

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE

Part II

Assemblymember S. Joseph Simitian, Chair

TUESDAY, MAY 21, 2002
STATE CAPITOL, ROOM 447
9:30 A.M.

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CONSENT CALENDAR

6440 UNIVERSITY OF CALIFORNIA

ISSUE 1: CAPITAL OUTLAY PROJECTS

The Governor's budget proposes \$699 million from General Obligation (GO) and lease-revenue bonds for 32 projects under the UC capital outlay program. 23 projects, at a cost of \$85 million are funded in the budget bill from GO bonds and \$279 million for seven projects from lease-revenue bonds has been approved under separate legislation. The budget also originally included \$356,000 in General Fund for one project, although the Governor proposes to delay the project in his May revision request. In addition, the Governor proposed and the Legislature approved a shift \$335 million of funding from the General Fund to lease-revenue bonds for the Institutes of Science and Innovation (\$308 million) and the Merced campus (\$27 million).

The following is a list of recommended actions:

Campus	Project	Phase	Amount
Davis	Watershed Science Research Center	PWC	\$3,000,000
Davis	Robert Mondavi Institute for Wine and Food Science	P	\$900,000
Berkeley	Seismic Safety Corrections, Hertz Hall	PWC	\$5,680,000
Berkeley	Stanley Hall Seismic Mitigation	C	\$16,737,000
Merced	Site Development & Infrastructure, Phase 3	W	\$566,000
Riverside	Biological Sciences	WC	\$18,707,000
San Diego	Pharmaceutical Sciences	W	\$1,658,000
San Diego	Biomedical Library Renovation & Addition	PW	\$1,800,000
San Diego	West Campus Utilities Improvements	PW	\$360,000
San Diego	Student Academic Services Facility	P	\$959,000
San Diego	Campus Emergency Services Facility	PW	\$443,000
Santa Barbara	Engineering-Science Building	E	\$1,454,000
Santa Barbara	Psychology Building Addition and Renewal	W	\$476,000
Santa Barbara	Snidecor Hall Office Wing Seismic Replacement	PW	\$1,178,000
Santa Cruz	Emergency Response Center	P	\$517,000
Santa Cruz	Humanities and Social Sciences Building	P	\$1,500,000
San Francisco	Health Sciences West Improvements, Phase 1	W	\$618,000

TOTAL \$58,388,000 (NON-GENERAL FUND GO)

DEPARTMENT OF FINANCE LETTER:

Campus	Project	Phase	Amount
Davis	Thurman Seismic Retrofit	PWC	-\$356,000
Santa Cruz	Sinsheimer Laboratories Fire Sprinklers	PWC	\$725,000
Irvine	Rowland Hall Seismic	C	\$16,175,000

TOTAL \$16,544,000 (NON-GENERAL FUND GO)

DEPARTMENT OF FINANCE LETTER (RE-APPROPRIATIONS):

Campus	Project	Phase
Berkeley	LeConte Hall Seismic	C
Merced	Site Development & Infrastructure Phase I	WC
Merced	Science and Engineering	CE
Merced	Library & Information Technology	CE
Los Angeles	Health Sciences Seismic	C
Riverside	Heckmann International Center for Management	PWCE
Irvine	Rowland Hall Seismic	W

DEPARTMENT OF FINANCE LETTER (LANGUAGE ONLY):

Extend availability of 2002 Higher Education Capital Outlay Bond Fund by six months.

6600 HASTINGS COLLEGE OF LAW

ISSUE 1: CAPITAL OUTLAY PROJECTS

The Governor's budget proposes \$831,000 from GO bonds for the Hastings' capital outlay program to fund one project. Specifically, the project is to rehabilitate the 200 McAllister Street Facility to meet building code requirements. In addition, the May Revise proposes a reappropriation of construction funds for one project.

The following is a list of recommended actions:

Campus	Project	Phase	Amount
San Francisco	200 McAllister Street Code Compliance	P	\$831,000

TOTAL \$831,000 (NON-GENERAL FUND)

DEPARTMENT OF FINANCE LETTER (RE-APPROPRIATIONS):

Campus	Project	Phase
San Francisco	198 McAllister Street Renovation – Reappropriation	C

DEPARTMENT OF FINANCE LETTER (LANGUAGE ONLY):

Extend availability of 2002 Higher Education Capital Outlay Bond Fund by six months.

6610 CALIFORNIA STATE UNIVERSITY**ISSUE 1 CAPITAL OUTLAY PROJECTS**

The Governor's budget proposes \$450 million from GO and lease-revenue bonds for the CSU's capital outlay program. Specifically, \$259 million is appropriated in the budget bill from the proposed 2002 GO bond for 31 projects and \$191 million is appropriated in legislation from lease-revenue bonds for three projects. Of that amount, \$6 million is proposed for expenditure in the current year and \$185 million is in the budget year.

The following is a list of recommended actions:

Campus	Project	Phase	Amount
Statewide	Minor Capital Outlay	PWC	\$20,000,000
Bakersfield	Telecommunications Infrastructure	C	\$5,336,000
Channel Islands	Science Lab Building	E	\$1,262,000
Chico	Education Classroom/Faculty Office Addition, Phase I	E	\$678,000
Chico	Student Services Center	P	\$811,000
Dominguez Hills	Technology Center, Health & Administration Services Building	E	\$3,802,000
Dominguez Hills	Renovate and Upgrade Electrical Infrastructure	PWC	\$2,855,000
Fresno	Telecommunications Infrastructure	C	\$18,149,000
Fullerton	Life Safety Modifications Campuswide	PWC	\$9,649,000
Fullerton	Physical Education Addition/Renovation	E	\$987,000
Fullerton	Telecommunications Infrastructure	C	\$6,724,000
Hayward	Business & Technology Building	PWC	\$11,500,000
Los Angeles	Remodel Music Building	E	\$795,000

Long Beach	Peterson Hall Addition	E	\$3,780,000
Long Beach	Library Addition and Renovation	PWC	\$19,083,000
Maritime Academy	Engineering Building Renovation/Addition	E	\$1,037,000
Monterey Bay	Telecommunications Infrastructure	C	\$10,988,000
Northridge	Engineering Renovation, Phase II	PWC	\$14,739,000
Pomona	Library Addition and Renovation	PWC	\$33,209,000
San Diego	Chem/Geo/Business Admin./Math Building Renovation	E	\$3,805,000
San Diego	Telecommunications Infrastructure	C	\$11,248,000
San Francisco	Renovate Hensill Hall Seismic	E	\$225,000
San Francisco	Telecommunications Infrastructure	C	\$14,593,000
San Jose	Joint Library	E	\$8,095,000
San Jose	Telecommunications Infrastructure	C	\$7,008,000
San Luis Obispo	Engineering/Architecture Renovation & Replacement Phase I	E	\$2,430,000
San Marcos	Library Information Center	E	\$7,431,000
San Marcos	Telecommunications Infrastructure	C	\$1,986,000
Stanislaus	Drama Ceiling, Seismic Upgrade	PWC	\$675,000
Stanislaus	Science II Seismic	P	\$922,000

TOTAL \$224,049,000 (NON-GENERAL FUND GO)

DEPARTMENT OF FINANCE LETTER:

Campus	Project	Phase	Amount
Humboldt	Behavioral & Social Sciences Bldg.	C	\$26,800,000
Monterey Bay	Library	PWC	\$4,311,000

TOTAL \$31,111,000 (NON-GENERAL FUND GO)

DEPARTMENT OF FINANCE LETTER (LANGUAGE ONLY):

Extend availability of 2002 Higher Education Capital Outlay Bond Fund by six months.

6870 CALIFORNIA COMMUNITY COLLEGES

ISSUE 1: CAPITAL OUTLAY PROJECTS

The proposed capital outlay program for the community colleges totals \$340 million, and is funded in both the Budget Bill and separate legislation. Specifically, legislation proposes to fund \$109 million in the current year and \$62 million in the budget year from lease-revenue bonds, while the Budget proposes to fund \$169.4 million from GO bonds (\$7.6 million from 1998 bond funds and \$161.8 million from the proposed 2002 GO bond measure).

The following is a list of recommended actions:

District/Campus	Project	Phase	Amount
Allan Hancock/ Allan Hancock College	Library/Media Tech Center	W	\$315,000
Butte-Glenn/Butte College	Learning Resource Center	W	\$608,000
Cabrillo/ Watsonville Center	Watsonville Center Phase 2	E	\$1,005,000
Cerritos/Cerritos College	Seismic Retrofit-Metals	C	\$1,148,000
Cerritos/Cerritos College	Seismic Retrofit-Electronics	C	\$750,000
Cerritos/Cerritos College	Science and Math Complex - Life Safety	C	\$14,646,000
Chabot-Las Positas/Las Positas College	PE Gym - Phase I	W	\$466,000
Chaffey/Chaffey College	Science Bldg.	C	\$9,489,000
Contra Costa/ Diablo Valley College	Life Sciences Reconstruction	E	\$713,000
Contra Costa/ Diablo Valley College	Life Science Remodel for Laboratories	W	\$141,000
Contra Costa/ Diablo Valley College	Seismic Retrofit- Technical Education Building	PWC	\$1,153,000
Contra Costa/Los Medanos College	Learning Resource Center	W	\$284,000
Contra Costa/San Ramon Valley Center	Phase I Bldg.	W	\$1,085,000
Desert/College of the Desert	Seismic Retrofit-Dining Hall	C	\$989,000
Fremont-Newark/ Ohlone College	Child Development Center	C	\$4,635,000
Glendale/Glendale College	Allied Health /Aviation Lab	W	\$332,000
Grossmont-Cuyamaca/Cuyamaca College	Science & Technology Mall	W	\$562,000
Grossmont-Cuyamaca/Grossmont College	New Science Bldg.	W	\$439,000
Hartnell/Hartnell College	Library/Learning Resource Center Complex	W	\$690,000
Lake Tahoe/Lake Tahoe College	Learning Resource Center	W	\$214,000

Long Beach/Long Beach City College-PCC	Replacement of Technology Buildings	CE	\$8,146,000
Long Beach/Long Beach City College-PCC	Child Development Center	E	\$197,000
Los Angeles/East Los Angeles College	Technology Building	E	\$1,945,000
Los Angeles/Los Angeles City College	Child Development Center	C	\$4,580,000
Los Angeles/Los Angeles Mission College	Child Development Center	W	\$470,000
Los Angeles/Los Angeles Southwest College	Child Development Center	W	\$162,000
Los Angeles/LA Trade Tech College	Child Development Center	W	\$117,000
Los Angeles/Los Angeles Valley College	Health Sciences Building	W	\$435,000
Los Rios/American River College	Learning Resource Center Expansion	W	\$310,000
Monterey Peninsula/Monterey Peninsula College	Plant Service Complex (Health & Safety)	E	\$70,000
Mt. San Antonio/Mt. San Antonio College	Seismic Retrofit - Four Buildings	C	\$1,880,000
Mt. San Antonio/Mt. San Antonio College	Science Bldg. Replacement	C	\$18,879,000
North Orange County/Cypress College	Library/Learning Resource Center	W	\$499,000
North Orange County/Fullerton College	Library/Learning Resource Center	C	\$15,926,000
Palo Verde/Palo Verde College	Technology Bldg. Phase II	W	\$246,000
Rancho Santiago/Santa Ana College	PE Seismic Replacement/Expansion	W	\$223,000
Riverside/Riverside College	Learning Resource Center	E	\$2,534,000
Riverside/Moreno Valley Center	Child Development Center	W	\$65,000
Riverside/Norco Valley Center	Child Development Center	W	\$70,000
San Bernardino/San Bernardino Valley College	Child Development Center	E	\$125,000
San Bernardino/San Bernardino Valley College	Seismic Retrofit - Art/Art Gallery	C	\$1,457,000
San Bernardino/San Bernardino Valley College	Seismic Retrofit - Campus Center	C	\$1,653,000
San Bernardino/San Bernardino Valley College	Seismic Retrofit - Administration	C	\$2,450,000
San Francisco/Mission Center	Mission Center Building	C	\$26,429,000
San Francisco/Chinatown Campus	Campus Building	W	\$1,185,000
San Joaquin Delta/San Joaquin Delta College	Electrical System	C	\$2,766,000

San Jose- Evergreen/San Jose City College	Science Building	PW	\$844,000
San Luis Obispo/Cuesta College	Theater Arts Bldg.	W	\$397,000
San Luis Obispo County/North County Center	Initial Bldg.. - Science Cluster	C	\$8,107,000
San Mateo County/Districtwide	Fire Alarm Replacement, Phase 2	C	\$1,998,000
San Mateo County/ College of San Mateo	Seismic Retrofit-Student Svs. Bldg. #6	C	\$3,745,000
San Mateo County/ Skyline College	Seismic Retrofit-Gym Bldg. #3	C	\$1,431,000
San Mateo County/Skyline College	Seismic Retrofit - Bldg. 7 & 8	C	\$3,923,000
Santa Barbara/Santa Barbara City College	Gymnasium Remodel	W	\$164,000
Sequoias/Sequoias College	Science Center	W	\$390,000
Shasta Tehama Trinity Jt/Shasta College	Library Addition	W	\$243,000
Sonoma County/Santa Rosa Jr. College	Learning Resource Center	W	\$1,028,000
Southwestern/ Southwestern College	Child Development Center	W	\$193,000
State Center/Reedley College	Learning Resource Center Addition	W	\$195,000
Ventura County/ Moorpark College	Learning Resource and Technology Center	E	\$2,708,000
Ventura County/ Moorpark College	Child Development Center	W	\$103,000
Ventura County/ Ventura College	Learning Resource Center	E	\$2,848,000
Victor Valley/Victor Valley College	Seismic Retrofit-Auxiliary Gym	C	\$1,000,000
West Hill/Kings County Center	Phase 2B Classrooms/Laboratories	W	\$372,000
West Valley- Mission/Mission College	Main Building 3rd Floor Reconstruction	W	\$167,000
Yuba/Yuba College	Adaptive Physical Therapy	C	\$1,218,000
Yuba/Woodland Center	Science Building	C	\$5,844,000

TOTAL \$161,401,000 (NON-GENERAL FUND GO)

DEPARTMENT OF FINANCE LETTER:

District/Campus	Project	Phase	Amount
Coast CCD/Orange Coast College	Library	C	\$1,449,000
Los Angeles CCD/West Los Angeles College	Child Development Center	E	\$230,000
San Bernardino CCD/San Bernardino Valley College	Art/Art Gallery-Seismic Replacement	C	\$202,000

San Mateo CCD/Districtwide	Districtwide Seismic Upgrade-Phase I	C	\$1,817,000
San Mateo CCD/Skyline College	Seismic Retrofit-Gym Bldg #3	C	\$136,000
Cerritos CCD/Cerritos College	Science and Math Complex-Life Safety	C	\$1,797,000
San Joaquin-Delta CCD/San Joaquin Delta College	Electron Microscopy Technology Center	E	\$661,000
Gavilan CCD/Gavilan College	Adaptive Physical Education	C	\$3,722,000
Cerritos CCD/Cerritos College	Seismic Retrofit Metals Building	C	-\$1,148,000
Cerritos CCD/Cerritos College	Seismic Retrofit Electronics Building	C	-\$750,000
Los Angeles CCD/ Los Angeles City College	Child Development Center	C	-\$4,580,000
Riverside CCD/Moreno Valley Center	Child Development Center	W	-\$65,000
Riverside CCD/Norco Valley Center	Child Development Center	W	-\$70,000
San Bernardino CCD/San Bernardino Valley College	Child Development Center	E	-\$125,000
San Francisco CCD/ Mission Center	Campus Building	C	-\$26,429,000
San Francisco CCD/ Mission Center	Campus Building—Extend liquidation period of P funds	P	

TOTAL -\$23,153,000 (NON-GENERAL FUND GO)

DEPARTMENT OF FINANCE LETTER (REVERSIONS):

Coast CCD/Orange Coast College	Library	C	-\$2,308,000
San Mateo CCD/Districtwide	Districtwide Seismic Upgrade-Phase I		-\$4,166,000
Gavilan CCD/Gavilan College	Adaptive Physical Therapy	C	-2,551,000
Cerritos CCD/Cerritos College	Seismic Retrofit Administration Building	C	-\$1,200,000

DEPARTMENT OF FINANCE LETTER (RE-APPROPRIATIONS):

District/Campus	Project	Phase
Los Angeles CCD/East Los Angeles College	Technology Bldg	C
Los Angeles CCD/Los Angeles Trade-Tech	Bldg F Mechanical System Conversion	C
Cerritos CCD/Cerritos College	Seismic Retrofit, Liberal Arts	C
Cerritos CCD/Cerritos College	Seismic Retrofit, Social Sciences	C
Contra Costa CCD/Diablo Valley College	Seismic Retrofit, Humanities Bldg	C

Contra Costa CCD/Diablo Valley College	Life Science Renovation	C
San Bernardino CCD/San Bernardino Valley College	Seismic Replacement-Life Science Bldg	C
San Bernardino CCD/San Bernardino Valley College	Child Development Center	C
San Bernardino CCD/San Bernardino Valley College	Seismic Retrofit Auditorium	C
San Bernardino CCD/San Bernardino Valley College	Seismic Retrofit Business Bldg	C
San Bernardino CCD/San Bernardino Valley College	Seismic Retrofit Tech Bldg	C
El Camino CCD/El Camino College	Science Complex Renovation	C
Long Beach CCD/Long Beach City College	Child Development Center	C
Marin CCD/Kentfield Campus	Child Development Center	C
Monterey Peninsula CCD/Monterey Peninsula College	Plan Services Complex	C
North Orange CCD/Fullerton College	Seismic Retrofit, Home-Fine Arts Bldg	C
Rancho Santiago CCD/Santa Ana College	Seismic Retrofit, Auto Diesel	C
Rancho Santiago CCD/Santa Ana College	Seismic Retrofit, Library	C
San Diego CCD/District HQ	Seismic Retrofit, District HQ Bldg	C
San Diego CCD/Center City College	Seismic Retrofit, Admin Bldg	C
Los Angeles CCD/Los Angeles City College	Child Care Development Center	W
Los Angeles CCD/Los Angeles Southwest College	Seismic Replacement, Student Srvs	C
San Francisco CCD/Mission Center	Mission Center Bldg	W
Cerritos CCD/Cerritos College	Science and Math Complex, Life Safety	W
Cerritos CCD/Cerritos College	Seismic Retrofit Metals Bldg	W
Cerritos CCD/Cerritos College	Seismic Retrofit Electronics	W
Mt. San Antonio CCD/Mt. San Antonio College	Science Building Replacement	W
San Joaquin Delta CCD/San Joaquin Delta College	Electrical Systems Infrastructure	W

DEPARTMENT OF FINANCE LETTER (LANGUAGE ONLY):

Extend availability of 2002 Higher Education Capital Outlay Bond Fund by six months.

Extend liquidation period to June 30, 2003 for Compton CCD, Compton College Learning Resource Center Seismic Replacement/Expansion – working drawings

ITEMS TO BE HEARD

6440	UNIVERSITY OF CALIFORNIA
6610	CALIFORNIA STATE UNIVERSITY
6870	CALIFORNIA COMMUNITY COLLEGES CROSS CUTTING ISSUES

ISSUE 1: HIGHER EDUCATION CAPITAL OUTLAY ISSUES

The issues for the Subcommittee to consider are higher education capital outlay issues raised by the Legislative Analyst.

BACKGROUND/COMMENTS:

In their analysis of the Governor's proposed 2002-03 budget, the Legislative Analyst recommends deleting or reducing funding for three University of California facility projects and five California State University projects due primarily to the following four reasons: (1) campus assumptions regarding summer enrollment; (2) the utilization of existing facilities; (3) cost guidelines for construction; and (4) the potential use of Garamendi lease-revenue bonds at the UC to finance research facilities. The following provides a summary of the issues raised by the Legislative Analyst:

- **Assumption of Full Summer Enrollment For Capital Outlay Planning.** Currently the UC, CSU and Community Colleges each incorporate assumptions about student enrollment during the summer term into their future year capital outlay plans; however, the university systems do not assume "full" year round operations. For the purpose of capital outlay planning "full year round operations" would be defined as enrollment levels at or near campus capacity and/or summer enrollment levels equal to or near student enrollment during the fall and spring terms. The Analyst argues that "if full use of instructional facilities in the summer is not the basis for developing capital outlay plans, the plans may indicate a need to construct new instructional facilities to accommodate enrollment growth, when there is actually capacity to increase enrollment in summer and avoid the need to build new instructional facilities."

Staff Comments. While the LAO recommends Supplemental Report Language requiring the UC, CSU and Community Colleges to assume full summer enrollment when planning for capital outlay, staff notes that "full" summer enrollment both UC and CSU do not believe that full summer enrollment is not a realistic option. The segments point to the fact that no college in the nation exceeds summer enrollment that is 40% of fall and/or spring term enrollment. The Legislative Analyst recommends that the Subcommittee adopt the following supplemental report language:

1. It is the intent of the Legislature that the University of California (UC) accommodate enrollment growth by fully utilizing existing instructional facilities during the summer term before building new classrooms and teaching laboratories. Accordingly, UC is directed to base its five-year capital outlay plan on full utilization of instructional facilities during the summer before requesting funds for classrooms and teaching laboratories solely because of projected enrollment growth. The UC is also directed to not include "off-

campus" enrollment with summer enrollment when reporting on its implementation of the Legislature's year-round operation policy.

2. It is the intent of the Legislature that the California State University (CSU) accommodate enrollment growth by fully utilizing existing instructional facilities during summer term before building new classrooms and teaching laboratories. Accordingly, CSU is directed to base its five-year capital outlay plan on full utilization of instructional facilities during the summer before requesting funds for classrooms and teaching laboratories solely because of projected enrollment growth.

UC and CSU oppose the Legislative Analyst's proposed language. Given UC and CSU opposition the Analyst's proposed language, Budget staff requested the segments to draft alternative language that assumes at least 40% of enrollment in capital outlay planning as a goal and adjusts these goals upward when and if they are exceeded. The UC and CSU submitted the following language for the Subcommittee's consideration:

1. It is the intent of the Legislature that the University of California make requests for capital outlay funding for space for classrooms and class laboratories justified using legislatively approved utilization standards and a reasonable assumption of summer term enrollment. Accordingly, UC is requested to base its five-year capital outlay plan on utilization of instructional facilities during the summer, assuming a summer term enrollment of at least 40% of fall/winter/spring enrollment. It is anticipated that UC will endeavor to exceed that enrollment goal; if the enrollment goal of 40% of fall/winter/spring enrollment is achieved, UC is requested to base future five-year capital outlay plans for instructional facilities based on the assumption of the actual summer term enrollment.

2. It is the intent of the Legislature that the California State University make requests for capital outlay funding for space for classrooms and class laboratories justified using legislatively approved utilization standards and a reasonable assumption of summer term enrollment. Accordingly, CSU is requested to initially base its five-year capital outlay plan on utilization of instructional facilities during the summer, assuming a summer term enrollment of at least 25% and 40% of fall/winter/spring enrollment at rural and urban campuses respectively. In its efforts to optimize summer term use of instructional facilities, it is expected that CSU will make every effort to exceed these enrollment goals; and that its annual capital outlay plans will be adjusted accordingly as enrollment goals are met and exceeded.

- **Utilization of Existing Facilities.** The Legislative Analyst raises concerns regarding the standards by which UC, CSU, and the Community Colleges utilize existing facilities. Specifically, the Analyst notes that while UC has utilization standards, neither CSU nor the Community Colleges have such standards. The Analyst defines "utilization" as the amount of time rooms and seats in classrooms or laboratories are used for instruction.

Staff Comments. In order to better understand how CSU and Community College space is currently utilized and to help move towards the better utilization of existing space, the LAO and Assembly Budget Committee staff recommend that the committee adopt the following supplemental report language:

1. *California Community Colleges are directed to report by November 1, 2002 and at least biennially thereafter, the utilization of classrooms and teaching laboratories for each district and campus. Such report shall include for each campus the total number of rooms, number of stations, weekly student contact hours, and weekly station hours. The report shall also include the average weekly room hours, average percent station occupancy and actual utilization.*

2. *The California State University is directed to report by November 1, 2002 and at least biennially thereafter, its utilization of classrooms and teaching laboratories. Such report shall include for each campus the total number of rooms, number of stations, weekly student contact hours, and weekly station hours. The report shall also include the average weekly room hours, average percent station occupancy, average weekly hours of station use, and actual utilization as a percent of the utilization standard.*

- **Construction Cost Guidelines.** The Legislative Analyst recommends reducing the appropriation levels for various UC and CSU projects due to construction costs, which the Analyst believes are too high. Specifically, the Analyst raises concerns with the guidelines used by UC and CSU to determine the cost of the specified projects. The Analyst concludes that the UC does not use cost construction guidelines and that CSU's cost guidelines have been inflated this year at a rate which exceeds the annual California Construction Cost Index, as calculated by the Department of Finance.

Staff Comments. In response to the Legislative Analyst, both UC and CSU believe that their building construction costs are reasonable and in line with similar types of facilities. Further, CSU notes that it budgeted for increased construction costs (above the California Construction Cost Index) in order build higher-quality facilities which will likely decrease deferred maintenance and replacement costs in future years. Given that every year the topic of construction cost guidelines is brought before the Subcommittee with no conclusive end in sight, the Subcommittee may wish to revisit the issue in further detail next year.

- **Use of Garamendi Lease-Revenue Bonds by UC to fund research space.** Existing law authorizes the UC and the Public Works Board to finance the construction, renovation, and equipping of research facilities at UC campuses through the issuance of revenue bonds (known as Garamendi bonds), which pledge future increases in research-related revenue. The Legislative Analyst recommends the reduction of state General Obligation Bond funding for two UC projects (UC Irvine Computer Science facility and the UC Los Angeles Engineering Seismic Replacement) based on the assumption that the UC should use lease revenue bonds instead.

Staff Comments. Staff notes that UC already utilizes Garamendi lease-revenue bonds and is currently financing approximately \$1.5 billion worth of facility projects using this mechanism. In order to use Garamendi bond financing (like all lease revenue bonds), the UC must identify a funding stream for repayment of the bonds. In particular, the funding stream for Garamendi bonds must come from an increase in

the amount of research money available to the campus, due to the construction of the newly built facility. Since the primary source of research dollars to the UC is the federal government, it is important to note that, in most disciplines, federal research budgets have declined in recent years, with the exception of the health sciences (through the National Institutes for Health).

6440 UNIVERSITY OF CALIFORNIA

ISSUE 1: UC IRVINE COMPUTER SCIENCE UNIT 3

The issue for the Subcommittee to consider is the Governor's proposed \$2.7 million (preliminary plans and working drawings) for the UC Irvine Computer Science Unit 3 capital outlay project.

BACKGROUND/COMMENTS:

The Legislative Analyst recommends the Legislature reduce \$1,770,000 from this item and recognize future costs of \$10,685,000 for construction and \$3,000,000 for equipment because the cost of the project is high. The Analyst also recommends research space in the project be funded by Garamendi bonds. These are the same issues discussed earlier in the agenda.

ISSUE 2: UC LOS ANGELES ENGINEERING 1 SEISMIC MITIGATION

The issue for the Subcommittee to consider is the Governor's proposed \$26.3 million (working drawings and construction) for the UC Los Angeles Engineering 1 Seismic Mitigation capital outlay project.

BACKGROUND/COMMENTS:

The Legislative Analyst recommends the Legislature reduce \$17,573,000 from this project because the Analyst believes the construction cost is high and research space in the building can be funded by Garamendi bonds. These are the same issues discussed earlier in the agenda.

6610 CALIFORNIA STATE UNIVERSITY

**ISSUE 1: CSU SAN LUIS OBISPO ENGINEERING & ARCHITECTURE
RENOVATION & REPLACEMENT, PHASE II**

The issue for the Subcommittee is the Governor's proposed \$35 million (preliminary plans, working drawings and construction) for the CSU, San Luis Obispo Engineering & Architecture Renovation and Replacement, Phase II capital outlay project.

BACKGROUND/COMMENTS:

The Legislative Analyst recommends the Legislature delete the proposed \$35 million for this project because the Analyst asserts that the project is not justified under year-round operation and the alternative of accommodating instructional needs by renovating existing facilities would meet the same programmatic needs at lower cost.