review the DSA's report when it is available and advise the Legislature whether reappropriation of funds for any of the projects would be warranted.

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## DEPARTMENT OF FORESTRY AND FIRE PROTECTION (3540)

The California Department of Forestry and Fire Protection operates 230 fire stations, 24 lookouts, 13 air attack bases, 9 helicopter attack bases, 41 camps, 2 fire centers, and a training academy. Nearly 80 percent of these facilities were built before 1960. The department's five-year capital outlay plan totals \$334 million and emphasizes replacement of many of the department's older facilities.

In the 1995 Budget Act, the Legislature approved \$22.3 million for the department's capital outlay program, including \$12.3 million from the General Fund and \$10 million in lease-payment bonds for a state-wide effort to begin replacing aging emergency communication towers. This was a significant increase in funding over the previous five years, in which the department had received a total of only \$7.4 million for capital outlay.

The Governor's Budget proposes \$16.7 million from the General Fund for the department's capital outlay program in 1996-97. This amount includes \$10 million for 20 major projects and \$6.7 million for minor projects.

### Reimbursements From Local Entities for Capital Outlay Costs

***We recommend enactment of trailer bill legislation requiring the Department of Forestry and Fire Protection to recoup the state's costs associated with capital improvements involving facilities that in part serve local entities that contract with the department for services. These capital outlay costs should be recovered over time through an annual facilities fee in the department's contracts with local governments.***

In addition to providing fire protection on private and state-owned watershed lands known as State Responsibility Areas, the department provides fire protection services, and in some cases emergency response services, for some local governments on a cost reimbursement basis. For example, in 1993-94 the department had contracts with 101 entities totaling \$80 million. These contracts, however, do not include any

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payments to the state for costs related to improvement of state facilities, even though such improvements are an integral part of the state's cost of providing the service.

Some of the department's capital outlay projects proposed in the Governor's Budget involve facilities in which the state serves local governments. For example, one proposal is for a new emergency command center for the Riverside Ranger Unit Headquarters. The department indicates that the existing command center provides dispatch services for the Riverside County Fire Department and 14 incorporated cities in the county. The center dispatches state paramedic units and private and/or contracted ambulance services within the Riverside Ranger Unit. In 1995, the center processed 65,000 incidents—almost twice the amount processed in 1985—and was the busiest center in the department's system.

The budget includes \$200,000 to prepare preliminary plans and working drawings for a new 10,000 square-foot emergency command center and related improvements. The estimated future construction cost of this center is \$2 million. The department indicates that this new center is required in part because the increasing incident load requires additional dispatching consoles that cannot be housed in the current facility.

Proper cost accounting dictates that such capital outlay expenses be included in the overall charges for services provided. Consequently, we recommend that the state include in its charges to local governments a proportionate share of the state's costs for these improvements. Under this proposal, the up-front costs for the department's projects would still be funded by the state. Upon completion of a project, the state would charge local governments for a share of the capital outlay cost based on the state's cost of providing services to local government(s) from the improved facility. Because capital improvements are used for many years, we suggest that the local share of capital outlay costs be amortized over a 20-year period at the state's Pooled Money Investment Account interest rate.

In order to implement this facilities fee, we recommend that the Legislature enact a budget trailer bill requiring the department to begin including these fees in its contracts in 1997-98 for any projects that will be completed in 1996-97 and after.

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## DEPARTMENT OF BOATING AND WATERWAYS (3680)

The budget for the Department of Boating and Waterways includes \$3.5 million for capital outlay and \$28 million for local assistance from the Harbors and Watercraft Revolving Fund (HWRF). The budget also includes \$700,000 in reimbursements from federal funds for local boating safety programs. The capital outlay funding is for four major projects (\$2.8 million), minor projects (\$1.7 million), and \$50,000 for project planning. The local assistance funding includes \$19.4 million for boating facility grants/loans, \$7.6 million for boating safety programs, and \$1.7 million for a beach erosion control project.

### San Diego Region Beach Restoration

***We recommend a reduction of \$1,175,000 for a beach erosion project in San Diego County because the cost should be shared by local government(s). (Reduce Item 3680-101-0516 [c] by \$1,175,000.)***

The budget includes \$1,650,000 from the HWRF to place sand on beaches along the San Diego County coastline which have experienced significant erosion. This sand will become more readily available for this project because the United States Navy will be dredging eight million cubic yards of sand from the entrance to San Diego Harbor as part of its Carrier Homeporting Project. The dredged material will be placed near the county shoreline. The San Diego Association of Governments (SANDAG) has requested a total of \$4 million in state funding for a two-phase project to place about one million cubic yards of this sand onshore at specific locations, including state beaches. The first phase would place 0.6 million cubic yards of sand onto Carlsbad and Leucadia State Beaches at a cost of \$2,350,000. To fund the first phase, the state has already provided \$700,000 through enactment of Ch 606/95 (SB 654, Craven and Killea) and the remaining \$1,650,000 is proposed in the Governor's Budget under Item 3680-101-0516 (c). The second phase will be proposed for funding in 1997-98 and involves placing 0.4 million cubic yards of sand onto Cardiff State Beach and Tide Beach Park (local) at an estimated cost of \$1,650,000.

***Locals Should Share in Cost.*** Local governments would benefit from the project in a couple of ways. First, one local beach would receive

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sand. Second, a feasibility study done for the SANDAG indicates that placing sand on seriously eroded beaches (state or local) will have the benefits of protecting coastal development and infrastructure—a local interest. Given that this project would provide these significant local benefits, we believe it would be appropriate for local governments in the area to share in the project cost. Based on a reasonable sharing of the benefits to the state and local governments, we recommend that the local governments in the SANDAG provide one-half of the \$4 million total project cost and one-half of the \$2,350,000 first phase cost. Therefore, we recommend a reduction of \$1,175,000 under Item 3680-101-0516 (c).

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## DEPARTMENT OF PARKS AND RECREATION (3790)

The budget includes \$18.3 million for capital outlay for the Department of Parks and Recreation (DPR). This amount includes \$5.5 million from the General Fund, \$12 million from various special funds, \$0.2 million in bond funds, and \$0.6 million in federal funds. Among the special funds, the largest fund source is \$8.2 million from the Off-Highway Vehicle Trust Fund.

### **Pfeiffer Big Sur State Park, Sewage Treatment System**

***We withhold recommendation on \$1,776,000 under Item 3790-301-0001 pending completion of preliminary plans that will better define the scope and cost of this project.***

The budget requests \$1.8 million from the General Fund to improve the 40-year-old sewage treatment plant and collection system at Pfeiffer Big Sur State Park in Monterey County. In the 1994 Budget Act, the Legislature appropriated \$227,000 for preliminary plans and working drawings for this project. In 1995, the DPR contracted for a video taping of the existing sewer lines to determine the extent of deterioration. According to the department, the preliminary plan phase of the project is scheduled to be completed in June 1996. Upon completion of the preliminary plans, the DPR should be able to present the Legislature with a better-defined scope and cost of this project. We therefore withhold recommendation on the budget request pending a review of the project based on completed preliminary plans.

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## DEPARTMENT OF HEALTH SERVICES (4260)

The Department of Health Services (DHS) owns and operates laboratory facilities in Berkeley, Los Angeles, and Fairfield. The Governor's Budget for DHS capital outlay consists of \$3 million (General Fund) to prepare preliminary plans for the second phase of the department's new laboratory facilities in Richmond. We discuss this project below.

### Richmond Laboratory Phase II

*We recommend Budget Bill language specifying that funds for preliminary plans for Phase II cannot be spent until the environmental review process for Phases I and II are completed.*

**Background.** In Ch 1584/90 (AB 3708, Campbell), the Legislature authorized \$54.5 million in lease-payment bonds for the DHS to undertake two projects: \$11.5 million to renovate the department's main laboratory in Berkeley and \$43 million to acquire laboratory and office facilities in the City of Richmond. The intent of this legislation was in part for the state to purchase a research center in Richmond owned by the Chevron Corporation. In January 1992, however, Chevron sold this facility to a private corporation. Furthermore, in September 1992 the DHS completed an evaluation of its Berkeley laboratory, which concluded that the condition of this building precluded cost-effective renovation.

A March 1993 consultant's study outlined the department's laboratory and office space needs for the next ten years for DHS functions located in three state-owned facilities and seven leased facilities in Berkeley, Emeryville, and Fairfield. The report concluded that the department would need a total of about 670,000 gross square feet (gsf)—400,000 gsf of laboratory and support space and 270,000 gsf of office space. The report proposed to fulfill these needs in three phases, at an estimated total cost of about \$200 million. Phases I and II were proposed to be developed in Richmond and would address almost all of the department's laboratory needs and a portion of its office space needs. Phase III would be mainly office space and is not being proposed by the DHS at this time.

**Phase I.** In Ch 1173/94 (AB 3182, Bates), the Legislature amended Chapter 1584 to allow the entire \$54.5 million in lease-payment bond authority to be used for development of a new 160,000 gsf facility in

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Richmond. A 29-acre site has been selected in Richmond and consultants are currently conducting an environmental assessment (as required by the California Environmental Quality Act) and preparing preliminary plans for this project. (The environmental review is assessing the impacts of both project phases.) The current project schedule shows that the environmental review will be completed in June 1996, after which the site will be purchased by the state. Phase I is scheduled for completion in May 2000.

**Phase II.** The budget proposes \$2,989,000 to prepare preliminary plans for Phase II, which would be a 302,000 gsf facility. The estimated cost to complete this project is \$97 million. The department's schedule indicates that this project will be completed in September 2001.

**Analyst's Recommendation.** We believe that the scope and cost of the Phase II project are reasonable. The design of this project should not begin, however, until the environmental review process is completed. Although this review is scheduled to be completed prior to the start of 1996-97, there is always the potential for unforeseen delays that could extend this time frame. We therefore recommend the following Budget Bill language allowing expenditure of these funds only after completion of that review.

Item 4260-301-0001. Provision 1. No funds in Schedule (1) shall be expended until the environmental assessment and review process for the Richmond Laboratory Project is completed.

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## DEPARTMENT OF MENTAL HEALTH (4440)

The Department of Mental Health (DMH) operates four state hospitals (Atascadero, Metropolitan, Napa, and Patton) and manages treatment services at Camarillo State Hospital. The department's budget request totals \$18 million from the General Fund for two major projects (\$17.8 million) and for minor projects (\$152,000). The major projects include upgrading of the 70-Building at Patton State Hospital to meet fire, life safety, and environmental standards (\$14.8 million) and installing a secure perimeter fence at Metropolitan State Hospital (\$3 million). Design documents for the project at Patton State Hospital were completed in 1991, but the construction phase of the project has been deferred for several years due to budget constraints. We discuss the fence project below.

### Metropolitan State Hospital, Perimeter Fence

***We recommend deletion of \$3 million to construct a security fence at Metropolitan State Hospital because the Patton State Hospital renovation could be accomplished with less patient disruption and better security by temporarily overcrowding other housing units at Patton. (Delete \$3,035,000 under Item 4440-301-0001 [2].)***

The budget proposes \$3,035,000 for preliminary plans (\$97,000), working drawings (\$124,000), and construction (\$2,814,000) to install 4,900 lineal feet of high security fence and associated security equipment at Metropolitan State Hospital in Norwalk. In order to undertake the renovation of the 70-Building at Patton, the department proposes to relocate patients that are housed in that building to Metropolitan. Because these patients have been judicially committed to the state hospital system, the department proposes to install the security fence and add 53 peace officer positions at Metropolitan. The patients would be moved to Metropolitan during the budget year before the fence is completed in August 1997.

In lieu of constructing a fence and adding the security personnel, we recommend that the department instead keep these patients at Patton and temporarily overcrowd the other housing units at Patton over the two-year period that the 70-Building is being renovated. Generally, this would mean that six patients would occupy a room designed for four patients. The department could reduce this overcrowding level by

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renovating the 70-Building in two stages—keeping one-half of the building open while the other half is renovated. This staging method was previously used at Patton when the N-Building was renovated in the 1980s. We urge the department to immediately evaluate this staging option in order to mitigate any impacts of overcrowding.

This temporary overcrowding at Patton should offer less disruption to patients than moving them to Metropolitan. In addition, the judicially committed patients will be kept behind a secure perimeter rather than being at Metropolitan for a period of months prior to the fence being completed. Finally, this will mitigate the need to install a security fence and hire 53 peace officers at Metropolitan. We therefore recommend deletion of \$3,035,000 for the fence project. In our analysis of the DMH's support budget, we also recommend deletion of \$2.1 million associated with the 53 peace officer positions.

### Reports to the Legislature

***The Legislature has not received two reports from the Department of Mental Health that should provide essential information regarding the administration's plans for the state hospitals.***

In the 1995 Budget Act, the Legislature directed the department to prepare a report containing its patient population projections for the next four years and a plan for using state hospital resources in the future. This report was to be submitted to the Legislature by January 1, 1996, but had not been released at the time this analysis was written. In addition, the Governor indicated in his budget summary document that the administration plans to close Camarillo State Hospital in 1996-97. The DMH budget, however, is based on Camarillo housing 423 patients at the end of the budget year.

The administration indicates that it will submit a plan for phasing out operations at Camarillo to the Legislature by April 1, 1996. Without these two plans, the Legislature is lacking essential information regarding (1) the future populations to be housed at the state hospitals and (2) whether or not there will be any capital outlay needs associated with the housing plans. Upon receipt of these plans we will review them and make recommendations to the Legislature as appropriate.

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## DEPARTMENT OF CORRECTIONS (5240)

The Governor's Budget requests \$84.8 million in capital outlay spending for the Department of Corrections (CDC). This amount consists of \$7.2 million from the General Fund to complete the emergency housing program that was funded in large part in the current year, \$50.6 million from a proposed November 1996 general obligation bond measure, and \$27 million in federal funds for activities related to expanding capacity in the state prison system. The proposed bond funding is for projects at existing prisons and includes \$45.8 million for 21 major projects, \$4.5 million for minor projects (total cost \$250,000 or less per project) and \$0.3 million for advanced planning.

### NEW PRISON CONSTRUCTION ISSUES

#### Need for New Prisons

*With regard to prison facilities, the Legislature faces both near-term issues (such as the need to authorize two new prisons in early 1996) and long-term issues (primarily how to construct and finance 24 prisons, at a cost of \$7 billion by 2005).*

**Near-Term Issues.** As discussed in our recent policy brief, *Accommodating the State's Inmate Population Growth*, all available inmate housing spaces (including nonpermanent housing areas such as gymnasiums and dayrooms) in the state prison system will be occupied by mid-1998. Based on the time it takes to design and construct a prison, the earliest another new prison could be available for occupancy would be late 1998. At that time the projected number of inmates will exceed the prison capacity by about 9,000. Moreover, this prison capacity gap, absent changes in policy, will continue to grow by 1,400 inmates every month thereafter. In view of this situation, the Legislature is faced with the near-term need to (1) authorize two new prisons early in 1996 and (2) address what will be at least a short-term prison capacity gap in 1998 of 9,000 inmates.

**Longer-Term Issues.** We also noted in the policy brief that to accommodate the huge growth in inmate population over the next ten years, the state will need to construct at least 24 prisons by mid-2005, at a cost of about \$7 billion. Even with these 24 prisons, the state prison system would still be operating at a high degree of overcrowding, with tens of

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thousands of inmates kept in nonpermanent housing areas. Given the significant cost and difficulty of building and operating all of these new prisons, we recommended that, prior to the end of the current legislative session, the Legislature develop a long-term strategy for accommodating inmate population by:

- Examining the budgetary implications of accommodating this growth, particularly the potential impacts on the state's ability to support other General Fund programs.
- Examining the potential for leasing additional county jail facilities and contracting with private correctional facilities.
- Considering the various policy alternatives that would divert certain inmates from state prison to other forms of punishment.
- Examining the state's ability to finance new prison construction in the context of other statewide capital outlay needs and legislative priorities.
- Placing on the November 1996 ballot a general obligation bond measure at a funding level sufficient to address new prison funding needs and based on the Legislature's actions on the above issues. (The Governor is proposing a \$2.2 billion bond measure for youth and adult corrections. Within this amount is \$1.642 billion for six new prisons.)

### **No Plan for Near-Term Housing Gap**

***We recommend that the California Department of Corrections report to the Legislature prior to budget hearings on its plan to house inmates after all currently funded prisons are at capacity.***

As noted above, after mid-1998 the CDC will face a housing gap of about 9,000 inmates until any newly authorized prisons are completed. In its most recent housing plan, the department indicated that it intends to lease jail space from Los Angeles County to accommodate 2,900 additional inmates. The department, however, has not indicated how it will meet the remainder of the projected housing gap. The CDC is assessing the potential to convert other space in the prisons for inmate housing and it will also have updated inmate population projections in the spring. We recommend that the department report to the Legislature prior to budget hearings on its plan to accommodate inmates until additional prisons are constructed.

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### Federal Funds for Prison Construction

***We withhold recommendation on \$27 million in federal funds for new prison facilities, pending enactment of the federal appropriations bill for this activity and a revised estimate of California's grant level based on an enacted bill. We also recommend that the California Department of Corrections submit to the Legislature, prior to budget hearings, a specific proposal for spending any federal funds, and that the Legislature appropriate whatever federal funds that are available for specific projects (rather than in a lump sum as shown in the Governor's Budget).***

Under the "federal crime bill" (enacted in 1994), Congress authorized \$7.7 billion over the next five years for state grants to fund construction of correctional facilities. The amount that will be available each year depends on annual appropriations by the Congress. At the time this analysis was written, the funding level for the current federal fiscal year had not been determined. In our Crosscutting Issue "Federal Crime Funding for California" (see the Judiciary and Criminal Justice chapter of this *Analysis*), we estimate that the state could receive around \$65 million to \$80 million based on the most recent actions by the Congress. The Governor's Budget, however, assumes California will receive \$27 million and proposes a lump sum appropriation of this amount (Item 5240-301-0890) for advanced planning for new correctional facilities, which would include studies, selection and acquisition of prison sites, and preparation of preliminary plans.

Given the current federal budget stalemate, the amount of funds that California might receive and any conditions that may be placed on the receipt of funds (such as state matching funds) is highly uncertain.

Consequently, we withhold recommendation on the budget request pending resolution of these issues. In order to expedite the Legislature's review, the department should submit to the Legislature, prior to budget hearings, a proposed list of projects and activities for expenditure of federal funds received by the state. Whatever level of funding is received, we recommend that the Legislature appropriate these funds for specific projects and purposes in order to ensure that the funds are used for the Legislature's highest priorities with regard to new prison construction.

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## EXISTING PRISONS CAPITAL OUTLAY

### Overbudgeted Projects

***We recommend a reduction of \$11.1 million from a proposed bond measure for eight projects because the department will not need these funds in the budget year. (Reduce Item 5240-301-0659 by \$11,115,000.)***

Major capital outlay projects (those costing more than \$250,000) are budgeted in phases—studies, preliminary plans, working drawings, construction, and movable equipment. The Legislature typically approves funding only for those phases of a project that a department can commit for expenditure in a fiscal year. The cost, complexity, and schedule of a project usually determines whether the project phases are budgeted in one year or over two or three years.

For 1996-97, the budget proposes \$45.8 million for prison projects proposed to be funded from a general obligation bond measure on the November 1996 ballot. If that measure is placed on the ballot by the Legislature and approved by the voters, the department probably will not be able to spend any of the bond monies, and hence begin working on the bond-funded projects, until January 1997. (This is due to the time required to certify the election results and other administrative matters.) Thus, the department will have—at a maximum—only about six months of activity on these projects during 1996-97.

Our review of the projects indicates that several include funds that the department will not need in the budget year. We therefore recommend, without prejudice to the merits of the projects, reductions to projects as listed in Figure 10. In general, our recommendations would provide the CDC with funds to undertake a study and/or prepare preliminary plans. (The first three projects listed in Figure 10 include a total of \$150,000 for studies that the CDC indicates have been completed; thus, these funds will not be needed for 1996-97.) Upon completion of the preliminary plans that delineate the project scope and cost, the Legislature could consider requests in 1997-98 for working drawings and construction to complete these projects.

### Correctional Treatment Centers, Phase II

***We recommend a reduction of \$900,000 for studies related to six correctional treatment center projects because the studies are completed. (Reduce Item 5240-301-0659 by \$900,000 [3].)***

In the 1995 Budget Act, the Legislature provided \$2 million for the department to prepare preliminary plans and working drawings for Correctional Treatment Center (CTC) projects at five institutions. These

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<b>Figure 1</b>				
<b>Item 5240-301-0659</b>				
<b>Department of Corrections</b>				
<b>Projects Overbudgeted</b>				
<b>(In Thousands)</b>				
<b>Project</b>	<b>Budget Bill</b>		<b>Analyst's Recommendation</b>	
	<b>Phases<sup>a</sup></b>	<b>Amount</b>	<b>Amount</b>	<b>Phases</b>
(4) Statewide: Enhanced outpatient care	spw	\$493	\$148	p
(5) Statewide: Reception center screening and evaluation	spw	907	182	p
(6) Statewide: Correctional clinical case management	spw	4,000	370	p
(7) California Correctional Center: Meat cutting plant	pwc	398	26	pw
(9) California Correctional Institution: Fire alarm and ventilation system	pwc	471	52	pw
(18) California Institution for Men: Install sewer line to waste treatment plant	pwc	2,271	49	p
(20) California State Prison at San Quentin: Prototypical reception center	pwc	1,800	41	p
(23) Patton State Hospital: Security perimeter fence	pwc	1,715	72	p
<b>Totals</b>		<b>\$12,055</b>	<b>\$940</b>	

<sup>a</sup> s = studies  
p = preliminary plans  
w = working drawings  
c = construction

projects involve upgrading the institutions' existing central health facilities as needed to meet recently adopted state licensing requirements for CTCs. Construction funding of \$8.4 million for these five centers is proposed in the Governor's Budget. The budget also includes \$3,664,000 to undertake studies and to prepare preliminary plans and working drawings for CTC projects at the seven other institutions. The estimated future construction costs for these centers is \$19.6 million.

The department has indicated that, of the amount requested for the seven CTCs, \$900,000 will not be needed for studies because they have already been completed. We therefore recommend a reduction of \$900,000 in Item 5240-301-0659 (3).

### **California Institution for Men, Perchloroethene Cleanup**

***We recommend deletion of \$1.1 million to clean up contaminated groundwater and soil because a previously funded study to determine a cleanup plan will not be completed until January 1997. (Delete \$1,100,000 in Item 5240-301-0659 [14].)***

The budget proposes \$1.1 million for preliminary plans, working drawings, and construction to clean up soil and groundwater at the California Institution for Men that is contaminated by Perchloroethene (PCE). This action is required by the Regional Water Quality Control Board because tests on the domestic water wells at the institution revealed concentrations of PCE exceeding federal and state drinking water standards.

In the 1995 Budget Act, the Legislature provided \$1.9 million for a study of this problem and adopted budget language requiring that the completed study include a remediation plan for the contamination. The department indicates that the recommendations for remediation, an action plan for implementing the recommendations, and a completed scope and cost estimate will not be completed until January 1997—halfway through the budget year. Thus, it would be premature for the Legislature to approve funding for this project at this time. The Legislature could consider this project in 1997-98 if the CDC has completed the necessary planning effort and has developed a clearly defined project and cost estimate.

### **California State Prison at Solano, Administration Building Addition**

***We recommend deletion of \$129,000 for design of an administration building addition because, given the state's multibillion capital outlay needs, replacement of modular structures is not a high priority for limited general obligation bond funding. (Delete \$129,000 from Item 5240-301-0659 [19].)***

The budget requests \$129,000 to prepare preliminary plans and working drawings for a 7,000 square-foot addition to the existing administration building at the state prison in Solano County. The esti-

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mated future construction costs are \$1.4 million. When this institution opened in 1984, it was planned to be part of the adjacent California Medical Facility. In January 1992, the prison became a separately administered institution, which increased the need for administrative staff. As a result, staff currently occupy about 8,000 square feet of space in modular buildings that the proposed new building addition would replace.

The department indicates that these modular structures have been on the site for three years. These buildings may eventually need to be replaced, but this project should not be a high priority at this time for limited state bond funds. Many state facilities (at state universities, state hospitals, and other prisons) include modular buildings that have been in use for decades. This is, of course, not an optimal situation, but it illustrates why the situation at Solano is not urgent. Moreover, the state prison system includes many older facilities and infrastructure that are in need of renovation or replacement and should be of higher priority than constructing this building addition. We therefore recommend deletion of \$129,000 under Item 5240-301-0659 (19).

#### **California Institution for Men, Replace Program "C" Dorms**

*We recommend approval of \$2.3 million for construction of two dormitories contingent on the completion of preliminary plans that were funded in the current year.*

The budget includes \$2,263,000 to construct two minimum security dormitories at the California Institution for Men at Chino. The dormitories will replace some World War II era barracks buildings that were obtained from the military in the 1960s. The 1995 Budget Act included \$137,000 for the department to prepare preliminary plans and working drawings for this project. Based on the most recent project schedule, the preliminary plans will be completed in May 1996, at which time the department should have a more refined estimate of the project scope and cost. We recommend approval of the budget request contingent on the completion of preliminary plans.

#### **Emergency Bed Projects**

*We recommend approval of \$7.2 million to complete the emergency bed projects but also recommend that these projects be funded with existing general obligation bond funds because bonds should be used for capital outlay instead of for certain Department of Corrections' support costs as proposed in the budget.*

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The budget includes \$7.2 million from the General Fund to complete the emergency bed program that was started in the current year. In the 1995 Budget Act, the Legislature provided \$116 million in lease-payment bonds and \$9.7 million from the General Fund to add 16,500 beds at state prisons and conservation camps to relieve the prison overcrowding situation. The budget request represents funding that the Legislature deferred because, based on the project schedules, these monies would not be needed in 1995-96. Accordingly we recommend approval at the proposed funding level.

We note, however, that while the emergency bed projects are proposed to be funded from the General Fund, the department's *support* budget includes \$17.2 million from several currently authorized general obligation prison bond funds. These bond monies will support administrative activities related to bond-funded capital outlay projects, as well as ongoing activities related to the department's facilities planning and management. We believe that general obligation bonds should be used to finance capital improvements and not to fund state operations that are not related to specific general obligation bond projects. Any facilities-related functions that would be necessary to plan for or operate the prison system even in the absence of general obligation bond funds should be General Fund supported.

As an initial step to address this inappropriate use of bond funds, we recommend that the Legislature delete the General Fund monies proposed for the emergency beds under Item 5240-301-0001 and create a new Item 5240-301-0747 in the amount of \$7,200,000. To keep the department's support budget at the same level of funding as proposed in the Governor's Budget, Item 5240-001-0747 should be reduced by \$7,200,000 and Item 5240-001-0001 should be increased by the same amount. Our recommendations will thus not increase total General Fund spending in 1996-97.

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## DEPARTMENT OF THE YOUTH AUTHORITY (5460)

The Department of the Youth Authority operates 11 institutions, including two reception centers, and six conservation camps throughout the state. The Youth Authority's five-year capital outlay plan proposes expenditures totaling \$328 million between 1996-97 and 2000-2001. About 40 percent of this amount would be for the design and construction of facilities to provide 1,450 additional beds at various existing institutions. The department's capital outlay proposal for the budget year totals \$31.2 million. This includes \$3.5 million from the General Fund for minor projects (each project costs \$250,000 or less) and \$27.7 million in bond funds for 24 major projects and for planning future major projects. The bond funding is dependent on legislative and voter approval of a general obligation bond measure the Governor is proposing for the November 1996 ballot.

### Projects for Additional Institution Capacity

***We recommend that the Legislature delete \$11.7 million for six projects to increase institution capacity by 1,400 beds because (1) the Department of the Youth Authority's population is expected to remain relatively stable in the short-term and (2) the option of building additional facilities to increase the availability of programs for wards should be considered. (Delete \$11,686,000 from Item 5460-301-0659—future savings of \$126 million.)***

The Governor's Budget includes \$12.1 million from bond funds to prepare preliminary plans and working drawings for seven projects to add capacity for 1,450 wards at the Youth Authority. As shown in Figure 11 (see page 42), this expansion involves adding housing units and associated program space to six institutions (total of 850 beds) and building a new 600-bed facility adjacent to the Youth Training School in Chino. The proposed projects involve the construction of about 600,000 square feet of building space at an estimated future construction cost of \$130 million.

At the time this analysis was written, the ward population at the Youth Authority institutions totaled 9,945. This is 148 percent of the current design capacity of 6,722. This overcrowding ranges from 121 percent at the Karl Holton School in Stockton to 168 percent at the Youth Training School in Chino. In its most recent five-year ward popu-

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lation projections (fall 1995), the Youth Authority estimates that this population will reach 10,500 wards by mid-2000—156 percent of current institution capacity. This projection assumes enactment of legislation transferring responsibility for all Department of Corrections (CDC) “M cases” over 18 years old from Youth Authority institutions to state prison. (“M cases” are individuals under age 21 committed to the CDC who are ordered by the court to be transferred to the Youth Authority to serve all or a portion of their commitment time.) Although the Youth Authority would prefer to operate its institutions without any overcrowding, it considers an overcrowding level of 130 percent to be manageable. This is the level of overcrowding which would occur in mid-2000 with completion of the seven proposed projects.

**Figure 11**

**Department of the Youth Authority  
1996-97 Capital Outlay Program  
New Bed Projects**

(Dollars in Thousands)

Institution	Beds	Budget Amount	Future Cost
Preston School of Industry	100	\$609	\$10,077
DeWitt Nelson School	100	778	9,908
O.H. Close School	100	609	7,525
El Paso De Robles School	300	800	22,512
Fred C. Nelles School	200	700	15,016
Southern Reception Center and Clinic	50	431	4,430
Youth Training School	600	8,190	60,910
<b>Totals</b>	<b>1,450</b>	<b>\$12,117</b>	<b>\$130,378</b>

As discussed in our analysis of the Youth Authority's support budget (please see the Judiciary and Criminal Justice chapter of this *Analysis*), there are three factors that influence Youth Authority's population. The first and foremost factor is that the state's juvenile population ages 11 through 17 is projected to increase by 30 percent by 2004. This will probably lead to higher levels of juvenile crime and commensurate increases in Youth Authority commitments.

The second factor is the rate of admissions (number of placements per 100,000 juvenile population) from each county. This rate could be affected in the future by a number of developments occurring in *local* juvenile justice. Specifically, the state is placing increased emphasis on housing juvenile offenders at the local level whenever possible. Recently

enacted legislation appropriated funds to the counties for this purpose and instituted a sliding scale fee to encourage less serious offenders to be housed locally. In addition, the Governor has proposed a general obligation bond of \$150 million for local juvenile detention facilities, which if successful, could result in more county alternatives to Youth Authority placements.

The third factor is that wards are staying in Youth Authority institutions for a longer period of time. This increase in time is occurring in part from the lack of access to programs (such as intensive substance abuse programs) that wards must have before they can be considered for parole. This lack of program access results in delaying parole consideration dates and can thereby keep the wards in the Youth Authority institution for a longer period of time.

**Analyst's Recommendation.** We recommend that the Legislature not approve the funding for the majority of the new Youth Authority beds, because (1) overcrowding of living units will increase only slightly over the next four years based on current estimates and (2) the Youth Authority has options available to minimize additional overcrowding effects.

As discussed above, without adding the proposed new beds, overcrowding of living units in the Youth Authority institutions will increase only slightly over the next four years—from 148 percent currently to 156 percent by mid-2000 (assuming the redirection of “M cases”). By comparison, the CDC is currently operating the state's prison system at 180 percent of its design capacity and within two years will be at 210 percent including housing about 30,000 inmates in “non-permanent” housing areas such as gymnasiums and dayrooms. In fact, based on the inmate population projections for prisons, the state will need to spend \$7 billion over the next 10 years just to keep the prison system at the current overcrowded condition. Given current population projections, recent development in local juvenile justice, and future capital outlay costs facing the state in areas like adult corrections, it is difficult to justify the expenditure of scarce bond funds for additional living units at the Youth Authority.

Furthermore, in our analysis of the Youth Authority's support budget, we suggest the following steps that the Youth Authority could take in the short-term to manage the ward population and, in turn, reduce overcrowding: (1) give the Director the authority to refuse commitments of wards who fall into the less serious offense categories or would be committed for six months or less, (2) reduce programming for wards serving long sentences, and (3) limit programming for older wards. Implementing these options would significantly reduce the projected

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population in Youth Authority institutions—thus reducing overcrowding in living units—and allow more programming opportunities for those wards most in need of these activities to be considered for parole.

Consequently, we recommend that the Legislature delete the \$11.7 million requested for six projects that would increase the Youth Authority's institution capacity by 1,400 (future savings of \$126 million). In lieu of these projects, the Youth Authority should consider the option of constructing only those facilities that might be needed to increase the availability of programming for wards. This could include educational/vocational space, counseling rooms, and offices for staff associated with these activities. Such an alternative proposal to provide program space may warrant legislative review.

***Southern Reception Center and Clinic.*** We recommend the Legislature approve the project to add a 50-bed intensive treatment facility at the Southern Reception Center and Clinic in the reduced amount of \$175,000, as discussed below. This facility would be for those wards who are severely emotionally disturbed, developmentally disabled, psychotic, mentally disordered, or have severe physical handicaps. Treatment staff in this program include psychiatrists, psychologists, social workers, and nurses. The additional 50 beds are needed because the Youth Authority has a substantial waiting list for wards needing such treatment and given the characteristics of these wards, it is difficult to overcrowd in this program.

### **Overbudgeted Projects**

***We recommend a reduction of \$1,539,000 for nine projects because the department will not be able to encumber all the proposed funds, which are dependent on a proposed November 1996 bond measure. (Reduce Item 5460-301-0659 by \$1,539,000.)***

Major capital outlay projects (those costing more than \$250,000) are generally planned and developed in several phases (such as studies, preliminary plans, working drawings, construction, and movable equipment). The Legislature typically approves funding for those phases of a project that a department can commit for expenditure in a fiscal year. The cost, complexity, and schedule of a project usually determines whether the project phases need to be budgeted in one year or more.

In 1996-97, the major projects for the Youth Authority are proposed to be funded from a general obligation bond measure that has not yet been approved by the Legislature. If a measure is approved by the Legislature for the November 1996 ballot and approved by the voters, any proceeds from the bonds would not be available for expenditure

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before January 1997. (This is due to the time required to certify the election results and other administrative matters.) The department will thus have only about six months of activity on these projects during 1996-97. Consequently, several of the major projects in the budget include funds the department will not need in 1996-97.

We therefore recommend that the Legislature provide funding for these projects at a level commensurate with the work the department can accomplish in 1996-97. The projects affected by this recommendation and the amounts needed for 1996-97 are listed in Figure 12. In

<b>Figure 12</b>				
<b>Item 5460-301-0659</b>				
<b>Department of the Youth Authority</b>				
<b>Projects Overbudgeted</b>				
<b>(In Thousands)</b>				
<b>Project</b>	<b>Budget Bill</b>		<b>Analyst's Recommendation</b>	
	<b>Phases<sup>a</sup></b>	<b>Amount</b>	<b>Amount</b>	<b>Phases<sup>a</sup></b>
(5) DeWitt Nelson School: Security entrance/visiting hall	pw	\$224	\$93	p
(9) El Paso de Robles School: Free venture work space	pwc	575	93	pw
(12) Fred C. Nelles School: Visitor's security entrance/visiting hall	pw	145	58	p
(16) Southern Reception Center and Clinic: Visiting facility	pw	118	46	p
(17) Southern Reception Center and Clinic: 50-bed intensive treatment living unit and support facilities	pw	431	175	p
(19) Ventura School: Expansion of multipurpose area	pw	220	95	p
(20) Ventura School: Special education assessment center	pw	140	56	p
(22) Youth Training School: Mental health building	pw	80	32	p
(24) Youth Training School: Upgrade education ventilation	pw	388	134	p
<b>Totals</b>		<b>\$2,321</b>	<b>\$782</b>	

a p = preliminary plans  
w = working drawings  
c = construction

general, our recommendations would provide the Youth Authority with funds to prepare preliminary plans. Upon completion of the preliminary plans that delineate the project scope and cost, the Legislature could consider requests in 1997-98 for working drawings and construction to complete these projects.

**Previously Funded Projects**

***We recommend approval of \$7.9 million for five projects contingent on the completion of preliminary plans that were funded in 1995-96.***

The budget includes \$7,917,000 to complete five projects as shown in Figure 13. The Legislature approved funding for the Youth Authority to develop preliminary plans and/or working drawings for these projects in the 1995 Budget Act. Based on the most recent project schedules, the preliminary plans for all five projects should be completed by the spring, at which time the department should have a more refined estimate of the project scope and cost. We therefore recommend approval of the budget requests for each project contingent on the completion of preliminary plans.

<b>Figure 13</b>		
<b>Item 5460-301-0659</b>		
<b>Department of the Youth Authority</b>		
<b>Previously Funded Projects</b>		
<b>(In Thousands)</b>		
<b>Project</b>	<b>Phases<sup>a</sup></b>	<b>Budget Bill Amount</b>
(2) Preston School of Industry: Perimeter security fence	wc	\$1,442
(3) Preston School of Industry: New boiler room	wc	1,784
(8) El Paso de Robles School: New infirmary	c	2,650
(15) Southern Reception Center and Clinic: Integrate personal alarm system	wc	1,119
(18) Ventura School: Fire marshal modifications	c	922
<b>Total</b>		<b>\$7,917</b>

<sup>a</sup> w = working drawings  
c = construction

## UNIVERSITY OF CALIFORNIA (6440)

The budget proposes \$142 million in appropriations for the state's share of the University of California's (UC) 1996-97 capital outlay program. This total includes \$2 million in previously authorized general obligation bonds and \$140 million in general obligation bonds that have been placed on the March 1996 ballot.

### Five-Year Capital Outlay Plan

*The University of California's five-year plan continues to emphasize renovation of existing facilities and deferral of enrollment-related projects.*

The UC's five-year plan capital outlay plan—summarized in Figure 14—proposes expenditures totaling \$756 million between 1996-97 and 2000-2001. This plan reflects the UC's expectation that the state will provide about \$150 million annually to address UC's capital outlay needs. As in recent years, the five-year plan emphasizes renovating existing facilities over constructing new facilities. This reflects the UC's expectation that enrollment will return to its early 1990s levels by 1998-99 and then grow by about 1.5 percent in 1999-2000 and 2000-2001.

<b>Figure 14</b>	
<b>University of California Five-Year Capital Outlay Plan 1996-97 Through 2000-2001</b>	
<b>(In Millions)</b>	
	<b>Planned Expenditures</b>
1996-97	\$152.3
1997-98	153.2
1998-99	149.8
1999-00	150.8
2000-01	150.2
<b>Total</b>	<b>\$756.3</b>

Figure 15 (see page 48) delineates the types of projects and planned expenditures in the five-year plan. The figure shows that \$478 million,

or about two-thirds of expenditures are for building renovations (including projects for seismic strengthening of buildings) and for campus infrastructure improvements. There are also 24 projects involving construction of new buildings, of which seven are to replace existing buildings. Most projects for new buildings are proposed for funding under this plan in 1998-99 and later.

**Figure 15**

**University of California  
Projects in Five-Year Capital Outlay Plan**

(Dollars in Millions)

Project Type	Number of Projects	Planned Expenditures
Building renovations	70	\$375.2
Infrastructure	26	103.2
New buildings	24	193.9
Minor capital outlay <sup>a</sup>	NA	84.0
<b>Totals</b>	<b>120</b>	<b>\$756.3</b>

<sup>a</sup> Includes projects to improve access for the disabled and to mitigate problems associated with underground storage tanks.

### 1996-97 Capital Outlay Program

The Governor's four-year compact with the UC and California State University included a commitment of \$150 million per year in capital outlay funding for each segment. For the UC in 1996-97, in lieu of \$150 million for capital outlay, the budget proposes \$142 million for capital outlay and \$10 million for deferred maintenance. Funding for deferred maintenance and \$140 million of the capital outlay amount is proposed from the general obligation bond issue that is on the March 1996 ballot.

Figure 16 summarizes the 1996-97 capital outlay program by project type. As shown in the figure, about one-half of the proposed projects (and one-third of proposed funding) is for seismic corrections to campus buildings evaluated as either "very poor" or "poor" based on the UC's seismic rating system.

### Newly Proposed Construction Projects

***We recommend approval of \$100.5 million in construction for 19 projects contingent on completion of preliminary plans for each project. We also recommend that for 17 projects, additional bond funding of***



***\$4.9 million be used to complete working drawings in lieu of using federal overhead monies because those monies should instead be redirected to increase spending for the University of California's ongoing maintenance.***

<b>Figure 16</b>				
<b>University of California</b>				
<b>1996-97 Capital Outlay Program</b>				
<b>Funding Summary by Category</b>				
<b>(Dollars in Thousands)</b>				
<b>Category</b>	<b>Number of Projects</b>	<b>Budget Bill Amount</b>	<b>Estimated Future Cost</b>	<b>Totals</b>
Seismic corrections	17	\$47,057	\$5,645	<b>\$52,702</b>
Mitigate other hazards	2	20,479	—	<b>20,479</b>
Equipment	5	5,731	1,000	<b>6,731</b>
Utilities/infrastructure	3	16,972	—	<b>16,972</b>
Replace research/office space	3	33,015	4,801	<b>37,816</b>
New research facilities	1	4,901	13,766	<b>18,667</b>
Renovate instructional facilities	4	14,170	28,749	<b>42,919</b>
<b>Totals</b>	<b>35</b>	<b>\$142,325</b>	<b>\$53,961</b>	<b>\$196,286</b>

Typically, for most UC capital outlay projects the Legislature appropriates funds for preliminary plans only or for preliminary plans and working drawings in the first year. Funding for construction is usually requested in subsequent years after the UC has completed preliminary plans, which better define the scope and cost of a project.

The budget proposes funding for the construction phase of 19 projects costing \$100.5 million as shown in Figure 17 (see page 50). Except for three projects, this is the first time these projects have been presented to the Legislature. The UC indicates that it will complete the preliminary plans and working drawings for these projects using nonstate funds. (The one exception is the Environmental Health and Safety Facility at the Berkeley campus, for which the preliminary plans were funded in the 1993 Budget Act using state bond funds.) Specifically, the UC will use federal overhead funds totaling \$4.3 million in the current year and \$4.9 million in the budget year to design these projects.

We believe it is inappropriate for the UC to spend these monies on projects that have not and may not be approved by the Legislature. This represents improper budgeting and should be strongly discouraged in the future.

**Figure 17**
**University of California  
Item 6440-301-0658  
Construction Projects**

(In Thousands)

Campus/Project	Budget Bill Amount <sup>a</sup>	Analyst's Recommendations	
		Amount	Phases <sup>b</sup>
<b>Berkeley</b>			
Environmental Health and Safety Facility	\$7,788	\$8,484	wc
Doe Library seismic corrections, step 3	3,876	4,117	wc
<b>Seismic Safety Corrections</b>			
McCone Hall	4,660	4,660	c <sup>c</sup>
Dance Facility	996	1,089	wc
Graduate School of Public Policy	1,675	1,775	wc
San Pablo Services Facility	3,101	3,301	wc
<b>Davis</b>			
Campus Wastewater Treatment Plant	\$15,332	\$16,174	wc
<b>Irvine</b>			
UCIMC Academic Replacement Facility	\$18,900	\$19,200	wc
<b>Los Angeles</b>			
Knudsen Hall seismic correction	\$2,434	\$2,579	wc
Slichter Hall seismic correction	3,135	3,320	wc
<b>Riverside</b>			
Geology Building seismic upgrade	\$814	\$864	wc
Physics Building seismic upgrade	830	887	wc
<b>San Diego</b>			
Ritter Hall seismic replacement and renovation	\$11,569	\$12,328	wc
York Hall improvements	4,413	4,628	wc
<b>San Francisco</b>			
Medical Sciences Building safety and utility improvements, phase 1	\$12,691	\$13,313	wc
Oyster Point seismic improvements	985	1,033	wc
<b>Santa Barbara</b>			
Water system improvements	\$944	\$944	c <sup>c</sup>
Robertson Gymnasium seismic corrections	1,201	1,310	wc
Engineering 1 seismic corrections	5,144	5,450	wc
<b>Totals</b>	<b>\$100,488</b>	<b>\$105,456</b>	

<sup>a</sup> All amounts for construction only.<sup>b</sup> w = working drawings and plans  
c = construction<sup>c</sup> Working drawings to be completed in current year.

Furthermore, as discussed in our Crosscutting Issue “Rethinking the State’s Approach to Deferred Maintenance” (please see the Higher Education chapter of this *Analysis*), insufficient funds have been spent for ongoing maintenance of the UC’s existing facilities and the UC has identified a deferred maintenance backlog of almost \$500 million.

Given the serious deterioration in the UC’s physical plant, we believe it is irresponsible for the UC to spend nearly \$10 million in federal overhead monies for architectural drawings rather than for addressing some of its critical maintenance needs. The UC should immediately stop spending these funds and instead set the remaining amount aside for expenditure on the UC’s ongoing maintenance program.

In the crosscutting issue mentioned above, we recommend an increase of \$20 million (above the amount proposed by the UC) for ongoing maintenance at the UC. This total would include (1) a state General Fund augmentation to the Governor’s Budget of \$10 million, (2) a redirection of \$5 million from UC’s General Fund budget, and (3) a redirection of the \$5 million in federal overhead monies that the UC earmarked for design of capital outlay projects in 1996-97.

With regard to the capital outlay budget proposal for the 19 projects in Figure 17, we recommend the following as outlined below.

**Preliminary Plans.** Based on schedules submitted by the UC, the preliminary plans for all 19 projects should be completed in the current year. Upon completion of these plans, the scope and cost of each project will be better defined. We therefore recommend approval of the \$100.5 million proposed to construct these projects contingent on completion of the preliminary plans and verification of the scope and cost of the projects.

**Working Drawings.** The schedules submitted by the UC indicate that the working drawings phase of 17 out of 19 projects will begin in the budget year using \$4,968,000 of federal overhead monies. (Working drawings for the other two projects will be completed in the current year using nonstate funds.) Consistent with our recommendation to use those federal overhead funds to increase funding for ongoing maintenance (instead of for preparing working drawings), we recommend an augmentation of \$4,968,000 in bond funding for the working drawing phase of these projects. Our recommended funding levels for each project are listed in Figure 17.

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**Potential for Federal Funding**

*We withhold recommendation on \$21.8 million for four seismic retrofit projects at the Los Angeles campus pending an evaluation of whether federal hazard mitigation monies could fund a portion of these costs.*

The budget includes \$21.8 million for projects at University of California, Los Angeles (UCLA), to seismically retrofit (strengthen) four buildings as shown in Figure 18. The UC proposes such projects in order to reduce the potential for loss of life in the event of an earthquake.

<b>Figure 18</b>	
<b>University of California Item 6440-301-0658 Seismic Projects at UCLA</b>	
<b>(In Thousands)</b>	
<b>Building</b>	<b>Budget Bill Amount</b>
Haines Hall	\$14,080
Dentistry Building	2,158
Knudsen Hall	2,434
Slichter Hall	3,135
<b>Total</b>	<b>\$21,807</b>

**Federal Funds Could Defray State Cost.** The state Office of Emergency Services (OES) allocates funds, through the Hazard Mitigation Grant Program (HGMP) to mitigate hazards in public facilities. Funding is provided on a matching basis, with the federal government providing 75 percent and applicants providing 25 percent of project costs. Federal funds available through the HGMP as a result of the 1994 Northridge earthquake total about \$650 million. These funds can be used for mitigation projects in Los Angeles, Orange, and Ventura Counties.

The OES established four priority categories and received grant applications totaling over \$1.8 billion as indicated below:

- K-14 schools—\$346 million.
- Medical facilities—\$619 million.
- Essential buildings—\$726 million.
- State agencies—\$139 million.

The OES reviews these applications and submits grant proposals to the Federal Emergency Management Authority for approval.

The four projects at UCLA should be eligible under the grant program and, if funded, could allow up to \$16.4 million (75 percent of the \$21.8 million total cost) in proposed state higher education bond funds to be used for other higher education capital outlay. In our analysis of the OES's budget, we note that the department's current practice precludes any legislative involvement in priority setting for use of these funds. While the Legislature may agree with the priorities established by the OES, the Legislature could decide, for example, that projects that would otherwise be 100 percent *state* funded, such as the four construction proposals at UCLA, should also be considered a high priority for federal funding.

We have recommended that the OES report to the Legislature during budget hearings as to its methodology for allocating hazard mitigation grant funds to public agencies. We therefore withhold recommendation on these four projects pending any decision by the Legislature to direct the federal funds to defray some of the state's costs.

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## CALIFORNIA STATE UNIVERSITY (6610)

The budget proposes \$150 million for the California State University's (CSU's) 1996-97 capital outlay program. The proposed amount is from the general obligation bond measure that the Legislature placed on the March 1996 ballot.

### Five-Year Capital Outlay Plan

*The Chancellor's Office has not produced campus-by-campus enrollment projections that are necessary to evaluate the need for projects to increase instructional capacity. We recommend supplemental report language directing the Chancellor's Office to prepare campus-by-campus enrollment projections and to incorporate these projections into the California State University's five-year capital outlay plan to be submitted in the fall 1996.*

The CSU's five-year capital outlay plan, as summarized in Figure 19, proposes expenditures totaling \$2.3 billion between 1996-97 and 2000-2001. This amount is about \$200 million less than the system's previous five-year plan.

<b>Figure 19</b>	
<b>California State University Five-Year Capital Outlay Plan 1996-97 Through 2000-2001</b>	
<b>(In Millions)</b>	
	<b>Planned Expenditures</b>
1996-97	\$416.4
1997-98	375.8
1998-99	402.0
1999-00	676.0
2000-01	457.2
<b>Total</b>	<b>\$2,327.4</b>

Figure 20 delineates the types of projects and planned expenditures in the five-year plan. The figure shows that \$1.3 billion, or about 55 percent of expenditures are for new campus buildings, with the remainder for building renovations and infrastructure improvements.

<b>Figure 20</b>		
<b>California State University</b>		
<b>Projects in Five-Year Capital Outlay Plan</b>		
<b>(Dollars in Millions)</b>		
<b>Project Type</b>	<b>Number of Projects</b>	<b>Planned Expenditures</b>
New buildings	73	\$1,267
Building renovations	71	628
Infrastructure	41	296
Off-campus centers	5	58
Minor capital outlay	NA	78
<b>Totals</b>	<b>190</b>	<b>\$2,327</b>

**Significant Excess Capacity at the CSU.** For capital outlay, campus capacity is stated in terms of the amount of full-time equivalent students (FTE) that can be accommodated in lecture classrooms and in teaching laboratories based on utilization standards for this space. A campus's capacity can be compared to its enrollment to determine if and when additional lecture or laboratory space should be built. The twenty-one general campuses (not including the Maritime Academy) have the capacity, including buildings currently under construction, to accommodate about 277,000 FTE. For the current year, the CSU estimates that enrollment in lecture and laboratory classes on the 21 campuses (not including summer term enrollment) will be about 232,000 FTE. Thus, on a systemwide basis, the CSU has the capacity to accommodate an additional 45,000 FTE—an amount greater than the enrollment of the two largest campuses (San Diego and Long Beach).

While the overall system capacity exceeds enrollment by about 19 percent, there is considerable variation in capacity among individual campuses. For example the San Marcos campus has about 28 percent less instructional capacity than its current FTE enrollment while the Los Angeles campus has about 40 percent more capacity than its enrollment. In addition, some campuses may have excess total capacity but may have a shortage of specialized laboratory space to meet their current enrollment needs.

Given that the CSU is proposing expenditures averaging about \$460 million annually over the next five years—an amount considerably larger than recent capital outlay funding levels for the CSU—it is important to ensure that the most critically needed projects are funded first. Unfortunately, the Legislature is not receiving the information it needs to evaluate the CSU's five-year capital outlay needs.

**Enrollment Data Lacking.** In previous years, the CSU Chancellor's Office provided enrollment projections for each campus in the five-year capital outlay program. These campus-by-campus projections of enrollment growth are the foundation for planning new buildings to accommodate the growth. The projections also provide the Legislature with a basis for evaluating the CSU planning for its growth-related capital outlay needs. For several years, however, the Chancellor's Office has not been providing enrollment projections—either on a systemwide basis or for each campus. The CSU must have this information in order to develop a capital outlay program that ensures enrollments are accommodated in the most cost effective and timely manner. Furthermore, we believe it is essential for the Legislature to have access to this information when it is asked to appropriate funds for the CSU's capital outlay program.

**Significant Additional Capacity Planned.** New building projects in the CSU's five-year capital outlay plan would provide capacity throughout the system for an additional 32,700 FTE. Given the considerable excess capacity of *existing* campus buildings, many of these new projects may not be needed over this time period. In order to determine which growth-related projects will be needed (if any) in the future, it is essential that the CSU (1) provide enrollment projections for each campus and (2) prepare a five-year capital outlay plan that is based on accommodating the projected enrollment growth. We therefore recommend that the Legislature adopt the following supplemental report language directing the Chancellor's Office to take these actions.

The California State University (CSU) shall prepare enrollment projections for each campus and shall consider these projections and the currently available instructional capacity on each campus in preparing its five-year capital outlay plan for the period 1997-98 through 2001-02. It is the intent of the Legislature that no additional projects to accommodate growth at the CSU will be approved until these enrollment projections are completed and submitted to the Legislature.

While it is important for the Legislature to have the enrollment projections to assess the CSU's future five-year plans, the Legislature also needs this information to assess the merits of specific CSU projects proposed in the Governor's Budget.

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### 1996-97 Capital Outlay Program

The Governor's four-year compact with the University of California and the CSU included a commitment of \$150 million per year in capital outlay funding for each segment. The budget proposes this exact amount for 30 major capital outlay projects (each costing over \$250,000) and for minor projects at the CSU. The estimated future cost to complete all projects in the budget is \$180 million. Figure 21 summarizes the capital outlay program by project type. The figure shows the largest amount is for five projects to construct new buildings. These include two projects that will add significant instructional capacity at two of the CSU's smallest campuses—San Marcos and Stanislaus. The other three projects will provide new laboratory facilities to replace older laboratory facilities at the Humboldt, Pomona, and San Diego campuses.

**Figure 21**

#### California State University 1996-97 Capital Outlay Program Funding Summary by Category

(Dollars in Thousands)

Category	Number of Projects	Budget Bill Amount	Estimated Future Cost	Totals
Seismic strengthening	9	\$6,518	\$7,881	<b>\$14,399</b>
Utilities/infrastructure	14	12,283	150,508	<b>162,791</b>
Renovate instructional facilities	2	25,949	11,471	<b>37,420</b>
New instructional facilities	5	97,803	10,039	<b>107,842</b>
Minor capital outlay	1	7,447	—	<b>7,447</b>
<b>Totals</b>	<b>31</b>	<b>\$150,000</b>	<b>\$179,899</b>	<b>\$329,899</b>

#### Projects at San Marcos and Stanislaus Campuses

*We withhold recommendation on \$30.1 million for two new building projects pending receipt of systemwide campus-by-campus enrollment projections for 1996-97 through 2000-2001 from the Chancellor's Office.*

The budget proposes \$30.1 million to construct the new buildings listed below in order to accommodate enrollment growth. The Legislature appropriated funds to prepare preliminary plans and working drawings for these projects in the 1992 Budget Act. The CSU has deferred requesting construction funding for these projects until now.

- **San Marcos Campus, Academic II—Building 15.** The budget includes \$14.5 million for this 71,000 gross square foot building, which would include lecture classrooms to accommodate 1,125 FTE, laboratory space for 93 FTE, 70 faculty offices, and self-instructional computer laboratories to accommodate 120 students. The building would house programs in English, business, social sciences, and foreign languages.
- **Stanislaus Campus, Professional Schools Building.** The budget includes \$15.6 million for this 98,000 gross square foot building, which would include lecture space to accommodate 1,466 FTE, laboratory space for 8 FTE, 162 faculty offices, and two studios for televised instruction. The building would house programs in education, business and accounting, computer sciences, nursing, mathematics, and art.

As discussed above, given current systemwide capacity and lacking long-term enrollment projections on a campus-by-campus basis, the need to fund these two projects is uncertain. Although data for the San Marcos and Stanislaus campuses indicate a shortfall of instructional space and faculty offices, it is not clear how enrollments and space needs at these campuses fit into the systemwide plan for enrollments and space. Both campuses have provided their own enrollment projections, but these projections have not been incorporated into any systemwide enrollment plan. It is therefore difficult to determine the validity of the campuses' projections. As an example, San Marcos projects a growth of 560 FTE in the budget year and Stanislaus projects a growth of 130 FTE (based on its average growth rate over the last five years). In addition, the new Monterey Bay campus projects an increase of 450 FTE. Thus the total enrollment increase expected by these three small campuses is 1,140 FTE, which is almost 90 percent of the 1,300 FTE increase expected for the entire system in 1996-97.

Therefore, we withhold recommendation pending receipt and review of campus-by-campus enrollment projections for 1996-97 through 2000-2001 from the Chancellor's Office.

### **Telecommunications Infrastructure Projects**

***We withhold recommendation on \$4.7 million for 13 telecommunications infrastructure improvement projects pending receipt of more detailed information on the project scope and further discussions with the California State University regarding the benefits of undertaking these type of projects.***

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The budget includes \$4.7 million to prepare preliminary plans (and working drawings for one campus) for projects to upgrade telecommunications infrastructure at 13 campuses. The budget request is summarized in Figure 22. The estimated future cost to complete these projects is \$151 million. In addition, the CSU's five-year capital outlay plan identifies similar projects for five additional campuses with a total cost of \$23 million.

<b>Figure 22</b>		
<b>California State University Item 6610-301-0658 Telecommunications Projects</b>		
<b>(In Thousands)</b>		
<b>Campus</b>	<b>Budget Bill Amount<sup>a</sup></b>	<b>Future Cost</b>
Bakersfield	\$74	\$2,845
Chico <sup>b</sup>	256	11,057
Hayward	226	7,147
Humboldt <sup>b</sup>	551	25,578
Long Beach <sup>b</sup>	524	15,876
Los Angeles	160	5,547
Northridge	279	10,578
Pomona	286	8,323
Sacramento	212	8,788
San Diego <sup>b</sup>	445	17,279
San Francisco	265	9,804
San Jose <sup>b</sup>	1,375	25,000
Stanislaus	64	2,686
<b>Totals</b>	<b>\$4,717</b>	<b>\$150,508</b>

<sup>a</sup> Amounts are for preliminary plans, except the San Jose proposal is for preliminary plans and working drawings.

<sup>b</sup> Project also includes improvements to other campus infrastructure.

**Background.** The following terms describe the components of a telecommunications infrastructure system:

- Telecommunications spaces—rooms within buildings containing equipment necessary to connect and distribute wires and cables.
- Pathways—utility tunnels, manholes, vaults, cable trays, and conduits which support and provide access to wire and cables. Pathways extend between buildings (interbuilding) and within buildings (intrabuilding).

- Media—refers to the cables and wires that transmit voice, data, and video signals.

In the 1992 Budget Act, the Legislature approved funding to prepare preliminary plans for a project to upgrade the telecommunications infrastructure at the Fullerton campus. Specifically, the project was intended to provide the capability to transmit voice, data, and video signals throughout the campus and individual buildings based on guidelines established by the Chancellor's Office. The Legislature also adopted supplemental report language that the CSU prepare a status report on the condition of each campus's existing telecommunications distribution systems. This study was completed in April 1993 and estimated (based on brief surveys of each campus) a cost of about \$53 million (construction contract cost only) to bring all campuses to the CSU's guidelines.

In the 1993 Budget Act, the Legislature approved funding to complete the \$9 million telecommunications project at Fullerton. In addition, the Legislature adopted supplemental report language stating its intent that the CSU establish a systemwide policy on the priority within the university's capital outlay program for providing adequate communications infrastructure. The system has placed a high priority on upgrading this infrastructure, as evidenced by the 13 projects requested in 1996-97.

**Budget Proposal.** The CSU trustees directed each campus to prepare a telecommunications infrastructure master plan in order to form the basis for specific capital outlay projects. The master plans estimate the cost for each campus to meet the CSU guidelines. The budget amounts for each telecommunications project, however, are based on the costs of the Fullerton infrastructure project. Specifically, since that project cost \$6.24 (in current dollars) per square foot of building space on the Fullerton campus, the CSU is proposing a funding level for each campus equal to \$6.24 per square foot of building space on the respective campus. (This applies only to buildings that are operated and maintained with state funds and does not include, for example, bookstores, dormitories, and student unions.) Thus, the specific amount proposed for each campus is not based on an evaluation of individual campus conditions or needs for improvements to telecommunications infrastructure. Instead, each campus would improve the campus telecommunications infrastructure to the limit of this funding level.

**Clarification of Projects Needed.** At the time this analysis was written, the master plans had not been completed and were undergoing final review by the Chancellor's Office. The CSU had provided excerpts from each campuses' draft master plan document, but because the costs in the draft plans are based on estimates of all work needed to meet the

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CSU's guidelines, these costs do not correspond with the \$6.24 per square foot funding levels in the CSU's budget. Thus, it is unclear as to what work will be completed or to what extent the campuses' telecommunications systems will be improved with the funds included in the budget. The CSU staff has indicated that additional information will be submitted for each project when the plans are finalized.

Furthermore, while the CSU's method of allocating funds on a cost-per-square-foot basis may have the appearance of being equitable, it will also leave campuses with highly varied telecommunications capabilities. As discussed above, this method of setting a funding level for these capital improvements does not recognize the different conditions and needs between campuses. A more appropriate alternative would be to determine the funding level for each, based on a plan to provide each campus with the basic level of telecommunications infrastructure that meets programmatic needs under the CSU's guidelines. Finally, it is important that the Legislature be assured that the benefits of this upgraded infrastructure are commensurate with the state's considerable investment in funding these projects.

We intend to hold discussions with CSU staff and review additional documentation regarding these projects prior to budget hearings. We withhold recommendation on these projects pending further review and discussions with the CSU.

### **Water Supply May Limit Enrollments at Monterey Bay Campus**

***We recommend that the California State University report at budget hearings on the status of future water allocations for the Monterey Bay campus and implications for future enrollments.***

In 1994, the Legislature authorized the establishment of a new CSU campus on the site of the former Ford Ord military base in Monterey County. The new Monterey Bay campus opened in the fall 1995 and is serving about 600 FTE in the current year. Renovation of former military buildings on the base for university purposes is being funded by the federal government. To date, the CSU has received \$29 million in federal funds for the first two phases of building renovation which when completed will provide instructional capacity for 2,400 FTE. The campus also expects to receive an additional \$14 million in federal funding for the third phase of renovations.

***Future Water Supply Uncertain.*** At the time the campus was established, the CSU indicated that it would have a build-out campus capacity for 25,000 FTE students by the year 2025. (The Legislature adopted

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supplemental language to the 1994 Budget Act stating its intent that the Monterey Bay campus grow faster than the CSU was planning—to 20,000 FTE by 2010. This was because the large number of former military buildings, if renovated with federal funds, would alleviate a need for some state capital outlay funding to add enrollment capacity to other CSU campuses.) Unlike other CSU campuses, Monterey Bay was intended to be a residential campus with 70 percent to 80 percent of its students and faculty living on the campus. Based on these parameters, the CSU made its development plans on the assumption that 2,510 acre feet of water would be available for a fully developed campus of 25,000 FTE. The campus now indicates that it may only receive assurances from the Fort Ord Reuse Authority of ultimately having access to 1,200 to 1,300 acre feet of water, which would only support a campus of 12,500 FTE.

Obviously, the availability of water will have a significant impact on the size of campus that is eventually developed at Monterey Bay. We recommend that, given the situation described above, the CSU report prior to budget hearings on the current status of agreements for future water supply and the implications for enrollment planning and the types of instructional services to be offered by the campus.

### **Chico Campus—Colusa Hall**

***We recommend deletion of \$740,000 under Item 6610-301-0658 (3) for a seismic upgrading project because this expenditure of funds is not warranted for this building.***

The budget includes \$740,000 for working drawings (\$39,000) and construction (\$701,000) for seismic retrofit of Colusa Hall on the Chico campus. This one-story, 13,300 square foot building was built in 1920 and currently houses the campus print shop and an archaeology laboratory. The CSU indicates that an investigation of the building identified significant structural weaknesses which would be addressed by this project.

We believe that there are higher priorities for state bond funds than spending \$740,000 to retrofit this small, old building. The Chico campus has over 1.5 million square feet of space in buildings operated and maintained with state operating funds. Thus, the Colusa Building represents less than 1 percent of this total. The campus should determine suitable locations within its building inventory for relocating the two functions that occupy the Colusa Building and discontinue using the building. We therefore recommend deletion of \$740,000 under Item 6610-301-0658 (3).

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## Seismic Retrofit Projects

***We withhold recommendation on \$781,000 for two seismic retrofit projects in Los Angeles County pending an evaluation of whether federal hazard mitigation monies could fund a portion of these costs.***

The budget includes \$781,000 for the following two seismic retrofit projects: (1) \$609,000 for the Theater Building at the Dominguez Hills campus and (2) \$179,000 for preliminary plans and working drawings for the library at the Los Angeles campus. The estimated future construction cost of the Los Angeles project is \$2 million. The CSU proposes such projects in order to reduce the potential for loss of life in the event of an earthquake.

***Federal Funds Could Defray State Cost.*** In our analysis of the University of California's capital outlay proposal, we withhold recommendation on four seismic retrofit projects at the University of California, Los Angeles, pending an evaluation of whether federal hazard mitigation monies could fund a portion of those projects. Under the Hazard Mitigation Grant Program, as administered by the state Office of Emergency Services (OES), funding is provided on a matching basis, with the federal government providing 75 percent and applicants providing 25 percent of project costs. Federal funds available through this program as a result of the 1994 Northridge earthquake total about \$650 million. These funds can be used for mitigation projects in Los Angeles, Orange, and Ventura Counties. Therefore, the CSU projects at Dominguez Hills and Los Angeles could be eligible.

In our analysis of the OES's support budget, we have recommended that the OES report to the Legislature during budget hearings as to its methodology for allocating hazard mitigation grant funds to public agencies. We therefore withhold recommendation on these projects pending any decision by the Legislature to direct the federal funds to defray some of the state's costs.

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## CALIFORNIA COMMUNITY COLLEGES (6870)

The budget proposes \$120 million for the California Community Colleges (CCC) 1996-97 capital outlay program. The proposed amount is from the general obligation bond measure that the Legislature placed on the March 1996 ballot.

### Five-Year Capital Outlay Plan

*The Chancellor's Office has not prepared a statewide capital outlay plan for the California Community Colleges. Based on our review of the districts' five-year plans (which total \$3.5 billion in proposed expenditures) it is essential that the Chancellor's Office review these plans and prepare a systemwide plan based on state priorities. We recommend the Legislature adopt supplemental report language requiring that the Chancellor's Office submit a statewide five-year plan in the fall 1996 and annually thereafter.*

Each of the 71 community college districts annually submit a five-year capital outlay plan to the Chancellor's Office. It was not until 1992, however, that the Chancellor's Office began preparing a *systemwide* five-year plan based on projects identified in the individual district plans. Statewide five-year plans were also completed in 1993 and 1994, but the Chancellor's Office has not produced a plan in the last two years. The absence of such a plan makes it difficult for the Legislature to assess whether limited capital outlay funds are being used to meet the state's highest priorities.

In the absence of having a statewide plan from the Chancellor's Office, we reviewed the plans submitted by the districts, which include over 700 capital outlay projects. Figure 23 shows planned expenditures proposed by the districts by type of project. The district plans total \$3.5 billion over the next five years, with almost two-thirds of this amount (\$2.2 billion) for new buildings on existing campuses. An additional \$500 million is proposed to establish new off-campus centers or expand existing centers.

**Statewide Plan Needed.** The quality of plans varies among districts. Some of the common deficiencies we observed are:

- Many districts propose funding for all or most projects in the first year or two of the five-year period, with nothing proposed
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in the fourth or fifth years. This has the effect of making the plans appear as districts' "wish lists." Furthermore, most districts do not have the capacity to manage several major building projects simultaneously.

- Many districts propose to fund all project phases (preliminary plans, working drawings, construction, and equipment) in a single year. Except for small projects, districts cannot accomplish all phases this quickly. Typically, large projects are budgeted over three years.
- Districts propose to build additional space, for lecture classrooms or teaching laboratories, even though they have considerable excess capacity. Our review indicates that, on a statewide basis, the community colleges currently have instructional capacity (in classrooms and laboratories) to accommodate *over 350,000 students beyond current enrollments*. (There are, of course, significant differences among districts, and many districts do not have excess capacity.)

<b>Figure 23</b>	
<b>California Community Colleges Summary of District Five-Year Capital Outlay Plans</b>	
<b>(In Millions)</b>	
<b>Project Type</b>	<b>Planned Expenditures</b>
New buildings	\$2,212
Building renovations	449
Infrastructure/other	359
Off-campus centers	506
<b>Total</b>	<b>\$3,526</b>

The districts prepare and submit these five-year plans based on *their* assessment of capital outlay needs. It is essential, however, that the Chancellor's Office take the next step and prepare a systemwide plan based on statewide priorities and on the districts' abilities to administer projects. We believe that if the Chancellor's Office were to scrutinize the districts' plans in this manner, a systemwide five-year plan would more accurately reflect capital outlay needs on a priority basis, and the statewide need would likely be considerably less than the \$3.5 billion identified in the district plans.

By February 1, 1996, the districts were required to submit their five-year plans for 1997-98 through 2001-02 to the Chancellor's Office. The Chancellor's Office should review these plans and prepare a meaningful statewide five-year plan so that the Legislature will have a more accurate assessment of the CCC's near-term capital outlay needs. We recommend the Legislature adopt the following supplemental report language directing the Chancellor's Office to submit a five-year plan in the fall of 1996 and annually thereafter.

The Chancellor's Office shall prepare a five-year capital outlay plan identifying the statewide needs and priorities of the California Community Colleges. This plan shall be submitted to the Legislature by October 15, 1996 and each October 15 thereafter. It is the intent of the Legislature not to consider any community college capital outlay project that is not included in the statewide five-year plan submitted to the Legislature.

### 1996-97 Capital Outlay Program

The CCC's capital outlay program for 1996-97 is summarized by project type in Figure 24. The budget includes \$120 million for 74 projects. The estimated future cost to complete these projects is about \$140 million. The largest categories in terms of total cost (budget year plus future costs) are for renovation of instructional facilities (\$89 million) and utility/infrastructure improvements (\$69 million).

<b>Figure 24</b>				
<b>California Community Colleges</b>				
<b>1996-97 Capital Outlay Program</b>				
<b>(Dollars in Thousands)</b>				
<b>Category</b>	<b>Number of Projects</b>	<b>Budget Bill Amount</b>	<b>Estimated Future Cost</b>	<b>Total</b>
Mitigate hazards	3	\$1,768	\$3,252	<b>\$5,020</b>
Equipment	13	16,491	—	<b>16,491</b>
Utilities/infrastructure	16	42,247	26,995	<b>69,242</b>
Renovate instructional facilities	24	24,829	63,903	<b>88,732</b>
New instructional facilities	8	14,942	30,584	<b>45,526</b>
Support facilities	6	16,066	14,240	<b>30,306</b>
Other	4	3,249	592	<b>3,841</b>
<b>Totals</b>	<b>74</b>	<b>\$119,592</b>	<b>\$139,566</b>	<b>\$259,158</b>

Almost \$88 million of the budget proposal is for 49 projects that the Legislature funded in the 1994 Budget Act. These projects were to be

funded from a June 1994 general obligation bond measure. The measure, however, was rejected by the voters; thus, the projects have not proceeded. An additional \$16.5 million is for the equipment phase of 13 projects that are either under construction or recently completed and will need equipment in 1996-97. The remaining \$15.1 million is for 12 new projects.

### **Seismic Retrofit Study**

***We recommend deletion of \$2,006,000 under Item 6870-301-0658 (1) for a proposed seismic survey of buildings because the Chancellor's Office and the Division of the State Architect should prepare an alternative proposal that will reduce the scope and cost of a survey.***

The budget proposes \$2 million to undertake a survey of CCC buildings in order to assess the seismic safety of the buildings and identify those buildings that would be the highest priorities for structural retrofit. The survey would be conducted by the Division of the State Architect (DSA) and would generally follow a process used by the DSA for a previous survey of state-owned buildings. The process is outlined below:

- District personnel complete a survey form developed by the DSA for each building.
- The DSA enters survey information into a computer database and generates a ranking of the buildings based on structural characteristics and evaluation criteria. About 1,000 of the highest-ranked buildings would be selected for further evaluation.
- Structural engineers review original building construction documents, make site visits to inspect buildings, and rank buildings based solely on their structural characteristics. About 300 of the highest-ranked buildings would receive further evaluation.
- Building occupancy information is combined with structural criteria to prioritize the 300 buildings.
- Detailed structural evaluations are performed by consultant engineers on the 25 highest-ranked buildings. These evaluations are designed to confirm that each building is a high seismic safety risk and to develop retrofit solutions and cost estimates. The consultant's reports could form the basis for funding proposals to retrofit specific buildings.

The Chancellor's Office indicates that the CCC system has over 3,700 buildings. The DSA recommends excluding the following types of buildings in order to reduce the number to be surveyed:

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- Buildings not occupied by students (estimated to be about 15 percent of the total).
- Buildings to be vacated or demolished in the next three to five years.
- All wood frame buildings less than 1,500 square feet.
- All buildings built after 1976.

**Analyst's Recommendation.** We believe that, since the DSA has already used the survey process described above for state-owned buildings, knowledge gained from that exercise could be applied to this CCC survey in order to significantly reduce the total number of buildings evaluated at each stage of the multistep survey process. For example, the survey workload could be reduced significantly by including only multistory buildings and buildings exceeding a certain size. In the survey of state-owned buildings, over 7,000 buildings were surveyed. Of the 50 buildings ranked as the highest seismic safety risks by the DSA, only one building was not multistory, and that building was over 60 years old. In addition, the smallest of the 50 highest-ranked buildings was 11,000 square feet. Reducing the number of buildings to be surveyed would reduce the workload involved and thus lower costs.

We therefore recommend deletion of the \$2,006,000 under Item 6870-301-0658 (1) for the survey. We urge the Chancellor's Office and the DSA to consider an alternative proposal which would attempt to identify the potentially most hazardous CCC buildings using a more streamlined and cost-effective procedure.

### **Citrus Community College District, Citrus College— Math/Science Building Replacement**

***We recommend deletion of \$571,000 under Item 6870-301-0658 (14) for design of a new building because the Citrus Community College District has considerable excess instructional capacity based on state space and utilization standards. (Estimated future savings of \$8.4 million.)***

The budget includes \$571,000 for preliminary plans and working drawings for a new 25,000 assignable square foot (asf) building for math and science programs at Citrus College. The new building would replace three existing buildings (total 24,000 asf) which the district indicates are in need of repair and have building code violations. The estimated future cost for construction and equipment is \$8.4 million.

In order to ensure the construction of higher education facilities that meet programmatic needs in an efficient and equitable manner, the state

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has standards for utilization and allocation of community college classroom, laboratory, office and library space. These standards provide a means to assess the amounts of different space types (lecture, laboratory, etc.) that districts should have in order to accommodate their enrollments and to gauge the relative needs among districts.

Our review of Citrus Community College District's (CCD's) five-year capital outlay plan indicates that the district currently has 24,000 asf of lecture space and 47,000 asf of laboratory space in excess of state standards. Moreover, based on the Chancellor's Office enrollment projections, Citrus will be one of the slowest-growing districts in the state with 7 percent enrollment growth over the next five years.

Given the competing capital outlay needs within the community colleges, the state simply should not be spending limited bond funds to build new space at a campus with so much excess capacity. We therefore recommend deletion of \$571,000 under Item 6870-301-0658 (14). We note that this project was proposed for funding in 1992-93, but was rejected by the Legislature.

#### **Desert Community College District, College of the Desert— Fire/Life Safety Code Compliance, Phase 1**

***We recommend deletion of \$6,406,000 in Item 6870-301-0658 (20) for a utilities project because the College of the Desert can address its electrical capacity problem at less cost.***

The budget proposes \$6.4 million to upgrade electrical and telecommunications infrastructure at the College of the Desert. The campus indicates that its current electrical requirements exceed its existing electrical capacity and that expansion of the electrical system is required both for current operations and to meet demands associated with future growth. The campus submitted a proposal to the Chancellor's Office for a \$12 million project that included the installation of a central heating and cooling plant and associated distribution lines to serve some existing campus buildings and future buildings. The project has since been divided into two phases. Phase 1, included in the budget, involves the electrical and telecommunications improvements and phase 2, deferred to a future year, includes the heating and cooling improvements. The phase 1 project includes building a portion of the new central plant to accommodate new electrical equipment, installing new electrical switchgear, constructing a 0.7 mile long concrete-lined utility tunnel, and installing new electrical and telecommunications cables.

We have the following concerns with this proposal. First, the campus is proposing to add electrical capacity equal to four times as much as

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its current electrical demand. Campus enrollment is projected to grow by over 50 percent in the next five years, but it is unclear as to why the campus would need a four-fold increase in capacity. The campus does need additional capacity, but this could be addressed by installing additional electrical switchgear and new electrical cable within the existing electrical distribution system.

Second, the construction of the concrete utility tunnel is estimated to cost about \$3 million. This large tunnel (8 feet wide by 9.5 feet high) would provide space for all utility lines (such as electrical, natural gas, water, etc.), including the future installation of heating and cooling water distribution lines to serve campus buildings from the new central plant. The campus, however, has provided no justification of the need for this new heating and cooling system. The project proposal simply states that “the existing mechanical systems do not have the capacity to supply all existing buildings, thus forcing the use of package units.” The campus simply has not justified the need to build this large and expensive tunnel. If the heating and cooling improvements were eventually justified, the distribution lines could be installed in a trench at much less cost than with a tunnel.

For the reasons discussed above, we recommend deletion of the \$6.4 million proposed for this project. An alternative proposal which solely addresses the campus's electrical capacity problem in the least costly manner would warrant legislative consideration. Delete \$6,406,000 in Item 6870-301-0658 (20).

#### **Long Beach Community College District, Long Beach City College—Science/Math Building D**

***We recommend deletion of \$1,087,000 in Item 6870-301-0658 (33) to prepare design documents for renovation of a science building because existing problems do not merit the expenditure of almost \$15 million in limited state bond funds. (Estimated future savings of up to \$13.8 million.)***

The budget includes \$1.1 million to prepare preliminary plans and working drawings for renovation of the science/math building at Long Beach City College. The renovation is intended to reconfigure building space to meet program needs for math and science instruction and to correct safety problems and disabled access deficiencies. The estimated future cost for construction and equipment is \$13.8 million. We have the following concerns with this project.

***Limited Safety Problems.*** The Chancellor's Office has determined that this project is a high priority for state funding due to health and

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safety deficiencies with the existing building. Our review of the proposal indicates that the major safety deficiencies identified by the college relate to the (1) ventilation in certain laboratories within the building and (2) ability to exit the building during an emergency. If these and any other safety-related problems need to be addressed, the college could do so by correcting these specific problems rather than renovating the entire building at a cost of nearly \$15 million. In addition, any access deficiencies could be addressed in the same manner.

**College Has Excess Capacity.** The college indicates that enrollment is growing in the math and science programs. The college proposes to reconfigure the building by relocating most lecture classrooms to the first floor (from the second floor) and locating laboratories only on the second and third floors (instead of all three floors). Telecommunications capability also would be installed in the new classrooms. In addition, the college's proposal includes \$1 million for temporary classroom and office facilities to be used while the building is being renovated. We note, however, that the college currently has 29,000 asf of classroom space in excess of state space standards. A realignment of programs to make better use of this excess capacity could reduce some of the growth pressure on those programs offered in the math and science building that do not require specialized laboratories.

**Code-Related Improvements Increase Renovation Cost.** The science building was completed in 1973, so it is relatively new when compared to most of the science facilities at California's other 136 public higher education campuses. As with most existing buildings, this 23-year old building does not meet *current* building codes (electrical, plumbing, ventilation, etc.), which are modified regularly as new knowledge is gained about the performance of building systems. This does not mean, however, that all building systems represent safety hazards. Because the proposed reconfiguration of the building is so extensive, the building would have to be brought into compliance with all current codes. This would require extensive and costly modifications to such elements as electrical, plumbing, and structural systems.

**Analyst's Recommendation.** Given the current amount of space at this college and the ability to address any critical fire/life safety deficiencies in a less costly manner, we do not believe it would be prudent to spend \$15 million of limited state bond monies in the manner proposed by the college. We therefore recommend deletion of the \$1,087,000 proposed under Item 6870-301-0658 (33) for this project (estimated future savings up to \$13.8 million). An alternative proposal that addresses only critical fire/life safety problems with the building would warrant legislative consideration.

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## DEPARTMENT OF FOOD AND AGRICULTURE (8570)

The budget requests \$1,036,000 in capital outlay funding for the Department of Food and Agriculture (DFA). The total includes (1) \$441,000 from the Agriculture Building Fund to modernize two 40-year-old elevators in the Headquarters Annex Building in Sacramento and (2) \$595,000 from the General Fund to develop design documents for a new border inspection station at Truckee in Placer County (\$485,000) and for one minor project to install a waterline for the Hornbrook Inspection Station in Siskiyou County (\$110,000).

### Truckee Inspection Station Replacement

***We recommend deletion of \$485,000 from the General Fund to design a new border inspection station because the department can repair the existing station and remain in the current location. (Reduce Item 8570-301-0001 by \$485,000—estimated future savings of \$4.1 million.)***

The budget proposes \$485,000 for preliminary plans (\$285,000) and working drawings (\$200,000) for a new border inspection station at Truckee. The project includes an 8,000 square foot inspection structure with six inspection booths, a 1,000 square foot office building, and associated site development including nine vehicle lanes. The estimated future construction cost is \$4.1 million.

The DFA indicates that the new station is needed because:

- The existing station (built in 1960) is deteriorated and in need of major repairs.
- The location of the existing station allows travelers to use other roads in the area to bypass inspection.
- The station is inadequate to handle the increased traffic volume at this location.

The new station would be along Interstate 80 at a site several miles east of the existing station, which would be demolished. The DFA indicates that vehicles will have less opportunity to bypass inspection at this new location. In addition, vehicles heading east from the Lake Tahoe area will no longer encounter an inspection, thus relieving con-

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gestion during peak recreational seasons. With respect to congestion at the station, the department has provided no data regarding either the extent to which traffic backs up at the station or the frequency with which such backups occur. Furthermore, the department has not identified any chronic problem of traffic bypassing this station to avoid inspection.

We recommend that, in lieu of spending \$4.6 million to construct a new station, the department remain in the current location and make the necessary repairs to the existing station. The existing station can be repaired and renovated to improve the work environment for inspectors and improve the traffic flow. In fact, the DFA's support budget includes a request for two repair projects at the Truckee station: (1) \$40,000 to replace the roof and (2) \$200,000 to replace the heated concrete floor. These repairs should be funded and the DFA should identify any other repairs that are urgently needed at the station.

For the reasons cited above we recommend the Legislature delete the proposed \$485,000 for this project under Item 8570-301-0001.

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## MILITARY DEPARTMENT (8940)

The Military Department is responsible for the command and management of the California Army and Air National Guard. To support its operations, the department maintains 123 armories and 38 maintenance operations shops throughout the state. The department's five-year capital outlay plan for 1996-97 through 2000-2001 totals \$96 million for 13 armory projects and for toxic cleanup (lead) and conversion of seven indoor fire ranges. The Governor's Budget proposes appropriations totaling \$10.5 million—\$8.5 million from the General Fund and \$2 million in federal funds. This amount would fund one major project (\$7 million), minor projects (\$1.3 million), and planning, design, supervision, and construction costs for projects in which construction is fully funded by the federal government (\$2.2 million).

### Los Angeles Armory

***We withhold recommendation on \$6.9 million from the General Fund and \$140,000 in federal funds for a new armory pending securing of the site and completion of project preliminary plans.***

The budget includes \$6,910,000 from the General Fund and \$140,000 in federal funds to acquire a ten-acre site and prepare working drawings for an 86,000 gross square foot armory in the Los Angeles area. The estimated future construction cost is \$9.1 million.

In the 1995 Budget Act, the Legislature provided \$1 million from the General Fund and \$147,000 in federal funds to (1) select a suitable site for the armory and enter into a purchase option for the site and (2) prepare preliminary plans. At the time this analysis was written, the Department of General Services had selected a site and extended an offer for the purchase option, but was awaiting a response from the property owner. The department indicates that the preliminary plans are scheduled for completion in June 1996. The schedule for developing preliminary plans, however, is dependent on the state obtaining the purchase option on the selected site. If the option is not secured, then the preliminary plans will have to be delayed and the department will have to pursue acquisition of another site. We therefore withhold recommendation on the budget proposal pending (1) the department securing the site for purchase and (2) completion of preliminary plans, at which time the project scope and cost will be better defined.

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## CONTROL SECTION 11.50— DISTRIBUTION OF TIDELANDS OIL REVENUES

*We withhold recommendation on the proposed distribution of tidelands oil revenues, pending legislative proposals in the Budget Bill.*

This section would modify existing law governing the allocation of tidelands oil revenues for the budget year. Figure 25 compares the allocation of these revenues for 1996-97 under existing law with the allocation proposed in this section.

<b>Figure 25</b>		
<b>Distribution of 1996-97 Tidelands Oil Revenues Comparison of Current Law With Section 11.50</b>		
<b>(In Thousands)</b>		
<b>Allocation</b>	<b>Current Law</b>	<b>Section 11.50</b>
State Lands Commission	\$9,563	\$9,563
California Water Fund	25,000	—
Central Valley Project	5,000	—
Sea Grants	525	—
Capital Outlay Fund for Public Higher Education	27,192	—
Housing Trust Fund	—	2,000
Subtotals	(\$67,280)	(\$11,563)
General Fund	—	\$55,717
<b>Totals</b>	<b>\$67,280</b>	<b>\$67,280</b>

Until the Legislature has determined how it intends to spend these revenues, it would be premature to allocate them through Control Section 11.50. Once the spending decisions have been made, revenues should be allocated in a conforming manner. Accordingly, we withhold recommendation on this item until that time.

### **Increase in Current-Year General Fund Transfer**

In addition to proposing an allocation of projected budget-year revenues, the administration also proposes to amend Section 11.50 of the 1995 Budget Act in order to increase the transfer of 1995-96 tidelands

oil revenues to the General Fund by \$8.5 million. This action would bring the total current-year transfer to the General Fund to \$61.5 million. This increase is attributable to increased crude oil prices in the current year.

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# LIST OF FINDINGS AND RECOMMENDATIONS

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## Crosscutting Issues

1. **Five-Year Capital Outlay Plans.** An average annual appropriation of \$1.3 billion (three times recent funding levels) would be needed over the next five years to fully fund higher education capital outlay plans. Given the likely limitations of future capital outlay funding, it is essential that the state's highest priority needs for higher education be identified and funded from a statewide perspective rather than an individual segment perspective. I-17
2. **Budget Proposal.** The budget for higher education capital outlay is almost totally dependent on voter approval of a general obligation bond measure in 1996. I-18

## Department of General Services

3. **Retrofit Projects.** Withhold recommendation on the \$154.6 million for 14 seismic retrofit projects pending completion of preliminary plans and review of refined scope and cost estimates for each project. I-21
4. **Proposed Reappropriation of Local Assistance Funds.** Recommend deletion of Item 1760-491 to reappropriate funding for all local government seismic retrofit projects because such action is inconsistent with legislative intent as expressed in the 1995 Budget Act. I-23

## Department of Forestry and Fire Protection

5. **Reimbursements from Local Entities for Capital Outlay Costs.** Recommend legislation requiring the Department of Forestry and Fire Protection to add a facilities fee to its contracts with local governments in order to recoup an appropriate share of the state's capital outlay costs. I-24
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### Department of Boating and Waterways

6. **San Diego Beach Erosion Project.** Recommend reduction of \$1,175,000 in Item 3680-101-0516 (c) because local governments should share in the project costs. I-26

### Department of Parks and Recreation

7. **Pfeiffer Big Sur State Park, Sewage Treatment System.** Withhold recommendation on \$1,776,000 under Item 3790-301-0001 pending completion of preliminary plans that will better define the scope and cost of this project. I-28

### Department of Health Services

8. **Richmond Laboratory Phase II.** Recommend Budget Bill language specifying that preliminary planning funds cannot be spent until the environmental review process for the project is completed. I-29

### Department of Mental Health

9. **Metropolitan State Hospital, Perimeter Fence.** Recommend deletion of \$3 million to construct a security fence at Metropolitan State Hospital because the Patton State Hospital renovation could be accomplished with less patient disruption and better security by temporarily overcrowding other housing units at Patton. Delete \$3,035,000 under Item 4440-301-0001 (2). I-31
10. **Reports to the Legislature.** The Legislature has not received two reports from the Department of Mental Health that should provide essential information regarding the administration's plans for the state hospitals. I-32

### Department of Corrections

#### *New Prison Construction Issues*

11. **Need for New Prison Construction.** With regard to prison facilities, the Legislature faces both near-term issues (such as I-33
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the need to authorize two new prisons in early 1996) and long-term issues (primarily how to construct and finance 24 prisons, at a cost of \$7 billion by 2005).	
12. <b>No Plan for Near-Term Housing Gap.</b> Recommend the California Department of Corrections (CDC) report at budget hearings on its plan to house inmates after all currently funded prisons are at capacity.	I-34
13. <b>Federal Funds for Prison Construction.</b> Withhold recommendation on \$27 million federal funds for new prison facilities pending enactment of the federal appropriations bill for this activity and a revised estimate of California's grant level based on an enacted bill. Recommend that the Legislature appropriate these funds for specific project activities rather than in a lump sum as shown in the Governor's Budget. Recommend that the CDC report prior to budget hearings with a specific proposal for spending any federal funds.	I-35
<i>Existing Prisons Capital Outlay</i>	
14. <b>Overbudgeted Projects.</b> Recommend a reduction of \$11.1 million for eight projects because the department will not be able to encumber all the proposed funds, which are dependent on voter approval of a November 1996 bond measure. (Reduce Item 5240-301-0659 by \$11,115,000.)	I-36
15. <b>Correctional Treatment Centers, Phase II.</b> Recommend a reduction of \$900,000 for studies related to six correctional treatment center projects because the studies are completed. (Reduce Item 5240-301-0659 [3] by \$900,000.)	I-36
16. <b>California Institution for Men, Perchloroethene Cleanup.</b> Recommend deletion of \$1.1 million to clean up contaminated groundwater and soil because a previously funded study to determine a cleanup plan will not be completed until January 1997. (Delete \$1,100,000 in Item 5240-301-0659 [14].)	I-38
17. <b>California State Prison at Solano, Administration Building Addition.</b> Recommend deletion of \$129,000 for design of an administration building addition because, given the state's multibillion capital outlay needs, replacement of modular	I-38

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structures is not a high priority for limited general obligation bond funding. (Delete \$129,000 from Item 5240-301-0659 [19].)	
18. <b>California Institution for Men, Replace Program “C” Dorms.</b> Recommend approval of \$2.3 million for construction of two dormitories contingent on the completion of preliminary plans that were funded in the current year.	I-39
19. <b>Emergency Bed Projects.</b> Recommend approval of \$7.2 million to complete the emergency bed projects but also recommend that these projects be funded with existing general obligation bond funds because bonds should be used for capital outlay instead of for certain CDC support costs (as proposed in the budget).	I-39

#### Department of the Youth Authority

20. <b>Projects for Additional Institution Capacity.</b> Recommend the Legislature delete \$11.7 million for six projects to increase institution capacity by 1,400 beds because (1) the Department of the Youth Authority's population is expected to remain relatively stable in the short-term and (2) the option of building additional facilities to increase the availability of programs for wards should be considered. (Delete \$11,686,000 from Item 5460-301-0659—future savings of \$126 million.)	I-41
21. <b>Overbudgeted Projects.</b> Recommend a reduction of \$1,539,000 for nine projects because the department will not be able to encumber all the proposed funds in 1996-97. (Reduce Item 5460-301-0659 by \$1,539,000.)	I-44
22. <b>Previously Funded Projects.</b> Recommend approval of \$7.9 million for five projects contingent on the completion of preliminary plans that were funded in 1995-96.	I-46

#### University of California

23. <b>Five-Year Capital Outlay Plan.</b> The University of California's (UC's) five-year plan continues to emphasize renovation of existing facilities and deferral of enrollment-related projects.	I-47
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| <p>24. <b>Newly Proposed Construction Projects.</b> Recommend approval of \$100.5 million in construction for 19 projects contingent on completion of preliminary plans for each project. Also recommend that for 17 projects, additional bond funding of \$4.9 million be used to complete working drawings in lieu of using federal overhead monies because those monies should instead be redirected to increase spending for UC's ongoing maintenance.</p> | I-48             |
| <p>25. <b>Potential for Federal Funding.</b> Withhold recommendation on \$21.8 million for four seismic retrofit projects at the Los Angeles campus pending possible use of federal hazard mitigation monies to fund a portion of these costs.</p>   | I-52             |

**California State University**

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| <p>26. <b>Five-Year Capital Outlay Plan.</b> The Chancellor's Office has not produced campus-by-campus enrollment projections that are necessary to evaluate the need for projects to increase instructional capacity. We recommend supplemental report language directing the Chancellor's Office to prepare campus-by-campus enrollment projections and to incorporate these projections into the California State University's (CSU's) five-year capital outlay plan to be submitted in the fall 1996.</p> | I-54 |
| <p>27. <b>Projects at San Marcos and Stanislaus Campuses.</b> Withhold recommendation on \$30.1 million for two new building projects pending receipt of systemwide campus-by-campus enrollment projections for 1996-97 through 2000-2001 from the Chancellor's Office.</p>   | I-57 |
| <p>28. <b>Telecommunications Infrastructure Projects.</b> Withhold recommendation on \$4.7 million for 13 telecommunications infrastructure improvement projects pending receipt of more detailed information on the project scope and further discussions with the CSU regarding the benefits of undertaking these type of projects.</p>   | I-58 |
| <p>29. <b>Water Supply May Limit Enrollment at Monterey Bay Campus.</b> Recommend that the CSU report at budget hearings on the status of future water allocations for the Monterey Bay campus and implications for future enrollments.</p>   | I-61 |
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30. <b>Chico Campus—Colusa Hall.</b> Recommend deletion of \$740,000 under Item 6610-301-0658(3) for a seismic upgrading project because this expenditure of funds is not warranted for this building.	I-62
31. <b>Seismic Retrofit Projects.</b> Withhold recommendation on \$781,000 for two seismic retrofit projects in Los Angeles County pending an evaluation of whether federal hazard mitigation monies could fund a portion of these costs.	I-63

### California Community Colleges

32. <b>Five-Year Capital Outlay Plan.</b> The Chancellor's Office has not prepared a statewide capital outlay plan for the community colleges. Based on our review of the districts' five-year plans (which total \$3.5 billion in proposed expenditures) it is essential that the Chancellor's Office review these plans and prepare a systemwide plan based on state priorities and funding practices. Recommend Legislature adopt supplemental report language requiring the Chancellor's Office to submit a five-year plan in the fall of 1996 and annually thereafter.	I-64
33. <b>Seismic Retrofit Study.</b> Recommend deletion of \$2,006,000 under Item 6870-301-0658 (1) for a proposed seismic survey of buildings because the Chancellor's Office and the Division of the State Architect should prepare an alternative proposal that will reduce the scope and cost of a survey.	I-67
34. <b>Citrus Community College District, Citrus College—Math/Science Building Replacement.</b> Recommend deletion of \$571,000 under Item 6870-301-0658 (14) for design of a new building because the district has considerable excess instructional capacity based on state space and utilization standards. (Estimated future savings of \$8.4 million.)	I-68
35. <b>Desert Community College District, College of the Desert—Fire/Life Safety Code Compliance, Phase 1.</b> Recommend deletion of \$6,406,000 in Item 6870-301-0658 (20) for a utilities project because the College of the Desert can address its electrical capacity problem at less cost.	I-69

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| 36. <b>Long Beach Community College District, Long Beach City College—Science/Math Building D.</b> Recommend deletion of \$1,087,000 in Item 6870-301-0658 (33) to prepare design documents for renovation of a science building because existing problems do not merit the expenditure of almost \$15 million in limited state bond funds. (Estimated future savings of up to \$13.8 million.) | I-70             |

#### **Department of Food and Agriculture**

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| 37. <b>Truckee Inspection Station Replacement.</b> Recommend deletion of \$485,000 from the General Fund to design a new border inspection station because the department can repair the existing station and remain in the current location. Delete \$485,000 under Item 8570-301-0001. | I-73 |
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#### **Military Department**

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| 38. <b>Los Angeles Armory.</b> Withhold recommendation on \$6.9 million from the General Fund and \$140,000 in federal funds for a new armory pending securing of the armory site and completion of project preliminary plans. | I-75 |
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#### **Control Section 11.50**

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| 39. <b>Distribution of Tidelands Oil Revenue.</b> Withhold recommendation pending legislative spending plan for these revenues. | I-76 |
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