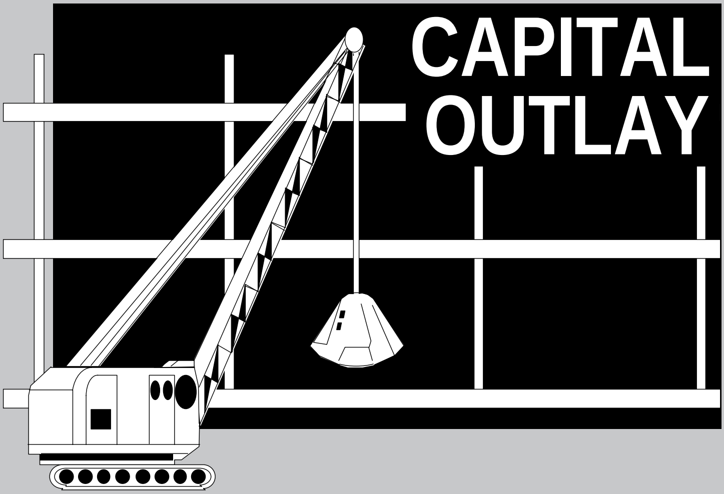
CAPITAL OUTLAY



LAO

60 YEARS OF SERVICE

2003-04 Analysis

Major Issues

Capital Outlay

☑ **Funding Higher Education Capital Outlay**

- As in previous years, we recommend the Legislature provide funding for higher education capital outlay based on statewide priorities and criteria, using reasonable construction cost guidelines and based on year-round operations (see page G-42).
- Utilization of space at the University of California (UC) and the California State University (CSU) is less than current standards. Improved utilization would allow the segments to accommodate enrollment growth at far less a cost for new facilities (see page G-85 and G-93).
- Existing UC research space exceeds both legislative standards and the proportion of research space at comparable research institutions. As a result, we recommend deletion of state funding for new research space (please see page G-87).

☑ **CSU—Plans at Brawley Site Unclear**

- The CSU San Diego campus plans to accept a gift of 200 acres of land outside Brawley (Imperial County) as a site for a future off-campus center. The size of the site and the initial master plan documents prepared by the campus, however, suggest something more than an off-campus center.
- We believe the Legislature should have complete information about CSU's plans and intentions before commitments are made that could require major funding by the state (please see G-96).

☑ Trial Court Facilities

- In 2002 the state took over responsibility for operating, maintaining, and funding trial court facilities. Based on estimated future costs, trial court facilities will be one of the state's largest infrastructure programs.
- We raise key issues regarding: (1) the adequacy of revenues from court fees to pay for future facilities costs and the resulting General Fund exposure, (2) the management of the court construction program, and (3) the appropriateness of proposed facility guidelines and standards (please see G-55).

☑ Proposed "Death Row" Facility at San Quentin

- The budget proposes $220 million to construct a new condemned inmate facility at San Quentin. While the state needs to address the existing conditions for this population, this proposed project is not ready to proceed.
- We recommend that the Legislature direct the Department of Corrections to either prepare a more complete proposal for a facility at San Quentin or, if it is willing to consider other locations, study alternative sites for the facility (please see page G-77).

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OVERVIEW

Capital Outlay

Funding for capital outlay in the budget year totals almost $2.1 billion. This spending is funded almost exclusively (95 percent) from bond proceeds. Over half of proposed spending is for projects in higher education.

The *2003-04 Governor's Budget* proposes about $2.1 billion for capital outlay programs (excluding highway and rail programs, which are discussed in the "Transportation" chapter of this *Analysis*). This is spending on physical assets—such as college buildings, state parks, and prisons. The Governor's plan would authorize General Fund expenditures of $48 million and issuance of nearly $2 billion of general obligation and lease-revenue bonds. The proposed plan represents an increase of nearly $0.6 billion (37 percent) from current-year spending. Figure 1 summarizes the proposed 2003-04 capital outlay program by general program area. It

Figure 1

State Capital Outlay Program

(In Millions)

	Estimated 2002-03	Proposed 2003-04	Difference
Legislative, Judicial, and Executive	$37.4	$0.4	($37.1)
State and Consumer Services	216.9	219.3	2.4
Business, Transportation, and Housing	131.8	22.9	(108.9)
Resources	470.5	324.9	(145.5)
Health and Human Services	69.1	97.4	28.4
Youth and Adult Corrections	21.4	284.8	263.4
Education	—	5.7	5.7
Higher Education	539.4	1,083.0	543.6
General Government	25.0	33.6	8.6
Totals	**$1,511.5**	**$2,072.0**	**$0.6**

shows that over half of all budget-year spending would be in the higher education area.

SPENDING BY DEPARTMENT

Figure 2 shows the amounts included in the Governor's budget for each department and the future cost for these projects. As shown in the figure, almost $800 million will need to be appropriated in the future to complete these proposed projects. Thus, the request before the Legislature represents a total cost of nearly $2.9 billion. Of that total, almost two-thirds is for higher education.

FUNDING SOURCES FOR CAPITAL SPENDING

The Governor's budget proposes funding the capital outlay program primarily from bonds: $1.3 billion from general obligation bonds and $675 million from lease-revenue bonds. Other fund sources include the General Fund, special funds, and federal funds. Figure 3 compares the sources of funds for the 2003-04 capital outlay program to those proposed for 2002-03.

Figure 2

Summary of Proposed 2003-04 Capital Outlay Program

All Funds (In Thousands)

Department	Proposed 2003-04	Future Cost	Total
Legislative, Judicial, and Executive			
Office of Emergency Services	$235	$1,396	$1,631
Board of Equalization	134	—	134
State and Consumer Services			
Franchise Tax Board	—	—	—
General Services	$216,297	—	$216,297
General Services (seismic)	2,981		2,981
Business, Transportation, and Housing			
Transportation	$200	—	$200
Highway Patrol	3,089	—	3,089
Motor Vehicles	19,563	$20,866	40,429
Resources			
Tahoe Conservancy	$5,000	—	$5,000
Conservation Corps	32,753	—	32,753
Forestry and Fire Protection	30,048	—	30,048

Continued

Department	Proposed 2003-04	Future Cost	Total
Fish and Game	3,199	—	3,199
Wildlife Conservation Board	42,620	—	42,620
Boating and Waterways	8,659	$12,428	21,087
Coastal Conservancy	69,500	—	69,500
Parks and Recreation	107,943	59,200	167,143
Santa Monica Mountains Cons.	21,577	—	21,577
Water Resources	3,646	—	3,646
Health and Human Services			
Developmental Services	$50,254	—	$50,254
Mental Health	47,171	—	47,171
Youth and Adult Corrections			
Corrections	$282,037	—	$282,037
Youth Authority	2,750	—	2,750
Education			
Department of Education	$5,717	—	$5,717
Higher Education			
University of California	$321,534	$337,824	$659,358
Hastings College	1,044	18,416	19,460
California State University	198,194	18,086	216,280
Community Colleges	562,244	327,715	889,959
General Government			
Food and Agriculture	$17,546	—	$17,546
Military	14,674	—	14,674
Veterans Affairs—Yountville	399	—	399
Unallocated Capital Outlay	1,000	—	1,000
Totals	**$2,072,008**	**$795,931**	**$2,867,939**

Figure 3

Sources of Funds for Capital Outlay Program

2002-03 and 2003-04
(In Millions)

Funds	2002-03	2003-04
General Fund	$67.9	$48.3
General obligation bonds	876.9	1,288.0
Lease-revenue bonds	465.9	675.0
Special funds	95.0	54.5
Federal funds	5.7	6.9
Totals	**$1,511.5**	**$2,072.6**

Figure 4 displays the proposed spending for each department, by funding source.

Figure 4

Proposed 2003-04 Capital Outlay Program

(In Thousands)

Department	GO Bonds	LR Bonds	General	Special	Federal	Total
Legislative, Judicial, and Executive						
Office of Emergency Services	—	—	$235	—	—	$235
Board of Equalization	—	—	134	—	—	134
State and Consumer Services						
General Services—state office buildings	—	$216,297	—	—	—	$216,297
General Services—seismic	$2,981	—	—	—	—	2,981
Business, Transportation, and Housing						
Transportation	—	—	—	$200	—	$200
Highway Patrol	—	—	—	3,089	—	3,089
Motor Vehicles	—	—	—	19,563	—	19,563
Resources						
Tahoe Conservancy	$4,517	—	—	$483	—	$5,000
Conservation Corps	—	$32,753	—	—	—	32,753
Forestry and Fire Protection	—	29,557	$491	—	—	30,048
Fish and Game	664	—	—	1,305	$1,230	3,199
Wildlife Conservation Board	21,500	—	21,736	—	—	43,236
Boating and Waterways	—	—	—	8,659	—	8,659
Coastal Conservancy	63,500	—	—	4,000	2,000	69,500
Parks and Recreation	93,724	—	—	10,519	3,700	107,943
Santa Monica Mountains Conservancy	21,500	—	—	77	—	21,577
Water Resources	—	—	3,646	—	—	3,646
Health and Human Services						
Developmental Services	—	$50,254	—	—	—	$50,254
Mental Health	—	46,846	$325	—	—	47,171
Youth and Adult Corrections						
Corrections	$7,551	$271,710	$2,776	—	—	$282,037
Youth Authority	—	—	2,750	—	—	2,750
Education						
Department of Education	—	$5,600	$117	—	—	$5,717

Continued

Department	GO Bonds	LR Bonds	General	Special	Federal	Total
Higher Education						
University of California	$310,534	$11,000	—	—	—	$321,534
Hastings College	1,044	—	—	—	—	1,044
California State University	198,194	—	—	—	—	198,194
Community Colleges	562,244	—	—	—	—	562,244
General Government						
Food and Agriculture	—	$10,961	—	$6,585	—	$17,546
Military	—	—	$14,674	—	—	14,674
Veterans Affairs—Yountville	—	—	399	—	—	399
Unallocated CO	—	—	1,000	—	—	1,000
Totals	**$1,287,953**	**$674,978**	**$48,283**	**$54,480**	**$6,930**	**$2,072,624**

BOND FUNDING AND DEBT SERVICE PAYMENTS

As shown in Figure 5 (see next page), the state's General Fund debt service expenditures on bonds are projected to be $2.4 billion in 2003-04, an increase of about 9 percent over current-year costs. The budget-year amount consists of $1.8 billion in general obligation debt expenses, and about $572 million in lease-revenue debt expenses. The 2002-03 and 2003-04 debt service totals reflect the Treasurer's debt service restructuring program. Under this plan, about $2 billion in payments on debt maturing between April 2002 and July 2004 are being deferred through the issuance of refunding bonds. The restructuring program will reduce annual debt service costs by approximately $860 million in the current year and $900 million in 2003-04. The plan will result in higher future debt service costs, as the deferred amounts are repaid, with interest.

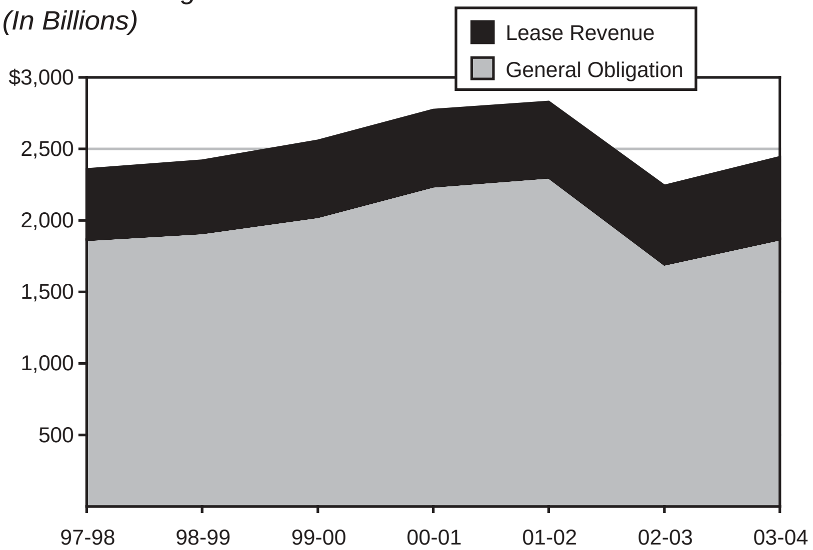
Debt Service Ratio to Rise

In evaluating a state's capacity for bonded indebtedness and the impact of debt service costs on the budget, one of the many factors that bond raters and potential investors look at is the state's debt service ratio. This ratio is defined as the share of annual General Fund revenues that are devoted to principal and interest payments on General Fund-backed debt. There is no agreed-upon single ratio that fits all states, and the appropriate ratio for an individual state can vary depending on such factors as its need and preference for new infrastructure. As a general rule, however, a ratio in the range of 6 percent or less has been recognized as a reasonable level for states.

Figure 5

General Fund Bond Debt Service

1997-98 Through 2003-04
(In Billions)



As shown in Figure 6:

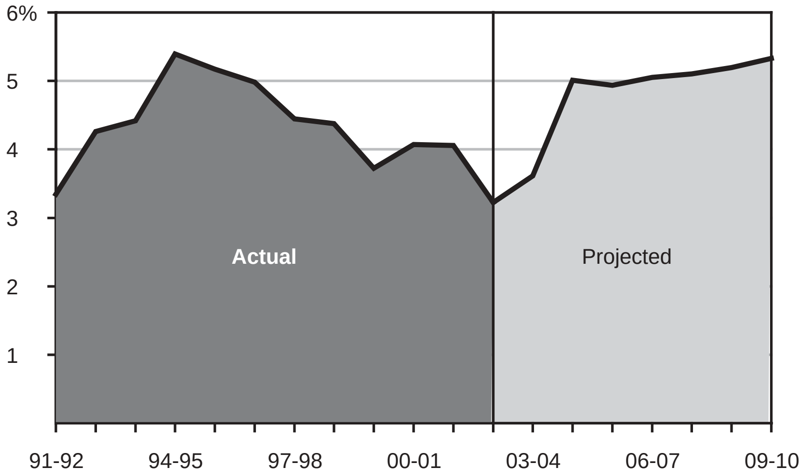
- California's debt service ratio peaked in the early 1990s at about 5.4 percent. It then declined through the second half of the decade, and averaged about 4 percent during the past three years.
- The ratio will fall to about 3.2 percent in the current year, before partially rebounding to 3.6 percent in 2003-04. The deferral of debt payments discussed above has the effect of reducing the ratio by about 1 percentage point in both the current and budget years.
- Looking ahead, we expect the ratio will jump to slightly over 5 percent in 2004-05, and continue to rise slowly, to a peak of 5.3 percent by the end of the decade.

Our estimates assume that the state sells roughly $6 billion in bonds annually through the end of the decade and that interest rates average about 5.5 percent.

Figure 6

California's Projected Debt Service Ratio[a]

1991-92 Through 2009-10



[a]Assumes approximately $6 billion in new debt is sold annually from 2004-05 through 2009-10.

CROSSCUTTING ISSUES

Capital Outlay

CALIFORNIA INFRASTRUCTURE PLAN

Existing law requires the Governor to annually submit a five-year infrastructure plan in conjunction with the budget. The first infrastructure plan was submitted in the spring of 2002. At the time of this writing, the second required plan—due January 10, 2003—had not yet been submitted. When the administration releases the 2003-04 version of the plan, we will review it and provide comments as appropriate. Below, we reprint a December 2002 Legislative Analyst's Office (LAO) report assessing the administration's first plan. We review the plan, noting both its strengths and areas where future changes could make it even more helpful to the Legislature. We also suggest steps the Legislature could take to better evaluate capital outlay proposals and make its infrastructure funding decisions.

BACKGROUND

Infrastructure funding is an increasingly important issue. During the 20th century, the state built roads, water projects, schools, prisons, and other facilities to accommodate population growth—without as much need to maintain and renovate an aging infrastructure stock. This has changed. Much of the state's infrastructure now must be renovated, adapted, and improved to meet current and future needs. However, the need to build new infrastructure to accommodate population growth will continue unabated. This dual challenge—to develop new infrastructure while extending the life of existing facilities—requires that the state address capital investment in a comprehensive way.

What Is the State's Major Infrastructure?

The state has hundreds of billions of dollars invested in infrastructure. Figure 1 shows the state's major capital outlay assets by program area.

In addition to funding capital development to support various departmental missions, the state has also historically provided funds for local infrastructure in the areas of K-12 school construction, community college construction, local streets and roads, local parks, wastewater treatment, flood control, and jails.

Figure 1

Major State Infrastructure

Program Area	Major State Infrastructure
Water Resources	• 32 lakes and reservoirs • 17 pumping plants • 3 pumping-generating plants • 5 hydro-electric power plants • 660 miles of canals and pipelines • 1,595 miles of levees and 55 flood control structures in the Central Valley
Transportation	• 50,000 lane miles of highways • 9 toll bridges • 11 million square feet of Department of Transportation offices and shops • 209 Department of Motor Vehicles offices • 138 California Highway Patrol offices
Higher Education	• 192 primary and satellite campuses of higher education, including 10,000 buildings containing 138 million square feet of facilities space
Natural Resources	• 266 park units containing 1.4 million acres and 3,000 miles of trails • 238 forest fire stations and 13 air attack bases • 21 agricultural inspection stations
Criminal Justice	• 33 prisons and 38 correctional conservation camps • 11 youthful offender institutions • 12 crime laboratories
Health Services	• 4 mental health hospitals comprising over 4 million square feet of facilities and 2,300 acres • 5 developmental centers compromising over 5 million square feet of facilities and over 2,000 acres • 2 public health laboratory facilities
General state office space	• 8.5 million square feet of state-owned office space • 16.6 million square feet of leased office space

THE 2002 CALIFORNIA INFRASTRUCTURE PLAN

Most infrastructure planning information is developed by state agencies. In the past, however, this information was not consolidated into a statewide plan. As a result, the Legislature did not have a coordinated picture of the state's capital investment needs. Chapter 606, Statutes of 1999 (AB 1473, Hertzberg), requires a comprehensive long-term plan for California's infrastructure development programs. Specifically, the act directs the Governor, beginning in the 2002-03 budget year, to annually submit a five-year infrastructure plan for state agencies, K-12 schools, and higher education institutions, and a proposal for its funding.

Information Required

The plan must provide the following information for the ensuing five-year period:

- Identification of new and renovated infrastructure requested by state agencies to fulfill objectives identified in strategic plans.
- Aggregate funding for transportation infrastructure identified in the State Transportation Improvement Program.
- Infrastructure needs for K-12 public schools.
- Instructional and instructional support infrastructure for the three segments of higher education.

For all of the infrastructure identified, the plan is required to provide an estimate of its cost and a proposal for funding, subject to the following:

- If the proposal does not fund all of the identified infrastructure, the plan is to indicate the priorities and criteria used to select the infrastructure it does propose to fund.
- The funding proposal shall identify the specific funding sources to be used (such as the General Fund or bond funds). If the proposal plans the issuance of new state debt, it must evaluate the impact of the issuance on the state's overall debt position.
- The funding proposal is not required to recommend specific projects for funding, but may instead recommend the type and quantity of infrastructure needed to meet program objectives.
- Any capital outlay or local assistance appropriations proposed for funding in the Governor's budget must be included in the first year of the plan.

Department of Finance (DOF) Approach to Developing Plan

The DOF indicates it developed the *Infrastructure Plan* by directing departments to evaluate their infrastructure needs based on programmatic requirements, and to develop capital outlay proposals based on that evaluation. The DOF prepared guidelines for departments to use in preparing this information. Departments were directed to provide the following:

- ***Total Infrastructure Needs Over Five-Year Period.*** To do this, departments were directed to determine the types of services they would be providing, the level of service, and the infrastructure necessary to provide that type and level of service. For example, the Department of Motor Vehicles (DMV) might identify (1) issuance of new driver's licenses as a type of service and (2) access to a DMV office within 50 miles and completion of transactions within one hour as the desired levels of service. Using staffing and space standards, delivery of this type and level of service could lead logically to a conclusion that a specific number of DMV offices of particular sizes needed to be located at certain locations.

- ***Existing Infrastructure Evaluation.*** Departments were next directed to evaluate their existing infrastructure to determine to what degree it could satisfy the infrastructure need. In the DMV example above, the department might survey the location, size, and condition of its existing offices to determine their suitability to provide the level of service desired.

- ***Net Infrastructure Need.*** A department's net need would be the difference between its total infrastructure need and its existing infrastructure inventory.

- ***Identification of Alternatives.*** The fourth step in this process was for departments to identify alternatives for meeting the net infrastructure need. This would include consideration of alternatives for delivering the service other than from a traditional infrastructure approach. As an example, the DMV might evaluate issuance of driver's licenses over the Internet in order to reduce the net infrastructure need. Even where a net infrastructure need remained, different infrastructure alternatives were to be considered, such as renovation or expansion of existing facilities as an alternative to constructing new buildings.

- ***Project Proposals.*** The next step for departments was to evaluate alternatives and prepare specific capital outlay proposals for submission to the DOF. These were then considered for inclusion in the *Infrastructure Plan*. If at all practical, proposals were to be project-specific—that is, the location of a facility was to be specified, the scope (size and general configuration) of the facility provided, and a cost estimate and development schedule prepared.

- ***Consequences of Not Addressing Infrastructure Need.*** The last step in the process was for departments to provide an evaluation of the consequences of not satisfying the net infrastructure need. This would include showing how the level of service provided would be affected.

The DOF reviewed the infrastructure plans proposed by departments and made recommendations to the Governor's office concerning the justification for proposed projects. Those considered justified were included in and constituted the *Infrastructure Plan*.

Plan Overview

State departments identified $65.5 billion of capital outlay projects to the DOF for the five-year period 2002-03 through 2006-07. Of these, the Governor included $56 billion (about 85 percent) in the 2002 plan. The $9.5 billion of projects that were not proposed in the Governor's plan were deleted for various reasons: the administration considered that they were not justified, they were deferred for consideration to later years, or they were deleted for policy reasons. In some cases, projects were deferred for consideration in later years on the basis that funding for these projects was considered unlikely to be available in the five-year period covered by the plan. The sectors with the largest deletions were higher education ($7 billion) and resources ($1.4 billion).

Figure 2 (see next page) shows how the $56 billion of identified expenditures was distributed (about $11 billion each year) among major program areas of the state budget. As the figure indicates, proposed spending is concentrated in the areas of transportation and K-12 education. These two areas account for three-fourths of total spending. Proposed funding of these expenditures relies heavily on bonds (primarily for education), and on federal and special funds (almost exclusively for transportation).

LAO Review of the Plan

The 2002 plan is the first installment of what will be an annual document. Below, we review the report with an eye to making it as useful as possible to the Legislature. We first summarize the many positive aspects of the initial plan, followed by comments on how future plans might be improved. We then explore some key policy issues that both the administration and the Legislature will have to address in the near future with regard to the state infrastructure.

Figure 2

2002 Infrastructure Plan Proposed Spending

2002-03 Through 2006-07 (In Billions)

Program Area	Bond Funds	Special Funds	Federal Funds	General Fund	Other	Totals
Transportation	$0.1	$14.1	$13.5	—	—	$27.7
K-12 Schools	14.9	—	—	—	—	14.9
Higher Education	5.4	—	—	—	—	5.4
Water Supply and Quality	0.2	—	—	$0.2	$2.0	2.4
Natural Resources and Environmental Protection	1.2	0.2	—	0.1	—	1.5
Public Safety	0.6	0.1	—	0.4	—	1.1
Other	2.0	—	0.1	0.9	0.1	3.0
Totals	**$24.3**	**$14.4**	**$13.6**	**$1.6**	**$2.1**	**$56.0**

Detail may not add to total due to rounding.

Positive Features

The administration's first plan is a positive first step in helping policymakers address state infrastructure needs. Positive features in the plan are:

Big Picture. The plan presents, for the first time, the administration's "big picture" of the state's infrastructure needs. In the past the state only had focused capital outlay plans for some departments and programs, but no source of information that provided an overview of all of the state's capital outlay needs. The infrastructure plan provides this overview and this will help the Legislature to better understand the overall funding need and permit it to establish priorities.

Projects Identified for All Plan Years. It is particularly helpful that the infrastructure plan identifies specific projects in all five years that it covers. The enabling legislation did not *require* that the plan identify specific projects other than in the budget year. By going beyond the limited information required by the statute, the administration and the DOF have provided a significantly more useful document to the Legislature.

Development of Plan Well Conceived. The methodology used by the DOF in developing the plan (described above) was logical and reasonable. It asks departments to base their infrastructure needs on the services they provide to the public, to evaluate the capacity of their existing infrastructure to provide for delivery of those services, and then to determine the need for new facilities. The plan also categorizes infrastructure needs as driven by:

- Critical infrastructure deficiencies.
- Facility / infrastructure modernization.
- Workload space deficiencies.
- Enrollment / caseload / population.
- Environmental restoration.
- Program delivery changes.
- Environmental acquisitions and restoration.
- Public access and recreation.

This type of categorization can be helpful to the Legislature in deciding how to allocate limited state funds among programmatic needs.

Administration Decisions Were Made. The administration made some policy decisions that were needed in order to address departmental infrastructure requirements. For example, the plan makes clear the administration's intention to keep San Quentin State Prison in operation. As another example, the plan articulates the administration's intention to pursue jointly the objective of developing and improving existing state parks and the objective of making new state park land acquisitions. The plan also clearly shows the administration's intent to issue large amounts of bonds to fund infrastructure in the plan. The Legislature may not agree with these policy decisions, but at least the plan makes the administration's positions clear and sets the framework for discussions during budget and policy committee hearings.

Suggested Improvements for Future Plans

Our review of the first infrastructure plan also revealed a number of issues that could be clarified in future plans.

Unclear Methodology for Establishing Departmental Priorities. As discussed above, the administration developed a rational approach for identifying departmental infrastructure needs. The plan does not, however, explain how departments *prioritized* their proposed capital projects. As an example, it is not clear if the Department of Parks and Recreation places a higher priority on funding environmental restoration projects or those that provide for public access and recreation. Similarly, the plan proposes $56.3 million for the California Highway Patrol (CHP) and the DMV for "critical infrastructure deficiencies." This represents only 45 percent of the total $124 million in deficiencies identified by the two departments combined for the five-year period. The plan does not explain how the departments prioritized their deficiencies and concluded that some deficiencies should be included in the plan and others not. An explanation of the departments' priorities would help the Legislature to better understand the administration's strategy for addressing infrastructure needs.

Planning Coordination. In some cases, it is not clear that departments operating in related areas coordinated their efforts in development of the infrastructure plan. For example, the Departments of Parks and Recreation and Fish and Game, together with the various conservancies and the Wildlife Conservation Board, all have land preservation and habitat conservation as important features of their missions, but it is not clear that they coordinated the development of their capital outlay plans. Similarly, it is important that proposals for new campuses and off-campus centers among the community colleges, California State University, and the University of California are coordinated in order to provide geographical access in the most efficient manner possible. Coordination of infrastructure planning efforts is important in order to avoid duplication and assure that the related proposals mesh together. Where such coordination has taken place, the plan should explain the methodology used to bring together the efforts of the involved agencies.

No Statement of Statewide Priorities. We note that the plan does not identify the administration's infrastructure priorities on a statewide level. In enacting Chapter 606, the Legislature stated its intent that the plan identify state infrastructure needs and set out priorities of funding and, moreover, that the plan ". . . provide a clear understanding of the type and amount of infrastructure to be funded and the programmatic objectives to be achieved by this funding." While the plan presents various departmental priorities, it does not place these priorities in the context of the administration's overall, statewide priorities. For example, the plan does not state whether the administration's priorities are: the renovation of aging facilities, addressing certain critical deficiencies, the development of new facilities and capacity, or a combination of these. We believe that such a context is needed in order to better understand and assess the departmental proposals and priorities in context of the entire state budget.

Needs Assessments Should Not Be Tied to Funding Availability. It appears that some departments identified available funding first, followed by an identification of needs that exactly matched this anticipated funding. For example, the total funding needs reported by the Wildlife Conservation Board essentially match the proposed funding for the funding needs, although the plan alludes to there being a backlog of "most essential" capital projects totaling a much higher amount than enumerated in the funding needs chart.

Funding-Related Issues. In some instances the plan left unanswered important issues related to funding of infrastructure. For example, the plan does not indicate what parties, public and private, would provide funding for water storage projects developed under the CALFED Bay-Delta Program. Rather, the plan merely provides that yet-to-be-identified "beneficiaries" of these projects will be the funding source. Since this is a $2.2 billion proposal, it will have a big impact on the state's ability to fund other infrastructure investments. A much smaller (less than $100 million) but nevertheless important issue is how the state will fund the seismic retrofitting of remaining state buildings that possess a substantive earthquake risk. Also, the plan proposes many acquisitions of land for land and habitat conservation, but does not address the costs of developing and maintaining these lands after they have been acquired. Without information about these costs, the Legislature will not be able to fully evaluate the magnitude of the state's infrastructure funding needs.

Policy Issues

There are a number of key policy issues that both the administration and the Legislature will have to address in its future deliberations on infrastructure. These issues fall into three categories: (1) assignment of funding responsibilities, (2) key programmatic decisions, and (3) other issues—such as the use of debt financing and funding for facilities maintenance.

Assignment of Funding Responsibilities

In assessing its infrastructure demands, it is imperative that the state first clearly delineate the assignment of funding responsibilities. Typically, this involves defining the relationship between the state's responsibility and those of local agencies. In some cases, the limits of the state's responsibility for a particular area have never been defined and in others the responsibilities have been defined differently on an ad hoc basis (such as in allocations within bond proposals or designations in specific pieces of legislation). Below are some examples where the Legislature may want to better define funding responsibilities.

Parks and Natural Resources. There has developed an increasingly blurred view over the years of where the state's responsibility to acquire, develop, and manage recreation and natural resource facilities ends and those of municipalities and park districts begins. As the state's financing and development of parks has increasingly moved into urban areas through grants and direct capital investment, there arises a question of how far the state's responsibility extends.

Community Colleges. It has been the recent practice of the state to fund 100 percent of the cost of capital projects for community colleges. Recent voter approval of Proposition 39 reduced the vote requirement for local bond measures from two-thirds to 55 percent. Many districts have already had local bond measures approved under this lower vote requirement. In light of this improved funding capability by local districts, the state might want to reconsider the level of the state's responsibility to provide infrastructure funding for community colleges.

K-12 Education. In recent years, the state has funded—entirely with general obligation bonds—50 percent of the costs of most K-12 school projects (and higher proportions of modernization and "hardship" projects). With the passage of Proposition 39, local school districts have a significantly improved ability to provide local funding. The Legislature may wish to revisit the issue of the extent of the state's responsibility to provide capital funding for K-12 schools. The Legislature may also want to consider the method by which state assistance is provided to local school districts (for one possible alternative see *A New Blueprint for California School Facility Finance,* Legislative Analyst's Office, May 1, 2001).

Fire Protection. Fire protection services provided by the California Department of Forestry and Fire Protection (in coordination with the U.S. Forest Service) were originally limited to wildland areas which, in some cases, are now becoming more urbanized. As a result, the department has found itself providing fire protection services (and the necessary network of fire stations) in areas where the population may now be sufficient to support a greater local role in providing emergency services. The Legislature may wish to address the issue of the state's responsibility for providing fire protection services in these populated rural areas.

Key Programmatic Decisions

The Legislature will soon be faced with some important programmatic issues with regard to infrastructure. While many of these issues are referenced in the plan, it does not offer any particular resolution to them.

Funding Court Facilities. Chapter 850, Statutes of 2002 (SB 1732, Escutia), was enacted to implement the Legislature's goal of shifting responsibility for funding court facilities from local governments to the state. With regard to the takeover, the state could face nearly $2.8 billion of court construction and modernization expenses and around $2 billion for future court expansion. These costs are expected to be funded over 20 years from surcharges on court filing fees deposited into the "Court Facilities Trust Fund." The 2002 plan does not directly address any of the facility issues associated with this transfer of responsibility. The Legislature will soon need to address such issues as:

- Should capital outlay functions such as project management for court facilities be provided by the Department of General Services and the Public Works Board?
- What action should the Legislature take if the Court Facilities Trust Fund has insufficient funds to meet the Judicial Council's renovation and new construction needs?

Developmental Services. Chapter 93, Statutes of 2000 (AB 2877, Thomson), directed the Department of Developmental Services (DDS) to identify a range of options to meet the future needs of individuals currently being served by DDS. Among the various options reviewed in a report prepared pursuant to AB 2877 is the renovation of all existing developmental center facilities. The report, dated June 2002, concludes that the developmental centers should not be renovated as a whole because funds needed for such an effort may be better utilized in creating a new "service structure," such as small state-owned or leased community residential facilities. The DDS indicates that because development of new options will be a "slow process," some capital outlay expenditures will be necessary in order to continue to operate the developmental centers. (The *2003-04 Governor's Budget* has directed the Department of Developmental Services to develop a plan to transition clients living at the Agnews Developmental Center into community based facilities as appropriate, and close the Agnews facility by July 2005.) Given this situation, the Legislature will need to consider the following:

- How should developmental services be provided in the future?
- If a new service structure is implemented, to what extent should capital outlay improvements still be undertaken at existing developmental centers?
- Regardless of the service delivery model selected, should the state consider closing one or more developmental centers given the decline in resident population?

Corrections Facilities Closures. Declining inmate population and obsolete facilities have raised issues about the continued operation of some adult and youth correctional facilities. For instance, through the *Supplemental Report of the 2002 Budget Act*, the Legislature directed the department to report on issues related to the potential closure of the Northern California Women's Facility (NCWF). (The *2003-04 Governor's Budget* proposes to convert the facility to a men's institution by 2004-05.) The Legislature has also recognized a declining Youth Authority population and has directed the Youth Authority to develop and submit a written plan to close at least three institutions by June 30, 2007, and to close one of the identified institutions by June 30, 2004. As of the time this analysis was prepared, neither of these reports had been provided.

Other Key Issues

Bond Versus Pay-As-You-Go Financing. The administration's proposed financing for its infrastructure program over the next five years highlights a dichotomy. Financing for transportation (almost half of the plan's total fiscal effect) is almost entirely "pay-as-you-go"—that is, funded from an annual stream of state and federal taxes on gasoline. The remainder of the plan—almost entirely a General Fund responsibility—is proposed to be funded from bonds. This raises two basic issues. First, bonds are more costly than pay-as-you-go financing—roughly one-third more on an inflation-adjusted basis. Second, bonds are a less reliable (in that their use depends on voter approval) and less stable (in that bond proposals are only periodically placed on the ballot) than pay-as-you-go funding. The Legislature has responded to these concerns by recently placing ACA 11 (Richman) on the March 2004 statewide ballot. This measure could result in a significant level of pay-as-you-go General Fund financing for state and local infrastructure, which could influence legislative decisions regarding the need for future general obligation bonds and lease-revenue bonds authorizations.

Facility Maintenance. A crucial omission in the administration's plan is the issue of facility maintenance. Appropriate maintenance of infrastructure has been a chronic problem for the state. Difficulties have arisen because of either an inadequate level of maintenance funding or funds appropriated for maintenance have been spent for other purposes. This results in deterioration of facilities and an accumulation of "deferred maintenance" projects, which are costly and cause bumps in capital funding needs that are sometimes difficult to accommodate. In our view, this issue should be addressed in future infrastructure plans. For instance, large departments could include summary information as to the status of their maintenance program (such as the relationship between scheduled maintenance requirements and funding for these purposes, and the levels of any deferred maintenance). The Legislature may want to consider other options, such as the establishment of sinking funds to accommodate future maintenance needs.

HOW SHOULD THE LEGISLATURE RESPOND?

As noted above, the administration's initial infrastructure plan provides useful information to the Legislature. With selective improvements, it can evolve into an essential document to evaluate and make decisions on state capital projects. As noted above, however, there are many key policy decisions that have to be made to fully address the state's infrastructure needs. These include the assignment of funding responsibilities between the state and locals, key programmatic decisions in areas such as the judiciary and developmental services that will drive capital requirements, and significant decisions about how to fund the infrastructure program.

Given the complexity of these issues, it is critical how the Legislature *as an institution* addresses these matters. We have recommended in the past that the Legislature establish special policy and budget committees to deal with capital outlay issues. With the infrastructure plan now a reality, some institutional changes would be beneficial. For example, the creation of infrastructure policy committees would provide a mechanism for the Legislature to make its decisions regarding capital priorities. These priorities could be reflected in statute or in annual resolutions outlining the Legislature's key policies in assessing infrastructure proposals.

Similarly, the establishment of budget subcommittees which hear all capital outlay requests is one way for the Legislature to evaluate in a more comprehensive way the infrastructure proposals made by the administration. Such subcommittees could also serve as the "enforcers" of policies established by the policy committees.

There are many different ways the Legislature could respond to the annual infrastructure report and the related budgetary proposals of the administration. What is critical is that the Legislature independently assess the state's infrastructure needs, articulate its policies regarding capital outlay, and make informed annual budgetary decisions on capital facilities.

ASSEMBLY CONSTITUTIONAL AMENDMENT 11[a]

INTRODUCTION

Infrastructure funding has become an increasingly important issue for the Legislature. The state faces a significant challenge in addressing both the deficiencies of an aging public infrastructure and the need for new infrastructure to sustain a growing economy and population. To effectively meet this challenge, the state needs a well-defined process for planning, budgeting, and financing necessary infrastructure improvements.

Assembly Constitutional Amendment 11 (ACA 11, Richman), which will appear on the March 2004 statewide ballot, would establish the California Twenty-First Century Infrastructure Investment Fund (Infrastructure Fund) to provide a dedicated fund source for capital outlay. The measure requires that moneys in the Infrastructure Fund be allocated by the Legislature for capital outlay purposes, of which 50 percent would be for state-owned infrastructure and 50 percent would be for local government infrastructure (excluding school districts and community college districts).

Should the voters pass ACA 11, the measure could have a major impact on the way the state funds its infrastructure. In this primer, we provide the following:

- Background on capital outlay planning and funding.
- An explanation of how the measure works.
- A sense of the measure's potential fiscal impact.
- Issues the Legislature will need to address should ACA 11 be approved by the voters.

[a] Reprinted from *A Primer: Assembly Constitutional Amendment 11* an LAO report issued February 2003.

BACKGROUND ON INFRASTRUCTURE PLANNING AND FUNDING

Assembly Constitutional Amendment 11 would commit a percentage of the General Fund to pay for state and local infrastructure projects. In order to fully understand what the measure attempts to achieve, it is important to have knowledge of the infrastructure the state has funded, how it plans for infrastructure, and how it currently funds infrastructure projects.

What Kind of Infrastructure Has the State Previously Funded?

The state has hundreds of billions of dollars invested in infrastructure. In addition to funding capital development to support various departmental missions, the state has also historically provided funds for local infrastructure in the areas of K-12 school construction, community college construction, local streets and roads, local parks, wastewater treatment, flood control, and jails. Figure 1 (see next page) shows the major areas of state infrastructure.

As the state's population continues to increase, the need for investment in new capital facilities will grow commensurately. Compounding the challenge will be the need to renovate and replace existing facilities in order that they can continue to serve their purposes.

How Does the State Plan for Infrastructure?

The California Infrastructure Planning Act—Chapter 606, Statutes of 1999 (AB 1473, Hertzberg)—requires the Governor to annually submit to the Legislature a statewide five-year infrastructure plan along with a proposal for its funding. The plan is intended to provide the Legislature with a comprehensive picture of the state's long-term infrastructure needs. The first plan was submitted to the Legislature in June 2002. Figure 2 (see page 31) summarizes the basic information that must be included in the annual plan.

How Are Infrastructure Projects Funded?

Highway construction and renovation is the only state infrastructure program that has reliable and dedicated revenue sources (state gas taxes and federal funds). Most other infrastructure programs, however, require either direct General Fund appropriations or bond appropriations whose related debt service is repaid from the General Fund (this covers both general obligation and lease-revenue bonds). Figure 3 (see page 31) shows recent history on state capital outlay spending from these two sources. (The figure excludes spending on transportation and K-12 schools.) It shows that very little infrastructure spending is supported from direct appropriations—an annual average of 0.2 percent of total General Fund spending over the period shown. More spending has been supported from bonds, averaging $1.2 billion a year or about 2 percent of total General Fund spending for the period shown.

Figure 1

Major State Infrastructure

Program Area	Major State Infrastructure
Water Resources	• 32 lakes and reservoirs • 17 pumping plants • 3 pumping-generating plants • 5 hydro-electric power plants • 660 miles of canals and pipelines • 1,595 miles of levees and 55 flood control structures in the Central Valley
Transportation	• 50,000 lane miles of highways • 9 toll bridges • 11 million square feet of Department of Transportation offices and shops • 209 Department of Motor Vehicles offices • 138 California Highway Patrol offices
Higher Education	• 192 primary and satellite campuses of higher education, including 10,000 buildings containing 138 million square feet of facilities space
Natural Resources	• 266 park units containing 1.4 million acres and 3,000 miles of trails • 238 forest fire stations and 13 air attack bases • 21 agricultural inspection stations
Criminal Justice	• 33 prisons and 38 correctional conservation camps • 11 youthful offender institutions • 12 crime laboratories
Health Services	• 4 mental health hospitals comprising over 4 million square feet of facilities and 2,300 acres • 5 developmental centers compromising over 5 million square feet of facilities and over 2,000 acres • 2 public health laboratory facilities
General state office space	• 8.5 million square feet of state-owned office space • 16.6 million square feet of leased office space

Figure 2

Basic Requirements of the California Infrastructure Planning Act

✓ **Identify:**

- New and renovated infrastructure requested by state agencies.
- Aggregate funding for infrastructure in the State Transportation Improvement Program.
- Infrastructure needs for K-12 public schools.
- "Instructional" infrastructure needs for higher education segments.
- Total cost of providing the infrastructure identified.

✓ **Provide a Funding Proposal for the Infrastructure Identified.**

- If proposal does not fund all infrastructure identified—it must identify criteria used to select projects.
- If proposal requires new state debt—it must show impact on state's overall debt status.

Figure 3

General Fund Supported State Capital Outlay Spending[a]

(In Millions)

Fiscal Year	Direct General Fund Expenditures	Expenditures From General Fund Bonds[b]
1990-91	$9	$1,028
1991-92	35	850
1992-93	—	1,002
1993-94	—	1,514
1994-95	11	678
1995-96	33	761
1996-97	62	793
1997-98	56	584
1998-99	169	730
1999-00	244	772
2000-01	511	1,157
2001-02	284	1,325
2002-03 (estimated)	169	4,095
2003-04 (proposed)	74	2,980
Totals	**$1,657**	**$18,269**

a Figure excludes capital spending for K-12 public schools and special fund supported capital outlay (including transportation-related programs).

b Includes both general obligation and lease-revenue bonds.

Given this financing situation, there is really no stable funding source year-in and year-out for most state infrastructure projects. Those programs which typically have been funded through general obligation bonds must wait to see if a bond authorization is placed on the ballot and then wait further to see if voters approve the measure. (Some state projects use lease-revenue bonds, which do not need voter approval.) Many state facilities, however, are not funded from bonds. As a result, there have been little or no funds routinely available for projects to, for example, upgrade or replace various facilities in the state hospitals, developmental centers, and prisons. This, in turn, has contributed to an under investment in certain components of the state's infrastructure.

AN OVERVIEW OF ACA 11

What Is the Main Purpose of ACA 11?

Assembly Constitutional Amendment 11 would increase the amount of General Fund revenue committed to pay-as-you-go capital outlay projects. According to the measure, the creation of the Infrastructure Fund is intended to assure continual capital outlay funding to address ongoing infrastructure needs. Assembly Constitutional Amendment 11 specifies that the Infrastructure Fund be allocated by the Legislature for capital outlay purposes, of which 50 percent would be for state-owned infrastructure and 50 percent would be for local government infrastructure (excluding school and community college districts). Figure 4 summarizes the main provisions of the measure.

While the goal of committing a portion of General Fund revenue annually to capital outlay projects is a simple one, ACA 11 contains a number of relatively complicated provisions that can change the annual amount of General Fund revenue transferred to the Infrastructure Fund.

How Would Transfers to the Infrastructure Fund Be Made?

Beginning with the 2006-07 fiscal year, ACA 11 would transfer 1 percent of General Fund revenue to the Infrastructure Fund. The amount of the transfer is scheduled to increase by 0.3 percent annually until reaching a maximum of 3 percent of General Fund revenues in 2013-14 (see Figure 5, page 34).

Also, ACA 11 specifies that the annual amount to be transferred to the Infrastructure Fund will be made in four installments: August 1 (or 30 days after enactment of the budget), November 1, February 1, and May 31.

Figure 4

Basic Provisions of ACA 11

Purpose
• Establishes the California Twenty-First Century Infrastructure Investment Fund (Infrastructure Fund). • Commits a percentage of the General Fund for "pay-as-you-go" infrastructure projects.
Scheduled Transfers to the Infrastructure Fund
• Transfers 1 percent of General Fund revenue to the Infrastructure Fund beginning with the 2006-07 fiscal year. • Gradually increases the amount of General Fund committed to the Infrastructure Fund. • Delays scheduled increases when General Fund revenue growth slows. • Caps annual General Fund transfers to the Infrastructure Fund at 3 percent of General Fund revenues.
General Fund Revenue Triggers
• Some trigger mechanisms *reduce* transfers to the Infrastructure Fund during periods when General Fund revenue growth slows. • Other trigger mechanisms *eliminate* transfers to the Infrastructure Fund if General Fund revenues decline.
Special Adjustments
• School Funding—Reduces transfer amount when the percentage growth in the Proposition 98 guarantee exceeds the percentage growth in General Fund revenues. • Bond Debt Service—Caps the Infrastructure Fund transfer to the difference between 7.5 percent and the percentage of General Fund revenue devoted to prior-year debt payments for infrastructure-related bonds.

Assembly Constitutional Amendment 11 contains provisions to slow and accelerate the annual amount to be transferred to the Infrastructure Fund depending on the condition of the General Fund. For example, in response to the possibility of revenue growth, ACA 11 specifies that the initial transfer in 2006-07 can only occur if General Fund revenue for that year increases by at least 4 percent in real terms (that is, after adjusting for inflation) over the prior year, as determined by the Department of Finance (DOF). (If the recent inflation rate of about 3 percent a year were to persist, that means revenues would have to grow by at least 7 percent for the transfer to occur.) In subsequent fiscal years, the scheduled 0.3 percent increases in the annual transfer to the Infrastructure Fund also would occur only if General Fund revenues were projected to grow by 4 percent (in real terms). Conversely, to take advantage of periods of strong revenue growth, the schedule would be accelerated by an additional year, or another 0.3 percent, when General Fund revenues increase by 8 percent or more after adjusting for inflation.

Figure 5

Scheduled General Fund Revenue Transfers to the Infrastructure Fund

Fiscal Year	Percentage of General Fund
2006-07	1.0%
2007-08	1.3
2008-09	1.6
2009-10	1.9
2010-11	2.2
2011-12	2.5
2012-13	2.8
2013-14	3.0 (maximum rate)

By limiting the annual growth of the Infrastructure Fund transfer, the measure attempts to minimize the impact on other state programs. Although the transfer schedule set forth in ACA 11 envisions transferring 3 percent of General Fund revenues to the Infrastructure Fund in the 2013-14 fiscal year, it would likely take several more years to reach this maximum 3 percent transfer. This is due not only to the provisions discussed above, but also to various adjustments triggered by fluctuations in General Fund revenue growth, to which we now turn.

What Happens if General Fund Revenues Slow or Decline?

The measure contains a variety of adjustments or triggers that would reduce or eliminate the transfer to the Infrastructure Fund when General Fund revenue performance is less than estimated. These adjustments would ensure that, during difficult budgetary times, infrastructure funding shares in the pain of reduced resources. These adjustments, which are based on estimates by the DOF, fall into two categories that are summarized in Figure 6.

Figure 6

ACA 11 General Fund Revenue Triggers

As They would Apply in 2006-07

July 1, 2006	August 1	November 1	January 10, 2007 Governor's Budget	February 1	May 14 May Revision	May 31, 2007
	1st quarter transfer	2nd quarter transfer		3rd quarter transfer		4th quarter transfer

Year-to-Year Revenue Changes

Compare estimated changes in General Fund revenues between 2006-07 and 2005-06. If there is a decline in revenue, or if the decline is more than 4% after adjusting for inflation, the transfer is suspended for the year and the following year transfer is reduced by 50%. The comparison of estimated revenue changes are made at the three following points in time:

- *2006-07 Budget Act* Enactment
- *2007-08 Governor's Budget*
- 2007-08 May Revision

Revenue Declines Within the Year

Compare the *2006-07 Budget Act* estimate of 2006-07 General Fund revenues with the updated 2006-07 revenue estimate made at the following two points in time:

2007-08 Governor's Budget

If revenues have declined by **more than 5%**, suspend 3rd quarter transfer.

2007-08 May Revision

If revenues have declined by:

- **More than 5%,** suspend 3rd and 4th quarter transfers.
- **Between 2%-5%**, reduce transfer to 75% of the estimated annual transfer.

Year-to-Year Revenue Changes

The first set of adjustments is based on changes in General Fund revenues from the prior year. Specifically, if there is a dollar *decrease* in estimated General Fund revenues, or a decrease of more than 4 percent after adjusting for inflation, ACA 11 requires that any transfer to the Infrastructure Fund be *suspended* for that year. In addition, when there is such a suspension, any scheduled transfer for the subsequent year is reduced by half. Declining General Fund revenues usually mean the state is experiencing a difficult budget situation. That may explain why the measure includes this two-tiered reduction to the Infrastructure Fund.

Revenue Declines Within the Year

This set of adjustments compares estimated General Fund revenue at the time the budget is enacted with subsequent estimates made for that same fiscal year. Specifically:

- If the mid-year revenue estimate (January 10 Governor's budget) falls by more than 5 percent from the estimate reflected in the enacted budget, the third quarter transfer to the Infrastructure Fund is suspended.
- If the revenue estimate in the May Revision is more than 5 percent below the revenue estimate in the enacted budget, the third and fourth quarter transfers are suspended. (If, however, this estimate falls between 2 percent and 5 percent of the original estimate, only 75 percent of the annual transfer will be made.)

The adjustment for revenue declines within a fiscal year is more modest than the year-to-year adjustments. This seems reasonable, however, as the state may not be in as difficult a budget problem. For example, if estimated revenue growth at the start of the fiscal year was 10 percent, a 5 percent decline (as estimated later in the year) still would mean the state was experiencing revenue growth.

What Other Special Adjustments Are in ACA 11?

Assembly Constitutional Amendment 11 contains two special adjustments that could result in reductions in the annual revenue transferred to the Infrastructure Fund. These special adjustments are independent of the transfer adjustments to General Fund revenue discussed earlier.

Proposition 98

Assembly Constitutional Amendment 11 specifies that if the percentage growth in the Proposition 98 guarantee exceeds the percentage growth in General Fund revenues, the transfer amount pursuant to ACA 11 will be reduced. The measure provides that the amount of the reduction will be one-half of the difference between the current-year Proposition 98 requirement and the past-year Proposition 98 required amount, adjusted for the percentage growth in General Fund revenues from the prior year. This calculation would result in a specific dollar amount that would reduce an otherwise-required transfer to the Infrastructure Fund. Moreover, ACA 11 states that this reduction can only occur if no other triggered reductions or adjustments are in effect that year.

Generally, this trigger would occur only when school attendance is growing faster than the California population. Given that attendance is projected to grow more slowly than the state's population for many years, it does not appear that this provision would soon be a factor.

Debt Service

Assembly Constitutional Amendment 11 contains a provision limiting the percentage of revenues transferred to the Infrastructure Fund to the difference between 7.5 percent and the percentage of General Fund revenue devoted to prior-year debt payments for infrastructure-related bonds. For example, when the scheduled maximum transfer of 3 percent is achieved, this provision would require a reduction in the 3 percent transfer rate in years when the debt service ratio exceeded 4.5 percent.

While the debt service ratio is currently below that level, a variety of factors—sale of recently approved general obligation bonds, passage of measures on the March 2004 ballot, and current revenue performance—could result in a debt service ratio in the 6 percent range by 2006-07, the first year ACA 11 would be in effect.

As noted earlier, the state supports infrastructure spending through direct General Fund spending and through debt service payments on bonds. A possible rationale of the ACA 11 debt service provision is that it may serve a role similar to other ACA 11 triggers. It would protect existing programs by reducing the General Fund commitment to direct capital outlay appropriations when bond debt payments increase significantly.

WHAT WOULD BE THE FISCAL IMPACT OF ACA 11?

Given all of the various triggers and schedule adjustments intended to protect other General Fund programs, a reasonable question is: How much General Fund money would ACA 11 actually transfer into the Infrastructure Fund each year? Due to the many ACA 11 adjustments and the number of economic and fiscal variables that would have to be forecast, it is not possible to give specific estimates of future transfers into the Infrastructure Fund. We have, however, attempted to illustrate the potential fiscal effect of ACA 11 by examining the impacts if it had been in effect over the recent past.

In Figure 7 we have applied the actual changes in General Fund revenue and other ACA 11 factors for the 20-year period 1982-83 through 2001-02. The figure provides a very general example of how the various triggers and adjustments in ACA 11 would have played out over that time period. The figure shows, for instance, increasing transfers of General Fund revenue to the Infrastructure Fund (growing from $113 million in the second year of the period to $2.4 billion at the end of the period). It also shows that such transfers would generally occur more often than not.

Figure 7 indicates that the transfers to the Infrastructure Fund can fluctuate significantly from year to year (for example, going from $756 million in 1989-90 to zero the following year). These fluctuations are primarily the result of the various triggers in ACA 11 which are based on changes in General Fund revenue. For example, there are five years in which there is no transfer of General Fund revenue to the Infrastructure Fund because of the year-to-year adjustment factor. In three of these years (1982-83, 1993-94, and 2001-02), the suspension occurs at the beginning of the fiscal year and in the other two years (1990-91 and 1992-93), the suspension is triggered later in the year. Additionally, there are three years (1985-86, 1987-88, and 1989-90) in which the scheduled 0.3 percent increase in the annual transfer is delayed because General Fund revenue did not grow by at least 4 percent (in real terms), and there is one year (1991-92) in which it is accelerated because General Fund revenue grew by at least 8 percent.

With respect to the bond debt service special adjustment described earlier, there are three years (1995-96, 1996-97, and 1997-98) when the scheduled revenue transfer to the Infrastructure Fund is reduced because the prior-year bond debt service percentage and the amount scheduled for transfer exceeded the 7.5 percent cap set by ACA 11. (We would note that the figure does not show any adjustments related to Proposition 98. As stated earlier, it is unlikely that school attendance will grow faster than the California population for many years, therefore, it does not appear that this provision would be a factor in the near future.)

In summary, Figure 7 suggests that ACA 11 would likely result in General Fund revenue transfers to the Infrastructure Fund. It also shows that the various triggers and adjustments in ACA 11 do work to protect other General Fund programs by reducing transfers to the Infrastructure Fund when General Fund revenues slow or decline.

Figure 7

Illustration of the Fiscal Impact of ACA 11 If It Had Been in Effect the Last 20 Years

(Dollars in Millions)

Fiscal Year	Nominal General Fund (GF) Change	Actual Real GF Change	GF Revenue: Final Change Book	ACA 11 Transfer Rate	Prior-Year Debt Ratio	ACA 11 Transfer
1982-83	-1.0%	-3.2%	$20,704	—	1.0%	—
1983-84	11.5	7.7	22,530	1.0%	1.2	$113[a]
1984-85	11.1	5.9	25,795	1.3	1.4	335
1985-86	5.8	1.7	28,107	1.3	1.5	365
1986-87	9.9	6.5	30,944	1.6	1.6	495
1987-88	2.5	-1.6	33,104	1.6	1.7	397[a]
1988-89	10.8	5.6	35,929	1.9	1.6	683
1989-90	8.0	2.8	39,801	1.9	1.5	756
1990-91	4.0	-1.2	40,345	—	1.8	—[b]
1991-92	26.7	22.3	45,601	2.5	2.5	285[a]
1992-93	3.3	—	42,723	—	3.1	—[b]
1993-94	-0.7	-2.4	40,070	—	3.9	—
1994-95	9.8	7.9	41,364	2.8	4.1	579[a]
1995-96	1.8	0.3	42,771	1.9[c]	5.6	813
1996-97	3.7	1.3	47,573	1.9[c]	5.6	904
1997-98	6.6	4.5	52,396	2.6[c]	4.9	1,467
1998-99	5.1	2.5	57,304	3.0	4.4	1,719
1999-00	7.5	4.3	62,602	3.0	4.1	1,878
2000-01	13.1	8.3	80,043	3.0	4.0	2,401
2001-02	-20.2	-22.4	67,186	—	3.4	—

a Reflects suspended May payment in 1987-88 and suspended February and May payments in 1991-92 (-$285 million). Transfers in 1983-84, 1991-92 (-$570 million), and 1994-95 were reduced by 50 percent due to a prior-year suspension of the ACA 11 transfer.

b While there is nominal General Fund growth at the outset of 1990-91 and 1992-93, transfers are suspended due to later estimates of year-to-year declines in General Fund revenue.

c In 1995-96 and 1996-97, the transfer is reduced from 2.8 percent to 1.9 percent because of the debt service provision. In 1997-98, the transfer rate is reduced from 3.0 percent to 2.6 percent for the same reason.

What Issues Would the Passage of ACA 11 Raise?

Passage of ACA 11 would raise a number of issues related to how the state currently plans and finances its infrastructure. Below, is a brief discussion of some of these issues.

Impact on Capital Outlay Planning and Budgeting. As we have described above, passage of ACA 11 would provide a reliable and significant source of funds for state infrastructure needs. This could serve to greatly enhance the five-year infrastructure planning process established by Chapter 606. With a steadier funding source for new projects, the plan might be viewed as the means by which the state's highest priority projects are identified and funded.

The Infrastructure Fund and the Financing "Mix." The existence of the Infrastructure Fund would allow the Legislature to fund more capital outlay as pay-as-you-go projects. As noted above, this would bring greater certainty to the state's infrastructure planning and budgeting processes. With greater pay-as-you-go resources, the Legislature could lessen its reliance on bond financing. To the extent it did so, it would reduce overall infrastructure costs, as bond-funded projects are more costly than pay-as-you-go projects because of interest payments and financing costs. The Infrastructure Fund could also be used to change the way the state funds individual projects. For example, the Infrastructure Fund could pay for the preconstruction phases (preliminary plans and working drawings) of a project to avoid having to pay for bond-related interim financing costs, and the construction phase of the project could be funded later using general obligation or lease-revenue bonds.

Managing Resources in the Infrastructure Fund. Assembly Constitutional Amendment 11 would present the Legislature with options as to how it chooses to allocate monies from the Infrastructure Fund. For example, the Legislature could choose to fully fund (that is, provide funding for all phases of projects—including construction) as many projects as monies in the Infrastructure Fund would allow in a given year. Alternatively, in an effort to start as many projects as possible, it could choose to provide initial funding for a far greater number of projects. The Legislature could also choose to hold back a portion of the Infrastructure Fund each year to establish a reserve for use in those years when there is little or no transfer of General Fund revenue to the Infrastructure Fund.

Allocating Local Government's Share of the Infrastructure Fund. Assembly Constitutional Amendment 11 requires that half of the Infrastructure Fund be allocated for local government infrastructure, excluding school districts and community college districts. The measure requires subsequent legislation to set forth the approach and method to be used in the annual allocation of these funds. Accordingly, if ACA 11 is approved by the voters, the Legislature will need to establish how the Infrastructure Fund will be allocated for local infrastructure projects. For instance, the Legislature could decide that the Infrastructure Fund should be limited to funding new local government projects that serve regional purposes (such as parks, open space acquisitions, and flood control projects), or it could decide to use these funds as a substitute fund source for current local assistance programs involving infrastructure. Alternatively, the Legislature could opt to provide a portion of the funds to locals on a per capita basis (that is, not project-specific spending). In any case, passage of ACA 11 would compel a reconsideration of basic state and local infrastructure funding responsibilities.

FUNDING HIGHER EDUCATION CAPITAL OUTLAY

As in the past, we recommend the Legislature fund higher education capital outlay based on year-round operation, statewide priorities and criteria, reasonable construction cost guidelines, and appropriate utilization of existing facilities.

In previous years, we have recommended the Legislature fund capital outlay for higher education based on:

- Reasonably full use of instructional facilities during summer term before constructing new classrooms and teaching laboratories solely because of enrollment growth.
- Allocating limited state funds for projects on the basis of the Legislature's statewide priorities and criteria.
- Observing reasonable construction cost guidelines in order to spread limited state funds among as many justified projects as possible.

Last year, we examined the efficiency with which the segments were utilizing their existing instructional facilities. We found that the University of California (UC) utilized their classrooms and teaching laboratories substantially less than the Legislature's standards. We also noted that the California State University (CSU) and California Community Colleges (CCCs) were not tracking and reporting their utilization to the Legislature. We look at this issue again this year in light of new information received from the segments.

This year we also review the amount of research space at UC campuses—and its cost to the General Fund. We find that UC has substantially more research space than its peer institutions and that it comes at a high cost to the state.

Year-Round Operation

The Legislature has previously indicated its intention that the segments operate their instructional facilities at nearly uniform enrollments year-round—including summer term—in order to increase access for students, accelerate their time-to-degree, and avoid or defer the need to construct new classrooms and teaching laboratories. The CSU and UC have made progress in increasing their summer enrollment, but they still have a great deal of underutilized instructional capacity in summer term. In spite of this underutilized capacity, CSU and UC capital outlay plans continue to include construction of hundreds of millions of dollars of instructional facilities. Many of these new instructional facilities would not be needed if existing classrooms and teaching laboratories were fully utilized in summer term. In our discussion of the individual segments, we recommend the Legislature direct CSU and UC to delete construction of new instructional space from their capital outlay programs in future years if the space is justified solely on the basis of enrollment growth and a campus could accommodate the growth by higher enrollment in summer term.

We have not been able to determine the full extent to which the 108 CCCs have been utilizing summer term because of the limited availability of summer enrollment information. We recommend the Legislature direct the community colleges to provide more complete summer enrollment information so the need to construct new instructional facilities can be assessed.

Recommended Priorities and Criteria

For the past five years, we have recommended the Legislature fund construction of higher education facilities based on statewide priorities. Our recommended priorities have remained about the same from year-to-year, with some adjustments to reflect new information or conditions. This year we have introduced a new category for research facilities (applicable only to UC) to reflect our examination of the amount and cost of UC research facilities discussed below. Our recommendations are shown in Figure 1 (see next page).

We recommend these priorities be applied on a statewide basis, that is—across segmental boundaries. Implicit in this is our continuing recommendation that available funds not be arbitrarily allocated among the three segments based on predetermined percentages or amounts for each segment—but on the merits of individual projects.

Figure 1

LAO Recommended Priorities for Funding Higher Education Capital Outlay Projects

Priority Order	Description of Priority
1	**Critical Fire, Life Safety, and Seismic Deficiencies**
2	**Necessary Equipment**
3	**Critical Deficiencies in Utility Systems**
4	**Improvements to Undergraduate Academic Programs** • New construction or renovations that increase instructional efficiency and are needed based on year-round operation. • Libraries. • Renovation of existing instructional buildings. — Enrollment shifts in wet laboratories. — Enrollment shifts in other instructional spaces. — Buildings 30 years or older that no longer can accommodate the academic program. — Instructional program changes.
5	**Integrity of Operationally Important Facilities**
6	**Administrative and Support Facilities, and Faculty Offices**
7	**New Research Facilities**

Construction Cost Guidelines

As we have done in prior years, we recommend the Legislature provide funding for construction of new buildings on higher education campuses using construction cost guidelines to control costs. We use construction cost information from a number of sources to determine the range of costs for comparable buildings constructed elsewhere in the country. We have adjusted these costs for inflation and geographical differences and use them in preparing our recommendations. Our data base currently consists of 85 classroom, 191 teaching laboratory, 419 research laboratory buildings, and 80 office buildings.

The CSU and CCCs use construction cost guidelines. The CSU increased its guidelines about 15 percent to 20 percent in the last year in order to fund more durable materials and systems that are estimated to be more cost-effective on the basis of a building's life cycle. We have examined CSU's life cycle studies and believe the methodology used is sound. We have compared these higher CSU guidelines, and the CCC guidelines, to the cost of comparable buildings constructed elsewhere and found them to be reasonable. Accordingly, we recommend the Legislature fund CSU and CCC facilities in accordance with their respective guidelines.

The UC does not use construction cost guidelines. Based on our examination of cost information from the three segments and comparable buildings constructed elsewhere in the country, we recommend the Legislature fund construction of new buildings at the UC using the guidelines in Figure 2.

Figure 2

LAO Recommended Construction Cost Guidelines For University of California

(Dollars per Assignable Square Foot)

Building Type	Construction Cost Guideline
Offices	$295
Classrooms	329
Teaching laboratories	467
Research facilities	482

Utilization of Facilities

We recommend the Legislature not fund construction of new instructional facilities (classrooms and teaching laboratories) that are justified solely on the basis of enrollment growth at campuses that are not utilizing their facilities at least as intensively as the Legislature's standards. The state's legislatively approved utilization standards for station use (such as a desk in a classroom or workspace in a teaching laboratory) are shown in Figure 3 (see next page).

Figure 3

Utilization Standards CCC, CSU, and UC

Category	Room Use (Hours per Week)	Station Occupancy Percentage	Station Use (Hours per Week)
Classrooms	53.0[a]	66.0%	35.0
Teaching laboratories	27.5	85.0	23.4[b]

a Standard is 48 hours for community college campuses with less than 14,000 student hours per week.
b Standard is 23.4 hours for lower division and 17.6 hours for upper division teaching laboratories.

Utilization at both CSU and UC is less than the legislatively approved standards. The CCCs have not provided sufficient information to determine how well they are utilizing their existing facilities. Utilization is discussed further in the analyses of the individual segments.

Funding UC Research Facilities

This year we examine the cost of research facilities at the UC and the amount of research space at its campuses compared to the Legislature's standards. We also look at the amount of research space at comparable institutions elsewhere in the country. We find UC has substantially more research space than allowable under the Legislature's standards—and compared to its peer institutions. Peer institutions are the top 100 (exclusive of the eight UC general campuses) universities in the country in research expenditures, as measured by the National Science Foundation.

Oversight of Lease-Revenue Bond Projects

The* 2003-04 Governor's Budget *proposes to fully fund all phases of eight major capital outlay projects that use lease-revenue bonds as their source of funds. To the extent the Legislature approves any of these projects, we recommend adding budget bill language requiring the Department of Finance to notify the Legislature of proposed project augmentations or scope changes.

The *2003-04 Governor's Budget* proposes $500 million to fund all project phases of eight major capital outlay projects financed with lease-revenue bonds (see Figure 1, next page). Below, we discuss our concerns with funding all phases of a capital outlay project at one time, and the particular problems with lease-revenue bond financed projects.

Why the Legislature Has Funded Major Capital Outlay Projects in Phases

Capital outlay projects generally consist of three major phases: (1) preliminary plans, (2) working drawings, and (3) construction. In the past, it was common practice for the Legislature to appropriate funds for preliminary plans in one budget act (with accompanying supplemental report language specifying the project's scope and future costs) and then—after reviewing completed preliminary plans—appropriate funds in the subsequent budget act for the remaining project phases.

Why Preliminary Plans Are Important. Preliminary plans contain important information for the Legislature in overseeing projects. Specifically, these plans include a detailed project scope description (exactly what will be built and why), a site plan, architectural floor plans, building elevations, outline specifications, and a detailed cost estimate. Preliminary plans are the initial design documents that are used to prepare the construction documents. Without completed preliminary plans, any project cost estimate presented in the Governor's budget is merely a "best guess" estimate concerning the final scope and cost of a project.

Figure 1

Major Lease-Revenue Bond Projects Proposed for Full Funding of All Project Phases

(In Thousands)

Department	Budget Item	Project Title	Project Phases[a]	Budget Request
General Services	1760-301-0660 (1)	Central Plant Renovation	A, P, W, C	$159,722
Conservation Corps	3340-301-0660 (1)	Tahoe Base Center Relocation	A, P, W, C	18,371
Conservation Corps	3340-301-0660 (2)	Sequoia District Relocation	P, W, C	14,382
Developmental Services	4300-301-0660 (1)	Porterville: Recreation Complex—Forensic	P, W, C	5,743
Developmental Services	4300-301-0660 (2)	Porterville: 96-Bed Expansion—Forensic	P, W, C	44,511
Mental Health	4440-301-0660 (2)	Metropolitan: Construct New Kitchen and Remodel Satellite Serving Kitchens	P, W, C	18,726
Corrections	5240-301-0660 (2)	California Medical Facility, Vacaville: Mental Health Crisis Beds	P, W, C	18,645
Corrections	5240-301-0660 (4)	California State Prison, San Quentin: Condemned Inmate Complex	S, P, W, C	220,000
			Total	**$500,100**

[a] A = site acquisition; S = study; P = preliminary plans; W = working drawings; C = construction.

Preliminary Plans Generally Should Be Reviewed Before Proceeding to Construction. Historically, our office has recommended the Legislature only approve funding of working drawings and construction phases for larger and/or complex projects *after* it has had an opportunity to review preliminary plans for these projects. This helps ensure that they remain within scope and budget as approved by the Legislature. In other words, after reviewing preliminary plans, the Legislature can be assured that it is getting the project it was promised, for the agreed price. It also allows the Legislature to consider whether the project continues to be a legislative priority before funds for subsequent phases have been appropriated.

History has shown that projects for which subsequent project phases were funded before preliminary plans were completed, often required cost and scope revisions during construction. These revisions have been for a variety of reasons—unanticipated environmental issues, unforeseen site conditions, unforeseen soil conditions, inadequate cost estimates, and inaccurate project scope—such as the wrong size or type of facility.

Concerns With Proposed Projects

The eight proposed projects represent large, complicated projects and / or unique projects where there are significant unknown issues. The projects consist of both new construction and renovation of old structures. New construction projects require definitive site plans and scope descriptions, whereas renovation projects may have many unknown issues related to past design and construction practices.

We note that three of the projects require funds to acquire a site on which to construct the facility. Without a specific site for construction, the project cost estimate is unsupportable because it cannot account for costs related to various site issues. For example, how facilities will need to be positioned, the type of soil conditions, and the location of utility connections are all site-related issues that will have an effect on the cost of project design and construction. These types of issues are addressed in a site plan included in completed preliminary plans.

In the case of the Department of Corrections' project for a new death row facility, the Governor's budget requests funds for a study phase. We assume that this study may involve site investigations, a review of environmental mitigation issues, soils testing, and a validation of estimated project costs. The fact that the department needs to conduct a study on the project clearly indicates that the scope and cost of the project are not final, but rather, conceptual estimates.

Given the types of issues noted above, the proposed projects ideally should not receive appropriations for working drawing and construction at this time. We believe it is highly likely these projects will need revisions to their cost estimates and / or scope descriptions before construction is completed.

Lease-Revenue Bond Projects Cannot Be Funded in Phases

The reason the Governor's budget proposes to fully fund all phases of the projects in Figure 1 is due to their use of lease-revenue bonds. Recently, the Attorney General's Office concluded that the state cannot issue lease-revenue bonds until the Legislature has appropriated the *total* amount of the lease-revenue bonds to be issued for a project. Consequently, in the case of those projects that are fully financed with lease-revenue bonds, the budget act appropriation must include all project phases.

How Should the Legislature Respond?

In the case of capital outlay projects that are complex and/or unique, we continue to support the concept of reviewing preliminary plans before appropriating funds for subsequent project phases. Given the situation with lease-revenue bonds, the only practical way to fund such a project in phases would be to appropriate General Fund monies for the preparation of preliminary plans for these projects. To the extent these projects represent critical infrastructure needs, it is not unreasonable to expect the administration to prioritize its use of General Fund dollars to include the preparation of preliminary plans for critically needed projects. In fact, for future budgets, we recommend that the Legislature do just that—set aside enough General Fund money to fund the preliminary plan phase of any lease-revenue bond project.

Given the current fiscal condition, however, we realize that funding the planning phase with General Fund monies for the eight projects may not be possible. To the extent, however, the Legislature approves these projects as proposed, we believe some enhanced legislative oversight is needed. Specifically, we recommend that the Department of Finance (DOF) be directed to notify the Legislature within ten days of receiving notification that any of the eight projects is in need of an augmentation of project cost or a change in project scope. Such notification would provide the Legislature with advance notice of potential problems. We recommend the following language be added to the corresponding budget items for any approved projects in Figure 1:

> The Department of Finance will provide written notification to the Joint Legislative Budget Committee, within ten days of receipt, of any requests for an augmentation of project costs, change in project scope, and any related change in project schedule, for projects identified in Schedule(s) (XX).

While the administration may assert that such information and notice is already provided by the State Public Works Board (SPWB), we note that the Legislature generally receives written notification *after* the SPWB staff (DOF) has determined that an augmentation is needed and/or a project's scope needs to be changed. As such, the Legislature is not kept current on developments with complex projects and therefore is unable to present recommendations on project issues *before* SPWB staff has decided on a course of action.

DEPARTMENTAL ISSUES

Capital Outlay

JUDICIAL COUNCIL
(0250)

In 2002, responsibility was shifted from the counties to the state for funding the operation, maintenance and development of trial court facilities. The budget does not include any capital outlay proposals for trial court facilities, but there are implementation and funding issues resulting from this shift that the Legislature may wish to address.

TRIAL COURT FACILITIES ACT

Background

Trial Court Funding Act. In 1997, the Legislature passed and the Governor signed into law Chapter 850, Statutes of 1997 (AB 233, Escutia and Pringle), which established the "Trial Court Funding Act." This legislation implemented the Legislature's goal of shifting responsibility for trial court funding and operations from the counties to the state. Chapter 850 also established the "Task Force on Court Facilities" (task force), whose responsibility was to report to the Legislature, Governor and Judicial Council (council) on the funding of new construction, remodeling, and renovation of trial court facilities.

Task Force on Court Facilities. The duties of the task force were to:

- Document the state of existing court facilities and determine the extent to which existing court facilities are utilized.

- Examine existing standards for court facility construction.
- Determine the need for new or modified court facilities.
- Document funding mechanisms currently available for construction, renovation, operation and maintenance of court facilities.
- Review and make recommendations for operational changes that might mitigate the need for additional court facilities.
- Recommend funding responsibilities among the various government entities for support of trial court facilities, as well as funding sources and mechanisms.

In response to the task force's final report, the Legislature enacted Chapter 1082, Statues of 2002 (SB 1732, Escutia), the Trial Court Facilities Act of 2002.

Summary of the Facilities Act

Chapter 1082 provides for transfer of trial court facilities from counties to the state and a funding mechanism for their operation, maintenance, and renovation, and construction of new facilities.

Operation and Maintenance Responsibility and Funding. Counties are required to make annual maintenance-of-effort (MOE) payments to the state for operation and maintenance of court facilities that are equal to the amount each county historically expended on operation and maintenance of court facilities. These MOE payments are an ongoing responsibility of the counties; however, no provision is made for their escalation in future years due to inflation or the construction of new facilities. The state is responsible for funding operation and maintenance costs in excess of the county payments. The council is responsible for administration of operation and maintenance funds.

Construction Funding. Various new fees are imposed on court filings and fines to generate revenue to be deposited in a new "State Court Facilities Construction Fund." Funds for renovation of existing and construction of new court facilities are to be appropriated from this fund. The court fees and fines are specified in fixed amounts—some for limited periods of time—with no provision for escalation in the future due to inflation or the need to construct additional court facilities. The state is responsible for funding construction costs if the specified court fees and fines do not generate sufficient revenue for the construction fund.

Construction Responsibility. The council is required to annually recommend to the Governor and the Legislature the projects and amounts to be expended for renovation and construction of court facilities. The council has ownership authority over court facilities to be constructed, and authority to design, bid, award and construct projects, except as delegated to others.

Potential Fiscal Impact on the State

There are currently about 450 trial court facilities in the state comprising about 10.1 million usable square feet (usf). About 9 million usf are in county-owned buildings and about 1 million usf is leased by counties in commercial office buildings. By way of comparison, the total amount of academic facilities at the University of California's (UC) eight general campuses is about 10.9 million usf.

Below, we describe the various costs for which the state is now responsible. These costs are to operate and maintain existing facilities; develop, operate and maintain additional facilities for which there is a current need; and develop, operate and maintain additional facilities for which a need is projected to develop in the future.

Operating Costs of Existing Facilities. The task force estimates the annual cost to operate and maintain existing trial court facilities is about $263 million a year (see Figure 1). These new state costs initially will be funded through the county MOE provisions discussed above. Since county payments will be fixed at historical levels, the share of operating and maintenance costs they will cover will erode in future years, because of inflation and the need to construct additional facilities.

Figure 1

Existing Trial Court Facilities— Annual Operating Costs

(In Millions)

	Amount
Operation, maintenance, and administration	$140.0
Lease payments	27.6
Debt service costs[a]	95.8
Total	**$263.4**

[a] With an average of 14.4 years remaining on the debt.

Current Facility Needs. The task force estimated the *current* need for trial court facilities in two ways—first assuming "maximum reuse" of existing facilities (meaning renovating facilities rather than constructing new ones, whenever practicable)—and then assuming a "reduced reuse" scenario (where many older facilities would be replaced rather than renovated). Figure 2 summarizes the task force's estimates. Using the maximum reuse assumption, the task force estimated that there is a current need for 3.9 million usf of additional court facilities (both expansions of existing facilities and new facilities). With the reduced reuse assumption, it was estimated the current need was an additional 7 million usf. The task force estimated the capital cost for these two options at $2.8 billion and $3.4 billion, respectively.

Figure 2

Estimated Current Need for Trial Court Facilities

Usable Square Feet (In Thousands)

Current Need	Maximum Reuse	Reduced Reuse
Existing facilities	10,138	10,138
Less obsolete facilities	-1,399	-3,057
Plus new facilities	3,887	6,993
Current need	12,626	14,074
Capital outlay required ($ millions)	$2,808	$3,383

The estimated annual operation and maintenance cost increase needed to service this additional space is between $3.4 million and $5.4 million.

Future Need. The task force also estimated the *future* need for additional trial court facilities to accommodate a growth in staff and judges commensurate with population growth. It concluded this would result in a need for an additional 5.8 million usf, costing $2.1 billion over the next 10 years. The estimated annual operation and maintenance cost increase needed to service this additional space is $4 million.

State Capital Investment Impact. According to the council, assumption of responsibility for funding the operation and maintenance of trial court facilities will cost the state about $270 million a year. This estimate does not take into account cost escalation due to inflation and the construction of new court facilities. In addition, the council estimates the cost of constructing new trial court facilities is up to $2.3 billion over the next five years (not counting cost escalation due to inflation). This would make the trial courts one of the state's most costly capital outlay programs. Figure 3 shows how capital spending on court facilities would compare to that for other agencies with large capital outlay programs.

Figure 3

Trial Court Facilities to Become One of the State's Biggest Infrastructure Programs

Estimated Five-Year Infrastructure Costs[a]
(In Billions)

Department	Estimated Capital Outlay
Water Resources	$2.4
Trial Courts	2.3
Community Colleges	2.0
University of California	1.8
General Services[b]	1.8
California State University	1.5

a Cost estimates from *2002—California's Five-Year Infrastructure Plan*, covering 2002-03 through 2006-07.

b The Department of General Services is the "landlord" that provides office space for most state agencies.

Issues for the Legislature

As noted above, trial court facilities are expected to be one of the state's biggest capital outlay programs in the future. Below, we discuss some key issues related to this significant new state responsibility.

Adequacy of Revenue From Court Fees

The Trial Court Facilities Act provides for specific court-imposed fees and fines to be imposed in court actions and dedicated to the cost of renovation and construction of court facilities. These fees and fines, however, are specific dollar amounts and there is no provision for their escalation to compensate for inflation. Also, some of the fees specified in the act are imposed for a limited time only. In the event revenue generated from these fees and fines is inadequate to meet the demand for trial court facilities (as determined by the Judicial Council), the act requires the state to provide additional funding to make up for any deficiencies. The council estimates over $1 billion will be required from the state over the next five years. This will certainly have a significant impact on the General

Fund in the form of direct appropriations and debt service on General Fund-backed bonds.

In the longer run, it was hoped that the fee revenues provided by the act would cover the ongoing trial court facilities costs. However, it is likely to be difficult for the fixed fees and fines specified in the act to keep up with rising out-year costs.

To assist the Legislature in its long-term capital planning, we recommend the Legislature adopt supplemental report language directing the Judicial Council to prepare a projection of the long-term funding needs of the court facilities program. If fees and fines, and county MOE payments are insufficient as a permanent funding source, we recommend the Legislature direct the council to prepare a long-term estimate of the revenue deficiency and identify specific options for the Legislature to consider to make up the deficit.

Management of the Court Construction Program

The Trial Court Facilities Act provides the council with the authority and responsibility to implement the design and construction of court facility projects, except as delegated to others. The council has indicated it wishes to hire staff to do this work rather than delegate it to the Department of General Services (DGS).

If the council should undertake this responsibility, it would represent an unprecedented departure from the judicial branch's core function. There is also a question about the cost-effectiveness of the judicial council greatly expanding its staff to manage a program of a type which historically has been managed by the executive branch, and with which the council has no experience. We believe the Judicial Council may have serious difficulties in: (1) hiring several hundred experienced engineers, architects, and support staff and (2) developing the organization, processes, standards and expertise to manage a major construction program. We note that DGS has the capability to shift qualified technical staff to the trial court facilities program quickly and without extensive new hiring. Also, much of DGS's professional staff is already geographically dispersed around the state, which would facilitate dealing with court facilities in all of the 58 counties.

Given these issues, we believe the Legislature needs to be informed of how the administration proposes to deal with the management of the courts' construction program. Accordingly, we recommend that the Departments of Finance and General Services, and the Judicial Council, report at budget hearings on how this function could most efficiently be performed.

Court Facility Guidelines

The Judicial Council staff addressed the issue of court facility guidelines and recommended functional space and utilization standards for use in developing trial court facilities. The council used these guidelines to develop its estimates of the current and future court facilities needs. This is an appropriate approach to estimating facility needs. We recommend, however, that facility guidelines developed by any state agency be reviewed and validated by an outside agency to assure they are cost-effective and consistent with other state standards. Accordingly, we recommend the Legislature adopt supplemental report language directing DGS to review the court facility guidelines developed by the council to assure that they are reasonable and cost-effective.

DEPARTMENT OF GENERAL SERVICES (1760)

The budget includes requests totaling $219.3 million of bond funds for the Department of General Services (DGS) capital outlay program. This amount includes $3 million in general obligation bonds for management, design, and construction of a previously funded seismic retrofit project to improve the earthquake safety of state buildings, and $216.3 million of lease-revenue bonds to fund a previously approved state office building and to renovate the central plant for state buildings in downtown Sacramento.

Master Plan for Central Plant Is Not Yet Complete

We withhold recommendation pending receipt and review of the central plant master plan. At the time of this analysis, the master plan was not yet complete. Given the nature of this plan, we believe it is a critical component in analyzing how the central plant project will address the long-term needs of the state.

The Governor's budget requests $159.7 million, from lease-revenue bonds, to renovate and expand the District Heating and Cooling System (central plant). Proposed spending would accommodate additional equipment and construct an 8 million gallon underground Thermal Energy Storage tank, new cooling towers, and an underground piping distribution system.

The central plant provides heating and cooling through the distribution of chilled water, steam, and control air to 23 state-owned buildings in downtown Sacramento—including the Capitol and Legislative Office Building. According to DGS, these buildings represent 5.5 million square feet of office space that accommodate 20,000 employees. The current system consists of a central plant facility, containing chiller and boilers and associated equipment, and a series of underground tunnels containing chilled water and steam distribution piping which connect the central plant to the 23 buildings served. The system also includes a well, and discharge system for the heated water, which are located adjacent to the Sacramento River and connected to the central plant with buried pipes.

The current system was designed and constructed in 1968 and has had some minor expansions and modifications since then. While mostly original, and for the most part in good condition, the central plant is in need of updating for increased cooling capacity, compliance with environmental standards, and new technology.

Increased Cooling Capacity. The budget proposal states that the need for increased cooling capacity comes from the addition of computers, servers, copiers, printers, fax machines, and other devices that produce heat in the buildings. DGS points out that these devices did not exist when the central plant was designed and built. Also, because of the use of modular furniture, more people are capable of working in the buildings, which produces more heat that needs to be removed. Finally, over the last 30 years, new buildings have been added to the central plant system. According to DGS, all of these things have added to the central plant's cooling load. In addition, where there was once designed equipment redundancy in case a boiler or chiller failed, there is now none due to the increased demands on the equipment.

Compliance With Environmental Standards. In addition to the need for additional cooling capacity, DGS notes that the central plant has been in violation of water temperature discharge regulations which specify that water discharged into the Sacramento River shall not exceed 86 degrees, nor exceed the river water temperature by 20 degrees. On March 11, 2002, the Central Valley Regional Water Quality Control Board (regional board) issued a cease and desist order to DGS for thermally polluting the Sacramento River by discharging heated water, the temperature of which exceeded the discharge regulations. To comply with the order, the state must provide the regional board a schedule and plan to remedy the situation by March 1, 2003; provide twice yearly progress reports; and stop discharging heated water by March 1, 2006.

Central Plant Master Plan. According to DGS, it had already begun working on the development of a central plant master plan prior to the regional board issuing the cease and desist order. DGS indicates that the master plan will provide an operating plan for the central plant for the next 30 years. The plan will allow for future growth and improvements without major operation disruptions, and it will provide guidelines on how to optimally connect new buildings to the central plant loop. It will also restore equipment redundancy and provide operational flexibility to help address high natural gas or electrical prices. Finally, it will provide a solution to the regional board's cease and desist order.

At the time of this analysis, the central plant master plan was not yet complete. Given the nature of the plan, we believe it is a critical component in analyzing how this proposal best addresses the long term needs of the state. Consequently, we withhold recommendation on this proposal pending our receipt and review of the central plant master plan.

As discussed in the "Crosscutting Issues" section of this chapter, if the Legislature approves this project, we recommend the addition of budget bill language that would assure the Legislature's oversight role when fully funding all phases of a lease-revenue bond project.

CALIFORNIA CONSERVATION CORPS (3340)

The California Conservation Corps (CCC) has 16 residential centers and approximately 40 non-residential satellite facilities in urban and rural areas. The Governor's budget proposes $32.8 million from lease-revenue bonds for two major capital outlay projects.

Sequoia District Relocation/Construction

We withhold recommendation on the Sequoia District Relocation pending legislative approval of two Department of Developmental Services capital outlay projects at the Porterville Developmental Center.

The CCC has requested $14.4 million to relocate its Sequoia Base Center that is currently located in leased facilities at the state Developmental Center in Porterville. The CCC states that it has leased the current facilities and site from Department of Developmental Services (DDS) since 1984. Recently, DDS notified the CCC that the current lease would not be renewed because DDS needs the property for an expansion project at the developmental center. Specifically, because of a growing forensic/severe behavioral population, DDS has requested capital outlay funding for a 96-bed residential unit expansion and a new recreation/activity center. These new facilities will be located on the current CCC Sequoia Base Center site. Consequently, the CCC is proposing to move the Sequoia Base Center.

Our office has withheld recommendation on the DDS projects until the department can validate the possible receipt of federal reimbursements if the DDS facilities are built. If the DDS projects are not approved by the Legislature, the CCC will be able to remain at its current location on the Porterville grounds. Consequently, we withhold recommendation on the CCC proposal pending the Legislature's action on the DDS Porterville projects.

Tahoe Base Center Relocation

We recommend approval of $18.4 million to acquire and construct a new residential facility in the Tahoe Basin with budget bill language that (1) limits the search area for a new site and (2) assures the Legislature's oversight role when fully funding all phases of a lease-revenue bond project.

The CCC has requested $18.4 million for site acquisition, preliminary plans, working drawings, and construction of a new residential facility in the Lake Tahoe area. The current facility is located at the former Echo Summit Ski Resort on United States Forest Service (USFS) property. The CCC has been at this site since 1994, when it was forced to relocate from a site in Meyers when that property was sold. Before moving to the Echo Summit facility, the CCC explored the possibility of purchasing a site on which to build a new base center. However, it was unable to find any suitable sites at that time.

In 2000, the CCC contracted for a Department of General Services (DGS) review of the physical condition of facilities and infrastructure at the Tahoe Base Center. DGS found numerous structural and operating deficiencies, space deficiencies, and various California Building Code violations. As a result, CCC requested DGS to conduct a feasibility study on renovating and expanding the current site, or relocating to a new site. Based on the USFS unwillingness to consider a 35,000 square foot expansion on the current site, the cost of fixing the existing deficiencies, and a desire to avoid the severe weather conditions on Echo Summit, the CCC concluded that the Tahoe Base Center would be better served in the long-term if it were relocated to a lower elevation. After reviewing the facility study, we do not dispute the CCC's conclusion to relocate the facility.

In addition to the reasons cited above for relocation, we understand there are potential sites currently available for purchase in the Meyers/South Lake Tahoe area that would be suitable for a CCC base center. We note that a relocation to the Meyers/South Lake Tahoe area also makes programmatic sense for the CCC because it places the center closer to its client agencies, and it would not require the CCC to cross over Echo Summit in winter conditions when there is the possibility of road closures.

We recommend approval of the Tahoe Base Center relocation proposal and recommend the inclusion of budget bill language limiting the search area for a new site to the Meyers/South Lake Tahoe Area. Additionally, as recommended in the "Crosscutting Issues" section of this chapter, we also recommend the addition of budget bill language we have suggested for those major projects that would receive full funding of all project phases from lease-revenue bonds.

DEPARTMENT OF FORESTRY AND FIRE PROTECTION (3540)

The California Department of Forestry and Fire Protection (CDFFP) operates over 500 facilities statewide, including 229 forest fire stations. The Governor's budget proposes $30 million for CDFFP capital outlay. This amount includes $29.6 million for eight major capital outlay projects from lease-payment bonds and $491,000 for one minor capital outlay project (less than $500,000 per project) to be funded from the General Fund. With regard to the major projects, the request includes four continuing projects that have previously been funded for preliminary plans and four new projects for which preliminary plans, working drawings, and construction are now proposed.

Recommended Approval of Four New Projects

We recommend the Legislature approve the $15.5 million funding request for four new projects for which the* 2003-04 Governor's Budget *proposes full funding of all project phases.

The Governor's budget proposes to use lease-payment bonds to fund preliminary plans, working drawings, and construction for the four capital outlay projects shown in Figure 1.

Historically, our office has recommended the Legislature approve funding of working drawings and construction phases for larger projects only after it has had an opportunity to review preliminary plans for a project. By withholding approval of future project phases until it has reviewed preliminary plans, the Legislature is able to assert an oversight role to ensure that projects remain within legislatively recognized scope and budget.

Figure 1

Department of Forestry and Fire Protection
New Projects Proposed for Full Funding

(In Thousands)

Item 3540-301-0660	Project Description	Proposed Phases[a]	Budget Request
(1)	Alma Helitack Base: replace facility	PWC	$5,331
(2)	Lassen Lodge Forest Fire Station: relocate facility	PWC	4,258
(3)	Warner Springs Forest Fire Station: replace facility	PWC	2,212
(7)	Twain Harte Forest Fire Station: relocate facility	PWC	3,757
	Total		**$15,558**

a P = preliminary plans; W = working drawings; C = construction

"Facility Program Policy Guidelines" Establishing Prototypical Forest Fire Stations Are Not Complete

We withhold recommendation on the approval of the California Department of Forestry and Fire Protection's Facility Program Policy Guidelines until all relevant forest fire station buildings are included in the guidelines.

In an effort to more precisely define the scope and costs for forest fire station projects, CDFFP has developed "Facility Program Policy Guidelines" (FPPG) to set forth a prototypical design standard for future forest fire station projects. It is the intent of the CDFFP to use the FPPG to improve project delivery and realize possible cost savings through the standardization of all newly constructed forest fire stations.

The CDFFP operates 229 forest fire stations statewide. Generally, these stations consist of two types: one-engine stations and two-engine stations. As stated earlier, CDFFP forest fire stations tend to be fairly consistent in scope and design and usually are comprised of four basic structures: (1) a barrack / mess hall building; (2) an apparatus building with communication antenna, tower, and base station radio; (3) a generator building; and (4) a flammable materials storage building. The size of these structures is linked to whether the station houses one or two fire engines, which in turn determines the number of personnel assigned to the station. For example, a one-engine station has an eight-bed barracks / mess hall building and a two-bay apparatus building, whereas a two-engine station has a 12-bed barracks / mess hall and a three-bay apparatus building. In addition to the basic four buildings, certain other structures may be a part of a forest fire station, depending on the mission requirements of a specific station. For example, some forest fire stations house a bulldozer that is used in wildland fire suppression and these stations would include a bulldozer and transport shed. Other stations may house personnel other than a fire crew and may need an office for a CDFFP battalion chief, a fire prevention officer, or foresters.

It is commendable that CDFFP has undertaken the development of the FPPG. We believe the guidelines will result in both savings to the state and faster delivery of projects. Our concern is that the document does not fully standardize all structures that may constitute a CDFFP forest fire station. Currently, the FPPG provides a standardized design for only the apparatus building, and the barracks / mess hall building. It does not provide any standardization for the generator building or flammable materials storage building which CDFFP has identified as basic components of a fire station. Also, while it identifies the square footage of a one-bay and two-bay bulldozer storage shed, it does not specify any other design criteria, such as a schematic design for the structure or approved construction materials. In addition, the FPPG provides no standardization for battalion chief office space, fire prevention officer office space, or forester office space. The CDFFP states that no standard was developed for these structures because they are not needed at every forest fire station and will be reviewed on a case-by-case basis. While we agree that these structures are not a component of every forest fire station, we believe that they should be standardized for those instances when one, or more, of them will be included in a forest fire station project. The CDFFP has agreed to develop a prototypical standard for these structures and amend them into the FPPG.

With a prototypical design standard for all potential structures that may be included in a forest fire station project, we believe that cost savings could be realized because one set of design documents (with site adaptation) can be used for all forest fire station projects, as opposed to having to develop design documents for each new project. In addition, a standardized design should speed delivery of these projects because case-by-case design documents do not need to be developed and construction materials can be preordered.

We withhold recommendation on the approval of the FPPG for future forest fire station projects until CDFFP has developed and included prototypical standards for generator buildings, flammable storage buildings, bulldozer and transport shed, and miscellaneous offices that could be a component of a forest fire station. We understand that CDFFP will develop prototypical standards for these structures prior to the start of budget subcommittee hearings.

DEPARTMENT OF PARKS AND RECREATION (3790)

The budget proposes $103 million for capital outlay for the Department of Parks and Recreation (DPR). This amount includes $69.1 million from the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Bond Act of 2002 (2002 Bond Act); $24.1 million from the Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Bond Act of 2000; $3.7 million from federal funds; $3.6 million from the Off-Highway Vehicle Trust Fund; $1.9 million from the Habitat Conservation Fund; $419,000 from the Recreation and Fish and Wildlife Enhancement Fund; and $110,000 from the Winter Recreation Fund.

California Indian Museum

We recommend deletion of $5 million proposed for the California Indian Museum, as the Department of Parks and Recreation already has adequate funding to begin planning and development of the museum. (Delete $5 million from Item 3790-301-6029 [22].)

The budget proposes $5 million from the 2002 Bond Act for the Phase I development of the California Indian Museum (CIM). Based on our review of the proposal, we find this request for additional funds to be premature for the following reasons:

California Indian Cultural Center and Museum Task Force Has Not Issued Its Recommendations. Chapter 290, Statutes of 2002 (SB 2063, Brulte), created the California Indian Cultural Center and Museum Task Force (task force) to make recommendations to DPR on potential CIM sites, no later than one year after it is convened. The task force is also to make recommendations on cultural and design concepts for the CIM. We understand that the task force will meet for the first time in March 2003 and, according to DPR, the task force will begin its discussions on the site location and design of the CIM sometime this summer.

Prior CIM Appropriation Still Available. Chapter 1126, Statutes of 2002 (AB 716, Firebaugh), provided DPR with $5 million from the 2002 Bond Act for the CIM project. We understand that DPR proposes to combine the $5 million requested in the 2003-04 budget with the prior appropriation to develop a $10 million CIM. Of the $5 million provided by Chapter 1126, DPR has allocated $810,000 for a project study phase to develop an architectural program to confirm programmatic needs, space and use requirements, an overall curatorial and cultural program, a site and facility master plan, a project phasing plan, and cost estimates for the complete CIM. Consequently, the remaining $4.2 million is available to DPR for any other CIM development uses that are consistent with the task force's forthcoming recommendations.

Based on the above, there is no need at this time to appropriate an additional $5 million for the CIM. Until the task force issues recommendations on a CIM site and design, and DPR has finished its study / planning documents and acquired a site for the project, there is no need for additional funding. Therefore, we recommend denial of the $5 million requested for the CIM.

Reduce Funding Request for the California Heritage Center Project

We recommend the Legislature approve $3.4 million of the proposed $10 million project to fund the acquisition of a site for the project and the development of a master plan to establish facility standards, project programming, and site plan. We recommend deletion of the remaining proposed funds for future project phases, as the monies are not needed in the budget year. (Reduce Item 3790-301-6029 [9] by $6,557,000.)

The *2003-04 Governor's Budget* requests $10 million from the 2002 Bond Act to fund the acquisition of a site in the Sacramento area and construct a Phase I facility for the California Heritage Center. This project would provide a facility to house and display various historic and culturally significant artifacts that DPR has acquired over time. Currently, DPR is using a leased warehouse facility to store many of the artifacts, and the rest are being stored in various facilities throughout the state. It is our understanding that the current warehouse facility, along with most of the other facilities, are not designed to store historical artifacts. As such, it is difficult to maintain an appropriate storage environment (temperature and humidity) for preserving the artifacts.

The budget proposal requests funding of all project phases, including a master plan study and site acquisition. According to the DPR proposal, it first needs to identify and acquire a site in the Sacramento area and develop a master plan for the project site. We understand that the master plan study will establish facility standards, identify needs for public access and research, define the program for the entire project, and plan the site for phased development. These are all tasks that should be completed prior to requesting funds for preliminary plans, working drawings, and construction. Also, like the CIM project discussed above, we recommend the Legislature not support a request for construction funds when DPR has no site on which to begin planning and construction of the project.

Based on the above, we recommend approval of $3 million for site acquisition, and $443,000 for the master plan study. With the completion of these phases, the department will have an accurate statement of cost and scope for the project, and can propose funding for future phases in subsequent budget acts.

DEPARTMENT OF DEVELOPMENTAL SERVICES (4300)

The Department of Developmental Services (DDS) operates five developmental centers (Agnews, Fairview, Lanterman, Porterville, and Sonoma) and two leased facilities (Canyon Springs and Sierra Vista). As of December 31, 2002, the system housed approximately 3,600 clients. The budget includes $50.3 million for two related projects at the Porterville Developmental Center.

Withhold Recommendation on Porterville Projects

We withhold recommendation on the 96-bed Forensic Residential Expansion and the Forensic Recreation and Activity Center projects, pending receipt and review of information assuring that these facilities will attain federal certification and a corresponding resumption of federal Medicaid reimbursements for the forensic clients.

96-Bed Forensic Residential Expansion. The Governor's budget includes $44.5 million for the planning and construction of six 16-bed residential units, a protective services facility, and related security improvements for the Secured Treatment Program (STP) at the Porterville Developmental Center (Porterville). This proposal also includes an extension of the perimeter security fence and road, three new guard towers, a sally port and associated security equipment, new water well, emergency generator building, and related site work. Currently, the STP is at full capacity and, based on DDS projections of the forensic / severe behavioral population, 96 additional beds will be needed over the next five years.

Forensic Recreation and Activity Center. The Governor's budget includes $5.7 million for the planning and construction of a recreational and activity center within the STP fenced area at Porterville. The project consists of a 16,140 square foot (sf) recreational facility and swimming pool complex, a 2,000 sf swimming pool, small serving kitchen, restroom / shower facility with lockers, a large multipurpose area, and related site improvements.

Federal Certification of STP. We understand the STP lost its federal certification several years ago because of disparate treatment of the forensic / severe behavioral population when DDS enclosed the STP with a security fence and confined this population to the fenced area. However, DDS indicates there is a possibility that the STP at Porterville could receive federal certification again if the 96-bed expansion and the recreation and activity center are constructed. The department states that the 96-bed expansion facilities are modeled after a New York facility for forensic clients similar to those at Porterville and that the New York facility was successful in achieving full federal certification. The recreation and activity center would address the disparate treatment of the forensic / severe behavioral population.

According to DDS, if the 96-bed expansion receives federal certification, the department would receive approximately $4.9 million per year in federal Medicaid reimbursements for the forensic clients it houses. If the recreation and activity center is built and receives federal certification, DDS states that California would receive $15.6 million per year in federal reimbursements. In sum, if all proposed facilities are built and receive federal certification, the Porterville STP would receive $20.6 million annually in federal Medicaid reimbursements.

Given these assertions by DDS, we contacted the federal government's Centers for Medicare and Medicaid Services for information concerning the possible federal certification of both the proposed 96-bed expansion and the recreation and activity center at Porterville. At the time of this analysis, we had not received information regarding the possibility of these two facilities receiving full federal certification.

We withhold recommendation on the 96-bed Forensic Residential Expansion and the Forensic Recreation and Activity Center projects pending receipt and review of information assuring that these facilities will receive federal certification and a corresponding resumption of federal Medicaid reimbursements for the STP clients.

As discussed in the "Crosscutting Issues" section of this chapter, if the Legislature approves these projects, we recommend the addition of budget bill language that assures the Legislature's oversight role when fully funding all phases of a lease-revenue bond project.

Porterville Projects Linked With Those of California Conservation Corps

The Sequoia Base Center of the California Conservation Corps (CCC) is currently located on the Porterville grounds needed for the 96-bed expansion and the recreation and activity center. According to the CCC, it has leased the current facilities and site from DDS since 1984. If the DDS projects are approved by the Legislature, the CCC will have to vacate its current location on the Porterville grounds. We understand that DDS has offered to transfer a surplus parcel of land at Porterville to the CCC for a new Sequoia Base Center.

In any case, because of the proposed DDS projects at Porterville, the CCC has submitted a capital outlay budget change proposal for $14.4 million for construction of a new Sequoia Base Center. We are withholding recommendation on the CCC proposal pending the Legislature's action on the DDS Porterville projects.

DEPARTMENT OF MENTAL HEALTH (4440)

The Department of Mental Health (DMH) operates four state hospitals—Atascadero, Metropolitan, Napa, and Patton. As of December 2002, the system housed over 4,200 patients. The budget includes $325,000 from the General Fund and $46.8 million in lease revenue bonds for the department's 2003-04 capital outlay program. The budget includes the following proposals:

Previously funded projects:

- $16.9 million for equipment needed for the Sexually Violent Predator Facility in Coalinga.
- $7.6 million for construction to renovate the admission suite, complete fire and life safety improvements, and environmental improvements to the EB Building at Patton State Hospital.
- $3.6 million for working drawings and construction to upgrade the electrical generator plant at Patton State Hospital.

New proposal:

- $18.7 million for preliminary plans, working drawings, and construction, for a new central kitchen and a remodel of the satellite serving kitchens at Metropolitan State Hospital.

Patton State Hospital Generator Plant Project—Approval Contingent On Review of Preliminary Plans

We recommend the Legislature approve $3.6 million to fund working drawings and construction for Upgrade Electrical Generator Plant project at Patton State Hospital contingent on receipt and review of preliminary plans consistent with prior legislative approval.

The Governor's budget includes funding for working drawings and construction of the Upgrade Electrical Generator Plant project at Patton State Hospital for which preliminary plans were funded in the *2002-03*

Budget Act. The amount included in the Governor's budget proposal is consistent with the supplemental report language adopted by the Legislature and, pending completion of preliminary plans, should proceed. According to the project schedule, the preliminary plans are to be completed in June 2003. Therefore, we recommend the Legislature approve the requested amount contingent on receipt and review of substantially completed preliminary plans and cost estimates that are consistent with prior legislative approval.

New Kitchen and Satellite Kitchen Remodels at Metropolitan State Hospital—Include Budget Bill Language on Legislative Oversight

We recommend the inclusion of budget bill language described in the "Crosscutting Issues" section of this chapter that would assure the Legislature's oversight role when fully funding all phases of a lease-revenue bond project.

The Governor's budget includes $18.7 million funding for preliminary plans, working drawings, and construction of a new central kitchen facility and a renovation of the existing satellite serving kitchens at Metropolitan State Hospital. The current kitchen facilities were constructed in the 1950s and have not had any major renovations since then. At the request of DMH, the Department of General Services (DGS) completed an in-depth review of all food service facilities at Metropolitan. That 1990 study concluded that the existing central kitchen should be replaced, and the satellite serving kitchens should be renovated to bring the hospital's food service up to current technology.

In 1994, DGS's Seismic Retrofit Program evaluated the kitchen facility and concluded that the main kitchen facility was a "Risk Level V" building. Under the criteria used by the Seismic Retrofit Program, all Risk Level V buildings were to be seismically retrofitted or replaced because of the significant danger they posed to occupants and nearby structures. However, because DMH was undergoing a programmatic review on how best to address its kitchens systemwide, the Metropolitan kitchen was never seismically repaired.

We have reviewed the DGS kitchen study and verified the seismic Risk Level V rating. Accordingly, we recommend the Legislature approve $18.7 million to construct a new kitchen and renovate the satellite serving kitchens. However, consistent with our discussion in the "Crosscutting Issues" section of this chapter, we recommend the addition of budget bill language that assures the Legislature's oversight role when fully funding all phases of a lease-revenue bond project.

DEPARTMENT OF CORRECTIONS (5240)

The California Department of Corrections (CDC) operates 33 prisons and 38 fire and conservation camps throughout the state. The prison system also includes 16 community correctional facilities operated by private firms, cities, or counties under contract with CDC. A new maximum-security prison is under construction adjacent to the existing North Kern State Prison in Delano. This new facility, known as Delano II, is scheduled for occupancy in spring 2004. The department reports that the new prison will house 400 Level 1 (lowest security), 480 Level 2 and 3,826 Level 4 (highest security) inmates, as well as 192 youth offenders. The prison will also house 96 inmates, classified as "enhanced outpatients," who require mental health services. CDC is in the process of constructing other facilities statewide to accommodate mental health treatment programs which have been mandated by various legal actions against the department.

As of January 2003, the prison system housed 159,077 inmates, nearly a 2 percent increase over the prior year. According to CDC , this increase has occurred primarily in the lower security male inmate population (Levels 1 and 2).

The budget includes requests totaling $282 million, financed from lease-revenue bonds ($271.7 million), the General Fund ($2.8 million), and general obligation bonds ($7.6 million). Expenditures include:

- $220 million from lease-revenue bonds for a study, preliminary plans, working drawings and construction of a Condemned Inmate Complex at California State Prison, San Quentin.
- $19 million from lease-revenue bonds for preliminary plans, working drawings and construction of a new Mental Health Crisis facility at the California Medical Facility in Vacaville.

- $36 million from various sources to complete previously approved projects.
- $7 million from 1986 and 1988 prison construction general obligation bond funds for minor capital outlay, advance planning, budget packages, and studies.

Below, we raise issues with the following projects:

- Closure of the Northern California Women's Facility, Stockton.
- State Prison, San Quentin: Condemned Inmate Complex.

Closure of the Northern California Women's Facility, Stockton

We recommend the Legislature defer action on the department's capital outlay budget until the California Department of Corrections submits the institution closure report required by the supplemental language.

In our *Analysis of the 2002-03 Budget Bill* we noted that a decline in the female inmate population provides the state the opportunity to close one of the women's prisons. The Legislature adopted language in the *Supplemental Report of the 2002 Budget Act* directing the department to report to the fiscal committees of the Legislature by January 1, 2003, on potential alternative uses for the Northern California Women's Facility. This report is to include (1) consideration of optional uses of the facility, (2) impacts of the options on the inmate housing plan, and (3) the cost of alternatives (including needed staffing resources and facility modifications). At the time this *Analysis* was prepared, the report had not been submitted, even though the Governor's budget includes a proposal to deactivate the prison. The Legislature needs this report to evaluate any closure proposal. Given the department's failure to submit the plan, we recommend the Legislature defer action on CDC's capital outlay budget until the report is submitted and reviewed.

State Prison, San Quentin: Condemned Inmate Complex

We recommend the Legislature delete $220 million for study preliminary plans, working drawings and construction of California State Prison, San Quentin: Condemned Inmate Complex as the project is not ready to proceed to these phases. (Delete $220,000,000 from Item 5240-301-0660[4].)

Under current law, the condemned male inmate population is required to be housed at San Quentin State Prison. (The department, however, has received authority to house a limited number of inmates at California State Prison, Sacramento.) Currently there are 553 men on "death row," and the population is expected to grow between 25 to 30 inmates per year.

In response to various safety and security issues with the current facility, the budget proposes to construct a new 1,000 bed maximum-security $220 million housing complex adjacent to the existing San Quentin Prison. The proposed complex includes a new Correctional Treatment Center (CTC) to provide program space for delivery of specialized health and mental health services to inmates.

We acknowledge that the existing housing for this population is not ideal. However, we have several concerns with this proposal:

Proposal Is Not a Long-Term Solution. The proposed addition would accommodate growth in the condemned population only through about 2013. Thus, the state would be faced with the need to provide additional condemned inmate housing within about ten years. The information the department has submitted in support of this proposal does not address the issue of future expansion at the San Quentin site. The Legislature needs to know this potential in order to evaluate this proposal. If, from an engineering standpoint, the San Quentin site *can* accommodate future expansion, the Legislature needs to know its future cost. Absent this information, the administration's proposal is only an interim solution to the problem of housing for condemned inmates.

Cost Is High. The proposed addition at San Quentin is very costly—roughly $200,000 per cell. In contrast, the Legislature authorized a total of $311.5 million to design and construct the new 2,200 cell Delano II maximum security prison, a cost of $142,000 per bed. With the apparent need for future expansion of the condemned unit within the next 10 to 15 years, it is reasonable to assume future construction costs would be as high or higher.

Proposal Is Lacking in Detail. Many of the details of the department's proposal have not been fully defined or investigated. The fact that the proposal includes study funding indicates that the scope and cost of the project are conceptual estimates only. Without a detailed proposal, including site-specific information and better justification of the costs, the construction cost for this project is likely to be greater than the requested appropriation.

Given the concerns raised above, the project is not ready to proceed to the proposed funding phases. Accordingly, we recommend deletion of the $220 million budgeted for this project.

As noted earlier, we believe the state needs to address the current death row facilities situation. How the Legislature does so, however, depends on a key policy choice regarding the location of death row.

Decision to Keep Death Row at San Quentin. If, on the one hand, the Legislature concurs with the administration that death row should remain at San Quentin, the state can proceed with planning a new complex at that site. In that case, we would recommend that the Legislature direct the department to use a portion of the $1 million proposed in Item 5240-301-0746 for a "budget package" on this project. The budget package would provide information addressing the issues we have raised above and allow the Legislature to make a more informed decision on a fully developed proposal in 2004-05.

Willingness to Locate Death Row Elsewhere. If, on the other hand, the Legislature is willing to consider alternative sites for accommodating death row, we would recommend a different course of action. The department has not done any detailed analysis of alternative locations. We believe that such analysis is appropriate. There are other sites that could prove to be less expensive and better able to accommodate growth in this particular population. Accordingly, the Legislature could direct the department to use funds available in Item 5240-301-0746 to perform a detailed analysis of sites other than San Quentin.

Projects Recommended for Approval Contingent on Receipt of Preliminary Plans

We recommend the Legislature approve $36 million for working drawings and construction of seven projects contingent on receipt and review of project scope documents, cost estimates, and project schedules consistent with prior legislative approval.

The Governor's budget includes $36 million for working drawings and/or construction of seven projects for which the Legislature approved preliminary plans and/or working drawing funds in prior years. The projects and funding requested are detailed in Figure 1 (see next page). We recommend the Legislature approve the requested amounts contingent on receipt and review of the following information: (1) current plans and associated cost estimates, and (2) current design and construction schedules and project scopes. The department should report on these issues prior to budget hearings.

Figure 1

Department of Corrections
Projects Recommended for Approval
Contingent on Receipt of Preliminary Plans

(In Thousands)

Project Description	Phase[a]	Budget Amount	Fund Source
Correctional Institution, Tehachapi: wastewater treatment plant	C	$15,743	Lease-revenue (LR) bonds
Deuel Vocational Institution, Tracy: heating/ventilation/air conditioning	C	1,060	General Fund
Deuel Vocational Institution, Tracy: new well	C	551	General Obligation bonds
California Institution for Men: cell security lighting/reception center; central facility	W, C	1,250	General Fund
California Institution for Men-East, Chino: electrified fence	P, W	466	General Fund
Richard J. Donovan Correctional Facility at Rock Mountain, San Diego: Substance Abuse Program modular replacement	C	2,074	LR Bonds
State Prison-Sacramento: Psychiatric Services Unit/enhanced outpatient Phase II	C	15,248	LR Bonds
Total		**$36,392**	

a C = construction; P = preliminary plans; W = working drawings

DEPARTMENT OF THE YOUTH AUTHORITY (5460)

The Department of the Youth Authority operates 11 institutions throughout the state. In January 2003, the system housed around 5,400 wards, which was a drop of over 800 (or 15 percent) from nearly 6,200 wards in January 2002.

The budget includes $2.75 million from the General Fund for minor capital outlay projects and capital planning. Although the budget contains no major capital outlay proposals, the department is faced with three important facility issues. These are:

- Institution closures.
- Facilities for mental health treatment programs.
- Facilities condition surveys.

Institution Closure Report

In light of the Youth Authority's declining population, the Legislature adopted and the Governor signed 2002-03 trailer act language directing the Youth Authority to submit a written plan to the Legislature by November 1, 2002 to (1) close at least three institutions by June 30, 2007 and (2) close at least one of these facilities no later than June 30, 2004. This report was submitted in January of this year and we have not had time to review its capital outlay implications. We will review this report and comment as appropriate at budget hearings.

Facility Condition Survey

We recommend the Legislature adopt supplemental report language directing the department to prepare and submit a facility condition survey by November 1, 2003.

As we note in the "Crosscutting Issues" section of this chapter, much of the state's infrastructure "must be renovated, adapted, and improved to meet current and future needs." In the case of the Youth Authority, its institutions range in age from 12 to 58 years old, with an average age of over 42 years.

We believe the department's aging infrastructure provides a particular challenge that should be addressed in a comprehensive way. Accordingly, we recommend the Legislature adopt supplemental report language directing the department to survey the condition of its facilities, identify needed corrections and improvements, and prepare cost estimates and a plan for their implementation. Since the department has prepared a five-year infrastructure plan pursuant to Chapter 606, Statutes of 1999 (AB 1473, Hertzberg), much of this information should already be available. We recommend the department be directed to submit this information in a report to the Legislature by November 1, 2003. This information would also be of critical importance in evaluating the department's findings and recommendations regarding the closure of institutions (discussed above).

Mental Health Treatment Facilities

We recommend the Legislature adopt supplemental report language directing the department to provide by November 1, 2003 a mental health treatment program plan which includes identification of and cost estimates for any facility impacts.

While the *2003-04 Governor's Budget* does not include specific capital outlay proposals for mental health treatment program space, the Youth Authority's operations budget includes a request for funding to establish a 20-bed inpatient mental health program at the Southern Youth Correctional Reception Center and Clinic. In order to determine the treatment needs of the ward population, the Legislature commissioned an independent assessment of the Youth Authority's mental health program. Stanford University completed this study and released its findings in a report titled *The Assessment of the Mental Health System of the California Youth Authority*, dated December 2001. According to the Stanford study, the following characteristics apply to the state's ward population:

- 97 percent of wards have one or more mental health problems.
- 93 percent have conduct disorders.
- 85 percent have substance abuse dependencies.
- 31 percent have anxiety disorders.
- 71 percent of males have three to five diagnosable disorders.
- 82 percent of females have three to nine diagnosable disorders.

Given the prevalence of mental health treatment needs among the ward population, we believe the department should develop a comprehensive plan to address this population. This plan should include (1) any new facility needs these programs will create, (2) the necessary service delivery and treatment protocols, and (3) opportunities for reuse of existing facilities. The Youth Authority should adopt facility guidelines that are flexible enough to accommodate changes in programmatic use. This would standardize the availability of treatment services at the various institutions and promote greater consistency within the program. For example, this can be accomplished by identifying the types and quantities of facilities necessary to operate the programs. Furthermore, the facilities plan should maximize the use of existing facilities, as well as address any need for new construction.

We therefore recommend that the Legislature adopt supplemental report language directing the Youth Authority to prepare a plan as described above, by November 1, 2003. This information would give the Legislature a more comprehensive view of future facility development needs created by these programs.

UNIVERSITY OF CALIFORNIA (6440)

The Governor proposes $307.5 million from the Higher Education Capital Outlay Bond Fund of 2002 for 38 projects, $3 million from the Higher Education Capital Outlay Bond Fund of 1998 for one project, and $11 million from the Public Buildings Construction Fund (lease-revenue bonds) for institutes for science and innovation. We recommend the Legislature reduce $6 million from two projects and recognize reductions totaling $63 million in future costs, as discussed in detail below.

UC Capital Outlay Plans Do Not Fully Reflect Year-Round Operation

We recommend the Legislature direct the University of California to amend its state-funded capital outlay plans to reflect full use of instructional facilities during summer term.

The Legislature has indicated its intent that the University of California increase summer enrollment in order to reduce the need to construct new instructional facilities. Chapter 383, Statutes of 2000 (AB 2409, Migden), found that year-round operation increased student access and could allow students to shorten their time-to-degree. The *Supplemental Reports* of the *2001-02* and *2002-03 Budget Acts* expressed similar intent. The UC capital improvement program, however, continues to plan for construction of substantial new instructional facilities (classrooms and teaching laboratories). All of these new instructional facilities might not be needed if the campuses' existing instructional facilities were fully utilized in the summer.

The university plans to construct about 180,000 assignable square feet (asf) of instructional facilities in the next three years at an estimated cost of over $70 million. This is almost as much instructional space as is at the Santa Cruz campus. Alternatively, if facilities were fully utilized during summer term, the UC system could accommodate many more students without building new instructional facilities. Currently, UC is serving about 18,000 FTE students in the summer (primarily at the Los Angeles, Davis, Santa Barbara, and Berkeley campuses). This means the segment has enough instructional facilities to serve about 135,000 additional FTE students in the summer. Even with this excess instructional capacity, UC's plan is to ask the state to spend tens of millions of dollars constructing new instructional facilities—when utilizing existing facilities during the summer could accommodate additional students at no additional capital cost.

An important benefit of year-round operation of UC campuses is avoiding the capital cost of building new facilities solely to accommodate enrollment growth. The UC's capital improvement plan does not reflect the Legislature's intent that enrollment growth be accommodated through utilization of existing facilities during the summer, before constructing new facilities. We, therefore, recommend the Legislature direct UC to delete from its capital outlay plan the construction of instructional space that is intended to accommodate enrollment growth that could be accommodated in existing facilities during summer term.

UC Instructional Facilities Are Underutilized

We recommend the Legislature direct the University of California to utilize its instructional facilities at least as much as required by legislatively approved utilization standards.

The Legislature has established standards for utilization of instructional facilities (classrooms and teaching laboratories) by UC. For classrooms the standard is for each station (such as a desk in a classroom or a workspace in a teaching laboratory) to be occupied for instructional purposes 35 hours per week between the hours of 8:00 AM and 10:00 PM, Monday through Friday. The standard for teaching laboratories is 20 hours per week between 8:00 AM and 5:00 PM.

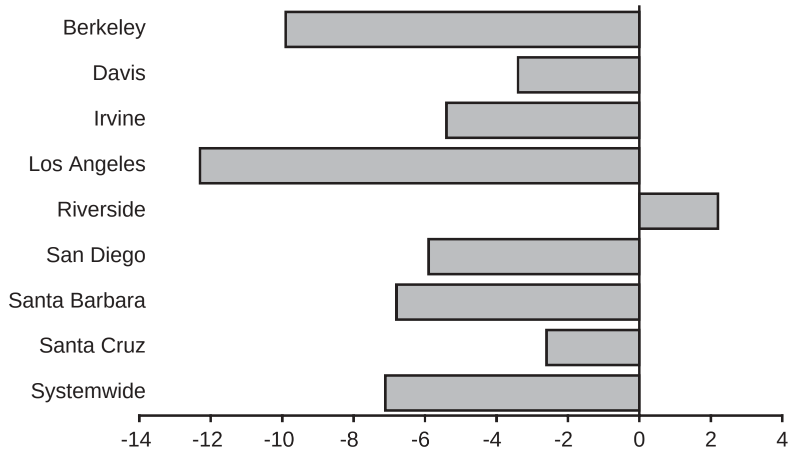
The UC reports biennially to the Legislature on its compliance with these standards. In its latest report (covering Fall 2001 utilization) the university reported that classroom stations are utilized about 28 hours per week and teaching laboratory stations about 18 hours per week. This means UC is using classrooms about 80 percent and teaching laboratories 90 percent of the time required by the Legislature's standards. Figures 1 and 2 (see next page) show that no campuses meet the Legislature's standards except for Riverside.

If UC utilized its existing instructional facilities just at the standard required by the Legislature, it could increase its instructional capacity by 11 percent or more. This means the university might be able to accommo-

Figure 1

University of California
Average Utilization of Classroom Stations

Hours Above (+)/Below (-) Standard[a]

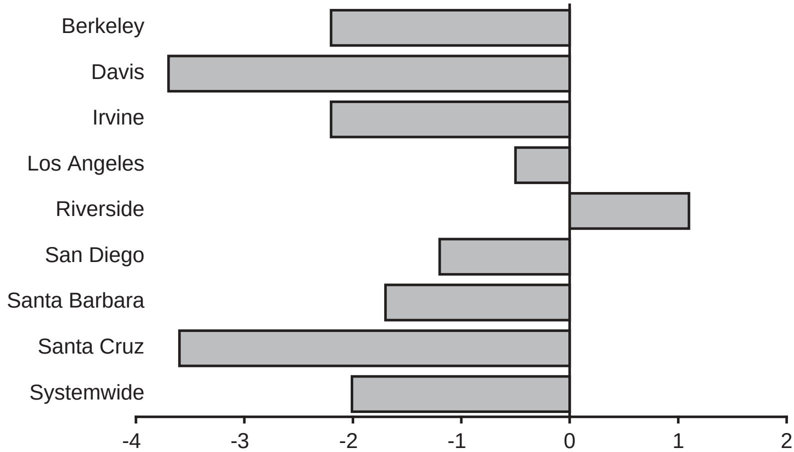


[a] 35 hours per week.

Figure 2

University of California
Average Utilization of Teaching Laboratory Stations

Hours Above (+)/Below (-) Standard[a]



[a] 20 hours per week.

date an additional 20,000 FTE students (almost as many students as attend the Santa Barbara campus) without constructing any new instructional facilities. This potential gain through better utilization would be in addition to the instructional capacity UC would gain by operating campuses year-round at full capacity. Accordingly, we recommend the Legislature direct UC to utilize its instructional facilities at least as much as required by legislatively approved standards.

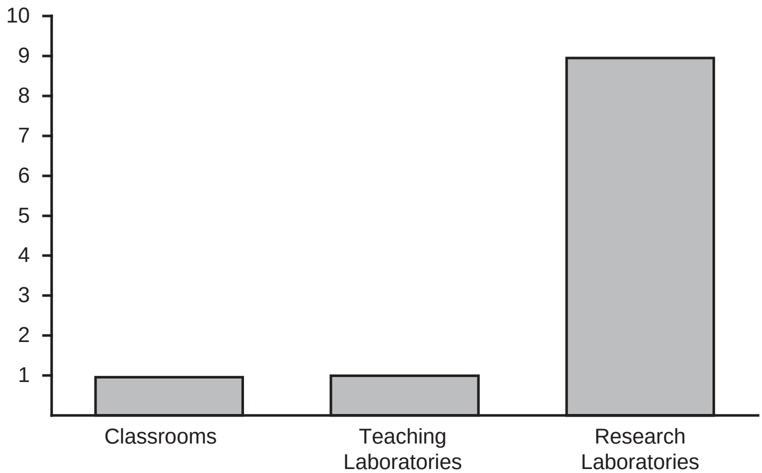
UC Research Space Exceeds Standards

The UC has about 11 million asf of instruction and research facilities at its eight general campuses—about 9 million asf of which is research space. The remaining 2 million asf is instructional space consisting of classrooms, teaching laboratories and other unclassified space (see Figure 3).

Figure 3

University of California Instructional And Research Space

2003
(In Millions of Assignable Square Feet)

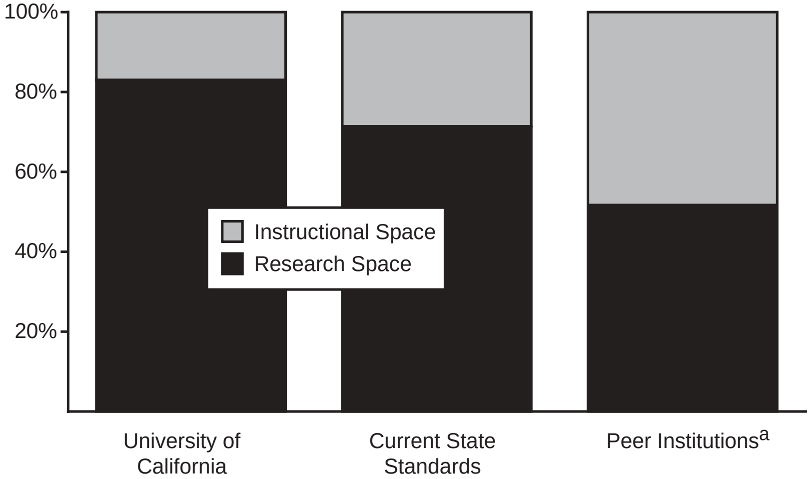


Research Space Greatly Exceeds State Standards. The Legislature has adopted standards for UC research space which provide for over twice as much space for research as for instructional classrooms and teaching laboratories. These standards justify a need for about 5 million asf of research space based on projected 2003 enrollment. This means UC has about 4 million more asf of research space than is recommended by existing legislatively approved standards.

UC Has Significantly Greater Proportion of Research Space Than Comparable Institutions. We have examined the research and instructional space at leading research universities throughout the country to see how much of their total academic space (consisting of instructional plus research space) is devoted to research. We compared the proportions at these institutions to those at UC, and to what is allowable at UC under the legislatively approved research space standards. Data reported by the National Science Foundation indicate that the top 100 universities in the country in terms of research expenditures (exclusive of the eight UC general campuses) have about 50 percent of total academic space devoted to research. The UC, however, has about 80 percent of its academic space devoted to research. Under the legislatively approved research space standards, about 70 percent of UC's total academic space would be devoted to research (see Figure 4).

Figure 4

UC Research and Instructional Space Compared to State Standards and Peer Institutions



[a]The top 100 universities in the country (exclusive of the eight UC general campuses) in research expenditures, as reported by the National Science Foundation.

This means the Legislature's existing standards for UC research space allow substantially more research space than at comparable institutions, and that *existing* research space at UC campuses is substantially more than both comparable institutions and that allowable under the Legislature's standards.

PROJECTS RECOMMENDED FOR REDUCTION

Irvine: Biological Sciences Unit 3

We recommend the Legislature reduce $3,080,000 for development of preliminary plans and working drawings for the Biological Sciences Unit 3 building at the Irvine campus and recognize future costs of $10,153,000 because the campus has more research space than justified by legislatively approved guidelines. (Delete $3,080,000 from Item 6440-302-6026(9).)

The budget includes $3,592,000 for development of preliminary plans and working drawings for a 79,400 asf building with future cost of $52,280,000 for construction and equipment. The new building is to contain research space (74 percent), offices (19 percent), and a general assignment classroom (7 percent). Although three-fourths of the space would be dedicated for research, the segment indicates this building is needed to meet enrollment growth in the School of Biological Sciences.

The Irvine campus is projected to have about 800,000 asf of research space in 2006 and about 550,000 asf is justified under the legislatively approved space guidelines—an excess of about 45 percent. Since the campus has substantially more research space than justified by the Legislature's standards, we recommend the state fund only the office and classroom space.

As discussed earlier in this chapter, we recommend the Legislature fund construction of new buildings at UC campuses using construction cost guidelines (discussed in detail in the "Crosscutting Issues" section of this chapter). Figure 5 shows how the space is planned to be used in the new building and our recommendations as to the space and per asf costs.

Figure 5

Irvine: Biological Sciences Unit 3
LAO Recommended State Building Construction Cost

		LAO Recommendation	
Type of Space	Amount (asf)	Cost Guideline (Cost per asf)	State Cost (Dollars in Thousands)
Research	58,400	—	—
Offices	15,400	$295	$4,543
Classrooms	5,600	329	1,842
Totals	**79,400**	**—**	**$6,385**

When other costs that are not directly related to construction are included, our recommended funding is shown in Figure 6. This figure also compares our recommendation with the funding proposed in the budget.

Figure 6

Irvine: Biological Sciences Unit 3
LAO Recommended State Project Funding

(In Thousands)

Phase	Budget Proposal	LAO Recommendation	Difference
Preliminary plans	$2,350	$335	$2,015
Working drawings	1,242	177	1,065
Construction	49,130	7,003	42,127
Equipment	3,150	3,150	—
Totals	**$55,872**	**$10,665**	**$45,207**

Applying our recommendations reduces the budget proposal by $3.1 million (from $3.6 million to $512,000) and recognizes future state costs of $10.2 million (instead of $52.3 million). This will make about $45 million of additional funds available for other high priority projects in the three segments of higher education.

San Diego: Mayer Hall Addition and Renovation

We recommend the Legislature reduce $2,072,000 for development of preliminary plans and working drawings for the addition to Mayer Hall at the San Diego campus and recognize future costs of $15,470,000 because the campus has more research space than justified by legislatively approved guidelines. (Delete $2,036,000 from Item 6440-301-6028(16).)

The budget includes $3,559,000 for development of preliminary plans and working drawings for renovation of about 35,000 asf in Mayer Hall and construction of a 45,000 asf addition for the Department of Physics. The total cost of the project is $40 million. The renovation of Mayer Hall would increase the available space from 55,700 to 58,300 asf, including 33,800 asf (58 percent) of research space, 13,200 asf for offices (23 percent), and 11,300 asf for teaching laboratories (19 percent). The addition would provide 35,400 asf of research space (79 percent), 5,300 asf for offices (12 percent), and 4,300 asf (9 percent) for teaching laboratories.

As discussed above, we recommend research space be funded in accordance with the legislatively approved space standards and construction cost guidelines be applied. The San Diego campus is projected to have 1.2 million asf of research space in 2006, and about 1.1 million asf will be justified under legislatively approved space guidelines. Thus the campus is projected to have about 11 percent more research space in 2006 than is justified under the legislatively approved space guidelines. As with the prior issue, we recommend that the Legislature not fund the proposed research space. Figure 7 shows the costs of funding the remaining space, using our recommended cost guidelines.

Figure 7

San Diego: Mayer Hall Addition and Renovation LAO Recommended State Building Construction Cost (Addition Only)

		LAO Recommendation	
Type of Space	Amount (asf)	Cost Guideline (per asf)	State Cost (In Thousands)
Research	35,400	—	—
Offices	5,300	$295	$1,563
Teaching Laboratories	4,300	467	2,009
Totals	**45,000**		**$3,572**

When other costs not directly related to construction of the addition are included, our recommended funding is shown in Figure 8.

Figure 8

San Diego: Mayer Hall Addition and Renovation LAO Recommended State Project Funding

(In Thousands)

Phase	Budget Proposal	LAO Recommendation	Difference
Preliminary Plans	$1,750	$731	$1,019
Working Drawings	1,809	756	1,053
Construction	36,000	15,029	20,971
Equipment	441	441	—
Totals	**$40,000**	**$16,956**	**$23,043**

Applying our recommendations reduces the budget proposal by $2 million and recognizes future state costs of $15.5 million. This will make about $23 million of additional funds available for other high priority projects in the three segments of higher education.

California State University (6610)

The budget proposes $198 million from the Higher Education Capital Outlay Bond Fund of 2002 for the California State University's (CSU) capital program. Of this total $192 million is for eight major capital outlay projects and $6 million for minor projects systemwide.

We recommend the Legislature approve the CSU capital outlay budget as proposed. We have concerns, however, about CSU's capital outlay plan, as discussed below.

Utilization of Teaching Laboratories Meets Legislative Standard But Classrooms Lag

We recommend the Legislature adopt supplemental report language directing the California State University to delete projects involving construction of new classrooms from its capital outlay plan if the enrollment could be accommodated instead by utilizing existing classrooms at the legislatively approved standards.

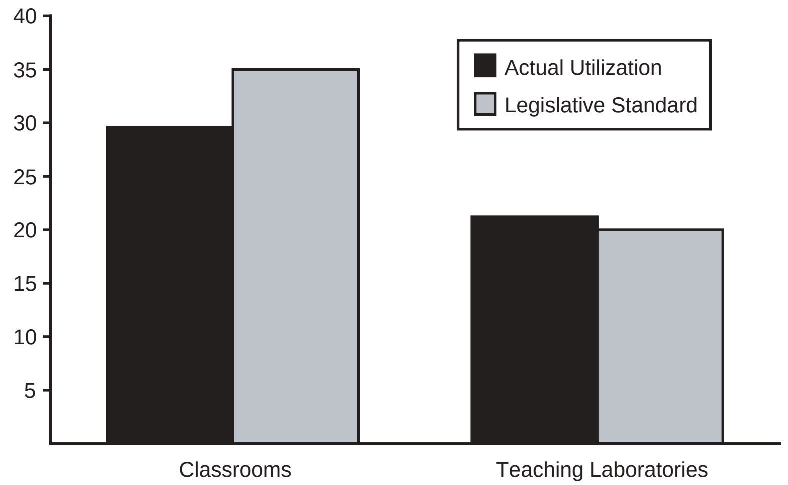
Utilization standards approved by the Legislature call for instructional stations (such as a desk in a classroom or a workspace in a teaching laboratory) to be in use a minimum amount during the week. The standard for classrooms is 35 hours per week and for teaching laboratories is, on average, 20 hours. The *Supplemental Report of the 2002 Budget Act* directed CSU to report biennially on its utilization of instructional facilities. The first report was received in November 2002.

The CSU report indicates its teaching laboratory stations are in use an average of 21.2 hours per week—106 percent of the legislative standard. Classroom stations, however, are used an average of 29.6 hours per week—only 85 percent of the standard (see Figure 1, next page).

Figure 1

California State University Utilization of Facilities

Average Usage Per Week (Hours)–Fall 2000



Classroom utilization ranged from a low of 24.5 hours per week at Monterey Bay to a high of 38.8 hours at San Luis Obispo. Teaching laboratory utilization ranged from 12.9 hours per week at Dominguez Hills to 26.6 hours at Bakersfield.

Because efficient utilization of facilities is important to reducing the need to construct new instructional buildings, we recommend the Legislature adopt supplemental report language directing CSU to delete classroom projects from its capital outlay plan if the enrollment could be accommodated instead using existing classrooms at the legislatively approved standards.

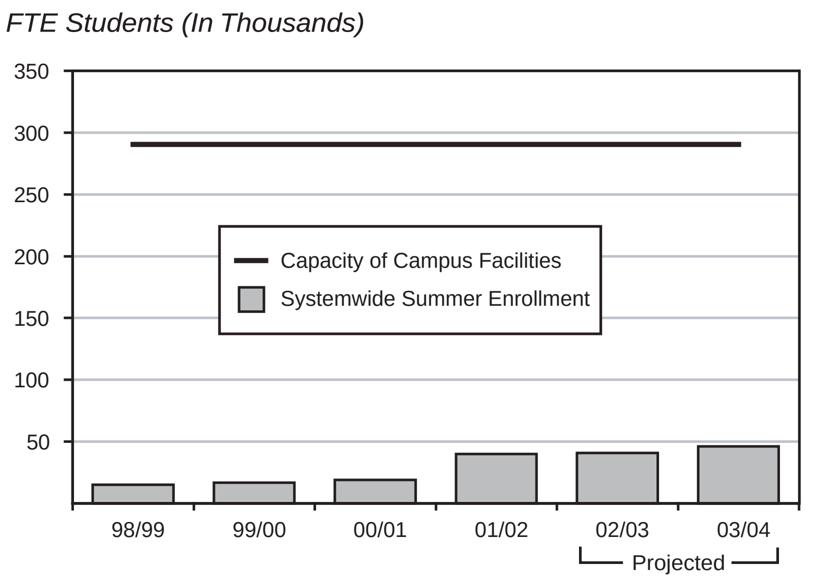
Capital Outlay Program Does Not Fully Reflect Year-Round Operation

We recommend the Legislature direct California State University to delete from its capital outlay plan projects involving new instructional space that is justified solely on the basis of enrollment growth until it is utilizing existing instructional space during the summer at about the same level as in other terms.

Full Summer Enrollment Could Accommodate Thousands of Additional Students. The 23 CSU general campuses have enough facilities to physically accommodate about 295,000 full-time equivalent (FTE) students at a time. The university does operate its campuses during summer term, but nowhere near its full capacity. As Figure 2 shows, projected summer enrollment in the budget year will be about one-sixth of physical capacity.

Figure 2

CSU Has Huge Unused Capacity in Summer Term



CSU Plans Only Slight Growth in Summer Enrollment—and $1 Billion for New Instructional Facilities. The university's capital outlay plan is based on the assumption it will deliver instruction to 50,000 FTE in the 2003-04 summer term, increasing to 58,000 by 2009-10. As Figure 2 indicates, this still leaves an enormous amount of unused capacity during the summer term. At the same time, however, the university's capital outlay program proposes to spend over $1 billion of state funds in the next five years to construct new instructional facilities. The increase in space would be equal to the instructional capacity of the Dominguez Hills, San Marcos, and Sonoma campuses *combined*.

The Legislature has previously expressed its intent that CSU operate its facilities year-round. Although the university has made progress in implementing year-round operation, it continues to plan construction of instructional facilities in the next five years that will cost the state about $1 billion—even though much, if not all, of this space would not be necessary if campuses fully utilized their facilities in the summer. Eliminating unnecessary construction would free up hundreds of millions of dollars of scarce state resources for other high priority projects in higher education or other areas of the budget. Therefore, we recommend the Legislature direct CSU to delete from its capital outlay plans construction of new instructional space that is justified solely on the basis of enrollment growth.

CSU Plans at Brawley Are Unclear

We recommend the Legislature direct California State University to report on its intentions for an off-campus center or campus at Brawley, the potential state capital outlay costs, and the nature of the commitments it has made.

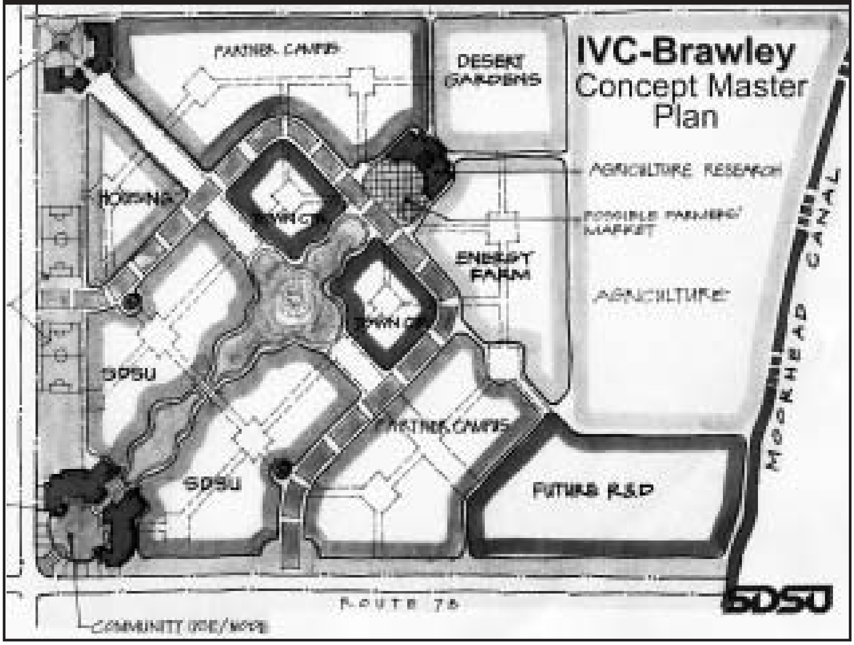
The CSU San Diego campus plans to accept a gift of 200 acres of land outside Brawley (Imperial County) from a real estate developer as a site for a future off-campus center. The CSU indicates that a developer will construct a building that will be leased to CSU for the San Diego campus to offer courses and degree programs. When the enrollment reaches about 500 FTE students, CSU plans to submit a needs assessment to the California Postsecondary Education Commission in order to establish the facility as an off-campus center of the San Diego campus.

We are concerned with aspects of this plan because they may set CSU on a course that could result in significant capital outlay costs for the state—without the Legislature having had an opportunity to consider the need for the project. Points about which we are concerned are:

- The amount of land CSU is planning to accept is far more than an off-campus center can reasonably be expected to utilize. The San Diego campus, with an enrollment of about 25,000 FTE students, is comprised of 283 acres. It is unclear why CSU would accept a gift of *200 acres* if only an off-campus center were planned.
- A concept master plan the San Diego campus has prepared shows two large parts of the site to be occupied by "partner campuses" (see Figure 3, next page). It is not clear who these partners are and what commitments they have made to the project. If the partners are a community college district or the University of California, the Legislature should know if their plans would entail state funding.

Figure 3

Proposed CSUSD Brawley Site

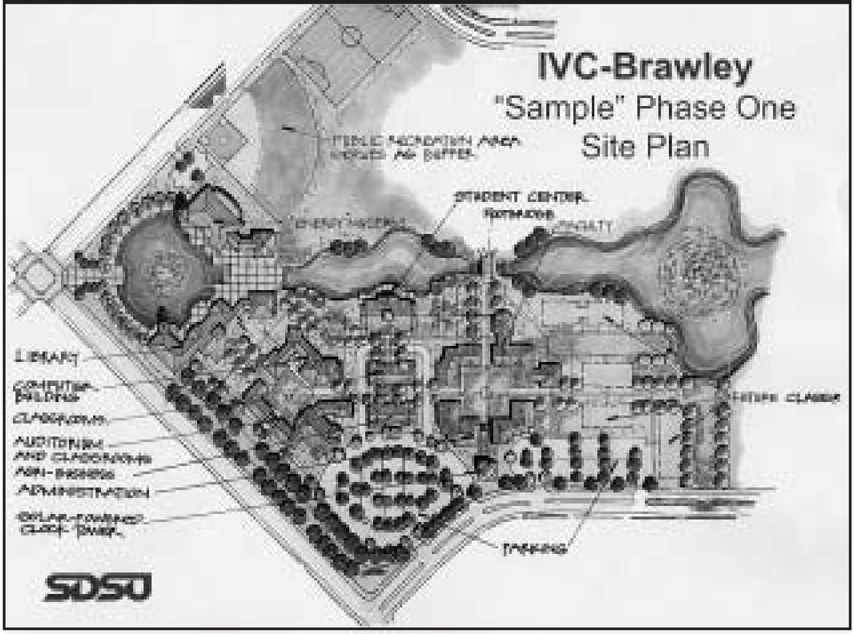


- The concept master plan indicates major CSU construction at the site. It includes a library, computer building, energy museum, student center, administration building, several classroom buildings, and a solar-powered clock tower (see Figure 4, next page). This appears to be much more than would be appropriate at an off-campus center.
- San Diego State has an existing off-campus center at Calexico (also in Imperial County), 26 miles from Brawley, with a physical capacity of 775 FTE students and a year-round instructional capacity of about 1,100 FTE. Enrollment is about 500 FTE students at the Calexico center. It is not clear that there is a need for two off-campus centers in this area.

We believe the Legislature needs better information about this project and its potential state funding impact. The amount of land being acquired and the concept plans CSU has prepared are suggestive of something more than an off-campus center—such as an entire new campus at sometime in the future. We believe the Legislature should have complete information about CSU's plans and intentions before commitments are made

Figure 4

Proposed CSUSD Brawley Facilities



that could require major funding by the state. Accordingly, we recommend that CSU report at hearings on its intentions for an off-campus center or campus at Brawley, its potential state costs, and the nature of the commitments it has made.

CALIFORNIA COMMUNITY COLLEGES (6870)

The California Community Colleges (CCCs) consists of 108 community colleges organized into 72 districts. The proposed capital outlay program for CCCs totals $562.2 million from the Higher Education Capital Outlay Bond Fund of 2002. The budget bill proposes funding for 97 projects—35 new and 62 continuing. Eleven projects are renovations and the remaining 86 are new construction. Figure 1 shows the types of projects proposed in the budget bill. It indicates that the future costs to complete these projects would be $328 million.

Figure 1

California Community Colleges 2003-04 Proposed Capital Outlay Projects

(Dollars in Thousands)

Type of Project	Number Of Projects	Budget Bill Amount	Estimated Future Cost
Seismic corrections	7	$23,047	$13,975
Equipment	11	5,743	—
Site development and utilities	1	1,032	—
Libraries	16	141,690	39,297
Child development centers	19	28,434	2,741
Undergraduate instructional improvements	53	362,298	214,418
Totals	**97**	**$562,244**	**$327,715**

Many Community College Districts Have Large Excess Capacity

A significant number of community colleges have excess instructional facilities capacity. We recommend the Legislature adopt supplemental report language directing community colleges having excess instructional capacity to delete from their capital outlay plans unnecessary new instructional space.

A significant number of community college districts (CCDs) have substantially more instructional capacity (classrooms and teaching laboratories) than enrollment. A lesser number of districts have substantial space deficiencies. Overall, CCCs have a total enrollment of about 908,000 full-time equivalent (FTE) students and instructional capacity (classrooms and teaching laboratories) for about 1,048,000 FTE students. This means existing CCC facilities have instructional capacity for up to about 140,000 FTE additional students. This does not take into account *additional* instructional capacity that would be available if instructional facilities were fully utilized in summer term. (Year-round operation can add almost one-third to facilities capacity.)

Of the 72 CCDs, 14 (19 percent) have 25 percent or more excess instructional capacity. These are shown in Figure 2. Six districts have significant deficiencies in instructional space. These are shown in Figure 3.

The figures show that instructional facility needs vary substantially from campus to campus. Campuses with excess space can use it to meet some of their facility needs. Campuses with excess instructional space, for example, may be able to meet enrollment growth and programmatic needs by renovating and converting, say, classrooms to teaching laboratories. This may eliminate the need to construct new buildings, which will free up scarce state resources for other high priority projects. Accordingly, we recommend the Legislature adopt supplemental report language directing CCCs with excess instructional capacity to delete from their capital outlay plans new instructional space that is justified on the basis of enrollment growth, if that enrollment could be accommodated in appropriately renovated existing facilities. This will free up funds for projects at campuses with instructional space deficiencies and other high priority projects.

Community Colleges Have Not Reported Utilization

We recommend the Legislature withhold action on items in the community colleges capital outlay budget until the required report on utilization of facilities is submitted to the Legislature and reviewed.

The extent to which CCCs are utilizing existing instructional facilities is an important indicator of whether there is a need for the state to

Figure 2

California Community College Districts (CCDs) With Over 25 Percent Excess Instructional Space

District	Excess Space (As of 2001)
Lassen CCD	62%
Siskiyou Joint CCD	43
Mount San Antonio CCD	39
Rio Hondo CCD	37
Peralta CCD	36
Imperial CCD	34
Los Angeles CCD	29
Marin CCD	28
Solano CCD	28
Coast CCD	27
El Camino CCD	27
San Bernardino CCD	27
Shasta-Tehama-Trinity Joint CCD	26
San Mateo CCD	25

Figure 3

California Community College Districts (CCDs) With Over 25 Percent Instructional Space Deficiencies

District	Deficiencies in Space (As of 2001)
Hartnell CCD	72%
Mount San Jacinto CCD	38
Riverside CCD	38
West Hills CCD	37
Desert CCD	27
Merced CCD	25

fund the construction of new instructional facilities. The Legislature has established utilization standards for the CCCs of 35 hours per week for classrooms and 23.4 hours per week for teaching laboratory stations. (A station is a desk in a classroom or workspace in a laboratory.) To determine if a project to construct new instructional space at a community college campus is justified, the state should first compare the utilization of *existing* facilities to the standards. The CCCs, however, have not been reporting their utilization to the Legislature. This denies the Legislature important information needed to make informed decisions about capital outlay proposals.

To correct for this lack of information, the *Supplemental Report of the 2002 Budget Act* directed the CCCs to report their utilization of instructional facilities biennially starting in November 2002. The CCCs did not meet this deadline and the required report had not been received as of the time of this *Analysis*. Because this information is needed to evaluate a number projects proposed in the budget, we recommend the Legislature withhold action on community college capital outlay budget items until the required utilization report has been submitted to the Legislature and reviewed.

Better Facilities Planning Information Is Needed

One of the most pressing facilities management needs of the Chancellor's Office is for a comprehensive facilities information system that can provide the administration and the Legislature with timely and accurate information on campus facility conditions, utilization, planning and development. The community colleges have taken the first steps to develop such a system, and it may prove useful in a number of ways when completed.

The Chancellor's Office and the districts have taken initial steps to develop an Internet-based facilities information system called "Fusion," intended to allow facilities to be planned, developed and managed with improved efficiency. The system is being developed initially around the needs of 10 to 15 CCDs, but is planned to be extended to all districts after development. If implemented as planned, the system will provide the Legislature with useful information about utilization of facilities, future funding needs, and progress of funded projects.

We believe this system can provide a number of important benefits for the 72 districts and the state. If properly developed, it would ensure the information generated by the system will meet legislative and administration needs as well as those of the districts and Chancellor's Office.

PROJECTS RECOMMENDED FOR DELETION

Contra Costa CCD, Los Medanos College: Math, Science and Technology Building

We recommend the Legislature delete $716,000 for development of preliminary plans for the Math, Science and Technology Building at the Los Medanos College campus and recognize a reduction of future costs of $21,281,000 because the campus has substantial underutilized instructional capacity in summer term and has not adequately evaluated the alternative of renovating existing facilities to meet programmatic needs. (Delete $716,000 from Item 6870-301-6028(13).)

The budget contains $716,000 for development of a 50,520 assignable square feet (asf) mathematics and science building containing 12,440 asf of classrooms, 30,030 asf of teaching laboratories, 5,130 asf of offices and 2,920 asf for other uses. Future cost for the project is $21.3 million for development of working drawings, construction and equipment. The district says this project is needed primarily to meet enrollment growth projections. We have several concerns with this project.

Surplus Classroom Space at Campus. The project contains 12,440 asf for classrooms but the campus has 56 percent more classroom space than justified by current legislatively approved space standards. This surplus exists without taking into account additional instructional capacity that might be available if existing classrooms were fully utilized in summer term.

Underutilized Instructional Capacity Available in Summer Term. The campus has substantial underutilized capacity in summer term that could accommodate enrollment growth without the need to construct this new building. The campus has the physical capacity to accommodate about 4,700 FTE students at a time, but enrolls only about 1,500 FTE students (32 percent of capacity) in the summer. This means up to 3,200 FTE additional students could be accommodated in summer term.

Assumption of Large Increase in Classroom Demand in One Year. Information submitted by the district in support of this proposal *assumes* enrollment in courses held in classroom facilities will increase from about 1,900 FTE students in 2002-03 to 2,700 in 2003-04—a 42 percent increase in demand for classroom space in just one year. This is a very large *assumed* increase. This assumed increase is cited to justify construction of the 12,440 asf of classroom space in the proposed building, but no information has been provided to justify the assumption.

Renovation Alternative Not Adequately Evaluated. The district has not adequately evaluated the alternative of meeting programmatic needs by renovation of existing facilities rather than construction of a new building. The information submitted in support of this proposal indicates that the cost of a renovation alternative was estimated by *assuming* a renovation cost per square foot equal to 50 percent of the community college cost guidelines for construction of a *new* building. Many buildings can be renovated for less than this assumed amount. The cost of renovating a building should be determined by an engineering investigation to determine the *actual* work that will be needed. The district has not provided information to show that this was done.

The district has not provided information to justify this project based on either enrollment growth or programmatic needs. In addition, the renovation of existing facilities may meet campus needs more cost-effectively. Accordingly, we recommend deletion of funding for preliminary plans for this project. If a project to renovate existing facilities in order to meet the same programmatic need is submitted in the future, it may warrant legislative consideration at that time.

Long Beach CCD, Long Beach City College: Industrial Technology Center, Manufacturing

We recommend the Legislature delete $698,000 for development of preliminary plans and working drawings for the Industrial Technology Center, Manufacturing at the Long Beach City College campus and recognize a reduction of future costs of $9,897,000 because the campus (1) could meet any capacity needs through fuller utilization of the summer term and (2) has not adequately evaluated the alternative of renovating existing facilities to meet programmatic needs. (Delete $698,000 from Item 6870-301-6028(31).)

The budget provides $698,000 for development of a 22,119 asf instructional building with 20,483 asf of laboratories, 915 asf of offices and 721 asf of library for welding and machine tool technology, and a computer skill / study center. Future cost for the project is $9.9 million for construction and equipment. The district says this project is needed to replace three existing buildings in which these programs are currently delivered. The three existing buildings, which were constructed in the 1950s, would be demolished as part of this project. Our concerns with this project are as follows.

Renovation of Existing Facilities Not Adequately Considered. The district indicates it evaluated the alternative of remodeling existing facilities to meet the programmatic need and estimated the cost of renovation to be $6.9 million, compared to $9.1 million for construction of the proposed new facility. Since the cost of renovating existing facilities was estimated to be about three-fourths of the cost of constructing a new building, the district concluded constructing the new building would be more cost-effective in the long term. (When renovation cost is over 60 percent of the cost of new construction, it is frequently assumed to be more cost-effective to construct a new building). However, the district did not prepare an engineering estimate of the cost of renovation but simply *assumed* the "unit cost" would be $295 per gross square foot (gsf).

This estimate of the cost of renovation is questionable for two reasons. First, $295 per gsf is a *very* high unit cost for renovation. For example, the community colleges construction cost guideline for construction of *new* industrial arts buildings is $191 per gsf. This means the district has assumed the cost of renovation of the existing facilities would be over 50 percent higher than the community colleges guideline for *new* construction costs. The district has provided no information to justify such a high unit cost assumption for a renovation project.

Second, we do not recommend the Legislature make funding decisions for renovation projects based on unit cost estimates because they do not take into account the *actual renovation work* that is needed in a *specific building*. Unit costs are only approximations of historical costs for a large number of renovation projects of widely varying degrees of complexity. Many renovation projects are completed for less than typical unit costs that might be assumed—and some are more expensive. For a renovation cost estimate to be reliable, an engineering estimate must be prepared for the actual building that identifies the material and labor quantities for the specific renovation work that needs to be completed. The district did not provide an engineering cost estimate to support its estimate of the cost of renovating existing facilities to meet the programmatic need.

Underutilized Instructional Capacity. The Long Beach campus has substantial underutilized instructional capacity in summer term. The campus has the physical capacity to accommodate about 18,600 FTE students at a time, but enrolls about 13,600 FTE students in fall and spring semesters and 4,000 FTE in the summer (24 percent of capacity). Utilization of existing facilities more intensively during the summer—with renovations that may be needed—may accommodate programmatic needs more cost effectively than adding new space in a proposed new building.

We recommend the Legislature fund construction of new instructional facilities only when a district has shown the academic program cannot be accommodated within existing facilities that are renovated as necessary and well utilized year-round. The district has not shown this, and we therefore recommend deletion of funding for this project. If a project to renovate existing facilities in order to meet the same programmatic need is submitted in the future, it may warrant legislative consideration at that time.

Los Angeles CCD, East Los Angeles College: Fine & Performing Arts Center

We recommend the Legislature delete $15,882,000 for development of preliminary plans, working drawings, construction and equipment for the Fine & Performing Arts Center at East Los Angeles College because the alternative of renovating existing facilities to accommodate programmatic needs has not been fully evaluated and may be substantially more cost-effective. (Delete $15,882,000 from Item 6870-301-6028[32].)

The budget provides $15.9 million for partial funding of an 80,030 asf performing and fine arts complex containing 24,974 asf of classroom space, 17,900 asf for teaching laboratories, 5,124 asf for offices and 32,032 asf of other space. The district plans to provide an additional $15,883,000 of non-state funds for the project. This means the total cost of the project is about $31.8 million.

The district says the project is needed to consolidate in adjoining locations programs in the arts that are currently housed in seven buildings elsewhere on campus. It could also provide a new 250-seat little theater. The campus has an existing 2,100-seat main theater.

Renovation Alternative Not Fully Evaluated. Our concern with this project is that the district has not shown that existing facilities could not serve programmatic needs if they were renovated and perhaps expanded. For example, the campus has a free-standing lecture hall (Building F-7) that seats 120. Since lecture halls and little theaters have some similar architectural characteristics, it may be possible to renovate and expand Building F-7 to meet the programmatic need for a little theater. Also, the campus indicates the existing 2100-seat main theater is too large for most of its productions. Since theater complexes comprised of both a "main" and "little" theater are common, it may be possible to renovate and expand the main theater to incorporate a "little" theater into the same facility. This might be particularly cost-effective since back-stage and lobby facilities could serve both venues.

The district estimates the cost to renovate existing fine and performing arts classroom and teaching laboratory facilities to keep them serviceable for the near future is only $3.3 million. This is only about 10 percent of the total proposed project cost. The district indicates renovation would not permit it to consolidate various arts programs in one location, but it has not presented convincing information to show *why* the different programs need to be located together.

Since renovation of existing facilities rather than constructing an entirely new complex would free-up over $12 million for high priority projects elsewhere, we recommend deletion of funding for this project. If a project to renovate existing facilities in order to meet the same programmatic need were submitted in the future, it might warrant legislative consideration at that time.

Los Angeles CCD, Los Angeles Harbor College: Applied Technology Building

We recommend the Legislature delete $613,000 for development of preliminary plans and working drawings for the Applied Technology Building at the Los Angeles Harbor College campus and recognize a reduction of future costs of $8,198,000 because the alternative of meeting programmatic needs by renovating existing facilities has not been adequately evaluated and the campus has underutilized instructional capacity in summer term. (Delete $613,000 from Item 6870-301-6028[33].)

The budget proposes $613,000 for development of a 41,066 asf applied technology building containing 7,860 asf of classrooms, 22,496 asf of laboratories, 6,910 asf of offices and 3,800 asf of other space. The project also includes demolition of 36,566 asf of existing buildings and renovation of 3,171 asf of existing Technology Building No. 1. The district proposes to provide $8,810,000 of nonstate funds for the project. This means the total project cost is $17.6 million. The district says this project is needed to replace existing buildings in which some of the technology programs are currently delivered. The existing buildings would be demolished as part of this project.

We are concerned with this project because the alternative of renovating the existing buildings has not been adequately evaluated. We are also concerned that it would consume scare state resources for a project at a campus with excess instructional facilities, a declining enrollment, and small enrollment in technology programs.

Renovation Alternative Not Fully Evaluated. Renovation of existing facilities may be more cost-effective than constructing a new technology building, and we recommend a more thorough evaluation. The district has indicated it would cost $17.2 million to renovate existing facilities but has not provided an engineering estimate to support this cost. The district arrived at this $17.2 million cost by *assuming* "unit" costs for renovation such as "seismic retrofit / life safety upgrade—$56.50 / sf", "typical interior remodel construction - $40 / sf" and "laboratory construction—$42.00 / sf". However unit renovation costs are only a rough guide, based on historical costs of many projects of varying complexity. They do not reflect the cost of renovation work that will actually need to be done to meet the programmatic need *in a specific building*. Many renovation projects are completed for less than what typical unit costs would indicate—and there are others that are more expensive. Without an engineering estimate showing the details and quantities of actual renovation work to be done, there is no basis for verifying the accuracy of the district's estimate of $17.2 million to renovate existing facilities. We do not recommend the Legislature base funding decisions on estimates for renovation alternatives that are not supported by an engineering estimate.

Underutilized Facilities. The Harbor campus has over 200 percent as much classroom and 120 percent as much teaching laboratory instructional capacity as justified by enrollment in fall and spring semesters. In summer term there is even more underused instructional capacity because the campus utilizes only about 20 percent of its physical capacity during the summer. This underutilized space may offer a more cost-effective opportunity to meet some of the programmatic needs cited to justify the proposed new building.

Declining Campus Enrollment and Small Enrollment in Technology Programs. Total enrollment at the Harbor campus has declined from about 4,000 FTE students in 1981 to 3,000 in 2001. The technology division, which would be the primary occupant of the proposed building, has an enrollment of less than 100 FTE students. Enrollments in the other ten functional academic divisions at the campus range from about 250 to 450 FTE students. For the above reasons, we recommend the Legislature delete funding for this project. If a project to renovate existing facilities in order to meet the same programmatic need is submitted in the future, it may warrant legislative consideration at that time.

FINDINGS AND RECOMMENDATIONS

Capital Outlay

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Crosscutting Issues

Funding Higher Education Capital Outlay

G-42 ■ **Funding Priorities and Guidelines.** As in the past, we recommend the Legislature fund higher education capital outlay based on year-round operation, statewide priorities and criteria, reasonable construction cost guidelines, and appropriate utilization of existing facilities.

Oversight of Lease-Revenue Bond Projects

G-47 ■ **Oversight of Lease-Revenue Bond Projects.** To the extent the Legislature approves full funding of lease-revenue bond projects, we recommend adding budget bill language requiring the Department of Finance to notify the Legislature of proposed project augmentations or scope changes.

Judicial Council

G-56 ■ **Adequacy of Revenue From Court Fees and Fines.** Recommend the Legislature approve supplemental report language directing the Judicial Council to prepare a *long-term* projection of the funding needed for the court facilities program from revenue generated by court-

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imposed fees and fines, and county maintenance-of-effort payments.

G-57 ■ **Management of the Court Construction Program.** Recommend the Departments of Finance and General Services (DGS), and the Judicial Council, report at budget hearings on their intentions for management of the courts construction program.

G-58 ■ **Court Facility Guidelines.** Recommend the Legislature approve supplemental report language directing DGS to review court facility guidelines developed by the Judicial Council with the objective of assuring that they are reasonable and cost-effective.

Department of General Services

G-59 ■ **Central Plant Renovation.** We withhold recommendation pending our receipt and review of the central plant master plan. At the time of this analysis, the central plant master plan was not yet complete. Given the nature of the master plan, we believe it is a critical component in analyzing how this proposal best addresses the long term needs of the state. As discussed in the "Crosscutting Issues" section of this chapter, if the Legislature approves this project, we recommend the addition of budget bill language that would assure the Legislature's oversight role when fully funding all phases of a lease-revenue bond project.

California Conservation Corps

G-62 ■ **Sequoia District Relocation/Construction.** Withhold recommendation on the Sequoia District Relocation pending legislative approval of two Department of Developmental Services capital outlay projects at the Porterville Developmental Center.

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G-63 ■ **Tahoe Base Center Relocation.** Recommend approval of $18.4 million to acquire and construct a new residential facility in the Tahoe Basin with budget bill language that limits the search area for a new site and assures the Legislature's oversight role when fully funding all phases of a lease-revenue bond project.

Department of Forestry and Fire Protection

G-64 ■ **Recommended Approval of Four New Projects Proposed for Full Funding of All Project Phases.** Recommend approval of $15.5 million of funding requests for four projects for which the *2003-04 Governor's Budget* proposes full funding of all project phases.

G-65 ■ **"Facility Program Policy Guidelines" Establishing Prototypical Forest Fire Stations Are Not Complete.** We withhold recommendation on the approval of the California Department of Forestry and Fire Protection's (CDFFP's) Facility Program Policy Guidelines until all relevant forest fire station buildings are included in the guidelines. This document attempts to establish a prototypical design standard for CDFFP forest fire stations that will be used in the construction of all future forest fire stations.

Department of Parks and Recreation

G-68 ■ **California Indian Museum. Delete $5 Million From Item 3790-301-6029 [22].** Recommend deletion of $5 million for preliminary plans, working drawings, and construction for the California Indian Museum (CIM). The department already has $5 million to begin the development of the CIM, and the California Indian

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Cultural Center and Museum Task Force has yet to make recommendations on the site location and design of the CIM.

G-69 ■ **California Heritage Center Project. Reduce Item 3790-301-6029 [9] by $6,557,000.** Recommend the Legislature approve $3.4 million of the proposed $10 million project to fund the acquisition of a site for the project and the development of a master plan to establish facility standards, project programming, and site plan.

Department of Developmental Services

G-71 ■ **Withhold Recommendation on Porterville Projects.** We withhold recommendation on the 96-bed Forensic Residential Expansion and the Forensic Recreation and Activity Center projects pending receipt and review of information assuring that these facilities will attain federal certification and a corresponding resumption of federal Medicaid reimbursements for the forensic clients. As discussed in the "Crosscutting Issues" section of this chapter, if the Legislature approves these projects, we recommend the addition of budget bill language that assures the Legislature's oversight role when fully funding all phases of a lease-revenue bond project.

Department of Mental Health

G-74 ■ **Patton State Hospital Generator Plant Upgrade.** Recommend approval of project contingent on receipt and review of preliminary plans consistent with prior legislative approval.

G-75 ■ **Metropolitan State Hospital Kitchen Project.** Recommend inclusion of budget bill language that assures the Legislature's oversight role when fully funding all phases of a lease-revenue bond project.

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Department of Corrections

G-77 ■ **Closure of the Northern California Women's Facility, Stockton.** Recommend the Legislature withhold approval of the department's capital outlay budget until it submits the institution closure report required by supplemental language.

G-77 ■ **State Prison, San Quentin: Condemned Inmate Complex. Delete $220,000,000 From Item 5240-301-0660[4].** Recommend the Legislature eliminate funding ($220 million) for preliminary plans, working drawings and construction of California State Prison, San Quentin: Condemned Inmate Complex as the project is not ready to proceed to these funding phases.

G-79 ■ **Projects Recommended for Approval Contingent on Receipt of Preliminary Plans.** Recommend the Legislature approve $36 million for working drawings and construction of seven projects contingent on receipt and review of preliminary plans and associated cost estimates consistent with prior legislative approval.

Youth Authority

G-81 ■ **Facility Condition Survey.** Recommend the Legislature adopt supplemental report language directing the department to prepare and submit a facility condition survey by November 1, 2003.

G-82 ■ **Mental Health Treatment Facilities.** Recommend the Legislature adopt supplemental report language directing the department to provide by November 1, 2003 a mental health treatment program plan which includes identification of and cost estimates for any facility impacts.

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University of California (UC)

G-84 ■ **UC Capital Outlay Plans Do Not Fully Reflect Year-Round Operation**. Recommend the Legislature adopt supplemental report language directing the UC to amend its state-funded capital outlay plan to delete construction of new instructional facilities that are justified solely on the basis of enrollment growth, until existing instructional facilities are operated at nearly full capacity in summer term.

G-85 ■ **UC Instructional Facilities Are Underutilized.** Recommend the Legislature adopt supplemental report language directing the UC to utilize its instructional facilities at least as intensively as required by legislatively approved utilization standards.

G-89 ■ **Irvine: Biological Sciences Unit 3. Reduce $3,080,000 From Item 6440-302-6028(9).** Recommend the Legislature reduce $3,080,000 for development of preliminary plans and working drawings for the Biological Sciences Unit 3 building at the Irvine campus and recognize future costs of $7,003,000 for construction and $3,150,000 for equipment.

G-90 ■ **San Diego: Mayer Hall Addition and Renovation. Reduce $2,072,000 From Item 6440-301-6028(16).** Recommend the Legislature reduce $2,072,000 for development of preliminary plans and working drawings for the Mayer Hall Addition and Renovation project at the San Diego campus and recognize future costs of $15,029,000 for construction and $441,000 for equipment.

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California State University

G-93 ■ **Utilization of Teaching Laboratories Meets Legislative Standard but Classrooms Lag.** Recommend the Legislature adopt supplemental report language directing the California State University (CSU) to delete projects involving construction of new classrooms from its capital outlay plan if the enrollment could be accommodated by utilizing existing classrooms at the legislatively approved standards.

G-94 ■ **Capital Outlay Program Does Not Fully Reflect Year-Round Operation.** Recommend the Legislature adopt supplemental report language directing CSU to delete construction of new instructional space that is justified solely on the basis of enrollment growth from its capital outlay plan until it is utilizing existing instructional space during the summer at about the same level it is utilized in other terms.

G-96 ■ **CSU Plans at Brawley Are Unclear.** Recommend the Legislature adopt supplemental report language directing CSU to report to the Legislature on its intentions and potential state costs before committing to acquire land at Brawley for an educational facility.

California Community Colleges

G-100 ■ **Some Community College Districts (CCDs) Have Excess Capacity.** Recommend the Legislature adopt supplemental report language directing community colleges with excess instructional capacity to delete from their capital outlay plans new instructional space that is justified on the basis of enrollment growth, if that enrollment growth could be accommodated in appropriately renovated existing facilities.

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G-100 ■ **California Community Colleges (CCCs) Have Not Reported Utilization.** Recommend the Legislature withhold approval of items in the community colleges capital outlay budget until the legislatively-required utilization report is submitted to the Legislature and reviewed.

G-102 ■ **Facilities Information System.** The CCC have taken the first steps to develop an information system that could be extremely helpful to the Legislature in its capital outlay decision making.

G-103 ■ **Contra Costa CCD, Los Medanos College: Math, Science and Technology Building. Delete $726,000 from Item 6870-301-6028(13).** Recommend the Legislature delete $716,000 for development of preliminary plans for the Math and Science Building at Los Medanos College and recognize zero future costs.

G-104 ■ **Long Beach CCD, Long Beach City College: Industrial Technology Center, Manufacturing. Delete $698,000 from Item 6870-301-6028(31).** Recommend the Legislature delete $698,000 for development of preliminary plans and working drawings for the Industrial Technology Center, Phase 1, at Long Beach City College and recognize zero future costs.

G-106 ■ **Los Angeles CCD, East Los Angeles College: Fine & Performing Arts Center. Delete $15,882,000 from Item 6870-301-6028(32).** Recommend the Legislature delete $15,882,000 for development of preliminary plans, working drawings, construction and equipment for the Fine and Performing Arts Center at East Los Angeles College.

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G-107 ■ **Los Angeles CCD, Los Angeles Harbor College: Applied Technology Building. Delete $613,000 from Item 6870-301-6028(33).** Recommend the Legislature delete $613,000 for development of preliminary plans and working drawings for the Applied Technology Building at Los Angeles Harbor College and recognize zero future costs.