

MAJOR ISSUES

Capital Outlay

Financing Plan Needed to Complete Capital Outlay Program

- The administration has not identified funding sources for \$800 million in future costs of projects proposed in the budget.
- For the long-term, the state needs a multiyear capital outlay plan.
- As an initial step, we recommend that the Legislature not approve any capital outlay project unless there is a specific plan for funding the future completion costs.
- We also recommend that the Legislature consider a multipurpose state facilities bond act for the June 1998 ballot. (See page H-15.)

State Should Change the Way It Budgets Higher Education Capital Outlay Projects

- The administration has presented no plan to fund the completion costs of proposed and previously approved higher education projects.
 - We believe the Legislature should begin budgeting higher education capital outlay so that projects can be initiated *and completed* within identified fund sources.
 - We recommend funding specific projects and deferring other, mostly new, projects until the state has a multiyear capital outlay plan identifying the state's highest priority needs and financing strategies to complete them. (See page H-19.)
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Budget Capital Outlay to Enhance Legislative Oversight

- Recent administrative actions have disregarded the scope and cost of projects approved by the Legislature.
- To assure that the Legislature can maintain appropriate authority over projects, we recommend that funding only be provided for the preliminary plan phase of all new projects. (See page H-28.)

Federal Crime Bill Grants Should Be Appropriated Annually

- The state could receive several hundred million dollars in federal grants over a five-year period to build or modify correctional facilities. The administration has proposed a plan to allocate *all* grant funds it anticipates receiving and requests legislative authorization of the entire plan in the 1997-98 budget.
- We recommend that the Legislature instead appropriate funds on an annual basis in order to retain legislative oversight of these expenditures and to allocate the funds based on a yearly assessment of its priorities for using these monies. (See page H-32.)

New Prison Needs Uncertain


- The Governor's budget includes proposals involving the development of six new state prisons.
 - Actual inmate population growth continues to be lower than projected. Thus, the need for and timing of new prison development projects is uncertain.
 - We withhold recommendation on funding for new prisons pending review of the department's spring 1997 inmate population projections. (See page H-75.)
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OVERVIEW

Capital Outlay

Funding for capital outlay would increase significantly in the budget year, mainly as a result of proposed new state prison construction and General Fund increases for capital outlay programs.

The 1997-98 Governor's Budget proposes \$1.18 billion for capital outlay programs, excluding highway and rail programs (these capital programs are discussed in the Transportation section of this *Analysis*). This is an increase of \$480 million (69 percent) over current-year appropriations. Figure 1 compares the amounts appropriated for capital outlay in the current year to the amounts proposed in the budget for each general organizational area.

Figure 1

State Capital Outlay Programs 1996-97 and 1997-98

All Funds (Dollars in Millions)

	1996-97	1997-98	Difference
Legislative, Judicial, and Executive	\$6.2	\$44.5	\$38.3
State and Consumer Services	106.8	48.3	-58.5
Transportation ^a	23.1	16.0	-7.1
Resources	71.9	132.3	60.4
Health and Welfare	30.9	13.2	-17.7
Youth and Adult Corrections	13.9	412.5	398.6
Higher Education	435.2	485.7	50.5
General Government	11.4	28.0	16.6
Totals	\$699.4	\$1,180.5	\$481.1

^a Excluding highways and rail.

As shown in the figure, the largest increase (\$399 million) is in the area of Youth and Adult Corrections. Other large increases are \$60 million for

the Resources Agency, \$50 million for Higher Education, and \$38 million under Legislative, Judicial, and Executive—for the Office of Emergency Services and the Department of Justice. The largest decrease (\$58 million) is in the area of State and Consumer Services.

Figure 2 shows the amounts each department requested for capital outlay funding in 1997-98, the amounts approved for inclusion in the Governor's budget, and the future cost for the approved projects. As shown in the figure, an estimated \$1.3 billion will need to be appropriated in the future in order to complete these projects. Thus, the request before the Legislature represents a total cost of \$2.5 billion. Over 80 percent of the future cost is for higher education facilities and state prisons. We discuss the implications of this future cost in the Crosscutting Issues section of this chapter.

The Governor's budget proposes funding the capital outlay program from bonds, the General Fund, special funds, and federal funds. Figure 3 (see page 8) shows the proposed funding for each department by fund source. About 60 percent of all funding (\$678 million) is from bonds. This bond amount includes \$560 million from previously approved general obligation bonds and proposed lease-payment bond authorizations of \$118 million (net of federal reimbursements, as discussed below). (The lease-payment bonds would be a General Fund obligation, but these bonds do not require voter approval.)

The \$137 million in proposed General Fund spending is almost double the amount appropriated in the current year for capital outlay. The \$58 million proposed from various special funds are mainly for resource and transportation/traffic safety related programs. Finally, the budget includes \$307 million in federal funds, of which \$225 million is from future federal appropriations that the administration assumes will be available to partially offset the lease-payment bonds proposed to construct one state prison.

OVERVIEW OF CAPITAL OUTLAY NEEDS

Those departments funded under the state's capital outlay program annually prepare project-specific five-year capital outlay plans. Figure 4 (see page 9) shows a summary of these five-year plans, which total \$10 billion. (In addition to the \$10 billion, we estimate five-year capital outlay needs of about \$15 billion for highway and rail programs and about \$10 billion for K-12 education facilities. These programs are not funded through project-specific appropriations in the budget, however, and thus are not part of our discussion in this chapter of the state capital outlay program.) These five-year estimates should be viewed with

Figure 2				
1997-98 State Capital Outlay Summary				
All Funds (Dollars in Thousands)				
Department	Request	Governor's Budget		Totals
		Proposed 1997-98	Future Cost	
Legislative, Executive, and Judicial				
Emergency Services	\$22,818	\$22,818	—	\$22,818
Justice	29,212	21,666	\$7,151	28,817
Secretary of State	59	59	—	59
State and Consumer Services				
General Services	75,429	48,295	—	48,295
Transportation				
Highway Patrol	4,038	989	17,339	18,328
Motor Vehicles	7,352	7,353	715	8,068
	7,612	7,612	5,664	13,276
Resources				
Tahoe Conservancy	20,481	4,036	—	4,036
Conservation Corps	120	120	—	120
Forestry and Fire Protection	37,928	31,853	14,238	46,091
Fish and Game	1,496	1,478	—	1,478
Wildlife Conservation Board	27,137	24,298	—	24,298
Boating and Waterways	8,384	8,692	4,144	12,836
Coastal Conservancy	28,071	25,589	—	25,589
Parks and Recreation	31,862	22,490	6,267	28,757
Santa Monica Mtns. Conservancy	5,000	5,000	—	5,000
Water Resources	8,750	8,750	—	8,750
Health and Welfare				
Health Services	5,358	4,551	92,608	97,159
Developmental Services	13,452	1,926	897	2,823
Mental Health	19,097	6,727	11,059	17,786
Youth and Adult Corrections				
Corrections	364,508	359,468	573,657	933,125
Youth Authority	101,512	53,023	35,720	88,743
Higher Education				
University of California	150,030	171,667	117,057	288,724
Hastings College of the Law	8,332	8,332	—	8,332
California State University	268,349	152,500	113,765	266,265
Community Colleges	158,996	153,175	291,831	445,006
General Government				
Cal Expo	500	500	—	500
Food and Agriculture	1,238	1,059	4,922	5,981
Military	38,914	26,391	—	26,391
Veterans' Home of California	9,691	—	—	—
Unallocated capital outlay	50	50	—	50
Totals	\$1,455,776	\$1,180,467	\$1,297,034	\$2,477,501

Figure 3**1997-98 State Capital Outlay Program
Proposed Appropriations by Fund****(In Thousands)**

Department	Bonds	General	Special	Federal	Total
Legislative, Executive, and Judicial					
Emergency Services	\$22,818	—	—	—	\$22,818
Justice	18,435	\$3,231	—	—	21,666
Secretary of State	—	12	\$47	—	59
State and Consumer Services					
General Services	47,295	—	1,000	—	48,295
Transportation					
Transportation	—	—	989	—	989
Highway Patrol	—	—	7,353	—	7,353
Motor Vehicles	—	—	7,612	—	7,612
Resources					
Tahoe Conservancy	1,000	2,500	536	—	4,036
Conservation Corps	—	120	—	—	120
Forestry and Fire Protection	12,360	19,493	—	—	31,853
Fish and Game	200	—	1,278	—	1,478
Wildlife Conservation Board	9,300	—	14,998	—	24,298
Boating and Waterways	—	—	8,692	—	8,692
Coastal Conservancy	7,000	12,589	4,500	\$1,500	25,589
Parks and Recreation	4,729	6,804	10,357	600	22,490
Santa Monica Mtns. Conservancy	5,000	—	—	—	5,000
Water Resources	—	8,750	—	—	8,750
Health and Welfare					
Health Services	—	4,551	—	—	4,551
Developmental Services	—	1,926	—	—	1,926
Mental Health	—	6,727	—	—	6,727
Youth and Adult Corrections					
Corrections	56,252 ^a	37,851	—	265,365 ^b	359,468
Youth Authority	8,382	17,033	—	27,608	53,023
Higher Education					
University of California	171,667	—	—	—	171,667
Hastings College of the Law	8,332	—	—	—	8,332
California State University	152,500	—	—	—	152,500
Community Colleges	153,175	—	—	—	153,175
General Government					
Cal Expo	—	—	500	—	500
Food and Agriculture	—	1,059	—	—	1,059
Military	—	14,044	—	12,347	26,391
Unallocated	—	50	—	—	50
Totals	\$678,445	\$136,740	\$57,862	\$307,420	\$1,180,467

^a The budget also includes a request to authorize another \$225 million in lease-payment bonds that the administration assumes will be offset by the proposed appropriations of future federal funds.

^b Includes a \$225 million appropriation of future federal funds to offset proposed lease-payment bonds.

caution because some of the plans are incomplete and also may include proposals that, upon examination, would not merit funding. Nevertheless, the plans provide at least a reasonable assessment of the overall magnitude of these capital outlay needs. In aggregate terms, the Governor's budget proposal of \$1.18 billion funds about one-tenth of the identified five-year capital outlay needs.

Figure 4

**Projected Five-Year
State Capital Outlay Needs
1997-98 Through 2001-02**

(In Millions)

	Five-Year Total
Legislative, Judicial, and Executive	\$68
State and Consumer Services	544
Transportation	93
Resources	670
Health and Welfare	255
Youth and Adult Corrections	4,285
Higher Education	3,903
General Government	213
Total	\$10,031^a

^a Total does not include estimated five-year needs of \$15 billion for highway and rail programs and \$10 billion for K-12 education facilities.

BOND FUNDING AND DEBT SERVICE

Over the last several years, the majority of capital outlay has been funded with bonds. In the 1990s, the voters have authorized \$16.4 billion in general obligation bonds. While this amount is a substantial level of bond funding, only about \$3 billion was to finance the state's capital outlay programs (other than transportation). The other \$13.4 billion included \$5 billion for transportation and rail programs and \$8.4 billion for facilities such as K-12 schools, water quality enhancements, and veterans' housing loans. In addition to the bonds approved by the voters, the Legislature has authorized \$5.1 billion in lease-payment bonds since 1990. These bonds have funded higher education facilities, prisons, state office buildings/laboratories, and state homes for veterans.

Governor's 1997-98 Bond Proposals

The Governor's budget proposes the following new bond authorizations in 1997-98:

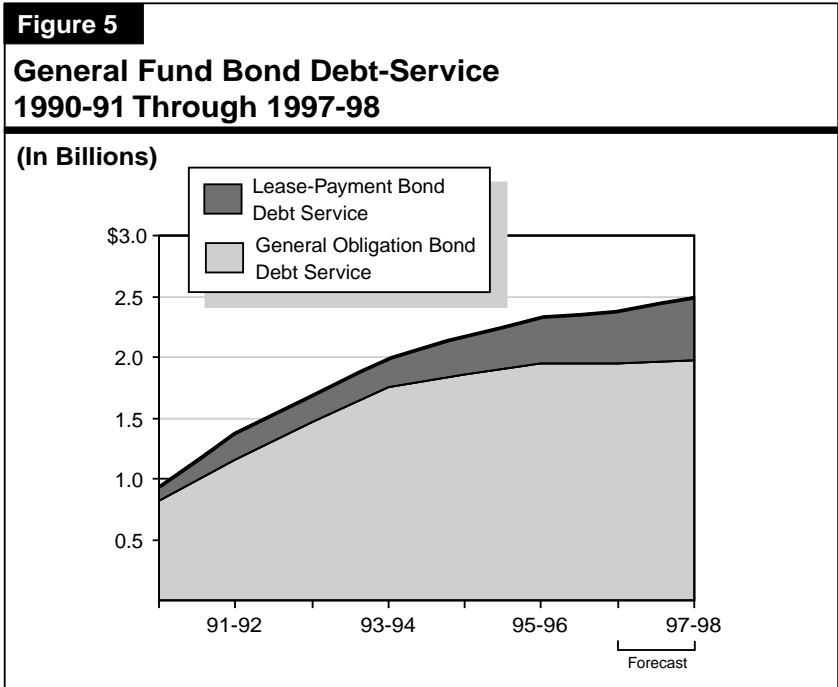
- The budget bill includes \$93 million in new lease-payment bond authorizations for the following departments: Office of Emergency Services (\$22.8 million), Justice (\$18.4 million), Forestry (\$12.4 million), Corrections (\$31.3 million), and Youth Authority (\$8.4 million).
- The budget bill includes an additional authorization of \$250 million in lease-payment bonds for a new state prison. The administration assumes that \$225 million of this amount will be offset by *future* federal grants under the 1994 federal crime bill. These future federal funds, however, are dependent on Congress and the President annually appropriating funds through the year 2000.
- The Governor indicates his intent to seek legislation, separate from the budget bill, for \$511 million in lease-payment bonds to construct two prisons.
- The Governor also indicates he would support two general obligation bond measures for the June 1998 ballot: (1) \$2 billion for K-12 schools and (2) \$200 million for a state infrastructure bank.

Debt Service

We estimate that the state's debt payments on bonds will be \$2.5 billion in 1997-98. This is an increase of \$114 million, or 4.8 percent, over current-year debt services costs. There are two debt service components:

- **General Obligation Bonds.** The Governor's budget reflects a General Fund cost increase of \$26 million over current-year expenditures of \$1.95 billion for general obligation debt service.
- **Lease-Payment Bonds.** We estimate that the state's cost for debt service on lease-payment bonds will be about \$527 million in 1997-98. This is an increase of \$88 million, or 20 percent, over the current year. About 93 percent of the debt service on these bonds is paid by the General Fund.

Debt service for lease-payment bonds is becoming a greater portion of total debt service costs, as shown in Figure 5. For example, lease-payment debt service was 13 percent of total debt service in 1990-91 and will increase to 21 percent in 1997-98.



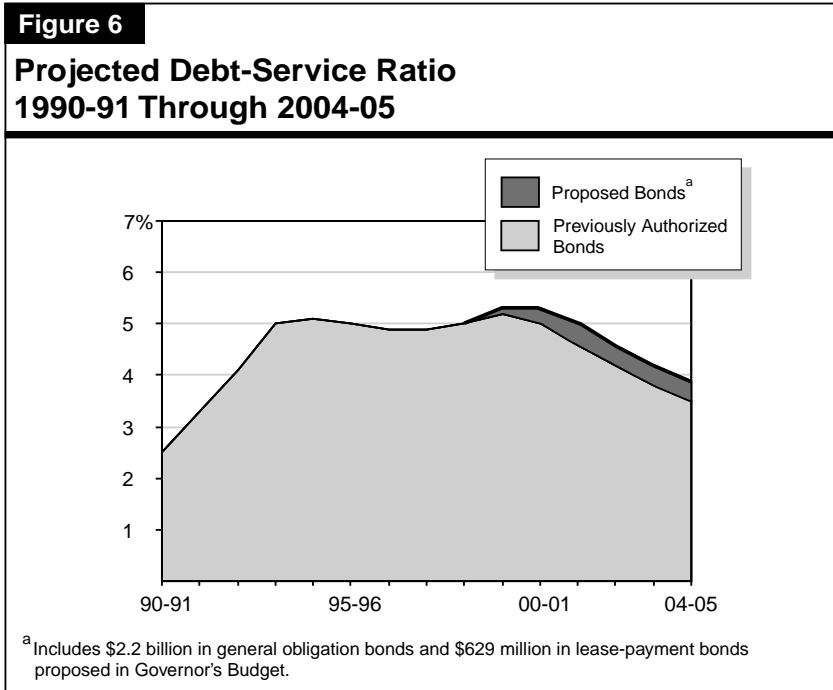
Debt Service Ratio

The amount of debt service on General Fund-backed bonds as a percentage of state General Fund revenues (that is, the state's *debt ratio*) is estimated to be 4.9 percent for the current year. As shown in Figure 6 (see next page), this ratio rose significantly in the early 1990s, and has remained around 5 percent since 1993-94. We estimate that, as currently authorized bonds are sold, the debt ratio will increase to 5.2 percent in 1999-00 and decline thereafter 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 proposals on future revenues.) Figure 6 also shows the impact on the debt ratio if the Governor's proposal for an additional \$2.8 billion of general obligation bonds and lease-payment bonds is approved. We estimate that sales of these additional bonds would increase the debt ratio in future years by about 0.4 percent.

LEGISLATURE SHOULD REVIEW CAPITAL OUTLAY PROGRAM

The state and local governments have tens of billions of dollars of capital outlay needs. Given that bonds are a primary capital outlay funding source and the state already has a relatively high debt service level, it is essential that any additional bonds be directed to the state's highest

priority needs. As we have discussed in recent years, 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 continue to recommend that the Legislature 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.



The need for such a comprehensive review is evidenced by the Governor's budget proposal for capital outlay. For example, the Governor's proposed 1997-98 capital outlay program will require an additional \$1.3 billion to complete. The Governor's budget, however, is silent on how this additional cost will be financed. The Governor has indicated support for two general obligation bonds but neither of these address state agencies' capital outlay needs. Instead, they focus on local government. In addition, the administration continues to allocate equal amounts of higher education general obligation bond funds among the three segments of higher education without consideration of the relative needs of each segment or an evaluation of statewide priorities for higher education facilities.

Again this year, the Legislature has been presented with a series of proposals absent a statewide context of needs and priorities or a financing

plan to complete projects that the Legislature is asked to begin. Without such a plan, the Legislature is lacking information to determine (1) whether the Governor's proposals are consistent with state priorities or (2) what future spending obligations the Legislature is requested to commit to in order to complete the proposed projects.

CROSSCUTTING ISSUES

Capital Outlay

FINANCING FUTURE CAPITAL OUTLAY COSTS

We recommend that the Legislature not approve any capital outlay project unless there is a specific plan for funding the future completion cost. We also recommend that the Legislature consider placing an appropriately sized “State Facilities Bond Act” on the June 1998 ballot, because this mechanism would provide the Legislature with flexibility to address the facilities needs of any state agency on a priority basis.

As discussed in the Overview section of this chapter, the Governor proposes \$1.2 billion in the budget year for capital outlay. Almost all of this amount would be for projects of General Fund-supported agencies, such as higher education (\$520 million), youth and adult corrections (\$610 million), and the Department of Health Services (\$93 million).

In addition to the budget-year cost of \$1.2 billion, the proposed projects would cost an additional estimated \$1.3 billion to complete. Currently authorized general obligation bonds that are earmarked for state capital outlay—in higher education, corrections, and parks—are virtually depleted. With the exception of a proposal to fund the future construction costs of two new state prisons (using \$511 million in lease-payment bonds), however, the Governor has not provided a financing plan for these remaining future costs. The Governor has indicated his support for two general obligation bonds, but these bonds will be for local government facilities (K-12 schools and an infrastructure bank), not for state facilities.

State's Physical Facilities

The state has an immense inventory of physical facilities. As an example, the three segments of higher education alone have about 120 million square feet of building space. About 55 million square feet of this space was built or renovated more than 27 years ago (before 1970). In addition, the segments have extensive investments in the utilities and infrastructure that serve the campuses. Even if there were no planned program expansion for higher education, there would still be a significant demand for funding to renovate older college and university facilities and infrastructure. With the projected increases in student enrollment, however, there will also be additional demand for *new* educational facilities.

The state faces similar demands with regard to many other areas—such as correctional facilities, state hospitals, parks, and office facilities. As a result, for the foreseeable future the state will have to commit a portion of its annual resources—on a pay-as-you-go basis and/or through debt financing—for capital improvements to a wide variety of state facilities.

The level of state spending on capital outlay should be based on a thorough statewide needs assessment, a determination of priorities, and a financing plan to fund the highest priorities. With regard to a needs assessment, state departments currently prepare five-year capital outlay plans. These individual five-year plans, however, are not consolidated into a single statewide plan that would provide the Legislature with an overall picture of the state's capital outlay needs and priorities and associated costs.

The Legislature has adopted, and sent to the Governor numerous times, legislation requiring the administration to (1) provide an integrated five-year state capital outlay plan, including priorities and a financing plan; and (2) present this plan as part of the annual budget. This legislation has repeatedly been vetoed—the most recent example being AB 907 (Vasconcellos) in 1996. Lacking such a plan, the Legislature is again presented with a series of funding proposals for 1997-98 absent any statewide context of needs and priorities or a financing plan to complete all proposed projects.

Projects Should Have A Complete Financing Plan

Because state facilities are used over a long period of time, decisions about building or renovating facilities should be considered with a long-term perspective. We believe that, if the state is to get the “biggest-bang-for-its-buck” in addressing state facilities needs, the administration and

the Legislature must adopt a more deliberate capital outlay planning process. We believe that the Legislature can take a first step along this path by holding the administration accountable for the plan it has put forward for 1997-98. To do this, we recommend that the Legislature not approve *any* project unless there is a specific plan for funding its future cost.

Funding Options. There are several options for funding the state capital outlay program:

- **Pay-As-You-Go.** Direct appropriations—either from the General Fund or special funds—are the least costly financing method. This approach, however, requires an up-front commitment of current resources. One potential funding source for capital outlay would be to dedicate tidelands oil revenues for this purpose. In previous years, a large portion of these monies were deposited in the Special Account for Capital Outlay, but in the last three years they have been transferred to the General Fund. The administration again proposes to transfer tidelands revenues (\$59 million) to the General Fund in 1997-98. The administration has also proposed \$137 million in General Fund monies for capital outlay in 1997-98. Although this amount is only 0.3 percent of total proposed General Fund spending for 1997-98, it represents a large increase when compared to recent fiscal years.
- **Lease-Purchase or Lease With Purchase Option.** This method has been used most often for state office buildings and for field offices of the California Highway Patrol and the Department of Motor Vehicles.
- **General Obligation Bonds.** Because these bonds are backed by the full faith and credit of the state, they sell at the lowest possible interest rates, thus minimizing the state's debt financing costs.
- **Lease-Payment Bonds.** Unlike general obligation bonds, these bonds do not require voter approval. Thus, the Legislature can authorize any amount of lease-payment bonds it wishes with a simple majority vote and approval by the Governor. These bonds are more costly than general obligation bonds because they require the issuance of more debt and sell at higher interest rates.

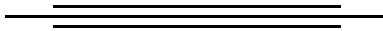
The Legislature of course is not restricted to using the options discussed above. Nor is the Legislature restricted to these options if other cost-effective financing options become available. In order to make an informed financing decision, however, the Legislature needs clear information on the state's capital outlay needs, priorities, and total cost over at least a five-year period. With this information the Legislature can then

determine the most cost-effective means of financing and assess the trade-offs of these costs with other statewide program needs.

State Should Consider Multipurpose Bonds

A viable capital outlay plan would also help the Legislature more effectively use bonds in financing its future capital costs. In recent years, the state has placed before the voters *single-purpose* bond issues, the proceeds of which can only be used for a given program (for example, higher education). There are valid reasons to use single-purpose bonds (for instance, it may be easier to obtain voters' approval for a particular program area). In most cases, however, the state's high-priority projects span *across* program areas. It may be, for example, that the state's highest priorities for the next \$500 million in capital outlay funds would be a prison, two higher education instructional buildings, a water resources project, and a state hospital modernization project. The placement of a few single-purpose bonds on the ballot would not address the state's varied needs.

Accordingly, we recommend that the Legislature consider placing an appropriately sized "State Facilities Bond Act" on the June 1998 ballot for voter approval. The proceeds from this measure would be available for appropriation by the Legislature for any state agency based on the Legislature's evaluation of statewide needs and priorities. Between 1955 and 1964, the voters approved four such multipurpose bond measures, which provided a total of \$1.05 billion to address a variety of the state's capital outlay needs at that time. We believe that, if the Legislature were to first develop a capital outlay plan that identified the state's most critical current facilities needs across all programs, the voters could have some degree of confidence in a bond measure that would propose to fund those needs.



FUNDING HIGHER EDUCATION CAPITAL OUTLAY

The administration is proposing a capital outlay program for higher education—which when combined with all previously approved projects—will cost almost \$1.4 billion to complete. This is \$850 million more than available funds from authorized general obligation bonds. The administration has presented no plan to fund this shortfall. In order to maximize the use of limited capital outlay funds, we believe a new approach is needed. Specifically, we believe that the Legislature should begin budgeting higher education capital outlay so that projects can be initiated and completed within identified fund sources. Based on this strategy, we recommend funding of specific projects and deferral of other, mostly new, projects until the state has a multiyear capital outlay plan identifying the state's highest priority needs and financing strategies to complete them. Based on such a plan, a June 1998 bond measure could be appropriately sized to fund high priority projects in the 1998-99 budget.

Over the last ten years, capital outlay programs for the three segments of higher education have been financed with \$2.8 billion in voter-approved general obligation bonds and \$2.2 billion in lease-payment bonds authorized by the Legislature. In March 1996, the voters approved a \$3 billion general obligation bond for education that earmarked \$975 million for higher education facilities. In the *1996-97 Budget Act*, the Legislature appropriated about \$438 million of these monies for the three segments and for Hastings College of the Law. Thus, about \$537 million remain available for appropriation in 1997-98.

The available bond funds fall far short of the estimated cost to complete all higher education projects that (1) have been previously approved by the Legislature (that is, funded for preliminary plans and/or working drawings) or (2) are new projects that are being submitted to the Legislature in 1997-98 for initial funding. Figure 7 shows that it would cost over \$1.4 billion to complete all previously approved projects and all new projects. This amount exceeds the available bond funds by almost \$850 million. As discussed in the previous Crosscutting Issue, "Financing Future Capital Outlay Costs," the administration has presented no plan

to address these future funding needs for higher education or for most other state capital outlay programs.

Figure 7	
Higher Education Capital Outlay Funding Shortfall	
(In Millions)	
	Amount
Costs to complete previously approved projects	
Projects in 1997-98 Governor's Budget	\$404.0
Projects not in Governor's budget	393.0
Subtotal	(\$797.0)
Costs to complete new projects	\$587.0
Total cost of all projects	\$1,384.0
Available bond funds	\$537.5
Funding shortfall	\$846.5

The situation described above is similar to, though greater in magnitude than, previous capital outlay budgeting for higher education. In recent years, many projects have been initially funded (for preliminary plans and/or working drawings) from a particular general obligation bond. Due to the cost of all projects funded from that bond, however, the ability to fund the construction and equipment phases of many projects is often dependent on voter approval of *additional* general obligation bonds or legislative authorization of lease-payment bonds. In both 1990 and 1994, the voters rejected general obligation bond measures for higher education, which in both instances caused at least a one-year deferral of those projects (or project phases) that were to be funded from the failed measures. Likewise, the proposed 1997-98 capital outlay program for higher education includes almost \$38 million of 1996 bond funds for designing projects (in essence, to produce renditions on paper), but unless another bond measure is approved in 1998, there will be no funds available to translate the design documents into bricks and mortar.

We believe that it would be preferable for the Legislature to begin budgeting higher education capital outlay so that projects are not initiated until a funding source has been identified to complete them. This could occur in several ways. For example, the Legislature could authorize only those projects that could be initiated and completed within the funding available from a particular bond measure. Alternatively, as

discussed later, the Legislature could initiate projects which were identified in a state multiyear capital outlay plan in accordance with the plan's financing strategy—which might be from multiple funding sources.

Given that only \$537 million remains available from the 1996 bond to address projects totaling almost \$1.4 billion, the Legislature will have to be selective if it is to complete projects within these funding limits. Below, we outline our approach to allocating the remaining 1996 bond monies. Our recommendations are summarized in Figure 8. In general, we recommend that sufficient bond monies be made available for *previously approved projects* that (1) are included in the Governor's budget, (2) require equipment in order to serve students, and (3) fulfill a prior commitment to match federal funds. Any remaining funds should be allocated for those *new projects* related to health and safety improvements or infrastructure improvements.

Figure 8	
1996 Higher Education Bond Funds	
Analyst's Recommendations for	
Allocating Funds Available	
(In Millions)	
	Amount
Available bond funds	\$537.5
Funding recommendations	
Previously approved projects in Governor's budget	\$391.1
Previously approved projects not in Governor's budget	24.7
New projects	95.9
Total recommended allocation	\$511.7
Balance of funds available	\$25.8

Previously Approved Projects

Projects Included in the Governor's Budget. The Governor's budget proposes funding for 79 previously approved projects. These projects have already been reviewed by the Legislature when funding was provided for earlier project phases. In addition, by virtue of their inclusion in the budget proposal, these projects remain high priorities for the segments. The estimated completion cost of the projects is \$404 million—

\$326 million in the *1997-98 Budget Bill* and \$78 million in future costs. In our analysis of the segments' capital outlay programs (later in this section of the *Analysis*), we recommend reductions totaling \$12.9 million for four previously approved projects—one at the University of California (UC) and three at the California State University (CSU). Based on these reductions, we recommend allocating \$391 million of the available 1996 bond funds for these previously approved projects. Figure 9 shows the number of projects, our funding recommendations for the budget year, and the future cost to complete all projects for each segment.

Figure 9

**Allocation of 1996 Bond Funds
Previously Approved Projects in Governor's Budget**

(Dollars in Thousands)

Segment	Number of Projects	Recommended 1997-98 Funding	Future Cost	Total
University of California	15	\$83,321	\$28,220	\$111,541
Hastings College of the Law	1	8,332	—	8,332
California State University	22	90,337	40,090	130,427
California Community Colleges	41	130,808	9,999	140,807
Totals	79	\$312,798	\$78,309	\$391,107

Projects Not Included in the Governor's Budget. There are 25 projects with an estimated completion cost of \$393 million that have been previously funded by the Legislature but are not included in the Governor's budget. The total includes eight projects for UC (\$64 million) that were funded in the *1993-94 Budget Act* and 17 projects for CSU (\$329 million) that were funded in the *1992-93 Budget Act*. Most of these projects have been deferred by the segments for several years because other projects have been determined to be higher priority for state funding. We recommend that the Legislature reserve \$24.6 million out of the 1996 bond monies to complete five of these projects. (Four of the five projects involve providing equipment for buildings currently under construction. The other project is the Alternative Pest Control Quarantine and Containment Facility at the UC Davis campus, for which a commitment of state funds is needed to match previously provided federal funds.) The remaining 20 projects that the segments have deferred, are listed in Figure 10. For these projects, we recommend that the segments reevaluate

the need for and priority of each project for funding consideration under a future bond issue. (We note that almost \$15 million in general obligation bonds have been spent designing these 20 deferred projects.)

Figure 10**Previously Approved Projects Deferred by Segments****(In Thousands)**

Campus/Project	Future Cost
University of California	
Berkeley—Campus Sewer System Renewal	\$1,925
Berkeley—Campus Water System Expansion, Step 2	2,794
Berkeley—Classroom Renovations, Step 1	1,100
Davis—Environmental Design Building C	17,566
Davis—South Campus Infrastructure	4,421
Santa Barbara—Environmental Sciences Building	21,267
Subtotal	(\$49,073)
California State University	
Chico—Education/Classroom/Faculty Office Addition	\$12,052
Dominguez Hills—Technology Center, Health, and Administrative Service	33,160
Fresno—Classroom Building	41,854
Fullerton—Auditorium/Fine Arts Instructional Facility	31,922
Fullerton—Physical Education Building Addition	13,670
Humboldt—Behavioral and Social Sciences, Phase 1	20,243
Long Beach—Renovate Fine Arts Building and Addition	14,555
Los Angeles—Remodel Music Building and Distance Learning Classroom	13,548
Sacramento—Classroom Building 2	14,079
San Bernardino—Social and Behavioral Sciences Building	30,742
San Jose—SPX Renovation	17,042
San Jose—Humanities Building	28,296
San Marcos—Academic 2, Buildings 26/27 and 37	25,303
Stanislaus—Educational Services Building	22,825
Subtotal	(\$319,291)
Total	\$368,364

New Projects

Based on our recommendations discussed above, about \$415 million of the \$537 million in available 1996 bond funds would be allocated to previously approved projects. This allocation leaves a balance of

\$122 million to fund new projects. As discussed earlier, however, new projects proposed in the Governor's budget have a total cost of \$587 million. In order to stay within the funding limits of the 1996 bond, the Legislature would have to make difficult choices regarding which new projects to approve and which to defer until the voters approve additional bonds for higher education facilities.

We recommend that the Legislature use the \$122 million balance of funds that would be available to fund meritorious projects related to health and safety improvements or infrastructure improvements. Such projects are intended to protect building occupants and to preserve the taxpayers' previous investments in specific higher education facilities. The 17 projects that we believe fit these criteria and thus recommend for approval are listed in Figure 11. The projects shown in Figure 11 have a total cost of \$96 million, leaving a balance of almost \$26 million in available 1996 bond funds. This amount could be used for other new projects or as a reserve in case augmentations are needed for those projects funded from the 1996 bonds.

Based on our recommendations, most new projects would be deferred at least until the voters approve additional bonds for higher education. Figure 12 (see page 26) lists the nine new UC projects (total cost of \$98 million) and the seven new CSU projects (total cost of \$93 million) that would not be funded in 1997-98 under this approach. In addition, 49 community college projects with a total cost of \$300 million would not be funded.

Although many of these new projects may have merit, there simply are not funds available to complete them. We believe it makes little sense to spend millions of dollars to develop plans for projects that the state has no financing strategy to complete. The need for an overall plan and financing strategy is evidenced further by the huge inventory of existing higher education facilities (many of considerable age) and the demands for additional facilities to accommodate growing enrollments. Addressing these needs will require state-funding for capital improvements. This need should be communicated to the voters, particularly if they are going to be asked to approve bond measures for financing the improvements.

Voter confidence that bonds are addressing the state's most urgent capital outlay needs would be enhanced if the state developed a statewide *multiyear* capital outlay plan that includes higher education. The plan would identify the capital outlay needs and priorities—from a statewide perspective—and propose methods to finance those needs. With such a plan, the Legislature could determine which statewide projects should be funded from a future bond measure and thus what level of bonds should be placed on a statewide ballot for voter consideration. In

Figure 11**New Safety/Infrastructure
Projects Recommended for Approval****(In Thousands)**

Campus/Project	Budget Bill Request	Future Cost	Total
University of California			
Berkeley—Seismic Safety Corrections, Barker Hall	\$589	\$12,815	\$13,404
Irvine—Administration Building Seismic Corrections	1,611	—	1,611
Irvine—Humanities Office Building Seismic Improvements	4,479	—	4,479
Los Angeles—Campus Fire Alarm System Upgrade, Phase 2	1,815	—	1,815
Los Angeles—Kinsey Hall Seismic Correction, Phase 2	824	19,775	20,599
Riverside—Boyce Hall Seismic Upgrade	143	2,279	2,422
San Francisco—Chilled Water System, Phase 1	565	11,930	12,495
Santa Barbara—Seawater System Removal	8,787	—	8,787
Subtotals	(\$18,813)	(\$46,799)	(\$65,612)
California State University			
Fullerton Seismic Upgrade, Langsdorf Hall	\$257	\$3,764	\$4,021
Fullerton Seismic Upgrade, Library, Phase 2	3,153	—	3,153
Dominguez Hills—Seismic Upgrade, Educational Resources Complex	860	—	860
Maritime Academy—Seismic Upgrade, Campuswide	449	3,591	4,040
San Francisco—Seismic Upgrade, J. Paul Leonard Library	726	12,447	13,173
San Jose—Seismic Upgrade, Sweeney Hall	798	—	798
Subtotals	(\$6,243)	(\$19,802)	(\$26,045)
California Community Colleges			
Compton Community College District (CCD), Compton College—Demolition, Phase 1	\$1,136	—	\$1,136
Long Beach CCD, Long Beach City College—Electrical System Replacement	907	—	907
Saddleback CCD, Irvine Valley College—Fire/Safety Access Road	155	\$2,069	2,224
Subtotals	(\$2,198)	(\$2,069)	(\$4,267)
Totals	\$27,254	\$68,670	\$95,924

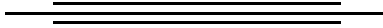
Figure 12**New Projects in the Budget Bill
Recommended for Deletion****(In Thousands)**

Campus/Project	Budget Bill Request	Future Cost	Total
University of California			
Davis—Walker Hall Seismic Replacement	\$10,784	\$1,075	\$11,859
Los Angeles—Center for Health Sciences, Earthquake Reconstruction	21,637	—	21,637
Riverside—Fine Arts Seismic Facility	23,913	—	23,913
San Francisco—Health Sciences East Improvements, Phase 1	6,026	—	6,026
San Francisco—UC Hall, Seismic Replacement, Phase 1	299	7,941	8,240
San Diego—Scripps Utilities System Improvements	133	1,761	1,894
Santa Barbara—Broida Hall Building Renewal	449	10,524	10,973
Santa Cruz—Applied Sciences Building Alterations, Phase 1	2,115	1,227	3,342
Santa Cruz—Mount Hamilton Infrastructure Improvements	2,654	2,754	5,408
Subtotals	(\$68,010)	(\$25,282)	(\$93,292)
California State University			
Fresno—Infrastructure Improvements	\$271	\$3,878	\$4,149
Long Beach—Peterson Hall addition	1,428	29,983	31,411
Pomona—Engineering labs replacement	23,494	—	23,494
San Francisco—Renovate Hensill Hall (seismic)	1,032	20,102	21,134
Stanislaus—Stockton Regional Center	2,500	—	2,500
Minor capital outlay	14,958	—	14,958
Statewide seismic studies	250	—	250
Subtotals	(\$43,933)	(\$53,963)	(\$97,896)
California Community Colleges			
49 projects	\$20,169	\$279,763	\$299,932
Totals	\$132,112	\$359,008	\$491,120

the short-term, for example, the Legislature could determine which high priority projects should be funded from a June 1998 bond measure and then place an appropriately sized measure on the ballot to initiate and complete those projects. These projects could then be initiated in the 1998-99 budget. (See "Financing Future Capital Outlay Costs" in the Crosscutting Issues portion of this section for a detailed discussion of this issue.)

Analysis of Segments' Capital Outlay Programs

Later in this section of the *Analysis*, we discuss the 1997-98 capital outlay programs as proposed for each of the higher education segments. If the Legislature does not adopt our approach for allocating the 1996 bonds, as presented above, and instead wishes to consider the merits of all proposed projects, we have raised issues pertaining to the merits of specific projects.



CAPITAL OUTLAY BUDGETING

We recommend that for new major capital outlay projects (those that have no previous appropriations), the Legislature only appropriate monies for preliminary plans so that (1) future legislative funding decisions can be based on accurate scope and cost information and (2) the Legislature can maintain appropriate authority over decisions regarding changes to approved scope and cost.

BACKGROUND

Capital Outlay Budgeting. Major capital outlay projects (those with a total cost exceeding \$250,000) require funds for the following development phases:

- **Preliminary Plans.** Design documents that are approximately one-third complete. Upon completion of preliminary plans, a reasonably accurate estimate of a project's construction cost should be available.
- **Working Drawings.** Completed design documents and specifications used for the bidding of construction contracts.
- **Construction.** Includes the costs for construction contracts, a contingency allowance for changes during construction, and quality control through testing and inspection.
- **Equipment.** (Usually for higher education projects.) Movable equipment and furniture that is directly related to the capital outlay project.

The cost, complexity, and schedule of a project usually determines whether project phases are budgeted in one year or over a multiyear period. In general, all but the smallest projects are budgeted over a minimum of two years. In these cases, preliminary plans and working drawings have often been budgeted in the first year and construction in the second year, followed by equipment funding when the facility is ready to be occupied.

Scope Language. When the Legislature appropriates funds for projects in the annual budget, it also adopts scope language as part of the supplemental report of the budget act. For every major capital outlay project, this language describes the scope (details of what is to be constructed), schedule, and total project cost (by phases, including phases to be budgeted in the future). The language serves as a record of the Legislature's intent as to which facility was approved to be built for a specified total cost. When departments request funding for additional project phases (such as construction) in subsequent fiscal years, the scope language serves as a reference in order to determine whether the scope or cost, as previously approved by the Legislature, has changed.

Administration of Projects

After projects are approved, the Department of Finance (DOF) is responsible for administration and control of the capital outlay implementation process. Specifically, upon completion of each phase of a project, departments must receive approval of the DOF to proceed with the subsequent phase. In addition, the DOF provides staff support to the State Public Works Board (PWB), which has a statutory role in the capital outlay process.

The PWB is a three-person board consisting of the Directors of the Departments of Finance, General Services, and Transportation. The PWB's responsibilities include approval of (1) preliminary plans for all major capital outlay projects, (2) scope changes to projects, and (3) augmentations to the amounts appropriated for projects. Under current law, the PWB may approve augmentations to projects by up to 20 percent of the amount appropriated by the Legislature. (Augmentations above 20 percent require an additional appropriation by the Legislature.) For augmentations between 10 percent and 20 percent, the Director of Finance must provide notification of the proposed augmentation to the Chair of the Joint Legislative Budget Committee and the chairs of the fiscal committees in each house at least 20 days prior to PWB approval. This 20-day notification is also made when the DOF determines that there has been a change in project scope.

The Legislature has recognized that there are always elements of uncertainty in the designing and development of capital outlay projects. The intent of the augmentation and scope change authority discussed above is to allow for these uncertainties by giving the administration a considerable degree of flexibility so that projects can proceed, under specific circumstances, without awaiting legislative approval by the entire Legislature. However, administrative decisions regarding scope changes or cost increases should always be considered in relation to the project as

approved by the Legislature when it provided initial funding authority. To take administrative actions that disregard the scope and cost approved by the Legislature seriously compromises the integrity of both the budget process and existing law.

CONCERNS WITH ADMINISTRATION ACTIONS

Recently, we have identified two instances where the administration has disregarded the scope and cost of projects approved by the Legislature. In our view, these actions are inconsistent with longstanding interpretations of legal requirements governing capital outlay projects. The specific situations and recommended legislative action are discussed below.

University of California, San Diego Campus—York Hall Improvements

In the *1996-97 Budget Act*, the Legislature appropriated \$215,000 to prepare working drawings for this building renovation project. (The University of California [UC] had previously funded \$204,000 for preliminary plans from nonstate funds.) The adopted scope language in the *Supplemental Report of the 1996 Budget Act* specified, based on a UC estimate, that the future construction cost of this project would be \$4,413,000. The UC completed preliminary plans and the estimated construction cost is now \$5,423,000—an increase of 23 percent over the amount approved by the Legislature. This amount for construction is proposed in the *1997-98 Governor's Budget*.

At its January 16, 1997 meeting, the PWB approved the preliminary plans for this project as part of its consent agenda. This action allowed the UC to proceed with the preparation of working drawings for the project even though the Legislature has not had an opportunity, through the 1997-98 budget process, to decide whether or not it agrees that the project should be funded at the higher cost or whether the cost can be reduced to maintain the original budget. Alteration of the project scope or cost by the Legislature during the budget process could require subsequent alterations to the working drawings, which would be both more costly and time consuming than if changes were made at the completion of preliminary plans.

Department of Forestry, Telecommunications Project

The *1995-96 Budget Act* provided \$10 million for the design and construction of 22 new communications towers and vaults (secured equipment enclosures) throughout the state. In December 1996, the DOF noti-

fied the Legislature that the estimated cost of the project had more than doubled to \$22.4 million. The DOF proposed approval of a scope change by the PWB—using the \$10 million appropriation to complete only 11 of the 22 towers. The balance of the \$12.4 million cost is proposed to be funded in the 1997-98 budget. Though this proposal would not require a PWB-approved augmentation to the \$10 million appropriation, it was clear that it would necessitate, through the budget process, an augmentation of 124 percent in order to complete the legislatively approved project scope.

Administration Position

In our discussions with the DOF staff concerning these actions, we were advised that it is the administration's position that unless there is a construction appropriation, there is no augmentation required regardless of the estimated cost. Thus, for any project for which the Legislature appropriates funds for preliminary plans *and* working drawings, the administration will proceed into the working drawing phase *regardless of the project cost approved by the Legislature*. In effect, the administration's interpretation of current law renders the Legislature's action in establishing a project's scope and cost virtually meaningless.

Recommendation

In view of the administration's positions and actions, we recommend that the Legislature modify the capital outlay budgeting process. Specifically, we recommend that funding be provided only for preliminary plans for all new projects presented to the Legislature. Upon completion of preliminary plans, the administration should have adequate information to inform the Legislature as to whether a project is within the scope and cost approved when it was authorized. Based on this information, the Legislature can decide the appropriate budget for the project and provide the necessary funds for working drawings and construction to complete the project. In this way, the Legislature will have a meaningful role in reviewing and approving the scope and cost of the capital outlay project. Furthermore, this should not cause undue delay in projects because development of preliminary plans generally requires several months. Once funds for working drawings and construction are appropriated, the administration can proceed without further legislative approval within the augmentation levels provided.

We therefore recommend that for all new projects proposed in the 1997-98 budget—those without a previous appropriation—the Legislature only appropriate funds for the preliminary plan phase.

FEDERAL CRIME BILL GRANTS

While dependent on the level of future appropriations by the Congress, the state could receive several hundred million dollars over a five-year period to build or modify correctional facilities for purposes of housing violent offenders. The Governor has proposed a plan for allocating those federal funds that the administration expects California to receive. In this analysis, we describe the eligible uses for these funds and the administration's funding proposal, which allocates in the 1997-98 budget all federal grant funds it expects to receive over five years. We recommend that the Legislature instead appropriate the funds on an annual basis, in order to retain legislative oversight of these expenditures.

BACKGROUND

The 1994 federal crime bill authorized \$10.3 billion over five years as grants to states for programs to construct prisons, incarcerate criminal aliens, pay for detention facilities on tribal lands, and provide support for federal prisoners in nonfederal institutions.

The actual grant monies available will depend on annual appropriations by the Congress. Based on actual federal appropriations in federal fiscal year (FFY) 1995-96 and 1996-97, the total five-year appropriations are likely to be much less than the authorized amounts. Figure 13 shows that, while the authorizations in the crime bill increased by 33 percent between 1995-96 and 1996-97, the actual appropriation increased by only 9 percent. The authorization for FFY 1997-98 is almost twice the 1996-97 authorization level, and the remaining two years are slightly higher than the 1997-98 level.

The Prison Construction Grant Program

Funds for prison construction are provided in two programs: the Violent Offender Incarceration (VOI) Program and the Truth In Sentencing (TIS) Incentive Prison Construction Grant Program. Eligibility for the VOI grant requires an increase in the ratio of persons committed for

violent crime as defined by the Federal Bureau of Investigation's (FBI's) Uniform Crime Reports. Eligibility for the TIS grant requires felons convicted of a violent crime to serve at least 85 percent of the state imposed sentence. Grants under both programs are based on a state's violent crime statistics, as reported to the FBI, in comparison to the rest of the country. In addition, no state can receive more than 9 percent of the total VOI grant funds or more than 25 percent of TIS grant funds. Based on federal criteria, California is eligible for at least 14 percent of total TIS grant funds. Eligibility and grants are determined through an annual grant application process through the United States Department of Justice. Grant funds are available for expenditure for four years after award.

Figure 13		
1994 Federal Crime Bill Authorization and Appropriations		
(Dollars in Millions)		
Federal Fiscal Year	Authorization	Appropriations
1995-96	\$997.5	\$617.5
1996-97	1,330.0	670.0
1997-98	2,527.0	— ^a
1998-99	2,660.0	— ^a
1999-00	2,753.1	— ^a
Totals	\$10,267.6	—^a

^a Depends on future actions by the Congress.

Uses of the Grant Funds. The purpose of the federal grants is to increase a state's capacity to house violent offenders. The funds may be used to build or expand permanent or temporary correctional facilities to increase bed space for violent offenders. Alternatively, space can be built to house nonviolent offenders to free up existing space for violent offenders. Other features of the grants include:

- As amended in 1995, a 10 percent match by grant recipients is required. (The 1994 law required a 25 percent match.)
- Federal funds cannot be used to acquire land or to supplant state or local funds.
- Up to 15 percent of the state's award can be distributed to local governments for expanding or improving jails or juvenile facilities.

- Grant funds may be used to build or expand facilities to increase capacity for housing violent juvenile offenders. However, if urgent circumstances can be demonstrated, such as an overcrowding of juvenile correctional facilities, funds can be used to increase capacity for confining nonviolent juvenile offenders.
- The FFY 1996-97 appropriation contained language that specifically allowed California alone to use its grant award for reimbursement of the costs for incarcerating criminal aliens.

Grant Funding for California. For FFY 1995-96, a total of \$376 million in grants were awarded nationwide under the two programs. California was eligible for grant monies under both programs and received a total of \$60.5 million. The state received the maximum allowable VOI grant (9 percent of all funds) and 23 percent of the TIS awards. Grant monies related to the FFY 1996-97 appropriation should be distributed by fall 1997.

How Much Federal Funding Will the State Receive?

The administration estimates that the state will receive a total of almost \$420 million in grants over the five years of the program. This estimate assumes that (1) total federal appropriations in FFYs 1997-98, 1998-99, and 1999-00 will equal one-half of the authorizations for those years and (2) California will receive the maximum 9 percent VOI grant and the minimum 14 percent TIS grant.

The \$420 million estimate is therefore subject to considerable uncertainty because it depends on future actions by the Congress and federal allocation of the amount appropriated annually by the Congress. As discussed above, the federal crime bill authorization increases from \$1.3 billion in FFY 1996-97 to \$2.5 billion in 1997-98. As the President and the Congress attempt to balance the federal budget by 2001-02, it seems unlikely that the appropriations under the federal crime bill will increase from the \$670 million provided in FFY 1996-97 to almost \$1.3 billion in 1997-98, as assumed by the administration. On the other hand, since the state received 23 percent of total TIS grant funds in FFY 1995-96, it is likely that future allocations to the state will exceed the minimum 14 percent assumed by the administration. The state's TIS share will likely decline to some extent (below 23 percent), however, as other states become eligible under this program.

For illustrative purposes, we prepared an alternative estimate of the state's grant awards assuming (1) total federal appropriations grow by only 10 percent per year and (2) the state receives the maximum 9 percent of VOI grants and 19.5 percent of the TIS grant funds (the midpoint be-

tween the state's maximum and minimum potential TIS awards). Under this scenario, the state would receive a total of about \$370 million over the five years—about \$50 million less than the administration's assumptions.

Administration's Funding Plan

Figure 14 shows the administration's plan for allocating its estimate of \$420 million in grant awards to California. The figure also shows the appropriations of these funds as contained in the *1997-98 Budget Bill*.

Figure 14		
Administration's Plan for Using Federal Grants		
(In Thousands)		
	Five-Year Plan	Budget Bill
Department of Corrections		
State operations	\$7,961	\$2,363
Capital outlay:		
Design three prisons, environmental impact reports for three prisons	40,455	40,455
Delano II construction	224,910	224,910
Subtotals	(\$273,326)	(\$267,728)
Department of the Youth Authority		
State operations	\$964	\$263
Capital outlay	27,608	27,608
Subtotals	(\$28,572)	(\$27,871)
Board of Corrections		
State operations	\$1,890	\$202
Local assistance	63,000	14,868
Subtotals	(\$64,890)	(\$15,070)
Reserve	\$52,965	—
Totals	\$419,753	\$310,669
Federal funds received to date	\$60,482	—

As shown in the figure, the administration's plan has the following features:

- **Board of Corrections**—Receives \$65 million, including \$63 million (15 percent of estimated total grants) to be allocated to local governments for local jail and juvenile hall projects.

- **Department of the Youth Authority**—Receives \$28.6 million to build additional housing units and support facilities that will increase the design capacity of Youth Authority institutions by 350 beds.
- **Department of Corrections**—Receives \$273 million in grant monies to (1) complete design work for three new prisons (at Delano and California City in Kern County, and one in San Diego County); (2) perform environmental reviews on three additional prison sites (Taft in Kern County, Sacramento County, and Solano County); and (3) construct one new state prison (at Delano).
- **Reserve**—\$53 million is set aside in contingency reserve.

Budget Bill Proposal. The state has received \$60.5 million in federal grants, and the administration's plan anticipates another \$54 million in the budget year—a total of \$114.5 million. Nevertheless, the budget bill includes specific appropriations of federal grants totaling \$311 million—\$197 million more than the administration expects to have available in 1997-98. In addition, the budget bill includes Item 5591-401 which presents the administration's five-year expenditure plan and includes language stating that the Legislature supports this plan. The language also states that any additional federal funds that are received are not subject to reporting requirements under Control Section 28.00 of the budget. It is not clear, but this language seems to infer that the administration can (1) allocate any federal funds received above the \$311 million appropriated in the budget bill according to its five-year plan and (2) allocate any funds received above \$420 million for any purpose allowed under the grant programs.

ANALYSTS'S RECOMMENDATIONS

Legislature Should Appropriate Funds Each Year

We see no reason why the Legislature should commit now to specific uses of federal monies that the state may receive over the next three years. As circumstances change, the Legislature's priorities for allocating the funds among eligible uses may change as well. Even if the Legislature agreed with the administration's priorities, all of the federal funds proposed (for example, for capital outlay) could not be spent in the budget year and are therefore not needed in 1997-98.

In lieu of the administration's proposal, we recommend that the Legislature appropriate the federal funds each year based on actual appropriations by the Congress and the state's expected share of those funds. This will allow the Legislature to retain legislative oversight of these expendi-

tures and allocate the funds based on a yearly assessment of its priorities for using these monies. We therefore recommend that the Legislature delete Item 5591-401 and instead appropriate no more than \$114.6 million as part of the 1997-98 budget. This total consists of (1) the \$60.5 million in grants already awarded to the state plus (2) \$54.1 million, which is the minimum that the state will receive based on the actual FFY 1996-97 appropriation. Below we discuss our recommendations for allocating the federal grants.

Allocation Plan for Federal Grants

Figure 15 displays our recommendations for allocating a portion of the \$114.6 million discussed above. As shown in the figure, we recommend specific appropriations totaling \$26.9 million. In addition, we also recommend that the Legislature reject \$248.7 million of the appropriations proposed in the budget bill and we withhold recommendation on \$42.9 million related to new prison projects. Our recommendation regarding the Board of Corrections is discussed below. We also outline the recommendations affecting other departments. More detailed explanations of these recommendations are included in this *Analysis* under each department's respective support and capital outlay analysis.

Board of Corrections. As allowed under the grant programs, we recommend the Legislature provide 15 percent of total funds, or \$17.2 million, to local jails and juvenile facilities. The Legislature should direct the Board of Corrections to allocate these funds for modifying existing jails and juvenile facilities in order to increase security levels. As a consequence of the implementation of the "Three Strikes" law and because of increasing numbers of violent juvenile offenders, the state's jail and juvenile facilities do not have sufficient space for the highest security inmates. The board estimates that as many as 2,000 jail beds and most juvenile facilities were not built to the security level currently needed. For both types of facilities there is a significant need for funding security improvements. Funding these types of projects will have a double benefit. First, upgrading security will allow the state to increase its capacity for housing violent adult and juvenile offenders. Second, these projects are less costly than constructing new facilities and consequently, this approach will allow a greater number of local agencies to benefit from the limited federal funds. Regarding the proposed \$202,000 for the board's administrative costs, we withhold recommendation in our analysis of the board's support budget, pending receipt and review of a specific plan for spending these monies.

Department of the Youth Authority. We recommend funding only 50 of the 350 additional beds proposed because the number of wards at

Figure 15**Analyst's Recommendations for
Appropriating Federal Prison Grants**

(In Thousands)

	Budget Bill Amount	Analyst's Recommendation	Comments
Department of Corrections			
State Operations:			
Grant administration	\$167	—	Department can absorb these costs.
Project administration	\$2,196	Withhold	Pending review of new inmate population projections.
Capital Outlay:			
Design three prisons, environmental impact reports for three prisons	\$40,455	Withhold	Pending review of new inmate population projections.
Delano II construction	\$22,4910	—	Construction funding not needed in 1997-98.
Subtotals	(\$267,728)	—	
Department of the Youth Authority			
State operations	\$263	—	Department can absorb costs associated with one project.
Capital outlay	27,608	4,217	Fund 50-bed intensive treatment unit at Southern Reception Center only.
Subtotals	(\$27,871)	(\$4,217)	
Board of Corrections			
State operations	\$202	Withhold	Pending receipt of plan for spending funds.
Local assistance	14,868	\$17,190	Allocate 15 percent of total funds for local projects.
Subtotals	(\$15,070)	(\$17,190)	
Department of Mental Health			
Capital Outlay	—	\$5,518	Expedite construction of perimeter fence at Napa State Hospital.
Total appropriations	\$310,669	\$26,925	
Withhold recommendation	—	\$42,853	
Amount still available	—	\$44,822	

Youth Authority institutions will be relatively stable over the next four years, and overcrowding levels will remain below previous levels. The 50-bed addition is for an intensive treatment program that is in need of additional space. With only one project funded with the federal grants, we do not believe the Youth Authority would require federal funds for administrative functions.

Department of Mental Health. The budget includes funding from the General Fund to prepare preliminary plans and working drawings for a perimeter fence at Napa State Hospital. The number of judicially committed/Penal Code patients at the hospital is projected to exceed 900 by June 2001. We recommend a modification to the request and an augmentation of federal grant monies for construction in the budget year.

Department of Corrections. In our analysis of the Department of Corrections' capital outlay budget (in this section), we withhold recommendation on \$40.5 million for planning and design of new prisons, pending review of the department's spring 1996 inmate population projections. We also withhold recommendation on \$2.2 million in the department's support budget for administrative costs associated with the new prisons. We recommend the Legislature reject the \$225 million for construction of the Delano prison because, based on the time that would be required to design the facility, construction funds will not be needed in 1997-98. We also recommend deletion of \$167,000 for administrative costs associated with the federal grant programs because the department can absorb those costs.

Our funding recommendations (including those proposals for which we have withheld recommendation) would leave a balance of \$44.8 million from the \$114.6 million total we estimate the state will receive from the first two federal appropriations. It is important to note that these funds do *not* have to be appropriated this year. As mentioned earlier, the state has four years to spend the grant monies. Therefore, next year the Legislature could consider how to allocate the remaining funds, plus additional funds that will be available from the FFY 1997-98 appropriation, based on the state's priorities at that time. Below, we discuss one additional option for the Legislature to consider with respect to allocating the available federal grants in future years.

Additional Funding for Local Juvenile Facilities. Although federal rules restrict to 15 percent the amount of the state's grant that can be given to local agencies, federal officials advise that the rules allow for all or a significant portion of the state's grant to be awarded to counties for the construction of facilities for juvenile offenders. Currently, county probation departments operate about 10,000 juvenile hall, ranch, and camp beds for housing juvenile offenders. A 1990 needs assessment

projected the need for over \$350 million for new beds and repairs to existing facilities. In addition, as we note in our analysis of the Youth Authority's support budget, counties now have fiscal incentives to decrease the number of offenders sent to the state, but this will necessitate the creation of new local alternatives.

The state lacks an *updated* comprehensive assessment of current and future needs for local juvenile facilities. Consequently, we recommend that the Legislature direct the Board of Corrections to undertake a state-wide needs assessment of local facilities and projected needs. The development of new local juvenile facilities would decrease the future need for additional capacity at the Youth Authority and could eventually provide reductions in adult incarceration needs. We believe the use of federal grant funds for these types of facilities should be a high priority.



DEPARTMENTAL ISSUES

Capital Outlay

OFFICE OF EMERGENCY SERVICES (0690)

Headquarters and State Operations Center

We recommend deletion of \$22.8 million for construction of the headquarters facility because the project is behind schedule and the Legislature does not have adequate information on the project scope and cost. (Delete \$22,818,000 under Item 0690-301-0660.)

The budget includes \$22.8 million for construction of a 126,000 gross square foot (gsf) headquarters facility for the Office of Emergency Services (OES) in the Sacramento area. (The funding source would be a new authorization of lease-payment bonds, which do not require voter approval.) The project includes a 54,500 gsf administrative area, a 41,000 gsf emergency command operations center, and a 32,000 gsf warehouse/shop area.

In the 1996-97 Budget Act, the Legislature appropriated \$5,348,000 to cover the costs of land acquisition (\$3,414,000), preliminary plans (\$813,000) and working drawings (\$1,121,000) for the project. (The funding for working drawings was included to allow the project to proceed more quickly.) With regard to selection of a site for the headquarters, the Legislature adopted budget act language requiring OES and the Department of General Services (DGS) to first assess the potential for locating the facility at Mather Air Force Base. The DGS is in the process of evaluating a site at Mather.

Project Behind Schedule. At the time this analysis was written DGS, which is managing the project, was evaluating potential sites and will start an environmental review once a site is selected. The DGS anticipates requesting approval by the State Public Works Board to purchase the property in May or June 1997. The current project schedule, as prepared by DGS, indicates that preliminary plans will not be completed until *October 1997* (instead of July 1997 as originally planned) and working drawings will not be completed until April 1998.

Given the projects' current optimistic schedule, there is no clear need to appropriate construction funds in 1997-98. The Legislature will not have any more information on the project scope and cost until after preliminary plans are completed. We therefore recommend that the Legislature delete funding for construction in 1997-98 and consider the merits of funding construction for this project in 1998-99. (Delete \$22,818,000 from Item 0690-301-0660.)

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DEPARTMENT OF JUSTICE (0820)

The Department of Justice (DOJ) operates ten regional criminalistic laboratories throughout the state. These laboratories provide analysis of all types of physical evidence and controlled substances, and, when requested, assist local law enforcement agencies in processing and analyzing crime scenes (including clandestine drug laboratories). The department also operates a state DNA analysis laboratory in Berkeley. The *1997-98 Governor's Budget* proposes \$21.7 million for projects involving the replacement of four of the regional laboratories. This amount includes \$3.2 million from the General Fund and \$18.4 million from a proposed new authorization of lease-payment bonds. We discuss these proposals below.

Crime Laboratory Replacement

We recommend deletion of \$21.7 million for four crime laboratory projects because the Department of Justice should be reimbursed by user agencies for the costs of these services and it is not clear that new laboratories would be needed if users paid for the department's services. (Delete \$3,231,000 under Item 0820-301-0001 and \$18,435,000 under Item 0820-301-0660.)

In the *1996-97 Budget Act*, the Legislature appropriated \$877,000 from the General Fund to prepare preliminary plans for replacement of the Central Valley (Modesto and French Camp) and Riverside laboratories. As shown in Figure 16, the Governor's budget includes funding to complete these projects and to acquire land and begin design work for the replacement of laboratories in Redding and Santa Rosa. The estimated total cost of the four projects is \$28.8 million.

According to DOJ, many of its regional laboratories are housed in crowded or substandard space. The DOJ indicates having such substandard facilities increases the potential for inaccurate test results and thus improper court outcomes. The proposed replacement laboratories are intended to address these existing facilities problems.

Figure 16			
Department of Justice Laboratory Replacement Projects			
(Dollars in Thousands)			
Location	Phases^a	1997-98 Cost	Future Cost
Central Valley	awc	\$9,389	—
Riverside	awc	11,271	—
Redding	ap	360	\$2,933
Santa Barbara	ap	646	4,218
Totals	—	\$21,666	\$7,151

^a Phases: a=acquisition; p=preliminary plans; w=working drawings; and c=construction.

In addition to the projects in Figure 16, the department will request funding in 1998-99 to replace two other regional laboratories—at Santa Rosa and Fresno—with an estimated cost of \$16 million. Thus, the Legislature will be asked to fund a \$45 million capital outlay program for these regional laboratories. Before committing to such a costly effort to build new facilities, we believe it is imperative that the Legislature carefully consider the merits of continuing the DOJ crime laboratories program as currently structured.

Crime Laboratories Provide Free Services. In the current year, we estimate that DOJ crime laboratory services will cost the state \$16 million from the General Fund. The vast majority of the workload at the laboratories is providing service to local law enforcement agencies. These laboratory services, with the exception of blood alcohol analysis, are provided at no charge to the local agencies. In general, local governments in California are responsible for law enforcement, including investigating and prosecuting crimes. This responsibility includes developing physical evidence, which often requires laboratory testing and analysis. Because such services are integral to their overall law enforcement responsibilities, these costs should be borne by the counties and cities. We believe that this would appropriately align local governments' programmatic and funding responsibilities for investigation and prosecution activities. Consequently, in our analysis of the DOJ budget under Item 0820-001-0001 (see the Criminal Justice section of this *Analysis*), we have recommended enactment of legislation requiring payment for these services.

As discussed below, local agencies have several options for obtaining these laboratory services, many of which may be more cost-effective than

the state. Thus, we expect local agencies to rely less on the state laboratories, and the continued need for state regional laboratories would be questionable.

Demand for Laboratory Services Could Decline. Local agencies have the following options for obtaining the services now provided by the state's regional crime laboratories:

- Build and operate their own crime laboratories and provide their own investigations. (Twenty local law enforcement agencies currently operate and fund their own crime laboratories.)
- Contract with other local agencies' laboratories.
- Contract with private sector laboratories.

We believe that, given the local agencies' alternatives to obtain these services, requiring payment for state-provided services will create a competitive environment in which local agencies would choose among the options listed above based on their particular needs and the costs for the various services. We believe it is reasonable to assume that, if the state no longer provided a free service, the workload at the laboratories would decline and the need for regional laboratories would diminish significantly. For example, when the state began charging to partially offset the cost for blood alcohol tests, local agency use of DOJ laboratories declined *29 percent* in the first year the fees were established. With declining DOJ laboratory work, a reduced number, or a single consolidated laboratory (at the Sacramento facility), could continue to provide state services for those local agencies who would choose to pay the state's costs.

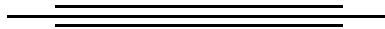
Thus, under this nonstate subsidized fee-for-service scenario, we believe it would not be prudent to embark on a \$45 million plan to construct new laboratories. Instead the DOJ should consider consolidating laboratories and closing those that are substandard. The workload, along with necessary equipment and staff, for these laboratories could be transferred to other existing laboratories. By taking these steps, the state would realize savings from closing the substandard laboratories and avoiding the cost of constructing new facilities. After having sufficient experience under a fee-for-service structure, the need for new laboratory facilities, if any, could be evaluated. We therefore recommend that the Legislature delete funding for the four crime laboratory replacement projects proposed in the Governor's budget. Delete \$3,231,000 under Item 0820-301-0001 and \$18,435,000 under Item 0820-301-0660.

Status of Capital Outlay Proposals

If the Legislature decides that the state should continue providing the Department of Justice laboratory services for free, the Legislature should not approve the proposed projects until the department provides information justifying the scope and cost of each laboratory.

If the Legislature decides that the state should continue to provide free laboratory services through the regional laboratory operations, then information needs to be available with which to consider the merits of the proposed projects. The four laboratory projects are proposed to have a total of 84,000 gross square feet of building space. At the time this analysis was written, however, the DOJ—in conjunction with the Department of General Services (which is managing the projects)—was still in the process of determining its program and space needs for the new laboratories. Thus, the programmatic need for the various laboratories and the cost to construct them are uncertain. Lacking this information, we cannot advise the Legislature whether the scope and cost of the four projects is appropriate. With regard to the Central Valley and Riverside projects, the preliminary plans are scheduled to be completed by May and June 1997, respectively.

In view of the lack of information on these projects, we recommend that, if the Legislature decides to fund the four replacement projects, it should not do so until the DOJ (1) provides detailed programmatic information justifying the scope and cost of each project and (2) completes the preliminary plans for the Central Valley and Riverside projects.



DEPARTMENT OF GENERAL SERVICES (1760)

The budget includes \$47.3 million from the Earthquake Safety and Public Buildings Rehabilitation Bond Fund of 1990 (general obligation bonds) to structurally strengthen 14 state buildings. This program is administered by the Division of the State Architect (DSA) within the Department of General Services (DGS). The budget also includes \$1 million from the Service Revolving Fund to renovate part of a state building in Sacramento. We discuss these projects below.

Seismic Retrofit Projects

We withhold recommendation on the \$47.3 million to structurally strengthen 14 state buildings pending completion of preliminary plans and review of refined scope and cost estimates for each project. The Legislature will also face several other issues regarding the earthquake safety bond program.

Background. 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, 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). Only buildings that have been rated either a risk level 5 or 6 are being retrofitted (no buildings were rated a risk level 7).

In the *1996-97 Budget Act*, the Legislature appropriated \$106.5 million for 27 projects. This amount included \$98.4 million to complete the retrofit of 12 projects, \$7.3 million to complete the design work on 14 projects, \$693,000 for managing the program, and \$50,000 for a study of one building.

In order to review retrofit schemes for each project and to ensure consistency in applying retrofit guidelines established for the program, DSA established a Peer Review Board consisting of structural engineers. The Peer Review Board recently determined that one project funded for construction—the Resources Building in Sacramento—is a risk level 4 rather than a risk level 5. This building will therefore not be retrofitted, and almost \$31 million previously appropriated for this project will be available for other risk level 5 or 6 buildings.

1997-98 Proposal. The Governor’s budget includes \$46.6 million for construction of 13 projects for which retrofit schemes are currently being designed. Because the preliminary plans for these projects have not yet been completed, the amounts requested for each project reflect the cost estimate that was prepared over a year ago for the 1996-97 budget proposal. These plans will 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.

In addition to considering the budget proposal for the seismic retrofit projects, the following issues concerning this program will be before the Legislature during budget hearings:

Department of Corrections, California Rehabilitation Center, Norco—Administration Building. This 69-year-old building was determined to be a risk level 6. The administration proposed to retrofit the building at an estimated cost of \$20.4 million. Rather than proceed with costly structural improvements to this old, inefficient building, the Legislature appropriated \$50,000 for DSA to prepare a proposal to construct new facilities to replace the functions currently located in this building. At the time this analysis was written, the study had not been completed, but it should be available for legislative review prior to budget hearings.

Employment Development Department, 800 Capitol Mall, Sacramento. The federal government claims significant equity in buildings occupied by the Employment Development Department (EDD), including a 77 percent equity in this Sacramento building (which is a risk level 5). In the *1996-97 Budget Act*, the Legislature appropriated \$496,000 to prepare working drawings for this project. The estimated construction cost is \$7.1 million. The Legislature also directed DGS and EDD to seek federal funding for the construction phase of this project. The departments made this request to the federal Department of Labor in September 1996 and a response is pending.

Federal Emergency Management Agency Funding. The DSA is anticipating approval from the Federal Emergency Management Agency (FEMA) to receive Federal Hazard Mitigation Grant Program funds for five of the retrofit projects included in the budget proposal. Under this program, the federal government provides 75 percent of project costs and grant recipients fund the remaining 25 percent. The federal funds are available as a result of the 1994 Northridge earthquake and can be used for mitigation projects in Los Angeles, Orange, and Ventura Counties. The five retrofit projects are: the state office building in Santa Ana, three projects at Metropolitan State Hospital in Norwalk, and one project at Lanterman Developmental Center in Pomona. The estimated total cost of these projects is \$39.7 million, thus the federal share would be \$29.8 million. Use of these federal funds would therefore free up this amount of bond funds for other state building projects. Final determination from FEMA should be available by the spring, so the level of state funding for these projects can be adjusted accordingly during the budget process. We applaud DSA's efforts in obtaining these federal monies.

Additional Projects. With the cancellation of the Resources Building retrofit and assuming approval of federal funding for the EDD building and the five FEMA-funded projects, we estimate that there would be about \$94 million in bond funds remaining for retrofit of state buildings after 1997-98. The DSA should therefore submit to the Legislature a proposal for evaluating additional buildings in order to determine if there are other risk level 5 or 6 state buildings that should be seismically retrofitted.

Office Alteration Project

We recommend approval of \$663,000, a reduction of \$337,000 from the Service Revolving Fund, for an office renovation because a future building tenant should finance the cost of installing any modular workstations that are needed for its operations. We also recommend that the department move a state function that is currently occupying leased (rather than state-owned) space into the altered space. (Reduce Item 1760-301-0666 by \$337,000.)

The budget includes \$1 million for DGS to renovate 29,000 square feet of vacated space in the Food and Agriculture Building in downtown Sacramento (across N Street from the State Capitol). This is one of 35 state office buildings managed and maintained by the DGS' Office of Buildings and Grounds (OBG). State agencies occupying all of these buildings pay a uniform rental rate to OBG to cover operations and maintenance costs. In the budget year, this rate will be \$1.54 per square foot per month. The renovation projects, by making the 29,000 square feet of additional office

space available, will provide about \$535,000 in annual rent to OBG for purposes of maintaining state buildings.

The project would remove existing laboratory and individual office space that was previously occupied by the Department of Food and Agriculture and convert this into open office space. The work involves three phases. The first phase (\$105,000) includes asbestos abatement and demolition of partition walls. The second phase (\$558,000) involves installing carpeting, ceilings and light fixtures, painting, and providing electrical and communication distribution service for an open office layout. The third phase (\$835,000) consists of purchasing and installing modular office workstations. The estimated project cost is therefore \$1.5 million. The budget proposal is for only \$1 million, however, because DGS indicates that the new occupant of the space is required to provide \$500,000 toward the cost of the modular furniture.

Making vacant state-owned office space available for use by a state agency is desirable, but the capital outlay project should only include the first two project phases (total cost of \$663,000) outlined above. These phases make the space ready for occupancy. The new tenant should finance the cost of any modular workstations or other furniture and equipment that it may need for its operations in this space. We therefore recommend a reduction of \$337,000 from the budget request to delete the cost of the modular workstations.

Appropriate Tenant Should Occupy Renovated Space. It is our understanding that DGS plans to move the State Personnel Board (SPB) into the renovated space. The SPB currently occupies about 40,000 square feet of office space in another state-owned building managed by OBG. Given that state agencies in Sacramento currently are leasing over 6 million square feet of office space and paying over \$120 million annually for rent, it would be more appropriate to make the renovated space available to a department that is in *leased* space rather than a department already in state-owned space. We therefore recommend that SPB remain at its current location and DGS relocate a department to the Food and Agriculture Building that has a need for downtown office space and is currently leasing private office space.

Reappropriation of Funds For Local Assistance

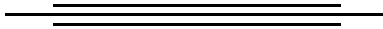
We recommend deletion of Item 1760-491 to reappropriate funding for all local government seismic projects because the bond funds should no longer be available for projects that have not proceeded on schedule. The Division of the State Architect should instead prepare a list of projects to fund in 1997-98 with the balance of bond funds still available.

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 *1994-95 Budget Act*, the Legislature appropriated \$45.5 million in earthquake safety bonds for 114 local government projects. While some of the 114 projects proceeded as planned, many others experienced significant delays. In the *1995-96 Budget Act*, the Legislature reappropriated all funds that were not encumbered by local entities in 1994-95. In the *1996-97 Budget Act*, however, the Legislature only reappropriated unencumbered funds for 86 specific projects in which the local governments had demonstrated reasonable efforts toward completing their projects.

The 1997-98 budget again proposes to reappropriate all unencumbered funds for these 86 projects. By June 1997, each of these projects will have had three years to be under construction. We believe that this is more than sufficient time and that these monies should not be available for another year, particularly because other local governments may have high priority projects that could use the bond funds.

We therefore recommend that the Legislature delete Item 1760-491 and not reappropriate funds for any projects. Instead the DSA should prepare a list of new local government projects for the Legislature's consideration during budget hearings. This list should be based on the balance of bond funds that remain available for appropriation.



DEPARTMENT OF TRANSPORTATION (2660)

This item appropriates funds for the Department of Transportation's (Caltrans') capital outlay program for Caltrans buildings. The budget proposes \$1 million from the State Highway Account, State Transportation Fund, for capital outlay for Caltrans administrative buildings: \$0.9 million for two major projects and \$0.1 million for project planning.

District 11 Office Building Seismic Retrofit

We recommend that the Legislature reduce Item 2660-301-0042 (2) for seismic retrofit of the Caltrans District 11 Office Building, San Diego, by \$321,000 to provide seismic improvements only, rather than completely remodel the building, consistent with legislative action for other state buildings. (Reduce Item 2660-301-0042 by \$321,000, future savings of \$11,536,000.)

Caltrans requests \$412,000 from the State Highway Account to prepare preliminary plans for a project to seismically retrofit and make other major alterations to the Caltrans District 11 Office Building in San Diego. Total estimated future cost is \$14.9 million. The estimated future cost includes \$3.3 million for seismic improvements and \$11.6 million for other alterations that are not part of the seismic work.

Under the State Building Seismic Program, the Division of the State Architect evaluated the structural safety characteristics of state buildings. Based on this evaluation, buildings were ranked according to risk of structural failure during an earthquake. A risk level 1 represents very low risk and risk level 7, a high risk. The District 11 Office Building has been assigned a risk level 6 and should be structurally strengthened. The estimated project cost for the necessary structural work is \$3.4 million, including \$91,000 for preliminary plans. The balance of the proposed project, however, is not related to the seismic work and should not be included with this work. Instead, Caltrans should reconsider the need to spend \$11.9 million for this seismically unrelated work in priorities with other demands on the State Highway Account. Proceeding in this manner

would be consistent with the Legislature's actions on other state buildings, where alterations work other than the work required as a direct result of seismic retrofit has been deleted from the projects. Consequently, we recommend the Legislature reduce Item 2660-301-0042 (2) by \$321,000 (future savings of \$11,536,000).

Sacramento Regional Transportation Center

We recommend that the Legislature add language to Item 2660-301-0042 specifically prohibiting Caltrans from funding the planning and construction of Caltrans transportation management buildings or other office buildings under the Caltrans appropriation for highway construction because these facilities should be part of the Caltrans office building program reviewed by the Legislature.

The Caltrans capital outlay program has been developed such that all Caltrans buildings—other than facilities directly associated with highway construction and maintenance (such as highway maintenance stations)—are budgeted through a separate item (Item 2660-311-0042) subject to legislative review and approval. Caltrans, however, has interpreted this process to exclude Caltrans “Regional Transportation Management Centers,” from which Caltrans monitors and controls traffic conditions on state highways. In fact, Caltrans has already constructed a transportation management center in San Diego, has a center under construction in San Bernardino, plans to begin construction on a center in Sacramento in June 1997, and plans in the future to construct centers in Orange County and downtown Los Angeles.

In San Diego, Caltrans constructed a 42,000 gross square foot (gsf) transportation management center to house the Caltrans highway traffic monitoring services and the California Highway Patrol (CHP) communications services. Under an agreement between Caltrans and the CHP, Caltrans funded the planning and construction of the center without legislative review, and the CHP funded part of the equipment for the center (\$160,000) from the CHP support budget. The building was constructed at a cost of \$9.6 million.

Caltrans and the CHP have also entered into an agreement for the construction of a 32,800 gsf transportation management center in Sacramento. As with the San Diego facility, Caltrans will fund planning and construction out of its lump-sum highways appropriation, and the CHP will fund the equipment. The center is scheduled to be bid for construction in June 1997, with an estimated construction cost of \$8 million. The CHP has requested \$1.6 million from the Motor Vehicle Account under Item 2720-301-0044 of the budget bill to purchase equipment for the center.

The Legislature was not given the opportunity to (1) review the need for these centers, (2) review the costs associated with constructing and operating them, or (3) assess whether these centers are in the Legislature's priorities for use of the State Highway Account. As discussed above, the cost to construct the facilities in San Diego and Sacramento total nearly \$20 million. The need to construct these facilities and the cost-effectiveness of operating them is not known because the proposals were not submitted to the Legislature. These centers are similar to buildings currently subject to legislative review, and we believe they should be budgeted in the same manner.

To remedy this lack of legislative oversight, we recommend that the Legislature add the following language to Item 2660-301-0042:

No funds appropriated in this item shall be spent for planning or construction of office buildings or transportation management buildings or centers. All such facilities shall be submitted to the Legislature for review and approval on a project basis through the office building program in the annual budget.



DEPARTMENT OF THE CALIFORNIA HIGHWAY PATROL (2720)

The budget proposes \$7.4 million from the Motor Vehicle Account, State Transportation Fund, for capital outlay for the Department of the California Highway Patrol (CHP) in 1997-98. Of this amount, \$6.4 million is for three major projects, \$0.8 million is for five minor projects, and \$0.2 million is for project planning.

El Cajon Area Office

We recommend that the Legislature delete \$400,000 requested to acquire land and develop design documents to remodel and expand the El Cajon Area Office because there is no apparent need to spend over \$1.1 million for this purpose. (Delete \$400,000 under Item 2720-301-0044, future savings of \$717,000.)

The budget includes \$400,000 for acquisition (\$298,000), preliminary plans (\$41,000), and working drawings (\$61,000) to initiate a project that would remodel and expand the CHP's Area Office in El Cajon. The estimated future cost to complete the project is \$717,000. The CHP plans to renovate the 8,649 gross square foot (gsf) office to increase building space and upgrade to meet various building codes. The CHP also plans to make other improvements to the building including adding new ceiling tile, interior and exterior painting, and adding new casework. In addition, the CHP would acquire an adjoining 0.67 acre land parcel, develop a surface parking lot, and construct a 2,805 gsf, three-bay vehicle service building.

According to the CHP, the existing facility that was designed to house 75 traffic officers needs to be altered and expanded to accommodate their current staffing level of 80 traffic officers. The CHP, however, has not explained why this small increase in officers results in a need to (1) purchase additional property, (2) construct a 2,805 gsf vehicle service building, or (3) improve the ceiling, paint, or add casework. In short, the CHP has not identified problems with this office that would warrant expenditure of \$1.1 million.

Given the lack of justification for expansion of the facility or the need to undertake large components of the proposed project, we recommend that the Legislature delete the \$400,000 request to acquire land and prepare plans to remodel the El Cajon Area Office.

Equipment for Sacramento Regional Transportation Center

We recommend that the Legislature delete \$1,565,000 requested for the purchase of equipment for a Regional Transportation Management Center in Sacramento because the building, which the California Department of Transportation plans to construct, has not been authorized by the Legislature, and the California Highway Patrol has not substantiated the need for an augmentation to purchase equipment. (Delete \$1,565,000 from Item 2720-301-0044.)

The CHP has recently entered into an agreement with the California Department of Transportation (Caltrans), under which Caltrans would fund the preliminary plans, working drawings, and construction (a total of \$7,980,000 according to the CHP request), and the CHP would fund the equipment (\$1,565,000), for a “Regional Transportation Management Center” in Sacramento to be occupied by Caltrans and the CHP. The CHP claims that its existing transportation management and dispatch center is too small to accommodate the additional equipment the CHP requires to process emergency calls from highway call boxes and 911 lines as quickly as needed. On this basis, the CHP claims that it needs to move its dispatch operations to a new building, and has chosen to enter into the agreement with Caltrans to fulfill this need.

The Caltrans transportation management building the CHP proposes to equip was neither presented to nor approved by the Legislature (see our analysis of Caltrans capital outlay in this section of the *Analysis*). Thus, the need to relocate, the cost-benefit of the new facility, or the need for new equipment was not submitted to the Legislature before Caltrans initiated the project and the CHP entered into an agreement with Caltrans. Undoubtedly, however, in making these commitments the CHP determined that it had the ability to relocate existing equipment and/or purchase new equipment without requiring an augmentation from the Legislature. This apparently was the case in a similar situation in San Diego, where Caltrans constructed a center (without legislative review or approval), CHP signed a similar agreement, and equipment was purchased without a legislative augmentation. Consequently, the CHP should acquire any necessary equipment without an augmentation. We therefore recommend that the Legislature not approve this request (delete \$1,565,000 from Item 2720-301-0044).



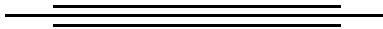
DEPARTMENT OF MOTOR VEHICLES (2740)

The Department of Motor Vehicles' (DMV's) five-year capital outlay plan proposes \$61 million in expenditures between 1997-98 and 2001-02. The DMV's capital outlay proposal for 1997-98 totals \$7.6 million, including \$7.3 million for three major projects, \$250,000 for three minor projects, and \$100,000 for project planning. All the proposed projects are to be funded by the Motor Vehicle Account, State Transportation Fund.

Office Reconstruction—Oakland/Claremont

We recommend approval of \$5.5 million from the Motor Vehicle Account for construction contingent on completion of preliminary plans that are consistent with the scope and cost as previously approved.

In the 1996-97 Budget Act, the Legislature appropriated \$482,000 to prepare preliminary plans to demolish and reconstruct and make certain site improvements to the Oakland/Claremont DMV field office building. The new building will be 26,517 gross square feet. According to the Department of General Services, which manages the project, the preliminary plans are scheduled to be completed in April 1997. We recommend that the Legislature approve the construction funding proposal contingent upon completion of preliminary plans that are consistent with the legislatively approved scope and cost.



DEPARTMENT OF FORESTRY AND FIRE PROTECTION (3540)

The California Department of Forestry and Fire Protection operates 230 fire stations, 13 air attack bases, 9 helicopter attack bases, 41 camps, and a training academy. Nearly 80 percent of these facilities were built before 1960. The department's five-year capital outlay plan totals \$346 million and emphasizes replacement of many of the department's older facilities, relocation of department facilities (due to changing circumstances in the areas in which existing fire stations are located), and acquisition of leased sites on which facilities are situated.

The Governor's budget proposes \$31.9 million in capital outlay funding for the department in 1997-98, including \$25 million for 19 major projects and \$6.8 million for 24 minor projects. Of the \$31.9 million, \$19.5 million is from the General Fund, and \$12.4 million is lease-payment bonds to augment a previous \$10 million appropriation for a state-wide effort to begin replacing emergency communications towers.

Statewide Communications Towers and Vaults Augmentation Request

We recommend that the Legislature delete \$12,360,000 for construction of 11 telecommunications towers and vaults because this work was included in a \$10 million appropriation in the 1995-96 Budget Act and the department has not provided any information that would substantiate the need for a 124 percent augmentation for this work. (Delete \$12,360,000 from Item 3540-301-0660.)

Currently, the department operates 103 telecommunications facilities, each of which consists of an antenna support structure (a tower), a radio communications building (a vault), related antennas and microwave dishes, and an emergency power generator. These facilities are used for command and control communications for personnel involved in the department's emergency responses to fires across the state. The facilities

also support the telecommunications needs of numerous federal, state, and local agencies.

In the *1995-96 Budget Act*, the Legislature authorized \$10 million in lease-payment bonds to replace 22 of these telecommunications facilities at various locations throughout the state. Because this replacement project did not proceed on schedule, the department requested, and the Legislature approved, reappropriation of the \$10 million in the *1996-97 Budget Act*. When the reappropriation was requested, *there was no indication from the department that the entire project could not be undertaken within the \$10 million.*

The department has indicated that in October 1996, bids for construction on the project were received and the bids were significantly higher than the appropriation authority. In December 1996, the Director of Finance advised the Joint Legislative Budget Committee of a proposal to change the scope of the project to construct only 11 communications facilities with the \$10 million available. The committee did not concur with that proposal and advised the Director that the requested "scope change" represented an augmentation to project costs approved by the Legislature of over 124 percent. The committee advised further that, if the department cannot complete that project within the appropriation authority (under existing statute, cost increases of greater than 20 percent of the appropriation for a project must be approved by the Legislature), the department should resubmit the project to the Legislature with a complete explanation for the higher costs.

The Governor's budget includes a request for an additional \$12,360,000 from the Legislature to fund construction of the remaining 11 telecommunications sites. The department, however, has provided only limited information justifying the extreme cost increase. For example, the department has not explained why the state's estimate (indicating that the entire 22 sites could be completed within the appropriation authority) was in error when the project was bid. Furthermore, the department has not explained why, after receiving bids, the same work should now cost \$12.4 million (124 percent) more. Finally, the department has not indicated which elements of the work have become more costly after the project was bid, nor has the department indicated what steps, if any, it has taken to reduce costs to within the \$10 million original authorization. For these reasons, we recommend that the Legislature not approve the department's \$12.4 million augmentation request. (Delete \$12,360,000 from Item 3540-301-0660.)

DEPARTMENT OF FISH AND GAME (3600)

The budget includes \$2.5 million for capital outlay for the Department of Fish and Game (DFG). This amount includes \$1.3 million from various special funds (mainly the Fish and Game Preservation Fund), \$0.2 million in bond funds, and \$1 million in reimbursements including: (1) \$0.5 million from the Environmental Enhancement and Mitigation Demonstration Program under the Department of Transportation and (2) \$0.5 million from the Public Resource Account, Cigarette and Tobacco Products Surtax Fund. The proposal includes two major projects (\$0.85 million), 13 minor projects (\$1.6 million), and \$40,000 for project planning.

Fish Springs Hatchery Water Well Augmentation Request

We recommend that the Legislature delete \$358,000 from the Fish and Game Preservation Fund because the Department of Fish and Game has not justified the need to provide additional funds for the Springs Hatchery-Water Well project. (Delete \$358,000 from Item 6600-301-0200.)

The Legislature appropriated \$607,000 to the DFG for preliminary plans, working drawings, and construction in the *1992-93 Budget Act* for a project to install a 200-foot deep well and ancillary equipment at the Fish Springs Hatchery in Big Pine, Inyo County. The well provides the water supply for raising and producing trout at the hatchery. The project has since been reappropriated by the Legislature for construction three times, in the *Budget Acts of 1993-94, 1994-95, and 1996-97*. At those times the department did not advise the Legislature that the cost for the project had increased. The department, however, is now asking the Legislature to again reappropriate the prior funds and augment the project by \$358,000—a 59 percent increase.

The department's justification for requesting the additional funds is that the project has been bid twice and the bids were too high.

The department, however, has not provided any rationale for the serious cost overrun on this project. The department has bid the project

twice and at each time its cost estimate was *within* the current appropriation authority. (Otherwise, they could not have requested bids.) The department has neither justified the discrepancy between its estimates and the bids, nor has it explained what, if any, efforts were made to reduce the project costs.

Given these circumstances, we recommend the Legislature delete the requested \$358,000. If the department provides additional information, some additional funding may warrant legislative consideration.

Volcano Creek Golden Trout—Schaeffer Barrier

We recommend that the Legislature delete \$499,000 to construct a dam at the Schaeffer Barrier site on the Kern River because the Department of Fish and Game has neither demonstrated how this project is qualified for funding under the Environmental Enhancement and Mitigation Demonstration Program nor provided any basis for the estimated project costs. (Delete \$499,000 under Item 3600-301-0200.)

The DFG has applied for money from the Environmental Enhancement and Mitigation Demonstration Program (grant program), under the California Department of Transportation, to construct a 140 cubic foot concrete dam at the Schaeffer Barrier on the south fork of the Kern River in Tulare County. The purpose of constructing the dam is to help protect the Volcano Creek golden trout from interbreeding with other trout species which, according to the department, poses a threat to the Volcano Creek golden trout's existence. The department indicates that the project is part of a broader department program that is intended to protect the Volcano Creek golden trout species by preventing other trout species from entering the golden trout's natural habitat. The department, however, has not identified the other elements, or associated costs, of this program.

We have two concerns with this project. First, the grant program is generally intended to fund projects that mitigate negative environmental effects of transportation projects. The DFG has not identified any clear connection between this project and such negative environmental effects.

Furthermore, the department has not provided information to substantiate the estimated \$499,000 project costs. Consequently, even if the grant program fund were an appropriate funding source, the Legislature does not have sufficient information to substantiate the adequacy of the requested amount.

Thus, we recommend that the Legislature delete the \$499,000 request for the Volcano Creek Golden Trout, Schaeffer Barrier project.

DEPARTMENT OF BOATING AND WATERWAYS (3680)

The budget for the Department of Boating and Waterways (DBW) includes \$8.7 million for capital outlay all from the Harbors and Watercraft Revolving Fund (HWRF). This funding is for eight major projects (\$5.6 million), 15 minor projects (\$3.1 million), and \$75,000 for project planning.

The budget also proposes \$45.6 million in local assistance funding for the department—\$43.4 million from the HWRF and \$2.4 million from federal funds. The HWRF local assistance funding includes \$32.5 million for boating facility grants/loans, \$7.6 million for boating safety programs, and \$3.4 million for a beach erosion control project.

Dock Sewage Facilities—Local Assistance

We recommend deletion of \$1,267,000 (federal funds) because the department has not provided any information to support expenditures of these funds. (Reduce Item 3680-101-0890 by \$1,267,000.)

In the current year, the Legislature appropriated \$706,000 in federal funds to the DBW to provide local assistance under the federal Clean Vessel Act Grant Program for sewage dumping facilities at boat docks. These funds were to enable boat owners to dump sewer waste into local sewage collection systems. The department indicates it plans to spend another \$1,267,000 of federal funds for these purposes in the budget year.

While providing these dock facilities may be meritorious, the department has not provided any documentation to substantiate the request. For example, the department has not identified what the overall need and cost may be for these facilities, how many and where facilities will be constructed with the \$1,267,000, or how the \$706,000 in the current year was spent.

We believe this is basic information the Legislature should have before authorizing the expenditure of over \$1 million. Therefore, we recommend that the Legislature delete the \$1,267,000. If the department gives the Legislature the necessary information, funds for this proposal may warrant legislative consideration.

**Silver Strand State Beach—Capital Outlay
Crown Cove Boating Safety and Instruction Center**

We recommend that the Legislature delete \$106,000 for working drawings for the Crown Cove Boating Instruction and Safety Center because the department has not justified either the need for the state to fund this project or the need to spend \$1.6 million for new facilities. (Reduce Item 3680-301-0516 by \$106,000.)

The DBW requests \$106,000 to prepare working drawings in preparation for construction of a 7,750 gross square foot (gsf) facility at Silver Strand State Beach at San Diego. The facility would include an amphitheater, concession area, lifeguard tower, boat storage, and multipurpose room. The Legislature appropriated \$119,000 in the *1996-97 Budget Act* for preliminary plans for this project. The estimated future cost to construct the facilities is \$1.4 million.

According to a department official, classes in boating safety are currently offered through Southwestern College in Chula Vista and taught at Silver Strand State Beach. Southwestern College uses an existing 5,900 gsf building for the classroom portion of these courses. This facility would be torn down and replaced with the proposed new facility.

We recommend that the Legislature delete the requested \$106,000 for two reasons. First, the project is being proposed to meet the needs of Southwestern College's safety program. The program, however, is not the responsibility of the department, and the construction of facilities is not the responsibility of either the department or the state. Second, the need to construct the proposed facilities, at a total cost of \$1.6 million, has not been justified. For example, the department has not explained the need for an additional 1,850 gsf. Furthermore, the department has not provided any justification for the construction of a new lifeguard tower, concession area, first aid station, or amphitheater.



DEPARTMENT OF PARKS AND RECREATION (3790)

The budget proposes \$32.5 million for capital outlay for the Department of Parks and Recreation (DPR). This amount includes \$6.8 million from the General Fund, \$10.4 million from various special funds, \$4.7 million in bond funds, \$0.6 million in federal funds, and \$10 million from two grant programs under the Department of Transportation—the Environmental Enhancement and Mitigation Demonstration Program and the Transportation Enhancement Activities Program (the \$10 million is shown in the budget as reimbursements). The largest special fund source is \$6.8 million from the Off-Highway Vehicle Trust Fund.

San Elijo State Beach, Campground Rehabilitation

We recommend that the Legislature reduce the \$3,517,000 request for working drawings and construction for a project to rehabilitate the San Elijo State Beach by \$980,000 because this request represents a 39 percent augmentation to the project previously approved by the Legislature and the administration has not substantiated the higher cost. (Delete \$980,000 from Item 3790-301-0001.)

The budget includes \$3,517,000 for working drawings and construction to rehabilitate the campground at San Elijo State Beach, San Diego County. The project includes work such as rehabilitation of sewage facilities, replacement of comfort stations, and erosion control. In 1992, the Legislature appropriated \$132,000 for preliminary plans to rehabilitate this campground. In 1993, the Legislature appropriated \$149,000 for working drawings based on estimated future construction costs of \$2.1 million. Adjusting the 1993 construction estimate for inflation indicates that the same project should cost about \$2.5 million in 1997. Thus, after adjusting for inflation, the current requests represent a 39 percent increase in the legislatively approved amount to complete working drawings and construction.

The DPR, however, has not provided any information in support of the higher cost. We have been advised that the scope of the work in the pro-

ject has been modified, but the DPR has not identified the changes, the need for the changes, the associated costs, or any other factor to account for the cost increase. Lacking any basis for the additional \$980,000, we recommend that the Legislature delete this amount from Item 3790-301-0001 (2) for the San Elijo State Beach project.

Schedule Projects Rather Than Lump-Sum Appropriation

We recommend that the Legislature delete the proposed lump-sum “reimbursement” amount of \$10 million under Item 3790-301-0001 and establish new items to schedule any individual project the Legislature approves for funding, using amounts available from the Department of Transportation. Further, we recommend deletion of budget language that allows the department to borrow funds from the State Parks and Recreation Fund to advance cash for authorized “reimbursement-funded” projects. (Delete \$10 million under Item 3790-301-0001.)

The budget includes a proposed \$10 million lump-sum appropriation from the General Fund offset by reimbursements from two funding programs under the Department of Transportation—the federal Transportation Enhancement Activities Program and the Environmental Enhancement Mitigation Demonstration Program. In addition, proposed budget language under Item 3790-301-0001 would allow the DPR to borrow funds from the State Parks and Recreation Fund (at no interest cost) to advance cash for authorized “reimbursement-funded” projects. There is no information in the budget as to what capital outlay projects will be undertaken using this \$10 million.

The DPR has provided only a list identifying project titles and expected funding sources. The list indicates an expectation of \$3.3 million from the Environmental Enhancement and Mitigation Demonstration Program, for 16 projects, \$6.4 million from the Transportation Enhancement Activities Program, and \$300,000 undesignated. The proposal includes project titles such as “Stanford” for \$900,000, “Pio Pico” for \$792,000, “Marconi Conference Center Developments” for \$88,100, and “Windy Cove Project” for \$177,000. The department, however, has provided no explanation of the need, scope of work, or basis for the cost of the projects.

Lacking information on the proposed expenditure of \$10 million, we recommend the Legislature delete this amount from Item 3790-301-0001. If the DPR provides the appropriate information for each project, the projects would warrant legislative consideration. In that case, we would recommend that the Legislature add a new item to the budget bill identifying the fund source and scheduling the individual projects, as is the

case for all major capital outlay projects. In this way there would be a clear understanding of what the Legislature approved, and the projects for which the administration is accountable. We would also recommend deletion of language allowing cash advances for these projects. Either the funds appropriated by the Legislature are available or the project or projects should not proceed.

Anza Borrego Desert State Park Resource Inventory, Phase 6

We recommend that the Legislature delete \$350,000 requested for phase 6 of the Anza Borrego Desert State Park Resource Inventory because the department should complete the prior phases of this inventory, document the results, and evaluate whether or not additional work is necessary. (Delete \$335,000 from item 3790-301-0140.)

The budget includes \$350,000 from the Environmental License Plate Fund for the final phase of a six-phase project to inventory the resources at Anza Borrego Desert State Park. This is a project to document the natural and culture resources of the 600,000-acre park. Four of the six phases are complete and \$250,000 was provided for phase 5 in the 1996-97 Budget Act. According to the DPR, this phase will not be completed until December 1997 and therefore the budget bill includes a request to reappropriate the 1996-97 funding.

The first five phases, which together will span over five years (the first phase was funded in 1992), will cost a total of \$1.7 million. The need to spend another \$350,000 on this effort is unclear. For example, it is not clear what the state will have accomplished after spending \$1.7 million over five years, or what marginal benefit will be realized by spending another \$350,000. We believe a more prudent way to proceed would be for the DPR to complete phase 5 in the budget year, compile the information, and reassess the need for further work on this project. Based on this information and assessment, the Legislature could then determine the benefit of spending more state money on this project and whether such an expenditure is within the Legislature's priorities. Consequently, we recommend that the Legislature delete the \$350,000 requested for further inventory of resources at Anza Borrego State Park.

River Parkway Program

We recommend that the Legislature delete \$4,000,000 from Item 3790-301-0545 due to a complete lack of information on which to evaluate the merits of the proposed capital outlay projects themselves. (Delete \$4,000,000 from Item 3790-301-0545.)

The budget includes a \$4 million lump-sum appropriation to the DPR from the River Parkway Subaccount, an account within the 1996 Safe, Clean, and Reliable Water Bond Fund. In total, there is \$27 million available in the River Parkway Subaccount of the Water Bond Fund. The River Parkway Subaccount is earmarked for the acquisition and restoration of natural habitats within and near rivers, and for river and stream trail projects. Figure 17 identifies the projects the DPR proposes to undertake with the proposed \$4 million appropriation from the River Parkway Subaccount.

The DPR has provided no information beyond that shown in Figure 17 (see next page). Consequently, the Legislature does not have any project information—such as the need for the project, project descriptions, project costs, or project schedules—associated with the above list. The Legislature therefore has no way to evaluate whether any of the proposed projects are consistent with the intent of the River Parkway Subaccount, nor any way to evaluate whether the proposed projects meet with legislative priorities for the use of funds. Furthermore, since the Governor's budget proposes a lump-sum appropriation, there is no assurance that the projects in Figure 17 will actually be undertaken. Hence, we recommend that the Legislature delete Item 3790-301-0545. If the DPR provides documentation sufficient to allow the Legislature to review the merits of any of these projects, then the Legislature should consider these projects and schedule individually any project or projects the Legislature decides to approve.

Federal Trust Fund, Acquisition and Construction

We recommend that the Legislature add language to Item 3790-301-0890 stipulating that expenditure of the federal funds under this item are subject to a receipt of matching funds from nonstate sources. Further, we recommend that the Legislature restrict the use of these funds to property acquisitions by deleting the words “and construction” under schedule (1).

The budget includes \$600,000 in federal funds from the Federal Trust Fund Matching Program which would be available for unspecified park land acquisition *and* construction projects. The DPR has not indicated what construction activities would be undertaken. Therefore it is not clear why the DPR would need the authority to spend these funds for construction purposes. The DPR also indicates that federal funds would be used under this item to match funds on a fifty-fifty basis from nonstate sources (such as not-for-profit organizations). The DPR proposal indicates that

Figure 17

California State Parks: River Parkway Program

Park Unit	Project Name	County
Acquisition Projects		
Anza-Borrego Desert SP	Sentenac Canyon, Cienega and Scissors Crossing Acquisition	San Diego, Imperial, Riverside
South Yuba River	River Corridor Acquisition	Nevada
Donner Memorial SP	Coldstream Canyon Property Acquisition	Nevada, Placer
Natural Resource Restoration Projects		
Richardson Grove SP	Durphy Creek Fisheries Rehabilitation	Humboldt
Bidwell-Sacramento River SP	Riparian Forest Restoration, Old Chico Landing	Butte, Glenn
Ano Nuevo SR	Whitehouse Creek/Old Woman Creek (Fish) Barrier Removal	San Mateo
Mount Tamalpais SP	Riparian Restoration: Fern Creek and Redwood Creek Watershed	Marin
McConnell SRA	Riparian Woodland Restoration	Merced
Ano Nuevo SR	Red-legged Frog/San Francisco Garter Snake (endangered species) Habitat Enhancement	San Mateo
Folsom Lake SRA	Mississippi Bar Interagency Riparian Restoration Project	Placer, El Dorado, Sacramento
Caswell Memorial SP	Bank Stabilization and Rehabilitation	San Joaquin
Mount Tamalpais SP	Riparian Restoration: Redwood Creek and Webb Creek German Ivy Control	Marin
Humboldt Lagoons SP	McDonald Creek Restoration	Humboldt
Picacho SRA	Riparian Habitat Restoration	Imperial
Topanga SP	Los Lions Canyon Restoration	Los Angeles
Chino Hills SP	Aliso Creek Restoration	Orange, Riverside, San Bernardino
Leo Carrillo SP	Arroyo Sequit Restoration	Los Angeles, Ventura
Trails Projects		
Millerton Lake SRA	San Joaquin River Trail, South Findgold to Big Sandy Creek	Fresno, Madera
Lake Oroville SRA	Feather River Trail	Butte
Russian Gulch SP	Russian Gulch Creek Trail Rehabilitation	Mendocino
McGrath SB	Santa Clara Estuary Natural Preserve Wetlands Nature Trail Boardwalk	Ventura
South Yuba River	Bridgeport Whole Access River Trail	Nevada
Mount Diablo SP	Sycamore Creek Trail	Contra Costa
Auburn SRA	Pacific Mountain Quarry Railroad River Trail Rehabilitation	Placer, El Dorado
Point Mugu SP	Buckeye Trail, Sycamore Canyon Riparian Area	Ventura
Humboldt Redwoods SP	South Fork, Eel River and Bull Creek Watershed/Trail Rehabilitation	Humboldt

SB: State Beach; SP: State Park; SR: State Reserve; SRA: State Recreational Area

expected nonstate funds would be available for the purpose of acquiring property for the state park system.

Given the intended uses of these funds and the expected availability of nonstate funds only to acquire property, we recommend that the Legislature (1) delete the words “and construction” under schedule 1 and (2) add the following language to Item 3790-301-0890:

The funds under this item are available for expenditure on a fifty-fifty matching basis with nonstate funds only.

Department Reappropriations

We recommend that the Legislature delete all reappropriations requested under Item 3790-490 for those projects that were originally funded in 1994-95 or before. The department should then reevaluate these projects in the context of its entire capital outlay program and priorities, and include any priority projects in future budget requests.

The budget proposes the reappropriation of funds for 26 DPR capital outlay projects for which appropriated funds have not been encumbered. Many of these projects were originally funded over three years ago, and in some cases ten years ago. Figure 18 (see next page) lists the projects proposed for reappropriation that were originally funded in the *1994-95 Budget Act* or earlier.

Rather than simply continue to reappropriate unencumbered funds for previously approved projects, the DPR should reevaluate the need to continue these projects in the context of its current capital outlay needs and priorities. Thus, given the length of time since the funds were originally appropriated, we recommend that the Legislature delete the reappropriations listed in Figure 18. After reevaluating the capital outlay program, including those projects listed in Figure 18, the DPR should include any priority projects in future budget requests for legislative consideration.

Figure 18

**Proposed 1997-98 Reappropriations
Projects Originally Funded in 1994-95 or Earlier**

Fund/Project	Year Originally Funded
General Fund	
Statewide: Dispatch Centers Program	1993-94
Public Resources Account Fund	
Navarro River Project Improvements	1992-93
Reimbursements for Navarro River Project	1992-93
Off-Highway Vehicle Trust Fund	
Hungry Valley SVRA: Initial Development	1991-92
Opportunity Purchases: Acquisition	1993-94
Opportunity Purchases: Acquisition	1994-95
State Parks and Recreation Fund	
Old Sacramento SHP: Engineering Building Site	1987-88
La Purisima Mission SHP	1990-91
Harbors and Watercraft Revolving Fund	
Statewide: Dispatch Centers Program	1994-95
Parklands Fund of 1984	
Matching Funds for State Parks Acquisitions	1987-88
1988 Bond Fund	
Bolsa Chica State Beach: Camping Facilities	1994-95
Santa Cruz Mission SHP: Public Use Facilities	1994-95
Statewide: CEQA Filing Fees	1994-95
Federal Fund	
Federal Trust Matching Program: Proposed Additions	1994-95
CEQA: California Environmental Quality Act; SHP: State Historic Park; SVRA: State Vehicle Recreation Area	



DEPARTMENT OF HEALTH SERVICES (4260)

The Department of Health Services (DHS) owns and operates laboratory facilities in Berkeley, Los Angeles, and Fairfield. The *1997-98 Governor's Budget* for DHS capital outlay consists of \$4.5 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 withhold recommendation on \$4.5 million from the General Fund for working drawings pending (1) completion of preliminary plans that are consistent with the scope and cost as previously approved by the Legislature and (2) identification by the administration of a future funding source and associated cost implications.

In the *1996-97 Budget Act*, the Legislature appropriated \$2,989,000 to prepare preliminary plans for a facility containing 302,000 gross square feet (gsf) of laboratories and offices and a 30,000 gsf warehouse. The budget proposes \$4,551,000 for the working drawing phase of this project. The estimated future cost is \$92.6 million. According to the Department of General Services, which is managing the project, the preliminary plan phase is scheduled to be completed in May 1997. We therefore withhold recommendation of the budget proposal pending completion of preliminary plans that are consistent with the legislatively approved scope and cost. In addition, and consistent with the discussion in our Crosscutting Issue, "Financing Future Capital Outlay Costs" we recommend that the Legislature not approve any further funding for this project until the administration identifies a fund source for the \$92.6 million future construction cost of the project and associated cost implications of this proposal.

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, which will be closed as a state hospital at the end of the current fiscal year. The department's capital outlay request totals \$6.7 million from the General Fund for five major projects (\$5.5 million) and for minor projects (\$1.2 million). The major projects are:

- \$1,449,000 for phase 3 of fire protection system improvements at Napa State Hospital (NSH).
- \$472,000 for preliminary plans and working drawings for a perimeter security fence at NSH.
- \$867,000 for water system improvements at NSH.
- \$179,000 for preliminary plans and working drawings for fire/life safety improvements to the EB Building at Patton State Hospital (future construction cost is \$5 million.)
- \$2,579,000 to upgrade the electrical distribution system at Patton.

We recommend that the Legislature modify the proposal for a new security fence at NSH, as discussed below.

Napa State Hospital—Fencing Project Should Be Expedited

We recommend: (1) reducing the scope of a new perimeter fence to eliminate 11 guard houses and (2) providing construction funds (available under the federal crime bill) because this revised project should be ready for construction in the budget year. (Increase Item 4440-301-0001 [3] by \$142,000 and create a new Item 4440-301-0890 for \$5,518,000.)

The budget proposes \$472,000 for preliminary plans and working drawings for a new security fence at NSH. The project includes installing 8,550 linear feet of 16-foot high fence with razor wire and electronic

disturbance sensors, 20 lighting standards, 11 guard houses, 14 close circuit television monitors, and a ten-foot wide perimeter access road. The project also includes a 7,200 square foot visitor building. The estimated future construction cost for the project is \$6 million.

Concurrent with the building of this fence, the department proposes to add 87 permanent peace officer positions at NSH—31 positions in 1997-98 and the remaining 56 positions in 1998-99. We discuss this proposal in our analysis of the DMH support budget (please see the Health and Welfare section of this *Analysis*).

The DMH indicates that the fence is needed to provide a more secure environment at the hospital because it will be housing more Judicially Committed/Penal Code (JC/PC) patients. Specifically, the department estimates that its JC/PC population will be 588 at the end of the current year (including 185 developmentally disabled forensic patients treated at Napa through an interagency agreement between DMH and the Department of Developmental Services). The JC/PC population is projected to grow to 712 by the end of the budget year and to 906 by June 2001. Conversely, the number of nonjudicially committed patients is expected to decline from 392 to 240 over this time period.

Guard Houses Not Needed. Given the expected future composition of the patient population at NSH, it is appropriate to provide a more secure environment for the surrounding community. We believe that a portion of the department's request is excessive. As discussed above, the fence will have electronic sensors and will be topped with razor wire. The secured area will have additional lighting and closed-circuit television monitors. In addition, the department will have roving vehicle patrols around the fence perimeter. It is also important to note that the JC/PC patients are kept in housing units that are always locked. These patients are escorted to all activities taking place outside their housing units. Given all of the proposed security enhancements, and the normal security procedures governing staffing of JC/PC patients, the department has failed to justify the need to also construct and staff 11 guard houses.

As a comparison, absent the guard houses, this project would still provide perimeter security *equal to or greater than* that at various Department of the Youth Authority institutions. These institutions each house several hundred wards, with the largest housing over 1,700 wards. Almost 70 percent of these wards were committed to the Youth Authority for violent offenses. The Youth Authority does not station guards around its perimeter fences.

The capital outlay savings from eliminating the guard houses totals \$359,000 and the *annual* savings in operating costs totals about \$2 million

by eliminating the need for 61 peace officer positions to staff the guard houses. We therefore recommend a reduction of \$29,000 under Item 4440-301-0001 (2) from the amount proposed for preliminary plans and working drawings for deletion of the guard houses from the project scope. The estimated savings in future construction costs is \$330,000.

Use Federal Funds for Construction. The department's proposal indicates that \$6 million would be needed in 1998-99 to construct the fence and that the project will be completed in September 1999. Given that the JC/PC population will continue to grow during the period that the fence is being designed and constructed, the state could enhance security at the hospital by expediting completion of the project. The project is not complex and includes basic elements for which cost estimates are relatively easy. Consequently, the project should be designed and under construction within the budget year and within the estimated project costs.

In our Crosscutting Issue, "Federal Crime Bill Grants" earlier in this section, we note that California has already received \$60.5 million in grants for prison construction pursuant to the 1994 federal crime bill. While the administration has proposed a specific plan for appropriating these monies, we have (1) recommended that the Legislature reject specific portions of that plan and (2) withheld recommendation on other elements of the plan. Our recommendations "free-up" federal monies that could be used for the perimeter fence at NSH.

The purpose of these federal monies is to increase the states' capacity to house violent offenders. Based on this criterion, we believe that the perimeter fence project at NSH is eligible for funding because it will increase the capacity of the state hospitals to house offenders committed by the judicial system.

We therefore recommend that the Legislature fund the construction phase of this project in 1997-98. The total project cost, net of our recommendation to eliminate the guard houses, is \$6,132,000. The federal grant will fund 90 percent of this amount, or \$5,518,000. The state's 10 percent share is \$614,000 from the General Fund. We recommend that the Legislature: (1) increase Item 4440-301-0001 (3) by \$142,000; and (2) establish a new Item 4440-301-0890 (1) in the amount of \$5,518,000.



DEPARTMENT OF CORRECTIONS (5240)

The 1997-98 Governor's Budget requests \$360 million in capital outlay spending for the Department of Corrections (CDC). This amount includes \$300 million for new prisons and \$60 million for projects involving existing prisons:

New Prisons. The Governor proposes the authorization and ultimate construction of six prisons costing an estimated \$1.6 billion. The budget bill includes \$300 million and the balance would be proposed in separate legislation or a subsequent budget bill.

Existing Prisons. The budget also proposes:

- \$14.9 million from the General Fund for 18 major projects and for planning.
- \$13.4 million from the General Fund for minor capital outlay projects (total cost \$250,000 or less).
- \$31.3 million from proposed new authorizations of lease-payment bonds for 5 major projects.

NEW PRISON PROPOSALS

Given that the actual inmate population continues to be lower than the Department of Corrections' projections, we withhold recommendation on funding for planning and design of new prisons pending review of the department's spring 1997 inmate population projections and an analysis of the need for new state prisons based on those projections. We further recommend deletion of \$224.9 million in federal funds and deletion of budget bill language authorizing lease-payment bonds for the construction of the Delano II prison because construction monies will not be needed in the budget year. (Delete Items 5240-301-0890 and 5240-401.)

The Governor's budget includes proposals involving the development of six new state prisons as outlined below:

- \$40.6 million from federal prison construction grants and \$9.6 million from the General Fund. These funds would be to (1) acquire land and prepare preliminary plans and working drawings for three prisons—at Delano and California City in Kern County and one in San Diego County—and (2) undertake environmental studies for three additional prisons—at Taft in Kern County and one each in Sacramento and Solano Counties.
- \$249.9 million from a proposed new authorization of lease-payment bonds to construct the prison at Delano. Ninety percent of this amount is proposed to be offset by \$224.9 million in reimbursements from federal prison construction grants. We discuss the administration's proposed use of federal grants in a Crosscutting Issue earlier in this section of the *Analysis*.
- Authorize the construction of prisons at California City and in San Diego County through legislation in 1997 that is separate from the budget bill. The estimated cost of these two prisons is \$511 million and is proposed to be financed with lease-payment bonds.
- Authorize funding to complete design and construction of the fourth, fifth, and sixth prisons in 1998. The estimated cost of these three prisons is about \$830 million. No fund source is identified for these projects.

Four of the six new prisons would have celled housing units to accommodate medium- and maximum-security (Level III and IV) inmates. The other two prisons would have reception centers and Level III housing. The six prisons could house 27,600 inmates based on the CDC's policy of housing two inmates in most cells. If the prison gymnasiums were to be used as dormitory-type housing (as is the case in most new state prisons), total capacity would increase to about 30,000 inmates.

Prison Population Growth Uncertain

The state's prison inmate population, as estimated in the fall of 1996 by the CDC, was projected to grow from 145,000 on January 1, 1997 to 204,000 by June 2002. This forecast is down significantly, however, from the CDC's spring 1996 estimate of 237,000 inmates by mid-2002. Furthermore, at the time this analysis was written, the actual inmate population was almost 2,000 inmates below what the fall 1996 projections indicated for mid-January. If this trend continues, the spring 1997 projections will again be revised downward.

Given that the inmate population is growing much more slowly than was predicted just one year ago, it is difficult at this time to estimate the need for new prisons and the time frames when funding for prisons should be pro-

vided. Based on the fall 1996 projections, the prison system would reach its maximum capacity of 176,000 inmates by January 2000. This date could be later, however, if inmate population growth continues to lag the projections.

We believe that the Legislature should only provide funding for new prisons after (1) carefully assessing the CDC's spring 1997 inmate population projections, (2) determining how many and what type of prisons should be constructed and when those prisons need to be completed in order to address the projected population growth, and (3) deciding whether other measures should be taken that would reduce inmate population growth and thus reduce the need for new prison construction. We withhold recommendation on the budget request for planning and designing new prisons pending a review of the CDC's spring projections and an assessment of the impact of those projections on the need for new state prisons.

Construction Funding Not Needed in Budget Year

In addition to providing funds to complete preliminary plans and working drawings, the budget also proposes funding for construction of the prison designated for Delano in Kern County. As discussed earlier, the construction would be funded with a new authorization of \$250 million in lease-payment bonds, which is proposed to be offset in part by \$225 million in expected federal prison grants.

The environmental review for this project has been completed. Thus, CDC could start the preliminary plans immediately after the budget is enacted. The CDC estimates that it will take at least six months for the preliminary plans and seven months for the working drawings. Based on these time frames, the department will not need construction funding in the budget year. We therefore recommend deletion of the federal funds under Item 5240-302-0890 in the amount of \$224,910,000 and the lease-payment bond authorization under Item 5240-401.

EXISTING PRISONS

Mental Health System Projects

We withhold recommendation on \$4.6 million for projects related to delivery of mental health services, pending (1) clarification from the department on the scope of these projects and (2) a determination of whether less costly measures should be taken until the current delivery systems have been fully implemented and evaluated. We recommend that, as with other major capital outlay projects, these projects should be scheduled individually in the 1997-98 Budget Bill.

The budget proposes \$4.6 million to prepare preliminary plans and working drawings for projects related to providing mental health services to inmates.

Background. In 1994-95, the CDC began a three-year plan, including adding staff positions, to upgrade its medical and mental health care delivery systems in response to ongoing litigation. The department's Mental Health Services Delivery System is intended to provide a continuum of care emphasizing early intervention, symptom management, and stabilization. The treatment focuses on housing an individual in the least restrictive environment possible and reintegrating the individual back into regular inmate programs to the maximum extent possible.

Budget Proposal. The projects proposed in the budget are intended to provide facilities for three programs within the system:

- **Reception Center Screening and Evaluation.** All inmates entering the CDC's reception centers are screened and evaluated to determine whether mental health services are needed.
- **Enhanced Outpatient Care (EOP).** This provides a sheltered living environment within the institution for seriously disordered inmates. The goal of this program is to get inmates "mainstreamed" back into the general population of the prison. This program is offered at 14 institutions.
- **Correctional Clinical Case Management System (CCCMS).** Each institution has case managers to provide medication review and therapy to those inmates in the general population requiring these services.

The budget proposals are to provide facilities for those institutions that (1) the CDC has determined to not have appropriate existing facilities to provide the respective services or (2) have not already been funded as part of new prison construction projects. In general, the projects involve the renovation of existing space or the construction of new space to provide offices for staff and treatment space for counseling and group therapy sessions. The three proposals for preliminary plans and working drawings are as follows:

- Reception Center Screening—\$818,000 for facilities at seven institutions. Estimated future construction cost is \$2.9 million.
 - EOP—\$1,064,000 for six institutions. Future construction cost is \$3.7 million.
 - CCCMS—\$2,713,000 for 15 institutions. Future construction cost is \$9.2 million.
-

We have the following concerns with these proposals.

Scope of Project Inconsistent With Current Programs. The CDC has provided information describing how the respective mental health services are being provided on an interim basis until the proposed projects are completed. In general, the department has provided reasonable justification as to why the programs need the dedicated office and treatment space proposed by these projects in order to operate effectively.

Unfortunately, the scope of several projects included in the department's proposal does not match the caseload and staffing levels in the various programs. For example, the department's capital outlay proposal indicates that the EOP at California State Prison at Sacramento would have a caseload of 34 inmates, a staff of 5.5 positions, and would require 2,800 square feet of program space. The department recently provided information, however, showing that this institution will be serving 192 inmates with 20.5 staff positions. Likewise, for the Reception Center Screening Program at North Kern State Prison, the budget proposal indicates that the facility will accommodate four staff, but the department now indicates that there are eight staff in the program.

No Evaluation Plan for New System. As outlined in our analysis of the CDC's support budget (in the Criminal Justice section of this *Analysis*), we note that the department has not indicated how it plans to evaluate the implementation of its mental health system to determine whether each part is effective in achieving its stated goals. For example, there are no plans for examining whether the current structure of decentralized EOPs is the most cost-effective way for the department to provide these services. If inmates are placed for very long periods of time in EOPs, or spend their entire period of confinement in an EOP, there is no need to have a decentralized program at many institutions. Therefore, if EOP usage is long-term, it might be more cost-effective to convert one or two facilities for EOP services. The department does not yet have complete data on EOP utilization, and will not have such data until the program is fully implemented. Based on these uncertainties, it is premature to renovate or build permanent EOP facilities until more information is available on the effectiveness of the new system. As an interim step, it may be appropriate to provide temporary modular facilities as needed to operate the programs.

Due to the issues discussed above, we cannot advise the Legislature whether the scope and cost of the projects proposed in the Governor's budget are appropriate for the programs being offered at the various institutions. We withhold recommendation pending clarification from the

CDC on the needs at each institution and a determination of whether less costly steps can be taken to accommodate program needs until the current delivery systems have been fully implemented and evaluated.

Projects Should Be Budgeted Individually. Each of the three types of projects are proposed to be budgeted in three lump sum appropriations. Each respective project at the various institutions, however, is a major capital outlay project. The state's budgetary practice has always been to schedule the projects so as to improve accountability and provide better legislative control. We therefore recommend that, at the time projects are funded, each be listed separately in the budget schedule under Item 5240-301-0001.

Correctional Treatment Centers

We recommend that, consistent with state budgeting practice, these major capital outlay projects be scheduled individually for each institution under Items 5240-301-0001 and 5240-301-0660.

The budget includes \$14.5 million for projects to renovate or construct medical facilities at several institutions to bring these facilities into conformance with correctional treatment center (CTC) licensing standards. Specifically, \$3.2 million is proposed from the General Fund to prepare preliminary plans and working drawings for CTC projects at seven institutions and \$11.3 million in lease-payment bonds for the construction phase of CTC projects at five institutions.

The proposed projects are meritorious and we recommend approval. These proposals are contained in two lump sum appropriations, however, even though the CTC at each of the 12 institutions is a major capital outlay project (total cost over \$250,000). Similar to the mental health system projects discussed above, we recommend that the CTC projects be budgeted individually as is normal practice for major projects.

Disability Placement Plan Projects

We recommend a reduction of \$69,000 under Item 5240-301-0001 (2) and \$5,439,000 under Item 5240-301-0001 (17) for modification of correctional institutions to provide access for disabled inmates because (1) disabled inmates should bypass the reception center process and be sent directly to an institution and (2) disabled inmates classified for Level II security should be sent to California State Prison at Corcoran II or to community correctional facilities. We withhold recommendation on the remaining \$28,000 in Item 5240-301-0001 (2) and \$2,420,000 in Item 5240-301-0001 (17) pending further review with the department on the merits of the specific modifications proposed at the other institutions.

The budget includes \$8 million from the General Fund to make facility modifications at correctional institutions in order to improve accessibility to facilities and programs for inmates with disabilities. The proposal includes two appropriations: (1) \$7,859,000 for minor capital outlay projects at 16 institutions and (2) \$97,000 for preliminary plans and working drawings for major projects at two institutions. The estimated future construction cost for the major projects is \$970,000.

Background. In a class action lawsuit, *Armstrong v. Wilson*, a federal district court in San Francisco ruled that CDC has not provided adequate access for inmates with disabilities to allow these inmates to participate in various programs, services, and activities offered by the department. The inmates contended that such access is required under the federal Americans with Disabilities Act (ADA) and Section 504 of the Rehabilitation Act of 1973. The CDC maintains that these federal laws were not intended to extend to inmates in a correctional institution. The department, however, has entered into a settlement agreement with the plaintiffs in this case. (The settlement agreement allows the state to appeal the portion of the *Armstrong* case that concluded that ADA applies to prison inmates. The Attorney General and CDC expect that the issue will be resolved only when it reaches the United State Supreme Court.)

Prior to the filing of *Armstrong v. Wilson*, the department began a process of assessing its constitutional responsibilities to inmates with disabilities. Based on this assessment, the department identified four primary disability categories requiring specific housing and programming needs that it believes are not adequately addressed in its institutions. The categories are mobility-impaired (including wheelchair- and non-wheelchair bound), blind/vision-impaired, deaf/hearing-impaired, and speech-impaired.

On January 16, 1996, the department conducted a survey to determine its existing population of disabled inmates. On that date, there were 1,397 inmates classified as disabled—1 percent of the prison system population on that date. Of this total, 345 inmates were confined to a wheelchair, 652 others were categorized as mobility-impaired (not confined to a wheelchair), 231 were vision-impaired, 146 were hearing-impaired, and 17 were speech-impaired.

The department has prepared a Disability Placement Plan for the programmatic and facilities modifications that it believes are needed to provide appropriate access for disabled inmates. Examples of facilities modifications include accessible housing (cells and dormitories) and restroom facilities and accessible path-of-travel to recreational areas, law libraries, and dining facilities. Under the plan, inmates with disabilities would be placed at one of ten institutions throughout the state. According

to CDC, the ten institutions were selected to provide a mix of accessible housing among all security levels and a variety of accessible programs and services. In addition to the ten institutions, accessible facilities will be provided at all 12 of the CDC's reception centers. Estimated capital outlay costs range from \$1,000 at the Valley State Prison for Women to \$1.9 million at the California Institution for Men. Upon completion of the plan, CDC indicates that they will be able to accommodate 2,237 disabled inmates, which allows for projected growth in the disabled inmate population in line with total projected inmate population growth.

The budget proposals for facilities modifications involve implementation of the CDC's Disability Placement Plan. This plan has been submitted to the plaintiffs in the *Armstrong* case as part of the settlement agreement. The settlement agreement establishes a process in which the plaintiffs and CDC will submit issues in dispute, such as issues regarding the Disability Placement Plan, to the court for resolution in what are informally being termed "mini trials." Below we provide recommendations regarding the department's budget proposals.

Reception Center Costs Could Be Avoided. The plan calls for a total of \$5.2 million for modifications to provide a total of 332 accessible beds at the twelve reception centers—nearly \$16,000 per bed. (This includes \$4,486,000 in the budget and \$692,000 in future construction costs for the North Kern State Prison.) We believe that the state could avoid this cost by establishing an administrative process whereby disabled inmates would be sent directly from county jails to an appropriate state institution and thus bypass the reception center process. Inmates are sent to reception centers generally for up to ninety days for processing and evaluation of health, education, and security needs. The few disabled inmates that are admitted to the prison system each year could be processed and evaluated at the state institutions rather than the reception centers. We therefore recommend a reduction of \$4,486,000 associated with the budget-year portion of the proposal for modifications at reception centers.

Alternatives to Avenal State Prison. The proposal includes \$1,022,000 to provide accessible beds for 48 medium-security (Level II) inmates at Avenal State Prison. The budget also includes \$18,000 for 24 accessible Level II beds at the California State Prison at Corcoran II. Given the cost differential between these two proposals (\$21,000 per bed at Avenal versus \$750 per bed at Corcoran II), the department should reevaluate placing more disabled inmates at Corcoran II. Furthermore, the department could use some of the 2,000 new community correctional facility beds, now scheduled to be available by fall 1997, for this purpose. The CDC's contracts for these facilities (which will house Level II inmates) stipulate that the facilities must be accessible and must provide a full

array of programs to inmates. We therefore recommend a reduction of \$1,022,000 for the proposed modifications at Avenal.

Need for and Cost of Certain Other Modifications Unclear. The department's proposal provides a detailed list of hundreds of modifications that will be undertaken to provide or improve accessibility. Many of these modifications may be needed, but many may not. For example, at the California Institution for Men, the proposal includes spending \$87,000 in the Protestant chapel to enlarge 13 doorways that are less than 31 inches wide. It is not clear as to why so many doorways in one building would have to be modified in order to provide accessibility. In the vocational education area at this institution, the department plans to spend \$163,000 for alterations that have not been clearly defined. We will meet with the department prior to budget hearings to discuss these and other specific elements of its proposal.

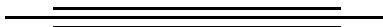
Based on the above, we recommend a reduction of \$69,000 under Item 5240-301-0001 (2) and \$5,439,000 under Item 5240-301-0001 (17) related to the reception centers and Avenal State Prison. We withhold recommendation on the remaining portions of the requests pending further discussions with the department on specific elements of the proposals.

California Institution for Men, Perchloroethene Cleanup

We withhold recommendation on \$182,000 to clean up contaminated groundwater and soil, pending completion of a previously funded study to determine a cleanup plan.

The budget includes \$187,000 to prepare preliminary plans and working drawings to clean up soil and groundwater that is contaminated by Perchloroethene (PCE) at the California Institution for Men. This action is required by the Regional 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 *1995-96 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 remediations, an action plan for implementing the recommendations, and a completed scope and cost estimate will not be complete until March. We therefore withhold recommendation on the budget request pending review of the completed study and the scope and cost estimates for the project.



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 \$546 million from 1997-98 through 2001-02. About \$142 million of this total would be for the design and construction of facilities to provide 1,450 additional beds at various existing institutions. The plan also includes \$245 million in 2001-02 for a new 1,800-bed institution.

The department's capital outlay proposal for 1997-98 totals \$53 million. This amount includes:

- \$3.5 million from the General Fund for minor projects (each project costs \$250,000 or less).
- \$10.5 million from the General Fund for 16 major projects.
- \$8.4 million in new authorizations of lease-payment bonds for five major projects.
- \$30.7 million for projects to add 350 beds at existing institutions. Of this total, \$27.6 million would be from federal funds pursuant to the 1994 federal crime bill and \$3.1 million is from the General Fund.

Security Improvement Projects. As part of the \$10.5 million proposed from the General Fund for major projects, nine projects totaling \$9 million are for security-related improvements at the various institutions. We recommend approval of \$5.6 million for six of these projects. Issues we discuss below include proposals for additional perimeter fencing at three institutions and for starting a project to install new personal alarm systems at all institutions.

Projects for Additional Institution Capacity

We recommend deletion of \$2.6 million from the General Fund and \$23.4 million in federal funds for projects to increase institution capacity by 300 beds because (1) based on Youth Authority projections, ward population will remain relatively stable in the short-term; and (2) these projections may be overstated. (Delete \$23,391,000 from Item 5460-301-0890 and \$2,599,000 from the Item 5460-302-0001.)

The Governor's budget includes \$30.7 million—\$27.6 million from federal crime bill funds and \$3.1 million from the General Fund—to design and build five projects to add capacity for 350 wards at the Youth Authority. (The General Fund amount represents the state's required 10 percent matching funds associated with the federal crime bill grants.) The proposed projects involve the construction of about 110,000 gross square feet of building space.

At the end of 1995-96, the ward population at the Youth Authority's institutions totaled 10,114. By January 1, 1997, the ward population had declined by 9 percent to 9,198. This decline is mainly due to legislation enacted in 1996 that transferred responsibility for all Department of Corrections "M cases" over 18 years old from Youth Authority institutions to state prison. ("M cases" are individuals who were under age 18 when sentenced to the CDC and ordered by the court to be transferred to the Youth Authority to serve all or a portion of their commitment time.) The Youth Authority has a current design capacity to house 6,762 wards. (Design capacity is considered as one individual in a cell and using single bunk-beds in most dormitories.)

The Youth Authority's most recent projections (December 1996) estimate that, by June 2001, ward population will return to about 10,000. This projection could likely be high because several recent or pending actions give counties resources and incentives to provide alternatives to committing individuals to the Youth Authority.

- The imposition of sliding scale fees on counties for less serious offenders.
 - The increase from \$25 to \$150 in monthly fees paid by counties for each offender sent to the Youth Authority.
 - The Governor's budget proposal to continue providing \$32.7 million from the General Fund to support county ranches and camps for juveniles.
 - The Governor's budget proposal to allocate \$139 million in federal funds, from the Temporary Assistance for Needy Families grant, to counties for juvenile offenders housed in county facilities.
-

Even if we assume the budget's projected ward population of 10,000, the Youth Authority institutions will be operating at an overcrowding level of 149 percent of design capacity on June 2001—slightly less than the level in 1995-96. The addition of 300 beds at a cost of \$26 million will only marginally reduce overcrowding—to 143 percent of design capacity. Given the potential for even slower ward population growth, we believe that the Youth Authority can continue to operate within the range of overcrowding expected within the next four years.

We therefore recommend deletion of 300 of the 350 new beds proposed for the Youth Authority. We discuss the other 50-bed project below.

Southern Reception Center and Clinic. We recommend the Legislature approve \$469,000 from the General Fund and \$4,217,000 from federal funds for the project to add a 50-bed intensive treatment facility at the Southern Reception Center and Clinic. In the *1996-97 Budget Act*, the Legislature approved \$175,000 to prepare preliminary plans for this project. This facility would be for those wards who are severely emotionally disturbed, developmentally disabled, psychotic, mentally disordered, or have severe physical handicaps. 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.

Statewide, Personal Alarm Systems

We recommend deletion of \$990,000 from the General Fund to install personal alarm systems at all institutions pending completion and evaluation of a new alarm system to be installed at the Southern Reception Center and Clinic. (Delete \$990,000 from Item 5460-301-0001 [3].)

The budget proposes \$990,000 for preliminary plans and working drawings to install new personal alarm systems at all Youth Authority institutions. The estimated future construction costs are \$8.6 million. The department indicates that new alarm systems are needed because the existing systems consist of incompatible components added over many years such that many institutions have two or three separate systems. According to the department, this requires many staff to carry multiple signaling devices, which causes confusion as to which device to use. We have the following concern with this proposal.

Separate Alarm System Project Should Be Prototype. In the *1995-96 Budget Act*, the Legislature approved \$45,000 to prepare preliminary plans for replacing the personal alarm system at the Southern Reception Center and Clinic. The Governor's budget proposes \$1.1 million for working drawings and construction to complete this project in 1997-98. Using the

preliminary planning funds, the department engaged a consultant to determine which of the available alarm technologies would best suit the institution's needs within the established project budget. The consultant concluded that two of the available systems would meet the project goals and recommended that the construction bid be based on the cost to install one of these specified systems.

We believe that, prior to going forward with a project to install new alarm systems at *all* institutions at an estimated cost of at least \$1 million per site, the Youth Authority should have the advantage of information that will be available regarding the cost and performance of the system to be installed at the Southern Reception Center and Clinic. In essence, that project should be the prototype and the new system should be functional and deemed appropriate for meeting the Youth Authority's security needs prior to embarking on a statewide effort. The prototype system will probably be installed and functional in 1998-99, at which time the department can determine whether it is appropriate to replicate or modify this system for use at its other institutions. We note that the Youth Authority will still have functioning, albeit older alarm systems in its institutions. In addition, a proposal for any short-term, interim improvements that could be made to the existing systems would warrant the Legislature's consideration. Pending installation and evaluation of the prototype system, we recommend deletion of \$990,000 from Item 5460-301-0001 (2) for the statewide personal alarm system project.

Security Fencing

We recommend deletion of \$2.4 million from the General Fund to install a second perimeter security fence at three institutions because the department has not demonstrated the need for these fences. (Delete \$575,000 from Item 5460-301-0001 [3] and \$1,800,000 from Item 5460-301-0001 [14]. Future savings of \$4.4 million.)

The budget proposes to install a second perimeter security fence at three Youth Authority institutions. Specifically, \$1,800,000 is proposed to design and construct a new fence at the Herman G. Stark Youth Training School and \$575,000 is proposed for preliminary plans and working drawings for fences at El Paso de Robles School and the Ventura School. The future cost for the latter two projects is \$4.4 million.

In addition, the Youth Authority indicates that it intends to request an additional \$9.7 million in 1998-99 to install additional fences at three other institutions—the Fred C. Nelles School, the Northern Reception Center and Clinic and the Southern Reception Center and Clinic. The department indicates that these second fences are needed to enhance security at the institutions and to reduce the potential for escapes. In the

last three years, 12 escapes have occurred through or over existing perimeter fences at Youth Authority institutions.

No Specific Justification Provided. The department has not indicated what problems exist with perimeter security at each of the six institutions or whether other, less costly alternatives to enhance security are available in lieu of capital outlay expenditures totaling \$16.5 million. For example, it is possible that security could be improved through improved motion detection or alarm systems, additional lighting and/or closed-circuit television, or the addition of perimeter patrols. In addition, the Youth Authority should examine whether any changes in its operational procedures would reduce the potential for escapes. Finally, the department should examine whether there are specific locations along the existing perimeter fences that are particularly vulnerable and in need of improvement.

Recommendation. For the reasons discussed above, we do not believe that the Youth Authority has adequately demonstrated the need for this \$16.5 million in improvements. We therefore recommend deletion of the proposed funding for these projects. A project that would address specific problems with the existing perimeter fences and propose the most cost-effective solutions would merit the Legislature's consideration. Delete \$575,000 under Item 5460-301-0001 (3) and \$1,800,000 under Item 5460-301-0001 (14).

Nelles School—Sewer Line Replacement

We recommend deletion of \$234,000 from the General Fund to replace a sewer system because the project scope greatly exceeds the recommendations of an engineering study for system improvements. (Delete \$234,000 from Item 5460-301-0001 [7]. Future savings of \$1.6 million.)

The budget proposes \$234,000 to prepare preliminary plans and working drawings for replacement of the sewer line at the Fred C. Nelles School. The project consists of installing over 14,000 linear feet of pipe, 68 new manholes, one sewage lift station, and a force-main to serve one building at the school. The estimated future construction cost is \$1.6 million. The department indicates that the new system is needed because the existing pipes are deteriorated and often require expensive emergency repairs.

Proposal Inconsistent With Study. In 1994, an infrastructure study and utilities master plan was prepared for the school by an engineering consultant. The consultant surveyed the main portions of the sewer collection system and, based on this analysis, recommended installation of 2,500 linear feet of pipe and construction of seven new manholes. This

would clearly be a much more limited and less costly project than what the budget proposes. The consultant also recommended that sewer lines that were not included in his survey be mechanically cleaned and that any damaged sections be repaired or replaced—work that should be accomplished through the department's maintenance budget.

We therefore recommend deletion of the budget proposal because it is greatly beyond the scope of what the consultant indicated was necessary to address identified deficiencies with the sewer system. A project to correct deficiencies identified by the consultant would warrant the Legislature's consideration.

Ventura School—Free Venture Corridor

We recommend deletion of \$325,000 from the General Fund for new free venture work space because the project includes significant site development costs associated with future expansions of the Free Venture program. A revised proposal that conformed to current program expansion would merit the Legislature's consideration. (Delete \$325,000 from Item 5460-301-0001 [10].)

The budget includes \$325,000 to prepare preliminary plans and working drawings to develop a site to expand the Free Venture program, including constructing a 20,000 square foot building, at the Ventura School. The estimated future construction cost is \$2.2 million.

Under the Free Venture program, the state provides facilities within an institution for a business to operate, with the goal of improving the work habits and job skills of wards. Wards are paid wages comparable to those in the community, and a portion of these wages is directed to restitution for victims of crime and as reimbursement for the ward's room and board costs. As of October 1996, there were 127 wards in free venture operations within the Youth Authority, including 81 wards at the Ventura School.

The department indicates that there is no existing space available for additional free venture facilities within the existing secure perimeter at Ventura. In the past year, the department could not accommodate two companies that each wanted 20,000 square feet of building space and were capable of hiring 75 wards. We believe that the request for additional building space is appropriate, but we have a concern with the amount of site development being proposed for this facility.

About one-half of the estimated project construction cost (about \$1 million) is to prepare a 12-acre site, not only for the 20,000 square-foot building, but to accommodate future expansion for an additional 100,000

square feet of buildings. This involves clearing and grading the site, extending the facility's secure perimeter fence and patrol road, and installing site utilities. We do not believe that the department should be preparing for such a large expansion of the Free Venture program until there is an assessment of how this program fits on a priority basis with the Youth Authority's other rehabilitative programs and other capital outlay needs. In our analysis of the department's support budget, we recommend that the department perform a needs assessment to determine what programs and resources will be required to serve its changing institutional population. Pending such an assessment, we recommend deletion of the project as proposed. A project that would provide the necessary site for the construction of a 20,000 square foot free venture building would merit the Legislature's consideration. (Delete \$325,000 from Item 5460-301-0001 [10].)



UNIVERSITY OF CALIFORNIA (6440)

The budget proposes \$171.7 million from general obligation bonds for the University of California's (UC's) 1997-98 capital outlay program. The estimated future costs to complete these projects totals \$100.3 million (excluding future costs that may exceed \$100 million for the UC San Francisco—UC Hall Seismic Replacement project and the UC Los Angeles Center for Health Sciences—Earthquake Reconstruction project). Thus, the total cost of the program before the Legislature in 1997-98 exceeds \$272 million. In addition, the cost to complete projects that have been approved previously by the Legislature (that is, those that have already received planning or working drawing funds) but are not in the budget this year total \$63.7 million. This brings the total cost of proposed and previously approved projects for UC to over \$335 million.

As discussed in “Funding Higher Education Capital Outlay” in the Crosscutting Issues portion of this section of the *Analysis*, funds are not available to complete the proposed and previously approved projects for the three higher education segments. Consequently, we have recommended that, for projects proposed in the budget, the Legislature (1) fund specific projects that have been previously approved (for preliminary plans or working drawings) by the Legislature; (2) defer several new projects; and (3) delete or modify several projects. We believe that this approach will get the state on an appropriate course of funding *and completing* capital outlay projects within available fund sources.

Based on our approach, we recommend that of the 32 projects in the budget for UC, the Legislature take the following actions:

Previously Approved Projects. Of the 15 previously approved projects:

- *Approve* 14 projects.
- *Reduce* the appropriation request for one project (as discussed below).

New Projects. Of the 17 new projects:

- *Approve* eight new projects related to health and safety and infrastructure improvements (see Figure 11, in “Funding Higher Education Capital Outlay” in the Crosscutting Issues portion of this section).
- *Delete* nine new projects. If the Legislature does not adopt our approach and instead wishes to consider the proposed new projects, we have made recommendations for legislative action on five of these projects (as discussed below). We have raised no issues on the other four projects.

PREVIOUSLY APPROVED PROJECTS

San Diego—York Hall Improvements

We recommend that the Legislature reduce the requested amount for construction by \$900,000, because this amount represents a nearly 20 percent augmentation to the construction cost authorized by the Legislature in 1996-97 and the University of California has not justified the cost increases. (Reduce Item 6440-301-0658 [20] by \$900,000.)

The budget includes a \$5,432,000 request for the construction phase of a project to renovate parts of York Hall at the San Diego campus. In 1996-97 the Legislature approved \$215,000 for working drawings for a project to correct safety deficiencies, renovate class laboratories, and upgrade utility systems in York Hall. At the same time, the Legislature, based on UC’s information, authorized a future cost for this project of \$4,413,000. Adjusting this authorized cost for inflation results in a \$4,523,000 cost for the budget year. The amount proposed in the budget represents a \$900,000, or nearly 20 percent, augmentation to the construction cost authorized by the Legislature in 1996-97. The UC has not explained the cost overruns except to state that there are added costs associated with certain elements of the project. Further, UC has not indicated what steps, if any, it took to reduce the costs to the legislatively approved amount.

Lacking information substantiating the need for an additional \$900,000 for the York Hall renovation project, we recommend that the Legislature delete this amount from the budget. (Reduce Item 6440-301-0658 [20] by \$900,000.)

Process Undermines Legislature’s Role. This proposed augmentation is also discussed in “Capital Outlay Budgeting” in the Crosscutting Issues portion of this section of the *Analysis*. In that discussion we address an administration process issue that we believe seriously undermines the Legislature’s role in the budget process. This has resulted from steps

taken by both the Department of Finance and the State Public Works Board to approve increases in project costs without first advising or seeking approval from the Legislature. (See our analysis of this issue in the Crosscutting Issues portion of this section of the *Analysis*.)

NEW PROJECTS

UC Davis—Walker Hall Seismic Replacement Facility

We recommend that the Legislature delete the request for \$10,784,000 for working drawings and construction for a building to replace Walker Hall on the Davis campus because of the high costs of the replacement building and questionable justification for the need to replace the facility. (Delete \$10,784,000 from Item 6640-301-0658 [4].)

The budget includes a request of \$10,784,000 in state funds for working drawings (\$522,000) and construction (\$10,262,000) to construct a 62,741 gross square foot (gsf), (36,190 assignable square feet [asf]) building to replace Walker Hall—a two-story, 36,475 asf building on the Davis campus. The UC has prefunded preliminary plans for this project (\$862,000). This is, therefore, the first time the project has been presented to the Legislature for review. The UC will also contribute \$6,741,000 to the working drawings (\$361,000) and construction (\$6,380,000) phases of the project. Future costs to the state are estimated to be \$1.1 million for demolition of Walker Hall. Thus, the total cost of the proposed project is \$19.5 million.

Walker Hall currently houses programs in the Departments of Civil and Environmental Engineering, Applied Sciences, and Environmental Design. The proposed facility would be occupied by the two engineering programs currently housed in Walker Hall and other engineering programs and administrative functions currently located in other campus buildings. The Department of Environmental Design is scheduled to be moved at an unknown time in the future to a new Environmental Design building, even though state funds have not been requested to construct the facility.

Need to Spend Over \$10 Million Not Justified. The UC has supported its request to replace Walker Hall on the basis that the building has been rated seismically “poor” by the UC system, and that the cost of retrofitting the building would be too great. The UC has not, however, substantiated those conclusions. For example, the UC estimate for constructing the replacement facility represents a cost of \$218 per gsf. Not only is this replacement cost very high—in comparison, the California State Univer-

sity (CSU) cost guideline for engineering laboratories is \$186 per gsf, or 17 percent less, than the UC request—but UC has not provided any data on the cost of altering Walker Hall for seismic purposes. Hence, before state funds are provided for this project, UC should demonstrate clearly why seismic retrofitting the existing building is less cost-effective than spending over \$10 million to replace the building.

The UC Should Reevaluate Need for Seismic Retrofit. In addition, we believe UC should reassess the need to seismically retrofit Walker Hall. The Division of the State Architect (DSA) is responsible for the seismic evaluation of all state buildings except higher education. Under this program DSA has evaluated about 7,000 state buildings through a five-step process that takes into account relative risks to building occupants and building systems in the event of an earthquake. Using the DSA's methodology, the state only funds structural retrofits of buildings that, at a minimum, present a substantial risk to life and would incur substantial damage. Based on the DSA's methodology and evaluation criteria, it is not clear that Walker Hall would require retrofitting for seismic purposes. This is especially the case given (1) the Davis campus is located in an area of the state that is considered low risk for major earthquakes and (2) Walker Hall is a rather small, two-story building. Hence, we recommend that Walker Hall be reexamined by the DSA before the Legislature approves any project to replace or remodel the building.

Historic Building. Finally, Walker Hall was constructed in 1927, and is hence a building with intrinsic historical significance. The Legislature should consider the historical aspect of this building before approving a project to demolish Walker Hall.

Based on the factors discussed above, we recommend the Legislature delete the \$10,874,000 proposed for the Walker Hall project on the Davis campus. (Reduce Item 6640-301-0658 [4] by \$10,784,000.)

San Francisco—UC Hall Seismic Replacement, Phase I

We recommend that the Legislature delete \$299,000 for preliminary plans for an initial phase to replace UC Hall on the San Francisco campus because the project (estimated future state cost of \$7.9 million) will not replace this building and the University of California has not developed a firm plan and associated costs to replace and demolish the structure. (Delete \$299,000 from Item 6640-301-0658 [23].)

The budget includes a request for \$299,000 for preliminary plans for a 55,000 gsf, 33,000 asf building to house a portion of the activities currently located in UC Hall on the San Francisco campus. The building

would be constructed on a site adjacent to the existing building, at an estimated future state cost of \$7.9 million. The total cost of the project, however, is estimated to be \$25.1 million. The remaining \$17.2 million would be funded by the Howard Hughes Medical Institute, which would occupy 22,164 asf (67 percent) of the new building.

The UC Hall is a 146,853 gsf (91,274 asf) instruction and research building that has been rated seismically “poor” by the UC system. Because of this rating, UC wants to relocate activities in UC Hall to other buildings and then demolish it. The existing building houses several functions: academic instruction, academic offices, research laboratories for the Schools of Medicine and Pharmacy, Medical Center clinical activities, and campus academic and administrative support functions. The Howard Hughes Medical Institute occupies 22,164 asf in the existing building. The UC has indicated that it intends to relocate certain functions currently housed in UC Hall to the building proposed in this request, including biomedical research programs, instructional functions, and academic and administrative support functions. Thus, much of the research, instructional, and support functions, and all of the clinical activities, will not be relocated after completion of the project in the budget. The Howard Hughes Medical Institute would occupy the same amount of space in the new building (22,614 asf) as it does in UC Hall.

Subsequent to construction of the proposed facility, UC plans to construct another building (or buildings) of an unknown size and cost on an unspecified second campus location to house most of the other functions currently located in UC Hall (UC refers to the second building as “Phase II” of the replacement project). The UC then intends to demolish UC Hall at a cost of approximately \$5 million.

Under Senate Concurrent Resolution 180, Statutes of 1974, the UC San Francisco campus site is limited to a maximum of 3,350,000 gsf on *all* facility construction. The campus currently *exceeds* this limit by about 200,000 gsf and the proposed building would add another 55,000 gsf. Even with the demolition of UC Hall, the San Francisco campus would still exceed the space limit and, as mentioned above, UC has provided no definite plan or cost for the ultimate demolition of the building.

The basic premise of the proposed project is that the activities in UC Hall must be relocated and the building demolished. The proposal presented to the Legislature does not accomplish this objective. Instead the proposal relocates only about one-third of the space activities at a state cost of over \$8 million. The UC has not presented a plan including time frames and costs to complete UC’s objective.

Based on the lack of a complete plan coupled with the space constraints on the San Francisco campus, we recommend that the Legislature delete the \$299,000 requested for preliminary plans for the UC Hall Seismic Replacement, Phase I. (Reduce Item 6640-301-0658 [23] by \$299,000.)

Santa Cruz—Mt. Hamilton Infrastructure Improvements

We recommend that the Legislature delete the \$2,654,000 requested for working drawings and construction infrastructure improvements at the Lick Observatory facilities on Mt. Hamilton because the proposed construction work should be funded through the University of California support budget. (Reduce Item 6440-301-0658 [27] by \$2,654,000.)

The budget proposes \$2,654,000 for working drawings (\$250,000) and construction (\$2,404,000) to make repairs to various elements (sewer, electrical, heating, fire alarm, and roadway systems) of the infrastructure at the UC Lick Observatory complex on Mt. Hamilton. The complex consists of approximately 50 buildings, including telescope domes, support buildings, dormitories for visitors to the site, housing for employees and their families, and a school for children of those families. The UC proposes to (1) replace the existing septic tank sewage system with new tanks and leach fields, (2) replace elements of the heating systems at the main building, the visitors' dormitory, and 17 single-family residential buildings, and improve the building insulation for energy conservation, (3) replace components of the electrical distribution systems, (4) replace the fire alarm system, and (5) repair and replace 200,000 square feet of roadways. The UC request is for working drawing funds to design the entire project and construction funding for phase 1, which includes the septic tank system and heating system replacements. Construction funding for the remaining work would not be requested until 1999-00. The estimated cost for the phase 2 work is \$2.8 million. Thus, the total cost of the project before the Legislature is \$5.4 million.

This entire project is a compilation of a series of maintenance problems at the site. For each element of the project UC has justified the need based on the age or the poor condition of these infrastructure systems. While there may be problems that should be addressed at this site, the proposed work is clearly of a maintenance nature and as such is part of the ongoing costs associated with operating a campus complex. Consequently, the proposed work should be accomplished on a priority basis with other maintenance work funded through the UC operating budget. Therefore, we recommend the Legislature delete the \$2,654,000 request for infrastructure improvements at the Lick Observatory. (Reduce Item 6640-301-0658 [27] by \$2,654,000.)

Santa Cruz—Applied Sciences Building Alterations, Phase I

We recommend the Legislature delete \$2,115,000 requested for working drawings and construction to alter the Applied Sciences building because the University of California has not substantiated the need to spend over \$2 million to alter this space. (Reduce Item 6640-301-0658 [28] by \$2,115,000.)

The budget includes a request for \$2,115,000 for working drawings (\$137,000) and construction (\$1,978,000) to convert space within the Applied Sciences building at UC Santa Cruz to support a planned electrical engineering program. Estimated future cost is \$1.2 million for equipment. The proposal involves renovating about 11,400 asf for teaching and research laboratories and offices. The UC also proposes to make improvements to the building's heating, ventilation, and air conditioning (HVAC) system.

The UC request fails to provide sufficient information to justify the need for the components of the proposed project. For example, UC has provided detailed data on how the altered space will be used, but has not addressed why the space cannot be used as is or with minimal alterations. In addition, UC has not provided details of what alterations are necessary. The UC cost estimate is simply a general statement indicating alterations will cost \$1,328,000, and HVAC system improvements will cost \$460,000. Based on the limited information, it appears that the proposed major alterations will cost in excess of \$250 per asf. The UC has not substantiated the need to make such extensive alterations to existing laboratory space.

Furthermore, the broader justification for this project is to adapt space within the Applied Sciences building to accommodate a new electrical engineering program. Enrollment information provided by the University indicates that there will be no undergraduate or graduate electrical engineering students at UC Santa Cruz at least until academic year 1999-2000. The earliest specific projections the UC makes on the number of UC Santa Cruz electrical engineering students are for academic year 2001-02. Thus, it is not clear why UC would initiate a costly alteration project in 1997-98. A more prudent step would be to use the existing space as is (or with minor alterations) until the program is underway and space needs based on enrollments and developed programs are known. A proposal based on this experience would warrant legislative consideration.

Therefore, we recommend that the Legislature delete the \$2,115,000 requested for alternations of the Applied Sciences building at UC Santa Cruz. (Reduce Item 6440-301-0658 [28] by \$2,115,000.)

**University of California, Los Angeles
Center for Health Sciences—Earthquake Reconstruction**

We recommend that the Legislature delete the \$21,637,000 requested to partially finance a project to replace approximately 2.3 million gross square feet of the University of California, Los Angeles Center for Health Sciences because the University of California has not provided the Legislature with detail on project cost and scope, what will be done with the existing space after the replacement, or why the University of California needs additional state funds for this purpose. (Delete \$21,637,000 from Item 6640-302-0658.)

The budget includes a request for \$21,637,000 to provide state funds to partially finance a project to replace part of the University of California, Los Angeles (UCLA) Center for Health Sciences. Further, contrary to standard capital outlay budgetary practice, the budget also includes language that would make these funds continuously available to UC without regard to fiscal year.

The UC has received a commitment of \$432 million from the Federal Emergency Management Agency (FEMA) for what UC estimates to be a \$492 million project to replace part of the 3.1 million gsf UCLA Center for Health Sciences. According to UC, the FEMA funding requires UC to provide \$60 million in matching funds. Under the budget proposal the state would provide \$44 million and UC would provide \$16 million. The UC also indicates that this is the first phase of a \$1 billion plan for the center and that UC would seek about \$10 million annually from the state plus some amounts from donors to finance the other phases.

The proposed replacement facility will include research and teaching space and a 500-bed medical hospital facility, for a total of around 2.3 million gsf. (To put into perspective the size of the proposed 2.3 million gsf replacement facilities, this amount of space is greater than *all* the building space at the *entire* San Francisco State University campus, a campus with an enrollment of about 20,000 students.) The UC asserts that much of the complex, which includes the UCLA Medical Center, the schools of nursing, dentistry, and public health, and the Neuropsychiatric Institute and Hospital, is in need of replacement due to damage sustained during earthquakes, including the Northridge earthquake.

The proposed \$44 million state funding for this phase of the plan consists of two elements—\$22.4 million from higher education bond funds already allocated by the Department of Finance (DOF) and the \$21.6 million in the 1997-98 budget. The \$22.4 million already allocated is from Chapter 15, Statutes of 1994 (SB 131, Roberti), which appropriated \$75 million from higher education bond funds for allocation by DOF to

match federal funds for UC, CSU, and community college buildings damaged by the Northridge earthquake. The DOF has allocated the \$75 million as follows: \$36.4 million to UC; \$32 million to CSU; and \$6.6 million to community colleges.

We recommend that the Legislature not provide the proposed \$21.6 million for the reasons discussed below.

Legislature Has No Information on Project. Basically the only information submitted by the UC for this project is a summary table showing the total amount of gsf of building space to be replaced and the cost sharing allocation for the \$492 million plan. The UC has not identified,

- A specific plan for the 2.3 million gsf of space.
- Where a new facility would be constructed.
- Why 2.3 million gsf must be replaced.
- A project schedule showing time frames for an environmental impact report, design of new facilities, and construction.
- A basis for the \$492 million cost estimate.
- Plans for the vacated space, and any associated cost, once the new facility is constructed.

In short, the Legislature does not have any information supporting the need for this proposal other than UC's belief that a replacement facility is necessary and FEMA has provided \$432 million.

The UC Should Provide Matching Funds for FEMA Grant. As discussed in the Crosscutting Issues portion of this section of the *Analysis*, there are insufficient state funds available to complete the projects the Legislature previously approved for higher education. Given UC's access to other sources of funding for health care, teaching facilities and research, the state should not commit limited state funds to what UC advises is a \$1 billion *replacement* project when the state is faced with unmet capital outlay needs at *all* campuses of higher education. For example, UC could set aside portions of its hospital operations budget to finance over time the \$21.6 million requested in the budget. These funds would not need to be available immediately because construction of the replacement facility will take many years. Therefore, UC could develop a financing plan that does not include state funds to meet its obligation to match the FEMA grant.

For the reasons discussed above, we recommend the Legislature delete \$21,637,000 for Phase I replacement of the UCLA Center for Health Sciences. (Delete \$21,637,000 from Item 6640-302-0658.)

Legislature Should Not Fund Projects Started by UC

We recommend that the Legislature not fund projects for which the University of California has financed design documents for capital outlay projects that have not previously been presented to, and approved by, the Legislature.

The budget proposes funding the working drawings and/or construction phase of 19 projects for UC. For ten of these projects, the budget is the first time the projects have been presented to the Legislature. The budget request for these projects totals \$62.4 million, and the estimated total future cost is \$7.3 million. The UC indicates that it will spend \$2.5 million of nonstate funds developing preliminary plans for these projects. This continues a recent practice for UC to spend funds on projects the Legislature has neither reviewed nor approved. As discussed in our *Analysis of the 1996-97 Budget Bill*, UC spent a total of \$4 million on similar projects in preparation for the 1996-97 budget. We continue to believe it is inappropriate for UC to use these monies on projects that have not and may not be approved by the Legislature. The UC's practice places the Legislature in the untenable position of either approving projects it may not otherwise approve (in whole or part) or disapproving the proposal for which the UC has spent several million dollars. As a result, this practice undermines significantly the Legislature's oversight and budgeting authority. To assure that UC discontinues this practice, we recommend that the Legislature, as a matter of ongoing policy, no longer approve any capital project for which UC has initiated funding before presenting the proposal to, and receiving approval from, the Legislature. This intent would appropriately be stated in supplemental report language as follows:

It is the intent of the Legislature to not provide state funds for any capital outlay project for which the University of California has initiated by funding any portion of design or construction before presenting the project to, and receiving approval from, the Legislature.

HASTINGS COLLEGE OF THE LAW (6600)

The Governor's budget proposes \$8.3 million for Hastings College of the Law to renovate the 198 McAllister Street Building. The proposed funds are from the Higher Education Capital Outlay Bond Fund of 1996.

Preliminary Planning Documents Not Available

We recommend approval of \$8.3 million from the Higher Education Capital Outlay Bond Fund of 1996 for construction contingent on completion of preliminary plans that are consistent with the scope and cost as previously approved.

In the 1996-97 Budget Act, the Legislature appropriated \$693,000 to prepare preliminary plans (\$282,000) and working drawings (\$411,000) for hazardous materials abatement, seismic retrofit, Americans with Disabilities Act compliance, other code-related improvements, and replacement of the main electrical switchgear and panels at the 198 McAllister Street Building on the Hastings College of the Law campus in San Francisco. The budget includes \$8,332,000 for the construction phase of this project. According to the Department of General Services, which manages the project, the preliminary plans are scheduled to be completed in May 1997. We recommend approval of the construction funding proposal contingent upon completion of preliminary plans that are consistent with the scope and cost as previously approved by the Legislature.

CALIFORNIA STATE UNIVERSITY (6610)

The budget proposes \$152.5 million for the California State University's (CSU's) 1997-98 capital outlay program. The proposed amount is from the Higher Education Capital Outlay Bond Fund of 1996 (general obligation bonds). The estimated future cost to complete these projects totals \$113.9 million. Thus, the total cost of the program before the Legislature in 1997-98 is \$266.4 million. In addition, the cost to complete projects that have been approved previously by the Legislature (but not included in the 1997-98 request) totals \$329.3 million. This brings the total cost of finishing all proposed and previously approved projects for CSU to almost \$600 million.

In our Crosscutting Issue "Funding Higher Education Capital Outlay" (earlier in this section of the *Analysis*), we indicate that there are insufficient funds available to complete the proposed and previously approved projects for the three higher education segments. Consequently, we have recommended that, for projects proposed in the budget, the Legislature (1) fund specific projects that have been previously approved (for preliminary plans or working drawings) by the Legislature; (2) defer several new projects; and (3) delete or modify several projects. We believe that this approach will get the state on an appropriate course of funding *and completing* capital outlay projects within available fund sources.

Based on this approach, we recommend that of the 35 projects in the budget for CSU, the Legislature take the following actions:

Previously Approved Projects. Of the 22 previously approved projects:

- *Approve* 19 projects.
- *Reduce* the appropriation request for three projects (as discussed below).

New projects. Of the 13 new projects:

- *Approve* six new projects related to health and safety and infrastructure improvements (see Figure 11, in "Funding Higher Educa-

tion Capital Outlay” in the Crosscutting Issues portion of this chapter).

- *Delete seven new projects. If, however, the Legislature does not adopt our approach and instead wishes to consider the proposed new projects, we have made recommendations for legislative action on four of these projects (as discussed below). We raise no issues with the other three projects.*

PREVIOUSLY APPROVED PROJECTS

Fresno-McLane Hall Renovation

We recommend that the Legislature delete \$862,000 for the telecommunications portion of this project due to the high cost of the infrastructure inside the building and the lack of campuswide infrastructure. We recommend that the Legislature fund the remaining portion of the renovation project contingent on completion of preliminary plans. (Reduce Item 6610-301-0658 [6] by \$862,000.)

The budget includes \$7.4 million for the construction phase for the McLane Hall Renovation project at CSU Fresno. This amount includes \$862,000 to install conduits and wiring to increase the capacity of the building’s telecommunications systems. This represents a cost of over \$26 per gross square foot (gsf) for the building’s telecommunications infrastructure. The CSU’s only explanation for this high cost is that it is based on the master plan.

Further, CSU has decided to remove campus telecommunications infrastructure projects from the capital outlay program, and fund this work from other sources. According to CSU’s plans, the first priority for the overall telecommunications plan is to develop the campus inter-building underground system and then modify buildings in a priority sequence. It is not clear when these infrastructure projects will be completed. Until the campus infrastructure is available to serve McLane Hall, we see no need to make modifications inside the building. Moreover, when the inter-building system is available, McLane Hall should be modified based on campuswide priority with other buildings. According to the CSU Fresno plan, McLane Hall has not been identified as a high priority building for modifications.

Therefore, we recommend that the Legislature not fund the telecommunications portion of this renovation project. (Reduce Item 6610-301-0658 [6] by \$862,000.) Further, we recommend that the Legislature approve the remaining \$6,497,000 for construction funding contingent on

the receipt of preliminary plans that are consistent with scope and cost as previously approved by the Legislature.

San Bernardino—Corporate Yard/Administrative Services Addition/Renovation

We recommend that the Legislature delete \$614,000 added to this project for new telecommunications and building safety code related alterations because the California State University has provided no justification for these elements of the proposal. (Reduce Item 6610-301-0658 [19] by \$614,000.)

The budget includes a request for \$5,745,000 for working drawings (\$67,000) and construction (\$5,678,000) for a project to renovate and expand the existing building maintenance and storage/warehouse areas (along with their associated administrative space), the duplicating center, the shipping/receiving areas, and various campus stores at CSU San Bernardino. This project was funded for preliminary plans and working drawings in the *1992-93 Budget Act*, and preliminary plans were completed in April 1993.

The CSU's budget summary indicates that work related to telecommunications, Americans with Disabilities Act (ADA), seismic, and hazardous materials has been added to the project after the Legislature approved the project in 1992. According to the budget summary, this work will cost \$614,000. The CSU, however, has provided no information on the need for any of this added work, what work will be accomplished, or a basis for the estimated costs. Therefore, we recommend that the Legislature delete the \$614,000 from this request. (Reduce Item 6610-301-0658 [19] by \$614,000.)

San Jose—Central Plant, Telecommunications, And Distribution Systems Upgrade

We recommend that the Legislature delete \$10,510,000 for the telecommunications portion of this project because the California State University has decided to finance telecommunications infrastructure projects through means other than capital outlay, and therefore we see no reason to fund the San Jose project using limited general obligation bond funds. (Reduce Item 6610-301-0658 [26] by \$10,510,000.)

The budget includes a request for \$25.7 million to fund the construction phase of a project to renovate the San Jose campus Central Plant and utility infrastructure, including a telecommunications infrastructure upgrade. The project was funded for preliminary plans and working

drawings in the 1996-97 Budget Act, and preliminary plans are scheduled to be completed in February 1997.

As indicated earlier, CSU has removed all campus telecommunications infrastructure projects from the capital outlay program. Consistent with that decision, we recommend the Legislature delete the campus telecommunications infrastructure work from this project and use the higher education bond funds (\$10,510,000) for other capital outlay priorities. On this basis, we recommend reducing Item 6610-301-0658 [26] by \$10,510,000.

Further, we recommend approval of the \$15,227,000 balance of proposed construction funding contingent on receipt of completed preliminary plans for this portion of the project.

NEW PROJECTS

Fresno—Infrastructure Improvements

We recommend deletion of the \$271,000 requested for preliminary plans and working drawings to make improvements to the storm drainage system and to convert the campus heating distribution system from steam to hot water because neither of these components has been justified by the California State University. (Delete \$271,000 from Item 6610-301-0658 [7]. Future savings \$3,878,000.)

The budget includes \$271,000 for preparation of preliminary plans and working drawings for an infrastructure upgrade project at CSU Fresno. Estimated future cost is \$3.9 million. The request indicates that the project would improve the campus' storm drainage system and convert the campus heating distribution system from high pressure steam to low pressure hot water. The CSU has been unable to document the need, costs, or benefits associated with either improving the storm drainage system or converting the heating system.

Given the complete lack of information for the two components of this project, we recommend that the Legislature delete the \$271,000 requested for preliminary plans and working drawings. (Delete \$271,000 from Item 6610-301-0658 [7]. Future savings of \$3,878,000.)

Pomona—Engineering Labs Replacement

We recommend that the Legislature delete \$23,494,000 for construction of a new laboratory facility for the College of Engineering because this project has not been reviewed previously by the Legislature and the project does not warrant the expenditure of over \$20 million of limited

general obligation bond funds. (Delete \$23,494,000 from Item 6610-301-0658 [17].)

The budget includes a request for \$23.5 million to construct a 104,770 gsf (78,580 assignable square feet [asf]) two-story laboratory building for engineering. The new facility will replace undergraduate teaching laboratories, self-instructional computer laboratories, specialized instructional laboratories, and graduate research space. The project will also alter nearly 15,000 asf currently used by engineering programs for occupancy by the art department. The proposal will add space to accommodate an additional 29 full time equivalent student (FTES) future enrollment. The proposed project, however, will actually reduce the amount of engineering teaching laboratories by about 5,500 asf and increase nonteaching laboratory space.

The CSU is spending \$1.1 million in nonstate funds for preliminary plans and working drawings for this project. Thus, this is the first time the Legislature has had an opportunity to review the proposal.

Although there may be a basis for replacing some of the existing engineering space, CSU has not demonstrated the need to construct a facility at a cost of over \$20 million. According to CSU enrollment data for Pomona, enrollments in engineering laboratory courses have declined 20 percent since 1992 and are not expected to reach the 1992 level through 2001-02. Similar enrollment declines occur in art laboratory courses where CSU shows an 18 percent decline between 1992 and 1998-99 with enrollment remaining below the 1992 level beyond 2000-01. Furthermore, CSU has not provided any information that substantiates the need to provide the art department nearly 15,000 asf. Finally, the Pomona campus has a sufficient amount of laboratory capacity to accommodate a 25 percent increase in enrollment. Rather than construct a \$23.5 million building, the campus should thoroughly evaluate alteration of existing space to meet any of these engineering needs.

Given the enrollment and space situation discussed above, we believe that the space issues presented by CSU do not warrant a \$23.5 million expenditure of limited general obligation bond money in the context of other statewide needs. Therefore, we recommend the Legislature delete \$23,494,000 requested for construction. (Reduce Item 6610-301-0658 [17] by \$23,494,000.) A less costly proposal to alter existing space to address campus needs may warrant legislative consideration.

San Francisco—Hensill Hall Renovation

We recommend the Legislature delete \$1,032,000 for preliminary plans and working drawings to renovate Hensill Hall on the San Francisco

campus because the California State University has not demonstrated the need to spend over \$20 million to renovate this building. (Reduce Item 6610-301-0658 [25] by \$1,032,000.)

The Governor's budget includes a \$1,032,000 request for preliminary plans (\$490,000) and working drawings (\$542,000) to renovate Hensill Hall on the San Francisco State campus. The estimated future cost is \$20 million.

Hensill Hall houses lecture rooms, laboratories, and faculty offices for the biological sciences. The proposed work includes seismic corrections, remodeling for ADA, correction of building code deficiencies, and various alterations for instructional purposes. The alterations for instructional purposes include remodeling animal research facilities, renovating a greenhouse, repairing the building sea water system, and adding a fenced utility yard for vehicle storage. Additionally, the third floor of the building (currently an open concourse) would be enclosed to provide for a multimedia laboratory and production area in which multimedia instructional materials would be prepared, and multimedia and distance learning would take place. This project would not add space to accommodate any future enrollment growth.

In general, CSU has failed to justify the expenditure of over \$21 million for this project. First, CSU has not substantiated the need for improvements to address seismic and building code deficiencies. For example, the request is not clear on either the level of seismic risk of the building or how the project will improve the risk level. Further, the CSU has not identified what portion of the proposed project construction cost is devoted to seismic work compared to other proposed improvements. Also, the CSU has not explained the need for the correction of specific code deficiencies, nor presented cost estimates associated with any of this work. In fact, the need for any of the seismic or building code work does not appear to be essential because CSU has included this request in the *lower priority* category of projects to meet campus deficiencies rather than the higher priority category to correct structural, health, and code deficiencies.

Second, the San Francisco State campus already has a state-of-the-art multimedia facility that presumably has the capacity to support both preparation of multimedia instructional materials and multimedia and distance learning activities. The CSU has not explained, however, why similar activities are planned for Hensill Hall.

Finally, the proposal to alter the building for other program needs is based on a brief description of the alterations. CSU has not identified the

problems with existing space, how the alterations will address space problems, or the costs associated with the alterations.

For the reasons discussed above, we do not believe that spending over \$21 million on this project is advisable in the context of other statewide needs in higher education. Therefore, we recommend that the Legislature delete the \$1,032,000 requested for alterations of Hensill Hall on the San Francisco campus. (Reduce Item 6610-301-0658 (25) by \$1,032,000.)

CSU Stanislaus—Stockton Regional Center, Initial Renovation

We recommend that the Legislature delete \$2.5 million for renovation of a building and site improvements at the California State University, Stanislaus Regional Center because the need for improvements has not been justified and any major improvements at this center should be funded with revenue from leasing of existing buildings, which is expected to total up to \$2.8 million annually . (Reduce Item 6610-301-0658 [32] by \$25 million.)

The budget requests \$2.5 million for preliminary plans, working drawings, construction, and equipment for a project at the CSU Stanislaus Stockton Regional Center for Education and Human Services (formerly the state Developmental Center under the Department of Developmental Services [DDS]) in Stockton. The project consists of: (1) renovating 15,145 asf at the Acacia Court facility to provide classroom, laboratory, administrative, storage, and library space (\$1 million); (2) various improvements—including a street lighting upgrade, sidewalk improvements, a new fence, road and parking lot, and expansion of telephone access (\$2.4 million); and (3) purchase of equipment (\$118,000).

The former Stockton Developmental Center was one of several state properties declared surplus under Chapter 193, Statutes of 1996 (SB 1770, Johnston). Under this legislation, the Director of General Services was authorized to dispose of the property. The Director has determined that the property should be conveyed to CSU and the CSU Board of Trustees has agreed to accept the property. The CSU plans to use this site as a regional center involving four other CSU campuses, the University of the Pacific and San Joaquin Delta Community College. The CSU plans to move the current CSU Stanislaus center from the San Joaquin Delta College campus to the new location by fall 1997. According to information available at the time this *Analysis* was written, CSU will take title to the site on July 1, 1997. Under an agreement between CSU and the Department of General Services (DGS), DGS will manage the leasing of building space within the 102-acre, 56-building site to various nonstate entities. Revenues generated from the lease payments will go to the CSU (less a

management fee to the DGS) to offset the costs necessary to operate instructional programs at the site. DGS staff has indicated that leases totaling \$800,000 annually have been signed and negotiations are taking place for another \$2 million in annual revenue.

As discussed below, CSU has not justified any of the components of the proposed project.

Alterations. For the alterations portion of the work, CSU simply calculated the amount of different space (such as classrooms, laboratories, and offices) in square feet at the Stanislaus campus per FTE student and concluded that the center requires the same ratio of space. The CSU then applied a cost per asf for alterations to provide the various categories of space. For example, CSU estimates a cost of \$52 per asf for classrooms and offices and \$75 per asf for laboratories. None of this request is based on an evaluation of the existing space and the proposed academic program. Furthermore, CSU has provided no basis for the estimated cost per asf amounts assigned to the various categories of space. Finally, since this facility was until recently occupied by state employees of DDS and programs were offered to clients of that department, it is not clear why significant alterations would be required to house CSU programs at this time.

Site Development. The \$1.1 million proposed for the various site improvements are not supported by anything but a cost estimate and a short description of the work to be done. There is no explanation of why the improvements are needed. For example, CSU includes \$633,000 to upgrade the street lighting but has not provided any explanation of the problem with the street lighting or what effect spending \$633,000 would have on the lighting situation. Similarly the request includes \$110,000 to replace a fence with no explanation of why the fence needs to be replaced or why a fence is even needed. As mentioned above, until recently the site was occupied by staff and clients of DDS. It is not clear why upon CSU's moving to the site the proposed site improvements would be necessary.

Equipment. The CSU has not provided any information on the request for \$118,000 to purchase equipment. Furthermore, it is not clear why new equipment would be needed simply because the center is relocated from Delta College to this site.

Any Necessary Improvements Could Be Financed From Leasing of Existing Buildings Revenue Funds. As discussed above, revenues from leasing space at the center are expected to exceed \$2 million annually. Any improvements needed at this site could be financed on a priority basis with these revenues. In addition, the proposal involves a consortium of CSU campuses, a private university, and a community college.

We believe that costs to modify these facilities should be shared by members of the consortium.

Based on the above discussion, we recommend that the Legislature delete the \$2.5 million requested for the Stockton center. (Reduce Item 661-301-0658 [32] by \$2.5 million.)



CALIFORNIA COMMUNITY COLLEGES (6870)

The proposed 1997-98 capital outlay program for the California Community Colleges totals \$153.2 million from the 1996 higher education bond for 93 projects. This amount includes \$130.8 million for 41 projects that have been previously funded by the Legislature and \$22.4 million for 52 projects that are submitted to the Legislature for the first time. The estimated future cost to complete all proposed projects is \$292 million.

In our Crosscutting Issue “Funding Higher Education Capital Outlay” (earlier in this section of the *Analysis*), we indicate that there are insufficient funds available from the 1996 bond measure to complete all higher education projects proposed in the Governor’s budget and all previously approved projects that are not in the budget. Consequently, we have recommended that, for projects proposed in the budget, the Legislature (1) fund specific projects that have been previously approved by the Legislature; (2) defer many projects; and (3) delete or modify several projects. We believe this approach will get the state on an appropriate course of funding *and completing* capital outlay projects within identified fund sources.

Based on this approach, we recommend that of the 93 projects in the budget for the community colleges, the Legislature take the following actions:

Previously Approved Projects. Approve all 41 previously approved projects (although as described below, we recommend approval of 16 projects contingent on completion of preliminary plans consistent with the scope and cost approved by the Legislature).

New Projects. Of the 52 new projects:

- *Approve* three new projects related to health and safety and infrastructure improvements (see Figure 11, in “Funding Higher Education Capital Outlay” in the Crosscutting Issues portion of this section).

- *Delete 49 new projects. If, however, the Legislature does not adopt our approach and instead wishes to consider the proposed new projects, we have made recommendations for legislative action on 35 of these projects (as discussed below). We do not raise any issues regarding the remaining 14 projects.*

Previously Funded Projects

We recommend approval of \$75.1 million for 16 projects, contingent on completion of preliminary plans that are consistent with the scope and cost as previously approved by the Legislature.

Our analysis indicates that the amounts proposed in the budget for 16 projects previously funded for preliminary plans and working drawings are consistent with prior legislative action. These projects, which total \$75.1 million, are listed in Figure 19. The preliminary plans for these projects, however, have not been completed. Therefore, we recommend approval contingent on completion of preliminary plans that are consistent with the legislatively approved scope and cost.

Citrus Community College District, Citrus College—Library Addition

We recommend approval of \$478,000, a reduction of \$30,000, for preliminary plans and working drawings for a library addition because the budget for construction includes (1) building construction costs in excess of cost guidelines, (2) excessive costs for site development, and (3) unnecessary costs for temporary library space. (Reduce Item 6870-301-0658 [11] by \$30,000. Estimated future savings of \$670,000.)

The budget proposes \$518,000 to prepare preliminary plans and working drawings to renovate the college's existing library (20,000 assignable square feet [asf]) and construct a 13,400 asf addition to the library. The estimated future cost for construction and equipment is \$7.5 million. After completion of the library addition, the campus will have 73 percent of the state space standards for libraries. Our analysis indicates that the project is justified, but we have three concerns with the proposal.

Building Cost. As proposed by the Chancellor's Office the future construction costs would exceed current building cost guidelines by about \$30 per asf. The Chancellor's Office indicates that the higher cost is for installing telecommunications infrastructure—such as cabling and conduit—into the library. We note, however, that the Chancellor's Office existing cost guidelines are very similar to the California State University's (CSU) guidelines. The CSU's guidelines, however, were adjusted in 1993 to provide an allowance for telecommunications infrastructure in

new buildings. We therefore see no reason to increase the current community college guidelines for this project.

Figure 19

Item 6870-301-0658
Previously Funded Projects
Preliminary Plans Not Completed

(In Thousands)

Sub-Item	Location	Amount
(3)	Cabrillo Community College District (CCD), Cabrillo College—Code Compliance	\$4,804
(5)	Chabot-Las Positas CCD, Chabot College—Chemistry/Computer Science Renovation	7,802
(6)	Chabot-Las Positas CCD, Las Positas College—Science Center/Tech/Fine Arts, Secondary Effects	779
(13)	Compton CCD, Compton College—Health and Safety Math/Science	8,932
(17)	Contra Costa CCD, Diablo Valley College—Physical Science Building	10,257
(25)	Foothill-DeAnza CCD, Foothill College—Child Care/Development Center (Health and Safety)	2,917
(31)	Glendale CCD, Glendale College—Fire Protection/Utility System Upgrade	2,139
(40)	Los Angeles CCD, East Los Angeles College—Child Care/Development Center (Health and Safety)	3,478
(41)	Los Angeles CCD, Los Angeles City College—Mechanical System Conversion	1,091
(42)	Los Angeles CCC, Los Angeles Valley College—Ventilation System	3,484
(59)	Palomar CCD, Palomar College—Infrastructure Code Compliance	11,571
(64)	Rio Hondo CCD, Rio Hondo College—Science Building	10,380
(75)	San Mateo CCD, Skyline College—Learning Resources Center Secondary Effects	2,974
(77)	Santa Barbara CCD, Santa Barbara City College—Life Science/Geology Code Corrections	2,610
(86)	Ventura County CCD, Moorpark College—Math/Science Secondary Effects	962
(88)	Ventura County CCD, Ventura College—Math/Science Secondary Effects	936
	Total	\$75,116

Site Development. The library addition will be a two-story structure that will occupy only about 9,000 square feet on the campus. The project includes \$300,000 for site development work covering over 60,000 square feet of the campus, including 15,500 square feet of landscaping, 10,000 square feet of concrete paving, 5,000 square feet of asphalt paving, and 1,500 linear feet of block wall. We believe that these site costs are excessive for such a relatively small building addition. We recommend that, at a minimum, these costs can be reduced by one-half (\$150,000) without affecting the project.

Temporary Building. The construction cost estimate includes \$137,000 to set up a temporary library in the college's Earth Science building while the library renovation/addition is under construction. This proposal is based on the assumption that another capital outlay project for the college will replace the Earth Science building with a new building. The district plans to postpone demolishing the existing Earth Science building and instead use it for a temporary library. The new Earth Science building has not been funded and is not proposed for funding in the Governor's budget. Thus, the college will have to continue using the existing Earth Science building for instructional purposes. As a result, the \$137,000 for temporary library facilities are not needed. The college should phase the library project by using the existing library until the addition is completed and then commence renovation of the existing library.

For the reasons discussed above, we recommend a reduction of \$30,000 from the budget request for preliminary plans and working drawings. The estimated future construction costs, based on our recommendations will be \$5.8 million—about \$670,000 less than proposed by the district. Reduce Item 6870-301-0658 (11) by \$30,000.

Desert Community College District, College of the Desert—Math/Social Science Buildings

We withhold recommendation on \$427,000 for preliminary plans and working drawings to construct two buildings pending clarification on (1) the building costs and (2) the need for a central power plant to serve the buildings and for extensive site development around the buildings.

The budget proposes \$427,000 to prepare preliminary plans and working drawings for two math and social science instructional buildings totaling 12,800 asf. The estimated future construction costs are \$5.8 million. The project is meritorious because the district needs additional classroom space, but we have the following concerns with the district's proposal. First, the estimated construction costs for the building exceed the Chancellor's Office cost guidelines by about \$360,000, or 12 percent. Second, the district proposes to serve the buildings with a new

central heating and cooling plant (costing \$474,000) rather than using individual heating and cooling units within each building. We believe that it is incumbent on the district to demonstrate that building a central plant is a cost-effective expenditure of state funds, and they have not yet done so. Finally, the project includes extensive site development—such as 22,000 square feet of concrete paving and 61,000 square feet of landscaping. It is not clear why state funding for such major work is necessary in order to provide two small buildings. Pending clarification of these issues, we withhold recommendation on the budget request.

**Fremont-Newark Community College District,
Ohlone College—Instructional Computing Laboratory**

We recommend deletion of \$850,000 for preliminary plans and working drawings for a new instructional building because the district has classroom space in excess of state standards that could be converted to computer laboratories. (Delete \$850,000 from Item 6870-301-0658 [27].)

The budget includes \$850,000 for preliminary plans and working drawings for a new 32,500 asf building consisting mainly of computer laboratories. The estimated future cost for construction and equipment is \$13.8 million. The new building would serve instructional programs such as English, mathematics, business and management, communications, and drafting. The project includes 21,000 asf of various laboratories, 1,600 asf of classrooms, 2,900 asf of faculty offices, 4,200 asf of reading/study space, and 2,800 asf of support areas. The district also indicates that instructional programs occupying about 8,600 asf in the college library will be relocated to the new building and thus “free up” this space for library use. We have the following concern with this proposal.

Excess Classroom Space Could Be Converted to Laboratories. Based on state space utilization standards, the college has inadequate laboratory space and on this basis alone, a project to construct additional laboratories would be justified. However, the college also has an excess of about 18,000 asf of general classroom space when compared to the state standards. In addition, the college currently has sufficient space in its library (when compared to state space standards), thus there is no need to relocate programs in order to provide more space for library-related functions. It would be more cost-effective to convert a considerable portion of the excess classroom space into computer laboratories. We have visited many campuses throughout the state where similar conversions have been accomplished at very little cost.

We believe the campus could use its existing space to meet most of the objectives of the proposed project without an expenditure of almost \$15 million in limited state capital outlay funds. The district should un-

dertake a campus-wide assessment of its existing space to determine how it could be used more effectively. Based on this assessment, a project to alter existing space for laboratory use would warrant the Legislature's consideration. We therefore recommend deletion of \$850,000 under Item 6870-301-0658 (27).

Los Rios Community College District, Folsom Lake College— On-Site Development and Instructional Facilities Phase 1A

We recommend deletion of \$3.4 million for preliminary plans and working drawings to develop a new campus because the district should instead evaluate how it can use its existing space inventory more effectively in lieu of building a new campus. Delete \$2,228,000 under Item 6870-301-0658 (48) and \$1,193,000 under Item 6870-301-0658 (49). Estimated future savings of \$23.8 million.

The budget proposes \$3.4 million to develop preliminary plans and working drawings for a new campus within the Los Rios Community College District at Folsom. The proposal includes two projects: \$2.2 million for development of the campus site and \$1.2 million for the initial permanent facilities totaling 33,500 asf. These facilities would include 5,600 asf of classrooms, 12,000 asf of laboratories, 5,200 asf of faculty offices, and 10,700 asf for library and instructional services. The estimated future cost to complete both projects totals \$23.8 million.

The district indicates that the new campus is needed to serve the growing population in the Folsom/Rancho Cordova area. The district acquired the site for the campus in 1967. In 1993 the district began offering classes at the site in 7,500 asf of portable structures.

Building New Campuses. This proposal raises a fundamental policy question for the Legislature. In an urban area, where students have the choice of attending several community college campuses, to what extent should the Legislature fund the development of a new campus in order to provide more convenient options for students near that campus, particularly when existing campuses can accommodate more students. Students residing in the Folsom have access to other community colleges, both within and outside the district, including American River College, Sacramento City College, and Sierra College in Rocklin. Given the huge capital outlay needs in higher education, it will be imperative to maximize utilization of the state's *existing* facilities and campuses before building additional facilities and campuses.

We reviewed the district's current inventory of instructional space and the Chancellor's Office enrollment projections for the district. Specifically, the district currently has a mismatch between its inventory of classroom

and laboratory space and its enrollment in courses using these types of space. The district has about 45,000 asf of classroom space in excess of the state space standards and has a shortage of about 60,000 asf in laboratories. Even with projected enrollment growth in the district, there will still be an excess of classroom space by 2002, which is about two years after the proposed Folsom facilities would be completed. Rather than commence with the building of a new campus and its associated infrastructure, the district should evaluate the utilization of space on its existing campuses and determine whether (1) space could be renovated to address the mismatch between classroom and laboratory allocations and (2) additional space—especially laboratory space—needs to be built.

Consequently, we recommend deletion of the two projects discussed above. (Delete \$2,228,000 under Item 6870-301-0658 [48] and \$1,193,000 under Item 6870-301-0658 [49].) (Estimated future savings of \$23.8 million.)

Technical Aspects of the Proposals. If the Legislature decides to approve state funding for the Folsom campus, it should not do so until the district justifies certain aspects of its proposal, such as:

- \$2.6 million proposed for a central heating and cooling plant and related equipment. The district needs to demonstrate that this is a cost effective proposal.
- \$1.7 million proposed to pay fees to the City of Folsom.
- Installing utility service lines throughout the campus, including areas of future building development, rather than installing these utilities only to the two Phase 1A buildings.

Chabot-Las Positas Community College District, Las Positas College—Math/Design Building Renovation/Addition

We recommend deletion of \$211,000 for preliminary plans and working drawings for a building addition and renovation because the district has excess lecture and laboratory space. (Delete \$211,000 under Item 6870-301-0658 [7]. Future savings of \$2.9 million.)

The budget proposes \$211,000 to prepare preliminary plans and working drawings to renovate a 5,700 asf building and construct a 4,300 asf addition to provide additional space in order to accommodate enrollment in math, computer science, drafting, and interior design programs. The estimated future costs for construction and equipment are \$2.9 million.

The district, which includes Las Positas College and Chabot College, currently has about 15,000 asf of excess classroom space and 32,000 asf of

excess laboratory space when compared to state space standards. Limited state bond funds should therefore not be used to build additional space in this district. We therefore recommend deletion of the \$211,000 proposed for this project. A project to renovate existing district space in order to accommodate the programs listed above would merit the Legislature's consideration.

**Imperial Community College District,
Imperial Valley College—Library Addition**

We recommend approval of \$1,167,000, a reduction of \$278,000, to construct a library addition because the building costs are overbudgeted. (Reduce Item 6870-301-0658 [34] by \$278,000.)

The budget proposes \$1,445,000 for construction and equipment for a 4,000 asf addition to the college's existing library. (The district has funded the preliminary plans and working drawings for this project with its own funds.) After completion of the library addition, the campus will have 57 percent of the state space standards for libraries. Our analysis indicates that the additional space is justified. The project building costs, however, are budgeted at a level that exceeds the Chancellor's Office cost guidelines for library buildings by almost 40 percent. There is no indication in the district's proposal why a higher cost would be required for this project. We therefore recommend a reduction of \$278,000 from the budget proposal in order to bring the project into conformance with current building cost guidelines.

**San Diego Community College District,
San Diego City College—Learning Resources Center**

We recommend deletion of \$632,000 for preliminary plans for a new library, because (1) based on the scope of recently completed library projects at other community colleges, the district can build a smaller library and (2) the proposal includes renovation of the existing library, which should be considered for state funding in the future based on state-wide priorities at the time. A proposal for a smaller library and without the proposed renovations would warrant the Legislature's consideration. (Delete \$632,000 under Item 6870-301-0658 [69].)

The budget includes \$632,000 to prepare preliminary plans for a new 50,000 asf library and media service center and for renovation of the existing library after the new library is completed. The estimated future costs for working drawings, construction, and equipment are \$23 million. Based on the existing state space standards for community college libraries, the college's library has about 40 percent of the library space that the

standards indicate would be needed. The proposed new library project would include sufficient space to bring the college up to 100 percent of the library standard.

Most Libraries Are Below Standard. It should be noted that most community colleges have libraries that are below the state space standards. In a review done in 1995 of information submitted by all of the community college districts, we determined that 54 of the 71 community college districts reported that their library space was less than 90 percent of the state space standard, and 38 of these districts were below 70 percent of the standards.

Several new community college libraries have recently been completed to address such space deficiencies. These projects in general provided increased library space, but in several cases, the additional space did not bring the campuses to 100 percent of the library space standard. For three projects—a library addition at Fresno City College and new libraries at Pasadena City College and San Francisco City College—the new libraries resulted in the districts having, at most, two-thirds of the space allowed under the state standards. In our visits to these three campuses, library administrators indicated that, in general, their buildings provided sufficient space for books, student study areas, and other library operations.

Other 1997-98 Library Request Are Below Space Standard. In addition to these recently completed libraries, the budget proposes funding for several new community college libraries or library additions, including Citrus College, Imperial Valley College, the College of the Redwoods, and Mission College. Each of these campuses currently has a significant shortage of library space. Upon completion of the proposed projects, these campuses will have library space ranging from 57 percent of the space standard at Imperial Valley College to 80 percent of the standard at Mission College. In other words, colleges are not requesting all of the library space allowed under the state standards.

New Library Standards Will Be Needed. Technological advancements will change the space requirements for community college libraries. With increased opportunities to obtain information, such as via the Internet, student access to information will be less limited by time and location. Thus, students will be able to accomplish much of what they do in a community college library from other portions of the campus, from other libraries closer to their home, or from their home computer. There will, of course, always be a need for book stacks and reading/study areas in college libraries, but we believe that new space standards will have to be developed for community college libraries that take into account changing technology and changing patterns of student use.

Prior to the development of new space standards, we believe that new community college library projects should henceforth be built to about 70 percent of the current library space standards. Based on the experiences of the other campuses, this amount of space should be adequate to offer the appropriate services of a community college library for the foreseeable future. For San Diego City College, this would mean that the district would need a library space totaling 30,000 asf instead of the 43,000 asf proposed.

At this smaller size, other portions of the project (such as site development) also would be less costly. In addition, the district's proposal to renovate the old library building after the new library is completed (for computer laboratories and a tutoring center) does not need to be included as part of the new library proposal and instead should be considered for future funding after a new library is under construction.

For the reasons discussed above, we recommend that the Legislature not approve the \$632,000 proposed for this project. The district can justify additional library space, however, and a proposal for a smaller project would warrant legislative consideration. Delete \$632,000 under Item 6870-301-0658 (69).

Contra Costa Community College District, Diablo Valley College—Library Building Addition

We recommend deletion of \$421,000 for preliminary plans and working drawings for a library addition because the college has sufficient existing library space. (Delete \$421,000 under Item 6870-301-0658 [20]. Estimated future savings of \$6,342,000.)

The budget includes \$421,000 to prepare preliminary plans and working drawings to renovate 10,000 asf in the college's existing library and construct a 10,000 asf addition to the library. The estimated future cost for construction and equipment is \$4.8 million.

With its existing library, the campus has almost 90 percent of the space that would be needed based on the state space standards for community college libraries. As discussed in the previous issue regarding the proposed library for San Diego City College, we believe that new community college library projects should be based on providing about 70 percent of the current space standard, which the Diablo Valley College library already exceeds. We therefore recommend deletion of the \$421,000 proposed under Item 6870-301-0658 (20) for this project.

**San Luis Obispo Community College District,
Cuesta College—Art/Music/Laboratories Addition
And Learning Center/Classroom Building**

We recommend deletion of \$1.3 million for preliminary plans and working drawings for two projects because the state should not use limited bond funds to build additional facilities for a community college in order to accommodate students from other regions of the state. (Delete \$458,000 under Item 6870-301-0658 [72] and \$821,000 under Item 6870-301-0658 [73]. Estimated future savings are \$19.1 million.)

The budget proposes a total of \$1,279,000 to prepare preliminary plans and working drawings for two new buildings at Cuesta College. The projects are: (1) a 15,000 asf addition for art and music programs and (2) a 30,500 asf building for classrooms, computer laboratories, and tutoring services. The estimated future costs for construction and equipment totals \$19.1 million.

Based on the college's existing space inventory and projected enrollment growth, both of the projects would be justified. The district indicates, however, that one-half of its enrollment of 8,000 students comes from outside the district, with most coming from great distances throughout the state. Many of these students attend Cuesta College with the goal of transferring after two years to the nearby California State University campus in San Luis Obispo.

The policy question presented by these capital outlay proposals is whether the state should build facilities so a *community college* can in essence serve a statewide purpose. Most community colleges throughout the state currently have sufficient physical facilities to enroll additional students. The Legislature should consider, in this case, whether it is appropriate to build additional facilities at Cuesta in order to accommodate the location preferences of some community college students, most of whom could be accommodated at other campuses without the state incurring this cost to build more facilities. We believe this expenditure of \$20 million in limited state bond funds is neither appropriate nor necessary. We therefore recommend deletion of the amounts proposed for both projects. Delete \$458,000 under Item 6870-301-0658 (72) and \$821,000 under Item 6870-301-0658 (73).

**Sierra Community College District, Sierra College—
Student Services Center Secondary Effects**

We recommend deletion of \$599,000 a reduction of \$128,000, for preliminary plans and working drawings to renovate the existing campus library because the proposed remodeling costs exceed a reasonable level.

(Delete \$599,000 under Item 6870-301-0658 [81].) An alternative renovation project for about one-half the costs as proposed would warrant the Legislature's consideration.

The budget proposes \$599,000 to prepare preliminary plans and working drawings for a project to remodel 19,000 asf in the college's original library building and construct a 6,300 asf addition to the building. A new library has recently been completed and this renovation/addition project is to consolidate student services in the original library. The open floor space in the original library will be converted into individual offices for these college staff. A project to renovate the library may be meritorious, however, the amount proposed to be budgeted for renovation (\$141 per gross square foot of building area) is almost equal to the Chancellor's Office cost guidelines for a new office building. The district should be able to remodel the space for less cost than it has estimated. Otherwise, renovation of the building is not a cost-effective alternative.

We recommend deletion of the budget proposal for this too costly renovation. An alternative project that contained more reasonable renovation costs—about one-half of those in the budget proposal—would warrant the Legislature's consideration. Delete \$599,000 from Item 6870-301-0568 (81).

State Center Community College District, Madera County Education Center—On-Site Development and Phase One Facilities

We withhold recommendation on \$1.3 million for preliminary plans and working drawings pending clarification from the district on the estimated building cost and the need for over \$8 million in utility and site development work for the new off-campus center.

The budget includes \$1,278,000 to prepare preliminary plans and working drawings for initial development of a new off-campus center in Madera County. The estimated future costs for construction and equipment are \$15.8 million. The center is proposed to accommodate current and projected enrollment growth in the district—specifically in the northern part of the district between the cities of Fresno and Madera. The district has acquired property for the center and in the fall 1996 began providing instruction at the site in relocatable buildings. The project includes a permanent 17,000 asf building containing classrooms, laboratories, and offices for administration and faculty.

Based on the district's existing building space inventory and projected enrollment growth, state support for additional instructional facilities within the district is justified. Furthermore, the Fresno City College campus is fully developed and further expansion on that site does not appear

to be practical. Therefore, given the projected population growth in the northern part of the district, the development of a new campus center in that area is meritorious. We have the following two concerns with the district's proposal, however.

Building Costs. The estimated construction costs for the building are \$4.9 million. Based on the Chancellor's Office cost guidelines, building costs should be only about \$3.8 million, or \$1 million less than the district's estimate. In addition, the project includes \$221,000 for a central heating and cooling plant to serve this building and which could be expanded to serve future buildings at the center. It is not clear that this is a cost-effective expenditure at this time in lieu of providing a heating and cooling unit immediately adjacent to or within the building.

Site Development Costs. The estimated costs to develop the site, including providing utility service to the new building, are \$8.2 million. These are unusually high costs for the initial development of a small off-campus center. As a comparison, site development costs for the new center of the Sierra Community College District (in Grass Valley) were only about \$2.6 million. Moreover, the initial facilities for that center were 43,000 asf—more than twice as large as the initial facility proposed for Madera. The Madera proposal includes such costs as \$600,000 for 200,000 square feet (5 acres) of concrete walkways, \$188,000 for 2,400 linear feet of concrete block fence, \$186,000 for signage, and \$724,000 for landscaping. We do not believe that all of these costs are necessary at this time in order to provide a needed educational facility in the Madera area. We will meet with district officials prior to budget hearings in order to clarify the proposal for these and other site improvements. We therefore withhold recommendation on the budget request.

Child Care/Development Projects

We recommend deletion of \$1.9 million for preliminary plans for 22 projects because these projects are included in the budget in lieu of other higher priority community college projects. (Reduce Item 6870-301-0658 by \$1,962,000. Future savings of \$64.8 million.)

The budget proposes \$1,962,000 to prepare preliminary plans for child care/development centers at 22 community colleges. The estimated future cost of all 22 projects totals \$64.8 million. Most community colleges have child care centers that provide day care services for students, faculty, and staff. Students are generally given the first priority for placing their children in these centers while they are attending classes at the college. In addition to providing day care for children, many of these centers also are used for instructional programs in early childhood education and development. Students in these programs receive at least a

portion of their practical experience observing and caring for children at the campus center as part of their certification or degree requirements.

There are a variety of reasons why the 22 projects are proposed. In general, the campuses indicate the existing child care centers are too small to meet both students' demands for child care services and instructional programs. In addition, many indicate that their center is in a relocatable building (installed by the campus), and that they are in poor condition. We have the following concerns regarding these proposals.

Low Priority for Funding. To establish statewide funding priorities for district projects, the Chancellor's Office places projects within the three priority categories listed below:

- **Category A.** Projects to activate existing space. This includes health and safety projects, equipment for previously funded projects, and infrastructure replacements and alterations to avoid failure or loss.
- **Category B.** Projects to construct new space or remodel existing space for instruction and for academic and administrative support facilities.
- **Category C.** Projects considered by the Chancellor's Office to be needed under a "complete campus" concept, which includes facilities such as physical education buildings, performing arts theaters, and child care centers.

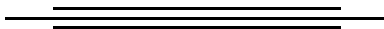
Child care centers are included in the lowest priority category. In preparing a list of projects for inclusion in the Governor's budget, however, the Chancellor's Office allocates 20 percent of its request for new projects to low priority category C projects. This action has resulted in 22 projects for child care centers appearing in the budget in place of projects that are considered higher priority on a statewide basis. It is our understanding that the Chancellor's Office has taken this action in the belief that the lower priority projects would otherwise not be funded. While this may be the case, we believe that this is the purpose of establishing priorities—that is, to assure that limited funds are spent on the highest priority needs. The Chancellor's Office approach does just the opposite by proposing to use limited funds for low priority projects in lieu of higher priority projects. Therefore we recommend the Legislature delete \$1.9 million for preliminary plans for these 22 projects. (Reduce Item 6870-301-0658 by \$1,962,000. Future savings of \$64.8 million.)

We note that the Governor's budget proposed \$6 million from current-year Proposition 98 monies for community college child care facilities. These monies would be used to establish a revolving loan fund administered by the Chancellor's Office. Funds loaned to a district for facilities

would be repaid by campus-based child care providers, with repayments deposited into the revolving fund to finance future campus expansions and improvements of child care facilities.

Other Issues. Even if there were sufficient funds available to fund child care projects that were appropriately placed in priority order, these projects would present other issues as outlined below:

- **State Funded Facilities.** While the state is asked to fund facilities for providing child care at the community colleges, the other two segments of higher education develop their own facilities without state funds. The Legislature should consider whether there are unique circumstances for community colleges that would justify state funding for these facilities in lieu of district funding.
- **On-Site Training Versus Off-Site Training.** We believe that the Legislature should consider whether on-campus training of child care providers, in facilities funded by the state, is cost effective. An alternative, which is currently used to some extent by several districts, is to send students to day care centers in the community to meet their practical training requirements. This method is similar to that used in preparing student teachers for K-12 instruction.



DEPARTMENT OF FOOD AND AGRICULTURE (8570)

The budget includes \$1,059,000 from the General Fund for the Department of Food and Agriculture (DFA) capital outlay program. The total includes: (1) \$589,000 to acquire land and develop construction documents for a new border inspection station at Truckee in Placer County (\$485,000) and (2) \$470,000 for three minor projects.

Truckee Inspection Station Replacement

We recommend that the Legislature not approve the \$589,000 request from the General Fund to design a new border inspection station at Truckee until the Department of Food Agriculture submits to the Legislature its evaluation of the costs and effects of remaining at the existing station versus building a new station at a nearby location.

The budget proposes \$589,000 for acquisition (\$259,000), preliminary plans (\$130,000), and working drawings (\$200,000) for a new border inspection station at Truckee. The estimated future construction cost is \$4.9 million.

Last year, the DFA indicated that the new station is needed because:

- The existing station (built in 1960) is 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 Legislature, in lieu of appropriating money last year for preliminary plans and working drawings, appropriated \$100,000 to the DFA for a study to determine the costs and impacts of either (1) building a replacement inspection station in proximity to an existing California Highway Patrol weigh station (the DFA's proposed course of action) and (2) the costs of repairing the exist-

ing inspection station. The study is due to the Legislature by March 1, 1997. Thus, at this time, we recommend that the Legislature not approve the \$589,000 request associated with relocating the Truckee Border Agricultural Inspection Station, pending receipt of the required study. When the study is available, we will review it and make recommendations to the Legislature.

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 127 armories and 38 maintenance operations throughout the state. These facilities total about 2.5 million square feet of building space. About 70 percent of this space was built before 1960.

The department's proposed capital outlay program for 1997-98 totals \$26.4 million—\$14 million from the General Fund and \$12.4 million from federal funds. This amount would fund six major projects (\$19.6 million), minor projects (\$1.9 million), a facilities master plan (\$0.5 million), and planning, design, supervision, and construction costs for projects in which construction is fully funded by the federal government (\$4.4 million).

Los Angeles Armory

We recommend deletion of \$5.6 million from the General Fund and \$6.9 million in federal funds to construct a new armory because the project is far behind schedule and the Legislature does not have adequate information on the project scope and cost. Delete \$5,569,000 from Item 8940-301-0001 (6) and \$6,946,000 from Item 8940-301-0890 (3).

The budget proposes \$12.5 million to construct an 86,000 gross square foot armory in the Los Angeles area. In the *1995-96 Budget Act*, the Legislature provided \$1 million from the General Fund and \$147,000 in federal funds to (1) select a suitable site and (2) prepare preliminary plans. In the *1996-97 Budget Act*, the Legislature appropriated \$5.8 million from the General Fund and \$140,000 from federal funds to acquire land and prepare working drawings.

Project Behind Schedule. At the time this analysis was written, the state had been unsuccessful in obtaining a site for the armory. Four separate acquisitions that the state expressed interested in purchasing did not

materialize for various reasons. A project architect has been selected, but the first stages of project development—the environmental impact reviews and the preliminary plans—cannot begin until a site is secured. Thus, there is currently no established time frame for completing the preliminary plans and working drawings.

The Legislature will not have any more information on the project scope and cost than was available during budget hearings in 1995 and 1996. We therefore recommend that the Legislature delete funding for construction in 1997-98 and consider the merits of funding construction for 1998-99 after a site has been acquired and preliminary plans have been completed. Delete \$5,569,000 from Item 8940-301-0001 (6) and \$6,946,000 from Item 8940-301-0890 (3).

Building Systems Renovation

We recommend approval of \$3,851,000, a reduction of \$127,000, to renovate and upgrade eight armories because the proposal includes the replacement of a roof at one armory that is being replaced in the current year. We also recommend budget bill language to identify each project and its estimated cost in order to provide better legislative oversight.

The budget proposes almost \$4 million—\$1,989,000 each from the General Fund and from federal funds—for projects to renovate eight armories throughout the state. The projects are intended to address existing deficiencies in plumbing, electrical, heating, and air conditioning systems in the armories. Roofs are also scheduled for replacement at four of the armories. The eight armories are 42 to 48 years old and the estimated project costs range from \$305,000 to \$775,000.

We believe that the proposals are meritorious, but note that the project at Petaluma includes replacement of the armory roof. Recent information from the department indicates that the roof is being replaced in the current year, however, so this cost (estimated at \$127,000) can be reduced from the budget amount.

In addition, we are concerned that, unlike most major capital outlay projects, these eight projects are proposed to be funded in two lump sum appropriations from the General Fund and from federal funds. For purposes of legislative oversight, we believe that the budget should identify the eight projects and the amount to be provided by funding source, for each armory. We therefore recommend the Legislature schedule the projects under both Item 8940-301-0001 and Item 8940-301-0890, as shown below (the amount shown for the Petaluma armory project reflects the \$127,000 reduction).

Schedule:

Bakersfield armory	\$164,000
Burbank armory	292,500
El Cajon armory	152,500
Inglewood armory	387,500
Manhattan Beach armory	239,000
Ontario armory	292,500
Petaluma armory	105,000
San Diego armory	292,500

Security Lighting Projects

We recommend approval of \$2,803,000, a reduction of \$2,201,000 from the General Fund, for projects to add security lighting at several armories because the amounts proposed to prepare preliminary plans and working drawings are overbudgeted. (Reduce Item 8940-301-0001 by \$2,201,000.)

In response to increased incidents of vandalism and theft at the state's armories, the budget includes \$5 million from the General Fund for projects to add outdoor lighting at 24 armories throughout the state. The projects involve installation of high pressure sodium security lights with motion detectors at outdoor areas where vehicles and equipment are stored. The 24 lighting projects consist of minor capital outlay projects (each installation costs less than \$250,000) at 20 armories, and four major capital outlay projects (each project exceeds \$250,000) at the following armories: San Diego (\$1,653,000), Stockton (\$288,000), and two armories in Long Beach (\$503,000 and \$643,000 respectively). In the future, the department plans to submit budget requests totaling \$6.9 million to install lighting at 79 additional armories.

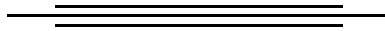
Projects Overbudgeted. While the projects are meritorious, the amount estimated by the department to prepare preliminary plans and working drawings is equal to the cost of construction. This percentage is significantly greater than usual for capital outlay projects. The proposed project involves relatively simple design efforts and the cost of these services should not exceed 12 percent of the construction cost. We therefore recommend that the Legislature reduce each project to provide a more reasonable amount for design costs. This would result in a total reduction of \$2,201,000, as summarized in Figure 20.

Figure 20

**Military Department
Item 8940-301-0001
Security Lighting Projects**

(In Thousands)

Project	Budget Bill Amount	Analyst's Recommendation	Reduction
Long Beach—Redondo	\$503	\$282	\$221
San Diego	1,653	926	727
Long Beach—Stearns	643	360	283
Stockton	288	161	127
Statewide—minor capital outlay	1,917	1,074	843
Totals	\$5,004	\$2,803	\$2,201



CONTROL SECTION 2.00

We recommend the Legislature amend Control Section 2.00 to make reappropriations of construction funding for capital outlay projects consistent with their original appropriation terms.

Background

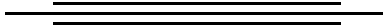
Control Section 2.00 of the budget bill specifies the time periods for which appropriations are available for expenditure. Paragraph (a) of this control section specifies that, in general, appropriations must be spent within the fiscal year. Paragraph (b) of the control section pertains only to the availability of appropriations for capital outlay projects as outlined below:

- Appropriations and reappropriations for minor capital outlay projects (those costing \$250,000 or less), for studies, and for the preliminary plan and working drawings phases of major capital outlay projects are available for expenditure for only one year.
- Appropriations *and reappropriations* for the construction phase of major capital outlay projects are available for three fiscal years. The budget language places an additional condition on construction appropriations: within the first year of the three-year period, the project must receive approval by the Department of Finance to proceed to bid for purposes of awarding a construction contract. If the project does not proceed to the bidding stage within the first fiscal year, then the construction funding reverts and is no longer available for expenditure. The intent behind this language is that projects not proceeding to bid should be reviewed by the Legislature *each year*. As currently written, however, the language allows *reappropriations* of construction funds that have not gone to bid within a year to be available for *three years*.

In general, the time frames provided under Control Section 2.00 are necessary and reasonable. We would, however, recommend a minor modification in the language to address the inconsistency noted above. The following amended language would ensure that *all* projects not

proceeding as scheduled by the administration are reviewed annually.

Appropriations and reappropriations for capital outlay, unless otherwise provided herein, shall be available for expenditure during the 1997-98, 1998-99, and 1999-00 fiscal years, except that appropriations and reappropriations for studies, preliminary plans, working drawings, and minor capital outlay, except as provided herein, shall be available for expenditure only during the 1997-98 fiscal year. In addition, the balance of every appropriation *or reappropriation* made in this act which contains funding for construction that has not been allocated, through fund transfer or approval to proceed to bid, by the Department of Finance on or before June 30, 1998, except as provided herein, shall revert as of that date to the fund from which the appropriation was made.



FINDINGS AND RECOMMENDATIONS

Capital Outlay

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Crosscutting Issues

- 1. Financing Future Capital Outlay Costs.** Recommend the Legislature not approve any capital outlay project unless there is a specific plan for funding the future completion cost. Also recommend the Legislature consider placing an appropriately sized “State Facilities Bond Act” on the June 1998 ballot, because this mechanism would provide the Legislature with flexibility to address the facilities needs of any state agency on a priority basis.

H-15
 - 2. Funding Higher Education Capital Outlay.** The administration is proposing a capital outlay program for higher education—which when combined with all previously approved projects—will cost almost \$1.4 billion to complete. This is \$850 million more than available funds from authorized general obligation bonds. The administration has presented no plan to fund this shortfall. In order to maximize the use of limited capital outlay funds, we believe a new approach is needed. Specifically, we believe that the Legislature should begin budgeting higher education capital outlay so that projects can be initiated and completed within identified fund sources. Based on this strategy, we recommend funding of specific projects and deferral of other, mostly new, projects until the state has a multiyear capital outlay plan identifying the state’s highest priority needs and financing strategies to complete them. Based on such a plan, a June 1998 bond measure could be appropriately sized to fund high priority projects in the 1998-99 budget.

H-19
 - 3. Capital Outlay Budgeting.** Recommend that for new major capital outlay projects (those that have no previous appropriations), the Legislature only appropriate monies for preliminary

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plans so that (1) future legislative funding decisions can be based on accurate scope and cost information and (2) the Legislature can maintain appropriate authority over decisions regarding changes to approved scope and cost.

4. **Federal Crime Bill Grants. Legislature Should Appropriate Only Amounts Needed in 1997-98.** Recommend that the Legislature appropriate federal grant funds on an annual basis in order to retain legislative oversight of these expenditures. Depending on the level of future appropriations by the Congress, the state could receive several hundred million dollars over a five-year period to build or modify correctional facilities for purposes of housing violent offenders. The Governor has proposed a plan for allocating *all* federal funds that the administration expects California to receive. These federal funds can be used for a variety of purposes and the Legislature should assess the priorities for using these funds and appropriate the amounts needed each year. H-32

Office of Emergency Services

5. **Headquarters and State Operations Center.** Recommend deletion of \$22.8 million for construction of the headquarters facility because the project is behind schedule and the Legislature does not have adequate information on the project scope and cost. (Delete \$22,818,000 under Item 0690-301-0660.) H-41

Department of Justice

6. **Crime Laboratory Replacement Projects.** Recommend deletion of \$21.7 million for four crime laboratory projects because the Department of Justice (DOJ) should be reimbursed by user agencies for the costs of these services and it is not clear that new laboratories would be needed if users paid for the department's services. Delete \$3,231,000 under Item 0820-301-0001 and \$18,435,000 under Item 0820-301-0660. H-43
7. **Status of Capital Outlay Proposals.** If the Legislature decides that the state should continue providing the DOJ laboratory services for free, the Legislature should not approve the proposed projects until the department provides information justifying the scope and cost of each laboratory. H-46
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Department of General Services

8. **Seismic Structural Retrofit Projects.** Withhold recommendation on the \$47.3 million to structurally strengthen 14 state buildings pending completion of preliminary plans and review of refined scope and cost estimates for each project. The Legislature will also face several other issues regarding the earthquake safety bond program. H-47
9. **Office Alteration Project.** Recommend approval of \$663,000, a reduction of \$337,000 from the Service Revolving Fund, for an office renovation because a future building tenant should finance the cost of installing any modular workstations that are needed for its operations. We also recommend that the department seek to house an appropriate tenant that is currently occupying leased rather than state-owned space. (Reduce Item 1760-301-0666 by \$337,000.) H-49
10. **Reappropriation of Funds for Local Assistance.** Recommend deletion of Item 1760-491 to reappropriate funding for all local government seismic projects because the bond funds should no longer be available for projects that have not proceeded on schedule. The Division of the State Architect should instead prepare a list of projects to fund in 1997-98 with the balance of bond funds still available. H-50

Department of Transportation

11. **District 11 Office Building Seismic Retrofit.** Recommend that the Legislature reduce Item 2660-301-0042 (2) for seismic retrofit of the Caltrans District 11 Office Building, San Diego, by \$321,000 to provide seismic improvements only, rather than completely remodel the building, consistent with legislative action for other state buildings. (Reduce Item 2660-301-0042 by \$321,000, future savings of \$11,536,000.) H-52
12. **Sacramento Regional Transportation Center.** Recommend that the Legislature add language to Item 2660-301-0042 specifically prohibiting Caltrans from funding the planning and construction of Caltrans transportation management buildings or other office buildings under the Caltrans lump-sum appropriation for highway construction because these facilities should be H-53

part of the Caltrans office building program reviewed by the Legislature.

Department of the California Highway Patrol

13. **El Cajon Area Office.** Recommend that the Legislature delete the \$400,000 request to acquire land and develop design documents in preparation for remodeling and expanding the area office because there is no apparent need to spend over \$1.1 million for this purpose. (Delete \$400,000 under Item 2720-301-0044, future savings of \$717,000.) H-55
14. **Equipment for Sacramento Regional Transportation Center.** Recommend that the Legislature delete \$1,565,000 requested to purchase equipment for a Regional Transportation Management Center in Sacramento because the building, which the California Department of Transportation plans to construct, has not been authorized by the Legislature, and the California Highway Patrol has not substantiated the need for an augmentation to purchase equipment. (Delete \$1,565,000 from Item 2720-301-0044.) H-56

Department of Motor Vehicles

15. **Office Reconstruction—Oakland/Claremont.** Recommend approval of \$5.5 million from the Motor Vehicle Account for construction contingent on completion of preliminary plans that are consistent with the scope and cost as previously approved. H-57

Department of Forestry and Fire Protection

16. **Statewide Telecommunication Towers and Vaults Augmentation Request.** Recommend that the Legislature delete \$12,360,000 for construction of 11 telecommunications towers and vaults because this work was included in a \$10 million appropriation in the *1995-96 Budget Act* and the department has not provided any information that would substantiate the need for a 124 percent augmentation for this work. (Delete \$12,360,000 from Item 3540-301-0660.) H-58
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Department of Fish and Game

17. **Fish Springs Hatchery Water Well Augmentation Request.** H-60
Recommend that the Legislature delete \$358,000 from the Fish and Game Preservation Fund because the Department of Fish and Game (DFG) has not justified the need to provide additional funds. (Delete \$358,000 from Item 6600-301-0200.)
18. **Volcano Creek Golden Trout—Schaeffer Barrier.** H-61
Recommend that the Legislature delete \$499,000 to construct a dam at the Schaeffer Barrier site on the Kern River because the DFG has neither demonstrated how this project is qualified for funding under the Environmental Enhancement and Mitigation Demonstration Program nor provided any basis for the estimated project costs. (Delete \$499,000 under Item 3600-301-0200.)

Department of Boating and Waterways

19. **Dock Sewage Facilities—Local Assistance.** H-62
Recommend deletion of \$1,267,000 (federal funds) because the department has not provided any information to support expenditures of these funds. (Reduce Item 3680-101-0890 by \$1,267,000.)
20. **Silver Strand State Beach—Capital Outlay, Crown Cove Boating Safety and Instruction Center.** H-63
Recommend that the Legislature delete \$106,000 for working drawings for the Crown Cove Boating Instruction and Safety Center because the department has not justified either the need for the state to fund this project or the need to spend \$1.6 million for new facilities. (Reduce Item 3680-301-0516 by \$106,000.)

Department of Parks and Recreation

21. **San Elijo State Beach, Campground Rehabilitation.** H-64
Recommend that the Legislature reduce the \$3,517,000 request for working drawings and construction for a project to rehabilitate the San Elijo State Beach by \$980,000 because this request represents a 39 percent augmentation to the project previously approved by the Legislature and the administration has not substantiated the higher cost. (Delete \$980,000 from Item 3790-301-0001.)

	Analysis Page
22. Schedule Projects Rather Than Lump-Sum Appropriation. Recommend that the Legislature delete the proposed lump-sum “reimbursement” amount of \$10 million under Item 3790-301-0001 and establish new items to schedule any individual project the Legislature approves for funding using the amounts available from the Department of Transportation. Further, recommend deletion of budget language that allows the department to borrow funds from the State Parks and Recreation Fund to advance cash for authorized “reimbursement-funded” projects. (Delete \$10 million under Item 3790-301-0001.)	H-65
23. Anza Borrego Desert State Park Resource Inventory, Phase 6. Recommend that the Legislature delete the \$350,000 requested for phase 6 of the Anza Borrego Desert State Park Resource Inventory because the department should complete the prior phases of this inventory, document the results, and evaluate whether or not additional work is necessary. (Delete \$335,000 from Item 3790-301-0140.)	H-66
24. River Parkway Program. Recommend that the Legislature delete \$4,000,000 from Item 3790-301-0545 due to a complete lack of information on which to evaluate the merits of the proposed capital outlay projects themselves. (Delete \$4,000,000 from Item 3790-301-0545.)	H-66
25. Federal Trust Fund, Acquisition and Construction. Recommend that the Legislature add language to Item 3790-301-0890 stipulating that expenditure of the federal funds under this item are subject to a receipt of matching funds from nonstate sources. Further, recommend that the Legislature restrict the use of these funds to property acquisitions by deleting the words “and construction” under schedule (1).	H-67
26. Department Reappropriations. Recommend that the Legislature delete all reappropriations requested under Item 3790-490 for those projects that were originally funded in 1994-95 or before. The DPR should then reevaluate these projects in the context of the its entire capital outlay program and priorities, and include any priority projects in future budget requests.	H-69

Analysis
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Department of Health Services

27. **Richmond Laboratory Phase II.** Withhold recommendation of \$4.5 million from the General Fund for working drawings pending (1) completion of preliminary plans that are consistent with the scope and cost as previously approved by the Legislature and (2) identification of a future funding source for construction and associated cost implications. H-71

Department of Mental Health

28. **Napa State Hospital—Fencing Project Should Be Expedited.** Recommend (1) reducing the scope of a new perimeter fence to eliminate 11 guard houses and (2) providing construction funds because this revised project should be ready for construction in the budget year. (Increase Item 4440-301-0001 [3] by \$142,000 and create a new Item 4440-301-0890 for \$5,518,000.) H-72

Department of Corrections

29. **New Prison Proposals.** Given that the actual inmate population continues to be lower than the Department of Corrections' (CDC's) projections, we withhold recommendation on funding for planning and design of new prisons pending review of the CDC's spring 1997 inmate population projections and an analysis of the need for new state prisons based on those projections. Recommend deletion of \$224.9 million in federal funds and deletion of budget bill language authorizing lease-payment bonds for the construction of the Delano II prison because construction monies will not be needed in the budget year. (Delete Items 5240-301-0890 and 5240-401.) H-75
30. **Mental Health System Projects.** Withhold recommendation on \$4.6 million for projects related to delivery of mental health services, pending (1) clarification from the department on the scope of these projects and (2) a determination of whether less costly measures should be taken until the current delivery systems have been fully implemented and evaluated. Recommend that, as with other major capital outlay projects, these projects should be scheduled individually in the *1997-98 Budget Bill*. H-77
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| 31. Correctional Treatment Centers. Recommend that, consistent with state budgeting practice, these major capital outlay projects be scheduled individually for each institution under Items 5240-301-0001 and 5240-301-0660. | H-80 |
| 32. Disability Placement Plan Projects. Recommend a reduction of \$69,000 under Item 5240-301-0001 (2) and \$5,439,000 under Item 5240-301-0001 (17) for modification of correctional institutions to provide access for disabled inmates because (1) disabled inmates should bypass the reception center process and be sent directly to an institution and (2) disabled inmates classified for Level II security should be sent to California State Prison at Corcoran II or to community correctional facilities. Withhold recommendation on the remaining \$28,000 in Item 5240-301-0001 (2) and \$2,420,000 in Item 5240-301-0001 (17) pending further review with the department on the merits of the specific modifications proposed at the other institutions. | H-80 |
| 33. California Institution for Men, Perchloroethene Cleanup. Withhold recommendation on \$182,000 to clean up contaminated groundwater and soil, pending completion of a previously funded study to determine a cleanup plan. | H-83 |

Department of the Youth Authority

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| 34. Projects for Additional Institution Capacity. Recommend deletion of \$2.6 million from the General Fund and \$23.4 million in federal funds for projects to increase institution capacity by 300 beds because (1) based on the Youth Authority projections, ward population will remain relatively stable in the short-term; and (2) these projections may be overstated. (Delete \$23,391,000 from Item 5460-301-0890 and \$2,599,000 from the Item 5460-302-0001.) | H-85 |
| 35. Statewide Personal Alarm Systems. Recommend deletion of \$990,000 from the General Fund to install personal alarm systems at all institutions pending completion and evaluation of a new alarm system to be installed at the Southern Reception Center and Clinic. (Delete \$990,000 from Item 5460-301-0001 [3].) | H-86 |
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| 36. Security Fencing. Recommend deletion of \$2.4 million from the General Fund to install a second perimeter security fence at three institutions because the department has not demonstrated the need for these fences. (Delete \$575,000 from Item 5460-301-0001 [3] and \$1,800,000 from Item 5460-301-0001 [14]. Future savings of \$4.4 million.) | H-87 |
| 37. Nelles School—Sewer Line Replacement. Recommend deletion of \$234,000 from the General Fund to replace a sewer system because the project scope greatly exceeds the recommendations of an engineering study for system improvements. (Delete \$234,000 from Item 5460-301-0001 [7]. Future savings of \$1.6 million.) | H-88 |
| 38. Ventura School—Free Venture Corridor. Recommend deletion of \$325,000 from the General Fund for new free venture work space because the project includes significant site development costs associated with future expansions of the Free Venture program. A revised proposal that conformed to current program expansion would merit the Legislature's consideration. (Delete \$325,000 from Item 5460-301-0001 [10].) | H-89 |

University of California

Previously Approved Projects

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| 39. San Diego—York Hall Improvements. Recommend that the Legislature reduce the requested amount for construction by \$900,000, because this amount represents a nearly 20 percent augmentation to the construction cost authorized by the Legislature in 1996-97 and the University of California (UC) has not justified the cost increases. (Reduce \$900,000 Item 6440-301-0658 [20] by \$900,000.) | H-92 |
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New Projects

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| 40. UC Davis—Walker Hall Seismic Replacement Facility. Recommend that the Legislature delete the request for \$10,784,000 for working drawings and construction for a building to replace Walker Hall on the Davis campus because of the high costs of the replacement building and questionable justification for the need to replace the facility. (Delete \$10,784,000 from Item 6640-301-0658 [4].) | H-93 |
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	Analysis Page
41. San Francisco—UC Hall Seismic Replacement, Phase I. Recommend that the Legislature delete \$299,000 for preliminary plans for an initial phase to replace UC Hall on the San Francisco campus because the project (estimated future state cost of \$7.9 million) will not replace this building and UC has not developed a firm plan and associated costs to replace and demolish the structure. (Delete \$299,000 from Item 6640-301-0658 [23].)	H-94
42. Santa Cruz—Mt. Hamilton Infrastructure Improvements. Recommend that the Legislature delete the \$2,654,000 requested for working drawings and construction infrastructure improvements at the Lick Observatory facilities on Mt. Hamilton because the proposed construction work should be funded through the UC support budget. (Reduce Item 6440-301-0658 [27] by \$2,654,000.)	H-96
43. Santa Cruz—Applied Sciences Building Alterations, Phase I. Recommend the Legislature delete \$2,115,000 requested for working drawings and construction to alter the Applied Sciences Building because UC has not substantiated the need to spend over \$2 million to alter this space. (Reduce Item 6640-301-0658 [28] by \$2,115,000.)	H-97
44. UC Los Angeles (UCLA) Center for Health Sciences, Earthquake Reconstruction. Recommend that the Legislature delete the \$21,637,000 requested to partially finance a project to replace approximately 2.3 million gross square feet of the UCLA Center for Health Sciences because the UC has not provided the Legislature with detail on project cost and scope, what will be done with the existing space after the replacement, or why UC needs additional state funds for this purpose. (Delete \$21,637,000 from Item 6640-302-0658.)	H-98
45. Legislature Should Not Fund Projects Started by UC. Recommend that the Legislature not fund projects for which the UC has financed design documents for capital outlay projects that have not previously been presented to, and approved by, the Legislature.	H-99

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Hastings College of the Law

46. **198 McAllister Street Building Renovation.** Recommend approval of \$8.3 million from the Higher Education Capital Outlay Bond Fund of 1996 for construction contingent on completion of preliminary plans that are consistent with the scope and cost as previously approved. H-101

California State University

Previously Approved Projects

47. **Fresno—McLane Hall Renovation.** Recommend that the Legislature delete \$862,000 for the telecommunications portion of this project due to the high cost of the infrastructure inside the building and the lack of campuswide infrastructure. We recommend that the Legislature fund the remaining portion of the renovation project contingent on completion of preliminary plans. (Reduce Item 6610-301-0658.[6] by \$862,000.) H-103
48. **San Bernardino—Corporate Yard/Administrative Services Addition/Renovation.** Recommend that the Legislature delete \$614,000 added to this project for new telecommunications and building safety code related alterations because the California State University (CSU) has provided no justification for these elements of the proposal. (Reduce Item 6610-301-0658 [19] by \$614,000.) H-104
49. **San Jose—Central Plant, Telecommunications, and Distribution Systems Upgrade.** Recommend that the Legislature delete \$10,510,000 for the telecommunications portion of this project because CSU has decided to finance telecommunications infrastructure projects through means other than capital outlay, and therefore we see no reason to fund the San Jose project using limited general obligation bond funds. (Reduce Item 6610-301-0658 [26] by \$10,510,000.) H-104

New Projects

50. **Fresno—Infrastructure Improvements.** Recommend deletion of the \$271,000 requested for preliminary plans and working drawings to make improvements to the storm drainage system H-105
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and to convert the campus heating distribution system from steam to hot water because neither of these components has been justified by CSU. (Delete \$271,000 from Item 6610-301-0658 [7]. Future savings of \$3,878,000.)

- 51. **Pomona—Engineering Labs Replacement.** Recommend that the Legislature delete \$23,494,000 for construction of a new laboratory facility for the College of Engineering because this project has not been reviewed previously by the Legislature and the project does not warrant the expenditure of over \$20 million of limited general obligation bond funds. (Delete \$23,494,000 from Item 6610-301-0658 [17].)

H-105
- 52. **San Francisco—Hensill Hall Renovation.** Recommend the Legislature delete \$1,032,000 for preliminary plans and working drawings to renovate Hensill Hall on the San Francisco campus because CSU has not demonstrated the need to spend over \$20 million to renovate this building. (Reduce Item 6610-301-0658 [25] by \$1,032,000.)

H-106
- 53. **CSU Stanislaus—Stockton Regional Center Initial Renovation.** Recommend that the Legislature delete \$2.5 million for renovation of a building and site improvements at the CSU Stanislaus Regional Center because the need for improvements has not been justified and any major improvements at this center should be funded with revenue from leasing of existing buildings, which is expected to total up to \$2.8 million annually. (Reduce Item 6610-301-0658 [32] by \$25 million.)

H-108

California Community Colleges

- 54. **Previously Funded Projects.** Recommend approval of \$75.1 million for 16 projects, contingent on completion of preliminary plans that are consistent with the scope and cost as previously approved by the Legislature.

H-112
 - 55. **Citrus Community College District (CCD), Citrus College—Library Addition.** Recommend approval of \$478,000, a reduction of \$30,000, for preliminary plans and working drawings for a library addition because the budget for construction includes (1) building construction costs in excess of cost guidelines, (2) excessive costs for site development, and (3) unneces-

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| sary costs for temporary library space. (Reduce Item 6870-301-0658 [11] by \$30,000. Estimated future savings of \$670,000.) | |
| 56. Desert CCD, College of the Desert—Math/Social Science Buildings. Withhold recommendation on \$427,000 for preliminary plans and working drawings to construct two buildings pending clarification (1) on the building costs and (2) the need for a central power plant to serve the buildings and for extensive site development around the buildings. | H-114 |
| 57. Fremont-Newark CCD, Ohlone College—Instructional Computing Laboratory. Recommend deletion of \$850,000 for preliminary plans and working drawings for a new instructional building because the district has classroom space in excess of state standards that could be converted to computer laboratories. (Delete \$850,000 from Item 6870-301-0658 [27].) | H-115 |
| 58. Los Rios CCD, Folsom Lake College—On-Site Development and Instructional Facilities Phase 1A. Recommend deletion of \$3.4 million for preliminary plans and working drawings to develop a new campus because the district should instead evaluate how it can use its existing space inventory more effectively in lieu of building a new campus. (Delete \$2,228,000 under Item 6870-301-0658 [48] and \$1,193,000 under Item 6870-301-0658 [49]. Estimated future savings of \$23.8 million.) | H-116 |
| 59. Chabot-Las Positas CCD, Las Positas College—Math/Design Building Renovation/Addition. Recommend deletion of \$211,000 for preliminary plans and working drawings for a building addition and renovation because the district has excess lecture and laboratory space. (Delete \$211,000 under Item 6870-301-0658 [7]. Estimated future savings of \$2.9 million.) | H-117 |
| 60. Imperial CCD, Imperial Valley College—Library Addition. Recommend approval of \$1,167,000, a reduction of \$278,000, to construct a library addition because the building costs are overbudgeted. (Reduce Item 6870-301-0658 [34] by \$278,000.) | H-118 |
| 61. San Diego CCD, San Diego City College—Learning Resources Center. Recommend deletion of \$632,000 for preliminary plans for a new library, because (1) based on the scope of recently completed library projects at other community colleges, the district can build a smaller library and (2) the pro- | H-118 |

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<p>posal includes renovation of the existing library, which should be considered for state funding in the future based on statewide priorities at the time. A proposal for a smaller library and without the proposed renovations would warrant the Legislature's consideration. (Delete \$632,000 under Item 6870-301-0658 [69].)</p>	
<p>62. Contra Costa CCD, Diablo Valley College—Library Building Addition. Recommend deletion of \$421,000 for preliminary plans and working drawings for a library addition because the college has sufficient existing library space. (Delete \$421,000 under Item 6870-301-0658 [20]). Estimated future savings of \$6,342,000.)</p>	H-120
<p>63. San Luis Obispo CCD, Cuesta College—Art/Music/Laboratories Addition and Learning Center/Classroom Building. Recommend deletion of \$1.3 million for preliminary plans and working drawings for two projects because the state should not use limited bond funds to build additional facilities for a community college in order to accommodate students from other regions of the state. (Delete \$458,000 under Item 6870-301-0658 [72] and \$821,000 under Item 6870-301-0658 [73]. Estimated future savings are \$19.1 million.)</p>	H-121
<p>64. Sierra CCD, Sierra College—Student Services Center Secondary Effects. Recommend approval of \$471,000, a reduction of \$128,000, for preliminary plans and working drawings to renovate the existing campus library because the proposed remodeling costs exceed a reasonable level (Reduce Item 6870-301-0658 [81] by \$128,000. Estimated future savings of \$1.5 million.)</p>	H-121
<p>65. State Center CCD, Madera County Education Center—On-Site Development and Phase One Facilities. Withhold recommendation on \$1.3 million for preliminary plans and working drawings pending clarification from the district on the estimated building cost and the need for over \$8 million in utility and site development work for the new off-campus center.</p>	H-122
<p>66. Child Care/Development Projects. Recommend deletion of \$1.9 million for preliminary plans for 22 projects because these projects are included in the budget in lieu of other higher priority community college projects. (Reduce Item 6870-301-0658 by \$1,962,000. Future savings of \$64.8 million.)</p>	H-123

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Department of Food and Agriculture

67. **Truckee Inspection Station Replacement.** Recommend that the Legislature not approve the \$589,000 request from the General Fund to design a new border inspection station at Truckee until the department submits to the Legislature its evaluation of the costs and effects of remaining at the existing station versus building a new station at a nearby location. H-126

Military Department

68. **Los Angeles Armory.** Recommend deletion of \$5.6 million from the General Fund and \$6.9 million in federal funds to construct a new armory because the project is far behind schedule and the Legislature does not have adequate information on the project scope and cost. Delete \$5,569,000 from Item 8940-301-0001 (6) and \$6,946,000 from Item 8940-301-0890 (3). H-128
69. **Building Systems Restoration.** Recommend approval of \$3,851,000, a reduction of \$127,000, to renovate and upgrade eight armories because the proposal includes the replacement of a roof at one armory that is being replaced in the current year. We also recommend budget bill language to identify each project and its estimated cost in order to provide better legislative oversight. H-129
70. **Security Lighting Projects.** Recommend approval of \$2,803,000, a total reduction of \$2,201,000 from the General Fund, for projects to add security lighting at several armories because the amounts proposed to prepare preliminary plans and working drawings are overbudgeted. (Reduce Item 8940-301-0001 by \$2,201,000.) H-130

Control Section 2.00

71. **Amend Budget Bill Language.** Recommend amending Control Section 2.00 to make reappropriations of construction funding for capital outlay projects available for one year instead of three years because the administration should have to justify delays in construction projects on an annual basis. H-132

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