

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assembly Member Susan A. Bonilla, Chair

WEDNESDAY, MAY 9, 2012

4:00 P.M. - STATE CAPITOL ROOM 126

OVERVIEW HEARING ON THE GOVERNOR'S PROPOSED FUNDING FOR THE STATE'S HIGHER EDUCATION SYSTEMS

VOTE ONLY CALENDAR

ITEMS TO BE HEARD		
6610	CALIFORNIA STATE UNIVERSITY	
ISSUE 1	VARIOUS CAPITAL OUTLAY PROJECTS, SEISMIC UPGRADES	13
6440	UNIVERSITY OF CALIFORNIA	
ISSUE 1	GOVERNOR'S CAPITAL OUTLAY TRAILER BILL PROPOSAL	15
6120	CALIFORNIA STATE LIBRARY	
ISSUE 1	GOVERNOR'S PROPOSAL TO REDUCE LOCAL ASSISTANCE	17
6600	HASTINGS COLLEGE OF THE LAW	
ISSUE 1	GOVERNOR'S BUDGET PROPOSALS	22

VOTE ONLY CALENDAR

6440 UNIVERSITY OF CALIFORNIA
6870 CALIFORNIA COMMUNITY COLLEGES

6610 CALIFORNIA STATE UNIVERSITY
6120 CALIFORNIA STATE LIBRARY

VOTE ONLY	
TECHNICAL ADJUSTMENTS TO CAPITAL PROJECTS	
UNIVERSITY OF CALIFORNIA	
1)	<p>January 10th Budget Request: University of California, Berkeley – Helios Energy Research Facility (Construction)</p> <p>It is requested that reappropriation authority for construction for the Helios Energy Research Facility be approved because a lease revenue bond sale has not been scheduled for the 2011-12 budget year, and the campus has not yet been able to encumber the funds within the required time period.</p> <p>The Administration indicates that this project's lease revenue bond sale is tentatively scheduled for the Fall 2012.</p> <p><u>Recommended Action:</u> Approve as Budgeted in Item 6440-491.</p>
2)	<p>January 10th Budget Request: University of California, Riverside – Environmental Health & Safety Expansion (Working Drawings & Construction)</p> <p>It is requested that reappropriation authority for working drawings and construction for the Environmental Health and Safety Expansion be approved because a lease revenue bond sale has not been scheduled for the 2011-12 budget year, and the campus has not yet been able to encumber the funds within the required time frame.</p> <p>The Administration indicates that this project's lease revenue bond sale is tentatively scheduled for the Fall 2012.</p> <p><u>Recommended Action:</u> Approve as Budgeted in Item 6440-491.</p>
3)	<p>April 1st DOF Letter Request: University of California, Merced – Site Development & Infrastructure (Construction)</p> <p>Reappropriation Request:</p> <p>It is requested that reappropriation authority from the 1996 General Obligation Bonds for the construction phase be approved because bond funding for the project's design phase was not sold until late November 2011, thereby causing a delay in the project schedule. Consequently, the campus will not be able to proceed to bid prior to June 30, 2012.</p> <p><u>Recommended Action:</u> Approve as Proposed in 6440-491.</p>

4)	<p>April 1st DOF Letter Request: University of California, Riverside – East Campus Infrastructure and Improvements (Construction)</p> <p>It is requested that reappropriation authority for the construction phase be approved because the campus needs more time to award all construction contracts. The project proceeded to bid in 2010, and all bids came in over budget. After the campus re-evaluated the project, additional campus funds were added to complete the project. Consequently, the reappropriation will allow needed time to award all contracts.</p> <p>This project would provide upgrades to heating, cooling, and electrical services; extension of the utility infrastructure to the development area north of North Campus Drive; installation of a new boiler and chiller; and construction of a new thermal energy storage tank.</p> <p>The Administration indicates that this project's lease revenue bond sale is tentatively scheduled for the Fall 2012.</p> <p><u>Recommended Action:</u> Approve as Proposed in 6440-491.</p>
5)	<p>April 1st DOF Letter Request: University of California, San Diego – Structural and Materials Engineering Building (Equipment)</p> <p>It is requested that reappropriation authority for the equipment phase that was appropriated in the 2009 Budget Act. The Pooled Money Investment Board funding freeze resulted in a year and a half delay in the start of construction. Construction will be completed in August 2012. The campus proposes to purchase all equipment so that the building can be occupied in Fall 2012.</p> <p><u>Recommended Action:</u> Approve as Proposed in 6440-491.</p>
6)	<p>April 1st DOF Letter Request: University of California, San Diego – Scripps Institution of Oceanography (SIO) Research Support Facilities (Construction)</p> <p>It is requested that reappropriation authority for the construction phase be approved because the 1996 General Obligation bonds appropriated for preliminary plans and working drawings were not sold until late November 2011, delaying the project by over a year. The project has received approval of preliminary plans at the February meeting of the SPWB. The lease revenue bonds appropriated for construction are anticipating a fall 2012 bond sale. As a result, the project will not be able to go to bid prior to June 30, 2012.</p> <p>This project will provide approximately 21,300 asf of replacement research space for the Scripps Institution of Oceanography. This project will replace currently deficient space by constructing new interior research space and new exterior research support areas. The project also includes improvements to the existing access road.</p> <p>The Administration indicates that this project's lease revenue bond sale is tentatively scheduled for the Fall 2012.</p> <p><u>Recommended Action:</u> Approve as Proposed in Item 6440-491.</p>
7)	<p>April 1st DOF Letter Request: University of California, Santa Barbara – Davidson Library Addition and Renewal (Working Drawings & Construction)</p> <p>It is requested that reappropriation authority for the working drawings and construction phase be approved because the project is awaiting a Lease-Revenue Bond sale. A reappropriation is necessary also as a result of unforeseen additional seismic issues in the eight-story tower, which requires additional design and construction work. The reappropriation will allow the Campus to perform this additional work and be prepared for a future Lease Revenue Bond</p>

	<p>sale.</p> <p>The existing Santa Barbara library facility is extremely overcrowded, cannot accommodate new technology, and lacks sufficient student instructional support and study space. This project will construct new library facilities and renovate and seismically upgrade existing library facilities on the Santa Barbara campus. This project will provide additional collections space and additional reading and computing workspace for users, consolidate library operations for greater operational efficiency, and address seismic and life safety deficiencies in the existing building.</p> <p>The Administration indicates that this project's lease revenue bond sale is tentatively scheduled for the Fall 2012.</p> <p><u>Recommended Action:</u> Approve as Proposed in 6440-491.</p>
8)	<p>April 1st DOF Letter Request: University of California, Los Angeles – Telemedicine & PRIME Facilities (Equipment)</p> <p>It is requested that reappropriation authority for equipment phase be approved because most of the equipment has been purchased. However, a few clinics initially identified as community partners have closed their doors due to financial or unforeseen circumstances. All three of these campuses are in the process of contracting with finally viable clinics that serve the same communities. All contracts with the clinics are anticipated to be complete by Fall 2012.</p> <p>This is the second of two projects to improve facilities for medical education and delivery of health care in the Los Angeles School of Medicine programs, including the David Geffen School of Medicine at UCLA, the Thomas Haider Program in Biomedical Sciences at UC Riverside, and the collaborative program with Drew University of Medicine and Science. This Phase 2 project will renovate and equip existing facilities on the Los Angeles and Riverside campuses and equip space on the Drew Campus to improve both health care delivery and the education of PRIME students. In addition, equipment will be placed in hospitals and clinics within the UCLA medical system and affiliates in order to expand access to healthcare services.</p> <p><u>Recommended Action:</u> Approve as Proposed in 6440-491.</p>
9)	<p>April 1st DOF Letter Request: University of California, San Francisco – Telemedicine & PRIME-US Education Facilities (Equipment)</p> <p>It is requested that reappropriation authority for equipment phase be approved because most of the equipment has been purchased. However, a few clinics initially identified as community partners have closed their doors due to financial or unforeseen circumstances. All three of these campuses are in the process of contracting with finally viable clinics that serve the same communities. All contracts with the clinics are anticipated to be complete by Fall 2012.</p> <p>This project will provide equipment that will expand telemedicine services and improve access to health care in Fresno and the East Bay. The project will also enhance the educational opportunities for the PRIME-US students by placing equipment in existing facilities at the UCSF Fresno and Berkeley campuses, connecting them to the UCSF telemedicine system and PRIME-US program at the San Francisco campus as well as community clinics and clinical settings at non-UC locations.</p> <p><u>Recommended Action:</u> Approve as Proposed in 6440-491.</p>
10)	<p>April 1st DOF Letter Request: University of California, San Diego – Telemedicine & PRIME Health Education Facility (Equipment)</p>

	<p>It is requested that reappropriation authority for equipment phase be approved because most of the equipment has been purchased. However, a few clinics initially identified as community partners have closed their doors due to financial or unforeseen circumstances. All three of these campuses are in the process of contracting with finally viable clinics that serve the same communities. All contracts with the clinics are anticipated to be complete by Fall 2012.</p> <p>This project will construct an approximately 48,800 asf facility accommodate expanded medical school enrollments in the Program in Medicine Education: Health Equity, and to support a major new initiative in use of telemedicine to improve health care access. Students and practitioners will be instructed in the area of delivering health care via technology; meet significant community need for specialty consultations, and extend health care delivery to remote areas and underserved groups. The new facility will include a telemedicine training center; construction, mock examination, and simulation rooms; classrooms, academic and administrative offices, and support space.</p> <p><u>Recommended Action:</u> Approve as Proposed in 6440-491.</p>
11)	<p>April 1st DOF Letter Request: University of California, Santa Cruz – Infrastructure Improvements (Construction)</p> <p>It is requested that Items 6440-301-0658 and 6440-301-0705 be added in the amount of \$7,732,000 to fund the construction phase of this project. Total costs are \$8,416,000 from general obligation bonds.</p> <p>The 2006 and 2007 Budget Acts appropriated a total of \$684,000 from GO Bonds for the preliminary plans (\$367,000) and working drawings (\$317,000) for the Project. The Project will include a number of infrastructure components on the Santa Cruz campus (i.e. improving the storm water drainage system, replacing portions of the central campus heating water system, replacing components of the electrical system, and upgrading selected portions of the natural gas system) that are needed to stop further soil erosion and to replace selected electrical system switches to address life-safety concerns of fires, explosions, and/or spills of hazardous insulating oils in the old switches. This is the second of three planned projects designed to improve infrastructure reliability on the Santa Cruz campus. The project had been delayed due to the prior year's suspension of capital outlay projects resulting in changes in how the state provides cash to delayed projects. Consequently, the University of California (UC) is now able to proceed using available GO bonds to complete the Project.</p> <p><u>Recommended Action:</u> Approve as Proposed in 6440-301-0658 and 6440-301-0705.</p>
12)	<p>April 1st DOF Letter Request: University of California, Berkeley – Campbell Hall Seismic Replacement Building (Working Drawings)</p> <p>Add Item 6440-490 to extend the liquidation period by one additional year (until June 30, 2013) for this project, which was appropriated in 2007.</p> <p>Additional time is requested to resolve various design issues (i.e. proper sizing of steam pipes and data communication lines) before payments can be finalized.</p> <p><u>Recommended Action:</u> Approve as Proposed in 6440-490.</p>
<p>CALIFORNIA STATE UNIVERSITY</p>	
13)	<p>January 10th Budget Request: California State University, Bakersfield – Art Center and Satellite Plant (Working Drawings & Construction)</p> <p>It is requested that reappropriation authority for working drawings and construction for the Art</p>

	<p>Center and Satellite Plant be approved because a lease revenue bond sale has not been scheduled for this project in the 2011-12 budget year, and the campus has thus been unable to encumber the funds within the required time period.</p> <p>The Administration indicates that this project's lease revenue bond sale is tentatively scheduled for the Spring 2013. The funds shall be available for encumbrance until June 30, 2015.</p> <p><u>Recommended Action:</u> Approve as Proposed in Item 6610-491-0660.</p>
14)	<p>January 10th Budget Request: California State University, Maritime Academy – Physical Education Replacement (Preliminary Plans, Working Drawings & Construction)</p> <p>It is requested that reappropriation authority for preliminary plans, working drawings and construction for the Art Center and Satellite Plant be approved because a lease revenue bond sale has not been scheduled for this project in the 2011-12 budget year, and the campus has thus been unable to encumber the funds within the required time period.</p> <p>This project will replace the existing Physical Education Building and Natatorium that were constructed in 1944 and 1947, respectively, with a 26,400 asf Physical Education Facility and an outdoor pool.</p> <p>The Administration indicates that this project's lease revenue bond sale is tentatively scheduled for the Fall 2012. The funds shall be available for encumbrance until June 30, 2015.</p> <p><u>Recommended Action:</u> Approve as Proposed in Item 6610-491-0660.</p>
15)	<p>January 10th Budget Request: California State University, Monterey Bay – Academic Building II (Preliminary Plans, Working Drawings & Construction)</p> <p>It is requested that reappropriation authority for preliminary plans, working drawings and construction for the Academic Building II be approved because a lease revenue bond sale has not been scheduled for this project in the 2011-12 budget year, and the campus has thus been unable to encumber the funds within the required time period.</p> <p>This project will build a new 35,000 asf facility for instructional program support space for the School of Information Technology and Communications Design, and the School of Business.</p> <p>The Administration indicates that this project's lease revenue bond sale is tentatively scheduled for the Spring 2013. The funds shall be available for encumbrance until June 30, 2015.</p> <p><u>Recommended Action:</u> Approve as Proposed in Item 6610-491-0660.</p>
16)	<p>January 10th Budget Request: California State University, Chico – Taylor II Replacement Building (Construction)</p> <p>It is requested that reappropriation authority for preliminary plans, working drawings and construction for the Taylor II Replacement Building be approved because a lease revenue bond sale has not been scheduled for this project in the 2011-12 budget year, and the campus has thus been unable to encumber the funds within the required time period.</p> <p>This project proposes to demolish the 42-year-old Alva P. Taylor Hall, a 33,100 gsf building and construct the new 62,000 asf Taylor II Replacement Building to accommodate the College of Humanities and Fine Arts.</p>

	<p>The Administration indicates that this project's lease revenue bond sale is tentatively scheduled for the Spring 2013. The funds shall be available for encumbrance until June 30, 2017.</p> <p><u>Recommended Action:</u> Approve as Proposed in Item 6610-491-0668.</p>
17)	<p>January 10th Budget Request: California State University, Fresno – Faculty Office/Lab Building (Construction)</p> <p>It is requested that reappropriation authority for construction for the Faculty Office/Lab Building be approved because a lease revenue bond sale has not been scheduled for this project in the 2011-12 budget year, and the campus has thus been unable to encumber the funds within the required time period.</p> <p>This project will construct a new 13,400 asf two story facility to house graduate research laboratories, classroom space and faculty offices for the Colleges of Health and Human Services and Physical Education.</p> <p>The Administration indicates that this project's lease revenue bond sale is tentatively scheduled for the Fall 2012. The funds shall be available for encumbrance until June 30, 2017.</p> <p><u>Recommended Action:</u> Approve as Proposed in Item 6610-491-0668.</p>
18)	<p>January 10th Budget Request: California State University, East Bay – Warren Hall Replacement Building (Preliminary Plans, Working Drawings, and Construction)</p> <p>It is requested that reappropriation authority for preliminary plans, working drawings, and construction for the Warren Hall Replacement Building be approved because a lease revenue bond sale has not been scheduled for this project in the 2011-12 budget year, and the campus has thus been unable to encumber the funds within the required time period.</p> <p>This project will demolish the E. Guy Warren Hall Building and construct a new replacement office building adjacent to the Warren Hall site.</p> <p>The Administration indicates that this project's lease revenue bond sale is tentatively scheduled for the Fall 2012. The funds shall be available for encumbrance until June 30, 2017.</p> <p><u>Recommended Action:</u> Approve as Proposed in Item 6610-491-0668.</p>
19)	<p>January 10th Budget Request: California State University, Channel Islands – West Hall (Construction)</p> <p>It is requested that reappropriation authority for construction for the West Hall Building be approved because a lease revenue bond sale has not been scheduled for this project in the 2011-12 budget year, and the campus has thus been unable to encumber the funds within the required time period.</p> <p>This project will renovate a portion of West hall and add 28,800 asf of new construction to provide 55 FTE and 38 faculty offices.</p> <p>The Administration indicates that this project's lease revenue bond sale is tentatively scheduled for the Spring 2013. The funds shall be available for encumbrance until June 30, 2017.</p>

	<p><u>Recommended Action:</u> Approve as Proposed in Item 6610-491-0668.</p>
20)	<p>January 10th Budget Request: California State University, San Jose – Spartan Complex Renovation (Construction)</p> <p>It is requested that reappropriation authority for construction for the Spartan Complex Renovation be approved because a lease revenue bond sale has not been scheduled for this project in the 2011-12 budget year, and the campus has thus been unable to encumber the funds within the required time period.</p> <p>This project will retrofit the Spartan Complex, including the Uchida Hall/Natatorium, Uchida Hall Annex, Spartan Complex East, and Spartan Complex Central, which is classified with a seismic Level 5 rating, out of 7.</p> <p>The Administration indicates that this project's lease revenue bond sale is tentatively scheduled for the Spring 2013. The funds shall be available for encumbrance until June 30, 2017.</p> <p><u>Recommended Action:</u> Approve as Proposed in Item 6610-491-0668.</p>
21)	<p>January 10th Budget Request: California State University, San Diego – Storm/Nasatir Hall Renovation (Equipment)</p> <p>It is requested that expenditure authority for the equipment phase for the Storm/Nasatir Hall Renovation be approved. Through a combination of replacement facilities, an addition, and a renovation, the project will provide lecture space, LD and UD laboratory space and faculty offices in Storm Hall and Nasatir Hall. This is the first major renovation performed on these facilities completed in 1957 and will address asbestos and lead paint abatement, seismic upgrades, ADA accessibility, fire code violations, electrical, HVAC and telecommunication deficiencies, and elevator and stairway improvements. A building addition will provide a 160-seat lecture hall, faculty office and improved circulation.</p> <p><u>Recommended Action:</u> Approve as Proposed in Item 6610-301-6041.</p>
22)	<p>January 10th Budget Request: California State University, Channel Island – Classroom/Faculty Office Renovation/Addition (Equipment)</p> <p>It is requested that expenditure authority for equipment phase for the Classroom/Faculty Office Renovation/Addition be approved. This project will equip the renovation of 17,700 asf of new construction. This project will provide classrooms, faculty offices, and support space, with a net gain in capacity of 1,050 FTE and 11.5 faculty offices.</p> <p><u>Recommended Action:</u> Approve as Proposed in Item 6610-301-6041.</p>
23)	<p>January 10th Budget Request: California State University, Stanislaus – Science I Renovation (Equipment)</p> <p>It is requested that expenditure authority for equipment phase for the Science I Renovation be approved. This project will equip the Science Building, which has been a seismic Level 5 rating. The 30,500 asf renovation will accommodate growth of general education programs, including business, education, and social sciences. The renovation will include 997 FTE and 34 faculty offices.</p> <p><u>Recommended Action:</u> Approve as Proposed in Item 6610-301-6028.</p>

24)	<p>April 1st DOF Letter Request: Various Reappropriation</p> <p>It is requested that Item 6610-491 be amended to reappropriate funds for the following four project phases appropriated from general obligation bonds in Item 6610-301-0658, Budget Act of 2010, as reappropriated by Item 6610-492, Budget Act of 2011:</p> <ol style="list-style-type: none"> 1. Chico Campus, Taylor II Replacement Building—Working drawings 2. Fresno Campus, Faculty Office and Lab Building—Working drawings 3. San Jose Campus, Spartan Complex—Working drawings 4. Channel Islands, West Hall—Working drawings <p>The initial general obligation bond sale to fund the design phases for these projects did not occur until late in the fall of 2011 with allocation orders going out to campuses in December 2011. While preliminary plans are anticipated to be completed by June 2012, additional time is needed for completion of working drawings.</p> <p>It is requested that Item 6610-491 be amended (see Attachment 1) to reappropriate from general obligation bonds, Item 6610-302-6041 Budget Act of 2008, as reappropriated by Item 6610-491, Budget Act of 2009 for the San Bernardino, Access Compliance Barrier Removal Project—working drawings and construction.</p> <p>Due to the state’s suspension of capital outlay projects and resulting changes in how the state provides cash to delayed projects, this project was one of the last to receive all the needed cash for the project. Consequently, additional time is needed for the orderly completion of the project to conform with a court ordered legal settlement related to compliance with the Americans with Disabilities Act.</p> <p><u>Recommended Action:</u> Approve Proposed Amendments to Item 6610-491.</p>
25)	<p>April 1st DOF Letter Request: Various Extension of Liquidation Periods</p> <p>It is requested Item 6610-492 be added to extend the liquidation period by one additional year (until June 30, 2013) for Item 6610-301-6048, Budget Act of 2007, Channel Islands, Infrastructure Improvements Phase 1A and 1B—Construction phase. This project has been completed; however, the project has an outstanding contractor claim in which additional time is needed to resolve the claim.</p> <p><u>Recommended Action:</u> Approve New Proposed Item 6610-492.</p>

CALIFORNIA COMMUNITY COLLEGES

26)	<p>January 10th Budget Request: California Community Colleges – Reversion of Unencumbered Amounts</p> <p>It is requested that the following unencumbered construction or equipment balances be reverted. These balances are project savings, and or decisions by districts to not proceed with the project at this time, no longer making the funds necessary. Below is the list of projects, funding source, and amount that will be reverted.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Project Name</th> <th style="text-align: center;">Item, Budget Act</th> <th style="text-align: center;">Amount</th> </tr> </thead> <tbody> <tr> <td>San Luis Obispo CCD, North County Center, Technology & Trades Complex</td> <td style="text-align: center;">6870-301-6041(34), BA 2005</td> <td style="text-align: right;">\$7,816,000</td> </tr> <tr> <td>Napa Valley CCD, Napa Valley College, Library/Learning Resource Center</td> <td style="text-align: center;">6870-303-6049 (17) BA 2006</td> <td style="text-align: right;">\$3,869,000</td> </tr> <tr> <td>Grossmont-Cuyamaca CCD, Cuyamaca College, LRC</td> <td style="text-align: center;">6870-303-6049(3) BA 2007</td> <td style="text-align: right;">\$74,000</td> </tr> </tbody> </table>	Project Name	Item, Budget Act	Amount	San Luis Obispo CCD, North County Center, Technology & Trades Complex	6870-301-6041(34), BA 2005	\$7,816,000	Napa Valley CCD, Napa Valley College, Library/Learning Resource Center	6870-303-6049 (17) BA 2006	\$3,869,000	Grossmont-Cuyamaca CCD, Cuyamaca College, LRC	6870-303-6049(3) BA 2007	\$74,000
Project Name	Item, Budget Act	Amount											
San Luis Obispo CCD, North County Center, Technology & Trades Complex	6870-301-6041(34), BA 2005	\$7,816,000											
Napa Valley CCD, Napa Valley College, Library/Learning Resource Center	6870-303-6049 (17) BA 2006	\$3,869,000											
Grossmont-Cuyamaca CCD, Cuyamaca College, LRC	6870-303-6049(3) BA 2007	\$74,000											

	Expansion/Remodel Phase 1		
	Coast CCD, Orange Coast College, Consumer & Science Lab Building	6870-301-6049(4) BA 2008	\$19,000
	Ohlone CCD, Ohlone College, Fire Suppression	6870-303-6041(1) BA 2008	\$5,257,000
	Sonoma CCd, Santa Rose Jr. College, Public Safety Training Center Advanced Laboratory & Office Complex	6870-301-6049(25) BA 2008	\$5,748,000
	Riverside CCD, Riverside City College, Nursing Science Building	6870-301-6049(16) BA 2008	\$1,786,000
	Santa Clarita CCD, College of the Canyons, Library Addition	6870-301-6049(20) BA 2008	\$5,099,000
	West Valley-Mission CCD, District-wide, Fire Alarm System Replacement	6870-301-6049(18) BA 2009	\$8,475,000
	Monterey Peninsula CCD, Monterey Peninsula College, Humanities, Business, and Student Services	6870-301-6049(4) BA 2010	\$1,349,000
	State Center CCD, Fresno City College, Old Administrative Building, North & East Wings, Ph. III	6870-301-6049(7) BA 2010	\$200,000
		6041 Bond Total	\$13,073,000
		6049 Bond Total	\$26,619,000
		Total, All Bonds	\$39,692,000
	<u>Recommended Action: Approve As Budgeted in 6870-497.</u>		
27)	<p>April 1st DOF Letter Request: Glendale Community College District, Glendale College – Laboratory & College Services Building (Construction & Equipment)</p> <p>It is requested that Item 6870-301-6049 be added in the amount of \$41,237,000 for a laboratory college services replacement building. The project will construct a three-story 54,904 asf building to replace temporary instructional facilities and to expand college facilities to meet enrollment levels that will be on campus when the building is occupiable. The project creates 12,633 asf of lecture space, 18,905 asf of laboratory space, 19,077 asf of office space, 1,926 asf of library space, and 2,363 asf of other space.</p> <p>The 2007 Budget Act appropriated \$2,769,000 for preliminary plans and working drawings. In the past few months, the California Community College districts have experienced significant bid savings that has resulted in sufficient bond authority to be able to fund this project.</p> <p><u>Recommended Action: Approve As Proposed in 6870-301-6049.</u></p>		
28)	<p>April 1st DOF Letter Request: Santa Clarita CCD, College of the Canyons – Administrative & Student Services Building (Construction & Equipment)</p> <p>It is requested Item 6870-490 be added to reappropriate funds for the construction and equipment phases of the Administrative & Student Services Building project at the College of the Canyons. The project will consolidate student services and administrative functions that are now scattered throughout the campus. The project also includes the demolition of the existing Colleges Services Building, which is under-sized and outmoded. A reappropriation is necessary because of delays with obtaining final design approval from the Division of the State Architect (DSA).</p> <p>The district is expected to receive permission to go to bid by July 1, 2012; however, the project schedule is very tight and any further unforeseen delays could result in reversion of construction funds if the project is not reappropriated.</p> <p><u>Recommended Action: Approve As Proposed in 6870-490.</u></p>		

29)	<p>April 1st DOF Letter Request: Gavilan Community College District, Gavilan College – Replace Water Supply System (Working Drawings & Construction)</p> <p>It is requested that Item 6870-490 be added to reappropriate funds for the working drawings and construction phases of the project to replace the water supply at Gavilan College. The current domestic, fire, and portable water distribution system was constructed in 1966, along with the initial Gavilan campus buildings. The backbone of the distribution system is comprised of a water main that connects a one million gallon steel tank located on the foothill immediately above the campus to a well that is located 1,000 feet east of the campus. Due to several seismic events over the past 44 years, the water tank has lost wall shell ductility, which has caused the bottom tier to buckle and bulge out. The tank cannot be filled to fire marshal mandated levels out of fear of collapse. The overall scope of the project is to build a replacement water system that has two new 669,000 gallon reservoir tanks with a replacement water distribution system that is properly sized to distribute the fire and irrigation demands for the campus.</p> <p>A reappropriation is necessary because of findings during the environmental review process that has caused a delay in the completion of the Environmental Impact Report, which is now expected to be completed in October 2012.</p> <p><u>Recommended Action:</u> Approve As Proposed in 6870-490.</p>
30)	<p>April 1st DOF Letter Request: Long Beach Community College District, Long Beach City College, Pacific Coast Campus – Multi-Disciplinary Academic Building (Equipment)</p> <p>It is requested that Item 6870-490 be added to reappropriate funds for the equipment phase of the Multi-Disciplinary Academic Building project at Long Beach City College. The project will renovate space in four buildings that comprise the academic core of the campus. A reappropriation is necessary because of construction delays, which has been resolved. The project's construction schedule was slower than expected because of some abatement issues. DSA review of tie beam details, and delays in the demolition process.</p> <p>The project may not reach 50 percent completion prior to the expiration of the encumbrance period for equipment on June 30, 2012.</p> <p><u>Recommended Action:</u> Approve As Proposed in 6870-490.</p>
31)	<p>April 1st DOF Letter Request: El Camino CCD, El Camino Compton Center – Allied Health Building (Construction)</p> <p>It is requested that Item 6870-490 be added to reappropriate funds for the construction phase of the Allied Health Building project at the El Camino Compton Center. The project will renovate and reactive existing classroom, health science laboratories, office, and computer study space. The Allied Health instructional programs were displaced from the Allied Health Building when the facility was damaged by a flood in December 2006. Since that time, the program has been located in "make-shift" facilities that are not appropriate to house the curriculum. Allied Health Instruction must move to permanent space in order to support degree and certificate programs in Nursing, Licensed Vocational Nursing, and Clinical Nursing Assistant.</p> <p>A reappropriation is necessary because unforeseen soil conditions required the district to rework the foundation and structure of the project in the working drawings resulting in delaying the submission of the plans to the DSA. After securing other approvals from the Chancellor's Office and DOF, the district is expected to receive permission to go to bid by June 30, 2012; however, the project schedule is very tight and any further unforeseen delays could result in reversion of construction funds if the project is not reappropriated.</p> <p><u>Recommended Action:</u> Approve As Proposed in 6870-490.</p>

CALIFORNIA STATE LIBRARY	
32)	<p>January 10th Budget Request: Sutro Library Relocation – Ongoing Operations</p> <p>The purpose of this Budget Change Proposal is to secure funding for the ongoing expenses associated with operations of the Sutro Library Branch of the California State Library in its newly renovated San Francisco State University J Paul Leonard Library (JPLL) space. Ongoing operation funding of \$236,000 is being requested for the budget year and subsequent years. Note: This is a continuation of a BCP submitted and approved for FY 2011-12 that provided funding to relocate the Sutro Library and establish operations in the JPLL.</p> <p><u>Recommended Action:</u> <i>Approve As Budgeted</i></p>
33)	<p>January 10th Budget Request: California State Relocation for Infrastructure Renovation (Year 5)</p> <p>This BCP requests \$3.9 million for costs resulting from the Department of General Services renovation project of the historic Stanley Mosk Library and Courts Building (LCI). Funding requested with this BCP includes resources needed:</p> <ul style="list-style-type: none"> a) To return Library collections and staff, temporarily housed during the renovation in West Sacramento, to the LCI and 900 N Street buildings of the CSL, and resume full library operations in those buildings. b) To add shelving capacity in the LCI and Annex buildings to offset the loss of shelving resulting from architectural modifications made to LCI during the renovation project. c) To purchase equipment necessary to resume full library operations in LCI. <p><u>Recommended Action:</u> <i>Approve As Budgeted</i></p>

ITEMS TO BE HEARD

6610 CALIFORNIA STATE UNIVERSITY

ISSUE 1: VARIOUS CAPITAL OUTLAY PROJECTS, SEISMIC UPGRADES

The issue for the Subcommittee to consider is the Governor's April 1st proposal for California State University.

PANELISTS

- Department of Finance
- Legislative Analyst's Office
- California State University

BACKGROUND

April 1st DOF Letter. The April 1st Finance Letter request the addition of a new budget bill item 6610-301-6048 in the amount of \$10.995 million (GO bonds) and \$11.155 million (reimbursement – federal funds) to fund the preliminary plans, working drawings, and construction phases of five seismic upgrade projects on four CSU campuses, as illustrated in the chart below.

Various CSU Campuses, Seismic Upgrades Using FEMA Grants (Dollars in Thousands)

CAMPUS	PROJECT	DESCRIPTION	TOTAL FUNDS (GO BOND)
Los Angeles	Administration	The project will upgrade the structural system of the Administration building, originally built in 1962, including seismic strengthening of the building's support beams on the second floor.	\$5,799 (\$2,799)
Humboldt	Van Duzer Theatre	The project will upgrade the structural systems of the Theatre Arts Building, constructed in 1960, to correct structural deficiencies including new bracing for the main roof trusses, metal decks, and roof diaphragm.	\$7,920 (\$4,920)
Bakersfield	Dore Theater	The project will upgrade the structural systems of the Dore Theater, constructed in 1981, to correct structural deficiencies including bracing roof diaphragms and connections to support columns, and strengthening support connections to walls and canopies. Additionally, seismic bracing will be upgraded for all non-structural elements such as piping, fire sprinklers, partitions, and ceilings.	\$1,867 (\$467)
Humboldt	Library	The project will upgrade the structural systems of the Library building, last renovated in 1976, to correct structural deficiencies and provide the necessary reinforcement to insure the stability of the building support columns, as well as replace the existing roof with new metal roofing.	\$5,558 (\$2,558)
San Luis Obispo	Crandall Gymnasium	The project will provide seismic improvements for the gym to allow the facility to be occupied by performing the seismic upgrade to address current deficiencies. This building is not currently occupied, pending completion of the seismic work.	\$1,006 (\$251)
Total			\$22,150

This request also includes budget bill provisional language to recognize the receipt of the federal funds and, if all or part of the funding does not materialize, authorize utilization of any remaining state funds to fund as many of the projects as possible. The provisional language also includes notification to the JLBC with a 30-day written notice of the intent to fully fund a project.

Background. As part of the CSU Board of Trustee's seismic policy, the Chancellor's Office maintains a list of buildings identified by the Seismic Review Board with hazards that are significant enough to warrant special attention. The five CSU capital outlay seismic projects identified in this request are all rated by the Division of the State Architect as a seismic Level Six (out of seven), meaning that in a seismic event, the building would suffer extensive structural damage with partial collapse likely and substantial risk to life.

The CSU is in the process of applying, through the California Emergency Management Agency (CalEMA), for five hazard mitigation grants administered by the Federal Emergency Management Agency (FEMA) that could help offset state costs for these five projects. The grants require a minimum state share of 25 percent of the total project cost and would provide federal matching funds of 75 percent of the total project cost, not to exceed \$3 million dollars per project. However, the 25 percent state share must be in place at the time of application submittal. CalEMA advises that final applications are due to FEMA by July 18, 2012, and the application review could take between six months and a year before funds are obligated. If these projects are completed the building would be rated as seismic Level Three.

STAFF COMMENTS

It is clear that these projects are needed. However, the construct of the budget bill provisional language raises several questions. If all or part of the requested federal funds is not received, the language authorizes the Administration to use the remaining GO bond funds to fully fund one or more of the projects (with notification to the JLBC). This would allow upgrades to as many of the projects as possible. However, it is not clear from the provisional language how these five projects fall within the systemwide capital outlay priorities of CSU. The Subcommittee may therefore wish to consider modifying the provisional language to ensure that if this authority is exercised, that it is done consistent with the CSU's State Funded Capital Outlay Program 2012-13 Priority List.

6440 UNIVERSITY OF CALIFORNIA**ISSUE 1: GOVERNOR'S CAPITAL OUTLAY TRAILER BILL PROPOSAL**

The issue for the Subcommittee to consider is the Governor's proposal to authorize the Public Works Board (PWB) to provide repayment from state bond process to UC.

PANELISTS

- Department of Finance
- Legislative Analyst's Office
- University of California

BACKGROUND

The PWB was created by the Legislature to, among other functions; oversee the fiscal matters associated with construction of projects for state agencies. The PWB is also the issuer of lease-revenue bonds (LRBs). The Legislature appropriates funds for capital outlay projects; through review and approval processes, the PWB ensures that capital outlay projects adhere to the Legislature's appropriation intents.

Interim financing is the funds used until a bond-funded project is sufficiently far enough along to sell bonds for it. Since the Pooled Money Investment Board stopped authorizing interim financing loans for LRB-financed projects in 2008, the PWB has changed its processes for issuing LRB bonds from selling the bonds near the end of project construction to near the end of design. This results in the need to capitalize the costs of the project until the completion of construction.

In recent years, due to concerns about the state indebtedness level as well as market conditions, there have been fiscal years where either no LRBs were sold or a sale was delayed and/or reduced in size. This has impacted state capital outlay generally, as well as the UC specifically. At this time there are four remaining UC capital outlay projects that have been approved by the Legislature and are awaiting a state lease-revenue bond (LRB) sale for both design and construction: (1) Helios Energy East Research Facility, UC Berkeley; (2) Environmental Health and Safety Expansion, UC Riverside; (3) Davidson Library Addition and Renewal, UC Santa Barbara; and, (4) Scripps Institution of Oceanography Research Support Facilities, UC San Diego. In total, these projects represent \$118.217 million in LRB funding. The Administration indicates that it plans to include these four projects in the state LRB sale scheduled for fall 2012 but that other variables, such as market appetite and project readiness for sale, could result in all or none of the projects being sold.

Governor's Proposal. The Administration's proposed trailer bill would amend statute to allow UC's interim financing costs to be reimbursable by the PWB. Under current law, reimbursement is limited to only the principle amount financed. With this proposed change, UC would be able to provide interim financing from its commercial paper program for the list of projects that have been approved by the Legislature, but for which bonds have not been sold due to delays in state bond sales, thereby allowing these projects to move forward.

The Administration indicates that the statutory change would provide savings to the state because UC's interim financing costs would be slightly lower due to a number of factors; (1) UC has a slightly better credit rating than the state; (2) UC would only sell what is needed on a cash-flow basis versus needing the full project costs two years in advance; therefore, interest costs would be less because the amount financed is less and would grow gradually as the building is completed; and (3) short term investment rates are better than long-term investment rates; UC would likely borrow at one to two percent, versus PWB at four percent.

On April 11th, the Subcommittee heard and held open pending receipt of the May Revision a related LRB debt service proposal. The January budget proposes one final LRB related budget adjustment of \$9.7 million to UC's budget and that: (1) the total funds for LRB debt service costs are now a permanent part of UC's budget; (2) the funding is not restricted for debt service (yet UC would still have to make the required payments); and, (3) no future adjustments will be provided for this purpose. Should the proposal be adopted, UC indicates that it would likely refinance its existing LRB debt and lower short-term costs by lengthening the period of time (to 30 years) over which the debt would be repaid; i.e., restructuring 15-year debt to 30-year debt by refinancing bonds that have an average of 15 years of payments remaining. The "freed up" funding would then be used for other UC capital outlay and support budget needs.

STAFF COMMENTS

While staff agrees that the proposed statutory changes would slightly lower the state's costs, it is inconsistent to consider adoption of this item separate from the related January budget LRB debt service proposal. If the Subcommittee adopts the broader January budget LRB debt service proposal, the trailer bill language would appear unnecessary. However, if the Subcommittee rejects the January budget LRB debt service proposal, further consideration of the trailer bill language is warranted. Staff also finds that it is premature to act on this trailer bill now, as the Administration recently indicated that UC might request modifications to the trailer bill language to not limit the new authority to only its commercial paper program.

6120 CALIFORNIA STATE LIBRARY**ISSUE 1: GOVERNOR'S PROPOSAL TO REDUCE LOCAL ASSISTANCE**

The issue for the Subcommittee to consider is the Governor's proposal to reduce General Fund support for the California State Library programs.

PANELISTS

- Department of Finance
- Legislative Analyst's Office
- California State Library

BACKGROUND

Founded in 1850, the California State Library is the oldest and most continuous cultural agency in the state. Among its responsibilities, the Library supports a transparent government by:

- Collecting, preserving, and ensuring access to government publications.
- Ensuring access to books and information for the visually impaired or those who are otherwise physically handicapped and unable to read standard print;
- Providing library and information services to the legislative and executive branches of state government, members of the public, and public libraries;
- Administering and promoting literacy outreach programs; and,
- Developing technological systems to improve resource sharing and enhance access to information.

2011-12 BUDGET ACT

2011-12 Budget Act. The 2011-12 Budget approved \$15.2 million General Fund reduction, instead of the entire funding level of \$30.4 million, for public libraries impacting the following programs:

- **Public Library Foundation** (*-\$9.9 million out of \$12.9 million*) – ensures any Californian can check out a book at any library.
- **California English Acquisition & Literacy Program** (*-\$900,000 out of \$4.6 million*) – provides one-on-one tutors for Native English Speaking Adults with a 6th grade or lower reading level.
- **California Library Services Act** (*-\$4.4 million out of \$12.9 million*) – is a statewide, coordinated system of "regions" designed for the purpose of supporting the delivery of books/materials between branches in the network, and for the purchase of shared services such as high speed Internet and reference catalogues. Reimbursement is provided to jurisdictions for interlibrary loans of materials and direct loans to non-resident borrowers.

2011-12 Budgetary Triggers. The 2011 Budget Act included \$15.9 million in additional reductions, as part of the budget trigger, if estimates of state revenues as of December 2011 are \$1 billion or more below forecasted. The trigger cuts, which took effect January 1, 2012, impacting the following programs:

- Public Library Foundation (-\$3 million)
- California English Acquisition & Literacy Program (-\$3.7 million)
- California Library Services Act (-\$8.5 million)
- California Civil Liberties Public Education Program (-\$450,000)
- California Newspaper Project (-\$216,000)

California State Library Funding Source
(Dollars in Thousands)

Fund Source	2010-11	2011-12	2011-12 Revised (after Triggers)	2012-13
General Fund	\$10,190	\$10,770 ^b	\$10,770 ^b	\$12,740 ^c
General Fund – Local Assistance	\$31,056	\$15,866	\$0	\$0
Central Service Cost Recovery Fund	\$1,368	\$1,734	\$1,734	\$1,275
Federal Funds – State Operations ^a	\$7,259	\$7,257	\$7,257	\$7,380
Federal Funds – Local Assistance ^a	\$12,518	\$12,518	\$12,518	\$12,518
Other Funds (excludes debt service)	\$3,655	\$2,539	\$3,091	\$2,616
TOTAL	\$66,046	\$50,684	\$35,370	\$36,529
^a Due to calendar differences between the state and federal fiscal years, and the fact that the federal funds are available for expenditure over two years, the amount of federal funding displayed in a given state fiscal year totals greater than \$16 million total received from the federal government. ^b Increased General Funds in 2011-12 were the result of various adjustments, including for the end of employee furloughs. ^c The 2012-13 General Fund allocation reflects an increase over 2011-12, even in light of the \$1.1 million reduction in the budget, due to several factors, including costs associated with the CSL's relocation back into the Library & Courts Building which has been under extensive renovations.				

GOVERNOR'S PROPOSAL

Governor's Proposal. The Governor's January budget continues the trigger cuts to local assistance library programs through 2012-13. In addition, the budget reduces General Fund support for the Library's operating budget by \$1.1 million to reflect the reduced workload due to the elimination of the four local assistance programs. The Administration expected that this funding reduction would be achieved by eliminating 13 positions.

The CSL has 140.8 authorized positions, split between State Library Services, Development Services, Information Technology Services, and Administration. The CSL reports that its current vacancy rate is 20 positions, a rate of approximately 12-14 percent. The CSL indicates this rate is slightly inflated due to the fact that a total of nine staff retired in the past six to nine months. The remaining vacant positions total at least ten positions.

April 1st DOF Letter. After much discussion with the State Library regarding the feasibility of reducing workload through personnel alone, the Administration has amended its proposal. The Administration is now requesting that the total funding reduction be of \$491,000 with a reduction of 10 positions.

ISSUES TO CONSIDER

Over the past five years, the state has received each year an average of over \$16 million in federal Library Services and Technology Act (LSTA) funding. In 2011, due to cuts at the federal level, the state received \$15.5 million in LSTA funding. The funds are available for expenditure for two years and support services consistent with LSTA priorities. To be eligible for these funds, the state is required to meet federal match and maintenance of efforts (MOE) requirements.

- The **match requirement** determines what percentage of LSTA funding a state can spend. The LSTA is funded 66 percent by the federal government, with a required state match of 34 percent; i.e., in federal fiscal year 2011, California received \$15.497 million in LSTA funding, which the state matched with \$7.983 million in state funds.
- The **MOE requirement** determines the state's allotment of LSTA funding for the next federal fiscal year. It is based on population and determined by a three-year rolling average of state funds spent on libraries consistent with the LSTA. If the state's average expenditure level falls, the allotment of dollars falls by a similar percentage.

State funded local assistance library programs comprise the majority of the state's match and MOE calculations. These programs are (1) California Library Literacy Services provides community-centered assistance to low-literacy adults and their families; (2) California Library Services Act promotes resource sharing through cooperative library systems and reimburses public libraries for loans to individuals living outside their jurisdiction; and, (3) California Newspaper Project identifies, describes, and preserves California newspapers. Two other programs are also included in the calculations: (1) Telephonic Reading Program allows persons with visual impairments to use their telephones to listen to more local news, TV Guide listings, archived radio shows, etc.; and, (2) Library Development provides leadership and support of the future of California through its libraries.

As part of the triggers included in the 2011 Budget Act, funding for the three local assistance programs, as well as the Public Library Foundation (PLF) and the California Civil Liberties Public Education Program (CCLPEP), were eliminated. These reductions (excluding the PLF and CCLPEP) total over \$12 million and jeopardize the state's ability to meet federal match and MOE requirements. The elimination of these funds will impact as follows:

🗨️ **Failure** to meet the **match** jeopardizes the amount of LSTA funds the state can spend in 2012-13.

🗨️ **Failure** to meet the **MOE** jeopardizes the state's 2012-14 allotment of LSTA funds.

The CSL reports that 112 public libraries reported a decrease in funding in 2010-11, representing 63 percent of the public libraries in California. There are 182 local library jurisdictions that receive some state funds, of which 17 get more than 10 percent of their total funding from the state (and another 31 get more than 5 percent of their total funding from the state). Those local libraries that receive a greater share of their funding from the state rely on state support heavily and may be forced to close or take drastic measures (such as charging patrons for book loans) if they lose state funding.

STAFF COMMENTS

Comments Regarding the Governor's April 1st Request. Given the CSL's vacancy rate, it is reasonable for four of the ten eliminated positions to be redirected from existing vacancies.

Issues Regarding Impacts of the 2011 Trigger Reductions. The 2011 Budget Act triggers have impacted the CSL budget and the state's ability to meet the LSTA match and MOE requirements. While there is some overlap in the match and MOE calculations, the most immediate problem is with the **match**. Should the State fail to identify roughly \$5 million more in qualifying 2012-13 state expenditures, the state will only be able to spend \$5.37 million of the total \$15.03 million in federal LSTA funding available to the state. The CSL is currently evaluating its budget to identify additional expenditures that can be used for match purposes. The CSL is also considering instituting a local match, which has never been in place before, in order to assist the state in meeting the federal match.

The match problem would be solved if the State meets the MOE requirements. The CSL indicates that approximately \$17.1 million in funding is needed in 2012-13 in order to fully meet the federal MOE requirement and maintain the historical level of LSTA funding. Were this funding to be provided, the match problem would also be resolved. However, absent this action, the CSL's December 2012 report will show a 19 percent drop in meeting the MOE, which means that the CSL's allotment for 2012-14 will be reduced by 19 percent, resulting in additional programmatic reductions in state fiscal year 2013-14. If these local assistance library programs continue to go unfunded in the 2012-13 budget (as currently proposed in the January budget). The CSL anticipates that its December 2013 report will show a 85 percent drop in meeting the MOE; this will translate to an 85 percent reduction in the 2013-15 allotment, resulting in the need for significantly more programmatic reductions in state fiscal year 2014-15.

The federally-funded programs that are at risk include the Braille and Talking Book program and the Southern Braille Institute, which utilize about \$2.8 million of the federal funds each year to operate. More than 87,000 people statewide would lose service and access to a variety of information and resources. The CSL would also not be able to fund other important programs as about 30 percent of its staff participate in federal projects and are funded through federal dollars. Examples of other programs potentially impacted include: California Government Information Access/California Portal; Library Materials and Database Acquisition; and Historic California Photograph Digitization.

Staff notes that a waiver of the federal MOE requirements is possible (it is not available for the match requirements). The guidelines state that a waiver would be equitable due to "exceptional or uncontrollable circumstances such as a natural disaster or a precipitous and unforeseen decline in the financial resources of the state." The waiver application also requires documentation of whether or not the reductions to the state library are proportionate to all other state agencies.

In the 2011, twelve states could not meet their libraries' MOE level and 10 of those states applied for waivers. The CSL indicates that if MOE cannot be met, it plans to submit a waiver; latest figures indicate that a total of 18 state libraries will also be requesting a waiver.

6600 HASTINGS COLLEGE OF THE LAW

ISSUE 1: GOVERNOR'S BUDGET PROPOSALS

The issue for the Subcommittee to consider is the Governor's proposal for Hastings College of the Law.

PANELISTS

- Department of Finance
- Legislative Analyst's Office
- Hastings College of the Law

BACKGROUND

Background. Hastings was founded in 1878 and on March 26, 1878, the Legislature provided for affiliation with the University of California. Hastings is the oldest law school and one of the largest public law schools in the West. Its mission is to provide an academic program of the highest quality, based upon scholarship, teaching, and research, to a diverse student body of approximately 1,150 students.

2011-12 Budget Act. The 2011-12 Budget Act approved a reduction of \$1.5 million to Hastings, providing a total amount of General Fund support of \$6.9 million.

Enrollment Chart

(Full-Time Equivalent Student)

Hastings	2010-11	2011-12	2012-13
Total Enrollment	1,283	1,254	1,135
<i>Resident</i>	1,183	1,165	1,058
<i>Non-Resident</i>	100	89	77

Funding Chart

(Dollars in Millions)

Hastings	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Amount Change from 2007-08	% Change from 2007-08
General Fund ^a	10.6	10.1	8.3	8.4	6.9	8.8	-1.8	-17
Net Tuition ^b	21.6	26.6	30.7	36.8	36.5	34.8	13.2	61
Lottery	0.1	0.1	0.1	0.2	0.2	0.2	0.1	80
TOTAL	\$32.3	\$36.8	\$39.1	\$45.3	\$43.6	43.8	\$11.5	35%
Annual Fee (Residents)	21,303	26,003	29,383	36,000	37,747	43,486		

^a2012-13 General Fund amount includes GO bond debt service.

^b Includes systemwide and non-resident tuition and fee revenues less amounts redirected to institutional financial aid programs.

Source: LAO

Governor's Proposal. There are two major components of the Governor's Budget proposals that affect Hastings: (1) the proposal to roll in the GO bond debt into their base budget; and, (2) the UC Retirement Plan payment of \$90 million, not specifically earmarked for that use under UC's base budget.

1. **GO Bond Debt Payments.** The Governor proposes to increase Hastings' base budget by \$1.8 million related to GO bond debt. Hastings does not have any LRB debt. Hastings would receive no further adjustments for debt service payments; however, unlike UC and CSU, Hastings is not included in the "funding agreements."
2. **Retirement Costs.** Although the Administration indicates that the \$90 million in augmentation funds for UC is not for the specific use to fund the state's share of the UC Retirement Plan, Hastings is a participating employer of the plan, therefore, affected by any changes the Legislature makes to the funding structure.

ISSUES TO CONSIDER

GO Bond Process. The California Constitution requires that GO bonds be approved by a majority of the voters and sets repayment of this debt before all other obligations except those related to K-14 education. The Budget Act continuously appropriates this debt service from the General Fund. Funding to repay this debt is not currently included in the direct budget appropriation for Hastings. Rather, it resides on the state's budget. The state makes annual GO bond debt payments on the segments' behalf, the amount of which fluctuates from year to year due to the varying debt service payment schedules related to different projects.

- **Uncertainty Remains.** As discussed in the April 11th Subcommittee hearing, the Governor's proposal would increase UC's, CSU's, and Hastings' base budget appropriation one last time to reflect the 2012-13 bond debt costs. How can the Legislature determine that this funding level would result in the right level of resources to fund the segments' long-term capital outlay needs?

Retirement Costs. Hastings is a participant in the University of California Retirement Plan (UCRP), receiving the same benefits and paying the same costs as a participating employer. Hastings has borne the full cost of the employer's share of retirement costs when UC decided to restart contributions. In 2011-12, Hastings' employer contribution was \$1.5 million (7 percent of their state funded payroll), and for 2012-13 expects to contribute \$2.3 million, (10 percent of state funded payroll).

Given that the entire \$90 million is currently allocated under the UC's base budget item (6440-001-0001), the Legislature, if it decided to agree to restart contribution costs towards the UCRP, would need to reduce UC's appropriation by \$778,167 and increase Hastings' base budget (6600-001-0001) by the like amount, to ensure that Hastings receives the appropriate level of support for this purpose.

Strategic Planning in the Face of Recession. Hastings has seen its General Fund support decrease by \$1.8 million since 2007-08, which forced the university to make some very difficult decisions to deal with the decline in state support as well as economic challenges facing the field of law. In 2012-13, Hastings will accept 20 percent fewer students than this past fall, and will have laid off 20 staff positions, that range from mail clerks to program coordinators.

LAO COMMENTS

Recommend Rejecting the Governor's Proposal. As discussed in the April 11th Subcommittee hearing, the LAO agreed with the Administration that certain aspects of the current state debt financing system for the segments do not always provide the right incentives, but overall the LAO finds that the Governor's proposal does not fully address these issues and makes the Legislature's future capital outlay budgeting decisions for the segments even more difficult. Moreover, the LAO finds some aspects of the proposal regarding Legislative oversight of the segments' state-related projects to raise serious concerns.

The LAO recommends rejecting this proposal and reducing the General Fund appropriation for Hastings by \$1.8 million, to take debt service for general obligation bonds out of the base budget and delete the associated budget bill language.

Reasonable to Begin State Contribution to UCRP, but Need to determine Appropriate Level of Funding. Given that the university has had to restart its contributions to its pension plan in recent years, it appears justifiable that the state also resume providing pension related funding. The LAO recommends that the Legislature only provide funding for the incremental change in 2012-13 in UC's pension costs for state- and tuition-funded employees – which the LAO estimates it to be \$78 million. In addition, the LAO recommends that the Legislature adopt intent language in the budget specifying that in the future funding for UC retirement costs (1) shall be determined annually by the Legislature; (2) shall be contingent on such factors as the comparability of UC's pension benefits and contributions to those of state employees; and, (3) shall not necessarily include funding for tuition-supported employee pension costs or pension costs incurred prior to 2012-13.