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New Report Reveals Pressing Need to Pay for Building Maintenance at California's Public Colleges and Universities

***Paying for Space: A Brief Framing the Issues and Opportunities in Capital
Finance for Higher Education in California***

SAN FRANCISCO — The debate about how much it will cost to ensure that California's public higher education systems can meet all students' needs often focuses on the funds needed for regular operations—items like employee salaries, benefits, and other regular operating costs. But there is another massive expense looming on the horizon: an immense and pressing need to repair, improve, and expand facilities in our public colleges and universities.

The California Community Colleges, the University of California, and the California State University have estimated that they will need a combined \$47.2 billion to modernize and maintain their existing facilities *in the next five years alone*. This sum would pay for the proposed Central Valley portion of the high-speed rail system nearly five times over.

Unfortunately, neither the state nor the institutions have a coherent plan for paying the bill.

Paying for Space, a new report commissioned by College Futures Foundation and authored by consultant Patrick J. Lenz, identifies a series of challenges the systems face in protecting the state's 100-year investment in public facilities for higher education. It calls for a systematic approach to paying for renovations, repairs, and deferred maintenance, beginning with decisions about revenue sources and ways to establish funding priorities.

"Our public higher education system is an incredible asset for California," said Monica Lozano, CEO of College Futures Foundation. "If we are to ensure that the system's facilities can meet the needs of our state now and in the future, California will need a systematic way to pay for maintenance and accommodate growing demand."

The high school graduation rate has increased for the seventh year in a row and the proportion of high school graduates who have completed the courses required for admission to UC and CSU campuses has increased by nearly 50% in the past ten years.

"California has made a bargain with our high school students: if you work hard in high school, there will be a place for you in our public colleges and universities," said Lozano. "Unless we are

thoughtful about how to plan and pay for our students' and our state's attainment goals—including investments in these facilities—we can't keep our end of the bargain.”

“California needs to move away from a revenue-defined approach to higher education capital finance characterized by a lack of planning, prioritization, or clarity about where revenues will come from and towards a policy-defined, systematic approach,” said Jane Wellman, an expert in state and federal policy for higher education who has led the Foundation's work on higher education finance reform, “In order to do that, we must first clarify the issue, then honestly assess need, and finally develop a policy framework that sets ground rules for priorities followed by revenues.”

The report explores several aspects of California's higher education capital finance challenge :

1. Fund allocations for capital outlay are inconsistent, uneven, and unclear. The state planning and policy process for funding capital projects is ad hoc and dependent on short-term revenue availability instead of long-term planning.

2. The historic separation of operating and capital budgets may be contributing to the funding problems. Experts argue that separating operating and capital budgets understates the cost of higher education by between 15 and 25 percent. Moreover, the distinctions between operating and capital expenses are increasingly blurring, with more capital expenses going to technology, maintenance, and repair than ever.

3. The needs for capital funding in higher education are enormous and growing. The California Community Colleges, the University of California, and the California State University have estimated that they will need a combined \$47.2 billion to construct new facilities and modernize existing facilities *in the next five years alone*.

4. Deferred maintenance needs are growing as ongoing maintenance is being cut. There is currently no reliable or sufficient source of revenue to meet the huge backlog of deferred maintenance needs.

5. Undergraduate enrollments will grow, with no plan as to how they will be accommodated, or whether new capacity space should even be an option. The state has no explicit plans for accommodating these students, including guidelines for determining whether new capacity space will be needed, or where it might be needed.

The report also highlights existing examples of creative solutions that could aid future decision making.

These include: examples of public-private partnerships and joint ventures that allow shared use of facilities across higher education segments—including community colleges and public and private universities; and other innovative ways to maximize space and coordinate between educational institutions. Systems are also beginning to institute year-round operations as well as online learning.

“The state has made a substantial, decades-long investment in public facilities for higher education,” said Lenz, an independent consultant to College Futures who has previously worked in the fiscal offices for all three of California's public higher education systems—the California Community Colleges, the California State University, and the University of California.

“We must protect that investment and the significant role it plays in student opportunity. How can we do that without a clear understanding of the problem? It's imperative that our higher education leaders, including the CCC, CSU, and UC governing boards, begin productive conversations about solutions. The goal for this report was to recognize the urgency and offer grounding for such a conversation,” continued Lenz, “along with ‘alternative’ practices designed to increase the capacity and efficiency of higher education spaces across California.”

As part of its commitment to addressing California’s higher education finance challenges, College Futures Foundation is supporting a new, related research project by The Public Policy Institute of California (PPIC) with an eye towards practical solutions.

“We are embarking on a significant effort to analyze California’s current approach to capital finance in public higher education,” said Patrick Murphy, who is leading PPIC’s research on the topic. “How do we define “need”? How do finance processes and definitions differ from the community colleges to the CSU to the UC? What might an effective system of finance optimize for? Historically, what have been the barriers to optimal financing? What are the opportunities? These are the type of questions we hope to answer through our research.”

- Read more about *Paying for Space: A Brief Framing the Issues and Opportunities in Capital Finance for Higher Education in California* here: www.higheredfinance.org/report/paying-for-space
- Download the report directly from here: <http://bit.ly/payingforspace>
- Find more information on higher education finance reform for California here: www.higheredfinance.org

About College Futures Foundation

College Futures Foundation operates on the beliefs that a vibrant future for California’s economy and communities requires more bachelor’s degrees, and that every student in California should have the chance to succeed in college. College Futures aims to increase opportunities for low-income and underrepresented students by removing barriers to college degrees. Established in 2005, the Foundation awards nearly \$20 million in grants annually. Together with its grantees and partners, College Futures works towards more graduates for a thriving California. Visit www.collegefutures.org.

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