

General Summary**Education****Summary of State Expenditures for Education—Continued**

Retirement System and federal subventions for numerous special programs including the 1965 Elementary and Secondary Education Act. Each program supported by General Funds will be discussed elsewhere in the analysis. During the 1968-69 budget year it is estimated that total state funds allocated to school districts will total \$1.5 billion, while federal subventions will total \$139 million.

Table 2
Subventions for Education—1968-69

TOTAL APPORTIONMENTS FOR PUBLIC SCHOOLS		
State School Fund Apportionment Sources		
General Fund -----	\$1,223,061,600	
State School Fund miscellaneous revenues -----	2,850,000	
California Water Fund -----	100,000	
Driver Training Penalty Assessment Fund -----	13,000,000	
Subtotal -----	\$1,239,011,600	
Programs Funded Outside School Fund		
Educational television -----	750,000	
Educationally handicapped minors -----	14,250,000	
Elementary school reading program -----	16,000,000	
Subtotal, General Fund -----	\$31,000,000	
Total -----		\$1,270,011,600
CHILDREN'S CENTERS		
General Fund -----		14,646,702
CONTRIBUTIONS TO STATE TEACHERS' RETIREMENT FUND		
General Fund -----		71,500,000
FREE TEXTBOOKS		
General Fund -----		20,952,963
DEBT SERVICE ON PUBLIC SCHOOL BONDS		
General Fund -----	\$54,899,440	
Public School Building Loan Fund ¹ -----	12,440,000	
State School Building Aid Fund ¹ -----	23,825,000	
Total -----		\$96,164,440
GRANTS TO TEACHERS OF PHYSICALLY HANDICAPPED MINORS		
-----		150,000
ASSISTANCE TO PUBLIC LIBRARIES		
General Fund -----		800,000
NATIONAL DEFENSE EDUCATION		
Title III ² -----	\$3,299,002	
Title V ² -----	1,987,544	
Total -----		\$5,286,546
SCHOOL LIBRARY RESOURCES		
Federal funds ² -----		\$8,989,003
JUNIOR COLLEGE TUITION		
General Fund -----		\$2,000,000
MATHEMATICS IMPROVEMENT PROGRAM		
General Fund -----		925,000
ADULT BASIC EDUCATION		
Federal funds ² -----		1,742,546

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Summary of State Expenditures for Education—Continued

Table 2—Continued

Subventions for Education—1968-69

COMPENSATORY EDUCATION		
General Fund	\$11,000,000	
Federal funds ²	79,795,303	
Total		\$90,795,303
SCHOOL LUNCH PROGRAM		
Federal funds ²		6,300,000
SPECIAL MILK PROGRAM		
Federal funds ²		9,300,000
VOCATIONAL EDUCATION		
REIMBURSEMENTS TO SCHOOL DISTRICTS		
General Fund	1,030,271	
Federal funds ²	28,078,805	
Total		\$29,109,076
TOTAL SUBVENTIONS FOR EDUCATION—		
ALL SOURCES ^{3 4}		\$1,628,673,179
SUBVENTION DETAIL		
General Fund	\$1,431,965,976	
State School Fund	2,850,000	
California Water Fund	100,000	
Public School Building Aid ¹	12,440,000	
State School Building Aid Fund ¹	28,825,000	
Driver Training Penalty Assessment Fund	13,000,000	
Federal funds	139,492,203	
TOTAL FEDERAL SUBVENTIONS FOR		
PUBLIC SCHOOLS		\$139,492,203
TOTAL STATE SUBVENTIONS FOR		
PUBLIC SCHOOLS		\$1,489,180,976

¹ Neither receipts nor expenditures of bond funds are included in overall budget totals.

² Neither receipts nor expenditures of federal funds are included in overall budget totals.

³ Total state subvention for education including bond funds which are not included in overall budget totals.

⁴ Does not include \$15 million for Unruh-Preschool Act included in Department of Social Welfare budget.

STATE SCHOOL APPORTIONMENTS: THE STATE SCHOOL FUND

The largest item of state expenditures for education is represented by transfers made from the General Fund to the State School Fund for apportionments to local school districts, for several state assisted programs. As indicated by Table 2 it is proposed that almost \$1.3 billion will be expended during the budget year for this purpose. Of this sum, approximately \$1.1 billion is for the continuing program, \$43 million represents a statutory increase caused by growth in enrollment, while \$130 million represents funds for higher levels of programs authorized by Chapter 1209, Statutes of 1967 (AB 272).

Derivation and Distribution

In order to show how money in the State School Fund is apportioned we have included Table 3 which illustrates the derivation and the distribution of the State School Fund and includes the estimated figures,

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Summary of State Expenditures for Education—Continued

as reflected in the budget document, for 1968-69. The annual transfer of money from the General Fund to the State School Fund is referred to as the derivation of the fund. The derivation formulas relate certain statutory and constitutional amounts per pupil in average daily attendance (ADA) to the Total ADA of the preceding year. It is important to realize that the use of the statutory rates and the ADA figure for the preceding year is simply a device for the automatic annual transfer of money from the General Fund to the State School Fund to meet the allowance formulas for individual districts. The current rate of \$263.14 has no relationship to the level of current expenditures per pupil expended by school districts.

After the State School Fund is derived, it is distributed or divided into various categories for specific educational programs and activities specified by the statute as eligible for state support. These programs include basic and equalization aid which comprise the foundation program, support for special education, the County School Service Fund, pupil transportation and programs for the mentally gifted. Once the school fund has been distributed it is apportioned as allowances to school districts and county superintendents of schools according to formulas in the Education Code. A total of \$1,050 million was apportioned to school districts and county offices in 1966-67, the last completed fiscal year. The figure does not include an additional \$41 million for various programs and activities which are financed outside of the unit rate used to compute the State School Fund.

Table 3
Summary of the Elements of Derivation and Distribution
of the State School Fund ¹
Estimated for 1968-69

I. ELEMENTS OF DERIVATION

Item	Education Code Section	Statutory unit rate	ADA factor	Total
Statutory minimum -----	17301(a)	\$180.00	4,940,000	\$852,650,280
Plus additional funds, as needed -----	17301(b)	83.14	4,940,000	393,829,690
Subtotal -----		\$263.14		\$1,246,479,970
Less estimated funds not needed ² -----				-60,000,000
Less additional savings ³ -----				-14,000,000
Subtotal basic program -----				\$1,225,911,600
Educationally handicapped -----				\$14,250,000
<i>Reimbursements</i>				
Driver training -----	17305			13,000,000
Project-connected pupils ---	17307			100,000
TOTAL STATE SCHOOL FUND DERIVATION -----				\$1,253,261,600

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Summary of State Expenditures for Education—Continued

Table 3—Continued

Summary of the Elements of Derivation and Distribution of the State School Fund Estimated for 1968-69

II. ELEMENTS OF DISTRIBUTION

<i>Item</i>	<i>Education Code Section</i>	<i>Statutory unit rate</i>	<i>ADA factor</i>	<i>Total</i>
DISTRIBUTION				
under Sec. 17303:				
Basic & Equalization Aid----	17303	\$180.00	4,940,000	\$852,650,280
DISTRIBUTION		Plus		
under Sec. 17303.5:		not to		
County School Service		exceed		
Fund, direct services-----	17303.5(a)	1.60	4,940,000	7,579,113
County School Service				
Fund, other purposes -----	17303.5(d)	3.06	4,940,000	15,441,287
Pupil Transportation -----	17303.5(b)	4.00	4,940,000	18,947,784
Special Education -----	17303.5(c)	12.85	4,940,000	60,869,756
Mentally Gifted Programs----	17303.5(e)	0.96	4,940,000	4,547,468
Basic & Equalization Aid----	17303.5(f)	60.67	4,940,000	287,390,514
Subtotal -----		\$263.14		\$1,246,479,970
Less estimated funds not needed ² -----				-60,000,000
Less additional savings ³ -----				-14,000,000
Subtotal basic program -----				\$1,225,911,600
Educationally handicapped -----				14,250,000
Plus				
Driver training -----				13,000,000
Project-connected pupils -----				100,000
TOTAL STATE SCHOOL FUND DISTRIBUTION -----				\$1,253,261,600

¹ As amended by Chapter 1209, Statutes of 1967 (AB 272 Unruh).

² Reflects anticipated savings in equalization aid resulting from unification areawide tax and general increase in statewide assessed valuation.

³ Technical adjustment.

The Foundation Program

State support for the public schools is based on the concept that the state and local school districts should guarantee every pupil at the elementary, secondary and junior college levels a minimum acceptable level of financial support. This guarantee, expressed as so many dollars per unit of average daily attendance (ADA) is called a foundation program. For example, the present foundation program for elementary pupils is \$337 per ADA. The amount refers to the combination of state and locally raised money, which always includes a basic aid guarantee of \$125 per ADA. In addition, a district depending on its ability (the amount of assessed valuation behind each unit of ADA) may receive additional state support in the form of equalization aid if it is determined that the total amount of basic aid and district aid (determined by a computational tax rate) is insufficient to guarantee the given foundation program of \$337 per ADA. The state also maintains a supplemental support program which provides additional state equalization aid for less wealthy school districts.

**Summary of State Expenditures for Education—Continued
Significant Increases in State Support for the Public Schools**

During the period 1956–57 to 1967–68 state support for the public schools expanded from approximately \$465 million to over \$1.2 billion. The large increase in local assistance has been caused by several factors which include an 80-percent increase in enrollment, legislative increases in the foundation programs, and newly established categorical aid programs for reading, compensatory education and preschool education designed to expand and improve instruction in these areas.

Table 4 illustrates the increases in state support that have occurred between 1956–57 to 1967–68 as measured by the major components for the instructional program. The table is divided into two parts. Table 4a depicts increases in state support caused by enrollment growth and increases in the unit rate including the increase authorized by Chapter 1209, 1967 Statutes placed in the State School Fund to finance the foundation programs for pupils enrolled in the regular and special education programs. Table 4b illustrates the new categorical aid programs such as the Miller-Unruh Basic Reading Act, the Unruh Preschool Act and the McAteer Act which have been established during this period.

The table illustrates that of the \$732 million increase in support, \$395 million was caused by enrollment growth and \$337 million represents legislative increases in the regular programs financed through the State School Fund. The figures illustrate that the Legislature has appropriated to the State School Fund the equivalent of a 158.7-percent increase for the period, although average daily attendance increased by only 80 percent. An additional amount of approximately 54 million represents the sums authorized for the new categorical aid programs. These increases have enabled the state to maintain a sharing relationship with the local districts of approximately 40 percent of the total current expense of education which has generally been characteristic of the sharing relationship for the last 11 years.

Chapter 1209, Statutes of 1967 (AB 272)

Chapter 1209, the major school finance bill enacted by the 1967 Legislature authorized a \$145 million increase in state aid comprised of a sum of \$130 million channeled through the School Fund formulas for higher school apportionments and a sum of \$15 million in special appropriations to support the expansion of the Children's Center Program and the Elementary Reading Program, and for support of the newly established Mathematics Improvement Program (Chapter 1639). The amount of \$130 million was provided to increase the elementary, high school and junior college foundation programs and to raise the class size bonus for grades 1–3 by \$10 per ADA to a level of \$30 per ADA. In addition, the bill established a kindergarten incentive designed to provide more individualized instruction for kindergarten pupils and it authorized a new method of apportioning state support for special education programs based on a classroom allowance.

Recently there has been considerable discussion regarding the potential impact of Chapter 1209 on the General Fund budget estimate

Table 4
Significant Increases in State Support for Education, 1956-57 to 1967-68
(In millions)

								Increase 1956-57 to 1967-68	
	1956-57	1961-62	1963-64	1964-65	1965-66	1966-67	1967-68	Amount	Percent
4a Regular Program ¹									
ADA ²	2.6	3.6	4.0	4.2	4.4	4.6	4.7	2.1	80.7
Amount	\$461	\$724	\$832	\$928	\$991	\$1,045	\$1,193 ³	\$732	158.7
Increase over preceding year shown in table	--	263	108	96	63	54	148	--	--
Growth	--	180	80	42	40	35	18	395	--
Unit rate increase ¹	--	83	28	54	23	19	130	337	--
4b Categorical Aid Programs									
Pilot Program in Compensatory Education	--	--	\$0.3	\$0.3	--	--	--	--	--
Unruh Preschool Act	--	--	--	--	\$2.0	\$4.0	\$4.0	--	--
Children's centers	\$4.2	\$4.9	5.8	6.4	7.3	7.8	12.4 ³	--	--
McAteer Act-Teacher Training	--	--	--	--	1.0	1.5	1.0	--	--
Miller-Unruh Basic Reading Act	--	--	--	--	--	3.0	11.0 ³	--	--
SB 28, Chap. 106, 1966 Stat.	--	--	--	--	--	11.0	10.0	--	--
Educational television	--	--	--	0.01	0.4	0.6	0.7	--	--
Development centers for handicapped minors	--	--	--	0.01	0.5	0.9	3.1	--	--
Waldie Act: Educationally Handicapped Program	--	--	--	0.4	2.0	5.2	11.3	--	--
Mathematics Improvement Program	--	--	--	--	--	--	0.3 ²	--	--
Data processing	--	--	--	--	--	--	0.2	--	--
	\$4.2	\$4.9	\$6.1	\$6.823	\$13.2	\$34.0	\$54.0		

¹ Unadjusted and rounded.

² Prior year ADA on which unit rate is based.

³ Includes program increases authorized by Chap. 1209, 1967 Statutes (AB 272).

Summary of State Expenditures for Education—Continued

for 1967-68 should the amount of \$130 million authorized for additional school apportionments be insufficient to finance the higher allowance formulas. Under normal circumstances if the \$130 million increase authorized by Chapter 1209 were insufficient to finance the allowance formulas and if there were no year-end balances which could be used to finance the additional allowances, an additional sum of money reserved for such deficiencies would be transferred to the State School Fund to finance the apportionment formulas. This reserve totals \$10.3 million for 1967-68. Therefore, the potential state cost that can be directly attributable to Chapter 1209 in 1967-68 is \$155.3 million composed of the \$145 million authorized by the Legislature plus the \$10.3 million reserve.

However, due to an unusual situation the potential impact on the General Fund of Chapter 1209 could be greater than the aforementioned figure of \$155.3 million. In June, 1967, prior to deliberations of the Assembly-Senate Free Conference Committee regarding Chapter 1209, a sum of \$60 million authorized for school purposes was considered to be available to balance the 1967-68 overall General Fund budget estimate based on the anticipation that the money would not be required for transfer to the State School Fund. However, inasmuch as this amount of money is still authorized for transfer to the State School Fund as required to finance the allowance formulas it is potentially available for school apportionments in 1967-68, if it is needed. Whether part or all of this amount of \$60 million may be required to finance the school allowance formulas in the current year in addition to the \$145 million increase authorized by Chapter 1209 will not be known until the first principal school apportionment is computed in February 1968.

FEDERAL AID FOR EDUCATION

In 1968-69 California will receive \$281 million in federal assistance for education for grades K-14 and for adult education under the provisions of several federal programs. Table 5 shows the total amount of federal aid that California will receive in 1968-69 for grades K-14 including sums for federal programs not directly administered by the Department of Education.

Of the total sum of \$277 million estimated to be received, approximately \$118 million in federal assistance will be distributed under the seven titles of the Elementary and Secondary Education Act of 1965. This program has three main objectives; the establishment of comprehensive educational programs for children of low income families, the development of experimental and supplementary education programs designed to improve the quality of the public schools and assistance for state departments of education to finance research projects and to employ additional administrative positions to enable the departments to positively affect the quality of education. A more detailed analysis of the major titles of this program is contained in the analysis of the Office of Compensatory Education.

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Summary of State Expenditures for Education—Continued

Table 5

Federal Aid for Public Schools in California for 1968-69

<i>Program</i>	<i>California's share (estimate)</i>
Elementary and Secondary Education Act of 1965	
Title I Compensatory Education	\$79,795,803
Title II School Library Resources	8,989,003
Title III Supplemental Educational Centers	16,000,000
Adult Basic Education	1,742,546
Title IV Educational Laboratories	7,000,000
Title V Departments of Education	1,900,000
Title VI Special Education	2,500,000
Public Law 874 Funds	70,000,000
Public Law 815 Funds	10,000,000
National Defense Education Act	
Title III Improvement of Instruction	3,299,002
Title V Guidance and Counseling	1,987,544
Title X Statistical Services	45,000
Vocational Education	
Reimbursements to School Districts	15,069,810
Manpower Development and Training	
Reimbursements to Skill Centers	11,600,000
Unruh Preschool Program	12,000,000
School Lunch Program	6,300,000
Special Milk Program	9,300,000
Economic Opportunity Act	
Operation Head Start	20,000,000
Total	\$277,527,708

PROPERTY TAX RELIEF

Historically public education has been financed from two major revenue sources, local property taxes levied on business and residential property and state taxes such as income, sales, and excise levies. It often has been noted that the present system of state and local support for schools does not promote the most efficient use of limited tax resources and in fact perpetuates inequities in local tax effort required to support an educational program. One of the major defects of the local tax structure is that the property tax base, especially business property, is unevenly distributed among school districts. This unequal distribution of taxable wealth which can be utilized for local educational expenditures results in gross inequities in tax effort. The following proposal of property tax relief and reform will provide:

1. An improved equalization of local property tax resources resulting in selective property tax relief to both residential and business properties in high tax rate areas.

2. Certainty for business properties that the tax rate for educational purposes will not be affected by their geographic location.

3. Greater probability that the proposed elimination of maximum tax rates for school purposes will result in strengthening local control by keying the budgetary actions of school boards directly to the major beneficiary of improved educational services, the residential taxpayer.

The proposal would operate as follows:

- A. For purposes of school support the local property tax base would be divided into two major classes: residential property and business

Summary of State Expenditures for Education—Continued

property (nonresidential). Residential property would include single and multiple family dwellings, which together account for 46 percent of the statewide assessed valuation. The business property category which accounts for the other 54 percent of assessed valuation would include farms, vacant lots, commercial and industrial property, railroads and public utilities.

B. The Legislature would establish a mandatory statewide property tax for school purposes to be levied annually on all business property. The revenues raised by this mandatory tax would be combined with funds available in the State School Fund and would be allocated to school districts for support of the foundation program. Support of businesses for public school expenditures would be limited by the level of the statewide property tax. The proposal would provide certainty to businesses that their tax rate for school purposes would be the same no matter where their firms and/or plants were located. It would provide tax relief for some businesses that presently bear high tax rates, such as businesses located in low wealth suburban areas and businesses located in urban centers with abnormally high tax rates. Conversely, the proposal would result in an increase in property taxes for businesses which have below average tax rates. The proposal would also result in an improved equalization of local property tax resources for support of educational programs.

C. Expenditures for educational programs costing in excess of the amount guaranteed by the foundation program would be financed by a tax levied on the residential property in the community. This excess tax would not be levied on business property. Residential property owners who would receive the direct benefit of an enriched educational program would finance such programs. A further benefit is that the taxes levied by different tax areas for enriched educational programs would more accurately reflect differences in expenditures for educational programs.

We believe that the above proposal merits serious consideration in any discussion of property tax relief or new level of support for the public schools. The proposal is designed to reduce the present inequities resulting from location of business properties, permit the establishment, as a legislative policy decision, of an appropriate relationship between the level of property taxes on both business and residential properties to finance education and give the local electorate the opportunity to make well-informed choices as to the level of education programs they desire to have and pay for beyond the foundation program. To implement such a proposal would require: (a) considerable study of its effects on different types of school districts, (b) at least a year of lead time for the county assessors to classify property into the residential and business categories and (3) a constitutional amendment.

PRIMARY GRADE INSTRUCTION**Class Size for Grades 1, 2 and 3**

Chapter 132, Statutes of 1964, First Extraordinary Session (AB 145) established class size standards for grades 1-3 designed to encourage school districts to reduce class sizes in these grade and thereby improve

Summary of State Expenditures for Education—Continued

the quality of instruction. The standards are 33 in 1965-66, 32 in 1966-67, 31 in 1967-68 and 30 in 1968-69 and thereafter. To financially assist districts to meet the standards the Legislature originally authorized districts a \$10 bonus on the elementary foundation program for each unit of average daily attendance in the primary grades; this was subsequently raised to \$20 in 1966-67 (Chapter 168, AB 52) and to \$30 in 1967-68 (Chapter 1209, AB 272). The law provides that school districts which fail to reduce their class sizes in grades 1-3 and/or load their class sizes in grades 4-8 will be penalized through reduced school apportionments.

The success of the program is indicated by the substantial decrease in the number of pupils in grades 1-3 who are in classes exceeding the class size standards. According to the Department of Education in 1965-66 there were 6,713 pupils in excess of the 1965-66 standard of 33. In 1967-68 the number of pupils in classes exceeding 33 is 1,019. In 1965-66 there were 25,989 pupils in excess of the 1967-68 standard of 31. In the current year there are 8,992 pupils in excess of the standard. These encouraging results will be reinforced by the increase in the class size bonus authorized by the 1967 Legislature.

Miller-Unruh Basic Reading Scores

The Miller-Unruh Basic Reading Act enacted in 1965 authorizes additional state support for school districts to improve the reading ability of pupils in grades 1-3 through the employment of specialist reading teachers for such grades. One of the major provisions of the act is the requirement that pupils completing grades 1, 2, and 3, be administered a standardized reading achievement test. The first reading achievement tests for grades 1 and 2 were administered to pupils in May 1966, and indicated that California pupils in these grades were achieving at substantially below the publisher's norms. The second series of tests administered under the act for pupils in grades 1, 2, and 3 in May 1967 substantiated the poor performance of the preceding year. The results of the tests administered for grades 1-3 under the Miller-Unruh Basic Reading Act and results of the reading achievement tests administered under the statewide testing program for grades 6 and 10 are depicted in Table 6.

The Bureau of Education Research in a recent report to the State Board of Education summarized these results as follows:

1. A comparison of the 1966 and 1967 first and second grade test results shows noticeable gain, but the gain is not sufficiently large to modify the statement that California pupils at the end of May score approximately equal to pupils in the publisher's norm group at the end of February.
2. As measured by the Stanford Reading Tests, California does not have a reading program that starts slowly and accelerates thereafter. The disadvantage evident at the end of grade 1 persists at least to the beginning of grade 6.
3. As measured by the Lorge-Thorndike Intelligence Tests, the mental ability of sixth and tenth grade pupils in California is equivalent to the publisher's norms.

TABLE 6
Results of Tests Administered Statewide in Grades 1, 2, 3, 6 and 10
During the 1966-67 School Year

Number of pupils tested	Tests administered	Percentile scores (raw scores)								
		25th			50th			75th		
		Pub.	Calif.	1965-66	Pub.	Calif.	1965-66	Pub.	Calif.	1965-66
	Reading									
337,207	Grade 1 (May 1967), Stanford Primary I, Form W-----	37	22	21	47	33	31	57	48	45
318,529	Grade 2 (May 1967), Stanford Primary II, Form W-----	37	25	24	50	39	38	62	57	55
313,380	Grade 3 (May 1967), Stanford Primary II, Form X-----	58	44		72	62		81	75	
297,794	Grade 6 (Oct. 1967) Stanford Intermediate II, Form W-----	44	35		61	50		80	69	
274,519	Grade 10 (Oct. 1967), Tests of Academic Progress, Form 1 Reading Test-----	24	23		33	32		42	41	
	Intelligence									
295,793	Grade 6, Lorge-Thorndike Verbal Battery, Form 1, Level D-----	88	89		99	99		110	110	
272,076	Grade 10, Lorge-Thorndike Verbal Battery, Form 1, Level G-----	90	90		101	101		111	111	

The table reads as follows: Of the 337,207 first grade pupils administered the Stanford Reading Test, Primary I Level, Form W in May 1967 75 percent attained a score of 22 or more whereas 75 percent of the publisher's norm group attained a score of 37 or more; 50 percent attained a score of 33 or more whereas 50 percent of the publisher's norm group attained a score of 47 or more; 25 percent attained a score of 48 or more whereas 25 percent of the publisher's norm group attained a score of 57 or more. (The first and second grade scores for May 1966 also are indicated.)

Summary of State Expenditures for Education—Continued

4. As measured by the Reading Section of the Tests of Academic Progress, tenth grade pupils in California perform slightly below the publisher's norm group.

We believe that the improvement of reading skills in the primary grades for both "average" and disadvantaged pupils is one of the most serious problems facing local school districts and the Legislature. Even with the large increases in state and federal aid for special reading programs and in spite of encouraging progress indicated by some of these programs, two basic questions remain. What is the most economical method (or methods) expressed in terms of state and local resources for improving basic reading skills, and once determined, how much time will be required before such methods are disseminated and implemented in all elementary schools. Based on the progress to date it may take many years before the basic reading skills of elementary pupils are dramatically improved.

Some individuals have suggested that solutions to the basic question of reading improvement might be dramatically accelerated if the public schools were in a sense "opened up" and placed in a competitive position with the modern management methods of business and industry. In view of the growing interest of private industry in developing and marketing various types of educational programs and services, we believe that more intense competition between the schools and industry might accelerate educational change.

Policy Option Concerning Reading Program

Legislation could be enacted to authorize the State Board of Education to contract with private industry for a limited number of special reading programs designed to raise the reading achievement levels of elementary pupils to a minimum performance standard adopted by the State Board of Education. A secondary objective would be to raise reading achievement levels at the least possible cost. Such contracts would include an incentive provision designed to reward the private contractors whose projects achieved outstanding success in either raising the achievement levels of pupils above the minimum standard or in attaining the minimum standard earlier than anticipated.

MISCELLANEOUS REPORTS**Year-round School Operation**

Chapter 1575, Statutes of 1967 directed the Department of Education in cooperation with the Department of Finance and the Office of the Legislative Analyst to prepare a plan for a two-year experimental project to test the feasibility of year-round school operations for grades 10 through 12. The Department of Education is presently reviewing a plan prepared by an urban school district for the implementation of the experimental project. We understand that the plan will provide for an extension of the regular school program during the normal summer vacation period. The program would allow students to accelerate their school careers, make up past deficiencies and pursue special interests.

Summary of State Expenditures for Education—Continued

It is hoped that ultimately the experiment will provide information regarding methods of improving the utilization of existing school facilities thereby resulting in capital outlay savings. It is anticipated that the Department of Education will submit to the Legislature in February the plan for the experimental project.

State Committee on Public Education

In June 1967 the State Committee on Public Education presented to the State Board of Education the first of several reports entitled *Long-Range Considerations for California—Elementary and Secondary Education*. The committee, composed of 24 representative Californians was appointed by former Governor Brown on April 14, 1966 in cooperation with the State Board of Education and the Superintendent of Public Instruction. The committee was directed to advise the State Board of Education on the current condition and future development of education in California with particular emphasis on those elements requiring improvement. The committee recommended that the State Board of Education, in collaboration with the Governor and the Legislature, take the following steps toward new direction for the public schools.

1. Seek legislation that will give the State Board of Education the authority, (a) to obtain from each school district its plan for racial, ethnic, and socioeconomic integration and, (b) to set a timetable for the achievement of the plan.

2. Encourage colleges and universities to reconstruct their programs for preparation of teachers according to the best judgment of the institution, in partnership with appropriate school districts in whose classrooms much of the training would take place. The Board of Education should be empowered to suspend credential requirements for graduates of those institutions submitting acceptable plans. This recommendation aims at training teachers in a variety of ways to match those diverse demands the future is expected to impose upon them.

3. Establish (a) a series of laboratory schools with the mission to develop and appraise new methods of organization and instruction, and (b) a state network of demonstration schools to illustrate new methods, especially those coming from the laboratories.

4. Create a permanent system for educational inquiry to inform the profession, legislators and other decisionmakers, and the public about the state of the schools. Long-range forecasting and planning, identification of needs, and the assessment of how well needs are being met should be among its functions.

5. Consider the need to direct public attention to those long-range requirements and approaches which show promise of improving education. The establishment of new kinds of schools and the development of new teacher training methods may confuse a concerned public unless the reasons are understood. The State Board of Education and other agencies should consider arranging local conferences where citizens and officials can examine the proposed changes and develop techniques for constructive involvement of the public.

Summary of State Expenditures for Education—Continued
Senate Resolution No. 276—Adult Average Daily Attendance

Senate Resolution No. 276 adopted by the Senate on June 12, 1967, directs the Department of Finance, Department of Education and the Legislative Analyst to develop a proposal to simplify the computation of average daily attendance for adults. The Department of Education is presently investigating the possible use of a full-time equivalent (FTE) formula for computing adult average daily attendance for apportionment purposes. It is anticipated that the developmental work will be completed in February at which time a final report will be submitted in time for consideration with the budget.

Vocational Education

In 1967 the State Board of Education contracted with the Arthur D. Little Company, a management consultant firm, to study vocational education programs in California, make long-range projections regarding future program requirements, assess the strengths and weaknesses of present programs, and make specific recommendations regarding their improvement. This interest in vocational education has been reinforced recently by activities of the Assembly Education Committee, the State Committee on Public Education, and by a report prepared last year by our office concerned with vocational education programs in the junior colleges. An examination of recent literature regarding vocational education, including the progress reports of the Arthur D. Little Company, indicates several weaknesses in present programs.

Some of these weaknesses include a lack of precise definitions regarding what courses of study ought to be or ought not to be included in a definition of vocational education, a lack of state level priorities for the allocation of funds, a lack of state and regional planning of comprehensive programs, a lack of articulation of vocational education programs with compensatory education programs and a noticeable lack of articulation of high school programs with junior college programs.

Policy Option Concerning Vocational Education

Legislation could be enacted directing the State Department of Education to earmark \$1 million to \$2 million of the \$15 million in federal funds provided by the Vocational Education Act of 1963 for the support of regional vocational education systems to be composed of local high schools and junior colleges. The regional system would: (1) develop a comprehensive regional plan for vocational education; (2) establish local program priorities with emphasis on out-of-school youth or youth enrolled in compensatory education program; (3) design experimental programs; and (4) insure that existing facilities are co-operatively and efficiently utilized.

Criteria for a regional vocational education system to be established by the State Board of Education could be based on such factors as regional unemployment, regional levels of education attainment, pupil achievement levels, size of the region to be served and the geographic location of secondary schools and high schools in the area. If it proved unfeasible to establish such criteria based on the limited knowledge

Summary of State Expenditures for Education—Continued

of many of the aforementioned factors, the Department of Education could be directed to select and work with schools in a given region to promote participation in the project.

Department of Education
EDUCATIONAL COMMISSION OF THE STATES

ITEM 74 of the Budget Bill

Budget page 221

**FOR SUPPORT OF EDUCATIONAL COMMISSION
 OF THE STATES
 FROM THE GENERAL FUND**

Amount requested -----	\$24,000
Estimated to be expended in 1967-68 fiscal year -----	22,800
 Increase (5.3 percent) -----	 \$1,200

TOTAL RECOMMENDED REDUCTION -----	None
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GENERAL PROGRAM STATEMENT

The Educational Commission of the States was organized in 1965 to encourage interstate cooperation among executive, legislative and professional personnel concerning methods of improving public education. California joined the Commission on July 1, 1966 with the enactment of Chapter 148, Statutes of 1966. California's representatives on the commission include the Superintendent of Public Instruction, a member of both the Assembly and the Senate, the Governor, a member of a local school board, and one representative each for public and private institutions of higher education. We understand that as of August 8, 1967 a total of 45 states were members of the Education Commission, 39 states became members by legislative action while six states became members by executive order of the governor. Permanent membership for these states must be subsequently ratified by their state legislatures.

ANALYSIS AND RECOMMENDATIONS

A sum of \$24,000 is proposed to finance California's participation in the commission in 1968-69, which represents an increase of \$1,200 over the current level of support. The sum of \$24,000 is composed of an annual fee totaling \$22,000 plus \$2,000 for travel expenses for California's representatives. *We recommend approval of the item as budgeted.*

Department of Education
GENERAL ACTIVITIES

ITEM 75 of the Budget Bill

Budget page 221

**FOR SUPPORT OF THE DEPARTMENT OF EDUCATION
 FROM THE GENERAL FUND**

Amount requested -----	\$4,452,110
Estimated to be expended in 1967-68 fiscal year -----	5,087,309
 Decrease (-12.7 percent) -----	 \$635,199

TOTAL RECOMMENDED REDUCTION -----	\$75,578
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General Activities—Continued

Summary of Recommended Reductions		Budget	
	Amount	Page	Line
Division of Departmental Administration			
Delete 2 programmer II electronic data processing-----	\$19,374	223	25
Delete 1 intermediate stenographer position -----	6,204	223	27
Division of Instruction			
Reduce operating expenses—English as a Second Language	\$50,000	225	40

GENERAL PROGRAM STATEMENT

The General Activities Budget of the Department of Education provides funds for the state level administration of the public school system, support for the State Board of Education and support for the five special residence schools for physically handicapped minors. The department is responsible for the administration, allocation and supervision of over \$1.2 billion in state subventions which is allocated to local school districts in the form of school apportionments for pupils enrolled in regular programs and special education classes for handicapped minors.

The department also administers over \$200 million in state and federal funds available for several categorical aid programs such as the Miller-Unruh Basic Reading Act, the Unruh Preschool Act, the state-wide compensatory education program and the recently established elementary mathematics program.

Many of the categorical aid programs such as vocational education, National Defense Education Act and compensatory education appear in the budget as separate items and will therefore be discussed elsewhere in this analysis. The scope of the department's administrative responsibilities is depicted in Table 1 which lists all educational programs administered by the department and their source of funding for 1968-69.

The table illustrates the large number of categorical aid programs such as vocational education and compensatory education which are financed by a combination of state and federal funds. Currently federal support accounts for \$151 million or 10 percent of the total expenditures administered by the department.

ANALYSIS AND RECOMMENDATIONS

The major units within the Department of Education which are financed by the General Activities budget and their proposed General Fund expenditures for 1968-69 follow.

Proposed General Fund Support for the Department of Education

General Activities			
	1967-68	1968-69	
1. Division of Departmental Administration -----	\$1,430,783	\$1,429,836	
2. Division of Public School Administration -----	1,291,189	1,334,760	
3. Division of Instruction -----	1,142,630	936,702	
4. Division of Higher Education -----	523,085	49,065	
5. Division of Special Schools and Services -----	699,622	714,147	
Subtotal -----	\$5,087,309	\$4,464,510	
Less prior year balance available (Chapter 1629, 1967 Statutes) -----	-	-12,400	
	\$5,087,309	\$4,452,110	

Table 1

Summary of Budgets for Education 1968-69 Fiscal Year

	<i>Total expenditure budget</i>	<i>Funding</i>		
		<i>State</i>	<i>Federal</i>	<i>Reimbursed</i>
Departmental Operation				
Educational Commission of the States-----	\$24,000	\$24,000	-	-
General Activities-----	5,205,664	4,464,510 ¹	\$550,454	\$190,700
National Defense Education-----	1,012,352	376,521	635,831	-
Elementary and Secondary Education Act of 1965 (Titles I, II, V and VI)-----	3,572,427	261,530	3,295,408	15,489
Manpower Development and Training-----	447,165	44,717	402,448	-
Vocational Education-----	2,335,975	682,346	1,653,629	-
Surplus Property-----	2,991,058	-	-	2,991,058
State Library-----	6,423,027	1,693,262	4,729,765	-
Total, Departmental Operations-----	\$22,011,688	\$7,546,886	\$11,267,535	\$3,197,247
Local Assistance				
Childrens' Centers-----	\$14,646,702	\$14,646,702	-	-
Unruh Preschool Program ² -----	15,300,000	3,825,000	\$11,475,000	-
Compensatory Education-----	90,795,303	11,000,000	79,795,303	-
Apportionments for Public Schools-----	1,253,261,600	1,253,261,600	-	-
School Lunch Program-----	6,300,000	-	6,300,000	-
Special Milk Program-----	9,300,000	-	9,300,000	-
Free Textbook Program-----	20,952,963	20,952,963	-	-
Grants to Teachers of Physically Handicapped Minors-----	150,000	150,000	-	-
Adult Basic Education-----	1,742,546	-	1,742,546	-
Assistance to Public Libraries-----	800,000	800,000	-	-

Table 1—Continued
Summary of Budgets for Education 1968–69 Fiscal Year

	<i>Total expenditure budget</i>	<i>Funding</i>		
		<i>State</i>	<i>Federal</i>	<i>Reimbursed</i>
National Defense Education Act-----	\$5,286,546	—	\$5,286,546	—
Miller Unruh Basic Reading Act-----	16,000,000	16,000,000	—	—
Mathematics Improvement Program-----	925,000	925,000	—	—
School Library Resources-----	8,989,003	—	8,989,003	—
Vocational Education and Manpower Development and Training	29,109,076	1,030,271	28,078,805	—
Total, Local Assistance-----	\$1,473,558,739	\$1,322,591,536	\$150,967,203	—
160 Related Activities				
Special Schools				
School for the Blind-----	\$1,081,519	\$955,189	\$103,625	\$22,705
Diagnostic School for the Neurologically Handicapped—				
Northern California-----	664,525	641,860	16,530	6,135
Diagnostic School for the Neurologically Handicapped—				
Southern California-----	607,058	590,120	11,164	5,774
School for the Deaf—Berkeley-----	2,490,594	2,181,842	204,216	104,536
School for the Deaf—Riverside-----	2,554,396	2,313,976	146,772	93,648
School Housing Act for Compensatory Education ³ -----	13,000,000	13,000,000	—	—
Total, Related Activities-----	\$20,398,092	\$19,682,987	\$482,307	\$232,798
Total, All Activities-----	\$1,515,968,499	\$1,349,821,409	\$162,717,045	\$3,430,045

¹ Includes credential fee receipts

² Contract with Social Welfare

³ Bond Funds

General Activities—Continued

A sum of \$4,452,110 is proposed for the General Activities budget in 1968-69 representing a decrease of \$635,119 below the current level. Most of the decrease is caused by a substantial reduction in the amount budgeted for the Division of Higher Education. The reason for the reduction in the budget for the Division of Higher Education, to be discussed subsequently, is the deletion of 15.1 positions presently providing junior college services made in accordance with Chapter 1549, Statutes of 1967, which authorizes a separate governing board for the junior colleges, and a substantial increase in the amount budgeted for salary savings.

The department requests a total of 35.3 new positions for an additional cost of \$290,636. This sum is comprised of \$83,196 in General Funds, \$59,760 in reimbursements from credential fees, and \$147,730 from federal funds. Table 2 details the position requests by division, indicates the positions established administratively during the current year. In addition, the source of funding for each position is shown.

Table 2

<i>Division and positions requested</i>	<i>Amount</i>
Division of Departmental Administration	
Executive unit	
1 Intermediate stenographer (IA) -----	\$5,226 ²
1 Deputy Superintendent -----	24,984 ²
Certifications Automatic Data Processing	
12 Key entry operators -----	59,760 ⁴
Systems and Data Processing	
3 Associate data processing analysts -----	32,580 ³
1 Assistant data processing analyst -----	8,952 ³
6 Programmer II positions -----	53,712 ³
1 Intermediate account clerk -----	4,860 ³
Division of Public School Administration	
Administrative Services Bureau	
0.5 temporary help ¹ -----	2,350 ²
School Apportionments and Reports	
0.5 temporary help ¹ -----	2,400 ²
Division of Higher Education	
Readjustment Education	
2 Field representatives ¹ -----	29,112 ⁵
2 Intermediate stenographers ¹ -----	11,075 ⁵
Adult Basic Education	
2 Consultants in adult education ¹ -----	29,112 ⁵
1 Intermediate stenographer ¹ -----	5,490 ⁵
Division of Special Schools and Services	
0.4 Temporary help -----	1,700 ²
Research Project—Smoking and Health	
1 Education project specialist I ¹ -----	14,616 ⁵
0.5 Intermediate stenographer ¹ -----	2,757 ⁵
0.4 Temporary help ¹ -----	2,000 ⁵
Total 35.3 -----	\$290,686

¹ Established administratively in 1967-68.² General Fund.³ Combination of General Fund and federal funds.⁴ Credential fee reimbursements.⁵ Federal funds.

General Activities—Continued

Of the 35.3 positions requested 9 positions were established administratively during the current year. One position, that of the deputy superintendent which was deleted by the 1967 Legislature is proposed for reestablishment, 23 positions are proposed for the department's data processing activities while the remaining 2.3 positions are requested to alleviate minor workload increases in the various units.

Each of the five divisions supported by the General Activities budget is discussed hereafter.

1. Division of Departmental Administration

1967-68	1966-69	Amount	Decrease Percent
\$1,430,783	\$1,429,836	\$947	Negligible

This unit provides general housekeeping and administrative services for other departmental divisions. General Fund support for the State Curriculum Commission and the State Board of Education is also included in this budget. The division contains the following units:

- Executive
- Administrative
- Fiscal Office
- Personnel Office
- Education Research
- Legal Office
- Publications Office
- Systems and Data Processing
- Certifications—Automated Data Processing
- Educational Data Processing Centers

General Fund support for the Division of Departmental Administration is proposed at \$1,429,836, a decrease of \$947 below the present level. The decrease which is primarily caused by an increase in reimbursements is offset by a request for 25 new positions at an additional cost of \$190,074. The proposed positions are listed below.

Executive	
Intermediate stenographer	\$5,226
Administrative Unit	
Deputy Superintendent and Chief of Division	24,984
Certifications—Automatic Data Processing	
12 Key entry operators	59,760
Systems and Data Processing	
3 Associate data processing systems analysts	32,580
1 Assistant data processing systems analyst	8,952
6 Programmer II, electronic data processing	53,712
1 Intermediate account clerk	4,860

Executive

The executive unit contains the office of the Superintendent of Public Instruction located in Sacramento and the office of the Assistant Superintendent located in Los Angeles. The department proposes to establish an intermediate stenographer position to assist the assistant superintendent in Los Angeles for an additional General Fund cost of \$5,226. The cost of the position would be offset by a reduction of one temporary

General Activities—Continued

help position currently authorized the office. *We recommend approval of the request for one intermediate stenographer position for the Los Angeles office for no increase in General Fund cost.*

Administrative Unit

The administrative unit previously headed by the Deputy Superintendent of Public Instruction and Chief, Division of Departmental Administration is responsible for the daily operations of the departmental units. The department proposes to reestablish the position of Chief Deputy Superintendent of Public Instruction, the funds for which were deleted by the 1967 Legislature. It is proposed that the additional General Fund cost of the position in the amount of \$24,984 be offset by a deletion of an associate superintendent position in the Division of Higher Education which is no longer needed inasmuch as junior college services formerly provided by this division will be transferred to a new agency.

Although the 1967 Legislature deleted the position of Chief Deputy Superintendent and Chief of the Division of Departmental Administration the cost of the position has in effect been financed during the current year from amounts available for the support of two vacant associate superintendent positions; one in the Division of Instruction and one in the Division of Higher Education. A series of administrative changes in position titles which were authorized by the Director of Finance was the method used to finance the position. These administrative changes are summarized below.

1. During the summer of 1967 the Department of Education, with the approval of the Director of Finance, changed the title of a vacant position in the Division of Instruction from Associate Superintendent and Chief of the Division of Instruction to Chief Deputy Superintendent of Public Instruction, thereby making funds available for support of the chief deputy superintendent. We note from the position documents which authorized the change that the title of the new chief deputy superintendent position did not include the phrase "Chief of Division of Instruction" which indicates that it was not assigned administrative responsibilities for the Division of Instruction even though it was financed from funds budgeted for this purpose. The position documents indicate that the effective date of this change was July 1, 1967.

2. The next change in position titles authorized by the Director of Finance occurred on November 1, 1967 after the position of Associate Superintendent and Chief of Division of Higher Education was vacated. The new title of Chief Deputy Superintendent of Public Instruction was changed back to Associate Superintendent of Public Instruction and Chief of Division of Instruction thereby providing funds for a division chief for this unit. Then the title of Associate Superintendent of Public Instruction and Chief of Division of Higher Education was changed to Chief Deputy Superintendent of Public Instruction.

Bureau of Systems and Data Processing

This unit is responsible for all data processing services provided other departmental units. The unit computes school apportionments and

General Activities—Continued

entitlements for several federal programs. It provides services for the textbook distribution program and the state testing program and it processes data required for several departmental reports. During the current year the unit received a \$50,000 emergency fund allocation for temporary help to modify its school finance computer programs to handle the apportionment provisions of Chapter 1209, Statutes of 1967. A total of 23 new positions are proposed for 1968-69 comprised of 12 positions for a special project: Certifications—Automated Data Processing authorized by Chapter 1674, Statutes of 1967; eight positions for the unit's continuing responsibilities and three positions for another special project entitled a Vocational Education Information System. These requests are discussed below.

Certification—Automated Data Processing. Chapter 1674, 1967 Statutes, to be discussed in greater detail in a following section of the analysis dealing with the Division of Higher Education, authorized an increase in the teacher credential fee from \$10 to \$15 and earmarked the additional revenues for the establishment of branch offices of the Certifications Office, for the department's microfilming project, and for support of a proposal to automate the teacher licensing process which we recommended in the *Analysis of the Budget, 1967-68*.

During the current year a total of 11 professional and clerical positions were established, including a coordinator of the certifications project to implement the plan to automate the Certification Office in accordance with Chapter 1674, Statutes of 1967. The department proposes 12 additional key entry operator positions to continue the project in 1968-69. The cost of the positions in the amount of \$59,760 would be financed from additional revenues derived from the \$5 increase in the credential fee. *We recommend approval of the request for 12 key entry operator positions for the Certifications—Automated Data Processing Project for no increase in General Fund cost.*

Systems Design. The department requests two associate data processing systems analysts, one assistant data processing systems analyst, four programmer II positions and one clerk for an additional cost of \$66,480. The additional personnel would redesign the department's existing computer programs so that they may be operated on the new equipment utilized in the teacher licensing process. It is estimated that approximately 30 percent of the cost of the new positions, or \$19,944, will be reimbursed from federal funds. *We recommend approval of the request for these positions for an additional General Fund cost of \$45,536.*

Vocational Education Information System. The department also proposes to establish one associate data processing system analyst and two programmer II positions to continue work on a federally financed project designed to improve reporting procedures for vocational education programs. *We recommend approval of the request for three additional positions for no increase in General Fund cost.*

Educational Data Processing Centers. The budget for the division also reflects the addition of eight positions during the current year to

General Activities—Continued

continue the development of the California Total Educational Information System which was formerly financed by federal funds. Authority for the establishment of General Fund support for the staff is contained in Chapter 1708, Statutes of 1967, which appropriated a sum of \$85,000 to the department to continue the operations of the project staff, and a sum of \$83,000 to the Sacramento Regional Data Processing Center to act as a research and development center for the department. Inasmuch as this is the first year that General Fund support has been requested in the budget to finance the development of the information system, we believe that this is an appropriate time to review the developmental effort to date.

There are two basic objectives of the California Total Educational Information System as advanced by the Department of Education. These objectives are:

1. To develop an "information system" which consists of the systems design and computer program library for each of the following four subsystems.

- a. Pupil personnel—registration, class scheduling, grade reporting, etc.
- b. Business services—data control, inventory accounting, accounts payable, etc.
- c. Personnel payroll—administrative, noninstructional and instructional, etc.
- d. Instructional materials and equipment—audio visual aids, library, etc.

The main advantages of such a system on a statewide basis is that it would provide a common statewide data base for research in education and would presumably eliminate the systems design and programming effort that would be required if each school district proceeded on a unilateral basis. Ultimately it is hoped that such a system would improve the efficiencies and economies of the public schools.

2. To establish a network of regional data processing centers originally intended to be operated by large school districts and county school offices which would provide electronic data processing capabilities to schools at less cost than if each district were to establish its own computer operation.

Thus far the cost of developing the total educational information system and the regional centers has been financed primarily by the following grants from the United States Office of Education, totaling \$2,309,680.

- | | |
|---------|---|
| 1959-61 | \$200,000 for piloting use of punched card data processing system for pupil personnel records. |
| 1962-64 | \$192,000 for development of a computer-based personnel information system and the regional center concept. |
| 1965-67 | \$417,680 for implementation of first two pilot centers and development of California Total Educational Information System including the addition of the business, personnel payroll and instructional materials subsystem. |

General Activities—Continued

1966-67 \$1,500,000 (\$150,000 each to 10 regional centers) to establish the centers as supplementary educational centers providing data processing services. Funds spent primarily for promotional activities.

Despite the fact that over \$2 million has so far been spent on activities connected with the total information system, it is apparent that the program has met with limited success and is beset with serious problems.

Presently the only operational package is the pupil personnel package. A limited business package will not be available until July 1, 1968. We believe that one major cause for the slow progress to date is that over \$1.5 million spent on the program during fiscal year 1966-67 was spent for promoting the regional center concept rather than on the complex systems design work required before comprehensive services could be provided school districts.

It also appears to us that the Department of Education through its sponsorship of the regional data processing system concept has assumed that ultimately the same types of equipment will be used by all centers, inasmuch as the department's total programming effort to date (financed by both federal and state funds) has been for one computer configuration, Honeywell. This has not been the case. For example, of the 10 regional centers presently operating, five centers under the jurisdiction of county offices have Honeywell equipment. These are the Sacramento, Fresno, Ventura, Sonoma and Los Angeles centers. Three regional centers operating through the county government data processing centers, Santa Clara, Contra Costa and Riverside centers, utilize third generation IBM equipment with a significantly different configuration. The final center, San Diego, uses IBM equipment.

This wide range in types of computers presently used for educational purposes is further emphasized by the variety of computers actually owned or leased by school districts. For example, a recent survey indicates that of 55 school districts or county offices which have their own computer installations, 48 districts use IBM equipment, 5 districts use Honeywell equipment and 1 district has a Univac machine. We understand that substantial expenses will be incurred by school districts and regional centers presently utilizing non-Honeywell equipment should they in the future decide to convert their systems so they may use the Honeywell programs being developed under the supervision of the Department of Education, and this despite the fact that the Honeywell programs are written in a common business oriented language (COBOL).

Although it is generally acknowledged that the conversion by the regional centers and school districts to Honeywell programs may be expensive, the department is continuing to program the business package component of the total information system for Honeywell equipment. We understand that a part of the \$168,000 allocated to the Department of Education and the Sacramento center for development of the total system will be used to finance a contract between the Sacramento center and a private equipment vendor (Honeywell) to

General Activities—Continued

program a business system for this vendor's equipment. We believe that the current situation raises serious questions regarding the role of the Honeywell Company in the overall developmental effort, the appropriateness of the department's contract with an equipment vendor for the development of programs which cannot be readily utilized by other equipment and the role of the Department of Education is designing the remaining parts of the Total Education Information System.

The experience to date indicates that it is unrealistic at this late date to expect one system to serve all of the state. In fact, it is doubtful that any more than 20 percent of the school population will ultimately be served by regional centers; and even these will not all utilize the same kind of equipment. While we continue to support the concept of a viable information system, we believe that the future development of the program requires policy direction from the Legislature.

1. *We recommend that the future development of the program be limited to the design of the system, including the definition of the data base, common identification and coding of data elements and the definition of a common statewide reporting system with the State Department of Education serving as the collector of this standard data. In accordance with this we recommend that the department terminate its programming efforts for the system. We also recommend that two programmer II positions (\$19,374) and one intermediate stenographer position (\$6,204) be deleted from the budget for a General Fund savings of \$25,578.*

2. *We recommend that the Department of Education reevaluate the propriety of contracting with private equipment vendors for the development of programs which can economically be used only on that vendor's equipment.*

3. *We recommend that the state level Commission on School District Budgeting and Accounting, established by Chapter 1573, Statutes of 1967, be made responsible for the overall supervision of the development of the Total Educational Information System. Inasmuch as this agency has been directed by the Legislature to advise the State Board of Education in the development of program budgeting and accounting programs for the schools, we believe that it should be given overall responsibility for defining the common data base regarding budgetary information which will be processed by the system. For example, we understand that the department is presently developing a chart of accounts for the schools to be used for the system. We believe that this counts for the schools to be used for the information system. We believe that this work should more properly be performed by the Commission on School District Budgeting and Accounting working with the California Association of Public School Business Officials.*

Reorganization of Department of Education

In November 1967 the Arthur D. Little Company, a management consultant firm, presented to the State Board of Education a report titled "A New Organizational System for State Level Educational Administration." The report, financed by a sum of \$213,000 in federal

General Activities—Continued

funds from Title V of the Elementary and Secondary Education Act of 1965 recommends a major reorganization of the Department of Education. This report was preceded by an earlier document completed by the same firm in 1964 titled "Emerging Requirements for Effective Leadership for California Education," which was financed by a \$50,000 special emergency fund allocation. The 1967 report of the Arthur D. Little Company contained several general recommendations for improving the state level supervision of the public school system. These recommendations follow.

Recommendations of Arthur D. Little, Inc.

1. Working relationships should be strengthened between the State Board of Education, the Department of Education, the Legislature, school districts and other groups and agencies important to education in California.

2. The quality of the department's staff assistance for the state board should be improved.

3. Long-range comprehensive planning of educational programs should be improved.

4. Existing confusion and inefficiency in planning and managing new programs should be reduced, particularly in programs which: (a) are funded from federal or multiple sources; (b) require the use of a variety of professional skills and those from more than one division, and (c) serve population segments which traditionally have been targets for other divisional programs and services.

5. "Divisionalitis" within the department should be reduced. The use of multidisciplinary teams and the use of qualified professional personnel from outside the department should be encouraged. The department should increase its support for experimentation and the establishment of innovative educational programs.

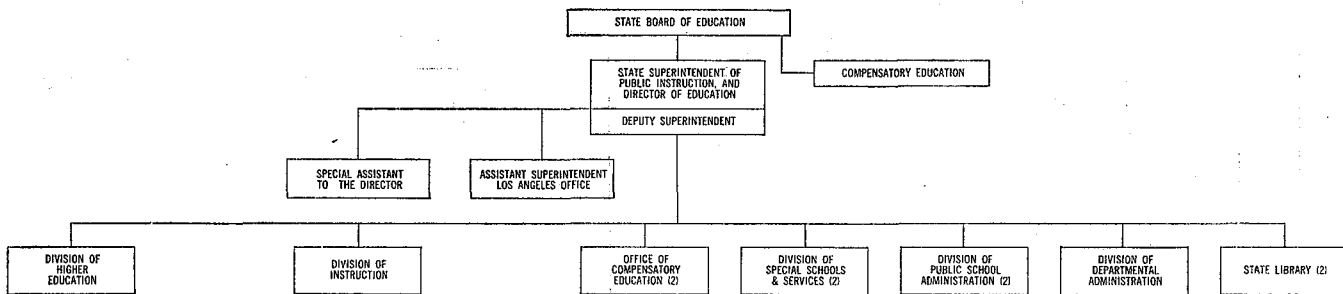
7. The state level administration should insure the design of appropriate evaluation techniques and make comprehensive efforts to appraise the results of programs.

8. The department's capabilities for organizing and operating a statewide educational information system should be strengthened.

The firm recommends that the State Board of Education be appointed by the Governor from a list of candidates selected by the Legislature and that the term of board members should be 10 years. It recommends that the State Superintendent of Public Instruction be appointed by and be made fully responsible to the State Board of Education, serving as the board's executive secretary and chief administrative officer. The report suggests major organizational changes in the Department of Education which are too numerous to explain in detail. However, we have included two charts reproduced from the report which illustrate the significant changes recommended for the division level and above. Table 3 illustrates the organization of the department in 1966 while Table 4 shows the organizational structure recommended by the report.

Table 3

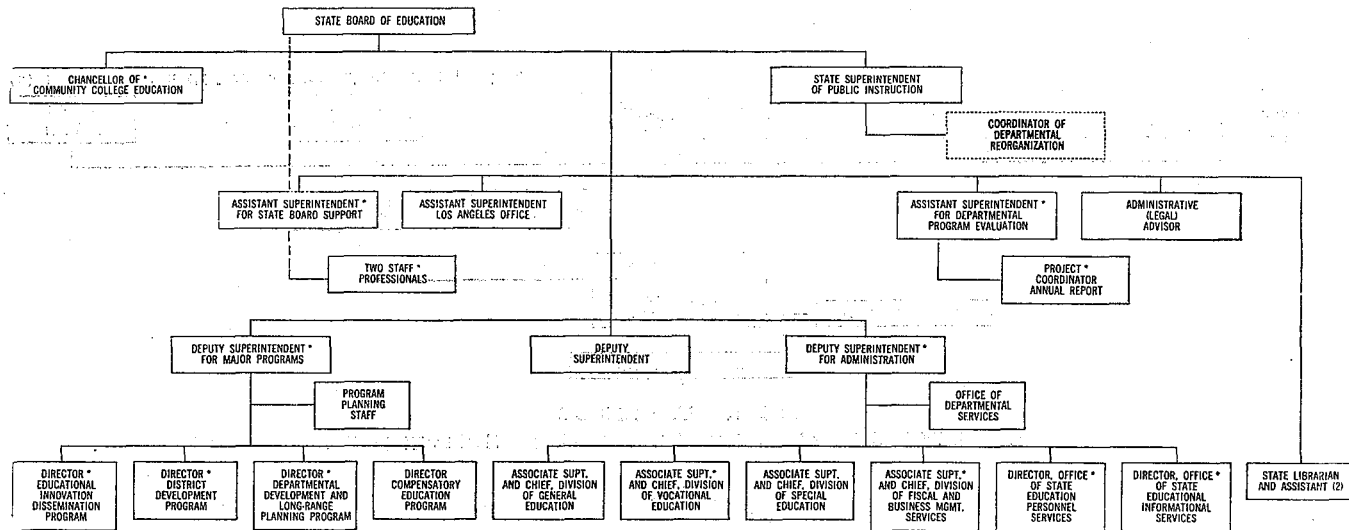
ORGANIZATION OF THE CALIFORNIA STATE DEPARTMENT OF EDUCATION, 1966



(2) Indicates division chief and assistant division chief positions.

Table 4

RECOMMENDED ORGANIZATION FOR STATE-LEVEL EDUCATIONAL ADMINISTRATION IN CALIFORNIA



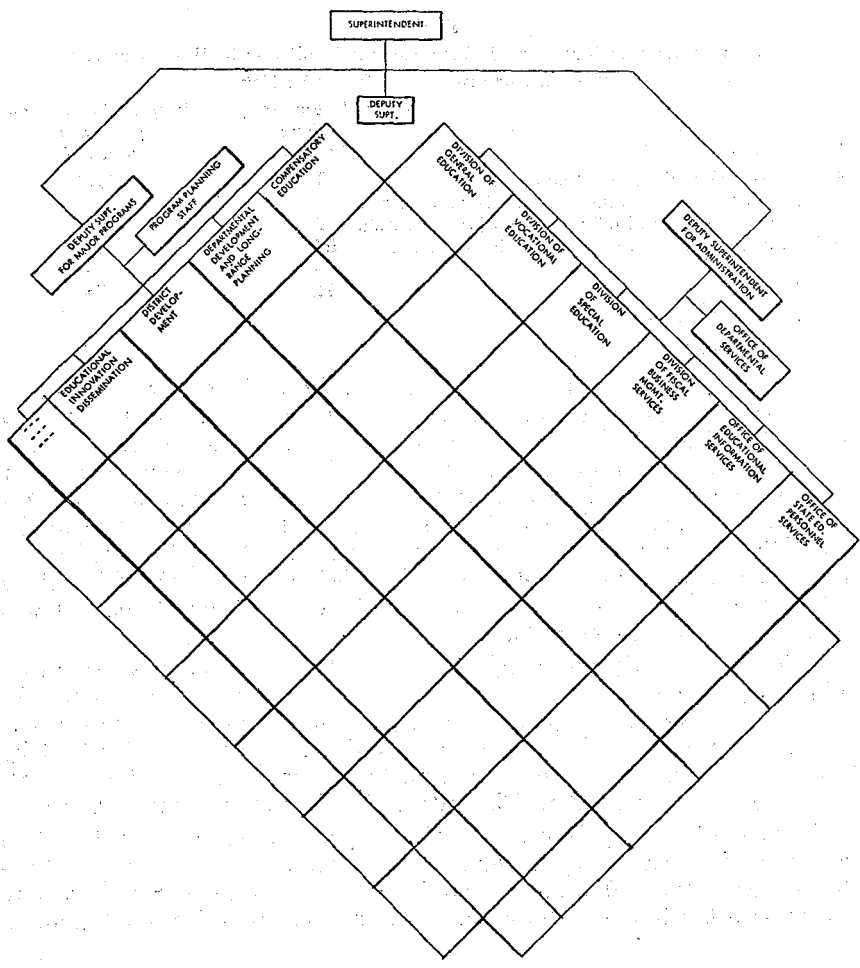
* New positions, elevated positions on new programs.

(2) Indicates division chief and assistant division chief positions.

General Activities—Continued

The recommendation for an Assistant Superintendent for State Board Support was made contingent upon a change in the State Constitution permitting the state superintendent to be appointed by and fully responsible to the State Board of Education. It is recommended that until such time as the State Superintendent of Public Instruction is appointed by and made fully responsible to the State Board of Education, the board retain two options for obtaining administrative assistance (a) use a member of the department's professional staff as an assistant for state board support or (b) appoint a board secretariat to serve the board.

Table 5
RECOMMENDED ORGANIC ORGANIZATIONAL STRUCTURE
FOR THE STATE DEPARTMENT OF EDUCATION
(Arthur D. Little, Inc.)



General Activities—Continued

We believe that perhaps the most significant recommendation is that the department's educational programs be administered on a flexible and interdependent basis. The firm recommended that the department's internal staff personnel be rotated into and out of major programs as necessary and that the department continue to use part time nondepartmental consultants for specific program assignments. Table 5 illustrates the flexible type of internal organizational system recommended by the Arthur D. Little Company.

The report recommended the addition of several management positions for the new organizational structure although it did not recommend specific personnel augmentations for the lower staff levels. Table 6 illustrates the number of management positions in the department's organizational structure as of June 30, 1967 compared to the number of positions in the recommended organization.

Table 6
Comparison of Number of Management Positions in the Current
Versus Recommended Organization

<i>Level of management</i>	<i>Current number of positions Table 3</i>	<i>Proposed number of positions Table 4</i>
Staff of board and superintendent.....	6	13 ¹
Division Chief level; includes assistant chiefs, section chiefs and officers of major programs	12	22
Officer, supervisor or bureau chief level.....	54	43
Total	72	78

¹ Includes 1 temporary position.

Weaknesses of the Report

1. Although the report suggested that many of the department's programs needed strengthening and inferred that additional positions would be required, it made no attempt to estimate the additional numbers of lower staff positions required to implement its recommendations, nor did it recommend specific steps for the implementation of the organizational changes. The failure to recommend specific steps to implement the program has generated another contract for the Little firm recently approved by the State Board of Education which will cost an additional \$64,000 in federal funds, with no guarantee that this will be the last of such contracts.

2. The report did not analyze in depth the department's programs. While it recommended that the coordination of programs should be improved, it failed to make specific recommendations regarding how coordination could or should be improved. The report implies that by simply changing the existing administrative structure of the department such improvement will be automatic. This may or may not occur.

Implementation of Departmental Reorganization. One of the final recommendations of the Arthur D. Little Company was that a coordinator of departmental organization be hired on a temporary basis to coordinate the implementation of the numerous organizational changes

General Activities—Continued

contained in the report. As a result of the recommendation, the State Board of Education began negotiations with the Arthur D. Little Company in July, 1967, to provide the services of a coordinator. In January the State Board of Education approved a \$64,000, five-month contract with the company. "The objective of this contract is to initiate steps in the reorganization in the State Department of Education . . ." This contract is to cover the services of one coordinator who is required to spend three and one-half days per week (not less than 28 hours per week) for a five-month period and unnamed additional consultants which may be deemed necessary.

2. Division of Public School Administration

		<i>Increase</i>	
<i>1967-68</i>	<i>1968-69</i>	<i>Amount</i>	<i>Percent</i>
1,291,189	1,334,760	\$43,571	3.4

The Division of Public School Administration is responsible for various noninstructional functions in supervising the public school system. It contains the following units:

- Division Administration
- Bureau of School Apportionments and Reports
- Bureau of Administrative Services
- Bureau of School District Organization
- Bureau of School Planning
- Bureau of Textbooks
- Educational Agency for Surplus Property
- School Lunch and Special Milk Programs

General Fund support for the Division of Public School Administration is proposed at \$1,334,760 which represents an increase of \$43,571 above the current level. The department requests two 0.5 temporary help positions in the budget year, one of which was administratively established in 1967-68. The major programs of the division and our analysis follows.

School Apportionments

The Bureau of School Apportionments is responsible for the annual apportionment of over \$1.2 billion in school apportionments to the public schools. It verifies and compiles data which are the basis for such apportionments and it reviews the County School Service Fund budgets, and it compiles several annual reports including *The State School Fund and Educational Statistics*. The unit is authorized a total of 24.5 positions, including 11 professional positions, primarily budget analysts, 6 account clerk positions, and 7.5 clerical positions. The following table covering the period between July and September 1967, which is the only detailed workload data available, provides a rough indication of the percentage of staff time devoted to this unit's responsibilities.

General Activities—Continued

<i>Responsibilities</i>	<i>Percentage of staff time</i>
Administration -----	9.0%
Consultation with public -----	4.0
State School Fund -----	20.5
County School Service Fund -----	14.0
Children's centers -----	2.0
General Fund Apportionments (Miller-Unruh Reading Act, etc.) -----	3.7
PL 874 Funds -----	7.4
Research activities (Including publications) -----	23.7
 Total Work Time -----	 84.3 ¹
Vacation, sick leave, other -----	15.7
 Grand Total -----	 100.0%

¹ Figure is understated for annual purposes because it reflects a large amount of time for vacations which are traditionally taken during this time of year.

We recommend approval of a request for a 0.5 temporary help position for the Bureau of School Apportionments and Reports for an additional General Fund cost of \$2,400. The position is requested for peak workload periods and we believe it is justified.

Chapter 1573, Statutes of 1967, established an Advisory Commission on School District Budgeting and Accounting to advise the State Board of Education regarding program budgeting systems for school districts. It also directed the Department of Education to provide consultant services to school districts regarding program budgeting and accounting proposals, and it authorized the department to establish workshops to carry out this responsibility. During the current year one educational project specialist II position and a 0.2 stenographer position were established in accordance with Chapter 1573. The cost of the positions are currently being financed from the appropriation contained in the legislation which totaled \$40,000.

Consultant Services

Three units within the division provide several consultant services to school districts and county offices of schools. The Bureau of School District Organization advises school districts regarding proposed reorganizations of school districts and prepares all of the material considered by the State Board of Education in matters involving unification proposals. The Bureau of Administrative Services advises school districts regarding fiscal, accounting and reporting procedures while the Bureau of School Planning assists school districts with regard to the acquisition of sites and the construction of school facilities. During the current year a sum of \$2,212 in temporary help funds was authorized the Bureau of Administrative Services to alleviate a workload increase involving the establishment of school board workshops.

We recommend approval of the request for temporary help funds in the amount of \$2,212 for the Bureau of Administrative Services.

3. Division of Instruction

<i>1967-68</i>	<i>1968-69</i>	<i>Decrease</i>	
		<i>Amount</i>	<i>Percent</i>
\$1,142,630	\$936,702	\$205,928	21.9%

General Activities—Continued

The Division of Instruction is primarily responsible for providing consultant services to school districts. It also supervises the courses of instruction maintained by the state's public schools to see that they conform to the requirements of the Education Code. The division contains the following units.

Division Administration**Bureau of Audio-Visual and School Library Education****Educational Programs and Subject Specialists Bureau****(Formerly the Bureaus of Elementary and Secondary Education)****Bureau of Physical Education, Health, Education and Recreation****Bureau of Pupil Personnel Services****Driver Education and Training Unit**

The division also administers two programs, Vocational Education and the National Defense Education Act which are discussed under separate budget items elsewhere in the analysis.

An amount of \$936,702 in General Funds is proposed for this division's expenditures in 1968-69 representing a decrease of \$205,928 below the current level, which is the result of a reduction in operating expenses in excess of \$200,000. The reduction in operating expenses reflects the transfer of General Fund support for the Mathematics Improvement program (Chapter 1639, Statutes of 1967) from the General Activities budget to the Local Assistance part of the budget. The operating expenses also reflect a sum of \$50,000 budgeted for subventions, English as a Second Language projects, which were authorized by Chapter 1234, Statutes of 1965. This legislation authorized a special program of state support to school districts having large numbers of foreign born and native born children with English language handicaps. The pilot program will terminate at the end of the 1970-71 fiscal year. Table 7 illustrates the districts participating in this program.

We believe that the department's request for funds for this program is unjustified inasmuch as there are presently available large amounts of federal funds which can be spent for similar types of projects. For example, it is anticipated that California will receive approximately \$6.1 million in federal funds in both 1967-68 and 1968-69 for special instructional programs for children of migrant farm workers. These funds made available under the provisions of the Elementary and Secondary Education Act of 1965 represent an increase of \$3.2 million over the current level. In addition, we note that California will receive approximately \$16 million in federal funds under the provisions of Title III of the Elementary and Secondary Education Act which represents an increase of \$4 million over the current level. This money may also be used for experimental instructional projects. *We recommend that the amount budgeted for subventions for English as a Second Language projects be deleted for a General Fund savings of \$50,000 in view of the large increase in federal funds available for special instructional programs.*

During 1967 the department established one educational project specialist II position, one stenographer II position and a 0.5 temporary

General Activities—Continued

help position to study the subject of more effective education on harmful drugs in accordance with Chapter 1629, Statutes of 1967. The cost of the positions is being financed by a \$37,000 appropriation contained in the act. The department is required to make a preliminary report to the Legislature by March 15, 1968 and must make a final report to the 1969 Regular Session.

Table 7
Schedule of Apportionment for Conducting Special Programs or Classes
in English for Elementary School Pupils
(Education Code Sections 6060 Through 6066)

<i>County district</i>	<i>District apportionment October 9, 1967</i>	<i>County Total</i>
Imperial		
Brawley	\$2,250	
Calxico	10,000	
Calipatria Unified	1,850	
Imperial Unified	2,250	
Seeley Union	1,400	\$17,750
Los Angeles		
Bassett Unified	\$2,000	
Lawndale	2,250	
Rowland	3,000	\$7,250
Riverside		
Corona Unified	\$3,000	
Jurupa Unified	2,125	\$5,125
San Diego		
Carlsbad Union	\$3,000	
Chula Vista City	2,250	
San Diego Unified	3,750	
San Ysidro	5,250	\$14,250
Santa Clara		
Whisman	\$2,218	\$2,218
Stanislaus		
Patterson Unified	2,500	\$2,500
State Total		\$49,093

Chapter 1633, Statutes of 1967, authorized the Department of Education to establish a unit to supervise driver education and training programs maintained by school districts to ensure that such programs meet minimum standards of course content and teacher preparation. The act authorized the department to employ an administrative head of the unit and additional consultants and clerical personnel as required, and specified that the costs of the new unit be reimbursed from the Driver Training Penalty Assessment Fund. During the current year one consultant in driver education, one intermediate stenographer and one temporary help position were established to carry out the provisions of the law. The cost of these positions in 1967-68 is being financed from an \$81,000 appropriation contained in the law.

General Activities—Continued

4. Division of Higher Education

1967-68	1968-69	Amount	Decrease Percent
\$523,085	\$49,065	\$474,020	90.6

The Division of Higher Education is responsible for three major programs: teacher certification and licensing, the licensing of all private adult schools which issue diplomas, and consultant services to school districts regarding programs maintained for adults. The division contains the following bureaus.

Division Administration
Bureau of Adult Education
Bureau of Readjustment Education
Bureau of Teacher Education and Certification

General Fund support for the Division of Higher Education is proposed at \$49,065 in 1967-68 which represents a decrease of \$474,020 below the current level. The major part of the reduction is the result of the deletion of the Junior College Section and 15.1 related positions in accordance with Chapter 1549, Statutes of 1967. Chapter 1549 established a "Board of Governors of the California Community Colleges," consisting of 15 members appointed by the Governor with the advise and consent of two-thirds of the Senate. The law provides that on July 1, 1968 the governance of the junior colleges shall be transferred from the State Board of Education and the Department of Education to the new Board of Governors. Inasmuch as the Department of Education will no longer administer the junior colleges, it is proposed that the present position of Associate Superintendent and Chief of the Division of Higher Education be deleted for a General Fund savings of \$24,984, and that the other functions performed by the division be transferred to other departmental units. *We recommend approval.*

Licensing of Private Schools

The Bureau of Readjustment Education within the division authorizes the granting of degrees and the issuance of diplomas for all high school training and approves all adult basic education courses offered by private schools for both veterans and regular students. In addition, the bureau issues sales permits to all correspondence school salesmen. During the current year two professional positions and two clerical positions were established administratively in the unit to process an additional workload generated as a result of PL 89-358 which provides educational benefits for veterans eligible after June 1966. The department proposes the unit be continued in the budget year. *We recommend approval of the request for two field representatives and two intermediate stenographer positions which would be financed by an increase in federal reimbursements totaling \$40,187.*

Adult Education

The Bureau of Adult Education is responsible for approving courses for adult schools, adult classes and high schools which maintain classes for adults. The bureau also provides consultative services to school districts regarding the program content of adult classes. In addition, the

General Activities—Continued

unit administers the Adult Basic Education Program which is authorized by Title III (Title III Supplement of the Elementary and Secondary Education Act of 1965).

During the current year two consultants in adult education and one intermediate stenographer position were established administratively to alleviate an increase in workload associated with the federal Adult Basic Education Program. It is proposed that the three positions be continued in the budget year. *We recommend approval of the request for two consultants in adult education, and one intermediate stenographer position for an additional federal fund cost of \$29,112 and \$5,490 respectively.*

Teacher Licensing

The Bureau of Teacher Education and Certification is responsible for licensing all teacher applicants who intend to teach in the public school system. The cost of the operation has traditionally been financed from revenues generated by credential fees. The budget document states that in 1966-67 receipts from credential fees were short of expenditures by \$71,431 and in 1967-68 it is anticipated that it will be \$244,000 short of expenditures. In order to continue the policy of self-support for teacher licensing, the Department of Finance has increased salary savings for the division by a sum of \$241,579 to a level of \$301,038 in the budget year. It is anticipated that the Department of Education will introduce legislation at the 1968 session which would authorize an increase in the credential fee to cover the shortage.

Chapter 1674, 1967 Statutes, authorized an increase in the credential fee from \$10 to \$15 and specified that the additional revenues be used for three purposes; automation of the credential function to be discussed later; the completion of a project to microfilm credential files and the establishment of branch certification offices in Los Angeles, San Diego, Fresno and the Bay Area. Since the \$5 fee increase was earmarked for these purposes, it was determined that the additional revenues could not be legally used to finance the continuing workload of the Certification Office, thereby resulting in the \$244,000 shortage reflected in the budget narrative. However, it is anticipated that the elimination of the limiting language on the use of the revenues from the credential fee would substantially reduce the shortage.

During the current year 41 positions were established to carry out the provisions of Chapter 1674, 1967 Statutes. Three certification analyst II positions and three intermediate stenographer positions were established to staff the branch certification offices, temporary help in the amount of \$114,750 was authorized for 24 positions to continue the microfilming project and 11 professional and clerical positions, were established to implement the automation project. These latter positions are reflected in the budget for the Division of Departmental Administration.

In addition, one executive secretary position and one intermediate stenographer position were established for the Committee of Credentials which was reconstituted by Chapter 1674, Statutes of 1967. The cost of these positions was financed by an emergency fund allotment

General Activities—Continued

totaling \$36,000 since the credential fee revenues for the manual operations were insufficient to cover the cost.

Finally an additional 8.2 temporary help positions were established administratively during the current year to assist the Certification Office to alleviate a workload increase resulting from Chapter 966, 1967 Statutes, which extended for one year to September 15, 1967 a provision of the law which authorizes certain individuals to continue to qualify for a teaching credential under the provision of the old credential structure. The cost of these positions was financed by a special emergency fund allocation totaling \$50,000.

House Resolution No. 308. This resolution adopted by the Assembly on July 19, 1967 directed the Joint Legislative Budget Committee to prepare a cost study of the present structure of credentialing teachers to be reported to the Assembly at the 1968 Regular Session. The report is summarized below.

As a result of the difficulties experienced in management of the teacher licensing function by the certification staff, and in providing timely service to credential applicants, and because of the rapid growth in staff in the Certification Office, the 1966 Legislature on our recommendation directed the Department of Education to contract with the Department of General Services to perform a study for automating the teacher licensing process.

The study, financed by a sum of \$20,000, originally requested for two programmer positions for the department, was performed by the Aerojet-General Corporation of Sacramento. A report entitled *Electronic Data Processing Systems for Credential Applications Evaluations* was submitted on December 15, 1966. The report recommended the complete automation of certification process and contained a specific systems analysis proposal for the initial automation of the Standard Teaching Credential for elementary, secondary and junior college service. These credentials presently account for about 70 percent of the credentials issued and 60 percent of the bureau's workload. It was estimated that when fully operative by 1971-72, a credential application could be completely processed within a 24-hour period, provided the required application material is correctly completed, compared to the 14 weeks presently required.

On the basis of this report and on the basis of a cost estimate provided by the department which indicated that the cost of the system could be financed within the existing \$10 credential fee, we recommended that the department's 1967-68 budget be augmented by a sum of \$209,000 to begin the initial implementation of the system. Chapter 1634, Statutes of 1967, subsequently enacted, authorized the project. At the same time, the Legislature, on our recommendation, adopted control language which directed the department to do several things: to reestimate its cost and revenue projections for the implementation of the automated system, to hire a full-time project director and to refrain from consolidating the certification proposal with the department's other data processing plans until such other proposals were submitted to the Legislature for review. A contract has been developed

General Activities—Continued

between a management consultant firm, Arthur Young, Inc. and the Department of Education for the implementation of the Aerojet-General proposal.

Although it was originally estimated that the entire cost of the automated licensing system could be financed from the \$10 credential fee then in effect, a revised estimate revealed that this will not be possible because of a downward adjustment in the amount of the projected revenues generated by the \$10 fee then in effect. The revenue projection was substantially overstated because it was based on the past rate of increase in revenues which was inflated by periodical increases in the credential fee, rather than by the actual rate of increase in the numbers of credential applications processed by the fiscal office.

Conclusions

1. The total cost of licensing credential applicants for public school service has increased rapidly during the last four-year period from \$887,000 in 1963-64 to \$1.5 million (\$1.9 million if the automation project is included) in 1967-68. This overall rate of increase in the costs of the Certification Office has far outstripped the 14 percent increase in the numbers of credential applications received by the office.

2. Although the costs of the Certification Office have more than doubled, the efficiency of the office in processing and evaluating credential applications has not improved appreciably. With the exception of a short period in 1966-67, during the last four years, the back-log of unprocessed credential applications ranged from two months to over four months. It is presently estimated at 14 weeks, and is increasing.

3. The level of service provided credential applicants has not improved appreciably during this period. Under the existing system it is difficult for the applicant to obtain timely information regarding the status of his request for a credential.

4. Under the present manual system it is impossible to obtain current information regarding the academic qualifications of the individuals issued credentials. This restricts comprehensive long-range planning of the state's teacher procurement policies.

5. Although much of the inefficiency of the Certification Office is caused by the volume and nature of its manually performed clerical and professional tasks, we believe that the major problem is caused by the rules and regulations adopted by the State Board of Education to implement the Licensing and Certificated Personnel Act of 1961. The specificity and complexity of these rules and regulations have not only created confusion and hampered the orderly implementation of the law, but they have also created interpretive problems for the Certification Office which are reflected in a drastic decrease in the number of applications annually evaluated by each certification analyst.

6. Many teacher training institutions in California ignore the rules and regulations governing the issuance of teaching credentials, thereby increasing the workload within the Certification Office.

General Activities—Continued

7. These rules and regulations, which are difficult for even the technically trained certification analysts to interpret, raise serious policy questions regarding the necessity of precise semester-hour requirements for majors and minors, upper and lower division course requirements and other detailed and exacting requirements.

8. Although the credential fee has been increased from \$8 to \$15 during the last four years, the present fee is not excessive compared to similar fees charged by other state agencies for professional licenses.

9. The Legislature has recently taken several steps to improve the level of service of the Certification Office, by authorizing funds for the establishment of branch offices, for completing the microfilm project, and for implementing the Aerojet-General proposal to automate the teacher licensing process. We believe that the completion of the automation project will have the greatest impact on improving the efficiency of the Certification Office and on improving the level of service provided the public.

10. The total costs of the present manual system of credentialing teachers are projected to increase from \$1.7 million in 1967-68 to about \$2.4 million in 1971-72 (Table 8). It is anticipated that the revenues generated by the present \$15 fee will be sufficient to cover the projected costs through 1970-71, at which time a slight deficit will occur.

11. We estimate that the costs of maintaining the present manual system and at the same time implementing an automated system will increase from \$1.9 million in 1967-68 to \$2.9 million in 1971-72, by which time the automated system will be fully operative. It is anticipated that the revenues from the present \$15 credential fee will be insufficient to cover the costs of both systems. The projected deficit of \$105,000 in 1967-68 increasing to \$591,000 in 1971-72 will necessitate an increase in the credential fee totaling \$1 for the current year increasing to \$5 in 1971-72.

RECOMMENDATIONS

1. *We recommend that the Legislature request the State Board of Education to review the specificity of the present rules and regulations governing the issuance of teaching credentials, with particular emphasis on the present precise semester hour requirements for majors and minors, and the definition of all single subject majors as 24 upper division hours of coursework in a single subject.*

2. *We recommend that the Legislature request the State Board of Education to submit a report regarding the present credential regulations not later than November 1, 1968 which will include any recommendations for legislation required to simplify the present regulations including the substitution of a statewide examination for teacher applicants for all or part of the present requirements.*

3. *We recommend that the credentialing of teachers in California remain a self-supporting operation and that it continue to be financed from the fee charged credential applicants. We believe that periodical requests for raising the credential fee should continue to be subject to legislative review.*

Table 8

Projected Costs of Licensing Teachers Under Manual and Automated Licensing System

Manual System		1967-68	1968-69	1969-70	1970-71	1971-72
1. Cost of Manual System						
Certification Office plus related activities		\$1,533,000	\$1,710,000	\$1,898,000	\$2,107,000	\$2,339,000
2. New Programs Authorized by Chapter 1674, 1967 Statutes						
Branch offices		43,000	64,000	70,000	77,000	85,000
Microfilming		115,000	30,000	-	-	-
Total Cost		\$1,681,000	\$1,804,000	\$1,968,000	\$2,184,000	\$2,424,000
Receipts from \$15 fee		1,762,000	2,055,000	2,160,000	2,265,000	2,385,000
3. Surplus or Deficit		+81,000	+251,000	+192,000	+81,000	(-39,000)
<hr/>						
Automated System						
4. Cost of Automated System						
Certification Office—Supervisory staff		\$10,000	\$145,000	\$146,000	\$146,000	\$146,000
Bureau of Systems and Data Processing staff		68,000	149,000	149,000	150,000	150,000
Operating expenses and equipment		8,000	241,000	270,000	256,000	256,000
Contractor Service		100,000	50,000	20,000	-	-
5. Total		\$186,000	\$585,000	\$585,000	\$552,000	\$552,000
Combined Total—Automated System plus Costs of Manual System						
(Item 3 plus Item 5) Surplus or Deficit		(\$-105,000)	(\$-334,000)	(\$-393,000)	(\$-471,000)	(\$-591,000)

General Activities—Continued

4. We recommend that the Certification Office attempt to reduce the level of its professional workload by reducing the number of multiple evaluations of difficult cases, so that the actual number of professional evaluations can be tied more closely to the numbers of \$15 fee applications processed by the fiscal office.

5. We recommend that the Certification Office improve the format of its public information leaflets by consolidating into one document the requirement for the Standard Teaching Credential and the requirements for the Standard Teaching Credential on a Partial Fulfillment basis.

6. We recommend that the Certification Office report to the Joint Legislative Budget Committee by November 1, 1968 the cost savings resulting from the branch office operations and the microfilm project authorized by the 1967 Legislature.

7. We recommend that the Department of Education proceed with the implementation of the proposal to automate the issuance of teaching credentials and continue to finance the cost of the automation project from credential fees.

8. We recommend that the management consulting firm engaged in the automation of the teacher credential system report to the Department of Education and the State Board of Education all inconsistent regulations and other associated problems that could make meaningful automation difficult if not impossible.

9. We recommend that the Department of Education defer for one year the lease purchase of a large third generation computer for the automation project. While we recognize that this system will probably need a large mass storage unit for storing the data needed for credential evaluation, we further recognize that the daily computer time requirements will not be very great.

In support of recommendation No. 9 we recognize that the needs of this system are considerably different than the equipment needs for the rest of the Department of Education. While the department contends that computer time not required for the certification operation would be efficiently utilized for noncertification functions as part of the departmental management information system and the California Total Educational Information System, we do not anticipate an immediate flood of data to the department because of the information system's slow progress to date. We therefore suggest the department utilize one of the large central computing facilities for the certification project in 1968-69 that should be available in one of the proposed consolidated equipment centers.

While we recognize that the recommendation that the department delay its acquisition of a third generation computer may lengthen the time required to implement the system, we believe that in the long run the delay will be offset in General Fund savings for the department's overall data-processing programs which might not otherwise occur.

General Activities—Continued

5. Division of Special Schools and Services

1967-68	1968-69	Amount	Increase	Percent
\$699,622	\$714,147	\$14,525		2.4

The Division of Special Schools and Services is responsible for the state level administration of special education programs maintained by school districts for mentally retarded and physically handicapped children. In addition, the division administers the state residential schools for deaf, blind and neurologically handicapped children discussed under a separate budget item elsewhere in the analysis. The division contains the following units:

- Bureau for Physically Exceptional Children
- Bureau for Educationally Handicapped and Mentally Exceptional Children
- Clearing House Depository for the Visually Handicapped
- Development Centers for Exceptional Children

General Fund support for the division is proposed in the amount of \$714,147, an increase of \$14,525 above the current level. This includes a sum of \$1,700 in temporary help funds for the Bureau of Educationally Handicapped and Mentally Exceptional Children to meet peak workload requirements. *We recommend approval of the request for a 0.4 temporary help position for an additional General Fund cost of \$1,700.*

Research Projects

Most research projects supervised by the Department of Education are financed by state funds authorized by Chapter 10, Statutes of 1966, and by federal funds authorized by Titles III and V of the Elementary and Secondary Education Act of 1965. These programs are discussed under the budget item for the Office of Compensatory Education. The budget reflects the transfer of two research projects: Advisory Services Desegregation and Coordinating Unit-Occupational Research from the General Activities Budget to the budgets for the Office of Compensatory Education and Vocational Education respectively. A third research project entitled Educational Data Processing has been transferred to the Division of Departmental Administration in accordance with Chapter 1708, Statutes of 1967.

During the current year one education project specialist, a 0.5 intermediate stenographer position and temporary help in the amount of \$2,000 were established administratively for a project entitled Smoking and Health which is designed to analyze the department's role in a statewide program. It is proposed that the positions be continued in the budget year. *We recommend approval of the request for one education project specialist position, a 0.5 intermediate stenographer position and temporary help in the amount of \$2,000 for a total cost of \$19,373 to be financed by federal funds for no increase in General Fund costs.*

**Department of Education
SCHOOL BUILDING AID**

ITEM 76 of the Budget Bill

Budget page 220

**FOR ADDITIONAL SUPPORT OF THE DEPARTMENT
OF EDUCATION GENERAL ACTIVITIES, FROM
THE SCHOOL BUILDING AID FUND**

Amount requested	\$190,700
Estimated to be expended in 1967-68 fiscal year	190,700

Increase	None
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TOTAL RECOMMENDED REDUCTION	None
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GENERAL PROGRAM STATEMENT

Education Code Section 15301 requires the Department of Education's Bureau of School Planning to review plans for school construction in each of the following instances: (1) where the project is in excess of \$5,000 in school districts not governed by a city board of education and (2) where the project involves state or federal moneys, including all facilities constructed under the State School Building Aid Program. A fee of $\frac{1}{20}$ of 1 percent of the total anticipated cost of the project as estimated by the Office of Architecture and Construction is charged to the district for this review. In addition, the bureau is authorized to provide its services on an advisory basis to school districts which are not governed by a city board of education. When advisory services are provided, the districts are required to reimburse for services rendered.

The bureau receives an annual appropriation from the State School Building Aid Fund to offset costs incurred in checking plans for receiving support under the State School Building Aid Program.

ANALYSIS AND RECOMMENDATIONS

In the budget year the Bureau of School Planning's total budget request is \$391,307, of which an estimated \$90,000 will be reimbursed by local districts, resulting in a net total expense of \$301,307. The bureau requests \$190,700 from the State School Building Aid Fund or 63 percent of the net total expenditure, the same percentage anticipated for the current year. *We recommend approval of this amount as budgeted.*

**Department of Education
NATIONAL DEFENSE EDUCATION ACT**

The National Defense Education Act, enacted in 1958, provides financial assistance to local educational institutions to promote educational programs which meet the defense requirements of the United States. Under present provisions the program will terminate on June 30, 1968 unless Congress extends the program. The Bureau of National Defense Education within the Department of Education administers Title IIIa and IIIb of the act which are designed to improve instruction in specific subject matter areas while the Bureau of Pupil Personnel Services within the department administers Title V of the act

National Defense Education Act—Continued

which is concerned with guidance and counseling. Title X (improvement of Statistical Services) is administered by the Bureau of Education Research. The titles of the act and their main purposes are listed below:

Title II. Authorizes loans to pupils in institutions of higher education. General Fund support totals 10 percent of the total cost of the program, with federal funds meeting the balance. The program is administered by the Trustees of the California State Colleges and the 1968-69 budget request for the item is discussed elsewhere in the analysis.

Title III. Originally provided federal assistance for the improvement of instruction of mathematics, science and modern foreign languages. The program has expanded since 1965 to include history, English, reading, geography, economics and civics as relevant instructional areas. Title IIIa provides federal funds matched by local sources for the purchase of equipment and materials useful for instruction and for minor remodeling of laboratories or other space for equipment. Title IIIa subventions are reported in the local assistance portion of the budget. Title IIIb provides grants for the expansion of supervisory services in the public schools for the above subjects; the title also provides support for state level administration of Title IIIa. State and federal funds for Title IIIb are expended for the following purposes:

1. Evaluation processing and approval of federal funds.
2. Studies, reports and dissemination of NDEA project information.
3. Consultant services within the department and to local school districts.

Title IV. Provides funds for graduate study fellowships. The fellowships are not connected with the loans available under Title II nor does the state administer them.

Title V. Provides federal support for the establishment and maintenance of testing, guidance and counseling programs. The existing level of state and local expenditures presently satisfies the federal matching requirements. Federal subventions for this title are found in the subventions portion of the budget. Title V funds are used in California to identify able students and counsel pupils at the elementary, secondary and junior college levels. The title also authorizes the U.S. Commissioner of Education to establish guidance and training institutions with local institutions of higher education. In California the program is administered jointly by the Bureau of National Defense Education and Pupil Personnel Services. Federal fund allotments for Title V in California are expected to amount to \$1,886,782 in 1968-69 which represents a minor decrease below the present level.

Title VI. Authorizes the U.S. Commissioner of Education to arrange with institutions of higher education for the establishment of modern languages instructional centers and instructional centers in related subjects including geography, political history, economics, etc. In California both public and private institutions of higher education participate in the program.

Table 1
National Defense Education Act
Expenditures for Titles III, V and X

	1966-67 (actual)			1967-68 (estimated)			1968-69 (proposed)		
	Federal	State	Local	Federal	State	Local	Federal	State	Local
Title III									
A. Local projects ----	\$5,113,478	--	\$5,113,478	\$3,299,002	--	\$3,299,002	\$3,299,002	--	\$3,299,002
B. State level adminis- tration -----	340,098	\$293,230	--	366,085	\$326,990	--	371,522	\$331,521	--
Title V									
Guidance									
State level -----	138,647	-- ¹	138,647 ²	232,866	-- ¹	232,866 ²	219,309	-- ¹	219,309 ²
Subventions -----	1,924,675	-- ¹	--	2,227,546	-- ¹	--	1,987,544	-- ¹	-- ²
Title X									
Statistical reporting --	30,907	30,907	--	43,587	43,587	--	45,000	45,000	--
Total -----	\$5,623,130	\$320,137	\$5,252,125	\$6,169,086	\$370,577	\$3,531,868	\$5,922,377	\$376,521	\$3,518,331
Grand total, all sources -----		\$11,195,392			\$10,071,531			\$9,817,229	

¹No state funds required.

²Local school district funds at or above matching requirements.

National Defense Education Act—Continued

Title VII. Authorizes the U.S. Commissioner of Education to contract with public and private organizations to research the use of instructional media such as radio, television and motion pictures.

Title VIII. This title was replaced by Title III of the Vocational Education Act of 1963. The program provides federal assistance for area vocational education in California and is discussed in the section devoted to vocational education.

Title IX. Establishes the Science Information Service, National Science Foundation.

Title X. In California this title provides federal funds matched by state funds for the improvement of statistical services of the Bureau of Education Research within the Department of Education.

Title XI. Provides funds for institutions (Training Institutes) to improve the instruction of foreign languages and English taught as a second language, along with English, reading, history, geography, disadvantaged youth, school library personnel, and educational media specialists.

Table 1, based on the budget document, shows the total federal, state and local expenditures for Titles III, V and X for the last completed fiscal year, 1966-67 and includes estimated expenditures for 1967-68 and 1968-69. The estimate for 1968-69 assumes that the act will be extended. However, the table does not reflect 1967 Congressional amendments which changed the funding procedure for Table IIIb and Title X. The amendments will be discussed shortly. Although the local expenditure column for Titles III and V shows only the districts' matching requirements, in actuality district expenses incurred in these programs exceed the matching requirements.

**Department of Education
NATIONAL DEFENSE EDUCATION**

ITEM 77 of the Budget Bill

Budget page 238

**FOR SUPPORT OF NATIONAL DEFENSE EDUCATION ACT,
TITLE IIIb FROM THE GENERAL FUND**

Amount requested -----	\$331,521
Estimated to be expended in 1967-68 fiscal year -----	326,990
Increase (1.4 percent) -----	\$4,531

TOTAL RECOMMENDED REDUCTION ----- None

GENERAL PROGRAM STATEMENT

Title III, Improvement of Instruction, contains two parts, Title IIIa and Title IIIb, which are described below:

Title IIIa provides federal funds to the Department of Education for reimbursements to school districts for the purchase of equipment and for minor remodeling expenses connected with the installation of new equipment. The purpose of the program is to improve instruction in a variety of fields such as English, reading, science and mathematics. It is estimated that California will receive approximately \$5.2 million for Title IIIa in 1967-68. Table 2 indicates the number of Title IIIa projects and the amount of federal funds approved as of April 14, 1967.

National Defense Education—Continued

Title IIIb provides funds for the state level administration of Title IIIa and it provides federal assistance for the expansion of supervisory services to improved instruction in the aforementioned subject matter areas, and for the production of instructional materials at the local level. Presently both Title IIIa and Title IIIb are administered by the Bureau of National Defense Education within the Department of Education.

ANALYSIS AND RECOMMENDATIONS

General Fund support for Title IIIb is proposed at \$331,521 which represents an increase of \$4,531 over the current level. The budget reflects the deletion of 11 temporary help positions costing \$56,903 offset by an identical increase in operating expenses for instructional materials and services. Federal support for the program, which is reflected in the budget, is set at \$371,522, an increase of \$5,437 over the current level.

Prior to 1967 there existed a separate federal appropriation for support of Title IIIa, Title IIIb and for Title X (Improvement of Statistical Services, to be discussed shortly). However, we understand that the 1967 Congress modified the funding arrangement by requiring that funding for the administration and program supervision activities of Title III be charged to both the National Defense Education Act and Title V of the Elementary and Secondary Education Act, and required that Title X activities be charged to Title V of the Elementary and Secondary Education Act. As of January 23, 1967 the Department of Education had not yet received official notice regarding the details of the new funding arrangement for 1967-68.

In 1967 the Department of Education published a report entitled *The Impact in California of NDEA Titles III, V and VII*. Our observations regarding the findings of the report related to Title III are summarized below.

1. NDEA Title IIIa has been successful in assisting school districts to purchase equipment and materials and for minor remodeling of laboratories and other space for equipment in the schools. This can be illustrated by the number of NDEA projects approved and the amount of NDEA Title IIIa funds encumbered by subject area as illustrated in Table 3 for fiscal years 1958-59 through 1964-65.

Table 3 indicates that the largest amount of funds was allocated for science projects while the smallest amount of money was allocated for mathematics improvement programs during the period. The table also indicates that the numbers and types of projects remained relatively constant during the period.

Table 2

National Defense Education Act
Number of NDEA IIIA Projects and Federal Funds Approved by Subject Area
(1966-67 Projects From Lists of Approved Projects as of April 14, 1967)

<i>Subject</i>	<i>Number of projects approved</i>				<i>Federal funds approved</i>			
	<i>Elementary</i>	<i>Secondary</i>	<i>Junior college</i>	<i>Total</i>	<i>Elementary</i>	<i>Secondary</i>	<i>Junior college</i>	<i>Total</i>
Science -----	215	220	120	555	\$414,475	\$619,821	\$561,274	\$1,595,570
Mathematics -----	84	59	6	149	115,064	74,680	9,301	199,045
Foreign language -----	192	111	17	320	274,656	257,305	60,765	592,726
Reading -----	164	50	7	221	448,817	96,455	11,975	557,247
English -----	41	89	17	147	72,177	121,902	43,129	237,208
History -----	28	56	5	89	47,747	88,229	8,216	144,192
Geography -----	98	18	2	118	201,466	15,335	1,165	217,966
Civics -----	5	10	2	17	3,830	9,186	1,292	14,308
Economics -----	5	2	2	9	5,986	1,476	520	7,982
Combination -----	320	168	43	531	986,388	428,895	174,686	1,589,969
Grand totals -----	1,152	783	221	2,156	\$2,570,606	\$1,713,284	\$872,323	\$5,156,213

Table 3

Number of NDEA Title III Projects Approved, and Amount of NDEA Title III Funds Encumbered,
by Subject Area, for California School Districts, for Fiscal Years 1958-59 Through 1964-65

<i>Fiscal year</i>	<i>Science</i>		<i>Mathematics</i>		<i>Modern foreign language</i>		<i>Combination</i>		<i>All</i>	
	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
1958-59	378	\$1,097,988	78	\$132,848	177	\$684,537	60	\$336,501	693	\$2,251,874
1959-60	531	1,778,966	137	203,211	208	812,082	37	322,146	913	3,116,405
1960-61	617	1,431,102	159	213,658	267	873,833	31	193,959	1,074	2,712,552
1961-62	605	1,460,750	154	222,393	288	837,064	52	193,033	1,099	2,713,245
1962-63	580	1,714,969	151	240,566	306	787,704	39	166,698	1,076	2,909,937
1963-64	895	3,175,326	325	598,540	530	1,391,560	160	883,206	1,910	6,048,632
1964-65	790	2,533,620	276	375,728	391	732,802	17	86,989	1,474	3,729,140
Total	4,396	\$13,192,721	1,280	\$1,986,945	2,167	\$6,119,582	396	\$2,182,537	8,239	\$23,481,785

National Defense Education—Continued

Table 4

Average Encumbrance of NDEA Title III Funds per Approved Project, by Subject Area, for Fiscal Years 1958-59 Through 1964-65

<i>Fiscal year</i>	<i>Science</i>	<i>Mathematics</i>	<i>Modern foreign language</i>	<i>Combination</i>	<i>All</i>
1958-59 -----	\$2,905	\$1,703	\$3,867	\$5,608	\$3,249
1959-60 -----	3,350	1,483	3,904	8,707	3,413
1960-61 -----	2,319	1,344	3,273	6,257	2,526
1961-62 -----	2,414	1,444	2,906	3,712	2,469
1962-63 -----	2,957	1,593	2,574	4,274	2,704
1963-64 -----	3,548	1,842	2,626	5,520	3,167
1964-65 -----	3,207	1,361	1,874	5,117	2,530
Average -----	\$3,001	\$1,552	\$2,824	\$5,511	\$2,850

2. The average incumbrance of NDEA funds per approved project by subject average totaled less than \$3,000 during the period as indicated by Table 4. This relatively low figure combined with the broad scope of the program makes it virtually impossible to relate the expenditure of the Title III funds to improved pupil achievement levels.

3. Although school districts which participated in the Title III program during the period reported that Title III funds were appreciated and resulted in improved programs, there is little objective data available based on pupil achievement scores to document this contention. The Department of Education requested school districts that had participated in the program during the period to respond to a questionnaire requesting information regarding the effect of Title III program on local programs. One of the questions asked for objective evaluative data. The results are shown in Table 5.

Table 5

Percent of Districts Responding 1

	<i>Mathematics</i>	<i>Science</i>	<i>Modern foreign language</i>
No objective evaluation data reported --	93	96	98
Objective evaluation data reported -----	7	4	2

¹ A total of 443 districts responded to the mathematics questionnaire, 658 responded to the science questionnaire and 682 responded to the modern foreign language questionnaire.

We understand that House of Representatives Bill 6232 and Senate Bill 1126 propose to extend the National Defense Education Act for five years and would extend eligibility for participation in the Title III program to all subjects in the curriculum. If the 1968 Congress does extend the act and broaden the eligibility for participation resulting in the establishment of even more small and unrelated projects, it will become even more difficult to develop state level procedures for evaluating the program's effectiveness.

Policy Option

Consideration could be given to the establishment of legislative guidelines for the allocation of Title IIIa and IIIb funds in 1968-69 and thereafter to ensure that projects funded under the program are of a sufficient size to be evaluated and that the Department of Education

National Defense Education—Continued

establishes state level evaluation procedures which will relate the expenditure of funds for projects to improvements in the achievement levels of pupils. These guidelines should also ensure that Title III expenditures are coordinated with other state and federal categorical aid programs. We believe that it is an appropriate time for the enactment of such legislation in view of the fact that the program is presently undergoing a period of transition at the national level.

Title V

Title V (Guidance and Counseling) is administered by the Bureau of Pupil Personnel Services within the department. No General Fund support is budgeted for the program since current expenditures from state and local sources satisfy the matching requirements of the federal law. In 1967-68 it is estimated that California will receive approximately \$1.9 million under Title V.

The 1967 report entitled The Impact in California of NDEA Titles III, V and VIII reports that school districts participating in the Title V program reported the following improvements in local programs resulting from NDEA Title V support.

1. Improvement in coordination of district guidance personnel and state personnel efforts in accomplishing guidance objectives (mentioned by 58 percent of respondents)

2. Improvement in the general strength of district guidance and counseling programs (mentioned by 53 percent of respondents)

3. Increase in the average amount of time spent by counselors with the student in guidance and counseling (mentioned by 49 percent of respondents)

4. Improvement in competence of district guidance personnel (mentioned by 46 percent of respondents)

5. Improvement in the structure of district guidance and counseling program (mentioned by 46 percent of respondents)

It is interesting to note that most of the factors to which relatively few respondents attributed improvement to NDEA Title V assistance related to the coordination of school guidance programs with the activities of other educational and social agencies.

**Department of Education
NATIONAL DEFENSE EDUCATION**

ITEM 78 of the Budget Bill

Budget page 240

**FOR SUPPORT OF NATIONAL DEFENSE EDUCATION, TITLE X
FROM THE GENERAL FUND**

Amount requested	\$45,000
Estimated to be expended in 1967-68 fiscal year	43,587
Increase (3.2 percent)	\$1,413

TOTAL RECOMMENDED REDUCTION..... None

GENERAL PROGRAM STATEMENT

Title X, Improvement of Statistical Services, provides federal assistance to improve the statistical services of the Bureau of Education

National Defense Education—Continued

Research within the Department of Education. The funds are used to augment existing departmental expenditures for improving the collection of educational data and to support the development of accounting and reporting manuals.

ANALYSIS AND RECOMMENDATIONS

A sum of \$45,000 in General Funds is budgeted for the Title X program in 1968-69. As mentioned previously in the discussion of Title III, we understand that federal support for Title X will be financed by the appropriation for Title V of the Elementary and Secondary Education Act of 1965. *We recommend approval of the program as budgeted.*

Department of Education

ELEMENTARY AND SECONDARY EDUCATION ACT

ITEM 79 of the Budget Bill

Budget page 242

FOR SUPPORT OF THE OFFICE OF COMPENSATORY
EDUCATION
FROM THE GENERAL FUND

Amount requested	\$261,530
Estimated to be expended in 1967-68 fiscal year	260,574
Increase (0.4 percent)	\$956

TOTAL RECOMMENDED INCREASE	\$2,238
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Summary of Recommended Increases

	Amount	Budget	
		Page	Line
Bureau of Preschool Education:			
Add 1 budget analyst	\$8,952	244	28
General Fund	\$2,238	245	47
Federal funds	6,714	245	48

GENERAL PROGRAM STATEMENT

Elementary and Secondary Education Act of 1965

The Department of Education administers several state and federal programs designed to improve instructional quality in the public schools for both the disadvantaged and nondisadvantaged pupil. The following analysis of the Elementary and Secondary Education Act of 1965 and of the Office of Compensatory Education also contains a discussion of the major state compensatory education programs which are closely related to the federal program. Many of the state programs discussed, such as the Unruh Preschool Program and the McAteer Act, do not appear under this budget item but appear in the local assistance portion of the budget.

The Elementary and Secondary Education Act of 1965 (PL 89-10), provides federal financial assistance to improve the overall quality of education in the public schools but with particular emphasis on disadvantaged pupils. Based on the 1967-68 allocation California will receive approximately \$115 million in 1968-69 for the support of six major programs financed by the act. Table 1 identifies the seven titles of the act and shows California's estimated authorization for each in 1968-69.

Elementary and Secondary Education Act—Continued

Table 1

Elementary and Secondary Education Act of 1965

<i>Program</i>	<i>California's 1968-69 allocation (millions)</i>
Title I—Aid to Children of Low-Income Families	
School district programs (includes programs for delinquent and neglected youth in local institutions)-----	\$77.99
Children of migratory farm workers-----	6.15
Handicapped children in state schools and hospitals-----	.88
Delinquent youth in state institutions-----	.89
Subtotal-----	\$85.91
Title II—School Library Resources-----	\$9.33
Title III—Supplementary Educational Centers and Services-----	16.30
Title IV—Educational Research and Training-----	--
Title V—Strengthening State Departments of Education-----	1.90
Title VI—Education of Handicapped Children-----	1.20
Title VII—Bilingual Education Programs-----	--
Total-----	\$114.64

A brief description of the purposes of each title and a summary of major 1967 congressional amendments follow:

Title I. Provides federal grants to school districts and other public agencies for the establishment of compensatory education programs for disadvantaged children of low income families. Private school pupils may participate in the program through shared services arrangements with the public schools.

1967 Congressional Amendments. Authorizes full funding of special programs for children of migratory farm workers, handicapped children and delinquent youth. Extends services to additional Indian children. Program extended through fiscal 1970.

Administration. Rests with State Board of Education through Office of Compensatory Education.

Title II. Provides federal grants to school districts for the purchase of library materials and audio-visual equipment. Shared services arrangements with public schools are authorized for private school children.

Administration. Rests with State Board of Education through Bureau of National Defense Education and Bureau of Audio-Visual and School Library Education.

Title III. Provides federal grants to county offices of schools and school districts for regional planning activities, for the establishment of supplementary educational centers, and for the implementation and dissemination of innovative educational programs. Title III supplement provides funds for adult basic education programs formerly supported by Title IIb of Economic Opportunity Act.

1967 Congressional Amendments. Authorizes state level administration of program commencing in 1968-69. Requires formulation of State Plan and establishment of State Advisory Council. Earmarks 15 percent of funds for programs for handicapped pupils.

Elementary and Secondary Education Act—Continued

Administration. Administered by U.S. Office of Education. Bureau of Program Planning within department provides limited state level supervision.

Title IV. Authorizes grants for construction of regional educational research facilities and supports programs of basic educational research.

Administration. No state level administration. Program is directly administered by U.S. Office of Education.

Title V. Provides funds to Departments of Education for research projects, state level planning and the augmentation of departmental staff for the improvement of educational services offered the public schools.

1967 Congressional Amendments. Appropriation for National Defense Education Act Title IIIb (Improvement of Instruction—Supervision) and Title X (Improvement of Statistical Services) incorporated into Title V of Elementary and Secondary Education Act.

Administration. Rests with State Board of Education.

Title VI. Provides federal grants to school districts for handicapped children, including mentally retarded, hard of hearing, deaf, speech-impaired, visually handicapped, emotionally disturbed, crippled and other health-impaired pupils.

1967 Congressional Amendments. Authorizes the establishment of model centers for deaf and blind children. Authorizes allotment to Department of Interior for programs for handicapped Indian children.

Administration. Division of Special Schools and Services within Department of Education.

Title VII. New title Bilingual Education Programs authorizes federal grants for programs for children having limited English-speaking ability.

Administration. Not yet determined.

**FEDERAL PROGRAMS AND RELATED STATE
PROGRAMS ADMINISTERED BY OFFICE
OF COMPENSATORY EDUCATION**

Compensatory Education Program Supported by Federal Funds

(Title I—Compensatory Education)

Objectives of the Program

The purpose of Title I is to improve the educational opportunities of educationally disadvantaged children in poverty. Title I funds are used to supplement the regular school program through reductions in the ratio of pupils to teachers, the establishment of special reading programs, improved guidance and counseling services, etc. The end objective of the program is to improve the motivation and achievement levels of disadvantaged pupils so that they will complete their public school education and become productive members of society.

Target Group

The act defines "children from low-income families" as children from families with less than \$3,000 income, plus children in families receiving public assistance. In practice the family income criterion which is used in the allocation of funds for 1967-68 is \$2,000.

Elementary and Secondary Education Act—Continued
Measuring the Benefits

Ultimately one of the major objectives of Title I is to break the cycle of poverty. In order to assess the effectiveness of Title I in meeting this objective we need estimates of the relationship between Title I expenditures and the expected future incomes of poor children. A secondary but no less important benefit will be to improve the overall quality of education for all pupils in the public schools. It will take at least a decade to obtain even preliminary indications of the impact of Title I on the earning potential of children now in elementary school. Until such data are available we must use interim measures of the educational progress of disadvantaged children such as improved academic performance, a reduction in dropout rates and improved attitudes toward school which presumably are correlated to future earnings potential.

While it is too soon to assess the overall impact of the Title I program either nationally or in California, the evidence indicates that California's Title I program is one of the more effective programs in the nation. We believe that this is the result of the enactment of the McAtteer Act, Chapter 1248, Statutes of 1965, which established policy guidelines for allocation of the federal funds, and the state level administration of the program which has emphasized the establishment of comprehensive programs.

The Title I program is the only program administered by the State Department of Education for which an annual evaluation is performed and a comprehensive report issued. Due to the critical importance of this program, we are summarizing the *Annual Evaluation Report, Compensatory Education in California 1966-67* below. Table 2 summarizes the amount of Title I funds received by school districts in 1966-67.

Table 2
Title I—Elementary and Secondary Education Act
(1966-67)

<i>Purpose</i>	<i>California's allocation (millions)</i>
School District Programs-----	\$73.6
Children of Migrant Agricultural Workers-----	1.4
Handicapped Children in State Schools and Hospitals-----	.4
Delinquent Youth in State Institutions-----	.2
Delinquent Youth and Neglected Youth in Local Institutions-----	.8
Total -----	\$76.4

California's allocation of \$76.4 million in 1966-67 represented a decrease of about \$5 million below the amount available in 1965-66. Of this sum of \$76.4 million an amount of \$2.8 million was allocated for a variety of special purpose programs for delinquent youth and for children of migratory agricultural workers while the balance of \$73.6 million was allocated to school districts for continuing programs in compensatory education.

In 1966-67 a total of 372,146 pupils representing roughly half of the disadvantaged pupil population participated in compensatory education programs maintained by school districts, comprised of 356,006 in public schools and 16,140 in private schools. This represented an increase from the 289,382 pupils who participated in 1965-66. The increase in the

Elementary and Secondary Education Act—Continued

number of participating pupils coupled with the reduction in California's allocation resulted in a reduction in the amount of federal funds approved per pupil to \$190 in 1966-67 from \$252 in 1965-66. Table 3 illustrates the number of pupils who participated in Title I programs in both the public schools and private schools by grade level in 1966-67.

Table 3
Number of Students Participating in Title I Programs, 1966-67

Grade	Public	Nonpublic	Total	Percent Public	Percent Nonpublic
P -----	5,296	218	5,514	96.04	3.95
K -----	28,739	56	28,795	99.80	.19
1 -----	40,485	1,417	41,902	96.61	3.38
2 -----	40,489	1,785	42,274	95.77	4.22
3 -----	36,343	1,730	38,073	95.45	4.54
4 -----	30,277	1,836	32,116	94.28	5.71
5 -----	28,658	1,502	30,160	95.01	4.98
6 -----	27,539	1,225	28,764	95.74	4.25
7 -----	24,797	1,757	26,554	93.38	6.61
8 -----	22,535	1,512	24,047	93.71	6.28
9 -----	23,262	528	23,790	97.78	2.21
10 -----	19,258	909	20,167	95.49	4.50
11 -----	15,780	836	16,616	94.96	5.03
12 -----	12,548	829	13,377	93.80	6.19
Total ---	356,006	16,140	372,146	95.66	4.33

Of the total number of pupils enrolled in compensatory education programs maintained by the public schools 1.4 percent were in pre-school programs, 41.1 percent were in kindergarten and primary grade programs, 24.3 percent were in the remaining elementary grades, 19.8 percent were enrolled in junior high school programs, and 13.4 percent were enrolled in high school programs. The figures indicate that school districts are emphasizing special programs for disadvantaged pupils in the elementary grades thereby complementing the state programs which encourage reduction in class sizes and authorize reading programs for children in such grades.

Table 4, reproduced from the publication *Compensatory Education in California*, depicts the types and percentages of primary Title I activities maintained by California's school districts in 1966-67.

The Office of Compensatory Education reports that the majority of activities receiving greatest emphasis, curriculum programs, attempted to raise achievement in the subject skills areas of reading and basic communications skills. A reduction in teacher load accounting for eight percent of the primary activities was the second most heavily emphasized area. The most prevalent method of reducing teacher load was through the employment of teacher aides followed by the employment of additional elementary grade teachers. The office reports a shift in program emphasis between 1965-66 and 1966-67 with additional emphasis placed on curriculum programs and reduced emphasis on cultural enrichment, auxiliary services and reduction of teacher load. The number and types of personnel hired by school districts with Title I funds in 1966-67 depicted in Table 5 indicates the wide variety of programs for the disadvantaged maintained during the past year.

Elementary and Secondary Education Act—Continued

Table 4

Distribution of Types and Frequency of ESEA Title I

Primary Activities, 1966-67

<i>Type of primary activity</i>	<i>Number of activities</i>	<i>Percent of activities</i>
Curriculum programs -----	640	57.2
Reduction of teacher load -----	90	8.0
Cultural enrichment -----	71	6.3
Guidance and counseling -----	60	5.3
Supportive auxiliary services -----	55	4.9
Preschool -----	40	3.5
Inservice education -----	39	3.4
Study centers and tutoring -----	30	2.6
Attitude development -----	29	2.5
Health services -----	20	1.7
School community coordination -----	15	1.3
Attendance improvement -----	11	.9
Miscellaneous -----	6	.5
Dropout projects -----	5	.4
Summer school -----	3	.2
Intergroup relations -----	2	.1

Table 5

Number of Positions Supported by ESEA Title I Funds, 1966-67

<i>Positions</i>	<i>Full time</i>	<i>More than half-time, less than full-time</i>	<i>Half-time or less</i>	<i>Total</i>
<i>Teaching</i>				
Teacher—prekindergarten -----	207	30	60	297
Teacher—kindergarten -----	111	4	20	135
Teacher—remedial reading -----	985	71	261	1,317
Speech correctionist -----	29	7	30	66
Teacher of the handicapped -----	42	3	37	82
Elementary teacher -----	633	112	1,003	1,748
Secondary teacher -----	624	68	275	967
Other teaching assignments not listed above -----	205	41	570	816
Total teaching -----	2,836	336	2,256	5,428
<i>Nonteaching</i>				
Teacher aide -----	1,412	934	1,928	4,274
Librarian -----	140	26	92	258
Supervisor or administrator -----	170	33	289	492
Counselor -----	268	16	124	408
Psychologist -----	54	12	112	178
Testing assignment -----	20	2	34	56
Social work assignment -----	50	11	27	88
Attendance assignment -----	42	5	22	69
Nurse -----	115	25	118	258
Dental hygienist -----	4	1	10	15
Clerical position -----	754	116	349	1,219
Volunteer -----	81	113	6,350	6,544
Other -----	252	37	598	887
Total nonteaching -----	3,362	1,331	10,053	14,746
Grand total -----	6,198	1,667	12,309	20,174

Elementary and Secondary Education Act—Continued
Evaluation

The Office of Compensatory Education reports that generally the achievement rate of pupils in Title I projects increased in 1966-67 as measured by objective achievement tests and that the rates of gain generally exceeded 1965-66 experience, when the program was operative for only four months. Despite substantial gains the office reports that the majority of pupils in Title I programs still fall in the first quartile on achievement tests indicating the magnitude of the problem. Some of the office's more significant findings based on 1966-67 experience are summarized below.

1. The greatest progress in achievement was observed in districts which maintained comprehensive programs concentrating on a few selective objectives. "Projects which attempted through a single activity—such as field trips or arts and crafts . . . to overcome the learning problems caused by poverty usually failed to result in demonstrable achievement gains."

2. Achievement gains tended to be greatest in the elementary grades 1-5. The least amount of growth was at the high school level where some of the districts reported gains of less than one month per month of instruction.

3. Greatest achievement gains were made in medium sized urban school districts and the least demonstrable gains were made in rural areas. Medium size districts generally received sufficiently large Title I allocations to support comprehensive programs but had smaller concentrations of disadvantaged pupils with less serious problems than did the largest districts. On the other hand rural districts tended to have smaller allocations with disadvantaged children spread over a wide geographical area. Such districts tended to spend less per Title I pupil and tended to lack qualified personnel to evaluate their programs.

4. It was previously noted that one of the districts' primary areas of emphasis was the improvement of reading achievement levels. Last year the Legislature, on our recommendation directed the Office of Compensatory Education to submit a report to the Joint Legislative Budget Committee regarding the effectiveness of various types of reading programs. The report entitled *Remedial Reading for Disadvantaged Students* summarized the characteristics of the projects which made the greatest gains.

- a. Generally pupils in such projects received instruction from a remedial reading specialist.
- b. The programs included extensive diagnostic services to identify causes of reading and/or learning deficiencies and specify recommended techniques.
- c. The pupil-teacher ratio during remedial reading instruction was five to one or lower.
- d. Projects used more than one instructional method including phonics training, creative writing and linguistic approaches.

Elementary and Secondary Education Act—Continued

- e. The students received instruction in a room specifically organized for remedial reading instruction.
- f. The districts which received either a "substantial progress" or "moderate progress" rating by the Office of Compensatory Education in raising reading achievement levels spent more money per pupil than other districts with less successful programs. In a sample of districts maintaining effective reading programs the average expenditure per pupil was \$252 for reading instruction compared to the statewide figure of \$190 per student for all Title I activities.

Problem Areas

1. Lack of Qualified Personnel. An inadequate supply of qualified personnel, especially specialists such as reading teachers and school-community liaison workers, continue to be a major problem. To resolve this problem schools attempted to train existing employees and made extensive use of teacher and clerical aides.

2. In-Service Training. It is apparent that local programs of in-service training for instructors of disadvantaged children (and for regular school teachers) must be strengthened. The office reports that although in-service training is required of all school districts maintaining Title I compensatory education programs, only 50.4 percent of the school districts reported in-service training as part of their 1966-67 projects. Moreover, school district reports indicated that few administrators, less than three percent of the total personnel participating in a sample of in-service training programs, and teacher aides, received such training. In addition "there was continuing evidence that many teachers in compensatory education schools are not aware of the purposes of the specialized programs for disadvantaged pupils."

Project Sear

In 1967 the Office of Compensatory Education in cooperation with the Lockheed Missiles and Space Company performed a study (Project Sear) to explore the impact of compensatory education programs on neighborhood problems and to ascertain some of the strengths and weaknesses in existing compensatory education programs. Some of the more significant findings are listed below.

1. A prime source of difficulty is an expression of prejudice by a new staff member in a target school, a lack of understanding or cultural differences, an inability to maintain classroom control, and a lack of diagnostic skills to identify learning problems.

2. There has been a breakdown in school community relations. School boards do not effectively transmit local needs to the schools or the results to the people. New communications links are possible through the employment of teacher aids, teacher home visits and parental involvement.

3. Interaction with police presents the greatest potential for "trigger events." Police action is often perceived as a mistreatment by minority groups. The school is seen as a central force which has the opportunity

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to bring together community agencies and the population intended to be serviced so that mutual understanding is possible.

4. Disappointment with the school's education and noneducation program is a major tension element. The school program should be broadened to include more preschool, more vocational education, more adult education programs and more extracurricular activities to serve a broader range of neighborhood needs.

5. The design and administration of school programs need improvement. More courses are needed to relate basic skills to vocational needs, to improve achievement levels and to improve the individuals self-image.

6. The schools may be both major sources of tension and frustrations and promising vehicles for improvement of neighborhood stability.

7. The most important contribution that the schools and the Office of Compensatory Education can make to alleviate urban tension is to improve the effectiveness of school personnel working in poverty areas.

8. The schools should expand their extracurricular activities to meet the social and recreational and cultural needs of the community.

9. Pupils in compensatory education programs should be made more aware of the relevance of basic skills acquired in the classroom to the requirements of employment.

10. More activities to improve ethnic and racial relations should be included in compensatory education programs.

11. Improved evaluative instruments are needed to measure student progress in compensatory education programs.

12. The report noted that the most frequently cited reason for the failure of the school to influence neighborhood youth positively was a poor relationship between students and teachers. Administrators and teachers were in many cases believed to be ill-equipped to teach disadvantaged pupils.

Compensatory Education Programs Supported by State Funds**A. McAteer Act Projects for Research and Teacher Education****Objectives of the Program**

The McAteer Act enacted by the 1965 Legislature authorizes state support for a variety of research projects and demonstration projects involving teacher education and in-service training which are designed to improve the quality of the statewide program of compensatory education. The subventions part of the budget contains a sum of \$1 million for the support of this program in the budget year. Table 6 illustrates the amount of money approved and the number of projects established since the program began in 1965-66.

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Table 6
Amount of General Funds Approved and Number of Projects
Established Under McAteer Act, 1965-66 to 1967-68

<i>Year</i>	<i>No. of projects</i>	<i>Amount</i>
1965-66 -----	13	\$855,316
1966-67 -----	16	1,356,024
1967-68 -----	7	994,929
Total -----	36	\$3,206,269

Table 7 indicates the amount of money that has been allocated to the California private agencies, school districts and the University of California for research and teacher education programs.

Table 7
Allocation of Funds by Institutional Level for Research and Teacher
Education Programs, 1965-66 to 1967-68

<i>Institutional level</i>	<i>Amount</i>	<i>Percent of total</i>
California State Colleges		
San Francisco -----	\$876,500	46.6%
Los Angeles -----	106,626	
San Diego -----	146,370	
Fresno and Stanislaus -----	15,000	
San Fernando Valley -----	323,876	
Dominguez Hills -----	24,500	
Private Agency		
Mental Research Institute, Palo Alto	\$35,082	1.1
School Districts		
Pasadena -----	\$561,210	17.5
Enterprise -----	29,887	
University of California		
Berkeley -----	\$187,312	34.8
Riverside -----	641,979	
Los Angeles -----	257,927	
Total -----	\$3,206,269	100.0%

As indicated by Table 7 the state colleges and the University of California have received the bulk of the funds thus far allocated for the program. These percentages have not changed appreciably during the period and are about the same for projects financed in the current year.

Table 8 indicates the specific purposes for which money has been spent during the period 1965-66 to 1967-68.

<i>Purpose</i>	<i>Amount</i>	<i>Percent</i>
Establish new teacher training curricula or modify existing curricula -----	\$1,262,896	39.4 %
Research and consultative work projects (i.e., patterns of parent involvement in development of preschool children, attitudes of school and community personnel, etc.) -----	859,589	26.8
Research and development work and dissemination of findings regarding compensatory education programs -----	809,989	25.6

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Table 8—Continued

<i>Purpose</i>	<i>Amount</i>	<i>Percent</i>
Preparation of teachers in techniques and skills required to cope with problems of disadvantaged children -----	273,795	8.2
Total -----	\$3,206,269	100.0%

Measuring the Benefits

We do not believe that we can accurately assess the accomplishments of the McAteer Act program at this time inasmuch as we have not yet seen any objective evaluative information which relates an improvement in the achievement levels of disadvantaged pupils to the types of projects financed by the program. Nor do we know how many institutions of higher education in the state, not participating in the program, have either modified or improved their teacher training curricula as a result of the participation of other institutions in the program. However, we do believe that a larger percentage of the money available under this program should be allocated for in-service training programs for teachers and to provide teachers with the basic skills and techniques required to improve the achievement levels of disadvantaged children. The annual evaluation of the compensatory education program in California for 1966-67 indicated that in-service training programs and the instruction of basic teaching skills must be strengthened.

B. Chapter 106, 1966 Statutes (Senate Bill 28)

Objectives of the Program

The major objective of this program is to ultimately improve the classroom performance of both disadvantaged pupils and pupils enrolled in the regular school program. The program authorizes state grants to school districts for two purposes; to reduce the pupil teacher ratio in designated poverty schools to a level of 25:1 in the elementary grades and to promote the establishment of special reading and mathematics programs in grades 7-9. To a large degree the program supplements the services provided by Title I.

Presently 41 school districts are participating in the teacher employment program providing a reduction in the pupil-teacher ratio for 130,000 pupils. The state cost of this program is approximately \$7 million per year. On the average the program has enabled these districts to reduce the pupil-teacher ratio by five students per teacher through the employment of 700 teachers and teacher aides. The program is also supporting 27 special projects in reading and mathematics in grades 7-8 at a cost of \$3 million per year.

Table 9 illustrates the school districts participating in the demonstration program in 1967-68.

Table 9

Statistical Summary of SB 28 Demonstration Projects

<i>Eligible school districts</i>	<i>Projects</i>	<i>Amount</i>	<i>Grades</i>
Alameda County			
Berkeley -----	Reading -----	\$133,543	7, 9
Oakland Unified -----	Reading and Math ---	210,633	7, 8, 9

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Table 9—Continued

Statistical Summary of SB 28 Demonstration Projects

<i>Eligible school districts</i>	<i>Projects</i>	<i>Amount</i>	<i>Grades</i>
Contra Costa County			
Richmond Unified -----	Reading -----	57,141	8, 9
Fresno County			
Fresno City Unified -----	Reading and Math ---	24,315	7, 8
Kern County			
Bakersfield City Elementary -----	Reading and Math ---	18,359	7
Kern County Joint Union High -----	Reading -----	28,794	9
Los Angeles County			
Compton Union High -----	Math -----	53,122	8
El Monte Elementary -----	Reading and Math ---	4,041	7, 8
El Monte High -----	Math -----	17,482	9
Garvey -----	Reading and Math ---	32,855	7, 8
Los Angeles City -----	Math -----	248,000	7, 8, 9
Long Beach Unified -----	Reading and Math ---	243,474	8, 9
Monrovia Unified -----	Reading -----	24,698	7, 8
Pasadena Unified -----	Reading and Math ---	60,481	7, 8, 9
Marin County			
Sausalito -----	Math -----	31,887	7, 8
Tamalpais Union High -----	Math -----	37,471	9
Riverside County			
Riverside Unified -----	Reading and Math ---	190,505	7, 8
Sacramento County			
Sacramento City Unified -----	Reading and Math ---	123,399	7, 8, 9
San Bernardino County			
Colton Joint Unified -----	Reading and Math ---	76,955	7, 8
Redlands Unified -----	Reading -----	25,103	7, 8
San Diego County			
San Diego Unified -----	Reading -----	199,481	7, 8, 9
Sweetwater -----	Reading -----	36,315	7, 8, 9
San Francisco County			
San Francisco Unified -----	Reading and Math ---	501,890	7, 8, 9
San Joaquin County			
Stockton Unified -----	Math -----	57,731	7, 8, 9
Santa Barbara County			
Santa Barbara -----	Reading -----	141,680	7, 8, 9
Santa Clara County			
San Jose Unified -----	Reading and Math ---	220,117	8, 9
Solano County			
Vallejo Unified -----	Reading -----	22,456	7, 8, 9
Totals			
Districts participating: 27 -----	Reading: 9 -----	\$2,821,928	7th: 20
	Math: 6 -----		8th: 22
	Reading and Math: 12 -----		9th: 17

Measuring the Benefits

Inasmuch as the ultimate objective of the teacher employment aspects of this program is closely related to the objectives of Title I, that is to break the cycle of poverty, it will be a long time before the level of expenditures for the teacher employment component can be related to the future incomes of poor children. However, it is quite possible that within another year the results of the special projects in reading and mathematics can be assessed in terms of improved achieve-

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ment levels. In this case the Office of Compensatory Education will be able to suggest more efficient methods of allocating limited state and local resources to improve the academic performance of both the advantaged and disadvantaged child.

C. Unruh Preschool Program

There are four major programs which provide state and/or federal supported preschool services for children of low income families. These are the Unruh Preschool Act (Chapter 1248, 1965 Statutes), Title I of the Elementary and Secondary Education Act of 1965; Operation Headstart, financed under provisions of the Economic Opportunity Act of 1964; and the state-funded children's centers. Table 10 shows the number of children enrolled in these programs in 1967-68 and indicates the source of funding for each.

Table 10
Preschool Programs

Program	Number of pupils 1967-68	Sources of Support		
		State	Federal	Local
Unruh Preschool -----	14,044	\$3,687,595	\$11,062,784	---
ESEA Title I -----	4,000	---	4,000,000	---
Operation Headstart --	25,000	---	21,000,000	\$4,000,000
Children's centers -----	8,500	4,900,000	---	2,000,000 ¹

¹ Does not include parent fees totaling \$1.7 million.

The program under the Unruh Act provides educational services to children aged three to five who are receiving Aid to Families with Dependent Children and to children from "potential recipient families," families who either received assistance during the last year or who appear likely to receive it during the next five years. The program is jointly administered by the State Departments of Education and Social Welfare under the terms of a contractual arrangement between the two agencies. Both public and private nonprofit agencies are eligible to participate in the program.

Until 1968-69 the cost of local preschool projects were financed from a combination of state and federal funds under a matching formula of three federal dollars for each General Fund dollar. The administration proposes to shift 10 percent of the state's share to county governments in 1968-69 by requiring that the state, counties and federal government finance 15 percent, 10 percent and 75 percent respectively of the total program cost. Table 11 depicts the numbers of projects established, enrollment and expenditures for the program from 1965-66 to 1968-69.

Table 11

Fiscal year	No. of projects	Enrollments	Expenditures
1965-66 -----	25	6,764	\$4,440,931
1966-67 -----	98	12,051	12,164,916
1967-68 (Est.) -----	125	14,044	14,750,379
1968-69 (Est.) -----	125	13,750	15,300,000

Measuring the Benefits

It is difficult to assess the degree of the program's effectiveness due to the fact that there is at this time no evaluative tool to measure a

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child's preschool progress which is generally accepted by experts as effective; and there is no operational plan for the followup of preschoolers. The Peabody Picture Vocabulary Test, however, is being administered to pupils in 30 preschool programs in 1967-68 on our recommendation last year that a standardized evaluative technique be implemented by the Bureau of Preschool Education. The testing instrument will be used to compare the growth in preschoolers enrolled in local programs compared to the normal growth expected in preschool youth within the general population. Moreover, the Bureau of Preschool Education is also planning the development of a followup tool and procedure to ascertain if graduates of preschool programs sustain their growth or lose it in the primary grades.

Per-Pupil Cost of Program

The per-pupil cost of the Unruh Preschool Program in 1967-68 is estimated at \$1,050 per year. The ranges in the size and costs of local programs are substantial; the smallest and most expensive program has a cost of \$1.90 per child-hour, while the least expensive program shows a cost of \$0.84 per child-hour, compared to the median of \$1.57. The statutory maximum per child-hour cost was reduced this year from \$2.50 to \$1.98. The general reasons for the high cost per child-year are well known; they include a statutory maximum pupil-teacher ratio of 15:1, a pupil-adult ratio of 5:1, the propensity of local agencies to hire credentialed teachers instead of instructors possessing children's centers permits, expensive ancillary services such as medical checkups, and the employment of paid teacher aides instead of volunteers. Since very little is known about the impact of these different cost factors on program quality, it is difficult to suggest what economies can and should be made.

For the same reason, however, it is difficult to justify all such expenses because many of these costs cannot be related to benefits. Moreover, the high per-pupil cost of the program prevents its rapid expansion to provide services for other needy children. It is estimated that 150,000 children of preschool age in the state are eligible for preschool programs. Presently, the four major sources of funds for such programs are serving approximately 60,000 children, or 40 percent of those eligible. The following recommendations and policy options are suggested as possible methods of reducing the per-child cost of the program which would enable it to provide additional preschool services for pupils not presently covered.

Recommendations Concerning the Unruh Preschool Program

1. *We recommend that the Bureau of Preschool Education be directed to present to the Joint Legislative Budget Committee in the 1968 session a comprehensive cost estimate of their "followthrough" research proposal which was recently submitted to our office.* The purpose of this research proposal is to search for and develop an evaluative tool for children of preschool age and to determine whether preschool gains remain stable over a period of time. There are two possible methods of support for this project. Funds might be allocated from the bureau's

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own support budget since it has shown an annual year's end surplus. Another method of finance could be to redirect a portion of the state funds currently earmarked by Chapter 106, 1966 Statutes, for class size reduction programs.

2. *We recommend augmenting the staff of the Bureau of Preschool Education with a full-time budget analyst for an additional cost of \$8,952 per year, one-fourth to be supported by the General Fund (\$2,238) and three-fourths by federal funds (\$6,714). This analyst would deal with the budgetary problems of the program and compile statistics as required. This would significantly reduce the burden on the program-oriented consultants and supplement their services.*

3. *We recommend that projects be begun now at a reduced level of cost, e.g., at the \$500- or \$750-per-child-year level. This could assay the \$1,050 per child-year cost currently granted while waiting for more academic program evaluation procedures to be developed.*

4. *We recommend that the Bureau of Preschool Education be directed to analyze the existing salary and employment policies of local agencies they fund and submit a report to the Joint Legislative Budget Committee by November 1, 1968, on changes in the law designed to reduce program costs in the area of salaries. This analysis should investigate the reasons for the variations in salaries paid teachers. A credentialed teacher in one district is paid two-thirds of \$460/month while in another district a teacher with only a children's center permit is paid three-fourths of \$700/month.*

5. *We recommend for Legislative review the proposal that the level of state support for the Unruh Preschool Program be reduced from 25 percent to 15 percent of the total program cost and that the counties finance 10 percent of the cost of local programs.*

Policy Options Concerning the Unruh Preschool Program

1. Consideration could be given to replacing paid teacher aides with volunteers for an anticipated program savings of at least \$500,000. At the current salary level for paid teacher aides of over \$2,000 per academic year, two more children could be accommodated for every paid aide replaced by a volunteer. Sources of volunteers are mothers of the participating children, other housewives and volunteer college students or college students granted credit towards a teaching credential for their service.

2. Consideration could be given to reducing the cost of the program and allowing it to serve more children by a liberalization of the current 15:1 pupil-teacher ratio to, for example, 20:1. Value judgments have been the only justification for the low pupil-teacher ratio of 15:1 thus far.

OFFICE OF COMPENSATORY EDUCATION

The Office of Compensatory Education within the Department of Education was established by the 1965 Legislature, Chapter 1163 (the McAteer Act), to administer Title I of the Elementary and Secondary Education Act of 1965 and all other state activities in the field of compensatory education. The act established general guidelines for the

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allocation of federal funds for locally established programs and it authorized state support for special McAteer Act projects, previously discussed, designed to improve both teacher training and in-service training programs. Since the enactment of the federal program and the McAteer Act, the responsibilities of the Office of Compensatory Education have rapidly expanded. Presently the office is responsible for the administration of Title I of the Elementary and Secondary Education Act, the Unruh Preschool Program, the McAteer Act Teacher Training Projects and Chapter 106, 1966 Statutes.

ANALYSIS AND RECOMMENDATIONS

The General Fund budget for the Office of Compensatory Education is proposed at \$261,530 in 1968-69, an increase of \$956 over the current level. Federal fund support is set at \$1,307,875 which represents an increase of \$149,542 above the present level. The department requests a total of 10.1 positions in the budget year of which 6.4 positions were administratively established in 1967-68. The detail for the workload increase is listed in Table 12.

Table 12
Office of Compensatory Education Budget Request

<i>Unit</i>	<i>Amount</i>
Administrative Unit	
0.5 Intermediate stenographer -----	\$2,550
Program Development	
1 Consultant in compensatory education -----	13,860
0.5 Intermediate stenographer -----	2,550
Program Evaluation	
1 Associate research analyst -----	10,860
Administration and Finance	
1 Education administrative consultant -----	13,860
Community Services	
1 Consultant in compensatory education -----	13,860
Bureau of Preschool Educational Programs	
2 Consultants in early childhood education ¹ -----	33,720
1 Intermediate stenographer ¹ -----	5,352
1 Intermediate typist-clerk ¹ -----	5,180
1.1 Temporary help ¹ -----	5,500
10.1	\$107,292 ²

¹ Positions established administratively in 1967-68.

² All federal funds except for \$956.

The budget request also reflects the transfer of a special project; Advisory Services—Desegregation and related staff from the General Activities Budget to the Office of Compensatory Education. The budget requests of the individual units follow.

Administrative Unit

This unit is headed by the State Director of Compensatory Education, who is also an associate superintendent within the department's organizational structure. The department proposes to establish an additional 0.5 clerical position in the administrative unit for a federal fund cost of \$2,550. *We recommend approval of the request.*

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Bureau of Program Development

This unit reviews school district applications requesting federal and state funds to establish compensatory education programs and also provides a wide variety of consultative services for districts maintaining such programs. The department proposes to establish one additional consultant position in the amount of \$13,860 and a 0.5 clerical position at a cost of \$2,550 in the budget year. The positions are requested to assist the bureau to improve its level of consultative services to state and local institutions maintaining special compensatory education programs for delinquent and neglected youth. These programs which became operative in 1966-67 currently involve the expenditure of approximately \$800,000 in federal funds. Presently the bureau does not have an individual who is assigned full time responsibility for these new programs. *We recommend approval of the request for 1 consultant position and a 0.5 clerical position for an additional federal fund cost of \$13,860 and \$2,550 respectively.*

Bureau of Program Evaluation and Bureau of Administration and Finance

The Bureau of Program Evaluation reviews local project applications for the thoroughness of the districts' program of evaluating their compensatory education programs and is responsible for performing the annual evaluation of the effectiveness of both the federal and state programs for disadvantaged pupils. The Bureau of Administration and Finance maintains fiscal controls over the allocation of Title I funds. Each bureau requests an additional federal professional position to free existing consultant time which may be used to increase the number of bureau contacts with local school districts to improve local evaluation and fiscal programs.

We recommend approval of the request for one associate analyst position for the Bureau of Program Evaluation, for an additional federal fund cost of \$10,860. We also recommend approval of the request for one education administration assistant by the Bureau of Administration and Finance for an additional federal fund cost of \$13,860.

The report of the Office of Compensatory Education indicates that many school districts maintaining compensatory education programs, especially small districts need assistance in formulating and administering evaluative procedures designed to document the success (or failure) of their programs. The associate analyst position will enable the bureau to improve the level of such services, and therefore we believe that the additional positions are justified.

Bureau of Community Services

This bureau has three primary responsibilities; it must insure that local school districts which develop Title I compensatory education proposals provide services for disadvantaged children in private schools as well as public school pupils; it attempts to insure that local federal education programs are coordinated with community action programs approved under the Economic Opportunity Act of 1964, and it encourages community involvement in local programs which appears to be a key factor in the success or failure of local efforts. The unit requests

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one additional consultant in compensatory education to improve the coordination of local compensatory education programs and community action programs. *We recommend approval of the request for one consultant position in compensatory education for an additional federal fund cost of \$13,860.*

Bureau of Preschool Programs

This unit administers the Unruh Preschool Act which provides state and federal support for preschool programs for children of low-income families. In addition, the unit coordinates the state Unruh Preschool Act with other federal programs such as Operation Headstart, which is financed under the provisions of the Economic Opportunity Act of 1964, and preschool projects financed by federal funds available under the Elementary and Secondary Education Act of 1965.

The rapid expansion of the Unruh Preschool Program since 1965-66 is indicated by the increase in the numbers of approved projects and pupils; in 1965-66 a total of 6,764 disadvantaged pupils were enrolled in 25 projects having an expenditure of \$4.4 million; in 1967-68 there are a total of 13,101 pupils enrolled in 118 projects having a total expenditure of \$14 million. During the current year the bureau's staff was augmented to handle the increase in workload by the addition of 2 consultants in compensatory education, 1 intermediate stenographer and 1 intermediate typist-clerk, for an additional cost of \$44,252. The department proposes to continue these positions in the budget year. In addition a sum of \$5,500 in temporary help funds are requested. The cost of the positions would be financed by reimbursements from the state Department of Social Welfare. *We recommend approval of the request for 2 consultants in compensatory education, 1 intermediate stenographer, 1 intermediate typist-clerk and a sum of \$5,500 to be financed from reimbursements from the Department of Social Welfare.* We believe that the request for the positions is justified in view of the demonstrated increase in this unit's workload.

Title I Education of Migrant Children

The 1966 congressional amendments to the Elementary and Secondary Education Act required that part of each state's Title I allocation be used to establish demonstration schools, pilot projects and special programs for children of migrant farm workers. In California a state plan was adopted by the Board of Education and projects were established involving 106 school districts and 5,500 disadvantaged pupils. A total of 6.8 positions was administratively established in the Bureau of Community Services to administer the new program. The staff, proposed for continuation in the budget year, is composed of 3 consultants in compensatory education, 1.5 intermediate stenographers, 2 intermediate typist-clerks and temporary help in the amount of \$4,000 for a total cost of \$67,674. *We recommend approval of the request for 3 consultants in compensatory education, 3.5 clerical positions and 2 intermediate typist-clerks for an additional federal fund cost of \$70,852.*

Elementary and Secondary Education Act—Continued**ELEMENTARY AND SECONDARY EDUCATION ACT
PROGRAMS ADMINISTERED BY OTHER UNITS
IN DEPARTMENT OF EDUCATION****A. Title II—School Library Services****Objectives of the Program**

The objective of Title II is to strengthen the library resources of school districts by providing federal support to districts for the purchase of library materials and audiovisual equipment. In 1968-69 it is anticipated that California will receive \$9.3 million for this program. The administration of the program in California is governed by a state plan which specifies that school district purchase be limited to library resources materials which include books, documents, periodicals and audiovisual equipment but excluding textbooks except for the visually handicapped.

Title II allocations to school districts are made in two states. Phase I allocations which account for about 80 percent of the state's entitlement are distributed to the schools according to an equalization aid formula on the basis of ADA in the public school district and private school ADA in the district. Phase II grants equivalent to 20 percent of California's entitlement are distributed to districts for special projects and for supplemental programs. The state plan requires that not less than 75 percent of the districts' entitlements be spent for books and other materials nor more than 25 percent be expended for audiovisual equipment.

Measuring the Benefits

In 1966-67 a sum of \$8,765,556 in Title II funds was expended for improving library services in public and private schools. Of this amount a sum of \$6,740,893 was allocated for Phase I grants involving 6,372 public schools and 965 private schools. The balance of \$2,024,663 was allocated for Phase II grants to 38 public school districts for the development of demonstration library programs. The evidence indicates that Title II is assisting school districts to strengthen their school libraries.

In California the Title II program is administered by the Bureaus of National Defense Education and Audio-Visual and School Library Education. The former unit provides administrative services for the program while the latter unit approves projects and provides consultant services to school districts.

Federal support for the administration of the Title II program is proposed at \$343,280 in 1968-69, an increase of \$10,353 over the current level. No new positions are requested and the level of service is expected to remain unchanged.

B. Title III—Supplementary Educational Centers and Services**Objectives of the Program**

Title III program of the Elementary and Secondary Education Act, called PACE (Projects to Advance Creativity in Education), is designed to develop imaginative solutions to educational problems, to more effectively utilize research findings, and to create, design and make in-

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telligent use of supplementary centers and services. The primary objectives are to translate the latest knowledge about teaching and learning into widespread educational practice and to create an awareness of new programs and services of high quality which can be incorporated into school programs. The title seeks to encourage the development of new programs, demonstrate the applicability of the programs to the classroom setting and supplement existing programs.

In California the funds have been used to support three major activities; regional data processing centers, regional planning activities exemplified by supplementary centers and "innovative projects." It is estimated that California will receive a sum of \$16.3 million for the program in 1967-68 and 1968-69 which represents an increase of approximately \$4 million above the present level. Table 13 shows the amounts of money which have been either committed or expended since the initiation of the program.

Table 13
ESEA—Title III Expenditures, 1965-66—1967-68

	<i>Data processing centers</i>	<i>Supplementary centers</i>	<i>Innovative projects</i>	<i>Totals</i>
1965-66	\$462,461	\$3,126,391	\$2,556,745	\$6,145,597
1966-67	949,041	2,706,407	7,924,249	11,579,697
1967-68	—	3,096,910	10,655,874	13,752,794 ¹

¹ Excludes \$2.6 million in uncommitted funds.

Table 14 indicates the diversity of the 135 projects that have been established in California since the inception of the program.

Table 14
ESEA—Title III Projects and Amounts Requested

<i>Location</i>	<i>Purpose</i>	<i>Amount requested</i>
Monterey County	Regional center	\$309,000
Bellflower Unified	Creativity in music education	26,000
San Bernardino County	Regional center	237,000
Orange County	Summer school for dropouts	209,000
Temple City Unified	Design fifth-grade course in U.S. history	77,000
Los Angeles Unified	Regional center	168,000
Santa Cruz School District	Design innovative instructional systems	38,000
San Diego County	Supplementary center	109,000
San Juan Unified	Year-round school	34,000
San Mateo County	Supplementary center, grades 1-3 comp. ed.	305,000
Humboldt County	Supplementary center	77,000
Sonoma County	Physical education program	17,000
Sacramento County	Supplementary center	224,000
Riverside County	Reading clinic for poor readers	63,000
Pittsburg Unified	Dropout prevention project	18,000
Tulare County	Teacher training	77,000
Santa Barbara County	Supplementary center	72,000
Visalia Elementary	Placement project	19,000
Marin County	Drama conference program	48,400
Richmond Unified	Accelerate high school pupils	46,000
San Lorenzo Unified	Industrial arts	12,400
Butte County	Supplementary education center	254,000
Beverly Hills	Data retrieval system audiovisual materials	93,000
San Lorenzo Unified	History museum/research center	12,000
Orange County	Supplementary center	116,000

Elementary and Secondary Education Act—Continued
Measuring the Benefits

The objective of the Title III program is to improve the usage of supplementary educational services and to translate modern instructional techniques into widespread educational practice thereby improving the performance of the schools and pupils. Thus far, there is only spotty evidence that the program is moving toward these objectives in the most efficient manner and that the Title III projects are being coordinated with other state and federal categorical aid programs.

This lack of evaluation has been largely due to the fact that until recently Title III was one of only two titles of the Elementary and Secondary Education Act that was not directly administered by the Department of Education but rather was administrated by the U.S. Office of Education. In the *Analysis of the Budget Bill, 1966-67 and 1967-68*, we noted that the lack of state level administration of the program was a major weakness and made coordination of this program with other state and federal categorical aid programs almost impossible; notwithstanding the fact that the department has been able to develop a review procedure with the U.S. Office of Education which has resulted in a higher level of state level supervision than previously.

The 1967 Congress made two substantial amendments to the Title III program to make state educational agencies responsible for its administration. One amendment requires that state educational agencies develop a state plan which will set forth general criteria for allocation of Title III funds to local educational agencies. Another amendment provides that, commencing in 1968-69, 75 percent of each state's allotment increasing to 100 percent in 1969-70, be administered by the state educational agencies upon approval of the state plan. While we believe that the state level administration of the program may be beneficial, we believe that the degree to which these funds are allocated to solve critical educational problems depends almost entirely upon the specificity of the state which will presumably be developed by the State Board of Education.

The current State Board Policies for Implementation of Title III which were adopted by the State Board of Education on June 8, 1967, two years after the program began, are not very encouraging. The present state Title III policies are very general as indicated by the guidelines for supplementary educational centers which state that such centers shall perform the following functions.

1. Identify major educational and cultural resources of area and specify nature and extent of participation.
2. Continually assess problems and opportunities of public education.
3. Set priorities among educational needs of various populations within areas.
4. Develop plans for demonstration of innovative solutions to problems.
5. Serve as information sources regarding other programs.
6. Disseminate information on programs.

Elementary and Secondary Education Act—Continued

7. Develop plans and procedures for thorough evaluation of solutions to problems.
8. Evaluate extent to which centers have contributed to development of systematical plans for orderly attack on problems.
9. Prepare reports regarding success of programs.

The document establishes the following priorities for the allocation of Title III funds for innovative and "exemplary" programs.

First priority shall be given to projects of statewide significance approved by the State Board of Education, based on its determination of priority of need for the state as a whole and to continuing projects during the three years of federal funding based on an annual evaluation of the effective functioning.

Second priority shall be given to projects of regional significance approved by the boards of the supplementary educational centers, based on their determination of priority needs for the county or region.

Third priority shall be given to proposals which seek solutions to problems not identified as being of top priority of need.

None of these priorities emphasize the importance of programs in critical areas such as elementary reading and mathematics, compensatory education and urban educational problems which have all been identified by the Legislature as critical program areas which require comprehensive and coordinated local and state attention. It is also noted that the priorities do not focus on the problem of coordinating Title III activities with other state and federal categorical aid programs such as Title I of the Elementary and Secondary Education Act, the Miller-Unruh Basic Reading Act, the Unruh Preschool Act, etc.

We recommend that the Legislature develop policy guidelines for the allocation of Title III funds, similar in concept to the guidelines established by the McAteer Act for Title I, and that the Legislature direct the State Board of Education to include such guidelines in the State Plan for Title III. We believe that it is of the utmost importance that all available federal and state resources be coordinated to improve the academic performance for all children in the elementary grades and that Title III should supplement and strengthen the other state programs; Miller-Unruh Reading Act, Unruh Preschool Act, and Chapter 106, 1966 Statutes and the federal Title I program which are attempting to improve the elementary instructional program. We believe that the legislative guidelines for the Title I compensatory education program established by the 1965 McAteer Act is one of the major reasons for the success of the Title I program and that similar guidelines for Title III would maximize the effective utilization of Title III funds.

C. Title V—Strengthening State Departments of Education

Objectives of the Program

Title V of the Elementary and Secondary Education Act provides 100 percent federally financed grants to state departments of education for the employment of additional staff and for research projects designed to improve instructional quality in the public schools. In 1968—

Elementary and Secondary Education Act—Continued

69 California will receive approximately \$1.9 million under this program which is equal to the current level.

In California the Title V program is administered by the State Board of Education which reviews and approves projects submitted by the Department of Education. The state board has an active interest in this title and has allocated the bulk of California's entitlement for research projects in the areas of curriculum development and innovative educational programs. Many of the projects are being performed by ad hoc consultants and committees composed of nondepartmental experts.

Projects Approved for 1967-68

Listed in Table 15 are the individual projects and the amounts of funds approved for each for 1967-68 under the Title V program.

Table 15
ESEA—Title V Projects

<i>Projects approved</i>	<i>Amount budgeted for 1967-68</i>
1. Arthur D. Little Survey	\$92,601
2. Program planning unit	260,000
3. Advanced placement	67,372
4. English curriculum	46,623
5. Social science curriculum	71,985
6. Science curriculum	50,128
7. Teaching Bill of Rights	51,407
8. State Committee on Public Education	88,880
9. School business administration workshops	31,990
10. School planning information service	55,197
11. Junior college advisory panel	61,372
12. Data processing	98,938
13. Innovation exchange	12,000
14. Educational opportunities for Mexican-American children	80,444
15. Instructional television	35,000
16. Arts and humanities	60,716
17. Study of programs of desegregation and compensatory education	30,751
18. Economic education	37,937
19. Curriculum research involving adults with Spanish surnames	13,910
20. Conservation education	26,128
21. Strengthening administrative services	60,906
22. Transportation supervision	23,160
23. State Board of Education clerical help	4,000
24. Accreditation workshops	3,100

Measuring the Benefits

The ultimate objective of the Title V program is to improve the quality of the public schools. Presently it is difficult to assess the impact of the special projects authorized by the state board on overall instructional quality. Despite the fact that this program has been operative for 3 years the Department of Education has not yet developed any procedure to evaluate the impact of the program either in terms of improved pupil achievement levels or in terms of the improved usage of curriculum guidelines developed by some of the projects. Evaluation of the Title V program is also hampered because of the large numbers of unrelated activities presently financed by the title.

Elementary and Secondary Education Act—Continued

D. Title VI—Educational Improvement for the Handicapped

Title VI is a new program authorized by 1966 congressional amendments to the Elementary and Secondary Education Act which is designed to improve programs for handicapped pupils. During the current year a total of 13.5 positions were established administratively to administer the allocation of \$1.2 million in federal funds for special programs in 1967-68. It is anticipated that California will receive about \$2.5 million for programs for the handicapped in 1968-69. The department proposes to continue the 13.5 positions in 1968-69 which were established during the current year. *We recommend approval of the request for 13.5 positions for an additional federal fund cost of \$142,312 excluding salary savings.*

**Department of Education
OFFICE OF COMPENSATORY EDUCATION**

ITEM 80 of the Budget Bill

Budget page 242

**FOR SUPPORT OF OFFICE OF COMPENSATORY EDUCATION
FROM THE STATE SCHOOL BUILDING AID FUND**

Amount requested	\$15,489
Estimated to be expended in 1967-68 fiscal year	15,593
Decrease (0.7 percent)	\$104

TOTAL RECOMMENDED REDUCTION None

GENERAL PROGRAM STATEMENT

Chapter 106, Statutes of 1966, First Extraordinary Session, authorized a maximum \$35 million of the proceeds from the sale of bonds under the State School Building Aid Bond Law of 1966 for compensatory education facilities. Of the total amount \$1 million is specifically designated for the acquisition of portable school facilities to assist districts which experience large temporary increases in enrollment as the result of an influx of seasonally employed agricultural workers.

The State Allocation Board, with the advice of the Director of the Office of Compensatory Education, will lease, lend, sell or grant these portable facilities to districts on the basis of individual need. Applicants are not required to meet the eligibility requirements under the regular State School Building Aid Program.

The law requires that districts apply for assistance under this program directly to the Director of the Office of Compensatory Education who will review the application, make any modifications deemed appropriate, and transmit it to the State Allocation Board with his recommendations. The administrative expense involved in this review is reimbursed by annual legislative transfer of funds from the School Building Aid Fund to the Office of Compensatory Education.

ANALYSIS AND RECOMMENDATION

For the budget year the Department of Education, Office of Compensatory Education, is requesting \$15,489 from the State School Building Aid Fund to finance the costs of reviewing district applications. This will provide the same level of service authorized for the current year. *We recommend approval of this amount as budgeted.*

**Department of Education
CALIFORNIA SCHOOL FOR THE BLIND**

ITEM 81 of the Budget Bill

Budget page 255

**FOR SUPPORT OF CALIFORNIA SCHOOL FOR THE BLIND
FROM THE GENERAL FUND**

Amount requested	\$955,189
Estimated to be expended in 1967-68 fiscal year	906,849
 Increase (5.3 percent)	 \$48,340
TOTAL RECOMMENDED REDUCTION	\$33,868

Summary of Recommended Reductions		<i>Budget</i>	
		<i>Amount</i>	<i>Page Line</i>
Delete 1 teacher position	\$6,440	255	65
Reduce General Fund support to work-study program	(3,456) ¹		
Delete 1 supervising counselor position	6,440	255	69
Delete 1 accountant I position	8,112	255	56
	\$20,992		

¹ This amount is not reflected in the total reduction and is to be deleted from Item 34, Office of Economic Opportunity, Work-study Programs.

Summary of Recommended Administrative Improvements

Transfer 1 account technician II and 1 intermediate stenographer to California School for the Deaf, Berkeley..... \$12,876

GENERAL PROGRAM STATEMENT

The California School for the Blind is located in Berkeley a short distance from the University of California. The school traces the founding of its program to 1860 when the School for Deaf, Dumb and Blind was established in San Francisco. In 1867 the school was moved to its present location where it was operated jointly with the School for the Deaf until 1922 when an administrative reorganization within the Department of Education led to the formal separation of the two schools.

The school's main building, which contains most of the classrooms and administrative offices, was constructed in 1927, with wings added in 1931. Residence halls were constructed in 1925 and 1927, the Helen Keller Building with special facilities for teaching the deaf-blind was completed in 1949, and the most recent addition, a dining hall, opened in 1957. The school also has the use of a gymnasium equipped with indoor swimming pool and bowling alley which is on the campus of the adjacent California School for the Deaf, but no longer required by that facility.

The objective of the California School for the Blind is to provide a comprehensive educational and residential program to school age blind, deaf-blind and multihandicapped blind children for whom no services at the local level are available. To qualify for admission a child must have been examined by an eye specialist and found to have such a serious sight limitation that he could not make satisfactory progress in the regular school program.

Classes are offered from kindergarten through the ninth grade and a residential program is provided to high school students who attend regular classes in Berkeley and Oakland. In recent years the school's

California School for the Blind—Continued

program has placed increasing emphasis on the problems of the multi-handicapped blind as programs become available on the local level for normal blind students.

The school also has the responsibility for administering three blind assistance programs: (1) counseling to the parents of preschool children in southern California by a small staff of visiting teachers (provided in northern California by the voluntary Variety Club); (2) a program of readers for the blind college and university students who are not eligible for funds under programs administered by the State Department of Rehabilitation; and (3) vocational counseling to assist students and graduates in job placement.

Table 1 demonstrates the General Fund expenditures and cost-per-student data for each of the school's program elements over recent years and estimates for the budget year.

Table 1
Expenditures and Cost-per-Student Data

	<i>Actual 1964-65</i>	<i>Actual 1965-66</i>	<i>Actual 1966-67</i>	<i>Estimated 1967-68</i>	<i>Proposed 1968-69</i>
Residential program only					
Amount expended for program	\$22,010	\$30,067	\$33,264	\$19,271	\$40,670
Number of students enrolled in program	12	12	14	7	14
Average cost per student...	\$1,834	\$2,506	\$2,376	\$2,753	\$2,906
Educational program only					
Amount expended for program	\$27,824	\$30,494	\$21,182	\$20,232	\$25,382
Number of students enrolled in program	10	11	7	6	7
Average cost per student...	\$2,782	\$2,772	\$3,026	\$3,372	\$3,626
Both residential and educational program					
Amount expended for program	\$652,448	\$701,977	\$713,029	\$790,091	\$809,863
Number of students enrolled in program	142	133	132	129	124
Average cost per student...	\$4,595	\$5,278	\$5,402	\$6,125	\$6,531
Subtotal, regular educational and residential programs					
Amount expended for programs	\$702,282	\$767,538	\$767,475	\$829,594	\$875,915
Number of students enrolled in programs	164	156	153	142	145
Average cost per student...	\$4,282	\$4,888	\$5,016	\$5,842	\$6,041
Auxiliary services					
Readers for blind college students	\$35,225	\$36,500	\$25,346	\$36,500	\$36,500
Assistance to parents of blind preschool children...	\$25,206	\$26,542	\$22,896	\$27,630	\$29,648
Vocational guidance to graduates	\$10,203	\$10,424	\$12,540	\$13,125	\$13,126
Subtotal auxiliary services	\$70,634	\$73,466	\$60,782	\$77,255	\$79,274
TOTAL, ALL PROGRAMS	\$772,916	\$836,004	\$828,257	\$906,849	\$955,189

California School for the Blind—Continued

ANALYSIS OF RECOMMENDATIONS

In recent years programs at the California School for the Blind have undergone a shift in emphasis from normal blind children to the multi-handicapped blind. The increase in the number of multi-handicapped students is compared with the decrease in the number of normal blind students in Table 2.

Table 2
Enrollment Composition

	1964-65	1965-66	1966-67	<i>Estimated</i> 1967-68	<i>Proposed</i> 1968-69
Blind (single handicap)-----	96	43	43	29	30
Deaf-blind -----	7	12	15	15	15
Multihandicapped blind -----	61	101	95	98	100
Total -----	164	156	153	142	145

Prior to 1964 the multihandicapped at the school consisted almost entirely of a small number of deaf-blind pupils in the Helen Keller Unit. This change in enrollment has presented several challenges to the school. Previously it had attempted to provide an educational program which would allow its graduates to compete successfully with a sighted person. However, the shift in student body composition requires more intensive supervision with restricted objectives. A study by the Department of Education is presently analyzing the problems generated by the shift in program emphasis. This study, financed by federal funds made available under the Elementary and Secondary Act of 1965, will review personnel and program requirements and develop recommendations for the future of the school's program.

The school's 1968-69 budget reflects a total General Fund expenditure of \$955,189. This includes a workload increase totaling \$47,632 composed of the following positions: 4 counselors, \$20,200; 1 supervising counselor, \$6,440; and 3 teachers (one established administratively in 1967-68), \$20,992. The new positions are specifically limited to the budget year and are intended to alleviate temporarily the staffing requirements which have resulted from the increase in multihandicapped children. Results of the study previously noted will influence the proposed staffing pattern for 1969-70.

The school also anticipates \$22,200 in federal funds under the provisions of the Elementary and Secondary Education Act of 1965 to finance studies of the educational needs of the multihandicapped blind, and \$40,000 from payments made by local school districts under the provisions of Chapter 1423, Statutes of 1965, which require the district of residence of each child to reimburse the school in the amount of local tax funds which are expended to educate a normal child.

Educational Program

The School for the Blind offers a comprehensive educational program comparable to that found in the public schools from kindergarten through the ninth grade. The limited number of high school students who reside at the school attend regular classes in Berkeley and Oakland. The Budget Bill reflects a total of three teaching positions which have

California School for the Blind—Continued

not previously received legislative review. One position identified as a teacher (deaf-blind) was established administratively in fiscal 1967-68 and is included in the budget for the first time. We believe that all additional positions at the California School for the Blind should be limited to a one-year period until the comprehensive staffing and operational study is complete. *We recommend approval of 1 teacher (deaf-blind) position in the amount of \$8,112 which was established administratively during 1967-68, provided that the authorization be limited to June 30, 1969.*

Two additional teaching positions are proposed for the budget year at a total estimated expense of \$12,880. The budget indicates that these positions are "to adequately provide for the multihandicapped children now enrolled" and are limited to June 30, 1969 when staffing action will be proposed in accordance with the comprehensive standards now being developed. We believe that the problems generated for the school by the increase in multihandicapped children should be alleviated and support the positions requested to provide direct service to these severely handicapped children. Information submitted to this office by the school, however, indicates that only one of the proposed positions will be utilized in special programs for the multihandicapped. The second teacher position is to be used in the regular school program.

We do not believe that proposed temporary modification to the staffing level of the regular education program is required at this time. Rather, we believe that the Legislature should review this request when the previously discussed evaluation of the school's program is complete. This report, which will be available for review in the 1969 legislative session, will contain a determination of existing needs and future objectives in both the regular and multihandicapped programs. *We recommend that the request for 1 of the 2 teacher positions be denied for a General Fund savings of \$6,440 plus related operating expense.*

The California School for the Blind receives assistance under the Economic Opportunity Act of 1964, Public Law 88-452, for work-study aids from the University of California and Peralta Junior College. Funds are provided to support up to 80 percent of the total cost of students gaining work experience through this program. The school reports that a total of 26 aides will be utilized in the following assignments:

- 1 Library
- 1 Maintenance
- 1 Swimming instructor
- 1 Personnel office
- 15 Dormitory aides
- 7 Classroom aides

26

The total budgeted amount for the work-study program is \$10,125 included under operating expense offset as a reimbursement item. All

California School for the Blind—Continued

work-study funds in the Governor's Budget are consolidated in the budget item for the Office of Economic Opportunity. Students involved in this program are paid \$2.25 per hour and are allowed to work a maximum of 15 hours per week. The 20-percent state portion of this cost is \$0.45 per hour, or \$6.75 per week for the 26 participants in the program. This results in a total state expense of \$6,669 for the school's 38 weeks of operation, a decrease of \$3,456 in the amount included in the budget to support this program.

We recommend that the \$10,125 budgeted for the work-study program be reduced to \$6,669 and that resulting savings of \$3,456 be reflected in the total amount included in the budget appropriation for the Office of Economic Opportunity work-study programs.

Residential Program

Residential facilities provided by the California School for the Blind for enrolled students consists of four dormitories with a total of 167 beds and a cafeteria with a serving capacity of 170. The residential program provides for 24-hour counselor supervision to assist and train students in caring for themselves.

The Budget Bill proposes four new counsel positions and one supervising counselor at a total General Fund expense of \$26,640 to provide added attention required for the multihandicapped. We believe that the request for additional counselor positions is justified to insure proper supervision of residential students. These positions are limited to June 30, 1969, when comprehensive staffing standards based on the programs in operation will be available. *We recommend approval of these 4 counselor positions.*

We do not believe, however, that the request for a supervising counselor position is justified even on a temporary basis. We believe that until adequate staffing requirements are available further administrative positions should not be established. *We recommend that the request for 1 supervising counselor position be denied for a General Fund savings of \$6,440 plus related operating expenses.*

The School for the Blind has three established positions to carry on the accounting functions of the school. Comparable activities are duplicated at the adjacent California School for the Deaf. We believe that the accounting functions of the California School for the Blind could be accomplished by the California School for the Deaf, Berkeley, if the staffing at that school were increased by one accounting technician position and appropriate clerical help as explained in the discussion on page 231. *We recommend that the existing staff be reduced by 1 accountant I budgeted at \$8,112 plus related operating expense. We further recommend that 1 accounting technician II budgeted at \$6,672 and 1 intermediate stenographer budgeted at \$6,204 be transferred to the California School for the Deaf, Berkeley in the total amount of \$12,876.*

California School for the Blind—Continued

Auxiliary Programs

The School for the Blind administers a number of assistance and study programs in addition to having regular educational and residential responsibilities. These include providing visiting teachers for the preschool blind, readers for blind college and university students and vocational guidance to graduates.

Preschool Teachers

The program of visiting teachers for blind preschool children is based in Los Angeles to provide assistance and instruction to parents of blind children in southern California. In northern California and in a growing number of areas of southern California, the Variety Club, a private volunteer agency, provides this assistance which is coordinated by the School for the Blind. The budget includes a total of \$27,359 plus related expense for this activity, and the following table identifies its composition.

Personnel expense	
2 teacher positions -----	\$16,992
1 intermediate stenographer -----	6,154
Operating expense	
General expense -----	100
Teaching expense -----	125
Travel, in-state -----	3,000
Rent—building space -----	988
	<hr/>
	\$27,359

We recommend approval of this item as budgeted.

Readers for Blind College Students

The School for the Blind administers the distribution of funds to blind college and university students. Students participating in this program are not eligible for funds administered through a more extensive reader program which is the responsibility of the Department of Rehabilitation. Ineligibility of these students results because (1) they have attained a bachelor's degree and are in graduate work; (2) they have not resided in the state for more than one year; (3) they do not meet the provisions of a state means test required by the Department of Rehabilitation program; (4) their chances for success in a college career are not rated high; or (5) they are attending private institutions. It is estimated that \$36,500 will be distributed through this program. *We recommend approval of the item as budgeted.*

Vocational Guidance

The budget contains \$12,000 plus staff benefits for the salary of one vocational counselor. This individual is responsible for counseling high school students on career opportunities and assisting graduates in finding employment. *We recommend approval of this item as budgeted.*

Department of Education

DIAGNOSTIC SCHOOL FOR NEUROLOGICALLY HANDICAPPED CHILDREN,
NORTHERN CALIFORNIA

ITEM 82 of the Budget Bill

Budget page 257

FOR SUPPORT OF DIAGNOSTIC SCHOOL FOR NEUROLOGI-
CALLY HANDICAPPED CHILDREN, NORTHERN CALIFOR-
NIA FROM THE GENERAL FUND

Amount requested	\$641,860
Estimated to be expended in 1967-68 fiscal year	629,075

Increase (2.0 percent)	\$12,785
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TOTAL RECOMMENDED REDUCTION	None
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Department of Education

DIAGNOSTIC SCHOOL FOR NEUROLOGICALLY HANDICAPPED CHILDREN,
SOUTHERN CALIFORNIA

ITEM 83 of the Budget Bill

Budget page 258

FOR SUPPORT OF DIAGNOSTIC SCHOOL FOR NEUROLOGI-
CALLY HANDICAPPED CHILDREN, SOUTHERN CALIFOR-
NIA FROM THE GENERAL FUND

Amount requested	\$590,120
Estimated to be expended in 1967-68 fiscal year	581,914

Increase (1.4 percent)	\$8,206
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TOTAL RECOMMENDED REDUCTION	\$9,396
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Summary of Recommended Reductions

	Amount	Budget Page	Line
Delete one physical therapist, plus related staff benefits	\$9,396	259	24

GENERAL PROGRAM STATEMENT

The State of California operates two residential schools for the diagnosis, education and treatment of children with orthopedic or neurological disorders. These are the Diagnostic School for Neurologically Handicapped Children, Northern California, located a short distance from San Francisco State College and a similar diagnostic school serving the southern portion of the state adjacent to the campus of California State College at Los Angeles.

The objectives of each school are to (1) diagnose individual neurological disorders and recommend the most suitable educational and medical program, (2) provide education and treatment to children for whom no local programs are available, and (3) serve as a resource facility and demonstration laboratory for the training of teachers, therapists, and professionals in the treatment of neurologically handicapped children.

Activities leading to the establishment of the two schools were stimulated by a 1943 resolution which required the Department of Education and the Department of Public Health to determine the number of cerebral palsied children in California who were in need of special

Diagnostic School for Neurologically Handicapped Children—Continued

treatment and to recommend appropriate state action to assist these children. Based on the results of this joint study, the Legislature in 1945 authorized the establishment of two schools for cerebral palsied children to be administered by the State Department of Education.

In 1946 the original programs were established in Redwood City for the northern portion of the state and at the Convalescent Home of Children's Hospital in Los Angeles to serve southern California. The northern school operated in its original quarters until 1955 when a permanent school was constructed in San Francisco. The southern school was moved from its first location to leased facilities in Altedena in 1948 and was finally located on its present campus in 1964.

The original objective of the two special schools was to serve cerebral palsied children. However, the Legislature expanded the program to include "other similarly handicapped children" in 1955. This change authorized the schools to provide services to children with a wide variety of disorders of the central nervous system. In subsequent years the number of cerebral palsied involved in these programs has steadily decreased to the point where they represent only approximately one-third of the present enrollments. Recognizing this shift in emphasis, the Legislature adopted Chapter 1378, Statutes of 1967, which changed the names of these institutions from Schools for Cerebral Palsied Children (Northern and Southern California) to Diagnostic Schools for Neurologically Handicapped Children (Northern and Southern California).

The expansion of each school's diagnostic and educational expenditures is reviewed in Table 1 for the budget year and the preceding four years.

Table 1
Diagnostic and Education Program Expenditures

<i>Northern School</i>					
<i>Diagnostic Program</i>	<i>Actual 1964-65</i>	<i>Actual 1965-66</i>	<i>Actual 1966-67</i>	<i>Estimated 1967-68</i>	<i>Proposed 1968-69</i>
Amount expended -----	\$142,639	\$148,620	\$173,906	\$200,507	\$202,959
Children served -----	186	190	237	237	237
Average cost per diagnosis	\$767	\$782	\$733	\$846	\$856
<i>Education and Treatment Program</i>					
Amount expended -----	\$365,788	\$356,127	\$378,175	\$428,568	\$438,901
Children served -----	31	34	40	40	40
Average cost per child---	\$11,800	\$10,474	\$9,454	\$10,713	\$10,973
Total General Fund expense	\$508,427	\$504,747	\$552,081	\$629,075	\$641,860
<i>Southern School</i>					
<i>Diagnostic Program</i>					
Amount expended -----	\$100,023	\$106,004	\$128,315	\$148,808	\$150,950
Children served -----	123	137	135	150	160
Average cost per diagnosis	\$813	\$774	\$950	\$992	\$943

Diagnostic School for Neurologically Handicapped Children—Continued

Table 1—Continued
Diagnostic and Education Program Expenditures
Southern School

<i>Education and Treatment Program</i>	<i>Actual 1964-65</i>	<i>Actual 1965-66</i>	<i>Actual 1966-67</i>	<i>Estimated 1967-68</i>	<i>Proposed 1968-69</i>
Amount expended -----	\$381,801	\$390,502	\$374,882	\$433,106	\$439,170
Children served -----	31	31	32	32	32
Average cost per child --	\$12,316	\$12,597	\$11,715	\$13,535	\$13,724
Total General Fund expense	<u>\$481,824</u>	<u>\$496,506</u>	<u>\$503,197</u>	<u>\$581,914</u>	<u>\$590,120</u>

ANALYSIS AND RECOMMENDATION

Proposed total General Fund expenditures are \$641,860 for the northern school and \$590,120 for the southern school. Neither program is requesting increases in the existing staffing levels and no administrative adjustments were made during the current year. In addition to General Fund requests, the schools anticipate federal funds under Title I of the Elementary and Secondary Education Act of 1965 totaling \$6,135 for the north and \$5,774 in the south to conduct a study of children afflicted with language difficulties.

Diagnostic Program

At each of the two schools an intensive program of medical and educational diagnosis is provided to residents of California between the ages of 3 and 21 years. Participants are usually referred to this program by either local school districts, public health authorities or private physicians because previous attempts at diagnosis have been inconclusive. The evaluation usually requires from one to two weeks to complete, during which time the child and his parents are provided free room and board at the school.

The objective of the diagnostic program is to determine the medical and educational program which will allow the child to develop to the fullest extent possible. To carry out this responsibility each school has a staff of physicians, educators, psychologists and therapists who, through a coordinated examination process, determine the child's present physical, intellectual, educational and emotional status. The information gathered during the examination process will be utilized to recommend to parents and local school officials the most effective educational and treatment program for the particular child. If appropriate local programs are not available in the child's community, and a vacancy exists, the staff may recommend that the child be enrolled in the school's educational and treatment program.

For the budget year we estimate that expenditures associated with the diagnostic program will reach \$202,959 for the 237 examinations at the northern school and \$150,950 for 160 evaluations at the southern school. There are no new diagnostic positions requested at either facility and no significant increases in the budget year estimates.

Education and Treatment Program

Both schools are equipped to offer a comprehensive education and treatment program to children who cannot receive the programs deter-

Diagnostic School for Neurologically Handicapped Children—Continued

mined most appropriate by the diagnostic program in their local communities. Special facilities and personnel at each location provide occupational, physical, and speech therapy which can be individually suited to each child's needs.

Students are housed in school dormitories with a maximum capacity of 34 and 32 students at the northern and southern schools respectively. A staff of registered nurses and resident attendants are on duty around-the-clock to provide personal care to those enrolled.

The Diagnostic School for Neurologically Handicapped Children, Southern California, employs two physical therapists to provide individual assistance to students with mobility disorders, such as cerebral palsy, and a program of group therapy to the balance of the student body. In addition to authorized staff positions for physical therapy, the southern school's program is supplemented by the assistance provided on a voluntary basis by physical therapists associated with nearby colleges and universities. In the current year, for example, four such individuals provided assistance to children enrolled at the southern school on a part-time basis. At the northern facility, however, the entire physical therapy program is carried out by one person who is included in the budget as a credentialed teacher and provides assistance to the school in that capacity in addition to her physical therapy responsibilities. We believe that the physical therapy functions at the southern school can also be carried out by one physical therapist position since the number of students requiring individual attention is declining and the school benefits from the voluntary assistance of therapists from nearby institutions of higher learning.

We recommend the deletion of one physical therapist at the Diagnostic School for Neurologically Handicapped Children, Southern California for a General Fund savings of \$9,396, plus related operating expense.

Training and Research Program

One of the primary objectives of each school is to serve as a resource and demonstration facility to students, teachers, physicians and other professionals in the field of special education for the neurologically handicapped. Both schools have classroom facilities in which classes from San Francisco State College and California State College at Los Angeles are offered.

In addition, the diagnostic and educational programs at each of the schools receive assistance on a part-time basis from students and teachers studying in the field.

Department of Education**CALIFORNIA SCHOOL FOR THE DEAF, BERKELEY**

ITEM 84 of the Budget Bill

Budget page 260

**FOR SUPPORT OF CALIFORNIA SCHOOL FOR THE DEAF,
BERKELEY FROM THE GENERAL FUND**

Amount requested	\$2,181,842
Estimated to be expended in 1967-68 fiscal year	2,141,642
Increase (1.9 percent)	\$40,200
TOTAL RECOMMENDED INCREASE	\$5,344

California School for the Deaf—Continued

Summary of Recommended Changes		Budget	
	Amount	Page	Line
Increase reimbursements from school districts	\$-7,532	261	34
Summary of Recommended Administrative Improvements			
Increase personal services	+\$12,876	259	31
1 accounting technician II (\$6,672) and 1 intermediate stenographer (\$6,204) to assume accounting functions at the California School for the Blind, Berkeley.			

Department of Education
CALIFORNIA SCHOOL FOR THE DEAF, RIVERSIDE

ITEM 85 of the Budget Bill

Budget page 262

**FOR SUPPORT OF CALIFORNIA SCHOOL FOR THE DEAF,
RIVERSIDE, FROM THE GENERAL FUND**

Amount requested	\$2,313,976
Estimated to be expended in 1967-68 fiscal year	2,300,341
Increase (0.6 percent)	\$13,635
TOTAL RECOMMENDED REDUCTION	\$9,511

Summary of Recommended Reductions		Budget	
	Amount	Page	Line
Increase reimbursements by school districts	\$3,056	263	42
Delete 0.7 temporary help—preschool (plus related staff benefits)	5,455	262	47
Delete operating expenses—preschool parent institute	1,000	262	79

GENERAL PROGRAM STATEMENT

The State of California provides a residential and educational program to deaf minors through two special schools. The School for the Deaf, Berkeley serving the northern portion of the state was founded in 1860 in San Francisco and moved to its present location in 1867. There it was jointly operated with the California School for the Blind until their formal separation in 1922. The facility serving the southern portion of the state, located in Riverside, was founded in 1953 to relieve increasing demands on the northern school.

Instruction at both schools is designed to parallel regular public school programs with special emphasis on the problems of the deaf. Educational offerings are organized around five departments which are outlined below along with the special instructional methods for the deaf at each level.

1. Lower school; for children 5½ through 8 in which students receive assistance in developing oral communication by the use of group hearing aids.

2. Elementary school; composed of ages 9 through 12, providing assistance in the development of language concepts. Classes at this level are usually taught by the oral method, but the subject load for the older students is eased by the use of both speech and finger spelling.

3. Junior high school; a three-year program for students who are at least 13 years of age. At this level the simultaneous method of instruction combining both oral and finger spelling techniques is used

California School for the Deaf—Continued

exclusively. Students who require special attention are scheduled for speech correction, remedial instruction or individual tutoring.

4. High school; including grades 9 through 12 where, in addition to regular academic studies, special assistance is provided to both deficient and advanced students. A wide variety of extracurricular activities is available to assist in preparing graduates to assume a constructive role in their community.

5. Vocational department; providing special instruction for junior high and high school students in preparation for specific trades. These programs are stimulated through an active counseling and referral service provided by the Department of Rehabilitation.

The majority of students are housed on campus, although day students are accepted depending on age. Each dormitory is supervised by counselors who have charge of all out-of-school activities. Meals are provided in campus cafeterias and supervised by public health dietitians. In addition, a comprehensive program of medical care is provided through staff physicians and nurses in conjunction with medical specialists.

Table I reviews the General Fund expenditures for both educational and residential programs over the past five budget years.

Table 1
Educational and Residential Expenditures of the
California Schools for the Deaf
Berkeley

	<i>Actual</i> 1964-65	<i>Actual</i> 1965-66	<i>Actual</i> 1966-67	<i>Estimated</i> 1967-68	<i>Proposed</i> 1968-69
Educational program only:					
Amount expended -----	\$144,002	\$157,878	\$166,359	\$183,528	\$187,272
Students enrolled -----	57	63	69	72	72
Average cost per student	\$2,526	\$2,506	\$2,411	\$2,549	\$2,601
Educational and residential program:					
Amount expended -----	\$1,748,328	\$1,851,130	\$1,823,307	\$1,958,114	\$1,994,570
Students enrolled -----	437	434	436	442	442
Average cost per student	\$4,001	\$4,265	\$4,182	\$4,430	\$4,513
All programs:					
Amount expended -----	\$1,892,330	\$2,009,008	\$1,989,666	\$2,141,642	\$2,181,842
Students enrolled -----	494	497	505	514	514
Average cost per student	\$3,831	\$4,042	\$3,940	\$4,167	\$4,245

	<i>Actual</i> 1964-65	<i>Actual</i> 1965-66	<i>Actual</i> 1966-67	<i>Estimated</i> 1967-68	<i>Proposed</i> 1968-69
Educational program only:					
Amount expended ----	\$127,372	\$135,378	\$145,348	\$184,824	\$186,048
Students enrolled ----	52	54	58	72	72
Average cost per student	\$2,449	\$2,507	\$2,506	\$2,567	\$2,584
Educational and residential program:					
Amount expended ----	\$1,896,512	\$1,997,834	\$2,031,109	\$2,115,517	\$2,127,928
Students enrolled ----	465	465	463	465	464
Average cost per student	\$4,079	\$4,296	\$4,386	\$4,550	\$4,586
All programs:					
Amount expended ----	\$2,023,884	\$2,133,212	\$2,176,457	\$2,300,341	\$2,313,976
Students enrolled ----	517	519	521	537	536
Average cost per student	\$3,915	\$4,110	\$4,061	\$4,167	\$4,317

California School for the Deaf—Continued

ANALYSIS AND RECOMMENDATIONS

The budget includes requests from the General Fund for \$2,181,842 for the Berkeley school and \$2,313,976 for Riverside. The Berkeley request includes a workload increase of one new teacher position (\$7,728) and temporary help for painting (\$2,700). No additional staff is requested for the budget year at the Riverside facility. In addition to General Fund requests, the schools will receive federal funds under the Elementary and Secondary Education Act of 1965 estimated to be \$85,709 at Berkeley and \$93,648 at Riverside. The Berkeley facility will also receive \$18,827 through the Vocational Education Act of 1963. In addition, reimbursements from local school districts under the provisions of Chapter 1423, Statutes of 1965, will reach \$140,500 at Berkeley and \$129,872 at Riverside.

Educational Program

The educational and vocational programs parallel closely those found in the public schools and are designed to prepare graduates to assume a useful place in society. A college preparatory program is offered for students planning to attend Gallaudet College in Washington, D.C. which provides the only available comprehensive higher education program for the deaf in the country. Both schools provide vocational instruction to assist students in the development of work habits and skills. Vocational courses offered include woodwork, upholstery, machine shop, and printing for boys and home economics, business machines and commercial art for the girls. Advanced vocational education programs for graduates are available through a special program conducted at Riverside Junior College.

The Berkeley school has requested one teacher position (\$7,728) which will receive support on a 50 percent federal, 50 percent state matching basis through the Vocational Education Act to 1963. This position is required to provide an instructor for the recently completed auto body fender shop. There is also included 0.7 of a position for temporary help to paint the outside of the Berkeley school's buildings. *We recommend approval of these positions as budgeted.*

In the current year 13.6 positions were administratively established at the Riverside school to conduct a pilot project for "seriously emotionally disturbed deaf students." This program is federally financed under the provisions of Public Law 88-164 which makes funds available to improve teaching methods of handicapped children. The project is funded through June 1968 and the authorized positions will terminate at that time.

Local school districts are required under the provisions of Chapter 1423, Statutes of 1965, to reimburse the Schools for the Deaf in an amount equal to that which is expended from local tax sources to educate a normal child.. The estimated amounts to be received through this requirement are included in the reimbursements item of each school's budget as "payments by school districts" and are estimated to be \$140,500 for the Berkeley school and \$129,872 at Riverside. Actual reimbursement amounts included in the budget for fiscal 1966-67 are

California School for the Deaf—Continued

\$145,783 at Berkeley and \$129,351 at Riverside. Based on the total enrollment (excluding federally supported pilot project students at Riverside) at each school for 1966-67, the average reimbursement per student is \$288 at Berkeley and \$248 at Riverside. When this receipt-per-student factor is applied to the budget year's estimated enrollment, reimbursements would equal \$148,032 at Berkeley for an increase of \$7,532, and \$132,928 at Riverside for an increase of \$3,056. We believe that the estimated reimbursements should be increased by at least these amounts which are equivalent to the 1966-67 reimbursements on a per-student basis. This level of reimbursement should be easily attainable since local expenditures when govern the amount of reimbursement would normally increase over the two-year interval. *We recommend that payments by school districts be increased to \$148,032 at the California School for the Deaf, Berkeley and increased to \$132,928 at Riverside resulting in a total General Fund savings of \$10,588 (\$7,532 reduction in Item 84 and \$3,056 reduction in Item 85).*

The budget reflects a total of \$6,455 at the Riverside school for the operation of a preschool parent institute composed of 0.7 temporary help (\$5,455) and operating expense (\$1,000). Although authorization for this program was included in the current year's budget, the program was not conducted and it is not anticipated by school officials that the program will be conducted for the budget year. Despite information from the Berkeley school which indicates that this has proven to be a successful program in northern California, a number of preschool programs for the deaf are readily available in the southern part of the state resulting in little demand for this program. *We recommend the deletion of 0.7 temporary help—preschool (\$5,455) plus related staff benefits and operating expenses designated for preschool parent institute (\$1,000) for a General Fund savings of \$6,455.*

Residential Program

A comprehensive residential program is provided at both the Berkeley and Riverside facilities which includes counseling, guidance, health services and a wide variety of intermural and extracurricular activities.

The close proximity of the California School for the Deaf, Berkeley, to the California School for the Blind, Berkeley, has resulted in a great deal of cooperation in their residential programs. The School for the Blind operates a campus hospital and clinic for students of both schools and the School for the Deaf provides maintenance and other services to the School for the Blind. We believe that this cooperation has been advantageous to both schools and should be encouraged.

The Berkeley school for the deaf presently has an accounting staff composed of one accountant I, one accountant technician II and clerical help, the same authorization that exists at the School for the Blind, which has 469 less students and a 56 percent smaller budget. We believe that as a result of existing cooperative programs and their close physical proximity, the accounting function for both facilities could be carried out by the California School for the Deaf with a total staff of one accountant I, two accounting technicians II and appropriate clerical

California School for the Deaf—Continued

help. The additional positions required would be transferred from the existing staff of the School for the Blind. *We recommend that the budget of the California School for the Deaf, Berkeley, be augmented by \$12,876 to authorize establishment of one accounting technician II position (\$6,672) and one intermediate stenographer position (\$6,204).*

**Department of Education
STATE EDUCATION AGENCY FOR SURPLUS PROPERTY**

ITEM 86 of the Budget Bill

Budget page 265

**FOR SUPPORT OF STATE EDUCATIONAL AGENCY
FOR SURPLUS PROPERTY FROM THE SURPLUS
EDUCATIONAL PROPERTY REVOLVING FUND**

Amount requested	\$2,991,058
Estimated to be expended in 1967-68 fiscal year	2,985,012
 Increase (0.2 percent)	 \$6,046

TOTAL RECOMMENDED REDUCTION None

GENERAL PROGRAM STATEMENT

The State Educational Agency for Surplus Property, located within the Division of Public School Administration in the Department of Education, makes available federal surplus property to school districts and other eligible institutions. The costs of handling and processing items for distribution are financed by the agency and recovered from participating agencies by charges which are paid into the Surplus Property Revolving Fund. Approximately \$30 million in surplus property will be distributed to schools and other eligible institutions under the program in 1968-69.

ANALYSIS AND RECOMMENDATIONS

A sum of \$2,991,058 is proposed for expenditure by the State Educational Agency for Surplus Property in 1968-69; this represents an increase of \$6,046 over the current level. The department proposes to delete 13 positions which were held vacant during the current year because of a reduction in the unit's workload. The department also proposes to continue a school lunch nutritionist position and an intermediate stenographer which were established administratively during the current year to staff a special project designed to improve the school lunch program and the use of surplus property.

We recommend approval of the item as budgeted.

**Department of Education
VOCATIONAL EDUCATION**

ITEM 87 of the Budget Bill

Budget page 267

**FOR SUPPORT OF VOCATIONAL EDUCATION
FROM THE GENERAL FUND**

Amount requested	\$727,063
Estimated to be expended in 1967-68 fiscal year	837,946
 Decrease (13.2 percent)	 \$110,883

TOTAL RECOMMENDED REDUCTION None

Vocational Education—Continued

GENERAL PROGRAM STATEMENT

Vocational education in California is supported by federal, state and local funds. Federal funds are authorized by the following: (1) the Smith-Hughes Act and (2) the George-Barden Act which jointly provide assistance for agricultural, industrial, technical and homemaking education, distributive education and vocational guidance, and make funds available for salary reimbursements, travel expenses and instructional materials; (3) the Vocational Education Act of 1963 which provides federal support for a variety of inschool and nonschool vocational education activities, including programs for persons in high schools, persons out of high school available for full time study, persons with special needs and for construction of area vocational education facilities; and (4) the Manpower Development and Training Act which provides training for unemployed and underemployed persons in local educational institutions and regional skill centers. Proposed expenditures for state level operations and for reimbursements to school districts are summarized in Table 1.

Table 1
Proposed Expenditures for Vocational Education
in California in 1968-69

<i>State level programs</i>		<i>Proposed expenditures</i>
I Fire training program		\$134,585
II Administration		288,996
III Supervision and teacher training program		1,661,877
IV Coordinating unit—occupational research		91,709
V Manpower Development and Training Act		447,165
VI Practical nurse training program		18,450
VII Area vocational education		97,365
VIII Instructional materials for apprentices		20,000
IX Work-study program		22,993
Total expenditures, state level		
General Fund	\$727,063	
Federal funds	2,056,077	\$2,783,140
<i>Reimbursements to School Districts</i>		
III Supervision and teacher training program		\$1,532,646
V Manpower Development and Training Act		11,600,000
VI Practical nurse training program		237,863
VII Area vocational education		669,257
X Vocational Education Act of 1963		15,069,310
Total reimbursements		
General Fund	\$1,030,271	
Federal funds	28,078,805	\$29,109,076
Grand total expenditures for vocational education		\$31,892,216

In 1968-69 California will spend a total of \$31 million in federal and state funds for vocational education and manpower development and training programs according to the department's proposals. Presently federal funds authorized by the George-Barden Act, the Smith-Hughes Act and the Vocational Education Act of 1963 require 50 percent state and/or local matching funds. The Manpower Development and Training Program requires that the state finance one-tenth of the cost of the

Vocational Education—Continued

continuing program and one-tenth of the cost of the state level administration with General Funds. Under the allocation procedures for vocational education programs, state administrative costs are first deducted from state and federal contributions and then the remaining balances are distributed to school districts maintaining approved vocational education programs. Table 2 contains a detailed breakdown of proposed expenditures for state level programs and for reimbursements to school districts in 1968-69.

Table 2

Funds for Vocational Education in California 1968-69

I. State-level Operations

<i>Income</i>		<i>Expenditures</i>	
State General Fund -----	\$727,063	Administration:	
Federal funds -----	2,056,077	General Fund ..	\$45,784
		Federal funds ..	243,212
			\$288,996
		Area Vocational Education	
		(federal funds) -----	97,365
		Practical nurse training	
		(federal funds) -----	18,450
		Fire training program	
		(General Fund) -----	134,585
		Instructional materials	
		(federal funds) -----	20,000
		Manpower development and training	
		General Fund ..	44,717
		Federal funds ..	402,448
			447,165
		Work study program	
		(federal funds) -----	22,993
		Coordinating Unit-Occupational Research	
		General Fund	4,585
		Federal funds	87,124
			91,709
		Supervision and Teacher Training	
		General Fund ..	497,392
		Federal funds ..	1,164,485
			1,661,877
		Detail:	
		Supervision and teacher training	
		Agricultural education -----	\$374,037
		Business education	20,650
		Distributive education -----	211,531
		Homemaking education -----	251,418
		Industrial arts education -----	47,594
		Industrial education	684,031
		Junior college services -----	(Deleted)
		Employees' retirement and health and welfare -----	99,000
		Equipment -----	9,923
		Less: Salary savings and reimbursements -----	—36,807
		Subtotal -----	\$1,661,877
Total income -----	\$2,783,140	Total expenditures -----	\$2,783,140

Vocational Education—Continued

Table 2—Continued

Funds for Vocational Education in California 1968-69

II. Reimbursements to School Districts

<i>Income</i>		<i>Expenditures</i>	
State General Fund	\$1,030,271	Agriculture (Federal and General Fund)	\$262,297
Federal funds	23,078,805	Area Vocational Education (federal funds; Title III, NDEA)	699,257
		Business (Federal and General Fund)	112,237
		Homemaking (Federal and General Fund)	340,202
		Industrial (Federal and General Fund)	817,910
		Practical Nursing (Federal and General Fund)	237,863
		The Vocational Education Act of 1963	15,069,310
		Manpower Development (Federal and General Fund)	11,600,000
Total Income		Total Reimbursements	\$29,109,076
GRAND TOTAL: Expenditures for Vocational Education in California			
General Fund	\$1,757,334	State-level Operations	\$2,783,140
Federal funds	30,134,882	Reimbursements to school districts	29,109,076
		GRAND TOTAL EXPENDITURES	\$31,892,216
GRAND TOTAL INCOME	\$31,892,216		

ANALYSIS AND RECOMMENDATIONS

General Fund support for the state level administration of vocational education is set at \$727,063 in 1968-69 representing a decrease of \$110,883 below the present level, while federal support is proposed at \$2,056,077, a decrease of \$56,608 below the current year. The reduction of state and federal support reflects the elimination of a unit providing junior college services because of Chapter 1549, Statutes of 1967, which authorized a separate agency to provide junior college services. A total of 25.4 positions comprised of 16 professional positions and 9.4 clerical positions have been deleted from this unit.

The department proposes to establish 6 new professional positions and 2.5 new clerical positions in 1968-69 to be financed by federal funds. Four positions are requested to improve the level of service while 3.5 positions are requested because of workload increases. The new positions requested are summarized below.

<i>Program and positions requested</i>	<i>Amount</i>
Administration	
3 Regional coordinators, vocational education (improved level of service)	\$43,668
1 Intermediate stenographer	5,100
Supervision and Teacher Training	
Agricultural education	
0.5 Intermediate stenographer	2,745

Vocational Education—Continued

<i>Program and positions requested</i>	<i>Amount</i>
Homemaking education	
0.5 Intermediate stenographer -----	2,711
Industrial education	
1 Special supervisor -----	13,860
1 Assistant supervisor -----	12,576
0.5 Intermediate stenographer -----	2,613
Work-study Program	
1 Consultant -----	13,860
0.5 Intermediate stenographer -----	2,550

The department proposes to finance all of the new positions from federal funds with no increase in General Fund cost.

The vocational education budget is composed of nine programs in addition to the state level administration of the overall program. A discussion of these programs, their source of funding and the positions requested follows.

Programs Financed Entirely by General Fund

I. Fire Training Program. This program services local fire departments, primarily volunteer agencies, by conducting in-service training throughout the state, teaching modern methods of firefighting and fire investigation. Approximately 6,000 pupils per year are enrolled in over 200 firefighting schools which are conducted by the department's seven instructors. General Fund expenditures for the program are estimated at \$134,585 in the budget year which represents a minor increase above the sum of \$133,401 expended in 1966-67. No new positions are requested and the level of service is expected to remain unchanged.

Programs Financed by State and Federal Funds

II. Administration. Total support for administration from state and federal sources is set at \$288,996 for 1968-69, an increase of \$74,618 above the current year. General Fund support is proposed at \$45,784, an increase of \$897, while federal support is proposed at \$243,212, an increase of \$73,921. Most of the increase is caused by the department's proposal to establish 3 new regional coordinator positions and 0.5 clerical positions. These positions represent an improved level of service inasmuch as they are requested to assist the department to reorganize the state level administration of vocational education on a regional basis, relieve the department of minor day-to-day policy decisions and to improve the coordination of local vocational education programs. It is also argued that the additional positions, by relieving state level staff of minor program decisions, would enable the department's staff to devote more time to the development of improved statewide vocational education programs. The department notes that the Arthur D. Little Company, in its review of the organizational structure of the Department of Education, supported the concept of regional offices for vocational education, although it did not specifically recommend the addition of three positions.

We recommend approval of the request for three regional coordinators, vocational education, and one intermediate stenographer for an additional cost of \$43,668 and \$5,100, respectively, to be financed from

Vocational Education—Continued

federal funds. However, we recommend that authorization for the positions be limited to a one-year period. In addition we recommend that the department evaluate the effectiveness of the additional positions in improving the coordination of local programs and improving the level of services for local school districts and report its findings to the Joint Legislative Budget Committee by November 1, 1968. Recent evaluative reports regarding the effectiveness of various compensatory education programs indicate that there exists little comprehensive coordination of local vocational education programs and special programs for disadvantaged pupils. If the addition of the regional coordinators does in fact result in improved coordination between the two programs, we believe the addition of the three positions will be justified.

In 1967 the State Board of Education contracted with the Arthur D. Little Company to perform a comprehensive two-year study of vocational education in California. The company has been requested to project future requirements for vocational education in California, evaluate the strengths and weaknesses of present programs, and make both intermediate and long-term recommendations for improving the quality of present programs. The study is being financed by \$400,000 in federal funds available under the Vocational Education Act of 1963. As a result of our suggestion the contract with the Arthur D. Little Company requires that they submit periodical progress reports to the State Board of Education so that both the state board and the Legislature may be kept informed of its preliminary findings. A summary of "emerging issues" contained in the first two of these progress reports covering the period July 7 to January 7 is listed below.

1. "There appears to exist within the public school system a serious problem regarding counseling and communication with the vocational education student. Several people related to us their perceptions that counselors, particularly in the high school, either lacked interest in or strenuously avoided the vocational education student. . . . there appears to be more prestige for the school and for the counselors in devoting their efforts to the academic, college-bound students (the vocational education student becomes, in some eyes, a second-class citizen in the public school)."

2. "Both in the literature and in our personal interviews, we have heard that the minority group or the culturally deprived child tends to be stereotyped very early in his school career (even in elementary school) as a vocational student. This is especially true if he becomes any kind of a disciplinary problem. It is apparently only the undeniably outstanding child from a minority group who escapes this tendency on the part of the school system to stereotype him."

3. The company also related that many individuals questioned believed that there exists a serious lack of basic education materials, programs and teachers in some training programs, such as MDTA, junior colleges and private training activities. A lack of experimentation and innovation was also noted in handling basic and remedial education prior to or concurrent with vocational training courses.

4. The January 7 report suggested that by strengthening the role of local advisory committees, it would be possible to significantly improve

Vocational Education—Continued

guidance and counseling, program planning and placement and follow-up of vocational education graduates. The report recommended that the State Board of Education and the State Director of Vocational Education develop a new concept in advisory committees to include the following provisions, some of which are detailed below:

a. The advisory committee should be concerned not only with the program of instruction but also with the individual students enrolled in the program.

b. The advisory committee should hold regularly scheduled meetings monthly during the school year.

c. The committee's membership should proportionally represent the segments of labor, business, commerce, industry and government that actually employ students from the program as determined by follow-up data of the preceding three years.

d. The advisory committees should make a written report to the school each year recommending program changes. The report should be presented prior to the time the school budget is formulated. An important part of the report would be recommendations for expanding, contracting or closing courses based on job opportunities and the experience of students in the program in finding satisfactory employment.

We recommend that the Legislature direct the Department of Education to develop and implement a specific proposal in 1968-69 for a pilot program designed to strengthen local advisory committees in vocational education as recommended by the Arthur D. Little consultants. We recommend that the pilot program be performed in selected urban schools having large numbers of disadvantaged pupils. We also recommend that any additional costs generated by the pilot program be financed from funds available under the Vocational Education Act of 1963.

III. Supervision and Teacher Training Program. This program represents the largest amount of state support for vocational education and finances the cost of six vocational education bureaus within the department which, in turn, provide consultative services to school districts operating vocational education programs in homemaking, agriculture, industrial arts, industrial education, distributive education and business education. Table 3 illustrates the total enrollment in vocational education programs by occupational category for 1966-67. In that year enrollment of 943,665 was distributed among 681 secondary schools and 78 junior colleges which offered vocational education programs.

Table 3
Enrollments in Vocational Education in 1966-67
by Occupational Category

Agricultural occupations	23,504
Distributive occupations	124,392
Health occupations	19,473
Home economics occupations	197,434
Office occupations	315,066
Technical occupations	65,124
Trade and industrial occupations	198,672
Total	943,665

Vocational Education—Continued

General Fund support for the Supervision and Teacher Training Program is proposed at \$497,392 in 1968-69, a decrease of \$128,551 below the current level. Federal support is estimated at \$1,164,485, a decrease of \$2,837 below the current level for a total state and federal expenditure of \$1,661,877. The decrease in General Fund support is almost entirely attributable to a reduction of 25.4 professional and clerical positions for the junior college unit which has been eliminated.

We recommend approval of the requests of a 0.5 intermediate stenographer position for the Bureau of Agricultural Education for an additional federal fund cost of \$2,745 and a 0.5 intermediate stenographer position for the Bureau of Homemaking Education for an additional federal fund cost of \$2,711. During the current year these positions were administratively established as a result of the transfer of two professional positions to the Oakland regional office from the State Polytechnic College at San Luis Obispo.

We recommend approval of a request for one special supervisor position for the Bureau of Industrial Education for an additional federal fund cost of \$13,860. The position would serve as the executive secretary of the California Association of Vocational Industrial Clubs of America. The California association was organized on June 20, 1967, under a charter granted it by the national organization. During 1966, the first year of operation of the national organization a total of 25,000 pupils representing 31 states participated in the program.

We recommend approval of a request for one assistant supervisor position for the Bureau of Industrial Education for an additional federal fund cost of \$12,576 and a 0.5 stenographer position for an additional federal fund cost of \$2,613. The additional positions would be used to alleviate a workload increase involving the establishment of in-service training programs. We believe that the positions are justified based on the documentation submitted.

IV. Coordinating Unit—Occupational Research. The main functions of this unit are to coordinate, disseminate and encourage research related to vocational education. The office provides consulting services to school districts and state colleges interested in developing research projects in vocational education and in addition maintains an information center having as its major objective the retrieval, storage and dissemination of information regarding the evaluation of vocational education programs. General Fund support for the coordinating unit is set at \$4,585 in 1968-69, a minor increase over the current level while federal support is set at \$87,124. No new positions are requested and the level of service is expected to remain unchanged.

V. Manpower Development and Training Act. The main objective of this program is to train the unemployed manpower of the state and to retrain underemployed individuals. The Department of Health, Education and Welfare administers the educational aspects of the program while the Department of Labor administers the aspects of the program dealing with employment opportunities, payment of training allowances and job placement. In California the Departments of Employment and Education jointly administer the program. The Department of Employ-

Vocational Education—Continued

ment identifies individuals requiring retraining and pays them training allowances while the Department of Education provides state level supervision of the instructional aspects of local projects.

In 1965 as a result of congressional amendments emphasizing programs for the hard core unemployed, it was decided to establish regional skill centers to provide educational and guidance services for trainees as well as comprehensive occupational training programs. Presently there are five centers in California: the Los Angeles Community Skill Center, the East Los Angeles Skill Center, the Pacoima Skill Center, the Watts Skill Center and the East Bay Skill Center.

Since July 1966 the major part of California's MDTA funds have been redirected from several hundred individual projects maintained by local school districts and private schools to the five regional centers. The impact of the longer, more comprehensive programs offered by the skill centers is indicated by the fact that about 19,000 trainees participated in the program in 1965-66 while only 7,568 are estimated to participate in the program in 1967-68 and 1968-69. Table 4 identifies the five major skill centers and the other areas providing programs, depicts the enrollment for the current year and illustrates the total cost of instruction.

Table 4
Funds Encumbered for Skill Center Program, 1967-68

<i>Skill centers</i>	<i>Number of projects</i>	<i>Enrollment 1967-68</i>	<i>Encumbrances</i>
Los Angeles Community Skill Center-----	23	1,383	\$2,137,662
Los Angeles (other than skill center)-----	27	405	406,367
East Los Angeles Skill Center-----	-	230	2,940,217
Pacoima Skill Center-----	-	330	714,882
Watts Skill Center-----	27	1,132	1,301,452
East Bay Skill Center-----	34	1,000	2,177,838
Oakland (other than skill center)-----	9	1,101 *	190,603
<i>Other programs</i>			
San Francisco -----	25	870	864,596
Fresno -----	4	415	110,094
San Bernardino }-----	-	860	684,239
San Jose }-----	-	200	
San Diego }-----	21	275	
Residual }-----	-	468	
		7,568	\$11,527,950

* Represents carry-over enrollment from 1966-67 not reflected in total.

The California State Employment Service reports that during 1966-67 approximately 85 percent of the trainees who were initially enrolled in the skill center program completed their occupational training and that 79 percent obtained employment.

Prior to the 1966-67 fiscal year the federal government financed the entire cost of the manpower development and training program. However, commencing in 1966-67 the states were required to finance 10 percent of the total cost in cash or to the extent possible with in-kind matching services. General Fund support for the state level administration of the manpower development and training program is set at

Vocational Education—Continued

\$44,717 in 1968-69, a decrease of \$5,399 below the current level, while federal fund support is estimated at \$402,448, an increase of \$48,582 above the present level. No new positions are requested.

Programs Financed Entirely from Federal Funds

VI. Practical Nurse Training Program. A sum of \$18,454 is budgeted for this program in 1968-69 for the purpose of developing curricula and instructional materials for the field of nursing through contractual arrangements with the University of California.

VII. Area Vocational Education. This program formerly supported by Title VIII of the National Defense Education Act provides federal assistance for technical vocational education programs maintained by junior colleges. Approximately 80,000 pupils participate annually in this program. Federal fund expenditures in 1968-69 are estimated at \$97,365 which represents a minor increase above the present level.

VIII. Instructional Materials for Apprentices. This program provides instructional materials such as examinations, workbooks and teachers' manuals for use by apprentices in trades where there are a minimum of 100 apprentices. The program is self-supporting from reimbursements with the exception of federal support for trades having fewer than 100 apprentices. Approximately 20,000 pupils are annually enrolled in the program. A sum of \$97,400 is proposed for the budget year composed of \$77,400 in reimbursements from bulletin sales and \$20,000 in federal support.

IX. Work-Study Program. One of the components of the Vocational Education Act of 1963 is the Work-Study Program which provides financial assistance to vocational education pupils so that they may complete their education. Under the provisions of the program local school districts and/or other local public agencies which provide employment opportunities for vocational education students are partially reimbursed by the state for wages paid students. Maximum payments of \$60 per month are authorized for pupils between the ages of 15 and 21 years who participate in the program. Presently about 2,300 pupils participate in the program at the secondary level and 1,700 pupils participate at the junior college level. In 1968-69 approximately \$1.1 million in federal funds will be received by California for support of the program. School districts will provide 25 percent of the wages provided pupils and the federal government will finance the balance. The department requests one consultant for the Work-Study Program at a cost of \$13,860 and one intermediate stenographer position for an additional cost of \$2,550. Both positions would be financed from federal funds. *We recommend approval of the request for one consultant for the Work-Study Program and one intermediate stenographer position for an additional federal fund cost of \$18,380 including staff benefits.*

X. Vocational Education Act of 1963. This act presently provides California with the largest source of federal funds for vocational education. It is anticipated that California will receive approximately

Vocational Education—Continued

\$15 million in 1968-69. Due to the importance of the program we are including a brief description of it in this section of the analysis even though the budget item appears in the local assistance portion of the budget. Although the federal law limits the expenditure of funds to several broad categories, it does authorize a good deal of administrative flexibility in transferring funds between program categories. The over-all administration of the program is governed by a state plan approved by the State Department of Education. Funds are allocated to school districts on the basis of project applications submitted to and reviewed by the appropriate bureaus within the Bureau of Vocational Education. Table 5 summarizes the total federal and local expenditures for the program by statutory purpose for the projects financed in 1967-68.

Table 5
Vocational Education Act of 1963
Expenditures of (PL 88-210) Funds by Local Districts
Fiscal Year 1966-67

	Grand total all programs		
	Total	Local	VEA-63
Persons in high school -----	\$13,858,675.28	\$9,403,123.06	\$4,455,552.22
Persons in post high school ---	15,770,362.01	12,104,567.98	3,665,794.03
Persons in labor market ----	4,572,878.82	3,616,776.95	956,101.87
Persons with special needs --	1,173,262.63	708,300.75	464,961.88
Construction of area vocational schools -----	8,234,058.22	5,569,425.81	2,664,632.41
Vocational Education Ancillary Service -----	4,429,800.77	2,526,343.42	1,903,457.35
Total -----	\$48,039,037.73	\$33,928,537.97	\$14,110,499.76
Work-Study -----	1,106,881.62	289,193.34	817,688.28
Grand total -----	\$49,145,919.35	\$34,217,731.31	\$14,928,188.04

Department of Education
DIVISION OF LIBRARIES

ITEM 88 of the Budget Bill

Budget page 274

FOR SUPPORT OF STATE LIBRARY
FROM THE GENERAL FUND

Amount requested -----	\$1,693,262
Estimated to be expended in 1967-68 fiscal year -----	1,658,626
Increase (2.1 percent) -----	\$34,636

TOTAL RECOMMENDED REDUCTION ----- None

GENERAL PROGRAM STATEMENT

The State Library, headed by the State Librarian, has several responsibilities. These include providing library services for the public, providing basic reference services for the Legislature and the executive branch of the government, and maintaining a collection of historical material relating to California. The State Library also administers the state and federal programs for public library development which are intended to extend and improve public library services statewide. In

Division of Libraries—Continued

addition to administration, the library is composed of four units which are identified and discussed hereafter.

1. Library Consultant Services
2. Reader Services
3. Law Library
4. Technical Services

1. Library Consultant Services

This unit provides consultative services to the state's 213 public libraries. State library consultants advise local libraries regarding the planning and construction of new facilities and they make surveys of local library requirements. The unit is partially responsible for implementing the California Public Library Development Act and for supervising projects authorized under the federal Library Services and Construction Act. These programs are summarized below.

Public Library Development Programs

a. Public Library Services Act. The Public Library Services Act seeks to improve the quality of local library services by encouraging the establishment of cooperative library systems. The program authorizes two types of grants to regional library systems, establishment grants and per capita grants. A sum of \$800,000 is proposed for subventions for the program in 1968-69, which is discussed in the subventions portion of the analysis.

b. Library Services and Construction Act. This is a federally financed program authorized by PL 88-269 designed to improve local library services. The titles of the act are:

Title I (Services). This title provides federal funds to extend and improve library services in areas without local libraries or with substandard services. Funds are used for the purchase of books, materials and for state level administration. In 1968-69 it is estimated that California will receive approximately \$2.4 million for Title I projects. Presently a total of 21 projects are being financed from Title I a few of which are listed below.

Alpine County	Demonstration project
Nevada County	Demonstration project
North Bay Cooperative System	Reference and research center
San Francisco Public Library	Reference service
Los Angeles Public Library	Demonstration program for disadvantaged
State Library	Processing center and summer internship program

Title II (Construction). This title provides approximately \$2 million in federal assistance for the construction of library facilities. Presently there are 42 public libraries in various stages of construction under the provisions of this title.

Title III (Interlibrary Cooperation). This relatively new title enacted by the 1966 Congress seeks to encourage cooperation between local libraries. Presently funds are being used to support a program

Division of Libraries—Continued

designed to improve library services for business and industry, to support library workshops and to finance expanded library services for some of the aforementioned demonstration projects.

Title IV, also enacted by the 1966 Congress, provides federal assistance for two purposes. Title IVa (Institutional Library Services) is presently financing a demonstration project designed to promote cooperation among state institutions to provide improved library services, and it is also providing consultative service to state institutions. Title IVb (Services for Physically Handicapped) will be implemented by improving the State Library's collection of material for the blind and physically handicapped and by establishing a pilot program in a local library to demonstrate the need for adequate library programs for the handicapped.

2. Reader Services

The Reader Services Bureau administers seven public service sections which provide direct library services for patrons and interlibrary loans. Representative of the units in this section are a rare books section, a books for the blind unit, a general circulation section and a legislative reference section.

3. Law Library

This unit maintains legal reference material for use by the bench, the bar, the Legislature, law enforcement agencies, law students and the public.

4. Technical Services

This unit containing seven sections, is responsible for the acquisition, maintenance and improvement of local library collections. It also administers a processing center initiated by the Library Services and Construction Act which purchases catalogs and classifies books for 23 libraries subscribing for such services.

ANALYSIS AND RECOMMENDATIONS

General Fund support for the State Library in 1968-69 is proposed at \$1,693,262 composed of \$1,632,993 for the administration of the State Library and \$60,269 for the administration of the state financed library development program. The proposed figure for 1968-69 represents an increase of \$34,636 over the present level.

During the current year a 0.5 librarian II position and a 0.5 intermediate typist-clerk position were established administratively to alleviate a workload increase connected with the annual compilation of a list of state publications. It is proposed that the positions be continued in the budget year. *We recommend approval of the request for an additional 0.5 intermediate librarian II position and a 0.5 intermediate typist-clerk position for a total additional cost of \$6,543 to be financed from reimbursements from the State Printer.*

The State Library also proposes to continue in the budget year 2.5 clerical positions and one duplicating machine operator which were established administratively during the current year to process an increase in the workload of the processing center. *We recommend approval of the request for a 0.5 intermediate typist-clerk, one dupli-*

Division of Libraries—Continued

cating machine operator I position, one junior typist-clerk and one junior clerk position for an additional cost of \$17,940 to be financed by reimbursements from libraries which subscribe for processing center services.

Department of Education

STATE TEACHERS' RETIREMENT SYSTEM

ITEMS 89 and 90 of the Budget Bill

Budget page 279

FOR SUPPORT OF THE STATE TEACHERS' RETIREMENT SYSTEM FROM THE GENERAL FUND AND THE STATE TEACHERS' RETIREMENT FUND

Amount requested from the General Fund -----	\$754,096
Amount requested from the State Teachers' Retirement Fund -----	854,097
	<hr/>
Estimated to be expended in 1967-68 fiscal year -----	\$1,608,193
	<hr/>
Increase (32.4 percent) -----	1,214,856
	<hr/>
	\$393,337
Increase to improve level of service -----	\$121,210

TOTAL RECOMMENDED REDUCTION ----- None

GENERAL PROGRAM STATEMENT

The program administered by the State Teachers' Retirement System has as its objective the providing of retirement allowances for service or disability and other related benefits for California public school teachers.

The management of the system is vested in the Teachers Retirement Board of nine members as follows: the Superintendent of Public Instruction; the Controller; the Director of Finance; a member of the governing board of a school district; and three members of the State Teachers' Retirement System, serving staggered four-year terms, appointed by the Governor from a list of nominees furnished by the Superintendent of Public Instruction; and one official each from a life insurance firm and a bank appointed to four-year terms by the Governor. The board sets policy and establishes rules and appoints a chief executive officer who has the responsibility and authority to administer the system pursuant to those policies and rules and the statutes governing the management of the system.

ANALYSIS AND RECOMMENDATIONS

The budget proposes expenditure of \$1,608,193 for the 1968-69 fiscal year which is \$393,337 or 32.4 percent above that estimated for the current year.

The budget reflects a major change in funding the system's administrative expenses. Through the current year administrative support has been provided entirely from the General Fund. Chapter 1476, Statutes of 1967, changes this to provide that administrative support will be funded 50 percent by the General Fund, 25 percent by teacher members and 25 percent by school districts. The new funding procedure is effective July 1, 1968.

The budget proposes an expenditure of \$754,096 from the General Fund and \$854,097 from the State Teachers' Retirement Fund. The reason the General Fund appropriation is \$100,001 less than the re-

State Teachers' Retirement System—Continued

tirement fund appropriation is because a specific appropriation must be made from special funds for agency or departmental support of pro rata costs. For the 1968-69 fiscal year the total estimated pro rata cost for the teachers' system is \$200,000. Budget page 281, line 39 shows \$100,000 will be the Teachers' Retirement Fund share of the pro rata costs. The remaining \$100,000 comes out of the General Fund. The budget does not show the General Fund support for pro rata charges since the General Fund in effect would be reimbursing itself.

As part of the new funding procedure the Legislature initiated a program of increasing the level of service provided to the members of the system and authorized, during the current year, 15 new positions. The positions were recommended by the private management consultant firm, Peat, Marwick, Mitchell and Co., in a \$75,000 report contracted for by the Joint Legislative Retirement Committee, and were in addition to the normal workload positions proposed in the budget. The additional positions are being used primarily to make current the files of members, to establish a program for verifying pre-1956 service of members, and to prepare for eventual conversion of the system to automatic data processing.

The budget for the 1968-69 fiscal year proposes the establishment of 20.1 positions including the continuation of 5 positions established administratively during the current year.

The following table shows our distribution of the proposed 20.1 positions between workload and increased level of service.

Proposed New Positions 1968-69 Fiscal Year		
<i>Positions</i>	<i>Proposed on basis of workload increase</i>	<i>Proposed as increased level of service</i>
Administration:		
Assistant to chief executive officer ¹ -----	--	\$20,496
Administrative services officer -----	--	11,976
Membership—Benefits:		
1 Senior clerk -----	\$2,742	2,742
4.1 Temporary help -----	20,000	--
Accounting Services:		
General accountant ¹ -----	--	12,574
2 Supervisors, EDP -----	--	21,720
1 Assistant data processing systems analyst ¹ -----	--	8,952
2 Programmers II -----	--	17,904
3 Programmers I ¹ -----	--	22,104
1 Accounting technician II -----	2,742	2,742
3 Intermediate account clerks -----	14,220	--
	\$39,704	\$121,210

¹ The assistant to the chief executive officer, the general accountant, the assistant data processing systems analyst and two programmer I positions were administratively established during the current year and are shown as proposed new positions for 1968-69.

I. Proposed Workload Positions

A. Membership-Benefits Program

The budget proposes a senior clerk and the equivalent of four man-years of temporary help for the membership-benefits program of the

State Teachers' Retirement System—Continued

system. The senior clerk is proposed on two bases. The backlog of requests for quotations on retirement estimates justifies an additional one-half man-year. Funds for a full-time position are proposed, however, so the supervisor of this unit can be relieved from computing quotations and thus spend more time supervising the unit. Stronger supervision in the system was one of the key recommendations of the private consulting firm. We have considered the one-half position providing for improved supervision as an increased level of service.

The \$20,000 proposed for the equivalent of four temporary help positions will be utilized to meet the peak workload during the summer month periods. Most retirements and refunds occur at the end of June, and the processing of documents reaches a peak during the months of July, August and September.

B. Accounting Services

An accounting technician II position is proposed, half on the basis of increased workload and half on the basis of relieving the internal accounting supervisor of daily workload in order that more time can be spent on supervision. This request is comparable to the request for the senior clerk listed above. The increased workload is in the bond investment program as shown below.

<i>Type of Investment Transaction</i>	<i>1966-67</i>	<i>1967-68</i>	<i>1968-69</i>
Purchase of securities -----	247	290	316
Redemption, sales and maturities -----	92	110	130
Total transactions -----	339	400	446

Three intermediate account clerks are proposed to meet increasing workload in the following areas. No positions were authorized for this function during the past two years.

<i>Activity by Type of Workload</i>	<i>1966-67</i>	<i>1967-68</i>	<i>1968-69</i>
a. Annual report line items to be examined -----	152,601	147,867	193,140
b. Advance contributions -----	13,662	15,000	17,000
c. Discrepancies of a. and b. -----	1,448	4,945	5,400
d. Affidavits processed -----	33,441	35,900	38,400
e. Contribution discrepancies -----	42,900	46,000	49,200
Total workload units -----	244,052	249,712	303,140

Currently seven man-years are devoted to the above activities. The accounting program has been one of the major delay points in the posting of membership contributions and service. The proposed three positions will permit this unit to remain current in its handling of workload.

We recommend approval of the \$39,704 for the positions requested on a workload basis.

II. Proposed Increased Level of Service Positions**A. Administration**

*Assistant to the chief executive officer (budget page 280,
line 62) -----*

\$20,496

State Teachers' Retirement System—Continued

Chapter 1527, Statutes of 1967, effective November 9, 1967, established a new exempt position of chief executive officer to be appointed by the Board of Administration and abolished the civil service position of executive officer. Immediately a new position of assistant to the chief executive officer was established administratively to provide staff services to the chief executive officer and the Board of Administration and to retain the services of the previous executive officer of the system, who will provide consultative services on specific complex problems involving administrative practices based on superseded or repealed laws.

Administrative services officer (budget page 280, line 63) \$11,976

An administrative services officer position is proposed to act as chief of the Administrative Services Division which will include personnel, payroll, supply, mailroom, central files and budgeting. These functions are currently being carried out by an administrative analyst and are not receiving proper attention or emphasis. The system has been particularly weak in the preparation and presentation of budget material justification which has led to many of its problems in recent years. We consider this one of the most important positions proposed in the system's budget.

We recommend approval of the assistant to the chief executive officer and the administrative service officer positions.

B. Accounting Services

The following positions are proposed for or related to the proposal for conversion to automatic data processing within the system.

<i>General accountant (budget page 281, line 5)</i> -----	\$12,574
<i>2 Supervisors, EDP (budget page 281, line 6)</i> -----	21,720
<i>Assistant data processing system analyst (budget page 281, line 7)</i> -----	8,952
<i>2 Programmers II (budget page 281, line 9)</i> -----	17,904
<i>3 Programmers I (budget page 281, line 10)</i> -----	22,104

Four of the above positions were established administratively during the current year and are proposed for continuance in the budget year. Establishment of these positions will complete the staffing for the Data Processing Division at a total of 26 positions.

The major area of improved level of service proposed for the State Teachers' Retirement System involves the conversion of the system's recordkeeping, files, computations, and receipt of information pertaining to member contributions and service to automatic data processing. This area has also proved to be the most controversial of the activities of the system due to faulty records and excessive delays in updating member records.

Currently the county superintendents of schools submit information concerning member service and contributions on an annual basis. In many instances the information comes to the system's office ten months after the close of the fiscal year. By the time the records are posted to the member accounts, the information often is 20 to 24 months behind

State Teachers' Retirement System—Continued

the members' actual contributions and service. This procedure has been criticized in the past by ourselves, the Auditor General, the Department of Finance and most recently, the Peat, Marwick, Mitchell and Co. management consulting firm.

A major part of increasing the level of service is the conversion to monthly reporting by the counties and installation of equipment to receive, process and post the information. The first monthly reporting will occur on a sample basis starting July 1969. Full conversion to monthly reporting will occur on July 1, 1970.

During the legislative committee hearings on the proposal to change the method of funding the administrative costs of the system, the Department of Finance stated that one of the main reasons for the new funding was the necessity for raising the level of service of the system and the updating of its machine equipment and procedures in order that the state would be in a better position of knowing specifically what its financial liability is and what the future obligations will be.

We recommend approval of the proposed increased level of service as budgeted.

HIGHER EDUCATION**SCOPE AND FUNCTION**

California's system of public higher education is the largest in the nation and currently consists of 107 campuses of the University of California, the California State Colleges and the public junior colleges. The system has resulted from many studies over the past quarter century culminating in the *Master Plan for Higher Education in California, 1960-1975* which was largely incorporated into the Donahoe Higher Education Act of 1960. The purpose of the Donahoe Act was to articulate the general responsibilities of each of the three segments and to establish an economical and coordinated approach to public higher education. Toward that end, efforts have been made to insure that the educational programs and activities of each segment will be complementary and not duplicative.

Specifically, the act states that the University of California shall be the primary state-supported institution for research, that it will provide instruction in the liberal arts and sciences and the professions and that it shall have exclusive jurisdiction in professional instruction including such fields as law, medicine, dentistry, veterinary medicine and architecture. In addition, the Donahoe Act states that the University shall be the sole grantor of the doctorate degree except that joint doctorates may be awarded in selected fields in conjunction with the California State Colleges.

The state colleges are distinct from the University in that their primary function is the provision of instruction to undergraduate and graduate students through the master's degree in the liberal arts and sciences. Doctorate degrees may not be awarded with the exception noted above and research is permitted only if it is consistent with the primary responsibility of teaching.

Higher Education—Continued

The public junior colleges offer a two-year program of instruction in the liberal arts and sciences at the lower division level which may lead to transfer to a four-year institution or in vocational or technical subjects leading to employment. The junior colleges are authorized to award the associate in arts or associate in science degree.

The University of California is governed by a 24-member Board of Regents who are appointed by the Governor for 16-year terms. According to the State Constitution, the Regents exercise full responsibility for the management and control of the University's nine campuses which include eight general campuses and a separate medical facility at San Francisco. In addition, a medical school is maintained at Los Angeles with schools at Davis and San Diego to begin operation in the fall of 1968. The University also acquired the California College of Medicine which will be physically transferred from its current location in Los Angeles to the new campus at Irvine in 1972. Admission to the University is open to students in the upper 12½ percent of their high school graduating class and to transfer students with satisfactory records from state colleges, junior colleges, and other accredited institutions of higher learning.

For the California State Colleges, the Donahoe Act created the 20-member Board of Trustees which is responsible for the governance of the state college system. While this board does not have the extensive powers enjoyed by the Board of Regents, it does provide for the coordination and control of the system's 18 campuses. The day-to-day operations of the system are managed by the Office of the Chancellor which is responsible for fiscal control, academic and administrative coordination of the campuses and long range planning for curricula, budgeting and capital outlay. Opportunities to attend the state colleges are available to the upper one-third of high school graduates and to qualified transfers from other colleges and universities. A new state college (in the City of Bakersfield) is due to open in the fall of 1969. This will raise the total number of state college campuses to 19.

The public junior colleges will, as a result of Chapter 1549, Statutes of 1967 (SB 699), be managed by the 15-member Board of Governors of the Community Colleges as of July 1, 1968. This board will succeed to the "duties, powers, purposes, responsibilities and jurisdiction heretofore vested in the State Board of Education, the Department of Education and the Director of Education with respect to the management, administration and control of the junior colleges." While it is probable that the new board will have a coordinative effect on the 80 junior colleges, the degree of control is limited. The junior colleges are local institutions managed by local governing boards and supported primarily from local funds. In recognition of this fact, the legislation specified that "the work of the board shall at all times be directed to maintaining and continuing, to the maximum degree permissible, local autonomy and control in the administration of the junior colleges." Admission to the junior colleges is open to any high school graduate and may be open to any adult over 18 years of age if the officials of the college determine that he will profit from the instruction received.

Higher Education—Continued

The Coordinating Council for Higher Education is an 18-member body that was established in 1960 by the Donahoe Act to fulfill a recommendation in the master plan. The council is composed of three members from each of the public segments, three members to represent the private institutions and six public members. All are appointed by the Governor except that the President of the University of California, the Chancellor of the California State Colleges and one member of the State Board of Education (replaced by one member of the new Board of Governors of the Junior Colleges as of July 1, 1968) must be members. The council is provided with a staff which provides research and consultant services to the governing boards of the three segments and to appropriate state officials and the Legislature on matters pertaining to state financial support, long range physical development, new programs and other concerns.

ADMISSION AND ENROLLMENT

Any high school graduate by statutory regulation must be admitted to a public junior college. Public junior colleges, in addition, may admit any person who is 18 years of age. Admission requirements for the University of California and California State Colleges are set by their respective governing boards. In accordance with the master plan, state college admission standards are intended to restrict the admission of freshmen to those who were in the top one-third of their high school class. A 2.0 grade average is the minimum acceptable average for transfer to a state college, and a bachelor's degree is required for admission to graduate study. Also in accordance with the master plan, University admission standards are intended to restrict the admission of freshmen to those who were in the top one-eighth of their high school class. Only those transfer students who have a 2.0 (in some cases a 2.4) grade point average are admissible to advanced standing. A bachelor's degree is a University requirement for graduate study, but individual departments may and generally do set additional requirements.

Enrollment statistics, together with additional data as to the distribution of students by level of instruction, have been the major factor in determining the amount of support and capital outlay funds that the Legislature appropriates each year for instructional programs. In the Governor's Budget the University's enrollment statistics include a distribution of students by level of instruction through and beyond the budget year. The state college's enrollment statistics include such a distribution but only for the past actual year. Since enrollment statistics are so vital to financial decisions in higher education, we urge that future budgets include a breakdown for the state colleges for at least the current and budget years. The junior colleges instruct only lower division students and this observation is, therefore, not applicable.

For purposes of comparison with the enrollment statistics in this year's budget, enrollment data for the three segments of public higher education is provided in Table 1 for 1963-64 to 1972-73. It must be

Education

General Summary

Higher Education—Continued

stressed that the projections for 1972-73 are extremely volatile due to the large number of assumptions and the various sources of information used to obtain them. Consequently, these projections should be used with caution. Changing methods of enrollment accounting and different methods of apportionment of state funds are evidenced in Table 1.

Table 1
Annual Enrollments

	<i>Actual 1963-64 FTE</i>	<i>Actual 1965-66 FTE</i>	<i>Estimated 1967-68 FTE</i>	<i>Proposed 1968-69 FTE</i>	<i>Projected 1972-73 FTE</i>
University of California					
Lower division -----	20,245	25,807	28,613	29,353	32,888
Upper division -----	20,149	28,175	32,830	35,029	42,152
Graduates -----	18,629	25,311	29,021	32,219	46,331
Totals -----	59,023	79,293	90,464	96,601	121,371
California State Colleges					
Lower division -----	41,129	43,859		¹	¹
Upper division -----	45,570	57,991			¹
Graduates -----	11,788	15,466			
Totals -----	98,487	117,316	146,596	161,295	210,630
Junior Colleges	ADA	ADA	ADA	ADA	ADA
Totals ² -----	195,318	262,865	307,500	338,250	495,232
Grand Totals -----	352,828	459,474	544,560	596,146	827,233

¹ Not available.

² Does not include defined adults.

For a period of time including 1963-64 and ending with the fiscal year 1965-66, the University used the average annual enrollment head count. This method of enrollment accounting consisted of adding all the full-time and all the part-time students registered in each of the two semesters and dividing this sum by two. In the 1966-67 fiscal year, the University began using a method which has been used by the state college system since its inception, the full-time equivalent (FTE) count. This method consists of adding all the units carried by all types of students in an academic year and dividing the total by 30 to reflect the number of students carrying an average load of 15 units per semester (the divisor is 45 for schools on the quarter system to reflect an average load of 15 units per quarter). The junior colleges count enrollment on the basis of units of average daily attendance (ADA) which is a complicated, expensive and not totally accurate process. Many officials concerned with junior college administration and finance would like to see these institutions move away from their present system to the method used by the public four-year colleges. We believe such a change would be desirable inasmuch as it would produce greater uniformity in attendance accounting and would more accurately demonstrate the true financial needs of the system.

There is little data regarding attrition and persistence rates among students who go on to some form of higher education. Such statistics as do exist do not lend themselves to easy interpretation because many students interrupt their higher education only to return later, some-

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times to interrupt it a second, third or fourth time. Also, many junior college students will transfer to a four-year institution before they complete the full two years at the junior college.

A survey by E. Sanders and H. Palmer, *The Financial Barrier to Higher Education in California*, published in 1965, reports that the number of bachelor's degrees awarded during 1962-63 in California was 27 percent of the first-time college enrollment four years previous. Nationally, the comparable figure was 54 percent. Put another way, 73 percent of the entering freshman in 1959 failed to graduate in four years. The report further states that the bachelor's degrees in California in 1962-63 were 22.7 percent of the 1958-59 high school graduates as compared to the nationwide figure of 28 percent. The higher loss rate is partially due to California's junior college two-year terminal vocational programs but this does not seriously diminish the fact that attrition is a significant problem for California's public institutions and needs further study.

EXPENDITURE SUMMARY

Table 2 shows the actual and estimated total and state expenditures for higher education since 1966 and for purposes of comparison includes the year 1963-64. The percentage which state spending bears to total expenditures for higher education has dropped slightly over the last five years, from 56 percent in 1963-64 to 50 percent in 1968-69. Federal and private contributions to higher education have grown faster than state contributions, primarily in the area of capital outlay. However, it is difficult to make valid observations on capital outlay expenditure trends for the following reasons. Capital outlay funds listed for 1967-68 and those requested for 1968-69 might not be spent in those years. If not, they will show up again as capital outlay expenditure items in future budgets. In a similar vein, capital outlay expenditure estimates for these two years include funds authorized but not expended in prior years; these funds, once again, may be spent now or carried forward. Since 1963-64 and 1966-67 expenditures are final, Table 2 lists the actual expenditures for capital outlay for those years, which are \$167 and \$187 million respectively. The capital outlay figure for 1967-68 in Table 2 is the amount approved but unexpended up to and including 1967-68 which is \$373 million. The estimated amount of capital outlay expenditures for 1968-69 in Table 2, which is \$201 million, includes some carryover funds plus the amount requested in the Budget Bill. In the area of support, there is \$123 million more in the 1968-69 budget than in the 1967-68 budget, \$76.5 million of which will be state funds. This raises the level of support for higher education from a total of \$1,117 million in 1967-68 to \$1,240 million in 1968-69 with the state portion of these totals increasing from \$530 million to \$606 million.

Between 1963-64 and 1968-69, total expenditures for higher education are estimated to almost double. The actual expenditures in 1963-64 were \$773 million and in 1968-69 they are estimated to be \$1.4 billion.

Table 2
Expenditure Summary for Higher Education ¹
(In thousands)

	<i>Actual 1963-64</i>			<i>Actual 1966-67</i>			<i>Estimated 1967-68</i>			<i>Proposed 1968-69</i>		
	<i>Support</i>	<i>Capital Outlay</i>	<i>Total</i>	<i>Support</i>	<i>Capital Outlay</i>	<i>Total</i>	<i>Support</i>	<i>Capital Outlay ⁴</i>	<i>Total</i>	<i>Support</i>	<i>Capital Outlay ⁴</i>	<i>Total</i>
Coordinating Council on Higher Education---	\$299 (299)	- -	\$299 (299)	\$523 (435)	- -	\$523 (435)	\$949 (532)	- -	\$949 (532)	\$977 (553)	- -	977 (553)
University of California ² -----	317,283 (159,959)	\$74,847 (70,971)	392,130 (230,930)	508,870 (242,993)	\$120,323 (65,057)	629,193 (308,050)	592,475 (247,276)	\$106,910 (57,366)	699,385 (304,642)	642,691 (284,297)	\$82,740 (47,839)	725,431 (332,136)
California State Colleges -----	119,873 (101,353)	41,921 (41,921)	161,794 (143,274)	226,924 (167,704)	42,029 (42,029)	268,953 (209,733)	266,450 (197,018)	217,892 (142,922)	484,342 (339,940)	310,788 (224,340)	78,508 (46,739)	389,296 (271,079)
Local Assistance (junior colleges) ³ ---	164,132 (41,312)	50,650 (12,060)	214,782 (53,372)	232,000 (71,000)	25,199 (9,379)	257,199 (80,379)	250,000 (82,000)	45,932 (24,092)	295,932 (106,092)	275,000 (91,000)	39,110 (19,293)	314,110 (110,293)
Hastings College of Law	588 (326)	- -	588 (326)	635 (610)	257 (257)	892 (867)	754 (707)	2,288 (1,612)	3,042 (2,319)	869 (830)	361 (278)	1,230 (1,109)
Maritime Academy -----	804 (491)	28 (28)	832 (519)	1,016 (593)	34 (34)	1,050 (627)	1,068 (653)	8 (8)	1,076 (661)	1,090 (668)	97 (97)	1,187 (765)
State Scholarship and Loan Commission ----	2,767 (2,766)	- -	2,767 (2,766)	4,700 (4,700)	- -	4,700 (4,700)	5,707 (5,627)	- -	5,707 (5,627)	8,999 (8,924)	- -	8,999 (8,924)
Total Expenditures -----	\$605,746 (306,506)	\$167,446 (124,980)	\$773,192 (431,486)	\$974,668 (488,035)	\$187,842 (116,756)	\$1,162,510 (604,791)	\$1,117,403 (533,813)	\$373,030 (226,000)	\$1,490,433 (759,813)	\$1,240,414 (610,612)	\$200,816 (114,246)	\$1,441,230 (724,859)
Total State Expenditures												
State Expenditures as % of Total Expenditures--	50.6%	74.6%	55.8%	50.1%	62.2%	52.0%	47.8%	60.6%	51.0%	49.2%	56.9%	50.3%

¹ Figures not in parenthesis constitute total expenditures. Those in parenthesis signify state expenditures.

² All expenditures included except those for special federal research projects.

³ Junior college support figures are verified only for 1963-64; the other years are best estimates.

⁴ Includes unexpended funds from previous fiscal years.

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The 1968-69 estimated budget for the University (\$725 million) is nearly twice its 1963-64 level of \$392 million. Estimated expenditures for the state colleges in 1968-69 (\$389 million) are nearly two and one-half times the 1963-64 level of \$162 million. The junior college budgets are estimated to increase to one and one-half times the 1963-64 level of \$215 million to \$314 million in 1968-69.

YEAR-ROUND OPERATION

Year-round operation in higher education; the operation of an institution for either four quarters or three semesters, is basically an effort to achieve the maximum utilization of all existing facilities before making the generally expensive decision to build new campuses.

In California, the problem of rapidly increasing enrollments and the need for facilities to house them has been as great or greater than in any other state in the nation and it was because of this that the notion of full-year operation was advanced as early as 1955 in the *Restudy of the Needs for California Higher Education* which offered several possibilities for moving to maximum utilization. The idea was given further support by the master plan survey team which recommended in the *Master Plan for Higher Education in California* that all public and private institutions of higher education offer summer programs equivalent to one quarter of a year during the summer months and that "The coordinating agency study during 1960 the relative merits of trimester and four-quarter plans for year-round use of the physical plants of both public and private institutions, and on the basis of that study recommend a calendar for higher education in California."

In 1962, the University of California decided on its own initiative to begin planning for the conversion of that segment to year-round operation. As a result of this stated intention and the master plan recommendation, the Coordinating Council for Higher Education undertook to study the entire concept of full-year use of facilities in all segments of higher education in the summer of 1963 while simultaneously placing itself on record as being in favor of "the greater utilization of all higher education facilities and personnel. . . ." The study was completed in February 1964 and resulted in a reaffirmation of support for the concept in general and a specific endorsement for the first time of the quarter system in particular. This recommendation, when combined with similar opinions received by the segments within the context of their own preliminary studies, persuaded them that the quarter system was preferable and should be adopted as soon as adequate planning and funding could be obtained. It also convinced the Legislature that year-round operation was desirable and it so stated in Senate Concurrent Resolution No. 24 during the 1964 General Session.

The Legislature and the Governor responded to the need for planning funds by appropriating \$350,000 for the University and \$233,873 for the state colleges for the 1964-65 year and \$125,000 and \$117,616 in 1965-66 respectively. These funds were used not only for systemwide planning but also for the establishment of conversion procedures at the individual campuses. Tables 3 and 4 illustrate the present conversion schedule for both segments.

Table 3
Schedule for Conversion to Year-round Operations
University of California

<i>Campus</i>	64-65	65-66	66-67	67-68	68-69	69-70	70-71	71-72	72-73	73-74
Berkeley -----			Q	X						
Los Angeles -----			Q		X					
Davis -----			Q			X				
Santa Barbara -----			Q			X				
Riverside -----			Q				X			
San Diego -----			Q				X			
Irvine -----							X			
Santa Cruz -----										X
Statewide -----	S	S								

Explanation of symbols:

S Funds allowed for conversion planning.

Q Campus converts to quarter system for three quarters only.

X Campus initiates fourth quarter and full year-round use.

Table 4

Schedule for Conversion to Year-round Operations
California State Colleges

Campus	64-65	65-66	66-67	67-68	68-69	69-70	70-71	71-72	72-73	73-74	74-75	75-76
Hayward (A) -----	S	X										
Cal Poly-KV (A) -----			X									
Cal Poly-SLO (A) -----			X									
Los Angeles -----	S			QX								
San Francisco -----			S		QX							
Humboldt -----			S	Q			X					
Fullerton -----					S		Q	X				
Chico -----					S		Q	X				
San Fernando Valley -----					S		Q	X				
San Jose -----					S			QX				
Dominguez Hills (A) -----									X			
Long Beach -----										QX		
San Bernardino (A) -----										X		
Fresno -----											QX	
Sonoma -----											QX	
Stanislaus -----			Q								X	
Sacramento -----												QX
San Diego -----												QX
Kern County -----												
Statewide -----	S	S	S	S	S							

Explanation of symbols:

- (A) Converted prior to 1964-65 or began initial operation under quarter system.
 S Funds allowed for conversion planning.
 Q Campus converts to quarter system for three quarters only.
 X Campus initiates fourth quarter and year-round use.

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General Summary

Higher Education—Continued

The financial estimates on year-round operation hold that while there will be significant increases in operating expenses, they will be more than offset by decreases in capital expenditures. The first such estimate was offered in February 1964 by the Coordinating Council for Higher Education which concluded that operating costs between 1967 and 1975 would increase by \$109.7 million in 1963 constant dollars but that capital outlay savings in the same period would amount of \$177.2 million for a net savings of \$67.5 million.

Since the report containing the above cost estimates and assumptions was released, the Berkeley campus of the University of California and California State College at Los Angeles have converted from two-semester to four-quarter operation with both offering their first summer quarter during the 1967 calendar year. Tables 5 and 6 show attendance figures for the various campuses.

Table 5
Summer Quarter Attendance
University of California

	<i>Fall Quarter FTE</i>	<i>Summer Quarter FTE</i>	<i>Summer Quarter FTE as a percent of Fall Quarter FTE</i>
Berkeley			
1967-68 (actual) -----	9,167	2,233	24.4
1968-69 (estimated) -----	9,167	3,667	40.0
Los Angeles			
1968-69 -----	8,470	3,388	40.0

The summer quarter FTE for campuses of the University of California includes the total enrollment for the 1967 summer quarter for the 1967-68 year and the total enrollment for the 1968 summer quarter for the 1968-69 year. The California State Colleges split their enrollment so that the FTE listed for 1967-68 is actually three-fourths of the 1967 summer quarter and one-fourth of the 1968 summer quarter.

Table 6
Summer Quarter Attendance
California State Colleges

	<i>Fall Quarter FTE</i>	<i>Summer Quarter FTE</i>	<i>Summer Quarter FTE as a percent of Fall Quarter FTE</i>
Hayward			
1965-66 -----	1,178	353	30.0
1966-67 -----	1,368	472	34.5
1967-68 (estimated) -----	1,820	655	36.0
1968-69 (estimated) -----	2,140	890	41.6
Cal Poly—KV			
1966-67 -----	1,616	363	22.5
1967-68 (estimated) -----	1,750	495	28.3
1968-69 (estimated) -----	2,017	710	35.2
Cal Poly—SLO			
1966-67 -----	2,589	405	15.6
1967-68 (estimated) -----	2,650	454	17.1
1968-69 (estimated) -----	2,887	540	18.7
Los Angeles			
1967-68 (estimated) -----	4,267	1,865	43.7
1968-69 (estimated) -----	4,600	2,120	46.1

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As of this writing, we have no concrete information on the Berkeley quarter other than the somewhat discouraging enrollment level in the 1967 summer quarter (24.4 percent of the fall quarter instead of the estimated 40 percent). Naturally, this in itself is not sufficient information on which to predict what future experience will be. However, a comprehensive report was received from California State College at Los Angeles. The contents of this report are examined in detail in the analysis of the state college budgets but for informational purposes, we are reiterating the major conclusions here.

First, the cost of operating a college for three quarters instead of three semesters was higher than expected (excluding consideration of the summer quarter) and has resulted in a requested augmentation of \$408,844 for 1968-69, which will be distributed among the campuses on three- or four-quarter operation.

Second, the faculty-student ratio was lower than anticipated which resulted in higher costs for faculty salaries. At Los Angeles, this increased the costs for faculty salaries by approximately 25 percent.

Third, it appears that the fact that many students transferred from the summer session to the summer quarter will reduce the previously mentioned savings estimate. However, in spite of these problems, it appears that the institution of year-round operation will still produce substantial savings in capital outlay expenditures in the long run. The full implications of the new cost information is discussed more fully in the analysis of the budgets of the two segments.

In Table 7 we show the costs of the quarter system for the two segments with actual costs for 1964-65 through 1966-67 and the projections for the current and budget years.

Table 7
Identifiable Expenditures for Quarter System Conversion
and Year-round Operation

	<i>Actual</i> 1964-65	<i>Actual</i> 1965-66	<i>Actual</i> 1966-67	<i>Estimated</i> 1967-68	<i>Proposed</i> 1968-69
Planning and conversion					
University of California -----	\$350,000	\$125,000	-	-	-
California State Colleges -----	58,245	117,616	\$292,207	\$219,074	\$436,630
Operating expenses					
University of California -----	-	-	737,136	6,599,723	12,365,151
California State Colleges -----	122,979	373,903	1,874,937	5,636,351	6,077,661
Totals -----	\$531,224	\$616,519	\$2,904,280	\$12,455,148	\$18,879,442

FINANCING HIGHER EDUCATION IN CALIFORNIA

Major Sources of Support

In Table 8 below we have summarized the funding of current expenditures for higher education in California for the last completed fiscal year, 1966-67.

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Higher Education—Continued

Table 8
Expenditures for Higher Education Current Expenses
by Source of Funds, 1966-67
(In thousands)

	State support	Tax revenues	Federal funds	Student fees	Other ²	Total expenditures
University of California-----	\$242,993	--	\$132,375	\$39,375	\$93,738	\$508,869
California State Colleges --	167,705	--	10,316	23,833	8,498	210,352
Junior colleges ¹ ---	71,000	\$149,000	9,000	1,500	1,500	232,000
Other agencies ³ ---	6,339	--	332	524	28	7,223

¹ Estimated.

² Private gifts and grants, endowments, sales and other earnings, etc.

³ Includes Hastings College of Law, the California Maritime Academy, the Coordinating Council for Higher Education and the State Scholarship and Loan Commission.

The total current expenditure figure for the University of California of \$508,869,000 excludes \$240,377,690 of federal funds supporting three large federal research programs administered by the University. With these research funds included, state support of \$242,993,098 amounts to 32 percent of the University's budget for current operations, with an additional 5 percent coming from student fees, 14 percent from other sources and 50 percent from federal funds. Without these federal research project funds included in the total, the University's budget for current operations is supported 48 percent by state funds, 26 percent by federal funds, 8 percent by student fees, and 18 percent by other sources.

The California State Colleges' operating budget total of \$210,351,722 for 1966-67 does not include \$16,572,412 in federal funds for state college research activities. Also, this budget total does not include income or expenditures from certain auxiliary activities such as cafeterias and bookstores. The state portion, \$167,704,525, was 80 percent of the state colleges' operating budget. Federal funds provided 5 percent, student fees 11 percent and other sources 4 percent.

Our estimate of the 1966-67 junior college current operations budget is based largely on projections from 1965-66 data. This is necessitated by the lack of current information due to the late reporting schedule on financial data used by the junior colleges. According to this estimate, 31 percent of junior college support comes from state funds, 64 percent from local tax revenues, 4 percent from federal funds, and $\frac{1}{2}$ percent each from student fees and other sources.

Approximately \$1.2 billion was expended for higher education support in 1966-67. Approximately \$488 million, or 41 percent of this total, was state funds, and \$392 million (including the \$240 million in the federal research programs), or 33 percent of this total, was federal funds. The remaining 26 percent of the \$1.2 billion came from local tax revenues, student fees and other sources.

Higher Education—Continued**Analysis of Student Financial Assistance Programs in California**

In compliance with a request of the Senate Finance Committee during the 1967 Regular Session, the Coordinating Council for Higher Education has submitted a report on student financial assistance in California to the 1968 Legislature and to the Governor. The question under investigation by the council was whether the present student financial assistance programs in California higher education are providing equality in educational opportunity.

The council obtained the data for their report from a random sample of 1967 California high school seniors and their parents. A total of 8,162 responses were received out of approximately 16,000 students contacted. This represented a return of over 52 percent. Response rates were lowest in the metropolitan areas and so the survey may reflect a slight rural bias. Negroes constituted 3.6 percent of the sample, whereas they represented 5.6 percent of the total 1960 California population. Asians, however, constituted 3.8 percent of the sample as opposed to 1.6 percent of the total 1960 California population. A further distortion occurs from the exclusion of high school dropouts from the sample. The attrition rate between 10th grade and high school graduation is reported to be 29 percent.¹ The high school dropout is generally from a minority, low-income family background where the educational level of the parents is low. The coordinating council's report are summarized in the following five sections.

Section I: Financial Assistance Programs and College Attendance

The data collected by the council indicates that the cost of higher education is only one of the many interrelated determinants in college attendance. Three aspects of college attendance were examined: (1) eligibility (high school achievement), (2) initial enrollment, and (3) persistence.

The six determinants the council found to be significant are: (1) the student's occupational expectation, (2) the educational levels of the father and mother, (3) the father's occupation, (4) the family income, (5) race, and (6) the size of the student's family.

Noting that all these influences are at work before the student reaches college age and thus affect his aspirations and achievement, the council concludes that potentially able individuals may be denied an "equal educational opportunity" by failing to achieve at an accepted level during high school. Counseling on student financial assistance programs, the council reports, must be initiated in the elementary and secondary schools if the programs are to be fully effective.

Section II: Student Financial Assistance in Other States

The council has identified three national trends in student financial assistance programs. The first is a switch in awards criteria from the most academically promising student to the student with the greatest financial need. The second trend is increasing federal support to institutions and students, national defense student loans, work-study funds,

¹ Edward Sanders and Hans Palmer, *The Financial Barrier to Higher Education in California*.

Higher Education—Continued

educational opportunity grants and other federal programs combined to provide California students with an estimated \$39 million in federal funds in 1966-67. In 1971 these programs are expected to provide California with about \$57 million. The third discernible trend is the increasing emphasis on financial aid "packages." A financial aid package involves several sources of funds in various combinations. These sources may be institutional, state, federal or private; they may include scholarships, grants, loans or work opportunities.

Most state programs illustrate increasing concern for the needs of students. No state programs reviewed, however, fully meet the objective of reducing financial barriers to higher education for all qualified students. Factors which work against the initiation of truly need-oriented programs in other states are restrictions on the number of awards based on various geographic areas, the substantial sums spent chiefly to reward all who would apply, and the use of student aid programs to assist in the support of institutions.

A proposal by the New York State Board of Regents suggests that there may soon be model assistance programs directed toward eliminating financial barriers. Their proposal is to meet "all reasonable costs" of students in need to include tuition, books, food, housing and personal expenses to apply to both public and private college students. This program would be based on student financial need criteria to include a \$400 annual student contribution to be met by work, loans or other sources.

The council concluded that differences in higher education systems and rationales for other state student assistance programs make their adaptation to California difficult.

Section III: Student Assistance Programs in California

The State Scholarship Program is the only statewide student assistance program in California. It assists in meeting fee-and-tuition costs for undergraduate students of high ability and proven need. Awards are granted up to \$900, plus 90 percent of such charges over \$900, up to a maximum of \$1,500 annually. About 7,000 awards are in force at the present time with a major expansion from 1 percent to 2 percent of the high school seniors in California authorized in 1968. This year's appropriation is about \$5.6 million. When the full weight of the expansion is felt in 1971, the number of students served will have grown to about 19,000 and the appropriation to about \$15 million, assuming an average award of \$800 per student.

Aid to private higher education and diversion of students from public to private institutions result in economies for the state and are two additional effects of the State Scholarship Program. Approximately 60 percent of state scholarship holders attend private institutions, while 32 percent and 8 percent attend the University of California and the California State Colleges, respectively. With the authorized expansion, the State Scholarship Program will be serving 11 percent of the first-time freshmen at four-year colleges in California. If an authorization of 5 percent of the high school seniors were made, then 27.5 percent

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of the first-time freshmen would be served. An authorization at 10 percent would assist 55 percent of freshmen at four-year colleges.

Tables 9 and 10 present data from the council's inventory of 1966-67 student aid programs in California. These tables are not complete, however, since 11 junior colleges and 11 private colleges did not participate in the inventory. The true extent of student off-campus employment and of the support of married students by their spouses is not known. Additionally, federal student aid programs, such as the GI bill and the National Science Foundation, are not included. In all levels, the State Guaranteed Loan Program figures listed by the council were incomplete. Finally, graduate research and teaching assistantships were not included in this inventory. In view of the above, these tables can only provide conservative estimates of the current student assistance programs.

Table 9
An Inventory of Present Undergraduate Student Aid Programs
1966-67

	<i>Scholarships and grants</i>	<i>Loans ¹</i>	<i>College work- study</i>	<i>Total</i>	<i>Full-time enrollment ⁶</i>
1. University of California -----	\$3,048,757	\$5,130,849	\$3,260,169	\$11,439,775	55,894
2. State Colleges ---	1,675,595	6,253,484	3,998,971	11,928,050	101,240
3. Junior Colleges ² ---	789,691 ⁴	985,071	4,576,584 ⁵	6,351,346	188,164
Subtotal -----	\$5,514,043	\$12,369,404	\$11,835,724	\$29,719,171	345,298
4. Private Colleges ³ -	16,303,135	6,007,356	3,227,303	25,537,794	46,200
Total -----	\$21,817,178	\$18,376,760	\$15,063,027	\$55,256,965	391,498

¹ Federally sponsored State Guaranteed Loan Program figures which were included in this inventory were incomplete.

² Sixty-nine out of 80 junior colleges are represented in these figures.

³ Thirty-seven out of 48 private colleges representing 89 percent of the private college enrollment total provided these figures.

⁴ Forty of the 69 reporting junior colleges are not participating in the Federal Economic Opportunity Grant Program and 32 reported no grants whatsoever.

⁵ Eleven of the 69 reporting junior colleges do not have any work-study aid. Other junior colleges report an additional \$1,222,338 in on-campus jobs for students which are not administered by the institutions.

⁶ These enrollment figures represent only those institutions which participated in the inventory.

Table 10
An Inventory of Present Graduate Aid Programs
1966-67

	<i>Scholarships, fellowships and grants ¹</i>	<i>Loans ²</i>	<i>Part-time jobs ³</i>	<i>Total</i>	<i>Full-time enrollment</i>
1. University of California -----	\$10,157,809	\$3,998,986	\$1,505,406	\$15,662,201	25,206
2. State Colleges --	836,307	2,234,629	1,228,755	4,299,691	9,013
Subtotal -----	\$10,994,116	\$6,233,615	\$2,734,161	\$19,961,892	34,219
3. Private Colleges --	14,528,407	2,733,968 ⁴	317,522	17,579,897	11,641
Total -----	\$25,522,523	\$8,967,583	\$3,051,683	\$37,541,789	45,860

¹ Funds from the G.I. Bill were not included in this inventory.

² State Guaranteed Loan Program figures which were incomplete are included.

³ The loan figure for private colleges is based on the council's survey estimate of \$96,750 in State Guaranteed Loan funds instead of the State Scholarship and Loan Commission's estimate of \$224,343 Guaranteed Loan funds.

⁴ Research and teaching assistantships are not included in these figures.

Section IV: Measuring Student Financial Need

The formula for estimating financial need used by the council was developed by the College Scholarship Service (CSS), an organization

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affiliated with the College Entrance Examination Board (CEEB). In this formula, need is a function of college cost and student ability to pay. Cost is defined as the costs of tuition, fees, books and supplies, room and board, transportation, and personal expenditures. Ability to pay is determined by the sum of the family contribution, the student's contribution from summer earnings and/or savings, and the student's contribution from employment during the academic year and/or loans. The size of the family contribution is determined by a scale which takes into consideration the size of the student's family and of his family's income (including assets). The size of each of the student's own contributions is determined by a scale which takes into consideration the student's age, sex and marital status. The student's financial need, then, is the difference between the estimated college cost and the sum of the calculated contributions.

Table 11 represents the council's calculations according to CSS standards of the gross undergraduate financial need for all levels of higher education in 1966-67. Gross need is that student financial need which exists before institutional aid funds have been applied. By comparing the totals in Table 11 with those in Table 9, that is to say, by comparing the gross need with the total amount of aid available, the unmet financial need was calculated by the council. This amount of unmet need is \$3.4 million for the University of California, \$8.6 million for the state colleges, \$8.5 million for the junior colleges, and \$10.7 million for the private colleges.

Table 11
Estimated Financial Need¹ of Undergraduates in California Higher Education
(Excludes Term Self-help) 1966-67, 1968-69

	<i>University</i>	<i>State Colleges</i>	<i>Junior Colleges</i>	<i>Private Colleges & Univ.</i>
1966-67				
Enrollment				
Residents of California ---	51,535	109,254	233,588	38,077
Nonresidents -----	3,406	3,963	6,704	11,118
Total undergraduate ----	54,941	113,217	240,292	49,195
Financial Need (in millions)				
Residents of California ---	\$13.9	\$19.8	\$14.4	\$28.0
Nonresidents -----	.9	.7	.4	8.2
Total undergraduate ----	\$14.8	\$20.5	\$14.8	\$36.2
1968-69				
Enrollment				
Residents of California ---	60,221	129,736	263,988	41,185
Nonresidents -----	3,912	4,705	7,577	12,025
Total undergraduate ----	64,133	134,441	271,565	53,210
Financial Need (in millions)				
Residents of California ---	\$16.2	\$23.6	\$16.3	\$30.3
Nonresidents -----	1.1	1.0	.4	8.8
Total undergraduate ----	\$17.3	\$24.6	\$16.7	\$39.1

¹ Unmet need after parent contribution and student savings or summer earnings have been deducted from the cost of education; no other funding sources are considered in this estimate and there is no deduction for term-time self-help.

General Summary

Education

Higher Education—Continued

Table 12
Estimated Undergraduate Aid Needed
1966-67

	<i>Scholarships and grants</i>	<i>Loans</i>	<i>Working aid</i>	<i>Total</i>
University of California	\$1,116,532	\$286,630	\$56,861	\$1,460,023
State Colleges	457,500	189,500	838,500	1,485,500
Junior Colleges	396,096	240,363	1,478,796	2,115,255
Subtotal	\$1,970,128	\$716,493	\$2,374,157	\$5,060,778
Private Colleges	\$1,263,803	\$539,511	\$392,070	\$2,195,384
Total	\$3,233,931	\$1,256,004	\$2,766,227	\$7,256,162

Estimated Graduate Aid Needed
1966-67

	<i>Scholarships and fellowships</i>	<i>Loans</i>	<i>Working aid</i>	<i>Total</i>
University of California	\$3,898,500	\$261,464	\$279,457	\$4,439,421
State Colleges	573,200	131,000	542,000	1,246,200
Subtotal	\$4,471,700	\$392,464	\$821,457	\$5,685,621
Private Colleges	\$573,912	\$262,705	\$298,911	\$1,135,528
Total	\$5,045,612	\$655,169	\$1,120,368	\$6,821,149

Table 12 shows the unmet financial need for undergraduate and graduate students in 1966-67 based on the colleges' own estimates of that need. Compared to the results of the council's calculations for undergraduates listed above, these estimates seem quite conservative. There is no explanation in the council's report of how the colleges arrived at these estimates. No matter which unmet need figures are taken as authoritative, the conclusion that unmet need in both public and private segments cannot fully be met by existing institutional financial aid programs is inescapable.

Section V: A Comparison of the Council's Report With a Special College Entrance Examination Board (CEEb) Report

In a special CEEb report dealing with the student financial aid program at the University of California, a more complete breakdown of the enrollment figure on undergraduate resident students was used than that employed by the council. This resulted in a more accurate estimate of gross student financial need. Additionally, the CEEb report made allowance for the higher cost of a University of California education to nonresidents in computing the gross need for this category of student whereas the council did not. Table 13 demonstrates what these differences in approach lead to in final estimates. There is about \$2 million more in gross need for nonresidents and about \$1.7 million more for residents in the CEEb figures than in the council's.

Higher Education—Continued

Table 13
Estimate of Gross Financial Need for Undergraduates at
University of California

	<i>Coordinating Council for Higher Education</i>		<i>College Entrance Examination Board</i>	
	<i>Student enrollment</i>	<i>Gross need (000)</i>	<i>Student enrollment</i>	<i>Gross need (000)</i>
Residents				
Single -----	Not applicable	NA	46,923	\$9,990
Married and Dependent on Parents -----	NA	NA	2,180	936
Married and Independent ----	NA	NA	2,560	4,716
Total, Residents -----	51,535	\$13,898	51,663	\$15,642
Total, Nonresidents -----	3,406	919	3,729	2,891
Total, All Undergraduates ----	54,941	\$14,817	55,392	\$18,533

As was demonstrated above, the council's inventory of available aid is not comprehensive. This probably explains why CEEB reports a higher estimate of available aid at the University of California. This CEEB estimate totals \$13.7 million in 1966-67 whereas the council reports only \$11.4 million for the same year.

Unmet need at the University, according to the CEEB estimates of gross need in Table 13 (\$18.5 million) and of available aid listed above (\$13.7 million) is \$4.8 million. Assuming the state will not undertake the financial responsibility for a free higher education for nonresidents, we may discount the additional \$2 million allowed by CEEB for that category of student and thus bring their figure for unmet need (\$4.8 million) into closer alignment with the council's estimate (3.4 million).

The council staff concluded its report with five alternative student aid programs; however, none of these programs were adopted by the council. Therefore, the question of how to provide for the unmet student financial need was not resolved by the council study.

Student Fees

California institutions of public higher education while following the traditional policy of "tuition-free" education, have not interpreted this to prohibit other fees for specific services. Fees, defined as charges for materials and services incidental to the cost of instruction, have been levied by all three segments of public higher education. They are maintained in close relation to the costs which they are intended to support.

There are two basic types of fees charged resident students enrolled in the regular academic session of the University and state colleges. The first is the incidental fee, or materials and service fee as it is called at the state colleges. It is intended to cover the cost of certain instructionally related operating expense and equipment items, student health services, placement services and other services incidental to the instructional program. The second type includes auxiliary service fees which are user fees for parking facilities, residence halls and residence dining facilities.

Table 14 illustrates the current level of these basic fees and other lesser fees. Where fee levels vary from campus to campus, a range is indicated.

General Summary

Education

Higher Education—Continued

Table 14
Basic Annual Student Charges, 1967-68

	<i>University of California</i>	<i>California State Colleges</i>	<i>Junior Colleges</i>
Incidental fee	\$219	\$86	---
Nonresident tuition	981	720	\$330
Student organization fee	11-30	18-24	---
Student union fee	11-18	0-18	---
Application fee	10	10	---
Auxiliary service fees			
Room and board	920	618-1,240	---
Parking	50	26-27	---

The junior colleges may levy fees to cover parking or health services, or both, up to a maximum of \$10 per year. Few junior colleges use either fee at present. The State Board of Education determines the junior college nonresident tuition charge which is equivalent to the average annual district cost per student and which by statute all junior colleges must levy. University fees are set by the Regents in accordance with their constitutional powers. State college fees are established by the Trustees under the terms of Section 23751 of the Education Code. All three segments are also guided by statements as to the purpose and levels of fees in the 1960 Master Plan, as well as by the level of appropriations provided by the Legislature.

There are important differences between the University and the state colleges as to the costs which are covered by the incidental fee. As shown in Table 15, the state college materials and services fee, which is now \$86 per year, is expected to cover the direct costs of the student health services, counseling and testing, student activities guidance, housing services and the equivalent of \$31.50 per FTE unit of enrollment for instructional materials and operating expense. It is estimated that the materials and services fee will gross \$15,396,205 in 1968-69. The services and activities financed from the University's incidental fee are indicated in Table 16. The University's total estimated incidental fee income for 1968-69 is \$20,887,999. The University has gone well beyond the state colleges in utilizing the incidental fee as a source of income to support services and activities which under present policy could not be supported with state funds. Particularly notable in this regard are University expenditures for recreational activities, special cultural programs, intercollegiate athletics, an extensive student health service and capital outlay for related facilities.

Table 15
Distribution of State Colleges' Materials and Service Fee Income

	<i>Cost per student</i>	<i>Percent</i>
Administration and teaching	\$26	30.2
Audiovisual services	1	1.6
Student health services	22	25.1
Student personnel ¹	34	39.3
Student aid administration	3	3.8
Totals	\$86	100.0

¹ Includes counseling and testing, activities and housing, placement and foreign student advising.

Higher Education—Continued

Table 16
Distribution of University Incidental Fee Income

	Cost per student	Percent of total
Student health service -----	\$70	32
Student and alumni placement -----	7	3
Educational placement -----	4	2
Counseling service -----	11	5
Housing service -----	4	2
Intercollegiate athletics -----	13	6
Laboratory costs -----	28	13
Recreational activities -----	9	4
Student activities -----	4	2
Arts, lectures and cultural programs -----	9	4
Reserve for cost increases -----	5	2
Unallocated and miscellaneous -----	2	1
Capital outlay and debt service -----	53	24
Total -----	\$219	100

Tuition

The Master Plan for Higher Education in California states that there has been a "long established principle that the State Colleges and the University of California shall be tuition free to all residents of the state." This tradition was initiated with the signing of the Organic Act establishing the University of California which stated that the University should be tuition free to all residents of the state. "Rates of tuition as the Board of Trustees determine" are allowed in the Organic Act which established the first state college, the State Normal School in San Francisco.

Despite these vestigial references espousing the tuition-free principle, there have been instances in the history of both institutions when a small tuition fee has been charged. During the initial months of operation of the University of California in 1869 a small tuition was charged and the board still retains the right to fix a rate of tuition under its constitutional authority. From 1933 to 1953 the state colleges charged a small tuition under statutory authorization which dates back to 1862.

It is evident that higher education is certainly not free to students despite the tuition-free concept. The Master Plan states that all students who are residents of other states should pay tuition "sufficient to cover not less than the state's contribution to the average teaching expense per student." Both the state colleges and University comply with this and charge \$720 and \$981 per year respectively. The University also charges a resident tuition on its medical campuses. In addition, the Master Plan further states that each segment "devise a fee structure and collect sufficient revenues" to provide for operating costs such as student services and intercollegiate athletics not directly related to instruction. Also, all ancillary services such as housing, feeding and parking are designated to be self-supporting auxiliary enterprises of the institutions. The fees charged in accordance with these standards are shown in the preceding section on student fees.

Higher Education—Continued

Despite the difficulty in applying the distinctions between a fee and a tuition as defined by the Master Plan, the policy has worked very well. The fee income expended to finance noninstructional costs of higher education has increased with periodic assessments of these costs. It is true that, from the viewpoint of the student, the money to pay for a fee or a tuition comes from the same pocket. However, from a fiscal point of view, the distinction is an important one. It enables the sensible financing of separate costs from distinct sources of revenue.

A critical review of the tuition free concept is being undertaken presently because of the revenue problems which confront the state. The Governor has proposed tuition. Both governing boards of the University and state colleges and interested legislative committees are examining the issue. Attention is centered upon the fiscal and educational considerations of a tuition policy.

The various arguments for and against a tuition charge are summarized in the following section. Several reports and studies on demographic characteristics of students, student financial aid and the effects of a tuition charge have been conducted in the last year by the University of California, the California State Colleges, the College Entrance Examination Board, the Coordinating Council for Higher Education and the Joint Committee on Higher Education. Despite the amount of new information that has been made available on these subjects, the basic arguments have changed little.

Arguments for a Tuition Charge

The state tax revenues are not sufficient to enable the state to maintain its present high educational standards in the face of rapidly increasing educational support costs. Continued development of new and costly instructional programs and the continued surge of enrollment growth has increased current state support for higher education at a faster pace than the creation of new state revenues. In 1963-64 approximately \$307 million was expended for the support of higher education, not including capital outlay. In 1967-68 approximately \$530 million is budgeted for higher education. This is an increase of approximately \$223 million or 78 percent over a four-year period. Current support for higher education, excluding junior college support, now claims about 13.2 percent of General Fund expenditures. Without substantial sources of new revenues, it will be necessary either to cut back the existing level of support for higher education and other competing areas or to ask the students and their families to contribute significantly more toward the cost of their education.

Important benefits accrue to individuals who receive a higher education. Studies have indicated that the average dollar value of a bachelor's degree as compared with a high school diploma is between \$100,000 and \$150,000 in additional gross lifetime income. Therefore, with this expectation, a student may reasonably be required to pay something more toward the cost of his education. This payment may be made currently in a tuition fee or in the future through payment of principal and interest on a loan.

Higher Education—Continued

Income statistics in higher education segments indicate that a great many students come from families who could now pay more toward the cost of their children's education with little effort. Studies of income distribution of California college students who are supported by their families show that approximately 31.8 percent of the students come from families where the parental income is over \$14,000. Parental income at the University of California shows that approximately 34.4 percent of the students come from families with incomes over \$15,000. Neither the students or the families are required to make a direct contribution commensurate with their ability to pay under our present University or college fee structure. Also, the low income group which as a group sends a small proportion of its children to a state college or the University, must pay regressive taxes to support its share of the cost of the state's higher education facilities. This situation is aggravated with respect to the junior colleges because of their heavy dependence on the regressive local property tax.

Despite the tuition-free policy, there have not been heavy enrollments in the colleges or the University by students of low income families. At the University, approximately 4.6 percent of the students come from families with parental income of less than \$4,000 and at the California State Colleges approximately 3.1 percent of the students come from families with parental incomes of less than \$4,000. It appears that the present subsistence costs are sufficient enough to keep such students out of our public institutions of higher education. It is possible that this situation could be changed if the state were to levy a tuition charge and apply a substantial portion of the income to expand the present student aid programs. The argument is made that tuition would therefore result in greater rather than less access to public higher education for low income groups if it were used to equalize financial ability in this manner.

Arguments Against a Tuition Charge

The important economic benefits to the individual resulting from college education are shared by all citizens of the state. Accordingly, higher education must be seen as a social investment toward which all citizens of the state can contribute jointly, just as they jointly enjoy the cultural, political and economic benefits from that investment. As it is important to insure equal justice before laws, high standards of public health and safety and free public schools, it is equally important to provide full opportunity to every citizen to seek knowledge to the full extent of his capacity. If barriers are erected to limit admission to those with the ability to pay, the loss will be shared by all citizens of the state, not simply by those denied further educational opportunity.

Important differences in lifetime earnings are obscured by figures that show increased individual earnings for college graduates within very broad categories. Many college graduates enter occupations which are relatively low paying, and many college graduates who go into higher paying occupations may be at the low end of the pay scale. Therefore, it is a mistake to establish a charge based on a very broad

Higher Education—Continued

generalization of subsequent income. To tax individuals at the time that they actually receive the additional income as a result of the higher education and apply that tax revenue to pay the costs of education makes more sense than to tax them as students in anticipation of their future earnings. A college graduate will pay more in progressive state and federal taxes as a result of his higher lifetime income. If a tuition charge were imposed, a major scholarship program or a state-backed loan program would be necessary to avoid creating a financial obstacle to equal educational opportunities.

Recent studies show an improvement in the ability to pay for higher education for families of high income levels, but this is not true to the same extent for minority groups or families of low income. There remains a substantial portion of the state population with individual and family income well below the level at which tuition payments could be met without financial hardship. According to figures reported by the State Scholarship Commission, 30–35 percent of California families fall below the minimum income level (\$5,500–\$6,000) necessary for one child to enter a state college or University campus. This estimate is sustained by the fact that few students from families with incomes of less than this amount attend the University or state colleges. At the University of California approximately 4.6 percent of the enrolled students come from families with parental income of less than \$4,000. At the state colleges approximately 3.1 percent of the enrolled students come from families with parental income of less than \$4,000.

Studies also show that nonwhite citizens do not on the average share benefits of higher education to nearly the same extent as do white citizens. Approximately 7.0 percent of the University students are non-Caucasians and approximately 8.1 percent of the state college students are non-Caucasians. If persons in such groups are not to be excluded from educational opportunities, any significant tuition charge would have to be offset by greatly enlarged scholarship or loan programs.

Current student charges represent only a small part of the cost to a student or his family attending the University or a state college. In determining the amount of financial need of a student the accepted approach is to measure the subsistence costs of the student against the family's income assets and number of children supported. The stated minimum average cost of undergraduates attending the University and living in residence halls has been estimated at about \$1,850 for an academic year. The comparable figure for a state college student is approximately \$1,650. It is true that nonstudents must face the same subsistence costs but it must be pointed out that there are further costs to the student in the form of income he would have earned if he had not been a student. This foregone income has been estimated at \$2,000 to \$3,000 per year. In addition, current studies show that substantial amounts of unmet financial need already exist among enrolled students at the University and the state colleges.

When the cost of higher education in California is compared with other states, it falls in the middle of the range. This is also true when the cost is related to the state's resources when expressed as a per-

Table 17

Comparison of the Ten Universities Receiving the Largest State Appropriations

	1967-68 appropriation ¹ (thousands)	Population ² (thousands)	Personal income ³ (millions)	Per capita personal income	University appropriation	
					Cost per capita	Percent of personal income
State University of New York -----	\$245,800	18,336	\$67,911	\$3,704	\$13.41	.36
University of California -----	243,524	19,153	69,198	3,613	12.71	.35
University of Illinois -----	125,719	10,893	40,006	3,673	11.54	.32
University of Wisconsin -----	84,010	4,189	12,986	3,100	20.05	.65
University of Texas -----	78,686	10,869	29,110	2,678	7.24	.27
University of Minnesota -----	65,514	3,582	10,959	3,059	18.29	.60
University of Missouri -----	59,266	4,603	13,543	2,942	12.88	.42
University of Michigan -----	59,161	8,584	28,898	3,366	6.89	.20
Michigan State University -----	56,749	8,584	28,898	3,366	6.61	.20
University of North Carolina (Consol.) -----	56,197	5,029	11,788	2,344	11.17	.47

¹ Fifteen Leading State Universities, *Appropriations of State Tax Funds for Operating Expenses of Higher Education 1967-68*, National Association of State Universities and Land Grant Colleges.

² Provisional Estimates of Total Resident Population by States, as of July 1, 1967, U.S. Department of Commerce.

³ Quarterly Personal Income Adjusted at Annual Rates, *Survey of Current Business*, January 1968, United States Department of Commerce.

Higher Education—Continued

centage of personal income as shown in Table 17. This table shows a comparison of the ten universities in the United States which received the largest state appropriations in 1967-68. The comparisons are illustrated by cost per capita and percent of personal income. When University appropriations are expressed as cost per capita, the University of California is exceeded by five other institutions. In the comparison of percent of personal income, the University is also surpassed by five other institutions. This type of comparison gives perspective to the large capital investment in higher education in California.

It is evident that the attainment of a higher education is an expensive goal. In addition to the subsistence costs of \$1,850 at the University and \$1,650 at the state colleges, the students must also pay fees averaging approximately \$240 at the University and \$120 at the state colleges. These figures do not contain any estimate of foregone earnings. To provide for these expenditures necessitates drawing upon the combined efforts of the student's savings and part-time earnings as well as his family's income and assets.

Studies conducted by the CCHE and the College Entrance Examination Board (CEEB) using college scholarship service financial aid standards, both indicate there is a substantial amount of unmet financial need at the higher education segments. At the University the estimated financial need was approximately \$14.8 million in 1966-67. The total amount of financial assistance provided was approximately \$11.4 million which leaves \$3.4 million in unmet financial need. At the state colleges the total financial need was approximately \$20.5 million and financial assistance was \$11.9 million which leaves \$8.6 million in unmet need. These figures indicate that students are utilizing both noncampus employment and noninstitutionally administered loans to provide for much of their educational costs. It appears that the imposition of even a nominal tuition charge could successfully price most low income students and low income minority students in particular out of the opportunity for a higher education.

The CEEB study also shows that a large portion of the revenue raised from the imposition of different incremental levels of tuition would be used to finance the increased financial aid necessitated by the tuition increase, and, therefore, would not be available for the general needs of higher education. For instance a \$200 tuition charge at the University would provide gross revenues of approximately \$18.5 million in 1968-69. The additional financial aid required as the result of the tuition charge is approximately \$13.3 million. This increased financial aid does not include the existing unmet need in 1967-68 or estimates for graduate financial need.

In a study conducted by the University for the Board of Regents, it was noted that students from families in low income groups are currently somewhat overrepresented at the University when compared to the distribution of those same income groups among all the students academically eligible to attend the University. In other words, it appears that students from low income families are least able to meet the eligibility requirements of the University. Therefore, without substantial change in the admission and eligibility requirements at the

Higher Education—Continued

University or a marked improvement in the academic eligibility, it is unlikely that there will be a substantial increase of low income families. The problem is magnified when one realizes that all data are biased in favor of families with high incomes because students who drop out of school and fail to graduate from high schools tend to be from families with low incomes and low parental educational attainment.

Despite the current failings of the tuition-free policy in terms of maximum access to higher education for all income levels, the imposition of a tuition charge would further limit the accessibility. Tuition would act as a regressive charge on those who are least able to pay, the low income and minority groups. These groups are underrepresented in segments of higher education at present and the imposition of a tuition would make this situation worse than it is presently. The before-mentioned studies do indicate the amount of financial need that would result due to a tuition of different amounts; however, no valid data are available which will indicate how many students would actually leave school. It is apparent that a tuition will seriously reduce the accessibility of a higher education.

In our view the information presented above confirms the opinion stated last year in the *Analysis* that it is neither efficient nor in the state's interest to impose a tuition at the University or the state colleges.

AVERAGE COST PER STUDENT

In the *Analysis of the Budget Bill 1967-68* the Legislative Analyst recommended that the Coordinating Council for Higher Education in cooperation with the University of California develop average cost-per-student data to satisfy the criteria noted below. The Senate Finance Committee requested the council to develop similar information for both the state colleges and the junior colleges.

In our analysis we stated that average cost data should reflect the following:

1. Represent the total instructional expense within the institution and, thereby, serve as an index of the cost of educating students.
2. Show the total cost of having one student attend the University for a year.
3. Reflect the cost to the state of having one student attend the University for one year.
4. Enable the state to identify what it is paying for.
5. Permit identification of costs that are not directly student related or induced.
6. Fulfill the need for a budgetary standard that will reflect the degree of economy in total University expenditures as well as state support.

7. Allow the identification of the cost of instruction research and public service as well as the increased benefits to each to be derived by increasing program levels or establishing new programs.

We further specified that the report should include information on the type of dollar base used, the method of prorating budget costs and the composition of a cost deflating index if used.

Higher Education—Continued

Average cost data have several uses. They can be used for performance analysis and, to a certain degree, as a measure of accountability. For the purpose of planning, they can be used to establish financial trends and evaluate changes over a period of time. When the cost data are constructed with a consistent methodology, it is possible to compare relevant cost factors among institutions. Such information is understood generally and is in constant demand.

In its report to the Legislature entitled *Cost-per-Student Computations in California Public Higher Education*, the council attempted to develop data which would satisfy all but the last two criteria for which a major cost study would be required. The total expenditures for each segment were distributed among the following expenditure classifications: I. Instruction Expenditures, II. Student Services Expenditures, III. Institutional Services Expenditures, IV. Organized and Sponsored Research Expenditures, V. Public Service Expenditures, VI. Student Aid Expenditures, and VII. Auxiliary Enterprise Expenditures. To obtain some degree of uniformity among the three segments of higher education with their varying accounting systems, it was necessary to prorate certain expenditures among these expenditure classifications. In addition, each expenditure classification was divided between enrollment determined expenditures and nonenrollment determined expenditures with fund sources divided between state General Funds and other funds. In each instance of a proration of enrollment, a nonenrollment determined cost or a division of funds, a description of the methodology was obtained. The basis for all average cost figures is the full-time equivalent student.

The enrollment determined average costs for each institution are presented in the following tables. It is important to note that the figures for each institution are not directly comparable inasmuch as the figures are produced from systems which budget and account for their funds in different ways and because full-time equivalent students are calculated differently in each system. To use the figures as indices of economy when comparing one system to another is incorrect because the total costs of each system reflect the different educational functions assigned to each. For instance, the junior colleges' average cost indicates the expenditures for two years or one-half of the educational attainment at a four-year institution. The higher costs at the University represent the emphasis on research, doctorate degrees and medical education which are not present in either of the other two systems.

Table 18 shows the enrollment determined average cost figures for the University with the exception of the health and science centers at UCLA and UCSF. Exclusion of these costs is based on the fact that the University has no procedure for collection of student credit hours at the health centers and, therefore, is unable to accurately compute FTE. For this table, full-time equivalent enrollment is determined by the level of instruction of the student which is derived by dividing student credit hours earned at the undergraduate level by 15 during the fall term and then adding an administrative determination of the graduate FTE.

Education

General Summary

Higher Education—Continued

Table 18
Enrollment Determined Average Costs in the University of California
All Campuses, 1966-67

<i>Enrollment</i>	<i>Expenditures</i>		<i>Average Costs</i>	
	<i>Total</i> (000)	<i>State</i> (000)	<i>Total</i>	<i>State</i>
79,273 -----	\$213,317	\$167,000	\$2,691	\$2,107

The enrollment determined average costs per student for the California State Colleges is presented in Table 19. The FTE is determined by level of instruction or course with all undergraduate student credit hours being divided by 15 and graduate student credit hours being divided by 12.

Table 19
Enrollment Determined Average Costs for the California State Colleges
1966-67

<i>Enrollment (FTE)</i>	<i>Expenditures</i>		<i>Average Costs</i>	
	<i>Total</i> (000)	<i>State</i> (000)	<i>Total</i>	<i>State</i>
132,900 -----	\$186,077	\$167,880	\$1,000	\$1,263

Public junior college enrollment determined average costs are shown in Table 20. Full-time equivalent students are derived by dividing student credit hours by 15.

Table 20
Enrollment Determined Average Costs in California Public Junior Colleges
1966-67

<i>Enrollment</i>	<i>Expenditures</i>		<i>Average Costs</i>	
	<i>Total</i> (000)	<i>State</i> (000)	<i>Total</i>	<i>State</i>
261,297 FTE -----	\$218,579	\$71,243	\$837	\$273

The time between the receipt of this report and the publication of the analysis has not been sufficient to perform the type of cost analysis for which this information was intended. With the methodology for determining average costs outlined in this report it is possible to develop long-term cost analyses which will identify the major expense elements of the cost of higher education.

In addition to the uses of average cost data, this report serves to highlight the different methods which are used in calculating full-time equivalent students within the California higher education system. Within the state college system FTE are calculated by level of instruction. This means that the student credit hours used are those generated by actual student enrollments in academic courses by level of instruction, freshman, sophomore, junior, etc. These credit hours for each quarter are then divided by 15 for undergraduates and 12 for graduates which are determined to be the normal load for those levels. The method used for the junior colleges is essentially the same as that for the undergraduate level of the state colleges. The University, on the other hand, computes full-time equivalents on the basis of level of student. This means that the student credit hours used are those generated by the level of the student, or, in other words, the level at which he registers, upper division, lower division, etc. These credit hours are

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then divided by 15 at the undergraduate level to obtain undergraduate FTE. At the graduate level, FTE is determined administratively by each department chairman. Furthermore, when used for budgeting purposes, this calculation of FTE is adjusted by weights which supposedly show the increased workload at each successive level of instruction. The effects of the University's method is illustrated in Table 21 which shows the difference between the University's calculation and the level of student method utilized by the state colleges.

Table 21
Enrollment Determined Average Costs in University of California
General Campuses, 1966-67

Enrollment	Expenditures		Average costs	
	Total (000)	State (000)	Total	Total
72,513 ¹ -----	\$168,128	\$133,354	\$2,319	\$1,839
126,128 ² -----	168,128	133,354	1,333	1,057
75,248 ³ -----	168,128	133,354	2,234	1,772

¹ Annual average FTE based upon level of student for University.

² FTE by level of student weighted by factors that tend to change upper division and graduate FTE to an arbitrary lower division equivalent.

Lower Division FTE -----	23,807 FTE
Upper Division FTE -----	41,127 FTE
1st Stage Graduate FTE -----	33,285 FTE
2nd Stage Graduate FTE -----	27,909 FTE

126,128 FTE

³ Annual average FTE based upon level of courses. Annual average undergraduate student credit-hours are divided by 15. Annual average graduate student credit-hours are divided by 9.

$$\frac{870,246}{15} (58,016) + \frac{155,089}{9} (17,232) = 75,248$$

Unfortunately, the method of arriving at enrollment determined costs in this report does not allow for the computation of average cost for graduate or undergraduate student. Thus, we are unable to show the expense of educating students at different levels in the educational process. Also, as we noted above, this method does not satisfy the latter two criteria of fulfilling the need for a budgetary standard that reflects the degree of economy or identifying the costs of the delineated functions of the institutions and the benefits to be derived by expanding these functions. These items are all useful in cost analysis and better methodology should be developed which will produce this data.

FACULTY WORKLOAD

During the Regular Session of the 1967 Legislature the Senate Finance Committee requested the Coordinating Council for Higher Education in cooperation with the University of California, the state colleges and the junior colleges to formulate a concise definition of faculty workload and develop an accurate method of determining faculty teaching load. In the *Analysis of the Budget Bill 1967-68* we pointed out that there was no evidence of a single, explicit definition of faculty workload for the University except for a rather vague criterion for faculty appointment and promotion. We also stated that the average work week as reported by the University was 54 hours, that the average number of contact hours per week for full-time regular faculty was

Higher Education—Continued

9.08 and that 58 percent of the regular faculty teach six or less contact hours per week. We pointed out that from a strictly financial point of view, an increase in faculty workload would result in both lower unit costs, i.e., average cost per student, and total costs, i.e., total operating budget. The most practical method of accomplishing this would be to lessen other demands on faculty in order that teaching load could be increased and, thereby, reduce the need for more faculty and the demand for new positions and salaries paid from the General Fund. We further stated that the purposes for having accurate teaching load data are that they can be used to "assess general efficiency and economy of operation, provide objective criteria for determining workload based on known inputs, provide justification for salary increases, allocate University resources, stimulate experimentation, plan for future expansion and provide comparable information with other institutions of higher education."

The council responded to the legislative request in a report entitled *Instructional Practices and Related Faculty Staffing in California Public Higher Education*. In the precis of this report the council concluded that a concise definition of faculty workload is not feasible because the legitimate workload for the faculty fits a wide range of instructional practices which are determined by the functional aims of the institution. They felt that a comprehensive system of reporting program costs, activity and performance together with a simplified budget formula is preferable to a complex, detailed budget formula prescribing faculty workload. The council also stated that there is no satisfactory method by which the distribution of faculty time among competing functions can be measured accurately. Thus there is at present no accurate method of determining teaching load. It was further noted that the institutions, rather than the council or state government are legally and professionally responsible for preparing operational statements and for developing criteria for efficient practices.

Faculty workload is defined by the council in terms of a number of interacting variables composed of the functions of instruction, research, public service, student services and institutional services. Faculty workload is commonly determined by utilizing faculty questionnaires. That part of the total faculty workload which can be designated as teaching load is composed of the components of average class size, contact hours per FTE faculty and contact hours per FTE student. Teaching workload can be determined by actual record keeping of class contact hours per faculty member which is normally calculated by adding together the hours per week spent in organized classes and in tutorial supervision.

Official expectations of faculty workload were obtained from each segment by the council. In responding to this inquiry the University referred to a letter sent to the Legislative Analyst in 1967 which defined workload in terms of the following criteria for appointment as outlined in the *University of California Faculty Handbook*: (1) evidence of teaching competence; (2) evidence of research contribution or

Higher Education—Continued

of other creative attainment; (3) University and public service and (4) evidence of professional recognition. The University further comments that the workload expectation is "qualitative rather than quantitative in the review process, and the weights placed on each of the criteria, and the combined valuation on the four criteria are subject to variation." The University stated that teaching assignments are made by department chairmen based on norms which "... are rather complex, with allowances for many factors, and there is no simple description or formula which encompasses them all." In response to the council's inquiry, the state colleges reported on their faculty staffing formula in which faculty workload is converted to the equivalent of a 15-unit assignment which is composed of 3-unit equivalents for non-teaching assignments such as administrative work and student advising and 12 units of undergraduate teaching. For graduate teaching the expectation is 10 units and no credit is given in either type of teaching for research activities. At the junior colleges, faculty workload expectations are determined by the local district and seem to be less specific in total but more detailed for teaching workload. The common practice is to assign teaching loads on a 15-unit basis.

A percentage distribution of faculty time among the components of faculty workload is shown in Table 21 for California's public institutions as compiled from the council's 1963 cost and statistical analysis. Information compiled from the same source shows the average weekly contact hour per FTE faculty member in California's public institutions of higher education is 9 hours for the University, 12 hours for the state colleges and 16 hours for the junior colleges.

Table 22

Percentage Distribution of Faculty Time Among Workload Components		
University	State colleges	Junior colleges
Teaching ----- 59.8%	Teaching ----- 71.0%	Teaching ----- 78.7%
Department	Department	Department
Administration -- 6.8	Administration -- 9.6	Administration -- 3.6
	Institutional	Institutional
	Administration -- 3.8	Administration -- 3.8
Department	Public Professional	Public Professional
Research ----- 25.9	Service ----- 5.3	Service ----- 2.3
Student Counseling -- 4.0	Counseling ----- 5.7	Counseling ----- 5.2
	Student	Student
	Activities ----- 1.4	Activities ----- 1.8
Other ----- 4.5	Other ----- 3.2	Other ----- 4.6

We recognize that this report was not primarily prepared as a response to a legislative request and for other reasons contains a large amount of useful material on budgetary formulas, academic supporting funds and related activities which we have used in our *Analysis of the Budget Bill*. However, when the response to the legislative inquiry is considered, the report raises more questions than it answers.

In the face of the mounting demands for state funds it seems appropriate to consider all reasonable means for eliminating low priority cost elements in all programs. We must assume that some of the non-

Higher Education—Continued

teaching duties of faculty are less valuable or less efficiently organized and performed than others. Unless data are compiled on such activities there will be little emphasis on possible economies or improvement. If on the other hand, it is alleged that the distribution of time spent by the faculty on their duties cannot be researched and improved, it reflects serious inconsistency with the University's generally stated assumptions as to other research goals and capabilities.

The number of new positions is determined by utilizing different formulas at the University and the state colleges. When the total number of new positions is determined, department chairmen make the actual workload assignment which may bear no relationship to the justification of the position as determined by the budgetary formula. Although mention is made of the possibility of "trade-offs" between teaching time and time devoted to other activities, no concrete suggestions are made. It remains apparent that if such trade-offs could be made, more faculty time could be devoted to the instructional aspects of workload and less to other ancillary activities. As we noted, this would decrease the need for new faculty positions and salaries paid from the General Fund. We recognize that this would increase the need for nonfaculty personnel to provide some of the nonteaching duties now performed by faculty, but this would necessitate less demand on the General Fund because of the lower salaries required.

Teaching workload was calculated in terms of contact hours utilizing 1963 data. It is difficult to say what changes would occur if more current data showing the experience of the last five years had been available. Data supplied to the Legislative Analyst by the University for 1965 showed that the average contact hours per week for the five most mature campuses is 9.08. If the two newest campuses at San Diego and Santa Cruz were included, it is likely that number of contact hours per week would be much less because of the lower student faculty ratios on these campuses.

The teaching load is obviously affected by the other components of faculty workload as mentioned above. The emphasis on research activity at the University as designated in the *Master Plan for Higher Education* may improve the quality of the teaching but reduces the faculty time available for actual teaching. From the council's survey of workload components it is evident that state college faculty are spending more of their time in administrative duties than either the University or the junior colleges. It is interesting to note that faculty members at the state colleges and the junior colleges seem to be devoting more of their time to student counseling and miscellaneous activities than those at the University.

Perhaps the most beneficial aspect of this report and the preceding report on average costs is the fact that they serve to point out the glaring differences in the three public institutions in California which are supposedly equal partners designed to provide quality higher education for every eligible Californian. Some differences are inherent and are intended to exist. Each segment is a separate organizational entity

Higher Education—Continued

which has a distinct historical development. The functions of each segment are different, as they should be in order that the state's resources be maximized and efficiently expended. Nevertheless, a great many of these disparities are detrimental to the interests of the state and the system as a whole.

Each segment has different workload expectations for its personnel. Each segment has a different accounting system which makes inter-segmental comparisons difficult. Each segment has different methods for determining its total number of students and their budgetary needs. These latter differences are not beneficial to the state and should be corrected, because they make comparisons of the efficiency and economy of the institutions impossible and prohibit knowledgeable allocation of resources to the systems.

We believe that the Legislature should request the segments, through the coordinating council, to develop a greater degree of compatibility of reporting for budget purposes.

COORDINATING COUNCIL FOR HIGHER EDUCATION

ITEM 91 of the Budget Bill

Budget page 282

**FOR SUPPORT OF COORDINATING COUNCIL FOR HIGHER
EDUCATION FROM THE GENERAL FUND**

Amount requested	\$537,546
Estimated to be expended in 1967-68 fiscal year	516,689
Increase (4.0 percent)	\$20,857
Increase to improve level of service	\$10,356

TOTAL RECOMMENDED REDUCTION	None
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GENERAL PROGRAM STATEMENT

The Coordinating Council for Higher Education was established by the Legislature under the Donahoe Higher Education Act of 1960 as the result of a recommendation in the Master Plan for Higher Education for an independent agency to coordinate the activities of the University of California, the California State Colleges and the junior colleges. The council, an advisory body, is also responsible for recommending changes in the state's higher education budgets to the Legislature, the Governor and to the segments themselves. The general intent of such recommendations as the council makes is to prevent duplication of responsibilities and to assure a satisfactory level of quality in each segment consistent with its assigned function.

The council presently has 18 members, of which nine are appointed by the Governor. Six of the Governor's appointments are public members of which three represent the private colleges and universities. They are generally selected from a list provided by the Association of Independent California Colleges and Universities. All gubernatorial appointments must be confirmed by the Senate. Of the remaining nine members, three, including the President, represent the University of California and are selected by the Regents, three, including the Chancellor, are selected by the Board of Trustees to represent the California State Col-

Coordinating Council for Higher Education—Continued

leges and three are selected by the State Board of Education to represent the junior colleges. However, on July 1, 1968, when the new Board of Governors of the Community Colleges assumes direction of the junior college system, it will select three members, including the Executive Director, who will sit on the council replacing the State Board of Education designees.

The council staff in the budget year consists of 40.2 positions including 23.1 professional and 17.1 clerical personnel including the director who is appointed by and serves at the pleasure of the council. In addition, the council often supplements its staff by drawing on the manpower resources of the institutions themselves for special projects. The council's offices are in Sacramento.

According to the Donahoe Act, the council is to carry out its advisory responsibilities in three ways: (1) by reviewing and commenting on the budget requests submitted to the Governor and the Legislature by the University and the state colleges; (2) by making recommendations on the articulation of the functions of the university, the state colleges and the junior colleges; and (3) by advising the Governor and the Legislature on matters affecting the orderly growth of each segment such as the need for and the location of new campuses and programs.

Finally, from time-to-time, the Governor and the Legislature have chosen the coordinating council as the state agency responsible for the administration of certain federal programs involving aid to both public and private institutions. Programs currently administered include Title I of the Higher Education Facilities Act of 1963 (grants for the construction of undergraduate academic facilities), Title I of the Higher Education Act of 1965 (community service and continuing education programs), Title VI-A of the Higher Education Act of 1965 (equipment purchases for higher education institutions) and the Higher Education Facilities Comprehensive Planning Program under Title I of the Higher Education Facilities Act of 1963.

ANALYSIS AND RECOMMENDATIONS

The 1968-69 budget request for the council amounts to \$962,353, of which \$537,546 is from the General Fund and \$424,807 is from the federal government. The amount requested from the General Fund is an increase of \$20,857 and will be used to carry out the council's state coordination role (\$509,533) and to provide for one-half of the administrative costs associated with Title I of the Higher Education Act of 1965 (\$28,013). Table 1 illustrates the distribution of the council's financial resources.

Table 1
Total Expenditures
Coordinating Council for Higher Education

	<i>General Fund</i>	<i>Percent</i>	<i>Federal Funds</i>	<i>Percent</i>	<i>Total Expenditures</i>
1964-65 (actual) -----	\$314,148	84.6	\$57,354	15.4	\$371,502
1965-66 (actual) -----	338,512	80.5	81,786	19.5	420,298
1966-67 (actual) -----	434,722	83.1	88,497	16.9	523,219
1967-68 (estimated) -----	531,689	56.0	417,051	44.0	948,740
1968-69 (proposed) -----	552,546	56.5	424,807	43.5	977,353

Coordinating Council for Higher Education—Continued

This year's budget presents four categories of expenditure: support for state coordination (General Fund); Higher Education Facilities and Equipment Program (federal funds); Community Services and Continuing Education Program (state and federal funds) and Higher Education Facilities Comprehensive Planning Program (federal funds). As mentioned previously, WICHE is treated separately. Table 2 presents a summary.

Table 2
Expenditures by Program

	<i>Actual 1966-67</i>	<i>Estimated 1967-68</i>	<i>Proposed 1968-69</i>	<i>Projected Increase</i>
State Coordination				
General Fund -----	\$415,925	\$489,706	\$509,533	\$19,827
Federal funds -----	--	--	--	--
Higher Education Facilities and Equipment Program				
General Fund -----	--	--	--	--
Federal funds -----	77,106	104,786	111,513	6,727
Community Services and Continuing Education Program				
General Fund -----	3,797	26,983	28,013	1,030
Federal funds -----	11,391	26,983	28,012	1,029
Higher Education Facilities Comprehensive Planning				
General Fund -----	--	--	--	--
Federal Funds -----	--	285,282	285,282	--
Totals -----	\$508,219	\$933,740	\$962,353	\$28,613

State Coordination Activities

Division 16.5 of the California Education Code (the Donahoe Act) delineates three basic functions for the council including: "review of the annual budget and capital outlay requests of the University and the California State Colleges", "advice and counsel as to the programs appropriate to each segment", of higher education and the "development of plans for the orderly growth of public higher education and the making of recommendations on the need for and location of new facilities and programs." The council fulfills these obligations by presenting a series of reports on a wide variety of subjects. In the current 1967-68 year they have presented or will present reports on the level of support for the three segments, salaries and fringe benefits at the university and the colleges, academic plans of the university and the colleges, needed changes in the delineation of functions of all segments, need for new centers and other reports dealing with student flow, year-round operation, library resources, federal programs, continuing education, junior colleges and other subjects. In addition, the council responds to requests from state government, primarily the Legislature. These include studies on the doctor of arts degree (excellence in teaching), the governance of junior colleges, multiyear budgeting, cost-per-student, faculty workload, automatic data processing, student financial aid and many others.

We recommend that the \$509,533 requested from the General Fund be approved as budgeted.

Coordinating Council for Higher Education—Continued

As noted in Table 2, the 1968-69 budget request for the council contains \$509,533 from the General Fund for activities relating to the directives in the Donahoe Act. This represents an increase of 4 percent, or \$19,827, over the current year level. Included in this increase are a supervising clerk I (\$6,516) and an editorial associate (\$10,356), the former having been administratively established in the current year to meet the additional workload created by an unanticipated increase in the number of requested reports.

The supervising clerk position would handle the additional typing, duplicating, collating, binding and mailing of council reports which have increased in both number and length in the current year. For example, it is noted that the council produced a report on student financial aids which totaled over 800 pages in three versions, a faculty workload report of 200 pages, a report on faculty salaries totaling 140 pages, a report on the budget review role of the council of another 140 pages. Totally, the council is expected to produce some 45 major documents in the current year in addition to the monthly agendas which average about 140 pages each, but excluding the periodic updating of state plans for federal programs, a production which probably exceeds 10,000 pages annually and which will certainly increase in future years. The council staff consists of 15 professional and 12 clerical positions (including the administratively established supervising clerk) and we believe this substantial workload is one which justifies the increase in the requested position.

The editorial associate is justified not as much on a workload basis as on the basis of the improvement in the overall level of writing. Under ordinary circumstances we would argue that editorial functions should be performed by the supervising personnel. In this case, however, we believe that the supervisory staff does not have available time to make revisions in format and style due to the great volume of material processed and the need for emphasis on policy considerations. The alternatives seem to be an increase in the more highly paid professional staff, the addition of the proposed editorial associate, or a continuation of the current problem of reports that are often overly lengthy and sometimes poorly organized. The addition of the requested position seems to be the most reasonable of the alternatives.

In our analysis of the council's budget last year and in several previous years, we commented on the way in which the council has fulfilled its responsibilities in budget review. Specifically, we mentioned that "the council itself is unsuited to the task of making a detailed and comprehensive review of the college and university budgets. In our opinion it would be of greater service to the state if it looked instead at the whole span of planning, programming, budgeting and performance and chose those areas in which it can complement the activities of other agencies." Some of the problems the council has encountered have been the lack of detailed information at the time they must make their review, the fact that the segments themselves are heavily represented on the council and are generally unreceptive to a detailed critique of their budgets and the fact that the council knows that more

Coordinating Council for Higher Education—Continued

intensive reviews will be made by other agencies, the Department of Finance and the Legislative Analyst in particular. In addition, when the council has made specific recommendations on budgetary items, its advice has generally been ignored.

The council has not been unaware of the problems it faces in budget review and consequently initiated an inquiry into this function during the 1967 legislative session. The result of that review was a report released in May of 1967 in which the council proposed two long-range goals and an interim solution. The long-range goals were to assist the segments in integrating their program planning and budgeting systems into the state Programming and Budgeting System (PABS) and to develop a system of reporting segmental expenditures adequately while at the same time permitting a large degree of fiscal autonomy. As an interim solution, the council proposed to submit in its regular "November Report on the Level of Support" a progress report on program budgeting and a brief description of the budget requests of the three segments. Recommendations would be made only on subjects in which the council had some particular expertise such as nursing education, new centers, year-round operations, etc.

The November report which was submitted followed the previously delineated format and contained a discussion of the progress made by the university and the colleges towards a programming and budgeting system. In addition, the report offered a description of the budget requests with very little comment as to adequacy or inadequacy as had been attempted in previous years. On only two subjects did the council make specific recommendations, one for deletion of \$50,000 in planning funds for a school of veterinary medicine at the University of California and the other for deletion of \$178,000 in planning funds for a new state college campus. However, neither these nor any other augmentation requests are included in the Governor's Budget.

We believe the new format adopted by the council is more in line with its manpower resources and expertise and is a constructive change of emphasis. Although it does have certain deficiencies, we recognize that it was submitted only as an interim solution to the previously discussed problems and that an extensive critique of that report at this time is probably premature. We are therefore offering only two brief comments. First, in the future, it is expected that the council's reports on budgetary matters will include more detailed evaluations of the segments' progress toward program budgeting with specific recommendations to them and to the Legislature for improving their presentations. Second, we note that there are several new program areas proposed by both the University and the colleges in which the council has conducted studies but on which it chose not to make any comments. The number of these areas on which comments are needed could be expanded but we emphasize that such expansion should be consistent with the availability of staff time for detailed analysis. When comments on new programs are made, we believe they should be directed towards determining whether adequate planning has been conducted by the respective segments prior to the time their proposals are sub-

Coordinating Council for Higher Education—Continued

mitted, whether the programs have a relatively high or low priority in relation to other programs and available resources (basically a determination to be made by cost-benefit analysis) and whether proposed programs conflict with the functions assigned to that segment. Naturally, such restrictions will limit the number of subjects which the council will be able to discuss but it is probable that such emphasis will enable the council to provide services to the executive and legislative branches, as well as the institutions themselves, that are not currently available.

Higher Education Facilities and Equipment Program

Higher Education Facilities Act

Under the first program, Title I of the Higher Education Facilities Act of 1963, the federal government provides matching funds on a 3-2 federal-state basis for junior colleges and technical institutes and a 2-1 basis for four-year institutions for assistance in financing the construction, rehabilitation or improvement of academic and related facilities. In its role as the administering agency (designated as such by the Legislature in 1964) the coordinating council is responsible for the receipt and processing of applications from all public and private institutions of higher learning, the establishment of priorities for these projects and the recommendation to the U.S. Commissioner of Education of projects eligible for funding according to the state plan. In addition, it may from time to time make recommendations for revisions in the state plan which must also be approved by the commissioner. Expenditures for the program are shown in Table 3.

Table 3
Allocation of Federal Funds Under Title I,
Higher Education Facilities Act of 1963

	<i>Actual</i> 1964-65	<i>Actual</i> 1965-66	<i>Actual</i> 1966-67
University of California -----	\$10,680,008	\$10,732,742	\$11,913,404
California State Colleges -----	2,578,169	18,573,761	19,821,464
Junior Colleges and Technical Institutes	3,770,269	7,762,896	6,953,420
Private Colleges -----	6,303,695	9,910,010	7,063,874
Totals -----	\$23,332,141	\$46,979,409	\$45,752,162

In 1967-68, a one-third reduction in federal funds is anticipated due to a general federal economy program. Thus, the 1967-68 figures are estimated at a total of \$27,174,544 of which \$21,845,719 will go to four-year institutions and \$5,328,825 will go to junior colleges. This constitutes a reduction of \$18,577,618 from the 1966-67 appropriation. No estimates are available for 1968-69.

Equipment Program, Higher Education Act

The second program, Title VI-A of the Higher Education Act of 1965, is designed to improve undergraduate instruction by providing instructional equipment (special laboratory equipment and closed circuit instructional television) on a 50-50 matching basis. The federal allocation is made to the states on the basis of a two-part formula which accounts

Coordinating Council for Higher Education—Continued

for the number of full-time students in the state in comparison to the full-time students nationally and the state's per capita income in comparison to that of other states. According to the regulations of the program, no institution may make more than one application per year or receive more than \$100,000 for laboratory equipment or \$50,000 for closed circuit television. As the legislatively designated administering agency for this program, the council is required to review all applications for assistance, establish priorities, make recommendations for approvals to the U.S. Commissioner of Education and recommend changes in the state plan. Table 4 shows the expenditures for this program since its inception.

Table 4
Allocation of Federal Funds under Title VI-A
Higher Education Act of 1965

<i>1965-66 (actual)</i>	<i>United States</i>	<i>California</i>
Instructional Equipment -----	\$13,500,000	\$1,536,250
Closed Circuit TV -----	1,500,000	170,694
Total -----	\$15,000,000	\$1,706,944
<i>1966-67 (actual)</i>		
Instructional Equipment -----	\$13,000,000	\$1,450,104
Closed Circuit TV -----	1,500,000	167,319
Total -----	\$14,500,000	\$1,617,423
<i>1967-68 (estimated)</i>		
Instructional Equipment -----	\$13,000,000	\$1,450,104
Closed Circuit TV -----	1,500,000	167,319
Total -----	\$14,500,000	\$1,617,423
<i>1968-69 (estimated)</i>		
Instructional Equipment -----	\$13,000,000	\$1,450,104
Closed Circuit TV -----	1,500,000	167,319
Total -----	\$14,500,000	\$1,617,423

The administrative costs for both of the above programs are paid entirely by the federal government and amount to \$111,513 in the budget year, an increase of \$6,727, or 6.4 percent from the 1967-68 estimate. This increase is composed entirely of price increases and merit salary adjustments. No new positions are requested.

Community Services and Continuing Education Program

The Community Services and Continuing Education Program was established under the provisions of Title I of the Higher Education Act of 1965, to strengthen the public service functions of colleges and universities as a means of combating various community problems including those of inadequate housing, poverty, recreation needs and employment. Funds are allocated on a 1-3 state-federal matching relationship which is currently scheduled to change to 50-50 after the 1968-69 fiscal year. The amount of the state allocation is determined by a flat grant of \$100,000 with the remaining funds shared on a population basis.

Coordinating Council for Higher Education—Continued

As the agency selected for the administration of the act, the council is responsible for the same types of activities as described above, namely review, establishment of priorities, recommendations to the federal government for application approvals and changes in the state plan.

The administrative costs are shared 50-50 by the state and the federal government and will reach \$56,025 (\$28,013 from the General Fund) in 1968-69, an increase of \$2,049 or 3.8 percent over the previous year. No increase in the existing staff of four positions is proposed. The distribution of grant funds is shown in Table 4. *We recommend approval of the \$28,013 as budgeted.*

Table 4
Allocation of Federal Funds under Title I, Higher Education Act
of 1965 for Community Services and Continuing Education

	United States	California
1965-66 (actual) -----	\$10,000,000	\$544,347
1966-67 (actual) -----	10,000,000	521,924
1967-68 (estimated) -----	10,000,000	549,393

Higher Education Facilities Comprehensive Planning

This program is financed by a three-year grant from the U. S. Office of Education in the amount of \$285,282 per year and is intended to enable California to develop a comprehensive plan for the construction of higher education facilities over the next 10 to 15 years. The plan is to include all two and four-year public and private institutions.

The program was authorized by an amendment to Title I of the Higher Education Facilities Act of 1963 and has four basic purposes: to improve the methodology of enrollment projections for the segments, to assist in the preparation of a facilities inventory of the junior colleges, and to formulate a California Facilities Planning Guide. In addition, the council originally intended to contract with a management consulting firm to review the present method of conducting facilities inventories in the segments but this was eliminated when no suitable project was submitted.

It is interesting to note that this title of the Higher Education Facilities Act has been implemented in somewhat reverse fashion since the planning money was appropriated after the program money. The council feels that this has been a problem with the program but that in the future, the three-year grant will enable it to acquire the information needed to more effectively utilize the federal construction funds. This planning effort will also have significant carry-over effects to state spending for capital outlay for the segments once the facilities inventory is completed and the future needs of the segments can be more precisely analyzed and predicted.

The \$285,282 appropriated for the 1967-68 year will not be entirely spent in that year due to the fact that the grant was not approved until the spring of 1967 and the program not begun until after the start of the current year. However, the U. S. Office of Education has agreed to guarantee the full amount each year and will not require the return of any existing year-end balances. In this sense, the grant will be in the form of a revolving fund.

WESTERN INTERSTATE COMMISSION FOR HIGHER EDUCATION

ITEM 92 of the Budget Bill

Budget page 282

**FOR SUPPORT OF THE WESTERN INTERSTATE COMMISSION
FOR HIGHER EDUCATION FROM THE GENERAL FUND**

Amount requested	\$15,000
Estimated to be expended in 1967-68 fiscal year	15,000
Increase	None
TOTAL RECOMMENDED REDUCTION	None

GENERAL PROGRAM STATEMENT

The Western Interstate Commission for Higher Education (WICHE) is a nonprofit, public agency created by 13 western states to administer the Western Regional Education Compact. This compact was ratified by the legislatures of the participating states in 1953 and had the objective of encouraging greater cooperation among the western states in the fields of higher education instruction relating to medicine, dentistry, veterinary medicine and public health. WICHE's representation includes three members from each of the 13 participating states. Its main offices and staff are located at Boulder, Colorado. The members include all states west of Colorado including Alaska and Hawaii.

WICHE's activities include student exchange programs, continuing education programs in eight western schools of nursing and work-study programs for students in the fields of mental health, social work and corrections. In addition, WICHE conducts surveys of manpower needs in dentistry, medicine, nursing, veterinary medicine, the mental health professions and special education (handicapped children), self-study programs for higher education administrators in conjunction with the Center for the Study of Higher Education in Berkeley, and enrichment programs for nursing teachers. Finally, WICHE offers many publications of both a statistical and program nature to provide member states with information on the activities, financing and enrollment of other member states.

ANALYSIS AND RECOMMENDATIONS

The budget request for 1968-69 is \$15,000, the same figure as for the current year. This amount, the membership contribution, is the same for each participating state and is what the commission terms its "hard money" which is generally used to support its staff activities. In 1967-68, it will amount to \$195,000 from the 13 member states but will constitute only 6.2 percent of WICHE's total revenue. The remainder is composed of grant funds received from the states, the federal government and various foundations, student exchange fees and miscellaneous income from institutes, the sale of publications and interest on capital investments. The student exchange fees are derived from the program whereby students are allowed to attend institutions of higher education in other states on an in-state fee basis. The difference between the in-state fee and the out-of-state tuition is paid by the home state.

Education

Items 93-94

Western Interstate Commission for Higher Education—Continued

While California has no students in this program, students from other states make extensive use of California's facilities. In 1967-68, California will educate an estimated 127 students in medicine, dentistry and veterinary medicine in the exchange program for which it will receive about \$236,000 in out-of-state tuition fees.

Most persons who receive such training remain in California. It is this addition to our work force which justifies the expenditure in these institutions. On the basis of this justification we believe that the relatively minor expenditure of funds for participating in the program is appropriate. *We therefore recommend approval of this \$15,000 item as budgeted.*

In last year's analysis, we noted that California might receive greater benefits from WICHE if there were better communication between it and our Coordinating Council for Higher Education. It was mentioned that the three existing commissioners do not represent any of the governing boards of the three higher education segments in the state which results in "little or no coordination between WICHE activities and those of official agencies of this state." This year we reiterate our belief that the Coordinating Council for Higher Education should be represented.

UNIVERSITY OF CALIFORNIA

ITEMS 93 and 94 of the Budget Bill

Budget page 288

FOR SUPPORT OF UNIVERSITY OF CALIFORNIA FROM THE GENERAL FUND

Amount requested	\$279,611,937
Estimated to be expended in 1967-68 fiscal year	243,423,745
Increase (14.8 percent)	\$36,188,192

TOTAL RECOMMENDED REDUCTION \$2,000,651

Summary of Recommended Reductions		Budget	
Reductions	Amount	Page	Line
1. Reduced assigned federal overhead	\$21,877	315	14
2. Delete 24 TA positions	144,000	300	65
3. Reduce Berkeley summer quarter budget	1,374,957	307	39
4. Reduce Los Angeles summer quarter budget	640,329	307	39
5. Delete all state support for University Extension	200,000	305	44
6. Delete General Fund support for student services	675,068	306	9
Subtotal	(\$-3,016,231)		
Augmentations			
1. Augment instruction and departmental research by 58 new faculty positions	\$921,620	303	9
2. Augment organized research for research and travel grants for 58 faculty	26,100	304	49
3. Increase staff benefits for 58 additional faculty	67,860	306	41
Subtotal	(\$+1,015,580)		
Total Reduction	\$2,000,651		

GENERAL PROGRAM STATEMENT

It is proposed in the 1968-69 Governor's Budget that the State of California provide an appropriation of \$280,313,337 for support of the

University of California—Continued

current operations budget of the University of California. The purpose of these funds is to support the University in the fulfillment of its major functions of instruction, research and public service as delineated in the *Master Plan for Higher Education in California* and achievement of its goal of academic excellence as outlined in the *Academic Plan of the University of California 1966-67*. Throughout the analysis an attempt will be made to relate these goals to the Governor's Budget and the long-range fiscal plans of the University of California.

Instruction

The University offers a broadly based curriculum leading to the baccalaureate degree. In compliance with the Master Plan, increasing emphasis is placed on instruction in professional fields and graduate programs leading to masters and doctoral degrees. In 1966-67, 19,002 degrees were granted. This total was comprised of 12,351 bachelor's degrees, 4,804 master's degrees and 1,847 doctor's degrees.

Institutional workload growth is best indicated by the size (enrollment) and mix (level of instruction) of the student population. The 1968-69 workload budget is based on an estimated enrollment increase of 3,086 full-time equivalent (FTE) students for three quarters (academic year) and 6,137 for three quarters plus the summer quarter (full year). The academic year increase is 3.6 percent and the full-year increase, including summer quarter, is 6.8 percent. A small increase in lower division undergraduate enrollments will be experienced which is in concert with the Master Plan's objective of reducing the proportion of lower division students to 40 percent of the undergraduate enrollment. In 1968-69 lower division students will equal 45.6 percent of total undergraduates. As has been the case in recent years, the major increases in enrollment will occur at the graduate levels. First stage graduates will increase 6 percent and second stage graduates will increase 9.6 percent during the academic year. Table 1 compares the estimated 1967-68 enrollments with the proposed 1968-69 enrollments by level of instruction.

Table 1

<i>University Totals (Academic Year)</i>	<i>1967-68</i>	<i>1968-69</i>	<i>Increase</i>	<i>Percent</i>
Lower division	27,658	27,695	37	0.1
Upper division	31,568	32,624	1,056	3.3
Graduate				
1st Stage	18,903	20,046	1,143	6.0
2nd Stage	8,893	9,743	850	9.6
Totals	87,022	90,108	3,086	3.6
<i>University Totals (Full Year)</i>				
Lower division	28,613	29,353	740	2.6
Upper division	32,830	35,029	2,199	6.7
Graduate				
1st Stage	19,663	21,553	1,890	9.6
2nd Stage	9,358	10,666	1,308	14.0
Totals	90,464	96,601	6,137	6.8

University of California—Continued**Research**

The University of California is designated by the Master Plan to be the primary state supported academic agency for research. The University places responsibility for administering research activities in three organizations, according to its academic plan: (1) academic departments, (2) agricultural research stations and (3) organized research units. Faculty members of academic departments engage in departmental research for the stated purpose of enriching their instructional programs. Departmental research is budgeted as part of the expense of instruction and departmental research. Organized research is conducted by agricultural experiment stations and separately organized research units and institutes. State funds are generally used to provide core support and initiate research projects which normally do not attract research grants. Also, state supported programs offer employment for students which provides experience that is a valuable supplement to their academic education. The federal government is the largest supporter of research at the University. In addition to state and federal moneys, the University receives funds from private gifts and grants to support its research activities.

Public Service

The public service function of the University is provided by Agricultural Extension, University Extension and other public service programs. Agricultural Extension serves the agricultural community through research and educational programs, and the statewide population through improved agricultural products. Varied educational programs are offered by University Extension throughout the state which provide opportunities for adult education and participation in public affairs. Examples of other public services offered by the University campuses are lectures, programs in art and special conferences.

ANALYSIS AND RECOMMENDATIONS**Expenditures**

For the purpose of analysis, as reflected in Table 2, the University of California budget for the 1968-69 fiscal year is divided into three separate totals: Total Education and General, Total Support Budget and Grand Total of All University Funds. The first total includes the basic funds necessary to operate the University's current instructional, research and public service programs. The amount is the same as that shown in the Governor's Budget under the same title in the General Summary by Function. The second total adds such self-supporting auxiliary services as residence halls, parking facilities, intercollegiate athletics, campus cafeterias, bookstores, etc., plus student aid programs. This total is the same as that shown in the Governor's Budget as "Totals, Continuing Operations" in the General Summary by Function. The third total includes those funds designated as extramural by the University and is comprised of the Total Support Budget plus special research contracts (Atomic Energy Commission) and other grants, con-

University of California—Continued

tracts, gifts and appropriations received from various public and private sources which are used to supplement the University's program. This total includes those funds designated as "Expenditures Not Included in Overall Budget Totals" in the Governor's Budget.

Projections of five-year budget increases have been obtained from the University's *Budget for Current Operations, 1968-69* and are based in turn on projections contained in the *University Long-Range Fiscal Program, 1966-67-1975-76*. This long-range fiscal plan was prepared in compliance with State of California policy of moving toward multi-year budgets. It is a working document which is intended to be modified as plans and resources change. Projections reflect expected enrollment increases by level of student (upper division, lower division, etc.) and by school and academic discipline. Operating programs are based on actual 1965-66 expenditures and no adjustments have been made for 1967-68 budget reductions below the Regents' budget request. The budget projections use 1966-67 prices and salaries with no attempt to utilize an estimate for inflation. These projections represent the University's budget request and do not reflect the budget review by the Governor or the Legislature. The fiscal plan shows that in the 1970's the present rapid rate of enrollment growth will decline and enrollments will increase no faster than the general population. Enrollments are expected to increase from the actual 1967-68 estimated figure of 90,464 FTE to 121,371 FTE by 1972-73. The University estimates that state General Fund support will increase from \$247 million in 1967-68 to \$384 million in 1972-73. Expenditures for current operations will have increased from \$417 to \$594 million by the same date. Fiscal plan projections will be included in the analysis by function.

Table 2
University of California Proposed Budget for 1968-69 and
Projections for 1972-73

Budget functions	1967-68	1968-69	Increase	1972-73
1. Instruction and Departmental Research	\$145,274,248	\$151,023,390	\$5,749,142	\$191,826,926
2. Summer Quarter	6,599,723	12,365,151	5,765,428	23,838,149
3. Summer Session	2,731,719	2,925,523	193,804	2,600,387
4. Teaching Hospitals	44,395,004	44,922,473	527,469	70,144,984
5. Organized Activities—Other	3,190,418	3,276,977	86,559	3,724,510
6. Organized Research	36,985,924	37,451,207	465,283	48,082,804
7. Libraries	19,858,125	21,392,846	1,534,721	25,593,729
8. Extension and Public Service	26,563,881	26,704,307	140,426	37,379,417
9. General Administration	15,674,002	17,394,860	1,720,858	21,840,461
10. Institutional Services and General Expense	8,283,505	9,019,290	735,785	12,167,761
11. Maintenance and Operation of Plant	23,675,394	26,037,029	2,361,635	40,158,886
12. Student Services	17,306,716	18,095,143	788,427	21,109,234
13. Staff Benefits	23,528,171	25,046,754	1,518,583	31,213,874

University of California—Continued

Table 2—Continued.
University of California Proposed Budget for 1968-69 and
Projections for 1972-73

<i>Budget functions</i>	<i>1967-68</i>	<i>1968-69</i>	<i>Increase</i>	<i>1972-73</i>
14. Provisions for Allocation -----	11,541,773	13,544,331	2,002,558	21,716,456
Budgetary Savings --	-8,331,401	-9,392,764	-1,061,363	-12,647,141
15. Special Regents Programs -----	5,065,100	6,185,000	1,119,900	9,700,000
Total Education and General -----	\$382,342,302	\$405,991,517	\$23,649,215	\$548,450,437
Auxiliary Enterprises	33,587,930	35,269,935	2,139,005	43,965,536
Student Aid -----	1,370,774	1,485,982	115,208	1,814,182
Total Support Budget (continuing operations) ----	\$417,301,006	\$443,204,434	\$25,903,428	\$594,230,205
Sponsored Research and Activities ---	175,174,398	199,486,386	24,311,988	290,645,592
Special Federal Research Projects--	240,377,690	240,377,690	--	240,377,690
Grand Total --	\$832,853,094	\$883,068,510	\$50,215,416	\$1,125,253,487

In constructing the Governor's Budget, the Department of Finance has divided the proposed budget increase between workload and program augmentations. Neither of these classifications correspond with the definition of workload as formulated by the Coordinating Council for Higher Education (CCHE). In brief, that definition states that workload constitutes the maintenance of established programs including expected price increases and increased unit service costs. In the Governor's Budget, workload includes proposed increases which are workload as well as increases which constitute program development. Budget increases for programs which conform to long-range plans are termed program development. The program development contained in the budget relates entirely to University medical schools and health science centers. Included within that increase and designated as program augmentations are workload and program development.

The methodology used was, first, to determine a workload increase based on the premise that no increase in unit costs above 1967-68 expenditure levels was justified. This produced a workload increase request for 1968-69 of \$18,619,668. Secondly, after review of the budgets of the other state agencies, an additional increase of \$7,283,760 was granted as a program augmentation. This amount represents a policy decision by the Department of Finance as to the appropriate level of expenditure for the University. Finally, the University was allowed to allocate the augmentation increase to its priority needs as is shown in Table 3.

University of California—Continued

Table 3
University of California Proposed Workload and Program
Augmentation Increases

<i>Budget function</i>	<i>Workload</i>	<i>Augmentation</i>	<i>Total increase</i>
1. Instruction and Departmental Research -----	\$4,714,882	\$1,084,260	\$5,749,142
2. Summer Quarter -----	5,765,428	--	5,765,428
3. Summer Session -----	193,804	--	193,804
4. Teaching Hospitals -----	--	527,469	527,469
5. Organized Activities—Other -----	86,559	--	86,559
6. Organized Research -----	149,983	315,300	465,283
7. Libraries -----	709,721	825,000	1,534,721
8. Extension and Public Service -----	—59,574	200,000	140,426
9. General Administration -----	673,504	1,047,354	1,720,858
10. Institutional Services and General Expense -----	505,785	230,000	735,785
11. Maintenance and Operation of Plant -----	1,989,135	372,500	2,361,635
12. Student Services -----	788,427	--	788,427
13. Staff Benefits -----	1,075,583	443,000	1,518,583
14. Provisions for Allocation -----	—497,442	2,500,000	2,002,558
Budgetary Savings -----	—850,240	—211,123	—1,061,363
15. Special Regents Programs -----	1,119,900	--	1,119,900
Total Education and General -----	\$16,365,455	\$7,283,760	\$23,649,215
Auxiliary Enterprises -----	2,139,005	--	2,139,005
Student Aid -----	115,208	--	115,208
Total Support Budget (continuous operations) -----	\$18,619,668	\$7,283,760	\$25,903,428

Revenues

Table 4 shows that state appropriations will increase by \$36,623,092 to \$280,313,337. Concurrently, the total contributed by so-called University sources will decrease by \$10,719,664 to \$162,891,097. The total support budget for current operation is the sum of these two, or \$443,204,434. The expenditure level of the University has increased \$25,903,428 for workload and program development. However, due to a decrease in University sources of \$10,719,664 the state appropriation must increase by this additional amount to \$36,623,092. A more complete breakdown of University general and restricted funds is shown on pages 315 and 316 of the Governor's Budget.

Table 4
Revenues—Total Support Budget
1967-68 and 1968-69

	<i>1967-68</i>	<i>1968-69</i>	<i>Increase</i>
State Appropriation -----	\$243,690,245	\$280,313,337	\$36,623,092
University Sources			
General Funds -----	12,708,361	13,212,374	504,013
Restricted Funds -----	91,130,430	94,097,525	2,967,095
Funds Used as Income			
Regents funds -----	20,800,000	--	—20,800,000
Prior Year Overhead -----	7,744,920	--	—7,744,920
Current Year Estimated Receipts -----	--	9,754,800	9,754,800
Prior Year General Fund Balance -----	1,465,000	2,581,963	1,116,963

University of California—Continued

Table 4—Continued
Revenues—Total Support Budget
1967-68 and 1968-69

	1967-68	1968-69	Increase
Prior Year Reserves-----		73,872	73,872
	30,009,920	12,410,435	-17,599,485
Regents Opportunity Fund-----	5,065,100	6,185,000	1,119,900
Total Education and General-----	138,913,811	125,905,334	-13,008,477
Auxiliary Enterprises and Student Aid -----	34,696,950	36,985,763	2,288,813
Total University Sources -----	173,610,761	162,891,097	-10,719,664
Total Revenues -----	\$417,301,006	\$443,204,434	\$25,903,428

Overhead Funds From the Federal Government

The section of Table 4 entitled "Funds used as Income" shows a large decrease for 1968-69 from the 1967-68 totals. In 1967-68, University sources experienced a substantial one-time increase because of a change of accounting methods for federal overhead funds. The University changed from a method of applying prior year overhead receipts to the operating budget to a method of applying estimated current year receipts to the operating budget. By utilizing this method the University was able to increase the overhead funds available to finance the operating budget by \$16,970,000. In addition \$3,833,000 was made available from various University reserves which brought to \$20,800,000 the total one-time saving to the General Fund which is now required to be funded in 1968-69.

The amount of federal overhead funds available to reduce the state appropriation for financing the 1968-69 operating budget is determined as follows:

Estimated overhead receipts-----	\$20,000,000
less assigned overhead -----	-1,795,999
	\$18,204,001
less 50 percent U.C. share -----	-9,102,000
less 10 percent contingency -----	-910,200
Total State Share-----	\$8,191,800
add 1966-67 carryover-----	1,563,000
Total 1968-69 -----	\$9,754,800

The University's share is allocated to capital outlay and opportunity fund projects which are outlined in the section of the analysis designated as Special Regents Programs.

RECOMMENDATIONS

Assigned overhead is withdrawn from the total amount of overhead funds prior to the 50/50 division to provide for the costs of contract and grant administration. The amount designated as assigned overhead is requested to increase \$43,754 over that budgeted for 1967-68 as follows:

Items 93-94

Education

University of California—Continued

	1967-68	1968-69	Increase
Washington office -----	\$81,626	\$84,764	\$3,138
Indirect cost study -----	19,440	57,422	37,982
Contract administration -----	160,267	162,901	2,634
	<u>\$261,333</u>	<u>\$305,087</u>	<u>\$43,754</u>
Contract administration -----	\$1,490,912	\$1,490,912	--
	<u>\$1,752,245</u>	<u>\$1,795,999</u>	<u>\$43,754</u>

In 1967-68, \$1,490,912 was added to the assigned overhead to provide for staff deficiencies related to contract and grant administration. This amount provided for 236 positions to be allocated as follows: 162, instruction and departmental research; 14 organized research; and 60 general administration. In view of these substantial increases in 1967-68 we find no basis for again augmenting contract and grant administration by \$43,754.

We recommend deletion of \$43,754 from assigned federal overhead which will increase the amount available to finance the operating budget by one-half or \$21,877 and thereby affect the same reduction in General Fund support.

(1) INSTRUCTION AND DEPARTMENTAL RESEARCH

The major goal of the University is provided for in this budget function of Instruction and Departmental Research. Included in this function are the costs of teaching staff and related support for the eight general campuses, the Los Angeles Center for Health Sciences, the San Francisco Medical Center and the California College of Medicine.

Budget Request			
1967-68	1968-69	Increase	1972-73
\$145,274,248	\$151,023,390	\$5,749,142	\$191,826,926

The Instruction and Departmental Research Budget represents 34.1 percent of the total support budget. Approximately 87 percent of the total budget for this category comes from state funds. The proposed increase is 4 percent. Looking ahead, total expenditures for this function are expected to increase to approximately \$192 million in 1972-73.

A. Workload

The stated purpose of the proposed workload increase for instruction and departmental research is to maintain the current quality of education for the annual increase in enrollment. This workload is expressed in terms of new faculty positions, new teaching assistant positions and related academic supporting funds. Based largely on the assumption that the quality of instruction is a result of student-faculty interaction, the workload increase is thus determined by applying student-faculty ratios to the total enrollment to ascertain the number of new faculty positions needed. Being cognizant of the different amounts of faculty time and effort required for instruction at various levels of instruction, a system of student weights has been instituted by the University for budgeting purposes. The weights per level of instruction are 1.0 for lower division, 1.5 for upper division, 2.5 for professional schools, masters students and first stage doctorals and 3.5 for second stage doctorals. The number of

University of California—Continued

new faculty needed is obtained by making a three-step computation. First, the full-time equivalency (FTE) of the headcount of students is determined by dividing total credit hours at each level of instruction by 45 and adding the administrative determination of graduate FTE. Next, the number of FTE students by level of instruction is weighted by the designated weights. The final step in the calculation is the application of a student-faculty ratio to the total number of weighted students to determine the total number of new positions. Each new faculty position is budgeted supporting academic funds for clerical help, readers laboratory assistants, equipment and other instructional related costs. Table 5 shows the academic supporting funds per faculty member for each campus.

Academic Supporting Funds per FTE Faculty by Campus¹

	<i>Supporting funds 1968-69</i>
Berkeley -----	\$5,541
Davis -----	5,805
Los Angeles -----	5,525
Riverside -----	4,940
San Diego -----	7,355
Santa Cruz -----	6,084
Santa Barbara -----	4,095
Irvine -----	8,460

¹ Program augmentations are not included.

Teaching assistant positions are also included within the total cost of instruction and departmental research. The reported purpose of the teaching assistant at the University is to supplement, support and extend the usefulness of the teaching by regular faculty members. Teaching assistants are employed to perform three instructional tasks: conduct discussion sections of large courses, conduct laboratory sections and teach small sections of beginning foreign language courses. The number of teaching assistants contained in the Governor's Budget is determined by the application of a teaching assistant ratio of one teaching assistant to a designated number of undergraduates on each campus.

The workload increase is divided between the eight general campuses and the medical and health science centers as is shown in Table 6. Discussion of the medical centers also includes comment on budgeted program development of the medical programs.

Table 6

	<i>Eight campuses</i>	<i>Health sciences</i>	<i>Totals</i>
1. Workload -----	\$1,668,526	\$3,046,385	\$4,714,882
2. Augmentation -----	934,260	100,000	1,034,260
Totals -----	\$2,602,786	\$3,146,385	\$5,749,142

1. *Eight General Campuses.* In the Plan for Growth of the University to 1976 and Beyond an instructional formula of 28 weighted students to one full time equivalent faculty is designated as a guide to the University and its campuses. In practice, the Berkeley and the Los Angeles campus are the only ones to reach this goal. Exceptions have been made for younger campuses such as Irvine and Santa Cruz. Using a 27 weighted students to one FTE faculty, the Governor's Budget al-

University of California—Continued

lows 87 new FTE faculty positions for the University. In addition, academic supporting funds averaging \$5,490 per FTE faculty are proposed. A total of 31 teaching assistant positions are included in the Governor's Budget allowing a ratio of 41.28 undergraduates to each teaching assistant. A total workload increase of \$1,568,430 composed of \$904,000 for faculty salaries, \$186,000 for TA salaries and \$578,526 in academic supporting funds is requested. The weighted and unweighted student-faculty ratios are shown in Table 7.

Table 7
Student-Faculty Ratios
1968-69³

<i>Campus</i>	<i>Weighted</i>	<i>Unweighted</i>
Berkeley -----	28.72	14.86
Davis ¹ -----	29.28	18.11
UCLA ² -----	28.35	15.72
Riverside -----	23.17	13.56
San Diego ² -----	27.92	15.19
Santa Barbara -----	25.10	17.29
Irvine -----	19.40	13.56
Santa Cruz -----	20.76	15.55

¹ Excludes veterinary medicine.

² Excludes medical centers.

³ Program augmentations are not included.

2. *Medical and Health Sciences.* A total of \$3,046,356 is requested for the medical schools and the health science centers which are located on five different campuses of the University. Of this total, \$741,971 is to accommodate the workload growth in enrollment. The remainder, \$2,304,385 is requested to provide for the program development at the San Diego and Davis medical facilities. Proposed new academic positions and estimated enrollments increases are shown in Table 8.

Table 8
Health Sciences—Summary of Enrollment Increases
to New Workload Positions
1968-69¹

<i>Campus</i>	<i>Number of new faculty proposed</i>	<i>FTE enrollment increases</i>	
		<i>Number</i>	<i>Percent</i>
Los Angeles Center for Health Sciences			
Dentistry -----	10	67	28.6
Medicine -----	10	65	5.4
Nursing -----	---	43	--
Public Health -----	---	2	--
San Francisco Medical Center			
Dentistry -----	---	3	.8
Medicine -----	---	1	.1
Nursing -----	3	26	6.7
Pharmacy -----	1	9	2.3
Davis			
Medicine -----	36.25	66	86.8
Veterinary Medicine -----	7	100	25.8
San Diego			
Medicine -----	31.75	32	--
California College of Medicine -----	---	95	--
Total increases -----	99	165	2.9

¹ Program augmentations are not included.

University of California—Continued

Professional programs in medicine, dentistry, pharmacy and nursing are offered at the San Francisco Medical Center which serves as a major center for graduate training in the medical specialties and the basic sciences. Total enrollment is estimated to be 2,389 students in 1968-69 and is projected to increase to 2,676 by 1972-73. Planned construction includes a new school of nursing building during 1968-69 and eventual relocation of the school of dentistry in a new building. The expanded class of 128 medical students has progressed to their fourth year of training during 1967-68. The 1.6 percent increase in students (39) is distributed among the professional schools as follows: Nursing (26), pharmacy (9), dentistry (3), and medicine (1). The Governor's Budget contains three positions within the school of nursing and one position in the school of pharmacy to provide for enrollment growth. These positions are budgeted at the salary level of \$12,800 with \$3,074 per position for academic supporting funds. The San Francisco Medical Center has a total budget of approximately \$37 million and employs 3,869 academic and nonacademic personnel in 1967-68. The projected five-year budget is estimated to be approximately \$46 million in 1972-73.

The Los Angeles Center for Health Sciences provides training in the professional fields of dentistry, medicine, nursing and public health. The estimated enrollment for 1968-69 is 2,059, an increase of 87 students (4.4%), and is projected to increase to 2,500 students by 1972-73. This 1968-69 enrollment increase is distributed as follows: dentistry (67), medicine (65), nursing (-43) and public health (-2). Currently under construction are major expansions of the basic science facilities of the school of medicine and the University hospital and clinics which will enable expansion to a class size of 128 students. The Governor's Budget proposes 10 FTE positions for the school of dentistry at \$15,700 each plus academic supporting funds of \$7,635 per FTE and 10 positions for the school of medicine at \$14,400 each plus academic supporting funds of \$10,641 per FTE. The requested increase totals \$477,460. The current budget for the center for health sciences is approximately \$24 million and is projected to increase to \$41 million by 1972-73.

The Davis campus' school of veterinary medicine will increase in enrollment by 100 students, 38 of whom will be professional veterinary students and 62 of whom will be graduate academic students. This growth necessitates seven FTE faculty plus academic supporting funds for a total requested increase of \$201,157. Surge facilities for the Davis School of Medicine are scheduled for completion during 1967-68 and the first class of 48 students will be admitted in the fall of 1968. Instruction of interns and residents is currently being carried on at the Sacramento County Hospital. A basic sciences building, a campus hospital and a clinical sciences building are projected for future development and will enable the eventual expansion of the medical class size to 128 students. A proposed addition of 36.25 FTE is requested as part of the program development of the medical school for 1968-69.

University of California—Continued

This will bring the total faculty to 72.50 positions and provide for the instruction of the first class of 48 students, the supervision of 80 interns and the necessary curriculum planning for the succeeding year's classes. The total increase is \$1,290,985 and is composed of \$822,624 for salaries and \$418,361 for supporting funds plus an additional amount of \$50,000 for recruitment travel.

The first unit of the San Diego Medical School facilities, a basic sciences building, will be completed in 1968 to enable the first class of 48 students to enter in the fall of 1968. Future plans include a campus hospital, a clinical sciences building and expansion of the County-University Hospital. This expansion will allow the growth of the first year class to 96 students by 1971-72. Additional FTE faculty totaling 31.75 for program development of the medical school is requested for 1968-69. This will bring the total FTE faculty to 79.91. Approximately one-third of this total will provide instruction to the first year class and the other two-thirds will provide clinical instruction for the 76 interns and residents, and plan curriculum for the succeeding year's classes. The proposed increase is \$1,013,400 and is composed of \$638,275 in salaries and \$365,125 in related supporting funds plus \$10,000 for recruitment travel. The total budget for the Medical and Health Sciences currently totals approximately \$12.7 million and is projected to increase to \$22.9 million by 1972-73.

The California College of Medicine is planned to move from the City of Los Angeles to the Irvine campus with interim facilities being occupied by 1969-70 and completion of the medical sciences building scheduled for 1970. Medical student enrollments will decrease by 95, class size will consist of 64 students in each of the four classes and there will be 350 interns who will be supervised at affiliated hospitals. Class size is planned to expand to 96 students by 1972-73. Since the college will lose approximately 95 students in 1968-69 it has not been budgeted any increase in the Governor's Budget. The current budget is approximately \$3.3 million and is estimated to increase to \$3.6 million in 1972-73.

Program Augmentations

The proposed program augmentations totaling \$1,034,260 will provide for 34 faculty positions in addition to the 87 FTE provided for under workload. Also included are the related academic supporting funds budgeted at the level of \$5,490 for each additional position as well as \$250,000 for the instructional use of computers. Twenty-four teaching assistants are added to the 31 proposed under workload and it is stated they are necessary to accommodate instructional programs at the rapidly growing small and intermediate size campuses.

An additional \$100,000 is requested as part of a program augmentation for Davis medical school. This money will be used to lease office space for faculty members. The initial facility for the school of medicine, the combined basic science clinical science building, will not be

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ready for full occupancy until 1974. In the meantime, the school is housed in temporary buildings which do not provide adequate office space.

Performance Analysis

In 1965-66 the actual expenditures of \$123,282,563 for instruction and departmental research were \$6,548,134 less than the budget amount of \$129,830,697. The budget exceeded actual expenditures by 5 percent which can be attributed to an overestimation of student enrollment by 1.9 percent.

Total degrees granted increased approximately 16.5 percent over the 1965-66 fiscal year. In 1966-67 12,355 bachelor degrees, 4,804 master degrees and 1,810 doctorate degrees were granted, for a total of 18,965 degrees. The largest percentage increase by type of degree granted was the bachelor's degree which increased 18.6 percent over 1965-66. However, master's degrees and doctorate degrees showed substantial increases, 12.1 percent and 15.4 percent respectively.

Table 9
Degrees Conferred, 1965-66 and 1966-67

Type of degree	1965-66	1966-67	Increase	
			Number	Percent
Bachelor -----	10,415	12,351	1,936	18.6
Master -----	4,284	4,804	520	12.1
Doctor -----	1,568	1,847	279	17.8
Total -----	16,267	19,002	2,735	16.8

Enrollment for 1966-67 was overestimated by 1,484 FTE students. The budget was based on an estimated 80,777 FTE students, whereas actual registration showed 79,293 students. The difference between actual and budgeted enrollment caused no substantial disparity between the percentages of lower division, upper division and graduate enrollment. The overestimate of FTE students accounts for the fact that actual expenditures for instructional and departmental research were 5 percent less than budgeted.

Table 10
Total FTE Enrollment
Comparison of Budget Estimates to Actual, 1966-67

	Enrollment		Percent of total	
	Budget	Actual	Budget	Actual
Lower division -----	26,693	25,807	33.0	32.6
Upper division -----	28,248	28,175	35.0	35.5
Graduate -----	25,836	25,311	32.0	31.9
Total -----	80,777	79,293	100.0	100.0

As in the preceding fiscal year, actual student-faculty ratios proved to be generally lower than the budget estimates because of the overestimated enrollment. This trend, of course, appeared both in the weighted and unweighted ratios. Budgeted estimates are compared to actual student-faculty ratios in Table 11.

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Table 11
Comparison of Student-Faculty Ratios
FTE Budget Estimate to Actual

Campus	1966-67			
	Unweighted Budgeted	Actual	Weighted Budgeted	Actual
Berkeley -----	14.74	14.21	28.45	27.16
Davis -----	15.58	15.63	24.89	24.60
Los Angeles -----	15.82	15.45	27.53	27.32
Riverside -----	13.27	11.74	21.78	19.25
San Diego -----	10.59	11.14	17.87	19.76
Santa Barbara -----	15.63	15.84	21.36	22.11
Santa Cruz -----	10.74	9.95	12.91	11.94
Irvine -----	10.25	10.95	13.66	15.17
Los Angeles Center for the Health Sciences -----	5.44	5.55	not applicable	
San Francisco Medical Center ----	5.81	5.77	not applicable	

As was noted in the workload section, each faculty position is budgeted an amount of academic supporting funds to provide for clerical help, readers, laboratory assistants, equipment and other instructional related costs. The budgeted and actual figures for academic support funds are shown in Table 12. The largest discrepancies occurred at Santa Cruz where actual expenditures exceeded budgeting by \$857 per faculty member. At the Irvine campus, however, actual expenditures were \$23 less per faculty member.

Table 12
Support per FTE Faculty by Campus

Campus	1966-67	
	Budget	Actual
Berkeley -----	\$5,555	\$5,712
Davis -----	5,553	5,628
Irvine -----	8,552	8,529
U.C.L.A. -----	5,449	5,946
Riverside -----	4,659	4,747
San Diego -----	7,333	8,521
Santa Barbara -----	3,712	4,261
Santa Cruz -----	5,706	6,563

Table 13 illustrates the difference between budgeted and actual enrollment at the University of California Medical Schools and Health Science Center. The actual figures are 68 students less than the budgeted number of 5,176 students. This difference represents a variance of 1.3 percent. The largest disparity occurred at the California College of Medicine where enrollments were less than those estimated by 74 students. This difference may be related to the policy changes occurring at the time of affiliation with the University in 1965. The Los Angeles campus also experienced fewer enrollments than were budgeted.

Table 13
University of California Medical and Health Sciences
Comparison of Budgeted to Actual FTE Enrollment, 1966-67

	<i>Los Angeles</i>		<i>San Francisco</i>		<i>Davis</i>		<i>San Diego</i>		<i>California College of Medicine</i>	
	<i>Budgeted</i>	<i>Actual</i>	<i>Budgeted</i>	<i>Actual</i>	<i>Budgeted</i>	<i>Actual</i>	<i>Budgeted</i>	<i>Actual</i>	<i>Budgeted</i>	<i>Actual</i>
304 Dentistry -----	149	138	364	359	-	-	-	-	-	-
Medicine -----	1,118	1,089	1,161	1,148	-	43	82	73	715	641
Nursing -----	232	217	369	370	-	-	-	-	-	-
Pharmacy -----	-	-	362	363	-	-	-	-	-	-
Public Health -----	301	316	-	-	-	-	-	-	-	-
Veterinary Medicine -----	-	-	-	-	326	351	-	-	-	-
Totals -----	1,800	1,760	2,256	2,240	326	394	82	73	715	641

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Average cost per student for medical and health sciences training is indicated in Table 14. The San Francisco Medical Center has experienced a substantial decrease in cost per student of \$503 from 1966-67 to 1967-68. In 1968-69, it is estimated the cost per student will further decrease by \$56 to a total cost per student of \$4,876. The average cost per student at the Los Angeles Center for Health Sciences has decreased markedly from 1966-67 to 1967-68. This decrease in the average cost per student may be the result of the addition of 213 students in the health sciences during 1967-68. For 1968-69 the average cost per student is estimated to increase \$117, reflecting the return to a steady enrollment increase.

Table 14
Average Cost per Student
1965-66 Through 1968-69

	1965-66 (Actual)	1966-67 (Actual)	1967-68 (Est.)	1968-69 (Est.)
San Francisco Medical Center-----	4,839	5,435	4,932	4,876
Los Angeles Center for Health Sciences-----	5,741	5,799	4,584	4,701

Table 15 indicates the student-faculty ratios for the two medical schools of San Francisco and Los Angeles have experienced a slight increase in 1967-68. In 1968-69, it is proposed that the San Francisco Center ratio increase to 5.96 and the Los Angeles Center for Health Sciences ratio decrease to 5.53.

Table 15
Student-Faculty Ratios

	1966-67 (Actual)	1967-68 (Budgeted)	1968-1969 (Est.)
San Francisco Medical Center-----	5.84	5.91	5.96
Los Angeles Center for Health Sciences ----	5.55	5.60	5.53

RECOMMENDATIONS

1. *Eight General Campuses.* Faculty total is proposed to increase by 121 new FTE positions when workload and program augmentations are combined. This would increase the total number of faculty on the eight general campuses of the University excluding health sciences and summer quarters to 5,422 and produce a ratio of 26.8 weighted students to one FTE faculty. The Department of Finance derived the addition of 87 new FTE faculty contained in the workload request from the application of an across-the-board weighted student-faculty ratio of 27 to 1 for all eight general campuses. To this number the University added 31 additional positions in the program augmentations.

In past budgets, consideration has been given to the degree of maturity of the University's several campuses in allocating new faculty positions. For instance, Los Angeles will advance to its maximum enrollment in 1967-68 and, therefore, will have reached full maturity. Berkeley has also reached its maximum enrollment and is the oldest and best developed of the campuses. Weighted enrollment growth will increase 2.2 percent (1,939 weighted students) with the greatest growth being experienced at the graduate level. Davis, Riverside, San Diego and Santa Barbara are younger campuses with maximum enrollments set between 15,000 to 25,000 students. Enrollments will increase by 3,115

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weighted students or 7.0 percent at these campuses. Irvine and Santa Cruz are the newest University campuses with operations being initiated in 1965. Weighted enrollments will increase by 27 percent or 1,682 weighted students.

In order to analyze the faculty needs of the individual campus according to their enrollment growth, maturity and development, we have prepared the following alternative faculty plans for: (1) Berkeley and Los Angeles, (2) Davis, Riverside, San Diego and Santa Barbara, and (3) Irvine and Santa Cruz. These alternative faculty plans can be considered as policy options.

Table 16
Alternative Plans for Increases in Numbers of Faculty
(For the Eight General Campuses)

<i>Campuses</i>	<i>Weighted student-faculty ratio</i>	<i>Additional faculty</i>	<i>Salary @ \$10,400 (a) academic support @ \$5,490 (b)</i>
A			
(1) -----	28 to 1	65	
(2) -----	27 to 1	—12	\$696,800 (a)
(3) -----	20 to 1	14	363,830 (b)
Subtotal -----		67	\$1,060,630
Total -----	27.1 to 1	5,402	
B			
(1) -----	28 to 1	65	
(2) -----	27 to 1	—12	\$915,200 (a)
(3) -----	19 to 1	35	483,120 (b)
Subtotal -----		88	\$1,398,320
Total -----	27.1 to 1	5,423	
C			
(1) -----	28.1 to 1	59	
(2) -----	26.2 to 1	42	\$1,258,400 (a)
(3) -----	19.7 to 1	20	664,290 (b)
Subtotal -----		121	\$1,922,690
Total -----	26.8 to 1	5,456	
D			
(1) -----	28 to 1	65	
(2) -----	26 to 1	56	\$1,861,600 (a)
(3) -----	18 to 1	58	982,710 (b)
Subtotal -----		179	\$2,844,310
Total -----	26.6 to 1	5,514	
E			
(1) -----	28 to 1	65	
(2) -----	23.7 to 1	232	\$4,024 (a)
(3) -----	16.8 to 1	90	2,124,630 (b)
Subtotal -----		387	\$6,149,430
Total -----	23.5 to 1	6,222	

(1) Berkeley and Los Angeles.

(2) Davis, Riverside, San Diego and Santa Barbara.

(3) Irvine and Santa Cruz.

Plan A provides a minimum increase in faculty members for all eight campuses. Little consideration is given to the 7 percent increase in students at the four general campuses. They in fact lose 12 faculty

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due to the growing graduate enrollments at the fully mature campus, the large undergraduate enrollment at the two new campuses and the increase of their weighted ratio from 25.0 to 1 in 1967-68 to 27.0 to 1 in 1968-69. Berkeley and Los Angeles are budgeted at the same weighted ratio as they were in 1967-68 and receive 65 new faculty. Irvine and Santa Cruz's weighted ratio will increase from 16.3 to 1 to 20 to 1 allowing 14 new faculty.

Plan B provides an increase in faculty (88) similar to that contained in the workload increase of the Governor's Budget. Berkeley and Los Angeles are budgeted at the maximum weighted ratio of 28 to 1 and receive 65 faculty. The four medium sized general campuses lose the same number of faculty shown in plan A (12). However, the weighted ratio of 19 to 1 for Irvine and Santa Cruz allows 35 new positions for the new campuses.

Plan C provides for 121 new faculty positions. This is essentially the University's allocation of new positions requested in the Governor's Budget. The two mature campuses are budgeted at a weighted ratio slightly higher than the maximum goal and will receive 59 new faculty. A weighted ratio of 26.2 to 1 allows more new faculty to meet the growth of the medium sized campuses which receive 42 faculty. Irvine and Santa Cruz are allocated 20 faculty with a weighted ratio of 19.7 to 1.

Plan D provides for the increased graduate enrollment at Berkeley and Los Angeles with the University's maximum weighted faculty ratio of 28 to 1 adding 65 new faculty. The enrollment growth in weighted students at the four general campuses of Davis, Riverside, San Diego and Santa Barbara of 7 percent is recognized by the addition of 56 faculty which increases the weighted ratio to 26 to 1 rather than 25 to 1 as budgeted in 1967-68. The 27 percent growth in weighted students at Irvine and Santa Cruz is provided for by an increase of 58 faculty increasing the weighted ratio from 16.3 to 1 in 1967-68 to 18 to 1 in 1968-69.

Plan E encompasses the weighted student faculty ratios requested by the University. Berkeley and Los Angeles are budgeted at the maximum weighted ratio and receive 65 faculty. Davis, Riverside, Santa Barbara and San Diego are budgeted at the weighted ratio of 23.7 to 1 and receive 232 new faculty. This is a decrease from the weighted ratio of 25 to 1 in 1967-68. Irvine and Santa Cruz are budgeted at 16.8 to 1 and receive 90 new faculty. This is an increase from the weighted ratio of 16.1 to 1967-68.

We recommend adoption of Plan D which increases the number of new FTE faculty proposed in the Governor's Budget by 58 (from 121 to 179). This will necessitate an increase of \$921,620 in General Fund support for new faculty and related academic supporting funds for the eight general campuses. It will give relatively greater emphasis to funding undergraduate enrollment increases at the four general campuses of Davis, Riverside, San Diego and Santa Barbara, and especially the greatly increased enrollments at Irvine and Santa Cruz.

The Governor's Budget requests 65 new TA's. TA's were budgeted by the Department of Finance at a ratio of 1 to every 40.61 under-

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graduates. Since TA's perform instructional tasks in support of regular faculty, a ratio attempts to relate TA's to the undergraduates who are the major recipients of their skills.

We recommend that 24 TA positions be deleted from the proposed budget for a General Fund saving of \$144,000.

We propose budgeting TA's at the ratio currently existing in 1967-68 of 1 TA to every 41.3 undergraduates. Utilization of this ratio will maintain the existing level of instructional support currently provided by TA's by the addition of 41 TA positions for 1968-69. In the workload augmentation, 34 new TA positions were requested in addition to 31 provided in workload. The justification for the augmentation positions was that TA's were needed to aid instructional programs at the small and intermediate-sized campuses. The adoption of Plan D of the faculty policy option will add 58 additional faculty for these campuses and alleviates the need for additional TA's.

2. *Medical and Health Sciences.* At the Los Angeles Center for Health Sciences the School of Dentistry is budgeted for an increase of 10 FTE faculty to accommodate an increase of 67 students which will bring total enrollments to 301 students. The student-faculty ratio will increase from 4.6 to 1 in 1967-68 to 4.9 to 1 in 1968-69. FTE students will increase by 65 for a total of 1,262 at the School of Medicine. Ten new faculty positions are proposed in the Governor's Budget which will increase the student-faculty ratio from 5.1 to 1 in 1967-68 to 5.2 to 1 in 1968-69. Both the School of Nursing and the School of Public Health are estimated to decrease in enrollment, 43 and 2 respectively.

The School of Nursing at the San Francisco Medical Center is budgeted for an increase of three faculty positions. Enrollments increased by 19 in 1967-68 and are estimated to increase by 26 in 1968-69 to a total of 415 FTE students. The student-faculty ratio will increase from 7.5 to 1 to 7.8 to 1. One new faculty position for the School of Pharmacy is requested in the Governor's Budget. The student-faculty ratio will decrease from 9.5 in 1967-68 to 9.4 in 1968-69 due to the addition of nine new students.

Enrollments at the Davis School of Veterinary Medicine is proposed to increase by 100 students and thereby necessitates the addition of seven FTE faculty. Due to this enrollment increase the student-faculty ratio will increase to 8.4 to 1 in 1968-69 from 8.3 to 1 in 1967-68.

We recommend approval of the requested 31 positions for the medical and health sciences totaling \$741,971.

These increases are commensurate with the workload increase caused by expanding student enrollments in the health sciences. These increases can be justified by comparing the budgeted student-faculty ratios with those of the past actual year and those presently existing in the current fiscal year. In each case, the proposed increase maintains the present student-faculty relationship and the current quality of instruction.

We recommend approval of the program development for the San Diego School of Medicine and the Davis School of Medicine as budgeted in the amount of \$2,304,385.

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The proposed increases for Davis and San Diego are part of the planned progress of these campuses and the development of their medical schools. Student-faculty ratios for Davis and San Diego are similar, 2.0 to 1 and 2.1 to 1 respectively. Davis's enrollment will be composed of 48 medical students, 80 interns and residents and 14 graduate academic students. San Diego will enroll 48 medical students, 76 interns and residents and 90 graduate academic students.

Special Legislative Reports

In compliance with legislative request, the University has submitted a report on the academic and physical development of the Davis Medical School with 10-year cost projections of its capital outlay and operating cost.

Capital outlay expenditures will be needed to finance three permanent facilities: (1) a combined basic science-clinical science unit scheduled for occupancy in 1974, (2) a 350-bed University hospital scheduled for completion in 1976 and (3) additional research space and faculty offices planned for completion in 1978. The initial class of 48 which will enter in the fall of 1968 will be accommodated in three surge facilities designed to provide the necessary preclinical training until the first permanent structure is completed. The Sacramento County Hospital will be the primary clinical resource available to the school until the University hospital is completed. The first year class is planned to expand to 96 students in 1974 to 128 in the following year.

In 1967-68 total budgeted expenditures are \$3,605,608 and are composed of \$2,208,608 in current operating expenditures and \$1,397,000 in capital outlay expenditures. State appropriations fund \$3,303,208 of total expenditures and \$302,400 is provided from other sources. In 1972-73 total expenditures are estimated to be \$17,192,000 and the state appropriation is projected to be \$5,749,000. By 1978-79, total expenditures are projected to increase to \$26,097,000 with state appropriations providing \$8,880,000. Despite the fact that state appropriations will provide a steadily decreasing percentage of the total budget, the tremendous costs of developing and operating a medical school are apparent from the preceding budget projections which do not take into consideration the development costs to date. In five years the state appropriation will increase 74 percent and in 10 years 169 percent. The total budget will increase 376 percent in five years and 596 percent in 10 years.

By the end of the 1967-68 fiscal year, the state will have invested \$1,505,300 in capital outlay and \$2,541,045 in current operating costs for the Davis School of Medicine. This investment of over \$4 million represents the development costs prior to admitting the first medical students. Prior to the graduation of the first MD's in 1971-72 the state will have expended almost \$10.5 million for capital outlay and \$14.5 million for current operation. Before the first MD degree is produced by the Davis School of Medicine the state will have expended \$25 million. Total expenditures including all sources of funds will be over \$57.6 million.

The University of California is concurrently developing two medical schools. Similar cost projections are not available for the San Diego

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School of Medicine but it is apparent that the developmental costs are higher to date. By the end of the 1967-68 fiscal year the state will have expended \$3,332,675 for current operating expenditures and \$11,782,700 for capital outlay. Total state costs prior to admitting the first MD student will be over \$15 million.

In addition to the two new medical schools the University is relocating and rebuilding the California College of Medicine on the Irvine Campus. The Legislature requested an academic and fiscal plan for the College of Medicine which were not received because of pending decisions on relocation of the college. The Los Angeles Center for Health Sciences is currently expanding and the San Francisco Medical Center is planning expansion and construction for its schools of Nursing and Dentistry. The expansion of Medical and Health Sciences at the University is placing a heavy burden on the state's resources available for financing higher education.

We recommend that the University prepare a 10-year academic, physical and fiscal plan for all University medical and health science schools with a progress report to the Joint Legislative Budget Committee by November 1, 1968 and a final report by November 1, 1969. These plans should be similar in nature to that submitted this year for the Davis School of Medicine and in 1966 for the San Diego School of Medicine. These plans should relate the commitment of future state funds and the growth of the schools to the benefits to be derived by the state from the training and skills that will be produced. It is incumbent upon the University to make known in full its future expectations for support of the health sciences by the state in order that the Legislature can anticipate and provide for these needs.

(2) SUMMER QUARTER

Summer quarter operations which were initiated at Berkeley in the summer of 1967 will be continued at Berkeley and Los Angeles in 1968-69. This budget function includes all the costs for operation of the summer quarter as a separate entity from other elements of the support budget.

Budget Request			
1967-68	1968-69	Increase	1972-73
\$6,599,723	\$12,365,151	\$5,765,428	\$23,838,149

The summer quarter budget is comprised of 81.3 percent of state funds. The summer quarter represents 2.8 percent of the total support budget. The requested increase is \$5,026,899, or 87.4 percent. In 1972-73 the budget is projected to increase to approximately \$24 million.

Workload

An increase of \$298,947 is requested for a continuation of the Berkeley summer quarter in addition to the approximately \$5.9 million budgeted in the 1967-68 fiscal year. It is estimated that the initial enrollment goal of 11,000 students or 10,345 annual FTE will be achieved in 1968-69. The total number of full-time equivalent students includes 21 percent lower division students, 37 percent upper division students and 42 percent graduate students. The weighted FTE students budgeted

University of California—Continued

will increase from 6,376 in 1967-68 to 6,776 in 1968-69. At Los Angeles the summer quarter will be initiated with a budget of \$5,006,278, which will provide 188 full-time equivalent faculty and academic support for 10,164 students (3,043 FTE). In addition, a total of \$460,203 is proposed for planning and development of the summer quarters at Santa Barbara and Davis campuses which are scheduled to commence in 1968-69. This amount actually represents one-sixth of the total budget. The remaining five-sixths of the budget will be funded in the 1969-70 fiscal year because the greater part of the summer quarter is contained within that fiscal year.

RECOMMENDATIONS

All University campuses have converted from the semester to quarter academic systems. Berkeley was the first campus scheduled to operate the fourth or summer quarter which was initiated during the 1967-68 fiscal year. To obtain the savings in capital outlay predicted by the CCHE in its report entitled *Cost Estimates for Year-Round Operations at the University of California and the California State Colleges* it was determined necessary to have enrollments equal to 40 percent of the normal academic year enrollments at the University. The assumption is that the need for new facilities would be reduced by the acceleration of students and the more complete utilization of present facilities through balancing enrollments on a year-round basis.

The following table illustrates the experience at Berkeley this past summer. Enrollment estimates were not met and costs were higher than budgeted. The summer quarter was budgeted on the basis of 3,442 FTE students or 40 percent of the total academic year enrollment. Actual enrollments showed 2,233 FTE students in attendance. This number represents 65 percent of the goal of 3,442 FTE students, or 25.4 percent of the 1967-68 academic year enrollment which was revised subsequent to the fall registrations. On a weighted student basis approximately 70 percent of the goal of 6,376 weighted students was realized. Faculty per FTE student were budgeted at 1 to 14.1 and actual enrollments showed a ratio of 1 to 9.2. Again, on a weighted student basis, faculty were budgeted at a ratio of 1 to 26.1 and enrollments showed 1 to 18.3. The cost of the summer quarter can be illustrated by a cost per student for instruction and departmental research. Actual enrollments showed that this cost was \$2,008 per student rather than the budget amount of \$1,303. Cost per student per annual academic quarter is approximately \$1,400.

Summer Quarter
University of California at Berkeley

1967-68	Budgeted	Revised
FTE students	3,442	2,233
Percent of total enrollment	40	25.4
Weighted students	6,376	4,475
Faculty per FTE student	14.1	9.2
Faculty per weighted student	26.1	18.3
Instruction and departmental research cost per FTE student		
Summer quarter	\$1,303	\$2,008
Annual quarter	\$1,436	\$1,432

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Although it was realized that the desired goals would be difficult to obtain and that the initial costs would be high, the first summer quarter experience fell far short of expectations. Enrollments proved to be very low, only 65 percent of estimates. Therefore, the cost per unit and per student was very high. It is apparent that the economies to be realized from the summer quarter will not be achieved unless the degree of success is substantially improved over the 1967 Berkeley experience. The need for further and more complete analysis of these results and those forthcoming from Los Angeles in the summer of 1968 is also apparent.

The Governor's Budget for both the Berkeley and Los Angeles summer quarter is again based on a 40 percent enrollment factor for 1968-69. We believe this unwise in view of the experience at Berkeley. The summer quarter was unnecessarily expensive because it was budgeted on the basis of unrealistic enrollment goals. We recommend budgets constructed on the basis of an enrollment equivalent to 30 percent of the annual FTE enrollment. At Berkeley this would equal 2,552 FTE students, or 5,421 weighted students. Utilization of this enrollment base would allow the deletion of 48 faculty, 11 TA's, and substantial savings in academic supporting funds, related travel and research grants as well as the other cost functions of the summer quarter budget. Similar savings could also be realized in the Los Angeles summer quarter budget while still maintaining acceptable instructional standards. The budget would be based on 2,251 FTE or 4,367 weighted students. This budget level will enable the deletion of 32 faculty positions and 10 TA's and the reduction in the related academic supporting funds and other cost functions of the summer quarter budget. (Refer to Table 17 for a summary of these reductions.)

We recommend the following reductions from the General Fund appropriation to the University:

1. *Delete \$1,374,957 in General Funds from the 1968-69 Berkeley summer quarter budget which reduces the total budget from approximately \$6.2 million to \$4.6 million.*
2. *Delete \$640,329 in General Funds from the proposed budget for the 1968-69 Los Angeles summer quarter which reduces the total budget from approximately \$5.0 million to \$4.2 million.*

Table 17
Summer Quarter
1968-69
Berkeley and Los Angeles

Campuses	1967-68 Governor	1968-69 Governor	1968-69 Legislative Analyst	Difference	Percent
Berkeley					
FTE enrollment -----	3,442	3,450	2,552		
Percent of academic year -----	40 ¹	40	30		
Weighted enrollment -	6,376	6,776	5,421		
Expenditures					
Instruction and research -----	\$4,698,084	\$4,995,006	\$3,622,154	\$1,372,852	-27.5

University of California—Continued

Table 17—Continued
Summer Quarter
1968-69

		Berkeley and Los Angeles			
		1967-68	1968-69	1968-69	
<i>Campuses</i>		<i>Governor</i>	<i>Governor</i>	<i>Legislative Analyst</i>	
Organized research		40,890	42,915	34,533	8,382 —19.5
Other ²		1,188,832	1,188,832	991,487	197,345 —16.6
Total		\$5,927,806	\$6,226,753	\$4,648,174	\$1,578,579 —25.4
Revenues					
State General Fund		\$4,505,986	\$4,804,933	\$3,429,976	\$1,374,957 —28.6
U.C. general fund		634,377	634,377	634,377	--
U.C. restricted fund		787,443	787,443	583,821	203,622
		\$5,927,806	\$6,226,753	\$4,648,174	\$1,578,579
Los Angeles					
FTE enrollment			3,043	2,551	
Percent of academic year			40	30	
Weighted enrollment			5,459	4,367	
Expenditures					
Instruction and research			\$3,667,012	\$3,057,180	\$609,832 —16.6
Organized research			21,150	17,550	3,600 —17.2
Other ²			1,318,116	1,099,008	219,108 —16.6
Total			\$5,006,278	\$4,173,738	\$832,540 —16.6
Revenues					
State General Fund			\$4,068,193	\$3,427,864	\$640,329 —15.7
U.C. general fund			199,556	199,556	--
U.C. restricted fund			738,529	546,318	192,211
			\$5,006,278	\$4,173,738	\$832,540

¹ Actual enrollments were 2,233 FTE students, or 25.4 percent of the academic year enrollment.² Other includes libraries, maintenance and operation of plant, general administration, institutional services and general expense, student services, staff benefits and provisions for allocation.

(3) SUMMER SESSION

Summer sessions implement recommendations of the Master Plan that every public higher education institution that is able to offer academic programs in the summer months do so to make full use of the state's higher education physical facilities. Summer sessions will be operated on the Davis, Los Angeles, Riverside, San Francisco and Santa Barbara campuses in 1968-69. This budget category is reported to contain all the expenditures associated with these summer programs.

Budget Request

1967-68	1968-69	Increase	1972-73
\$2,731,719	\$2,925,523	\$193,804	\$2,600,387

The summer session budget request is 0.7 percent of the entire support budget and is supported from students and fees.

Workload

A workload increase for summer session will be approximately \$193,804 and will be provided from student fees. Each student is charged \$100 for the six-week session. Enrollment is estimated to in-

Education

Items 93-94

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crease by 6,071 students over 1967-68 summer sessions for a total enrollment of 19,163 students.

Performance Analysis

The summer sessions were budgeted for \$2,419,425 in 1966-67 and actual figures show expenditures of \$2,219,947. Budgeted figures exceeded the actual expenditures by \$199,478 or 8.2 percent. Summer session enrollments for 1963-64 through 1967-68 are indicated in Table 18. The 45-percent decrease experienced in 1967-68 is largely the result of the discontinuance of the Berkeley summer session with the exception of a summer program for teachers and special programs for law and optometry.

Table 18
Summer Session Enrollment

	1963-64 Actual	1964-65 Actual	1965-66 Actual	1966-67 Actual	1967-68 Actual
Berkeley -----	11,008	11,775	9,237	9,225	300
Irvine—OCM -----	—	—	—	87	470
Davis -----	653	696	794	1,005	1,140
Los Angeles -----	9,680	10,993	8,538	10,211	7,382
Riverside -----	—	—	631	633	704
San Francisco -----	273	327	857	977	955
Santa Barbara -----	1,326	1,356	1,652	1,812	1,912
Santa Cruz -----	—	—	—	—	227
Total -----	22,940	25,147	21,709	23,950	13,092
Percent -----		+9.6	-13.7	+10.3	-45.8

RECOMMENDATIONS

We recommend approval in the amount budgeted. The proposed budget increase will be funded from increased student fee income resulting from enrollment growth.

(4) TEACHING HOSPITALS AND CLINICS

Included within this function is funding for the hospitals for which the University has major operating responsibilities. These include the hospitals at the Los Angeles Center for Health Sciences, the San Francisco Medical Center, the San Diego County University Hospital and the Veterinary Teaching Hospital at Davis. The teaching hospital is intended to be the focal point for the student's exposure to patients and the core for instruction in the practice of medicine. In addition to the instructional aspects of the teaching hospital, each hospital provides a public service benefit to the community in which it is located. The teaching hospital is looked to for excellence in its quality of medical care.

Budget Request

1967-68	1968-69	Increase	1972-73
\$44,395,004	\$44,922,473	\$527,469	\$70,144,984

State funds support 18.1 percent or \$8,157,363 of the total budget for organized activities for teaching hospitals and clinics. Projected expenditures to 1972-73 show a \$24.5 million increase (56 percent)

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over 1967-68 total hospital expenditures. This projection includes consideration for expanding auxiliary activities of the hospitals, medical improvement and increasing number of patients where facilities will be expanded.

Workload

The Governor's Budget does not include any workload increase for teaching hospitals. The state subsidy will remain approximately the same as that allocated in 1967-68 following the Governor's veto of \$2,018,000. The human teaching hospitals state that during 1968-69 total patient days will increase by 17,885 and outpatient visits will increase by 27,200. The cost per patient-day and visit will increase slightly with the greatest portion of the increase taking place at San Diego which currently has the lowest per-diem cost due to its limited service. No increase in subsidy is allocated to the veterinary teaching hospital at Davis. It is expected that in 1969-70 a new and expanded hospital will open with capacity adequate to provide a number of animal patients necessary for proper veterinary instruction.

Program Augmentations

Included within the program augmentations is an increase of \$527,469. It is reported that this amount will provide for general price increases and technological changes which will cause patient-care budgets to increase approximately 6 percent in 1968-69. Hence, state support would be increased accordingly to meet its share of patient charges.

Performance Analysis

Budgeted figures for the University teaching hospitals totaled \$39,263,314 in 1966-67 and actual expenditures were \$38,206,673. Actual figures were less than the budgeted amount by \$1,056,641, or 2.7 percent. State subsidies provide for \$9,446,873, or 24.8 percent of the total teaching hospital costs. The five-year analysis shown in Table 19 illustrates a decline in the percent of subsidy to the total teaching hospital costs. The decline can largely be attributed to the Medicare and Medi-Cal program initiated in 1966-67 to which we refer in the following special legislative report.

Table 19
Teaching Hospital Workload Data, Five-Year Trends¹
San Francisco, Los Angeles and San Diego Teaching Hospitals

	<i>Total teaching hospital costs²</i>	<i>State subsidy</i>	<i>Percent of subsidy to total</i>
1964-65 -----	\$24,141,962	\$7,214,466	29.9
1965-66 -----	25,862,302	7,665,865	29.6
1966-67 -----	38,132,646	9,446,873	24.8
1967-68 (estimated) -----	42,761,329	7,753,839	18.1
1968-69 (proposed) -----	44,922,473	8,157,363	18.1

¹ Program augmentations are not included.

² Includes UCSF, UCLA and UCSD beginning 1966-67.

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Costs per patient-day at San Francisco and Los Angeles are higher than the budgeted amount which is the result of a lower percent of occupancy than was anticipated. Also indicated in Table 20 is the higher than budgeted cost per outpatient visit for 1966-67. These costs per patient-day may reflect an unrealistic cost picture unless the length of stay is also determined. The cost per patient-day at San Diego was higher than that budgeted and is estimated to grow substantially in 1968-69. The percent of occupancy is also estimated to increase from 57.3 percent in 1966-67 to 83.3 percent in 1968-69.

Table 20
Teaching Hospital Workload Data

1968-69 Governor's Budget and Comparison of 1966-67 Budgeted to Actual¹

	No. of beds	Percent of occupancy	Cost per patient-day	Cost per outpatient visit
<i>San Francisco</i>				
1968-69 (est.) -----	555	82.9%	\$86.71	\$18.08
1966-67 (actual) -----	555	79.4	83.22	15.17
1966-67 (budgeted) -----	555	82.2	72.74	15.10
<i>Los Angeles</i>				
1968-69 (est.) -----	368	80.0	97.52	19.87
1966-67 (actual) -----	368	76.3	94.15	17.91
1966-67 (budgeted) -----	368	85.0	87.41	14.87
<i>San Diego</i>				
1968-69 (est.) -----	480	83.3	66.48	23.62
1966-67 (actual) -----	510	57.3	52.51	18.39
1966-67 (budgeted) -----	480	54.7	51.26	17.74

¹ 1968-69 estimated figures do not include program augmentations.

Table 21 shows the number of clinical students by campus served by these hospitals each year from 1964-65 through the proposed number for 1968-69. Clinical students are composed of medical students, interns, and residents, graduate academic and paramedical students who make primary use of a teaching hospital facility. Table 13 is illustrative of the growth in medical schools' usage of teaching facilities.

Table 21
Enrollment of Clinical Students by Campus

	UCSF	UCLA	UCSD
1964-65 -----	300	297	--
1965-66 -----	305	305	--
1966-67 -----	314	296	73
1967-68 (est.) -----	346	314	64
1968-69 (proposed) -----	345	320	76

Special Legislative Report

In compliance with the Legislature's request the University has submitted a report of the effect of Medicare and Medi-Cal on the operation of the University teaching hospital which emphasizes the financial effects of the two programs, the effect on professional fees and a basis for subsidy determination. The major objective of medical education, as stated by the report, is "the development of clinical insight, skills, judgment, and acumen." These skills are developed by having a high degree of responsibility for patient care.

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Patients are categorized according to the relative teaching value in the following order: (1) departmental inpatients, (2) departmental outpatients and (3) personal inpatients. The departmental patient is selected by the medical officer for his medical teaching value regardless of his ability to pay his medical expenses. The departmental inpatient, formerly called staff or nonprivate patient, has traditionally been the major patient teaching resource of all levels of students at teaching hospitals. Departmental outpatients are diagnosed and treated in separate outpatient facilities on a visit basis similar to a visit to a private doctor's office. Outpatients provide the student with the largest share of his experience for care of ambulatory patients.

The personal patients are admitted by faculty members for any type of medical illness. Both the physician and patient agree to participate in the teaching program as a condition to admission. Personal patients are not eligible for teaching fund subsidy, and their bills are paid by third party sponsors and/or their personal funds.

The report states that the degree of utilization of subsidy support for teaching patients is affected by the coverage of existing health insurance and the complexity of the medical problem. Many factors influence the utilization of the teaching subsidy. Such factors may be as follows: (1) change in student enrollment necessitating change in patient days, (2) changes in educational program which increase or decrease patient-student contract, (3) new scientific advances relating to the development of new treatment techniques in which the University must lead the profession, (4) general cost increases in hospital care, (5) changes in program and support level of government-sponsored health insurance (Medicare and Medi-Cal), (6) general increase in percent of population covered by voluntary health insurance, (7) general improvement in the quality of health insurance program, (8) changes in the general economic condition of the area in which the hospital serves.

The second portion of the report emphasizes the effect of Medicare and Medi-Cal on financing teaching hospitals. The University determined this effect by using a before and after approach for the two teaching hospitals at UCLA and UCSF. At the end of the 1966-67 fiscal year Medi-Cal and Medicare income for UCSF and UCLA amounted to \$4,424,958. It is estimated that the amount of subsidy that would have been expended without the existence of these two programs was reduced by \$2.7 million and that the resulting saving in subsidy is \$0.61 for each dollar of Medicare and Medi-Cal income ($\$2,699,966 \div \$4,424,958 \times \$1.00 = \0.61). Information submitted to the Legislative Analyst and the Department of Finance in February of 1967 indicated a subsidy saving of \$0.646 for each dollar of Medicare and Medi-Cal income ($\$2,567,580 \div \$3,976,900 \times \$1.00 = \0.646). Prior to the advent of these programs, the average departmental patient was charged 46.7 percent of his hospital costs and the balance, 53.3 percent, was covered by state subsidy. Since the initiation of these programs the amount covered by subsidy was reduced to 51.8 percent in 1965-66 (Medi-Cal became effective on March 1, 1966) and was

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further reduced to 38.2 percent in 1966-67 when both programs became operational. It is felt that the \$3.9 million estimate from Medicare and Medi-Cal income for 1966-67 was low because adequate consideration was not given to the effects of salary increases and price increases which must be reflected in the patient charges. The report also noted that there was a subsidy surplus of approximately \$1.5 million in 1966-67 which was either expended for operating losses or equipment purchases.

The University discussed the basis for subsidy determination in the third section of its report. In this method, the basis for subsidy is determined by multiplying the projected number of departmental patient-days and outpatient visits by their respective unit costs. In the next step, the amount which could be expected to be charged to these patients own resources or their sponsors, based on previous experience was subtracted. The balance which could not be expected to be recovered from patients was an indication of the amount of subsidy required. This method stresses the ability to pay, the number of patients needed, and the cost per patient-day and visit as the only significant factors for subsidy determination.

The effects of professional fee income from Medicare and Medi-Cal is discussed in the fourth section of the legislative report. Prior to the establishment of these two medical care programs at the teaching hospitals at UCSF and UCLA, private insurance companies were billed by medical staff associations for professional services rendered to departmental patients. In 1965-66 the two associations received \$383,249 which were transferred to the regents.

With the initiation of Medicare and Medi-Cal, new agencies, the Medical Staff Association at UCLA and Teaching Hospital at UCSF, assumed the responsibilities for billing for professional fees paid by these two medical care programs to department patients as well as the private insurance companies. In addition to professional fees for departmental patient care, the University bills for services rendered to personal patients by faculty members who are paid on the strict full-time salary plan or the clinical departments full-time compensation plan. These faculty must give the University all fee income received from their patient-care activities.

From the inception of the Medi-Cal program on March 1, 1966, through July 1, 1966, and Medicare on July 1, 1966, the University has received \$61,799 from Medi-Cal, \$315,144 from Medicare and \$1,287,144 from patients and private insurance companies for a total of \$1,664,487. Only the teaching hospitals at UCSF and UCLA have been reimbursed by Medicare and Medi-Cal to date. At the County-University Hospital in San Diego a billing group has not yet been formed.

Income from professional fees is expended according to the bylaws of the UCLA Medical Group or the policy of the University of California Teaching Hospital at San Francisco. Funds are generally expended for the following purposes: (1) overhead costs of billing, (2) portions of the salary of people on full-time salary plans, (3) travel to professional meetings, (4) educational, research, and other programs

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for the benefits of interns and residents and (5) general purposes as may be designated by the Chancellor.

The county hospitals and the veterans administration hospitals utilized by the University as teaching facilities have formed billing groups to collect professional fees or plan to do so in the future. These include the following: Harbor General Hospital, San Francisco County Hospital, Los Angeles County Hospital, Orange County Medical Center and the Sacramento County Hospital.

Chapter 1702 passed by the 1967 Legislature (AB 1140), prohibits Medi-Cal payments for professional services rendered by persons who are compensated for providing similar services on a salary paid from the State General Fund. This bill effectively prohibits Medi-Cal payments for professional services rendered by these persons at the University teaching hospitals.

RECOMMENDATIONS

The financing of hospital operations is in a period of change stimulated by new concepts of health care embodied in and implemented by Medicare and Medi-Cal legislation. In this respect the University teaching hospitals face problems similar to those confronted by other hospitals throughout the state. However, they have a special character as facilities which provide an important element of the training of medical doctors. Many costs of the teaching hospitals are higher as a result of the teaching character of the institution. Since the education of medical doctors and persons with related skills is believed to be in the public interest, the state has assumed some portion of the costs of operating the teaching hospital. The amount of the cost provided for by the state has been termed a "teaching bed subsidy" or "teaching subsidy."

Since the initiation of the two Medicare programs in March and July of 1966, an attempt has been made to determine if appropriate reductions could be made in the teaching subsidy reflecting increased income from Medicare and Medi-Cal. This attempt has been frustrated by many circumstances. The programs are new and there is no prior experience on which to base projections. During the analysis of the 1967-68 budget, estimates were based on only a few months of actual operation under these programs. The programs have been subject to change and modification. Hospital operations are affected by general wage and price increases. On one hand subsidy savings may be realized as a result of increased income from Medi-Cal and Medicare. But, on the other hand, charges to subsidy are increasing as a result of the greater number of patients served and higher patient charges reflecting price and wage increases. The situation is a dynamic and rapidly moving one which makes accurate analysis most difficult.

In the Governor's Modified Budget for 1967-68, teaching subsidy was reduced by approximately \$2,018,000. As a justification for this reduction the Department of Finance stated that the increase in Medi-Cal/Medicare income would reduce the need for subsidy by \$2 million. We recommended against the reduction on the following grounds. Although it

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was evident that income from these sources was increasing, it was apparent that there would be no dollar for dollar substitution of subsidy funds by Medi-Cal/Medicare income. It was estimated that from the gross income estimate of \$3.9 million approximately \$2.6 million in net income would be available as a subsidy savings. The net effect of the Medi-Cal and Medicare income at UCSF and UCLA was a subsidy savings of 64.6 cents for each dollar of income from Medi-Cal/Medicare patients. The teaching hospital at San Diego was excluded from these estimates because it had no prior experience as a teaching facility on which to base calculations. Once we had determined the amount of additional money that would be available at the teaching hospitals, we tried to determine whether the uses for which the University intended to expend it were justified. We recommended that \$1.6 million be expended for patients' care resulting from increased workload, \$0.7 million be expended for operating losses at UCLA resulting from low volume startups and the remainder be held in reserve for contingencies.

In order to insure that any additional subsidy savings that might occur as a result of increased Medicare and Medi-Cal income above estimates would not be expended above the approved budget levels we recommended the use of budget control language. This language required the University to hold in reserve any net amount, which is calculated to be 64.6 percent of the gross receipts, above \$2.6 million received at UCLA and UCSF as Medi-Cal or Medicare income. The effect of the language and the reason for it were negated by the Governor's eventual veto of the \$2,018,000 in teaching subsidy.

The report on teaching hospital operations shows that the actual income for 1966-67 was \$4.4 million or approximately \$0.5 million more than estimated. However, the amount of subsidy savings was determined to be \$2.7 million which was only \$0.1 million more than the estimate. The net effect was a subsidy savings of 61 cents for each dollar of income. This report also noted that approximately \$1.5 million was expended in 1966-67 for purposes other than patient care such as startup losses and equipment purchases.

This sum was later determined to be approximately \$2 million when the amount placed in reserves are included in the total. The money more accurately reflects a surplus of teaching subsidy funds which was largely accumulated as a result of increased income available to hospital operations from Medi-Cal and Medicare. This amount of money has been used for purposes which are not direct teaching patient support. Yet the University has repeatedly stated that the purpose of teaching subsidy is to provide for direct patient support to cover costs of medical care for indigents who act as teaching patients and who cannot pay for their hospital care from their own resources. The expenditure of \$2 million in teaching subsidy surplus for other purposes than that for which it was appropriated negates legislative review and is a direct refutation of the stated justification for a teaching subsidy. The University's philosophy regarding the uses of teaching subsidy seems dependent on whether or not a surplus is available.

In the final analysis, it seems there was a substantial amount of money that could have provided a saving to the General Fund if we

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had been able to determine the appropriate sum. This saving occurred during the first year's operation of the two medical care programs. The saving or surplus was expended by the University for the before-mentioned purposes. Although the surplus was expended for items for which the University had apparent need, there was no legislative review of these expenditures.

The teaching hospitals now occupy a very precarious position. Their teaching subsidy base was reduced by the Governor's veto of \$2,018,000. In addition, a portion of their Medi-Cal and Medicare income must be held in reserve to comply with legislative budget control language. Medi-Cal and Medicare income is currently estimated to be \$7.2 million in 1967-68. According to the control language, the reserve must be constituted from 64.6 percent of the gross receipt less \$2.6 million. Using the Medicare and Medi-Cal estimate of \$5.8 million, the sum that should be held in reserve for 1967-68 is approximately \$1.2 million ($0.646 \times \$5.8 - \$2.6 = \1.2).

In order to fund their operations, the teaching hospitals are faced with the option of refusing admittance to Medi-Cal and Medicare patients in order that the Medi-Cal and Medicare payments are not encumbered according to the control language and admitting only full-paying private patients. This is clearly contrary to the intent of the Legislature and does not serve the teaching interests of the hospitals. The Governor's veto effectively canceled the logic and the reason for the control language.

We recommend that the control language contained in the 1967 Budget Act regarding the accumulation of reserves at the University teaching hospitals at UCLA and UCSF be eliminated and a bill has been introduced which will accomplish this.

To determine the appropriate amount of teaching subsidy we have used the method outlined in the University's report to the Legislature. In short, teaching subsidy should equal the difference between total patient charges and the amount which can be recovered from patients, their insurers, Medicare or Medi-Cal or other sources. This difference can be expressed as the subsidy cost per inpatient day and outpatient visit. The following presents an analysis of actual subsidy usage for 1966-67 and the estimated subsidy usage for 1967-68. The estimates for 1967-68 are based on the first four months experience annualized to a 12-month projection.

<i>UC teaching hospitals</i>	<i>1966-67</i>	<i>1967-68</i>
Inpatient days	249,674	260,424
Charges to subsidy	\$5,223,629	\$6,003,408
Cost per day	\$20.92	\$23.05
Outpatient visits	304,864	312,648
Charges to subsidy	\$1,721,689	\$1,925,948
Cost per day	\$5.65	\$6.16
Total subsidy charges	\$6,945,318	\$7,929,356
Miscellaneous subsidy uses ^a	\$442,792 ^a	\$402,000 ^b
Subsidy appropriation	9,446,873	7,753,837
Subsidy surplus or deficit	+2,058,763	-577,519

^a Includes emergency room losses and operating losses.

^b Includes startup losses for UCLA.

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The before-mentioned subsidy surplus is shown in the 1966-67 fiscal year. Subsidy costs per day and visit had been substantially reduced as a result of Medicare and Medi-Cal income. The first four months' experience in 1967-68 have shown a reversal of the prior year's trend. Increases in subsidy cost per day and visit can be attributed to the UCSF hospital where both have risen sharply. UCLA's costs continue to show the downward trend illustrated in 1966-67 while UCSD is experiencing increased subsidy usage due to larger volume teaching patient service. If present cost trends continue, a deficit of approximately \$577,519 will develop at year's end unless more subsidy funds are made available.

We recommend that increased teaching subsidy be allocated in 1967-68 from the University of California Contingency Fund which was appropriated \$1.0 million in item 89.1 of the 1967-68 Budget Act.

This fund was intended to provide for emergency and contingent needs of the University. As of October 1967 the balance of this fund was \$820,688. The allocation of teaching subsidy from this fund is a proper appropriation to meet an emergency situation.

We recommend that the teaching hospital budget be approved at the level budgeted with an increase of \$527,469 in teaching subsidy for 1968-69.

The proposed subsidy increase is commensurate with increased inpatient days of 13.4 percent and the increase in outpatient visits of 8.3 percent. Patient care costs are estimated to increase at least 6 percent which in turn increases the charges to subsidy an equivalent amount.

We recommend that future equipment purchases and operating losses should be funded from the teaching hospital Reserve for Replacement of Equipment which has a balance of \$1,392,946 and the Teaching Hospital Operating Reserves which has a balance of \$1,245,805. Any equipment purchases or use of teaching subsidy for purposes other than direct patient support are, in our view, inappropriate.

(5) ORGANIZED ACTIVITIES—OTHER

Encompassed in this function are activities organized and operated in connection with educational departments and conducted primarily as necessary adjuncts to the work of these departments. Many dissimilar and diversified programs are supported by this budget function. State support funds are largely used for three programs: (1) elementary schools at Berkeley and UCLA which provide laboratories for experimentation, research and teacher training in grade school curricula; (2) vivariums at San Francisco, Los Angeles and San Diego which provide maintenance and care of animals necessary for teaching and research in the biological and health sciences; (3) medical testing laboratories and clinics which provide diagnosis for patient care. Also included are hospital services provided by University staff and contracted for by affiliated counties at San Francisco General Hospital,

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the Harbor General Hospital, the Los Angeles County Hospital and the Sacramento Hospital. In addition, support for special engineering projects of service to industry at Berkeley and intercollegiate athletics at smaller campuses are also included.

Budget Request			
1967-68	1968-69	Increase	1972-73
\$3,190,418	\$3,276,977	\$86,559	\$3,724,510

State funds support 30.2 percent of the budget for organized activities—other. This budget category represents 0.7 percent of the total support budget. The proposed increase of \$86,559 will be provided from nonstate revenues. It is estimated that this function will increase to \$3,724,510 in 1972-73.

Workload

The proposed budget increase for 1968-69 consists primarily of additional workload requirements due to expanding enrollments and are financed from additional incidental fee income and recharges to new users.

Performance Analysis

Expenditures for organized activities—other exceeded the budgeted amount of \$2,504,682 by \$135,158. Therefore, actual expenditures exceeded budgeted by 5.4 percent. The following analysis of 1966-67 operations indicate that organized activities were largely supported from income generated from this function. The second largest source of support, approximately 37 percent, was the State General Fund. Student fees also provided 17 percent of the expenditures. The Los Angeles campus had the highest expenditures, followed by the Berkeley campus. Davis and San Francisco also received a substantial portion of the organized activities—other funds. Expenditures by type show the school for education's special schools received \$765,377, or 29 percent, of the total budget. Medical testing labs and clinics accounted for an additional 24 percent of the total funds. Expenditures for other activities comprised the remainder of the budget.

RECOMMENDATIONS

We recommend approval in the amount budgeted. The proposed increase will be funded from the income producing activities and increased incidental fee income.

Table 22
Organized Activities
Analysis of 1966-67 Operations

	Amount	Percent
1. Source of Funds		
University general funds -----	\$983,007	37.2
Student fees -----	459,746	17.4
Organized activity income -----	1,156,829	43.9
Other sources -----	40,250	1.5
Total -----	\$2,639,832	100.0

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Table 22—Continued
Organized Activities
Analysis of 1966-67 Operations

	Amount	Percent		
2. Expenditures by Campus				
Berkeley -----	\$567,115	21.5		
Davis -----	292,468	11.1		
Irvine -----	54,344	2.1		
Los Angeles -----	1,177,987	44.6		
Riverside -----	52,121	2.0		
San Diego -----	53,293	2.0		
San Francisco -----	311,295	11.8		
Santa Barbara -----	112,773	4.3		
Santa Cruz -----	3,942	0.1		
California College of Medicine -----	14,494	0.5		
University Programs -----	--	--		
Total -----	\$2,639,832	100.0		
	<i>University</i>			
3. Expenditure by Type	<i>general</i>	<i>Restricted</i>		
School of Education—	<i>funds</i>	<i>funds</i>	<i>Total</i>	<i>Percent</i>
special schools -----	\$447,018	\$318,359	\$765,377	29.0
Engineering -----	--	281,480	281,480	10.6
Medical testing labs and other medical services ----	311,396	187,762	499,158	18.9
Optometry and audiology clinics -----	--	152,009	152,009	15.5
Vivariums -----	214,343	(22,025)	192,318	7.3
Art, music, drama activities--	10,000	407,021	417,021	15.8
Intercollegiate athletics -----	250	166,262	166,512	6.3
Other -----	--	165,957	165,957	6.3
Total—Amount -----	\$983,007	\$1,656,825	\$2,639,832	
Percent -----	37.2	62.8		100.0

(6) ORGANIZED RESEARCH

The academic plan of the University of California states that the second major responsibility of the University is research. As California's primary state-supported academic agency, the University has become one of the major centers for advanced research in this county. The fundamental objective of research, as defined by the University, is to provide for the scientific study and exploration of the natural universe and society so that the findings may be integrated into the body of knowledge. In this manner the instructional program is supported and extended by research. State-supported activity included in the Governor's Budget under this function consists primarily of support for institutes and bureaus, faculty research grants and travel to professional meetings and research in agriculture, forestry and veterinary medicine. The largest portion of the organized research budget which is received from private individuals, agencies and the federal government is excluded from the support budget. At present California currently receives 40 percent of total research and development expen-

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ditures from the federal government but is experiencing increased competition for these funds. If the special Atomic Energy Commission contracts are excluded, the ratio of state dollars to federal dollars is 1 to 2.6. State support is used primarily to meet the matching requirements of the federal government and provide for the administrative functions of organized research units.

Budget Request			
1967-68	1968-69	Increase	1972-73
\$36,985,924	\$37,451,207	\$465,283	\$48,082,804

The 1967-68 proposed budget of \$37,451,207 for organized research in the support budget includes approximately \$33 million in state funds, or about 88.5 percent of the total. This budget function is 8.4 percent of the total support budget. Organized research is projected to increase to approximately \$48 million by 1972-73 when it will comprise 8.1 percent of the total support budget.

Workload

The workload increase will provide for research grants and travel funds necessary for the additional 87 FTE faculty positions requested in the Governor's Budget. Each new position is budgeted \$380 for research grants and \$70 for research travel, necessitating a total sum of \$39,150. In addition, the new medical school faculty members are allocated \$15,592. For medical school program development an additional \$30,599 is granted in the Governor's Budget. An increase for scientific publications of \$39,144 is included and related to the new faculty members.

Program Augmentations

For the additional 34 faculty proposed in the augmentations to the instruction and departmental research function an additional \$15,300 is requested for research grants and travel. For Scripps Institute of Oceanography, \$300,000 is proposed to restore ship operation funds that were eliminated from the 1967-68 budget and support research studies in air-sea interaction, sea water analysis, and sea floor topography studies.

Performance Analysis

As is shown in Table 23, actual 1966-67 expenditures exceeded the budgeted amount of \$37,230,772 by 1.8 percent, or \$672,961. Also illustrated in this table, is the emphasis on the agriculture, forestry and veterinary medicine in relation to other types of state supported research expenditures. The 1968-69 figures show evidence of the reduction in organized research instituted during the 1967-68 fiscal year.

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Table 23
Organized Research

1968-69 Governor's Budget and Comparison of 1966-67 Budgeted to Actual ¹

	1968-69	1966-67	
		Budgeted	Actual
Institutes and bureaus-----	\$14,012,773	\$12,007,887	\$12,853,432
Faculty research grants-----	1,997,668	1,786,206	1,786,206
Travel to professional meetings-----	379,189	360,666	360,666
Agriculture, forestry and veterinary medicine-----	19,599,423	20,935,930	20,408,741
Other-----	1,146,854	2,140,083	2,494,688
Total-----	\$37,135,907	\$37,230,772	\$37,903,733

¹ 1968-69 figures do not contain program augmentations.

Total expenditures for organized research in 1966-67 include approximately \$94.6 million in federal contracts, grants and appropriations as well as approximately \$12.4 million from endowments, private grants and other sources are shown in Table 24. Not included in this table is the approximately \$238,313,394 in special federal research contracts for the Atomic Energy Commission.

Table 24
Total Organized Research (Including Sponsored Research)
Sources of Actual Expenditures 1966-67

	Amount	Percent
Federal contracts, grants and appropriations-----	\$94,556,322	66.5
State funds		
General-----	32,563,290	22.9
For restricted purposes-----	2,649,917	1.9
Endowments-----	4,174,142	2.9
Private grants-----	6,571,140	4.6
Other sources-----	1,632,115	1.2
Total-----	\$142,146,926	100.0

Organized research expenditures by fund source and subject area are shown in Table 25. When compared to expenditures of 1965-66 fiscal year, the mathematical, physical and engineering sciences comprise a larger percentage of the total expenditure. Agriculture and forestry show a slight decline in the 1966-67 fiscal year. In 1965-66 agriculture, forestry and veterinary research expenditures comprised 23.4 percent of the total as compared with 19.3 percent in 1966-67. The social sciences and others have remained approximately at the same dollar level of expenditures. The continuing emphasis on state supported research in agriculture and forestry is still quite evident.

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Table 25
Total Organized Research by Subject Area
1966-67

	<i>State general funds</i>	<i>University restricted funds</i>	<i>Total</i>	<i>Percent</i>
Agriculture and forestry -----	\$18,008,627	\$9,358,742	\$27,367,369	19.3
Medical and related fields ¹ -----	1,981,342	29,659,522	31,640,864	22.3
Mathematical, physical and engi- neering sciences research-----	4,138,078	37,568,117	41,706,195	29.3
Social sciences and other-----	8,435,243	32,997,255	41,432,498	29.1
Total -----	\$32,563,290	\$109,583,636	\$142,146,926	100.0

¹ Includes veterinary medicine.

RECOMMENDATIONS

The 1967-68 Governor's Budget proposed a reduction in state supported organized research of \$2,972,980 below the 1966-67 budget level. The Legislature cut the reduction to \$1,972,980 but the Governor vetoed \$1,000,000 from the Budget Bill and thereby sustained the full original reduction. In addition, the Legislature instituted control language that limited the amount of the reduction that could be made in agricultural research. The result of these legislative and executive actions was a reduction in agricultural research of \$734,326 and in organized research of \$2,238,658. In September of 1967 the Board of Regents allocated \$1,438,800 from the Opportunity Fund to offset the reduction in state funds. At this point the net reduction in organized research amounted to \$1,534,180.

Budget totals show only small evidence of the reduction, despite the reverberations throughout the University. For instance, the 1967-68 budget for organized research is only \$917,809 less than the 1966-67 budget. Salary increases granted during 1967-68 have obscured, to some degree, the magnitude of the reductions. It is obvious that research supported by state funds has been limited to expenditure levels that existed prior to 1966-67. The true effects of the reductions are difficult to assess without the perspective of time and more detail regarding the number of eliminated positions and the quality and quantity of research that has been curtailed.

The increases proposed in the 1968-69 budget will provide for faculty research grants and travel for each new position. These grants and travel funds enable faculty members to collect project data, perform surveys relative to their research and attend scholarly and professional meetings. Younger faculty members are especially dependent upon these funds to assist them in their scholarly work and aid them in their advancement. Also requested is \$300,000 for Scripps Institute of Oceanography which will be expended on research vessel operations and related research studies. We believe this research is in the best interests of the state and is also reflected in national commitments to Scripps.

We recommend approval of the proposed budget for organized research in the increased amount of \$37,477,307 to provide \$26,100 for faculty grants and travel for 58 additional faculty recommended in instruction and departmental research.

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(7) LIBRARIES

This budget function supports the current operations of the University's nine campus libraries as well as related college and school research branch and professional libraries. The University's 10-year plan for libraries development states that its principal objective is to support adequately the academic programs of the University. Access to scholarly books, manuscripts and other documents is an integral part of the University teaching and research. The goal of this 10-year plan will be reached in 1970-71 when the total collection of the University will have grown to 11 million volumes.

Budget Request			
1967-68	1968-69	Increase	1972-73
\$19,858,125	\$21,392,846	\$1,534,721	\$25,593,729

The proposed budget increase is 7.7 percent, or \$1,534,721 more than the 1967-68 budget of \$19,858,125. The library budget represents 5.0 percent of the total support budget. State support funds provide 95.8 percent of the library budget. This budget is projected to increase to approximately \$25.6 million in 1972-73.

Workload

The proposed workload increase of \$709,721 contains \$196,422 for book purchases which will enable the University to purchase approximately 532,057 volumes as compared to the addition of 551,606 in 1967-68. This would change the volumes per FTE student from 99 to approximately 98. No price increase has been provided for book purchases and related materials in the Governor's Budget which leads to the purchase of fewer number of volumes in approximately the same budget. Approximately 38 FTE are requested for acquisitions and processing with a budget increase of \$43,726. An additional 34 FTE reference circulation staff are proposed to meet enrollment growth with an increase of \$190,839. An increase of \$42,097 is proposed for supplies, equipment and general expense. For development of library automation, \$16,845 is provided.

The total workload increase is budgeted on the basis of maintaining the existing level of support taking into cognizance the increased enrollments on a unit cost basis.

Program Augmentations

Requested program augmentations total \$825,000. To maintain the 1967-68 level of acquisitions of 551,600 volumes, an additional \$215,500 is requested in program augmentation. In addition, \$325,000, or the equivalent of 30,000 volumes is requested to provide for library needs at developing campuses. An additional 11.50 FTE (\$72,900) are requested to meet needs related to expanded library usage and 24.00 FTE (\$130,000) are proposed to provide for increased demands for extended hours of services at Berkeley, Davis, Los Angeles, and Riverside. To continue developmental work in library automation, \$83,600 is requested for five campuses. The Institute of Library Research is

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coordinating these developmental efforts which emphasize implementation of microstorage systems and computer-data processing systems for circulation, acquisition and cataloging.

Table 26
Libraries
Total 1968-69 Budget by Object ¹

	<i>Amount</i>	<i>Percent</i>
Books, periodicals and binding -----	\$7,020,340	34.1
Library salaries and wages -----	12,170,915	59.2
Supplies, equipment and other expenses -----	1,376,591	6.7
Total -----	\$20,567,846	100.0
Expenditures per FTE faculty -----	\$3,161	--
Expenditures per FTE student -----	\$213	--

¹ Program augmentations are not included.

Table 27
Libraries ¹

	<i>1967-68 Budget</i>	<i>Increase 1968-69 Dept. of Finance allocation</i>		<i>Enrollment increase 1968-69 over 1967-68 ²</i>	
		<i>Percent increase over 1967-68</i>		<i>Unweighted Weighted</i>	
		<i>Amount</i>			
Berkeley -----	\$4,396,720	\$51,470	1.2	-0.03	1.4
Davis -----	2,692,005	97,576	3.6	6.6	8.7
Irvine -----	1,237,636	75,714	6.1	27.6	18.6
Los Angeles -----	4,659,042	143,671	3.1	0.3	3.9
Riverside -----	1,221,180	64,337	5.3	2.6	2.9
San Diego -----	1,973,379	81,866	4.1	23.2	21.3
San Francisco -----	621,923	14,818	2.4	1.7	1.6
Santa Barbara -----	2,163,925	127,156	5.9	3.3	4.8
Santa Cruz -----	773,994	47,534	6.1	31.7	40.2
CCM -----	118,321	5,579	4.7	-13.4	-13.4
	\$19,858,125	\$709,721	3.6	3.5	4.9

¹ Program augmentations are not included.

² Three-quarter average.

Performance and Analysis

Actual expenditures were less than the budgeted amount by \$556,846, or 3.2 percent. Outstanding liens and commitments and 1966-67 budgetary savings requirements account for this difference.

The variance between budgeted and actual figures is illustrated in the following analysis of library expenditures. All three categories of books, periodicals and binding, salaries and wages, and supplies and equipment show expenditures less than the budgeted amount. Library supplies and equipment represent 6.4 percent of the budgeted amount and only 5.5 percent of the actual expenditures. Expenditures for books, periodicals accounts for 34.9 percent of the total library budget. There were no substantial differences between expenditures per FTE student or per FTE faculty.

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Table 27A
Comparison of Budgeted to Actual Library Expenditures¹
1966-67 Support Budget

	<i>Budget</i>	<i>Actual</i>	<i>Percent of total</i>
Books, periodicals and binding-----	\$6,039,668	\$5,840,876	34.9%
Library salaries and wages-----	10,138,684	9,964,392	59.6
Supplies, equipment and other-----	1,111,630	918,868	5.5
Total -----	\$17,280,982	\$16,724,136	100.0%
Expenditures per FTE student-----	\$212	\$211	
Expenditures per FTE faculty-----	\$3,175	\$3,073	

¹ Program augmentations are not included.

Comparison of actual to budgeted workload data is shown in Table 28. It illustrates the fact that 94,841 more volumes were added to the library collection than were budgeted. This 16.9 percent increase in acquisitions is accounted for by gifts and purchases of special library collections with Regent's Opportunity Funds. In 1966-67 there were 105 library volumes per student as compared with the budgeted number of 104.

Table 28
Library Workload Data Comparison of Budgeted to Actual 1966-67

	<i>Budgeted</i>	<i>Actual</i>
Library volumes per student -----	104	105
Library volumes per faculty -----	1,422	1,438
Acquisitions -----	560,358	655,199
Total library collections -----	8,214,314	8,309,059

Library Automation

General Fund support for automation of various library functions on the individual campuses has been provided for several years, beginning with an allocation in 1966-67 of \$97,360. Support for this purpose in the budget year totals \$86,600.

The Institute of Library Research is a universitywide organization which attempts to coordinate library automation efforts at all campuses and fosters the development of common library systems for University-wide application.

We recognize the value of applying computer technology to the libraries in such areas as book acquisitions, cataloging, circulation control, periodical processing and providing access into information and literature stored in large magnetic storage units and automatically retrieved at random. Considerable progress has been achieved in installation of the above systems at a number of the campuses.

We also recognize the substantial costs that are incurred in designing library systems and encourage the one-time development of these systems where possible in order to obtain maximum systems design benefit for the funds expended.

RECOMMENDATIONS

The fiscal year of 1970-71 will mark the completion of the University 10-year library plan. The goal, as determined by faculty committees, is the attainment of 10,956,000 library volumes. This will be an increase

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of approximately 6.0 million volumes since 1960-61. Actual volumes per student are compared with the future goals in the following analysis.

Table 28A

	<i>Enrollment FTE</i>	<i>Total volumes</i>	<i>Volumes per student</i>
1965-66 -----	73,663	7,559,400	102.6
1966-67 -----	79,239	8,365,289	105.6
1967-68			
Academic -----	87,022	8,948,602	102.8
Full year -----	90,464		98.9
1968-69			
Academic -----	90,018	9,530,208	105.9
Full year -----	96,601		98.7
1970-71			
Academic -----	99,768	10,956,433	109.8
Full year -----	110,031		99.6

The purchase of the budgeted number of volumes, 581,606, will bring the total holdings to 9,530,208 volumes in 1968-69. Volumes per student will be slightly higher than the 1966-67 level for the academic year (105.9 as compared to 105.6). This can be compared with the goal of 109.8 in 1970-71. Volumes per student computed on a full-year basis will remain practically the same as that experienced in 1967-68 and similar to that projected for 1970-71. The requested budget for book purchases is necessary to meet the library goals of the University and is similar to purchases in prior years. The increase in staff of 5.9 percent is equivalent to the workload induced by a total enrollment increase of 6.8 percent.

We recommend approval of the amount budgeted.

(8)a. UNIVERSITY EXTENSION

The goal of University extension as expressed in the academic plan for the University of California Extension, is to provide educational opportunities for adults, promote participation in public affairs and to provide solution to community and statewide problems. Continuing adult education programs are offered by university extension throughout the state. The University of California extension is the largest service of its kind in the world. It is estimated that during 1968-69 there will be 23,557 full-time students which is equivalent to 285,777 individual registrations. The University extension has a staff of more than 9,000 faculty members, lecturers and administrative personnel. It serves a student clientele through the presentation of more than 7,000 courses, seminars and special programs. Programs are offered at 250 off-campus locations throughout the state and all nine campuses of the University.

Budget Request

<i>1967-68</i>	<i>1968-69</i>	<i>Increase</i>	<i>1972-73</i>
\$15,576,886	\$15,631,153	\$54,287	\$25,402,000

The proposed budget for the University extension is 3.5 percent of the total support budget. A budget increase of 0.4 percent of \$54,287 is proposed. The state support will provide 1.3 percent of the proposed budget of the University extension.

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Workload**

No workload increase is included for University extension. Budget expenditures will decrease \$145,713 to a budgeted level of \$15,431,153. The decrease reflects loss of \$626,000 in state support and an increase of \$480,287 in student fee revenue. The loss of state support will make University extension entirely self-supporting. This is the intention of the Department of Finance as stated in the Governor's Budget.

Program Augmentations

The University proposes a \$200 increase for University extension to enable the continuance of programs in low-density populated areas. These areas have no opportunity for continuing education because average enrollments are too small to provide full recovery of the cost of programs through student fees. In 1967-68 University extension is budgeted \$210,000 for programs in low-density populated areas.

Performance Analysis

In 1966-67 state funds provided 5.5 percent of the total University extension budget of \$18,936,279. This budget includes funds from United States of America for contracts and grants as well as endowments, gifts, private grants, auxiliary activities and other sources. Over 7,000 programs are offered and total registrations for 1966-67 totaled 233,942 for an increase of 9.9 percent over the preceding fiscal year. In terms of full-time equivalent students, University extension enrolled 17,331 students and will continue to operate as the University's third largest campus. These students produce the fee income of approximately \$12.5 million.

University extension operates four basic educational programs: (1) professional upgrading; (2) cultural programs; (3) citizen responsibility; and (4) urban extension. In addition, four supporting programs are also operated: (a) low-density population areas, (b) radio and television, (c) administration, and (d) planning and development. Professional programs are designed to create educational opportunity for adults and the professional, administrative and managerial fields in order that they may keep abreast of the latest research and development in their respective fields. Cultural programs provide education in art, music, literature and humanities. Citizen responsibility programs are designed to stimulate interest in local, state, national and international problems. Urban extension includes programs in low-density population areas which provide opportunities for continuing adult education. Radio and television programs consist of film and taped extension programs which are made available to students in several areas of the state and also assist in meeting the problems of increased student population and staff shortage. Planning development is needed for the study of new programs.

RECOMMENDATIONS

In 1967-68 state support for University extension was reduced by \$343,218 below the 1966-67 level of \$969,218 by legislative action. Three specific programs were designated by the Legislature to receive General

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Fund support of \$626,000: (1) professional upgrading; (2) radio and television; and (3) low-density population areas. The Governor's modified budget proposed a reduction in University extension reserves of \$1,020,000 and the Legislature restored \$400,000 of this proposed reduction. Subsequently, the Governor vetoed this \$400,000 from the University's budget. As a result of legislative and executive action University extension sustained a reduction in their operating budget as well as a total loss of their reserves.

The 1968-69 Governor's Budget announces the intention of making University extension fully self-supporting and proposes the elimination of all state support presently totaling \$626,000. However, the University requests \$200,000 support in the program augmentation for programs offered in low-density population areas where it is difficult to fully recover all program costs from fees.

We concur with the Department of Finance's opinion that University extension should be a fully self-supporting activity. The outstanding success of University extension operations demonstrates its ability to perform as a self-supporting educational program of the University. Despite the gradual reduction in state support from 16.1 percent in the 1959 budget to 7.2 percent in 1966-67 and 4 percent in 1967-68, the total University extension budget has conversely shown continuous increases funded from fees and other income sources. We estimate that in 1967-68 nonstate support for University in addition to that contained in the support budget will amount to \$7,327,000. The total budget including all sources of income will be over \$22 million.

To offset the decrease in state support, the University can: (1) increase fees to cover full programs costs; (2) solicit more income from gifts and private grants, federal contract and grants or other sources; and (3) eliminate marginal classes or other offerings.

An increase of \$2.10 for each registered student would provide for the entire elimination of state support for University extension. Two recent fee increases have occurred, one in 1964 and the other in 1966. Table 29 indicates that enrollments increased 11.7 percent following the 1964 increase and decreased 8.2 percent following the 1966 increases but recovered with an increase of 9.3 percent in 1967-68.

Table 29
Five-year Enrollment Data

Year	FTE student	Increase
1963-64	14,500	--
1964-65	16,283	11.9%
1965-66	18,881	12.1%
1966-67	17,331	-8.2%
1967-68 (estimated)	19,116	9.3%

University Extension also has shown a marked increase in the amount of federal support it has been able to attract by its various activities. Federal contracts and grants have grown from \$2.9 million in 1964-65 to \$4.4 million in 1966-67. Income from gifts and private grants, endowments, auxiliary activities and other sources have grown from \$770,652 in 1964-65 to \$967,065 in 1966-67.

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Three possible alternatives may be considered in determining the appropriate amount of state support for University Extension. The first would be, as we have discussed, to make University Extension entirely self-supporting and, therefore, no General Fund appropriation would be needed. The second alternative would be to support specific programs as the Legislature chose to do in 1967-68. For example, the Legislature may wish to support the same three programs at the 1967-68 budget level of \$626,000. The third alternative would be to support the Universitywide administration which is budgeted for \$235,000 in 1967-68.

We recommend that University Extension be a self-supporting activity and, therefore, \$200,000 in General Fund support be deleted from the proposed budget. We recommend approval of the budget in the amount of \$15,431,153.

(8)b. AGRICULTURAL EXTENSION

Agricultural Extension is operated under the auspices of the Division of Agricultural Sciences of the University of California. Through a cooperative agreement among the University, the county boards of supervisors and the United States Department of Agriculture, Agricultural Extension serves 56 of California's 58 counties. Those services offered are consistent with the federal requirements under the Smith-Lever Act and include instruction and practical demonstration plus printing and distribution of information relating to agriculture and home economics. The purpose of Agricultural Extension is to provide a connecting link between the research laboratories and the local problem in growing, harvesting and processing agricultural products. Facilities are located at the Davis, Riverside and Berkeley campuses.

Budget Request			
1967-68	1968-69	Increase	1972-73
\$9,067,322	\$9,067,322	--	\$9,067,322

State support funds of \$6,970,550 represent 76.9 percent of the Agricultural Extension budget. This budget category is 2 percent of the total support budget. The Agricultural Extension also receives support from the federal and county governments. State and federal funds are used by the University to pay for central services, staff and salary and local advisers and other technical field positions. Counties provide and maintain farm advisors offices, both clerical and support needs.

Workload

No additional increase in state funds for 1968-69 is requested for either workload or program augmentations. A program analysis of the Agriculture Extension budget is presented in Table 30. The largest portion of the budget (54 percent) will be expended for county operations which will be matched by approximately \$2 million in federal funds from the Smith-Lever Act.

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Table 30
Agricultural Extension 1968-69

Agricultural extension—Project 1—Administration	\$175,296
Agricultural extension—Project 2—Information (Specialist who disseminate research information by publications and mass media)	578,358
Agricultural extension—Project 3—Production (Subject matter specialists—e.g. agronomist, entomologist, etc.)	2,147,250
Agriculture extension—Project 4—Marketing (agricultural economics programs)	213,358
Agricultural extension—Project 5—Home economics	297,439
Agricultural extension—Project 6—4H programs	261,645
Agricultural extension—Community and Public Affairs	28,062
Agricultural extension—Project 8—County operation (conducts agricultural extension programs oriented towards the industry within each of the 56 counties)	1,081,901
Agricultural extension—Project 8—County operation—offset (State matching funds for Federal appropriations)	3,785,964
Agricultural publications office (disseminates by publication research and agricultural experiment stations)	365,380
Provision for upgrading and reclassification	132,669
Total	\$9,067,322

Special Legislative Report

During our analysis of the agricultural extension budget in 1967-68 we noted that with a total budget of over \$9 million agriculture extension received only \$36,000 from sales and services and \$20,000 from agricultural extension sales. In view of the proposed budget reductions of that year we stated that agricultural extension was an area which could be reduced if austerity were desired. We proposed that agricultural extension produce more income from its sources. Language was placed in the 1967 Budget Act that required agriculture extension to "propose a system of appropriate charges for the services it provides for the agricultural community and related industries which will reduce General Fund contributions in subsequent budgets."

The Agricultural Extension service of the University submitted a statement in response to this legislative directive which did not propose any system of charges for the services it provides. The conclusions of this statement are shown below.

"With the exception of publications and other material and incidental expenses, agricultural extension does not consider it feasible to charge fees for activities which are primarily in the public interest. The reasons are these:

- "1. As stated above, it would be difficult if not impossible in most cases to devise a fair and workable system for imposing charges.
- "2. Since the public gains most of the ultimate benefit, it is reasonable to ask the public to pay most of the cost.
- "3. To produce food and fiber more efficiently, it is necessary to encourage competition—that is, to get a new practice adopted

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by an entire industry, not just a few growers. Therefore, it is not in the public's long-range interest to attempt to restrict information to those who are willing to pay for it.

- "4. If such charges are made by the state, the other agencies that support agricultural extension—counties and the federal government—probably would want to share the fee income or would reduce their contributions. Legal questions would be raised and an extremely complex accounting system would be required. (Counties now provide about 20 percent of the agricultural extension budget; the state about 60 percent; and the federal government about 20 percent.)
- "5. The philosophy of land-grant colleges and the intent of the laws under which they operate clearly imply that charges for the results of publically supported research would be inappropriate. Nearly all of the information disseminated by agricultural extension represents results of research."

In support of its first conclusion agricultural extension implies that it is unable to propose a workable system for imposing charges for its services because it is unable to identify specific cost benefits to individuals or industries. We find numerous examples of those served and the means by which they are served. In a document entitled *A Decade of Change in the Agricultural Extension Service* the clientele of agricultural extension is defined by type and percentage. In 1964 commercial farmers composed 44 percent of extension's clientele, part-time farmers, nonfarm homeowners and miscellaneous groups comprised 32 percent, distribution and sales organizations totaled 7 percent and others were 17 percent. The *1966 Report of Work* shows that extension information was provided through approximately 3 million publications and 463 newsletters. News is provided to all media through radio tape services, prepared news stories and newsfilms. Workload analysis shows that farm and home visits by extension staff totaled approximately 125,000 through 1964 and have declined to approximately 115,000 in 1965. Office calls totaled approximately 155,000 in 1965.

With the amount of information that designates the extension clientele and the means by which they are served, it seems possible to develop charges even though it would be a difficult task.

In support of its second conclusion agricultural extension states that wholesale prices of farm products are lower today than they were 15 years ago as shown by the U.S. index of wholesale prices of farm products. It also states that the more efficient operations forces growers to forego any permanent economic gain because they do not occupy monopoly positions.

It is true that prices for farm products have shown a gradual decrease for several years. However, the magnitude of this decrease depends on what base periods one selects to examine and the strength of economic activity at that time. For instance, the latest wholesale price index for farm products shows an index of 106.4 for 1950 and

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105.6 in 1966 with a decline and an increase during the intervening years. The averages for the years cited were 113.2 from 1950-54 and 98.3 from 1962-66 using the latest index figures. This shows a decrease of approximately 15 percent. However, the base period contains a high basis because of the effects of the Korean War.

Many agricultural industries do attempt to influence quality, quantity, and therefore, price of their commodities through market orders. A market order is a self-help marketing organization composed of growers and/or processors who apply uniform regulations to their industries for surplus commodity control. It is highly doubtful whether increased efficiency substantially reduces prices to consumers for commodities controlled in this manner. It is also difficult to comprehend that increased efficiency and production that may result from the state's annual commitment of approximately \$18 million to agricultural research at the University eventually leads to lower net incomes for farmers and their eventual elimination from the industry. This may be a fact of some distress to those agricultural interests who advocate more funds for agricultural research.

The last conclusion presented by agricultural extension states that charging for the results of publically supported research is inappropriate. We do not endeavor to charge for research results but, rather, to charge for the costs of making such results available.

In summation, we find the statement of agricultural extension to be an unsatisfactory response to the Legislature's request to develop proposals for a system of appropriate charges. Sufficient information is not available to make recommendations concerning such charges. Rather than to make arbitrary recommendations, we propose to conduct further study of this area.

RECOMMENDATIONS

Expenditures for agricultural extension are budgeted at 1967-68 levels of approximately \$9,067,000. In 1967-68 the agricultural extension budget was reduced \$705,206 below the 1966-67 budget level. This reduction necessitated the deletion of 56 FTE academic and non-academic positions plus related supplies and expenses. Positions deleted consisted of vacant positions, early retirements, staff terminations in anticipation of a budget reduction and deletion of eight filled positions. The reductions were made throughout the agricultural extension programs and throughout the counties of the state. The University's application of this reduction may be contrary to the Legislature's original intent which, as we understand, was to delete programs specifically oriented to home economics. However, in our opinion, the University's application of the reduction was done in such a manner that would have been consistent with prior legislative intent if all the facts had been known at the time of the reduction. Subsequent to the 1967-68 budget hearings, it has been made known that home economics is an integral part of the agricultural extension program as authorized by the 1914 Smith-Lever Act. In view of the Legislature's early approval in 1915 of the whole of that program, it is questionable

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whether the current Legislature intended to eliminate the entire home economics aspect of the program while simultaneously supporting other phases. For this reason we propose approval of the across-the-board reduction as it was applied.

We recommend approval in the amount budgeted.

(8) c. OTHER PUBLIC SERVICE PROGRAMS

The public service function supports the cultural and educational activity on the campuses and nearby community. The cultural activities provide opportunities for additional experience in fine arts, humanities, social and natural sciences and related studies. A well-balanced program of concerts, drama, lectures and exhibits are designed to be of interest to the campuses as well as to the surrounding communities.

Budget Request			
1967-68	1968-69	Increase	1972-73
\$1,919,693	\$2,005,832	\$86,139	\$2,005,832

The proposed increase of 4.5 percent is provided from University sources. The other public services program represents 0.5 percent of the total support budget as comprised of 16.0 percent of state funds.

Workload

An increase of \$86,139 is provided over the 1967-68 budget level of \$1,919,693. The entire increase will support campus arts and lectures and will be funded from incidental fee income and ticket revenue. The following table shows budgeted expenditures by type of public service program. The emphasis is on arts and lectures.

Table 31
Campus Public Service, 1968-69

Arts, lectures and conferences	\$1,205,940
Public service programs—agriculture	160,614
Professional publications	84,485
Vocational education	167,715
Museums and laboratories	376,688
Other	10,390
Total	\$2,005,832

RECOMMENDATIONS

We recommend approval of this function in the amount budgeted.

(9) GENERAL ADMINISTRATION

Included in General Administration are the responsibilities for both the Universitywide and campus administration. Universitywide personnel includes the President and administrative officers of the University and their staffs. Campus personnel classified under General Administration include budgeting, accounting, and purchasing personnel, architects and engineers, business managers, campus development staff, cashiers, personnel employees and chancellors and their immediate staff. The major responsibilities of personnel engaged in general administration is to ensure the most effective utilization of the University's resources. Expenditures for administrative services relate both to pro-

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grams within the support budget (including such auxiliary enterprises as parking and residence halls) and sponsored research not incorporated in the support budget.

Budget Request			
1967-68	1968-69	Increase	1972-73
\$15,674,002	\$17,394,860	\$1,720,858	\$46,552,678

The General Administration budget represents 3.9 percent of the total support budget. The budget increase is \$1,720,858, or 11.0 percent. State funds provide for 86.7 percent of all general administrative costs. By 1972-73 it is estimated that the budget will be approximately \$46 million.

Workload

Approximately \$673,000 has been requested as a workload increase for 1968-69. Determination of the 1968-69 support requirements by the Department of Finance has been based on the ratio expressed in percent of General Administration to the total support budget, excluding contracts, grants and special federal research funds. Also reflected in the workload budget is a funding change of \$—120,000 for six physical planning positions at Irvine and Santa Cruz. These positions will be funded from specific capital outlay projects to which they are assigned rather than from state supported general administration.

Program Augmentation

An increase of \$1,047,354 is requested for general administration. On the campuses the proposed budget increase would support the addition of professional staff for the chancellor's offices which are needed to improve administration of academic, students and financial affairs. The University cites 33 percent growth in enrollment over the next five years as justification for this increase. For the Universitywide administration, additional support is requested for the President's office to be used in central planning, policy formation and evaluation of campus programs as well as to provide funds for the development of a comprehensive Universitywide information system.

Performance Analysis

Actual expenditures for General Administration in 1966-67 totaled \$14,012,736, or \$514,029 higher than the budgeted amount of \$13,498,707. This amount was a 3.8 percent increase over the budgeted expenditures. Table 32 shows the relationship of general administration costs to this total support budget, including contracts, grants and special research funds. The relationship of general administration expenditures to the total support budget, plus the extramural funds, reflects the cost of contract and grant administration which is provided from state support funds. We believe this is a better budgeting standard than that used by the Department of Finance and outlined in the workload request. A variance of less than .06 percent is evident between the budget and actual relationships for the entire University for the 1966-67 fiscal year.

University of California—Continued

Table 32

Comparison of the Percentage of General Administration Expenditures
to the Total Support Budget, 1966-67, 1968-69¹

	1966-67		1968-69
	Budget percent	Actual percent	proposed percent
Berkeley -----	1.89	1.90	1.66
Davis -----	2.22	2.25	2.19
Irvine -----	6.50	6.31	4.58
Los Angeles -----	1.69	1.77	1.69
Riverside -----	3.18	3.16	3.18
San Diego -----	2.48	2.63	2.51
San Francisco -----	1.77	1.74	1.76
Santa Barbara -----	2.67	2.77	2.49
Santa Cruz -----	8.29	8.71	6.42
Universitywide -----	3.64	4.79	3.92
California College of Medicine -----	.72	.73	.67
Entire University -----	2.75	2.81	2.60

¹ Includes all University expenditures exclusive of major AEC contracts.

By the end of the 1966-67 fiscal year, the policy of decentralization of the administration of the University of California had been completed. The decentralization was accomplished in two phases; first, personnel were shifted from the Universitywide offices to the campuses; and second, administrative authority was transferred from the Regents and the Universitywide administration to the campus administration. The chancellor has become, as in the words of the bylaws of the standing orders, the "executive head" of all the activities on that campus. Under this general authority the chancellor has been delegated full authority for administrative affairs on his campus within approved Universitywide policy.

The academic plans of the campuses are developed by the chancellor and his staff in consultation with appropriate faculty committees and recommended to the president. The responsibility for preparing, recommending and administering the campus budget rests fully with the chancellor and his administrative officer. In personnel administration the chancellor prepares and recommends all academic personnel planning to the president and approves all appointments, promotions, and salary rates for campus faculty members. He is also responsible for physical planning and long-range development of his campus, approves all site facilities and appoints executive architects and engineers. In addition he is the public head of his campus, presides over public ceremonies and is responsible for liaison on matters between the campus and the local government, public agencies and other educational institutions.

Utilization of Electronic Computers by the University

The electronic computer has become an integral part of the University of California, and as of January 1, 1968, there were 62 computers located at the nine campuses. Several large-scale computers are used that are more powerful than any that exist today in other segments of state government.

University of California—Continued

Instructional use of the computer receives the major emphasis on all campuses. The three major types of instructional uses are: (1) as a computational and information tool for the student, (2) as a device for administering instructional materials and for providing feedback to the student as he learns from these materials—commonly called computer-assisted instruction, and (3) as a laboratory instrument in the computer science curriculum.

For 1967-68, state and University contribution to the instructional and research uses of the computer was estimated to be \$1,218,822. The major support of these computing facilities came from federal grants and from equipment manufacturers. This picture is expected to change radically in the next few years with requests for support from state sources probably increasing at a rapid rate.

A report entitled *University of California Computer Study—Phase I* was completed in October 1966. Prepared by the Management Analysis Center, Inc. of Cambridge, Mass., this report was intended to analyze and forecast the University's requirements for computer services and to aid in determination of policies to meet these requirements. A thorough analysis of this report by University staff was completed in December 1967. Adequate funding for computers is of primary concern together with the most efficient organization of computing facilities for the University. In most cases there is agreement that general-purpose computing facilities could serve most of the needs on each campus, and currently available equipment suggests that such a facility is technically feasible on each campus.

The best organization of these computer facilities, and University-wide administration of this complex of equipment and personnel are policy decisions that must be carefully considered.

Administrative data processing represents the second major use of the computer. A modern University Information System is now in the design stages to upgrade the current library of systems and programs that process accounting, payroll, student and personnel data. Regents' funding of the Information System Project during 1967-68 and 1968-69 will be \$800,000. There is a request in the budget for state support of this project totaling \$150,000.

These funds will be utilized for:

1. Design and implementation of the accounting-payroll-budgeting subsystem;
2. Design and implementation of the student information and personnel subsystem; and
3. Advanced modeling and simulation programs, including conversion of some existing programs.

Two administrative data processing centers now exist within the University system, and it is expected that these centers will be upgraded to third-generation equipment.

University of California—Continued
RECOMMENDATIONS

Table 33 illustrates the decrease in general administration expenditures in proportion to the total budget that has occurred from 1964-65 fiscal year through the estimated expenditures for 1967-68. This decreasing percentage is the result of rapidly expanding contract and grant activity and a relatively constant increase in general administration budgets. The 1968-69 request returns the ratio of general administration to total budgets to the approximate level experienced in 1966-67. Also shown in Table 33 is the ratio of general administration to the total support budget for current operations expressed as a percentage. It can be seen that this percentage has remained the same except for the decrease being experienced during 1967-68.

Table 33
General Administration

	<i>Ratio of general administration to total budget (percentage)</i>	<i>Ratio of general administration to support budget (percentage)</i>
1965-66 -----	2.88%	4.01%
1966-67 -----	2.81	3.94
1967-68 (estimated) -----	2.67	3.76
1968-69 (proposed) -----	2.81	3.93

Detail of the proposed increase for general administration is shown in Table 34. Approximately \$1.1 million of the proposed increase will provide for increased administrative services on the campus. The remainder will be expended for Universitywide administration in the Office of the President and for the development of the Universitywide information system.

Table 34
General Administration—Estimated Increases

Chancellor's office -----	\$412,255
Administrative travel -----	13,081
Institutional analysis—systems and procedures -----	105,181
Budget and planning -----	73,338
Accounting -----	253,777
Purchasing -----	138,207
Personnel -----	117,710
Cashier -----	34,095
Architects and Engineers -----	—120,000
Inventory -----	29,784
Business services -----	30,022
Contract and grant administration -----	35,563
	<hr/>
	\$1,123,013
President's office -----	447,845
University information system -----	150,000
	<hr/>
	\$1,720,858

The proposed increase of \$1,720,858 will afford a level of administrative service similar to that maintained in the 1966-67 fiscal year. The ratio of general administration to the total budget and to the support budget expressed as a percentage will be consistent with past experi-

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ence. Expansion in extramural funded activities and increased workload induced by growing student enrollment will be provided for at this budget level.

We recommend approval of the amount budgeted.

(10). INSTITUTIONAL SERVICES AND GENERAL EXPENSE

This budget function includes a diverse number of programs and expenditures which are important to the operation of an effective educational program. Many of these services are administrative in nature and include such items as clerical pools, duplicating, mail and messengers, academic senate expense and automobile pools. Some of the services relate to health and safety such as surveillance training programs in radiation safety, accident prevention, environmental sanitation, as well as various insurance premiums. Others relate to the University's internal and external relations such as the University Dean of Educational Relations, public information, publications and the University press.

Budget Request			
1967-68	1968-69	Increase	1972-73
\$8,233,505	\$9,019,290	\$735,785	\$12,167,761

The budget for Institutional Services and General Expense receives state support of 60.0 percent and accounts for 2.0 percent of the total support budget. There is a 8.9 percent increase of \$735,785 proposed for 1968-69. By 1972-73 it is estimated the budget for institutional services general expense will be approximately \$21 million.

Workload—Institutional Services and General Expense

The workload increases of \$505,785 was calculated by the Department of Finance at the same percentage rate as institutional services and general expense is to the total University support budget in 1967-68. This was also the general method utilized by the University in determining their 1968-69 support request. It is expected that this increase will provide for areas of particular concern to the University which will include radiation safety and accident prevention programs, increased clerical support for faculty committees, and external and internal communication and information flow.

Program Augmentation

An additional \$230,000 is included in this program augmentation which, according to the University when added to the proposed workload increase will allow Institutional Services to expand in proportion to the increase for all University operations. The University notes an increase in support is critically needed for the health and safety program for central campus mail and receiving services which they state have fallen behind the growth of primary program that they serve.

Performance Analysis

Actual expenditures exceeded the budgeted amount by \$707,260, or 9.8 percent. The budgeted amount was \$7,227,608 and the actual expenditures were \$7,934,868. The following table shows the comparison

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of the percentage of institutional services and general expenditures to total support budget for both budgeted and actual expenditures for 1966-67. By referring to this table it can be seen that actual expenditures exceeded budgeted expenditures by 0.15 percent. The largest deviation occurred at Universitywide (1.07 percent) and at Santa Barbara (0.45 percent). Also shown are the proposed percentages for 1968-69. Without taking into consideration the program augmentation for 1968-69, it can be seen the percent for the entire University is 0.24 percent less than that reflected by actual expenditures in 1966-67.

Table 35

Comparison of the Percentage of Institutional Services and General Expense Expenditures to the Total Support Budget, 1966-67, 1968-69¹

	1966-67		1968-69 ²
	Budget Percent	Actual Percent	Proposed Percent
Berkeley -----	1.12	1.42	.93
Davis -----	1.06	1.47	1.04
Irvine -----	2.58	2.12	1.60
Los Angeles -----	.98	1.05	.92
Riverside -----	1.25	1.28	1.06
San Diego -----	.85	1.06	.78
San Francisco -----	.54	.48	.56
Santa Barbara -----	.86	1.31	1.03
Santa Cruz -----	1.87	1.73	1.68
Universitywide -----	3.30	2.23	3.02
California College of Medicine -----	.62	.63	.62
Entire University -----	1.57	1.72	1.48

¹ Includes all University expenditures exclusive of major AEC contracts.

² Program augmentations are not included.

RECOMMENDATIONS

The proposed increase for institutional services and general expense will largely sustain the same level of services provided in 1966-67. This is illustrated by the following table which shows the ratio expressed as a percentage of institutional services and general expense to the total support budget and total budget including all extramural funds except those which finance special federal research projects (AEC). Both ratios show a constant decrease in recent years. The demands on these services grow in proportion to the enrollment growth and administrative needs of the University.

Table 36
Institutional Services and General Expense

	Ratio of institutional services and general expenses to total budget	Ratio of institutional services and general expense to the support budget
1965-66 -----	1.84	2.42
1966-67 -----	1.56	2.23
1967-68 (estimated) -----	1.40	1.99
1968-69 (budgeted) -----	1.49	2.03

Shown below is the detail for the requested increase. Environmental health and safety expenditures compose the largest amount of the

University of California—Continued

increase and will be expended to finance radiation safety and accident prevention programs.

Table 37
Institutional Services and General Expense
Estimated Increases

Environmental health and safety -----	\$144,096
Public information -----	70,177
Publications -----	82,341
Mail and messenger -----	51,931
Receiving -----	45,381
Academic senate secretariat -----	39,298
Other -----	34,621
	<hr/>
	\$467,845
President's office -----	267,940
	<hr/>
	\$735,785

We recommend approval in the amount budgeted.

(11) MAINTENANCE AND OPERATION OF PLANT

This budget function provides generally for (1) maintenance of reasonable standards of repair, utility, safety and cleanliness, and (2) improvement in standards of campus facilities in accord with technical improvements. Maintenance and Operation of Plant, of course, is essential supporting service to the University's primary teaching, research and public service programs. These plant costs include such activities as police protection, building and grounds maintenance, utilities, refuse disposal and other similar expenses.

Budget Request

1967-68	1968-69	Increase	1972-73
\$23,875,394	\$26,037,029	\$2,361,635	\$40,158,886

The proposed budget for maintenance and operation of plant is 5.9 percent of the total support budget. The budget increase is 10.0 percent, or approximately \$2.4 million. State support provides 93.5 percent of the maintenance and operation budget. By 1972-73 maintenance and operation of plant is estimated to increase to approximately \$40 million.

Workload

The workload increase of \$1,989,135 for 1968-69 is based on an estimated 8.4 percent increase in total building area. This increase will bring total building area to 25,483,595 square feet. The Department of Finance has budgeted the increase at the same cost per square foot as the overall level of 1967-68 (100.71 cents per square foot). This budgeted amount will not allow any increase for utilities, building maintenance or major repairs.

Program Augmentations

The additional \$372,500 requested in the program augmentation for utilities is based on the justification of heavier demand in new buildings and increased refuse disposal expense. The utility costs per square foot will rise from 27.6 cents to 29.1 cents to accommodate additional

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equipment for lighting standards and an expansion of air conditioning. Air conditioned areas would increase 15.5 percent to a total of 38.2 percent of total building area in 1968-69 and electrical demand would rise from 14.61 KWH to 15.23 KWH per square foot. Refuse disposal costs per square foot would rise marginally to support salary related increases and contract charges. The budgeted unit cost by campus for the maintenance and operation budget is shown in the following table which includes both the workload and the augmentation increase.

Table 38
Maintenance and Operation of Plant 1968-69
Budgeted Unit Costs by Function and Campus¹

<i>Campus</i>	<i>1968-69 Proposed Unit Cost Per Square Foot</i>	<i>Outside Gross Square Feet 1968-69</i>
Berkeley -----	86.4¢	7,507,331
Davis -----	107.1	3,714,178
Irvine -----	173.8	630,800
Los Angeles -----	88.8	6,575,660
Riverside -----	112.0	1,518,930
San Francisco -----	116.8	1,128,775
Santa Barbara -----	130.1	1,805,403
San Diego -----	120.0	1,941,044
Santa Cruz -----	136.5	543,679
California College of Medicine -----	165.8	117,795
All Campuses -----	102.2¢	25,483,595

¹ Program augmentations are included.

Performance Analysis

Actual expenditures for maintenance and operation of plant exceeded the budgeted amount of \$21,798,719 by 0.9 percent, or \$195,968. The total expenditures for this budget function in 1966-67 was \$21,994,687. The following tables provide analysis of these expenditures. For instance, the total unit cost for expenditures was 100.6 cents per square foot with the largest expenditures occurring for janitorial services and utilities. When the budgeted and actual unit cost per square foot is compared by campus, it can be seen that San Diego exceeded the budgeted amount by 6.7 cents. Davis also exceeded the budgeted amount by 0.2 cents per square foot. However, when all campuses are considered, actual expenditures were 0.6 cents less than the budgeted amount of 101.2 cents per square foot. When budgeted gross square feet are compared to actual gross square feet it is evident that the actual figures were 0.3 percent less, or 57,247 square feet less than the budgeted amount. Riverside and Santa Cruz showed the greatest percentage difference. Illustrative of the tremendous growth of the University of California is the fact shown in Table 42 that total outside gross square feet has increased by 11,536,533 square feet since fiscal year 1962-63 for an 85.2 percent increase in six years.

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Table 39
Maintenance and Operation
Actual Unit Costs by Function, 1966-67

<i>Function</i>	<i>Unit cost per square foot Actual</i>
Superintendence	4.8¢
Building maintenance	18.4
Grounds maintenance	10.9
Janitorial service	25.7
Police	6.5
Refuse disposal	2.1
Utilities	26.3
Miscellaneous	1.3
Major repairs and allocations	4.6
Unit cost for total expenditures	100.6¢

Table 40
Maintenance and Operation Comparison of Actual to Budgeted
Unit Cost by Campus, 1966-67

<i>Campus</i>	<i>Budgeted</i>	<i>Unit cost per square foot Actual</i>
Berkeley	87.5¢	87.3¢
Davis	101.3	101.5
Irvine	167.5	166.7
Los Angeles	88.2	85.1
Riverside	125.2	123.0
San Francisco	122.6	121.0
Santa Barbara	121.9	120.5
San Diego	131.3	139.0
Santa Cruz	147.5	147.6
All campuses	101.2¢	100.6¢

Table 41
Maintenance and Operation Comparison of Budgeted to Actual
Outside Gross Square Feet, 1966-67

<i>Campus</i>	<i>Budgeted</i>	<i>Actual</i>	<i>Percent difference</i>
Berkeley	7,013,222	6,948,192	-0.93%
Davis	3,056,215	3,147,384	2.98
Irvine	481,293	512,650	6.52
Los Angeles	6,015,062	6,022,297	0.12
Riverside	1,349,180	1,196,211	-11.34
San Francisco	1,043,734	1,030,957	-1.22
Santa Barbara	1,435,580	1,483,550	3.34
San Diego	1,209,829	1,245,770	2.97
Santa Cruz	400,100	359,957	-10.03
C.C.M.	117,795	117,795	--
All campuses	22,122,010	22,064,763	-0.26%

University of California—Continued

Table 42
Outside Gross Square Feet
1963-64 to 1968-69

Year	Total outside gross square feet	Year-to-year percent increase
1962-63	13,947,062	5.8%
1963-64	15,172,177	8.8
1964-65	16,840,000	11.0
1965-66	19,406,000	15.2
1966-67	22,064,763	13.7
1967-68 (est.)	23,509,574	6.5
1968-69 (prop.)	25,483,595	8.4

RECOMMENDATIONS

At the request of the Legislative Analyst, the University conducted a building cleaning survey to ascertain whether their utilization of janitorial service was up to state and federal standards. A classroom building and an administration building were selected at one northern and one southern campus. The results of this sample survey showed that the University employed fewer janitors than federal standards would have provided for these buildings.

The proposed increase of 10 percent is necessary to care for an 8.4 percent increase in gross square feet and the increased usage caused by an estimated 6.8 percent increase in student enrollments.

We recommend approval of the maintenance and operation budget in the amount budgeted.

(12) STUDENT SERVICES

A variety of programs are included within this budget function and are generally classified according to their source of funds. Services directly related to the functioning of the instructional program are financed by general funds. These services may include admission, selection, student registration, class scheduling, grade recording, student statistical information. These services that are related to the maintenance of the students well-being are financed from restricted funds largely from incidental fees. These services include medical care, housing location, employment placement, counseling and cultural, recreational and athletic activities.

Budget Request

1967-68	1968-69	Increase	1972-73
\$17,806,716	\$18,095,143	\$788,427	\$21,109,234

The \$788,428 requested as a workload increase is comprised of \$199,602 from the state General Fund with the remainder being provided from the University restricted funds. The University revenues account for 72.9 percent of the total student service budget. This budget category is 4.1 percent of total support budget. This services function is projected to increase to \$21,109,000 in 1972-73 and be funded from \$6,142,000 of state general funds and \$14,967,000 of University funds.

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Workload

The proposed workload increase is intended to maintain the 1967-68 levels of service. A General Fund increase is budgeted at the 1967-68 cost per student of \$64.68 and is intended to provide for the increased enrollment of 3,086 FTE students. The \$588,825 increase in restricted funds from student incidental fees will provide services directly related to the students' needs. The restricted funds cost per FTE student will rise \$1.94 from the 1967-68 level of \$134.20 to \$136.14. These enrollment related increases necessitate increased workload in placement, counseling and housing services as well as the student health services which are experiencing growing cost in relation to personal services.

Performance Analysis

An increase of \$226,619 was expended over the budgeted amount of \$15,714,591. Therefore, actual expenditures exceeded the budgeted amount by 1.4 percent. Actual expenditures per student for support of student services in 1966-67 were \$134,094. State supported services were \$57.64 per student. The following table shows comparison of cost per student for student services for 1963-64 through proposed 1968-69. During this period student supported services increased from \$101.23 to \$129.76. This is an increase of approximately 18.3 percent in five fiscal years. State supported services also experienced a similar growth from \$52.19 in 1963-64 to \$60.42 in 1968-69, or a 15.8 percent increase. State supported services show a sharp increase in 1966-67 which reflects the change over from semester to quarter system and the increased administrative activities necessitated by this change. Student supported services show a gradual increase until 1966-67 and then a downward turn in 1968-69. This downturn is caused by expanding enrollments and a relatively constant student services budget thereby decreasing the cost per student.

Table 43
Student Services per Student
1963-64—1968-69

Year	Student supported services	State supported services
1963-64	\$101.23	\$52.19
1964-65	115.46	51.61
1965-66	124.28	52.30
1966-67	134.94	57.64
1967-68 (Estimated)	128.50	60.76
1968-69 (Proposed)	129.76 ¹	60.42 ²

¹ An additional \$6.38 per student is provided from University restricted funds.

² An additional \$4.26 per student is provided from University general funds.

RECOMMENDATIONS

The Special Committee on Student Charges and Student Aid of the Board of Regents of the University of California has proposed that the Dean of Students Office which is supported by state general funds be transferred to a student fee supported activity.

This proposal is in concert with the other student supported activities which are directly related to maintaining the student's well being. The Dean of Students Office provides advice and counsel to the students in

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the areas of personal finances, scholastic difficulties, student activities and organizations, veterans' affairs, selective service, and regulations governing student conduct. It initiates and administers programs in these areas and assists other departments of the University in the operation of student oriented programs.

Many of the duties of this office clearly remove it from activities which are directly related to the instructional program and, thus, it is inappropriate to finance these activities from the state General Fund. To this degree, we agree with the Regents Special Committee. However, some of the Dean of Students' activities do have an incidental relationship to the instructional program such as scholastic disciplinary actions and other regulatory functions in regard to student activities.

In view of these latter duties, we believe the appropriate method for financing this student service is for the state General Fund to provide one-half of costs of operation of the Dean of Students Office and University sources or student fees should finance the remaining half. The 1967-68 total budget for this student service is \$1,500,885 and the General Fund finances \$1,425,511 of this amount. According to our recommended method of financing, \$750,443 will be provided from the General Fund thereby allowing a reduction of \$675,068 in 1968-69.

We recommend that \$675,068 in general funds be deleted from the Student Services budget.

(13) STAFF BENEFITS

Staff benefits consist of the employer's share of various retirement programs, state compensation insurance and contributions toward a payment of employee's group health insurance. Funds requested for the various fringe benefit programs relate to present membership and obligations.

Budget Request			
1967-68	1968-69	Increase	1972-73
\$23,528,171	\$25,046,754	\$1,518,583	\$31,213,874

Over 99 percent of staff benefits are paid for from state funds. Staff benefits expenditures are 5.6 percent of the total budget. The proposed increase is 6.5 percent. Total staff benefits will amount to approximately \$31 million in 1972-73.

Workload

The funds requested for various fringe benefits programs reflect present memberships and obligations. The requested increases are calculated on the basis of current rates on salary and wage additions, personnel turnover and actuarial probability. The six major employee benefit programs are proposed to increase by \$1,518,583.

Two retirement systems currently exist at the University. The majority of the University employees participate in the University of California Retirement System (UCRS). Nonacademic employees who were employed prior to October 1, 1961 may still be covered by the State Employees Retirement System (SERS). A gradual change of the proportion of nonacademic employees under the SERS to the UCRS is due to the attrition rate of older employees from SERS. The budget

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for SERS will decline by \$296,409 which is reflected in an average net three percent decline in members' salaries and wages. An increase of \$152,352 or OASDI is due to a 11.4-percent increase scheduled for January 1969 and an increase in wages subject to OASDI tax (\$6,600 to \$7,800). On the basis of budgeted additional personnel and a 4.3 percent increase in the overall rate of employees participation, group health and life insurance contributions will increase by \$71,750. The contribution for state compensation insurance will increase \$121,864 to fund net premium requirements for 1967-68 salaries and wages and reflects the increase in premium rates from \$0.36 to \$0.39 per \$100 salaries and wages. An increase of \$97,338 is requested for the 3-percent faculty annuity that was first appropriated by the 1966 Legislature to implement a supplemental annuity program for University faculty.

Program Augmentations

An additional \$443,000 is proposed to provide for the Regent's contribution for staff benefits at established rates for the University of California Retirement System and Employees Health Insurance for salaries and wages for the additions provided for in the program augmentations of the Governor's Budget. The following tables show the amount and percent of the proposed increase as well as the employer contribution rates.

Table 44
Proposed Total Staff Benefits for 1968-69¹

Proposed total expenditures for staff benefits include then following programs:	Budget Request		
	1968-69	Increase	
A. Retirement systems		Amount	Percent
University of California Retirement System	\$15,064,554	\$1,169,288	8.4
State Employees' Retirement System	3,611,100	—296,409	—7.6
O.A.S.D.I.	929,200	152,352	19.6
Others (including faculty annuities)	2,885,700	257,038	8.8
Total retirement systems budget	\$22,490,554	\$1,282,269	6.0
B. Other staff benefits			
Health insurance	\$1,757,600	\$114,450	7.0
State compensation insurance	798,600	121,864	18.0
Total other staff benefits	\$2,556,200	\$236,314	10.2
Total staff benefits—workload	\$25,046,754	\$1,518,583	6.4

¹ Includes program augmentation.

Table 45
1968-69 Retirement Programs
Employer Contribution Rates

	Percent
University of California Retirement System	8.25
State Employees' Retirement System	7.11
O.A.S.D.I.	4.90
Both S.E.R.S. and O.A.S.D.I.	12.01

Performance Analysis

The budgeted amount of \$18,559,182 exceeded actual expenditures by \$3,138,730 or 16.9 percent. This excess can be attributed to the three percent faculty annuity which was not funded in the University budget

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in 1966-67. In 1965-66 contributions for UCRS exceeded the budgeted amount by \$800,000. To make sure of adequate funding in 1967-68, the University reviewed actual contributions and determined that a minimum of 81.7 percent of salaries and wages and education and general expense must be financed under SERS or SCRS. This review should enable the University to rectify past deficiencies in the methods of calculating the amount of funds needed for staff benefits. At this date, no current information is available on the 1967-68 operations which would indicate that budgeted contributions would be insufficient for that fiscal year.

RECOMMENDATIONS

We recommend approval of the staff benefit budget in the increased amount of \$1,586,443. An increase in staff benefits totaling \$67,860 will be needed for the additional 58 faculty members provided in instruction and departmental research.

(14) PROVISION FOR ALLOCATIONS

Provision for Allocations is comprised of Universitywide programs and items not assigned to specific campuses. These allocations are made to the campus on the basis of workload requirements. Examples include such items as provisions for contingency, endowment income unallocated, merit increases and promotions, provisions for price increases and budgetary savings.

Budget Request Less Budgetary Savings			
1967-68	1968-69	Increase	1972-73
\$11,541,773	\$13,544,331	\$2,002,558	\$21,716,456
<u>-8,331,401</u>	<u>-9,392,764</u>	<u>-1,061,363</u>	<u>-12,647,141</u>
\$3,210,372	\$4,151,567	\$941,195	\$9,069,315

Workload

The following table shows the University's provision for the campuses. The provision for a \$1,000,000 contingency fund contained in past budgets has not been continued in the 1968-69 budget. In the 1967-68 Budget Act this provision was put into a separate item with the stipulation that reporting was required similar to that for the Emergency Fund of the Department of Finance. The University has decided to give up this contingency and use these funds to finance the program augmentation contained within the Governor's Budget. Budgetary savings will be increased by \$1,061,363 to a total of \$9,392,764 which represents 3.25 percent of the state General Fund appropriation for 1968-69. This is an increase from past budgets in which budgetary savings were calculated as 3 percent of the increase from a base year. This new procedure was instituted by the Department of Finance in view of larger savings experienced in 1966-67.

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Table 46
1968-69 Governor's Budget

University Provisions for Allocation to Campuses³

Endowment Income Unallocated ¹	\$920,509
Range Adjustment Funds at July 1, 1967 ²	2,885,394
Provisions for Staff Unallocated	55,205
Other	462,645
Budgetary Savings	—9,181,641

¹ Balance estimated to be available July 1 for allocation as needed during the year.² Was allocated to campuses subsequent to July 1, 1967.³ Program augmentations are not included.

Program Augmentation

Merit academic increases and promotion of 2.5 percent are funded by \$3,400,000 in program augmentation. An additional \$2,033,000 is requested for nonacademic merit increases of 2.46 percent of the budgeted General Fund salary for nonacademic positions in 1968-69. These funds will be utilized to maintain the current University salary policy. The University states that over one-half the cost for the 1968-69 merit increases and promotions (\$2,933,000) will be funded from self-imposed cost reductions in various University programs.

Recommendations

We recommend approval in the amount budgeted.

(15) SPECIAL REGENTS PROGRAMS

In accordance with Assembly Concurrent Resolution No. 66 of the 1967 legislative session, the Governor's Budget contains the planned programs to be financed from the University's share of federal overhead funds. This concurrent resolution continues the policy of equal division of overhead funds between the University and the state with the state's portion being assigned as an operating income and the University's portion being used as restricted funds to finance special Regent's programs.

Budget Requests			
1967-68	1968-69	Increase	1972-73
\$5,065,100	\$6,185,000	\$1,119,900	\$9,700,000

During 1968-69 \$6,185,000 in federal overhead funds will be used to finance special University programs. Approximately \$2.8 million of this amount will be expended for student aid. This aid will be granted to graduate and undergraduate students. Approximately \$2.2 million will be used to finance programs for educational enrichment which include the intercampus exchange program, the education abroad program, the educational opportunity program and other similar projects. These projects are designed to benefit the students by enlarging his educational experience. Various faculty studies will be financed by approximately \$745,000 and include such items as a creative arts institute, creative arts presentation, humanities institute, and faculty fellowships. These programs are designed to encourage creative development by the faculty. The remaining funds, approximately \$360,000, are allocated to the president as a contingency for anticipated needs in management studies and other areas in which study in depth is needed.

Education

Item 95

University of California—Continued

The summary table from the Governor's Budget is printed below and details of these programs can be found on page 316 of the Governor's Budget and the details regarding capital outlay expenditures can be identified by specific project in the Governor's Capital Outlay Budget.

Table 47
Special Regents' Funds
Expenditures 1968-69

SUMMARY

<i>Purpose</i>	<i>Proposed 1968-69</i>
Student Aid:	
Graduate	\$800,000
Undergraduate	1,137,200
Loans	933,400
Total	\$2,870,600
Educational Enrichment:	
Innovative Projects in University Instruction	600,000
Lawrence Hall of Science	100,000
Special Library Collections	250,000
Inter-campus Exchange Program	401,300
Education Abroad Program	150,000
Educational Opportunity Projects	583,100
Community Service Projects Office	125,000
Total	\$2,209,400
Faculty Study:	
Creative Arts Institute	100,000
Creative Arts Presentations	25,000
Institute for Humanities	250,000
Summer Faculty Fellowships	120,000
Emergency Needs—New Faculty	250,000
Total	\$745,000
Management Studies	260,000
President's Unallocated	100,000
Total Expenditures and Funds Available	\$6,185,000

Recommendations

We recommend approval in the amount budgeted.

UNIVERSITY OF CALIFORNIA

ITEM 95 of the Budget Bill

Budget page 313

**FOR SUPPORT OF RESEARCH IN SEA WATER CONVERSION
FROM THE GENERAL FUND**

Amount requested	\$334,900
Estimated to be expended in 1967-68 fiscal year	334,900

Increase	None
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TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATIONS

This item provides for the continuance of research in sea water conversion.

University of California—Continued

Pressured by population growth and demands for more and more water for irrigation, industry and power needs, California water agencies have been interested in saline water conversion for many years. In 1951, the Legislature authorized research facilities at the University of California, and a short time later the Sea Water Conversion Laboratory, located at the Richmond Field Station, began its research program to look into methods for large quantity and low cost recovery of pure water from saline water. This program has grown to 19 projects under the direction of a statewide University coordinator. The water resources center administers the funds.

Two prototype desalination plants at Coalinga and at the University's test center at San Diego are also operated under this program. At Coalinga, the first city in the United States to depend on a desalination process (electrodialysis) for its potable water supply, the costs of supplying potable water dropped from \$7 (compared to 40 cents in Berkeley) to \$1.40 per 1,000 gallons. More recently cooperative operation by the City of Coalinga of the University's reverse osmosis pilot plant has furnished test data to the University and over 4,500 gallons of fresh water per day to Coalinga.

Investigations have extended into many areas, including economic studies, distillation, ion exchange, reverse osmosis, and electrodialysis. This research has resulted in discovery of sophisticated materials and techniques for desalination which have resulted in real economies in the cost of desalting water. The federal government has also contributed funds to this work in recent years. *We recommend approval as budgeted.*

UNIVERSITY OF CALIFORNIA

ITEM 96 of the Budget Bill

Budget page 313

FOR SUPPORT OF RESEARCH IN DERMATOLOGY
FROM THE GENERAL FUND

Amount requested	\$100,000
Estimated to be expended in 1967-68 fiscal year.....	100,000
Increase	None

TOTAL RECOMMENDED REDUCTION.....	None
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ANALYSIS AND RECOMMENDATIONS

This request continues support for research in dermatology at the same \$100,000 level as in last year's budget.

The special appropriation for research in dermatology made available to the Division of Dermatology, San Francisco Medical Center, has enabled a considerable expansion to be made in research on psoriasis, a chronic skin disease. The Psoriasis Chemotherapy Clinic, entering its fifth year of operation, is concerned with assessing the value of therapeutic agents in the treatment of psoriasis. Research equipment and studies sponsored by this appropriation have resulted in improved techniques of treatment and new knowledge of the nature of psoriasis. *We recommend approval as budgeted.*

UNIVERSITY OF CALIFORNIA

ITEM 97 of the Budget Bill

Budget page 314

FOR SUPPORT OF RESEARCH IN MOSQUITO CONTROL
FROM THE CALIFORNIA WATER FUND

Amount requested	\$100,000
Estimated to be expended in 1967-68 fiscal year	100,000
Increase	None
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS AND RECOMMENDATIONS

This budget request will continue support for research in mosquito control at \$100,000, the same as last year.

Mosquitoes are a constant and hard-to-control threat to the health of both man and animals. As the population of California increases and the use of water for recreation, agriculture, and industry becomes greater, there is evidence that mosquitoes will become even more difficult to control. For many years, the Agricultural Experiment Station has conducted a mosquito control research program on the Berkeley, Davis and Riverside campuses of the University. The California Legislature has appropriated \$100,000 each of the last two years to the University to substantially expand research in mosquito control. This appropriation is from the California Water Fund and is to be matched by an equal amount from other sources. These funds were allocated to new projects in the Department of Entomology on the three campuses and in the Department of Biological Control at Riverside. Potentially important discoveries have been made in three areas: biological control, insecticides and application methods, and mosquito life cycles and behavior. This year's requested appropriation of \$100,000 is to support ongoing research in these fields. *We recommend approval as budgeted.*

HASTINGS COLLEGE OF THE LAW

ITEM 98 of the Budget Bill

Budget page 526

FOR SUPPORT OF HASTINGS COLLEGE OF THE LAW
FROM THE GENERAL FUND

Amount requested	\$830,036
Estimated to be expended in 1967-68 fiscal year	707,178
Increase (17.4 percent)	\$122,858
TOTAL RECOMMENDED REDUCTION	None

GENERAL PROGRAM STATEMENT

Hastings College of Law was founded by S. C. Hastings and affiliated with the University of California in 1878. Hastings is governed by its own Board of Directors and is designated by statute as a law department of the University of California. The objectives of Hastings's programs are twofold: (1) the primary purpose is to provide thorough instruction in those areas of law which best prepare the graduate for the practice of law in California and other jurisdictions; (2) the second responsibility of Hastings is to provide a public service to the community and the state. The first goal is pursued through the legal

Hastings College of the Law—Continued

instruction offered during the academic year and the summer session. Pursuit of the latter goal of public service is illustrated by such programs as the Law Journal and the Legal Clinics. The net General Fund cost and the per student cost for these programs as shown in the following schedule.

	<i>Actual</i> 1966-67	<i>Estimated</i> 1967-68	<i>Proposed</i> 1968-69
General Fund support -----	\$610,697	\$707,178	\$830,036
Regular student -----	1,027	1,003	1,012
Cost per student -----	595	705	820

ANALYSIS AND RECOMMENDATIONS

Budget increases totaling \$122,858 for 1968-69 are justified on the basis of (1) increased workload generated by a small estimated enrollment growth of nine students, (2) existing deficiencies as a result of past increases in workload and no new positions under the modified budget of 1967-68 and (3) the anticipated completion of the new addition to Hastings. The most significant increases occur in the library, student health service and administrative personnel as is shown in Table 2. Revenue to finance the budget is obtained from the sources shown in Table 1.

Table 1
Source of Revenue

	1966-67	1967-68	1968-69
Student fees -----	\$331,152	\$333,670	\$336,430
General funds -----	610,697	707,178	830,036
Federal funds -----	23,961	47,555	38,674
Miscellaneous -----	17,033	13,590	18,790
Total -----	\$982,843	\$1,101,993	\$1,223,930

The requested workload increases are outlined in Table 2.

Table 2
Workload Increases

1. Personal Services		
1 secretary -----	\$6,800	
1 secretary-stenographer -----	6,200	
1 clerk-typist -----	5,125	
0.2 substitute teacher -----	4,000	
3 student assistant—work study -----	15,049	
1 assistant librarian -----	9,000	
0.7 student assistant -----	3,900	
1 assistant building supervisor -----	7,200	
		\$49,056
2. Operating Expenses		
General expense -----	\$1,000	
Printing -----	750	
Communications -----	2,400	
Student medical service -----	21,250	
Library expense -----	48,275	
Hastings Law Journal -----	5,000	
Temporary faculty offices -----	1,000	
		\$69,694

Hastings College of the Law—Continued

Table 2—Continued
Workload Increases

3. Equipment		
Administration	-----	\$1,960
Instruction	-----	—925
Plant operation	-----	1,652
		<hr/>
		\$3,187
Subtotal	-----	\$121,937
Increase reimbursements	-----	—7,960
Federal funds decrease	-----	8,881
		<hr/>
Total increase	-----	\$122,858

Increases are requested in the following areas of personal services and operating expenses.

1. *Personal Services:* Two secretaries and one secretary-stenographer will be added to the Office of the Registrar, the Hastings Law Journal and faculty assistance. A library assistant and an assistant building supervisor are also requested. The library has experienced increased demands on provisional personnel and the new wing to be constructed in 1968-69 will necessitate added maintenance supervision. Additional student assistance is proposed for work-study programs (3 positions supported from federal funds) and plant operation (0.7 part-time assistance supported from the General Fund).

2. *Operating Expenses:* Substantial increases are requested for the library, student medical services and Hastings Law Journal. An increase of \$48,275 is requested for libraries on the basis that the present library is inadequate for the size of the law school. Hastings is proposing a program to improve the library's quality to be accomplished over a three-year period. The estimated cost for this period is proposed to be \$182,000. The requested increase for 1968-69 is the first step of the proposed program. An improved student health program is proposed to be financed from an increase of \$21,250. Hastings states that the medical care provided their students in the past has not compared with that of other University of California law schools. To correct this deficiency, they propose a comprehensive medical care program which includes on-campus care as well as use of facilities at the University of California at San Francisco Medical Center. The program will cost approximately \$70 per student per year. An increase of \$5,000 for the Hastings Law Journal is proposed based on 1966-67 income experience. An increase in the subscription rate will raise an additional offsetting income of \$18,000 in 1968-69.

3. *Equipment Expenses:* The requested equipment expenses will provide for the necessary furniture and equipment for the proposed administrative personnel. Additional maintenance equipment will be required to care for the floor area of the new wing.

Hastings Law Library

We were asked in the committee minutes of Assembly Ways and Means during the budget hearings on the 1967-68 budget to give particular attention to the adequacy or inadequacy of the Hastings

Hastings College of the Law—Continued

Law Library. The Hastings Law Library is alleged to be inadequate and it is stated that \$182,000 would be needed to immediately bring it up to desirable standards. Hastings has proposed a three-year program to accomplish this and approximately \$48,000 is requested in the Governor's Budget as the first increment above the \$50,150 budgeted for library operations. This sum would be expended approximately as follows:

1. Completion of State Codes -----	\$3,000
2. Treatises and texts -----	5,000
3. Reference volumes -----	3,000
4. Official Reports -----	37,275
	<hr/> \$48,275

Hastings is the oldest and largest of the University of California law schools. When ranked by total volumes as shown in Table 3, Hastings is third and only exceeds Davis which accepted its first class in 1966.

Table 3

<i>Schools</i>	<i>Students</i>	<i>Volumes</i>	<i>Volumes per student</i>
Berkeley (Boalt Hall) -----	767	228,478	298
UCLA -----	598	187,000	313
Hastings -----	1,003	58,000	58
Davis -----	155	52,000	335

Hastings ranks 6th in the state and is exceeded by UCB Boalt Hall, UCLA, Stanford, University of Southern California and Santa Clara.

When the physical facilities of the University of California Law School libraries are compared Hastings again occupies third position despite having the largest student population. Even with the expansion of the new wing in 1969-70, Hastings will surpass only Davis in total square feet available for library operations. Table 4 shows the total square feet of library facilities separated into stack area, seating area, staff and work area and other area.

Table 4
Law Library Facilities

<i>Item</i>	<i>Hastings</i>	<i>UCLA</i>	<i>Davis</i>	<i>Boalt</i>
1. Square feet -----	19,185 ¹	42,309	7,656 ²	59,850
2. Stack area -----	9,673	27,282	3,032	36,136
3. Seating areas -----	6,103	11,416	2,828	19,817
4. Staff and work areas -----	756	3,613	1,408	2,081
5. Other areas -----	2,653	800	388	1,810

¹ New wing in 1969-70 will expand size to 26,135 square feet.

² New building in 1968-69 will expand size to 15,136 square feet.

Boalt Hall and the UCLA School of Law both surpass Hastings Law Library operating budget by substantial amounts as is shown in Table 5. The book expenditures for Hastings are \$9,850 lower than UCLA and \$21,352 lower than Boalt Hall despite the \$10,000 augmentation for Hastings in 1967-68. The Davis budget shows the emphasis placed on book expenditure for the new law school.

Hastings College of the Law—Continued

Table 5
Law Library Operating Budget, 1967-68

Item	Hastings	UCLA	Davis	Boalt
Salaries and wages	\$49,238	\$156,799	\$123,500	\$129,873
Book expenditures	45,650	55,500	123,500	67,002
Binding expenditures	3,500	7,500	29,832	18,591
Supplies, equipment and general expense	1,473	4,183	31,588	3,700
Other	125	—	—	—
Total Law Library	\$99,986	\$223,980	\$307,782	\$219,166

It is obvious that Hastings has fewer volumes than the other law libraries. However, the total number of volumes is not an accurate assessment of the quality of a library. To assess Hastings' need for additional library volumes, we surveyed the other University law libraries to determine their holdings of specific law works. The results of this survey are shown in Table 6. Because of different interpretations of our questions, the data may not be completely comparable in all instances, but it is useful to gain an impression of the existing differences in the quality and quantity of the library collections.

Table 6
Information on Specific Law Library Volumes

	Hastings	UCLA	Davis	Boalt
1. National Reporter System				
a. Number of regions	13	13	13	8 ^a
b. Number of sets	2 ¹	4	2	4 ^b
c. Total volumes	14,000	21,058	10,518	22,190
2. United States Supreme Court Reports				
a. Number of sets	6 ^c	4	2	14
b. Total volumes	1,000	1,532	766	3,142
3. Official Reports				
a. Number of states	49 ^d	43	46	50
b. Number of sets	4	—	49 ^e	61
c. Total volumes	10,000	12,238	7,493	25,833
4. State Codes				
a. Number of states	47 ^f	50 ^g	49	50
b. Total volumes	2,000	2,091	2,162	2,025
5. Reference Works				
a. Number of sets	70	19	43	20
b. Total volumes	22,000	2,412	2,720	4,106

¹ One partial set in addition.

² Four federal regions are not included.

³ Includes some partial sets.

⁴ Three partial sets in addition.

⁵ These 49 are partial sets.

⁶ Two sets each California Reports and California Appellate; partial sets of other 45 states.

⁷ Also possess Canal Zone, D.C., Guam and Puerto Rico.

⁸ Require completion of 13 states.

Hastings possesses the least total volumes of the *National Reporter System* but has all the regions. Two full sets are in their collection plus one partial set. To obtain the same number of sets as the other libraries, it appears that at least the one partial set should be completed. Hastings has six sets of the *United States Supreme Court Reports* and three partial sets in addition. Boalt Hall is the only school that surpasses Hastings. This doesn't seem to be an area of critical need.

Hastings College of the Law—Continued

In total volumes of Official Reports, Hastings is exceeded by 2,238 at UCLA and 15,833 at Boalt Hall. Both Davis and UCLA have a fewer number of states represented in their collections of Official Reports. Hastings' collections of State Codes is exceeded to a small degree by all three law schools. UCLA also possesses codes from the Canal Zone, D.C., Guam and Puerto Rico. In total number of volumes and sets of reference works Hastings surpasses the other schools. The large difference may be the result of our questionnaire which did not offer a concise definition of what constitutes a reference work.

From the preceding analysis it is apparent that Hastings Law Library is surpassed by UCLA and Boalt Hall in almost any measure that is chosen. In addition the Davis Law School is developing at a fast rate. In view of the fact that Hastings enrollment is the largest of the University's law schools, we feel the library is in need of substantial augmentations, especially for volume purchases.

It should be noted that some of the difference in size and quality of library collection between Hastings and the other law schools may be attributable to the type of instructional programs offered. Hastings appears to stress a thorough instruction in law to enable the graduate to practice law. Boalt Hall and UCLA also prepare students to practice law but, in addition, emphasizes training for advanced laws degrees and legal research. This latter emphasis increases the need for larger facilities and more complete library collections. For this reason we do not feel that Hastings' collections need to be as large as the other University law schools and we believe it is unwise to make commitments to a three-year growth program totaling \$182,000.

We recommend approval of the proposed budget for Hastings Law Library in the increased amount of \$98,425.

The proposed increases in personal services of \$49,056 are necessary to alleviate existing deficiencies in administrative staffing. Increases for operating expenses are attributed to expanded services which will be necessitated by the addition of the new wing in 1969. An improvement of the health care programs for Hastings' students will provide the same quality care as now provided for other University students. Equipment budget increases are needed for the new administrative personnel and the expansion of the law school into its new wing.

We recommend approval of the Hastings College of Law budget.

CALIFORNIA STATE COLLEGES

ITEMS 99, 100 and 101 of the Budget Bill

Budget page 321

**FOR SUPPORT OF THE CALIFORNIA STATE COLLEGES
FROM THE GENERAL FUND**

Amount requested	\$224,340,819
Estimated to be expended in 1967-68 fiscal year	197,018,415
Increase (13.9 percent)	\$27,322,404
Increase to improve level of service	\$2,132,736
TOTAL RECOMMENDED REDUCTION	\$251,416

Education

Items 99-101

California State Colleges—Continued**Summary of Recommended Reductions**

	<i>Amount</i>	<i>Budget Page</i>	<i>Line</i>
1. Delete 1 Vice Chancellor for External Relations-----	\$31,620	330	50
2. Delete 18 programmer II and 6 ADP manager positions-----	264,370	322	58
3. Delete "Allocation for Systemwide Data Processing"-----	358,051	323	7
4. Delete augmentation for faculty staffing-----	1,040,000	330	48
5. Delete request for sabbatical leave funds-----	237,232	330	49
6. Delete 12.6 campus security officers-----	79,778	322	64
7. Increase federal overhead funds reimbursement-----	200,000	323	12
8. Reimburse \$150,000 from the parking revenue fund to the General Fund-----	150,000	323	21
9. Increase nonresident tuition-----	244,860	323	12
10. Increase foreign student tuition-----	166,896	323	12
Total recommended reductions-----	\$2,772,807		

Summary of Recommended Augmentations

1. Reinstate funds for year-round operations planning and implementation-----	\$1,864,448	322	68
2. Install computer centers at California State College at Los Angeles and Sacramento State College-----	497,191	322	58
3. Provide for first stage of project in computer assisted instruction at California State College at Los Angeles-----	46,534	322	59
4. Waive tuition for 5 percent of the undergraduate nonresident students-----	113,218	323	12
Total augmentations-----	\$2,521,391		

Summary of Requested Reports

1. Recommend that the Chancellor's Office prepare a plan for earlier submission of revised budget year enrollment estimates.
2. Recommend that the Chancellor's Office study the accounting systems and the uniformity of offerings in summer session programs.
3. Recommend that the Coordinating Council for Higher Education study the potential costs and savings realized under year-round operations.

GENERAL PROGRAM STATEMENT

The California State Colleges are charged by the Education Code and by the 1960 Master Plan for Higher Education in California to provide "instruction in the liberal arts and sciences and in professions and applied fields which require more than two years of collegiate education and teacher education, both for undergraduate students and graduate students through the master's degree. The doctoral degree may be awarded jointly with the University of California. Faculty research, using facilities provided for and consistent with the primary function of the state colleges, is authorized."

The colleges offer a diversified curricula in the social sciences, humanities, physical sciences, engineering, business, education, agriculture, mathematics, fine arts, biological sciences and foreign languages. As is customary throughout higher education, certain campuses tend to emphasize particular subject fields although all are generally oriented towards the liberal arts. While the primary function of the colleges is teaching, most colleges also engage in a limited amount of research and public service activity. Unlike the University of California, however, which maintains these activities as separate programs, those at

California State Colleges—Continued

the colleges are primarily instructionally related and are considered auxiliary to the primary teaching responsibility.

The state colleges as a system are governed by the 20-member Board of Trustees which was created by the Donahoe Act in 1960 (Chapter 49, Statutes of 1960, First Extraordinary Session). The board consists of four ex officio members including the Governor, the Lieutenant Governor, the Superintendent of Public Instruction and the chancellor of the state college system and 16 other members appointed by the Governor for eight-year terms. The trustees appoint the chancellor who serves at the pleasure of the board. It is the chancellor's responsibility as the chief executive officer of the system to assist the trustees in making appropriate policy decisions and to provide for the effective administration of the system.

The California State Colleges are presently operating 18 campuses with an estimated 1968-69 full-time equivalent enrollment of 161,295. In addition, the new campus in Kern County is in the planning stage and is expected to admit students for the first time in the fall of 1969. The site for this campus has been acquired and construction should commence in the 1968-69 fiscal year. Further planning for the 20th campus was originally expected to begin in the budget year. However, no planning funds are included in the 1968-69 budget. It will be located in either Ventura, Contra Costa or San Mateo-Santa Clara Counties.

Since passage of the Master Plan in 1960, the colleges have restricted admission of new students to those graduating in the highest third of their high school class as determined by overall grade point averages and college entrance examination text scores. There is, however, an exception which allows admission of no more than 2 percent of the students who would not otherwise be qualified. Transfer students may be admitted from other four-year institutions or from junior colleges if they have maintained at least a 2.0 or "C" average in prior academic work. To be admitted to upper division standing, the student must also have completed 60 units of college courses. Out-of-state students must be in the upper half of the qualified California students to be admitted. To be admitted to a graduate program, the only requirement is a bachelor's degree from an accredited four-year institution.

In 1968-69, the enrollment throughout the state college system is expected to undergo an increase of 14,699 FTE which will mark the third consecutive year that more than 12,000 new students have been admitted. Table 1 shows the enrollment distribution for the 18 campuses, the off-campus centers, the summer quarter sessions and the international program.

California State Colleges—Continued

Table 1
Average Annual Full-Time Equivalent (FTE) Enrollment
Regular Sessions

	<i>Actual</i>			<i>Estimated</i>		<i>Increase</i>
	<i>1964-65</i>	<i>1965-66</i>	<i>1966-67</i>	<i>1967-68</i>	<i>1968-69</i>	
San Jose -----	15,465	15,306	16,446	17,110	17,650	540
Long Beach -----	11,640	13,181	14,537	16,000	17,690	1,690
San Francisco -----	11,589	11,921	13,590	13,490	13,500	10
Los Angeles -----	12,008	11,436	11,476	12,800	13,800	1,000
San Fernando Valley -----	8,530	9,408	10,327	11,590	12,900	1,310
Sacramento -----	6,180	6,752	7,556	8,870	9,770	900
Cal Poly-San Luis Obispo ..	6,526	6,804	7,434	7,950	8,660	710
Fresno -----	6,364	6,785	7,385	8,100	8,780	680
Fullerton -----	3,145	4,236	5,273	6,450	7,620	1,170
Chico -----	4,445	5,156	5,822	6,670	7,500	830
Cal Poly-Kellogg-Voorhis --	4,026	4,463	4,847	5,250	6,050	800
Hayward -----	2,857	3,535	4,105	5,460	6,420	960
Humboldt -----	2,433	2,933	2,956	3,450	3,770	320
Sonoma -----	655	853	1,141	1,550	1,950	400
Stanislaus -----	323	464	704	940	1,200	260
San Bernardino -----	0	249	514	850	1,190	340
Dominguez Hills -----	0	38	118	410	900	490
Off-Campus Center, Bakersfield -----	238	210	233	290	360	70
Off-Campus Center, Calexico	80	112	138	170	185	15
International program ----	212	201	265	257	300	43
Totals, regular sessions	108,728	116,563	128,781	143,127	157,035	13,908
Summer quarter						
Hayward -----	82	353	472	655	890	235
Cal Poly, Kellogg-Voorhis	140	245	363	495	710	215
Cal Poly, San Luis Obispo	317	390	405	454	540	86
Los Angeles -----	--	--	447	1,865	2,120	255
Totals -----	109,728	117,551	130,468	146,596	161,295	14,699
Increase						
Number -----	12,436	8,284	12,917	16,128	14,699	
Percent -----	12.8	7.6	11.0	12.4	10.0	

Table 2 shows a breakdown of regular (more than six units) and limited (six units or less) headcount students. We noted in last year's analysis that the number of limited students attending the college appeared to be a decreasing percentage of the total enrollment. In the budget year, however, the colleges are predicting that this trend will be at least temporarily reversed and that the percentage of limited to total students will return to the fall, 1966 level of 24.5 percent. It should be mentioned that the figures in this table are based on the original estimates of the state colleges and the Department of Finance and not on the revised totals which are contained in the "provision for allocation" section. This is because estimates for limited and fulltime headcount students have not been compiled.

California State Colleges—Continued

Table 2
Fall Term Individual Enrollment

	<i>Full-time</i>		<i>Part-time</i>		<i>Total</i>
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	
1964 -----	109,745	72.5	41,621	27.5	151,366
1965 -----	116,262	73.7	41,542	26.3	157,804
1966 -----	130,167	75.5	42,176	24.5	172,343
1967 -----	145,362	76.8	43,837	23.2	189,199
1968 (est.) -----	148,620	75.5	48,270	24.5	196,890

The FTE enrollment figures listed in Table 3 are drawn from an annual report by the chancellor's office which separates the fall enrollment in any given year by class level, college of attendance, sex, county of origin and other characteristics. In presenting this summary of the distribution of students by level, we point to the fact that the percentage of upper division and graduate students is increasing at a fairly constant rate while the percentage of lower division students is decreasing. This apparently is caused by the increasing popularity of the junior colleges which is diverting freshman and sophomore students.

Table 3
Distribution of FTE Enrollment by Level of Instruction

	<i>Lower division</i>		<i>Upper division</i>		<i>Graduate</i>		<i>Total</i>
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	
1963 -----	41,129	41.8	45,570	46.3	11,788	11.9	98,487
1964 -----	45,005	40.4	52,621	47.2	13,828	12.4	111,454
1965 -----	43,859	37.4	57,991	49.4	15,466	13.2	117,316
1966 -----	44,648	34.1	68,068	52.0	18,129	13.9	130,845

Table 4 gives an indication of the increasing costs per student at the colleges. The gross expenditure column includes all expenditures except those for summer sessions, extension and other reimbursed activities. It includes expenditures for the normal budgetary functions such as instruction, plant operation, general administration, etc., as well as those for student financial aids, the chancellor's office and the international program. The net state support figures are computed by dividing the listed General Fund appropriation amount by the estimated FTE. Both columns reflect all proposed augmentations and the revised enrollment estimates. As a departure from last year's presentation, expenditures for year-round operation are included.

Table 4

	<i>Gross expenditures per FTE¹</i>	<i>Net state support per FTE¹</i>
1965-66 -----	\$1,345	\$1,174
1966-67 -----	1,491	1,285
1967-68 (est.) -----	1,591	1,344
1968-69 (est.) -----	1,694	1,392

¹ Excludes auxiliary enterprises and reimbursed activities.

ANALYSIS AND RECOMMENDATIONS

The total proposed expenditures under Items 99, 100, and 101 are \$224,340,819 from the General Fund as shown in Table 5. This constitutes an increase of \$27,322,404 or 13.9 percent over total current year expenditures. In addition, a salary increase amount of \$14,430,580

Education

Items 99-101

California State Colleges—Continued

is included under Items 58 and 60 and AB 395 (Monagan). This increases the total budget for the California State Colleges to \$238,771,-399 for a 21.2 percent increase over the current year.

In this analysis, our concern will be with the proposed support expenditures of \$224,340,819. This amount must be considered in two parts, first for the workload adjustments and second for what is termed "provision for allocation" which is composed partly of workload and partly of new program. The first part contains most of the priority workload increases but meets only the very minimum requirements in that it contains no funds for enrollment growth, merit salary adjustments and price increases. Consequently, we are making only two recommendations in this area, one for a reduction in the requested increase in data processing positions and the other for a reduction in the workload increase in campus security officers.

The second part of the 1968-69 budget is composed of \$14,150,069 of which \$12,788,659 is workload and \$1,494,970 is new program. An increase in the out-of-state tuition fee from \$720 to \$780 produces an offsetting decrease of \$133,560. A listing of these augmentations is as follows:

Increases for workload:	
Enrollment adjustment -----	\$6,776,416
Merit salary adjustment -----	4,500,000
Price increases:	
Library acquisitions -----	444,536
Equipment -----	151,790
Operating expenses -----	106,865
Quarter system cycling costs -----	408,844
Plant operations -----	250,208
Initial complement-expendable items -----	150,000
Subtotal -----	\$12,788,659
Increases for new program:	
Faculty staffing -----	\$1,040,000
Sabbatical leaves -----	237,232
Chancellor's Office -----	115,910
Statewide Academic Senate -----	53,425
Joint doctoral program -----	48,403
Subtotal -----	\$1,494,970
Reductions:	
Increase out-of-state tuition -----	\$-133,560
Total -----	\$14,150,069

Table 5 shows a functional breakdown of the estimated expenditures for 1967-68 and the proposed expenditures for 1968-69 including all augmentations and the amount to be financed from the General Fund.

California State Colleges—Continued

Table 5
Total Proposed Expenditures by Function

	<i>Estimated 1967-68</i>	<i>Projected 1968-69</i>	<i>Percent 1968-69</i>	<i>Increase over 1967-68</i>	<i>Analysis page</i>
<i>Systemwide Programs and Administration</i>					
Chancellor's office ----	\$2,832,617	\$3,214,452	1.1%	\$381,835	370
International program ----	342,242	368,622	0.1	26,380	372
Academic Senate ----	57,835	120,525	0.04	62,690	373
<i>College Budgets</i>					
General administration ----	14,944,536	17,495,488	5.7	2,550,952	374
Instruction ----	141,296,195	157,271,202	51.7	15,975,007	380
Educational television ----	356,820	378,714	0.1	21,894	387
Libraries ----	14,911,314	16,320,565	5.4	1,409,251	387
Student services ----	14,201,304	15,330,756	5.0	1,129,452	390
Student financial aid ----	14,509,168	17,922,198	5.9	3,413,030	392
Plant operation ----	23,881,736	26,913,750	8.8	3,032,014	399
Year-round operations ----	5,832,904	6,597,691	2.1	764,787	401
Research and special projects ----	21,634,978	20,696,847	6.8	-938,131	406
Summer session ----	7,020,155	7,374,730	2.4	354,575	412
Extension ----	2,015,271	2,386,786	0.7	371,515	413
Auxiliary enterprises ----	4,081,835	3,863,880	1.3	-217,955	414
Other reimbursed activities ----	1,442,173	1,911,024	0.6	468,851	417
Unallocated adjustment for enrollment in- creases ----	--	6,776,416	2.2	6,776,416	369
Unallocated adjustment for equipment ----	--	151,790	0.06	151,790	369
Subtotal ----	\$269,361,083	\$305,095,436	100.0%	\$35,734,353	
Federal overhead pay- ments ----	-450,000	-335,436	--	114,564	408
Salary savings ----	-2,431,834	-6,185,982	--	-3,754,148	420
Salary increase ----	--	14,430,580	--	14,430,580	
Total ----	\$266,479,249	\$313,004,598	--	\$46,525,349	
General Fund (support) ----	\$187,780,851	\$224,340,819	--	\$36,559,968	365
General Fund (salaries) ----	9,237,564	14,430,580	--	5,193,016	
Total State Support	\$197,018,415	\$238,771,399	--	\$41,752,984	365

Table 6 shows the total support for the state college system by function and source of funds in 1968-69. It should be noted here that while the General Fund provides by far the greatest amount of support for the college programs, substantial revenues are also received from student fees and from federal funds with lesser amounts from auxiliary enterprises such as cafeterias and bookstores and miscellaneous reimbursements from foundations, nongovernmental agencies and other agencies for which the colleges have performed some service. The percentage breakdowns for these various sources are: General Fund 76.2 percent, federal funds 9.9 percent; student fees 9.8 percent, auxiliary enterprises 1.2 percent and miscellaneous reimbursements 2.9 percent. While the General Fund amount is 76.2 percent of the total expendi-

Table 6

Proposed Funding for 1968-69 Expenditures

	<i>Proposed expenditures</i>	<i>Federal funds</i>	<i>Student fees</i>	<i>Auxiliary enterprise</i>	<i>Miscellaneous reimbursements</i>	<i>Net General Fund cost</i>
Statewide						
Chancellor's office	\$3,214,452	\$44,005	---	---	\$188,733	\$2,981,714
International program	368,622	---	\$25,800	---	---	342,822
Academic Senate	120,525	---	---	---	---	120,525
College Budgets						
General administration	17,495,488	---	2,115,000	---	---	15,380,488
Instruction	157,271,202	---	7,771,600	---	---	149,499,602
Educational television	378,714	---	---	---	---	378,714
Augment Libraries	16,320,565	---	---	---	---	16,320,565
Student services	15,330,756	---	9,112,947	---	734,580	5,483,229
Student financial aids	17,922,198	15,543,689	568,323	---	1,023,708	786,478
Plant operation	26,913,750	---	---	---	---	26,913,750
Year-round operations	6,597,691	---	650,205	---	---	5,947,486
Research and special projects	20,696,847	15,186,302	---	---	5,510,545	---
Summer session	7,374,730	---	7,596,072	---	---	—221,342
Extension	2,386,786	---	2,386,786	---	---	---
Other reimbursed activities	1,911,024	---	379,381	---	1,531,643	---
Unallocated adjustments	6,928,206	---	---	---	---	6,928,206
Salary savings	—6,185,982	---	---	---	---	—6,185,982
Federal overhead payments	—335,436	---	---	---	---	—335,436
Auxiliary enterprises	3,863,880	---	---	\$3,863,880	---	---
Salary increase	14,430,580	---	---	---	---	14,430,580
Totals	\$313,004,598	\$30,773,996	\$30,606,114	\$3,863,880	\$8,989,209	\$238,771,399

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tures, it constitutes 86 percent of the instructional program once the fully self-supporting operations are excluded i.e., summer sessions, extension, auxiliary enterprises, federally supported research and special projects and other reimbursed activities.

In the past two years, there have been several problems associated with the presentation of the budget that are sufficiently serious to warrant comment at this time. Last year's presentation included some \$13.4 million in unallocated workload adjustments for the colleges combined with an unallocated 10 percent reduction. This made a complete analysis of the college budgets extremely difficult.

In 1968-69, the problem of unallocated reductions and increases is still present. Specifically, the budget presentations of the general administration and library functions contain "unallocated reduction for price increase" line items which total \$554,776. We assume that similar reductions have been made but not specified for equipment inasmuch as a price increase of \$151,790 for equipment is included in the "provision for allocation" section as part of the summary of the college budgets. In addition, salary savings have been increased by an unspecified amount to offset the normal merit salary increases. These increases have been reinserted in the amount of \$4.5 million in the augmentation section and presumably will be held in reserve to allow the colleges to meet the greatly increased salary savings item.

Perhaps the most serious deficiency in the budget presentation concerns the \$6.8 million item for enrollment increases which is also listed in the "provision for allocation" section on page 330 of the Governor's Budget. This amount has been added because of a 5,030 FTE increase for the 1968-69 year above the original Chancellor's Office budget year estimate. However, it is a figure that is not possible to analyze in any but the most general terms and it also makes a complete analysis of the state college budgets impractical inasmuch as the listed budgetary functions of general administration, instruction, libraries, etc., are incomplete to the extent of that augmentation.

The stated reason for these procedures is that an attempt was being made to determine the final amount of money that would be available for higher education by first reducing the budgets as submitted by all agencies of government to the lowest possible levels and then reallocating the difference between those budget levels and the estimated revenues for the coming year. This method of submitting the budget unfortunately leaves it lacking in complete data and prevents the Legislature from making an adequate analysis.

The line item increase for enrollment growth, which we believe is primarily the result of the lack of direction by the Board of Trustees and the Chancellor's office, also creates a problem.

Enrollment projections are made by the Director of Institutional Research based on fall semester or quarter enrollment reports submitted to him by the individual colleges. The original projection for the 1968-69 year was made in the early part of 1967 based on the actual experience in the previous 1966 fall term. This figure was 156,940 FTE and was contained in the budget as submitted by the trustees. Subsequently,

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this estimate, as well as that for 1967-68 was revised based on the actual experience at the end of the third week of the 1967 fall term which in this case resulted in an increase of 5,030 FTE and the \$6.8 million augmentation.

The new enrollment figures were received at too late a date to be built back into the regular budgetary functions which leaves the Department of Finance little choice but to present an augmentation figure as a single line item based on a computed cost per FTE.

A subsidiary but nonetheless important issue is the inconsistency in the \$6.8 million augmentation for the state college system. If appropriated by the Legislature in its current form, it will be allocated among the various budgetary categories at the direction of the board of trustees and not by specific budgetary allocation. This procedure would constitute a change of policy since, at present, the trustees may not make transfers between functions (i.e., funds may not be taken from the allocation for instruction and moved to the allocation for plant operation) without Department of Finance approval according to Section 31.5 of the 1967 Budget Act. Further, appropriations to the colleges have always been made by function and not by lump sum. Therefore, the lump sum appropriation of \$6.8 million would give the trustees more flexibility and autonomy than they currently enjoy without changing the existing legal restrictions.

We recommend that the Legislature direct the Chancellor's Office to prepare a plan for the submission of revised current and budget year estimates of full-time equivalent enrollments to the Department of Finance and the Office of the Legislative Analyst by no later than the first of December of each year. We further recommend that a plan to accomplish this schedule be submitted to the Joint Legislative Budget Committee and the Department of Finance by the first of November 1968.

SYSTEMWIDE PROGRAMS AND ADMINISTRATION

Within the California state college system, there are three statewide programs: the Chancellor's Office, the Academic Senate and the International Program.

Chancellor's Office

The Chancellor is the chief executive officer of the State College Board of Trustees and is responsible for the implementation of all policy determinations enacted by the board. The Chancellor's Office, located in Los Angeles, carries out this overall responsibility in several ways. It conducts research into college operations for the purpose of providing the trustees with the most recent and accurate information possible in order to allow the board to make informed decisions on the system's general welfare. In addition, the Chancellor's Office compiles the annual budget based on the individual requests of the colleges, formulates justifications for expansion of programs, reviews position classifications, formulates salary requests and carries on other budget development activities. The office has divisions in the areas of student affairs, academic affairs, faculty and staff affairs and other areas which enable it to carry out its coordinative responsibilities. Finally, the

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Chancellor's Office performs a fiscal management function which consists of administering the annual budget within the limits of certain controls specified by the Legislature and coordinating its activities with the Departments of Finance and General Services which are required by law to approve certain contracts and expenditures.

In addition to the chancellor, the staff, in the current year, contains a total of 161.2 positions including 101.5 professional and 59.7 clerical and supporting staff. Functionally, they are distributed as follows: 31 in general administration; 27 in academic affairs; 68.7 for business affairs; 12.5 for faculty and staff affairs and 22 for institutional research.

The Governor's Budget proposes a total amount of \$2,981,714 for the Chancellor's Office for 1968-69 including \$2,865,804 to maintain the existing service level and \$115,910 for an improved level of service. The total for workload amounts to a 7.6 percent increase while the workload and new program augmentations together amount to an increase of 11.9 percent over the current year.

The proposed increase is distributed as follows:

<i>Personal Services</i>	
Merit salary increases and full-year costs -----	\$60,909
New positions -----	190,664
Increased salary savings -----	-36,194
Staff benefits -----	20,091
Subtotal -----	\$235,470
Operating expense -----	58,033
Equipment -----	24,110
Total Increase -----	\$317,613

The proposed increase includes 14.5 new positions for workload and 6 new positions for new and improved program. Included in the former are two assistant counsels and two legal stenographers in the Chief Counsel's Office which will be used to eliminate the backlog of requests and various legal projects. The Academic Affairs Office is budgeted for three additional positions in academic planning including two researchers and a secretary. These positions will be used to handle the activities associated with requests for information from the colleges, the Legislature and state agencies, as well as planning for new facilities and the processing of an increasing amount of statistical information. Other new positions which we believe are justifiable on a workload basis include an administrative assistant, a senior account clerk, a junior staff analyst and related clerical help. All of these positions are necessary due to the increase in the size of the state college system and the concomitant increase in information demands on the Chancellor's Office.

The six new positions requested under new program include a new Vice Chancellor for External Relations, two associate academic and institutional studies positions, an auditor I and two clerical support positions. The institutional studies positions will be used to provide better service in the area of faculty salaries and benefits specifically in regard to researching needs for changes in salary structures, maintain-

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ing coordination with the Coordinating Council for High Education and the academic senate and answering legislative requests. We believe this is one area in which the Chancellor's Office has not been able to provide sufficient and timely information for legislative review. We also believe that these positions can be justified on the grounds that the size of the state college system and the need for information on that system are both growing rapidly. The auditor I position is, we believe, needed for an improvement in the ability of the Chancellor's Office to supervise and control the fiscal affairs of the system. This is the type of position which the central office must have before additional fiscal autonomy can be justified. *We therefore recommend that the request for two associate academic and institutional studies II positions, the auditor I position and one clerical support position be approved.*

In addition to the four positions mentioned above, the Chancellor's Office is also requesting a Vice Chancellor for External Relations and a clerical position. The duties of this position will be threefold: (1) to develop "long-range plans for building the effectiveness of College Advisory Boards"; (2) to be the "special representative of the Chancellor in relationship with mass media to explain the policies and programs of the system"; and (3) to act as a "special representative of the system in public relations activities . . . to explain and gain support for public higher education."

We believe that a position such as this lies outside the responsibilities of the Chancellor's Office in that it is not related to the governance or coordination of the system and that this responsibility should be met by the record of achievement in both the Chancellor's Office and by the individual college presidents.

Accordingly, we recommend deletion of the proposed Vice Chancellor for External Relations and the senior stenographer for a reduction of \$31,620 plus related staff benefits, operating expenses and equipment.

In addition to the new positions, the budget also reflects an increase of \$58,033 for operating expenses of which \$9,739 is an unspecified increase related to the positions for new and improved program. A portion of this is related to the preceding positions and should be reduced accordingly. Finally, an increase of \$24,110 is requested for equipment of which \$3,200 is for price increase adjustments and \$20,910 is for improvements in printing and duplicating equipment.

International Program

The purpose of the international program is to afford selected students the opportunity for one year of study in a foreign country. The program was established in 1963 and included opportunities for study in six foreign universities for 108 students. Since then, the program has grown to its expected 1968-69 level of 300 students with the addition of four other institutions. Countries currently participating in the program include Formosa, France, Germany (two institutions), Italy, Japan, Spain (two institutions) and Sweden (two institutions). The program is divided into two parts including two months of intensive language training prior to attendance and then 9 or 10 months

California State Colleges—Continued

(two semesters) at the participating institution as a regular student. Program enrollment is shown as follows:

International Program Enrollment

	<i>Budgeted enrollment</i>	<i>Actual enrollment</i>
1964-65	238	212
1965-66	290	201
1966-67	230	265
1967-68	270	---
1968-69	300	---

Admission to the international program is limited to upper division and graduate students who can demonstrate a minimum comprehension of the language of the country to which they will be sent. Further, faculty committees conduct interviews with applicants to determine eligibility.

The costs of the program are shared by the students and the state with the students being responsible for transportation, living expenses and any fees and the state for administration and some instructional costs up to the limit of the number of students in the program times the state support for each regular FTE enrollment. Table 7 shows the actual and estimated costs of the program.

Table 7
State Support for the International Program

	<i>Actual 1966-67</i>	<i>Estimated 1967-68</i>	<i>Projected 1968-69</i>	<i>Proposed increase</i>
Administration and student services	\$71,672	\$79,873	\$85,965	\$6,092
Instruction	250,561	262,369	282,657	20,288
Subtotal	\$322,233	\$342,242	\$368,622	\$26,380
Reimbursements	—20,969	—19,532	—25,800	—6,628
Total	\$301,264	\$322,710	\$342,822	\$20,112
Enrollment	265	270	300	30
Cost per student	\$1,137	\$1,195	\$1,143	—\$52
Cost per student for regular program	\$1,285	\$1,344	\$1,392	\$47

The 1968-69 budget request for the International Program is \$342,822 which is an increase of \$20,112, primarily in the instructional program to account for the enrollment increase of 30 students. No new positions are requested. It should be noted that the cost per student for this program in the budget year is scheduled to total \$1,143 per student which is a decrease of \$52.

Academic Senate

The Academic Senate is the official organization representing the state college faculty on all campuses. Its members are chosen by the full-time faculty on each campus under procedures that differ by campus and it holds meetings on the average of five times per year. Members of the senate regularly attend meetings of the board of trustees and are often asked for opinions on various matters affecting academic policy.

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Funds for the Academic Senate's activities are used to permit its officials released time from normal academic responsibilities and are estimated at \$57,835 in the 1967-68 fiscal year. In the budget year, expenditures of \$67,100 are proposed for workload plus \$53,425 for new program for a total of \$110,425 which will provide released time for senate personnel during the academic year, an extension of activities into the summer months and a new position of research associate I. We believe that the addition of this sum will permit the senate to provide better services to the Trustees, and will give the faculty a more informed voice in academic affairs.

COLLEGE BUDGETS

General Administration

This function includes the executive and business management activities of each college. The executive section includes the offices of the college president, vice presidents for administration and academic affairs, a publications manager and related staff. It is responsible for general management of the college, educational and facilities planning and public relations. The business management subfunction is divided still further into the business manager's office, accounting, personnel, purchasing, a portion of student loan administration and general institutional services such as telephone operation, property management and information dissemination (central duplicating, etc.).

For 1968-69 the proposed expenditures total \$17,495,488, an increase of \$2,550,952 or 14.7 percent over the estimated amount for 1967-68. On a cost per FTE basis, the figures are \$102 and \$108 for 1967-68 and 1968-69 respectively. This represents a significant increase in cost for this function and is caused by the fact that the allowance for automatic data processing which was previously budgeted under both general administration and instruction is now shown entirely in General Administration.

Table 8 indicates the expenditures, actual and proposed for general administration by object category. The line entitled "unallocated reduction for price increases" is intended to offset the normal price increases built into the operating expense category. This amount has been reinstated for the most part by a line item augmentation in the "provision of allocation" section of the Governor's Budget in the amount of \$106,865 which is \$641 less than the listed reduction.

Table 8
Expenditures for General Administration

	Actual 1966-67	Estimated 1967-68	Projected 1968-69	Proposed increase
Personal services -----	\$7,543,783	\$10,418,867	\$11,934,448	\$1,515,581
Operating expense -----	418,111	256,499	332,075	75,576
General institutional expense----	3,415,093	4,130,541	4,662,638	532,097
Equipment -----	112,150	138,629	208,917	70,288
Unallocated reduction for price increases -----	---	---	—107,506	—107,506
Augmentation for price increases	---	---	106,865	106,865
Totals -----	\$11,489,137	\$14,944,536	\$17,137,437	\$2,192,901

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The budgeted increase for 1968-69 includes 136.7 new positions including 25.1 in the executive function and 40.7 for automatic data processing. Other increases include 14.9 in business management, 23.5 in accounting, 13.0 in personnel, 6.5 in purchasing and 13.0 for general institutional services which contain such items as printing, travel, communications and automatic data processing expense and rental. The new positions in the executive subfunction are primarily clerical and are justified on the basis of increased workload associated with increases in enrollment. The total of 70.9 new positions for business management, accounting, personnel, purchasing and general institutional services are all computed according to established formulas and reflect the needs of the system in the budget year.

The proposed increase in operating expense for general administration totals \$607,673 excluding the unallocated reduction. Of this amount, \$75,576 is for supplies and services which appears to be justified on the basis of enrollment and price increases. The remaining \$532,097 is for general institutional expense and is presented in Table 9. In this latter category, the major item of significance is a \$390,044 increase in communications expense. This amount reflects additional costs for the installation of telephones for new faculty members and staff and to account for cost increases for both service and installation. As with many of the operating expense items, communications will probably be increased further when the Chancellor's Office completes its reallocation of the augmentation for enrollment increases.

Table 9
Expenditures for General Institutional Expense

	<i>Actual</i> <i>1966-67</i>	<i>Estimated</i> <i>1967-68</i>	<i>Budgeted</i> <i>1968-69</i>	<i>Proposed</i> <i>increase</i>
Printing -----	\$442,924	\$513,906	\$530,782	\$16,876
Travel, in-state -----	420,794	546,572	589,588	43,016
Travel, out-of-state -----	127,092	254,627	284,922	30,295
Communications -----	1,735,037	1,761,577	2,151,621	390,044
College memberships -----	47,395	54,263	69,035	14,772
ADP rental and expense -----	559,554	712,366	932,055	219,689
Other -----	81,997	287,230	104,635	—182,595
Totals -----	\$3,414,793	\$4,130,541	\$4,662,638	\$532,097

Among the remaining items, printing costs are proposed for a minor increase of \$16,876 which is the result of price increases for the manufacture of catalogs, bulletins and other publications. In-state travel is determined by a formula which allows a minimum of \$10,000 per college plus \$10 per eligible professional position, a factor for distance, automobile mileage and an allowance for administrative travel. It is proposed for an increase of \$43,016. Out-of-state travel is budgeted on the basis of \$17 per full-time faculty member plus \$10 per eligible position in other areas and is estimated to increase by \$30,295. Automatic data

Table 10

Proposed Expenditures for General Administration, 1968-69

	<i>Personal services</i>			<i>Supplies and services</i>	<i>Planning & community relations</i>	<i>General institutional expense</i>	<i>Equipment</i>	<i>Unallocated reduction for price increases</i>	<i>Total</i>
	<i>Executive</i>	<i>Business management</i>	<i>ADP services</i>						
San Jose -----	\$239,432	\$524,218	\$180,372	\$35,776	\$2,000	\$443,149	\$23,078	\$-14,196	\$1,383,829
Long Beach -----	219,631	522,739	141,751	31,101	1,475	387,092	26,909	-12,380	1,318,318
San Diego -----	238,951	507,126	128,965	19,000	2,200	434,806	14,968	-13,452	1,332,564
San Francisco -----	235,088	496,847	97,447	21,100	2,000	385,578	17,921	-12,056	1,243,925
Los Angeles -----	241,177	489,593	149,475	28,510	2,100	436,836	17,497	-13,790	1,351,398
San Fernando Valley ---	230,537	449,878	139,956	20,000	1,200	382,083	14,650	-11,897	1,226,407
Sacramento -----	218,368	372,361	103,229	20,632	1,500	286,042	10,176	-4,684	1,007,624
Cal Poly-San Luis Obispo -----	218,439	374,917	99,512	4,225	1,000	259,891	7,492	-4,030	961,446
Fresno -----	218,979	373,583	70,002	19,000	1,000	263,958	11,868	-4,316	954,074
Fullerton -----	199,955	351,330	79,460	17,250	1,000	256,024	7,544	-4,169	908,394
Chico -----	212,986	342,054	65,781	7,900	900	216,775	14,612	-3,429	857,579
Cal Poly-Kellogg-Voorhis -----	226,574	320,293	64,190	9,850	700	166,761	9,377	-2,695	795,050
Hayward -----	229,855	317,902	66,655	16,500	1,500	198,695	4,286	-3,293	832,100
Humboldt -----	172,003	265,054	45,414	12,982	750	196,690	6,565	-1,263	698,195
Sonoma -----	171,828	236,873	22,929	10,500	500	107,847	3,493	-708	553,262
Stanislaus -----	172,465	171,316	21,696	11,425	1,019	64,716	5,877	---	448,514
San Bernardino -----	180,688	186,419	16,646	9,270	900	81,801	5,257	-552	480,429
Dominguez Hills -----	173,115	161,535	31,155	7,500	750	71,994	3,555	-596	449,008
Kern County -----	139,662	56,042	---	6,860	200	21,900	3,792	---	228,456
Subtotals -----	\$3,939,733	\$6,520,080	\$1,474,635	\$309,381	\$22,694	\$4,662,638	\$208,917	\$-107,506	\$17,030,572
Listed augmentation for price increases -----									106,865
Total projected expenditures -----									\$17,137,437

California State Colleges—Continued

processing rental and expense is projected for an increase of \$219,689 which will permit the colleges to lease additional equipment and supplies primarily for the instructional program. As stated above, we believe that the colleges need to improve their instructional computer capacity according to their individual needs which often vary significantly among the several campuses. We are therefore supporting this augmentation. Finally, college memberships are due to increase by \$14,772. This item is to provide funds for membership in various professional societies in order to permit dialog between faculty members and professional people throughout the state and the nation.

Table 10 indicates the total proposed expenditures for general administration in 1968-69.

Automatic Data Processing

We recommend the installation of medium scale third generation central computer centers at the California State College at Los Angeles and Sacramento State College at a cost of \$497,191 including all costs for staff, equipment, site preparation and operating expense.

We recommend that 18 programmer II positions and 6 ADP manager positions be deleted from the workload budget for a reduction of \$264,370 including staff benefits.

We recommend that the \$358,051 augmentation for automatic data processing contained in the Governor's Budget be applied toward the cost of the computer centers at Los Angeles and Sacramento.

We recommend that the budget be augmented by \$46,534 to cover the developmental costs for a pilot project in computer assisted instruction at the California State College at Los Angeles.

The net financial effect of these recommendations will be a reduction in the existing budget of \$78,696.

Since the establishment of the California State Colleges, the problems surrounding the needs for and uses of automatic data processing equipment have been exceedingly complex. Questions have consistently arisen concerning the emphasis that should be placed on the instructional versus the administrative uses of computers, and the result has generally been an almost total lack of coordination among the campuses in both areas. Few adequate proposals have been submitted by the individual campuses and no acceptable statewide system has been developed.

The state colleges now operate 18 electronic computers on 14 of the 18 existing campuses. Most of these machines are obsolete, small scale scientific models suited primarily for the instruction of students. However, by the attachment of certain peripheral devices such as printers and data-storage units, these computers have been adapted for administrative data processing, which accounts for a substantial workload. The capacity of this equipment is severely limited and the programming languages are of a type seldom used in today's scientific or business world. In addition, some computing capability is obtained from private industry, service bureaus, and other institutions, particularly when a larger machine is needed. Punched card machines are utilized on all

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campuses to process business or student record data and this equipment allows the colleges to sort, reproduce, collate and print data such as class rosters, grade reports, accounting records, personnel rosters, etc.

With rising student enrollments, the ADP workload on the campuses has increased dramatically in both the administrative and instructional areas. Examination of materials prepared by the Division of Institutional Research within the Chancellor's Office and by the individual colleges, however, reveals no current and accepted systemwide plan for utilization of ADP equipment or personnel. There is also a lack of similarity in the approaches to utilization of ADP equipment in plans prepared by the individual campuses.

The existence of obsolete equipment and the lack of planning at both the local and statewide levels does not alter the fact that there is a great need for computers in higher education for both business and academic affairs. As an illustration of this need, the Chancellor's Office recently released a survey which outlined some of the administrative service applications of computers. These applications include admissions and records processing, instructional statistics such as grade reports, class lists, etc., student personnel records, student services financial reporting, management planning and various business services such as purchasing, accounting, the development of equipment inventories and personnel reporting.

In the instructional area, uses include the teaching of computing languages to beginning and advanced students in economics, business, mathematics, engineering and other disciplines, use of the computer as a problem solving tool in academic course work, use of the computer as a research tool for both students and faculty and the teaching of computer management and operation. In addition, a relatively new concept called computer assisted instruction (CAI) has emerged in the field of education.

CAI is a form of programmed learning which supplements the instructional program using a "typewriter-like" terminal connected to a computer with some audio-visual devices. Instructional materials are selected and program courses written by faculty in much the same manner as textbooks. However, depending on the student's responses, he is presented with new material by a computer or is looped back to supplemental topics with which he is having trouble. CAI is not used by any state college at the present time but the California State College at Los Angeles has done considerable research into the benefits to be derived from this approach.

Our office has expressed concern in recent years over the proliferation of individual campuses' ADP systems, the lack of utilization of modern ADP techniques in the management of the state colleges in such areas as registration and student scheduling and the lack of a systemwide ADP master plan. As a consequence, both the Senate Finance and the Assembly Ways and Means Committees in the 1965 General Session recommended that the state colleges report on the feasibility of using electronic computers to more efficiently register and schedule students, faculty and facilities. This report was submitted, but little progress resulted from it.

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In the 1966-67 budget, the Legislature took a further step and allocated \$70,403 to the Office of the Chancellor to "accomplish the total systems study and develop the State College ADP Master Plan." Target date for the completion of the study was tentatively set for June 1968.

The 1967-68 Governor's Budget did not contain any augmentation for automatic data processing. However, the Senate Finance and Assembly Ways and Means subcommittees hearing the state college budget requested the Chancellor's Office to present any new programs not included in the Governor's Budget. In response to this invitation, a request for \$1,377,361 was offered which our office analyzed and recommended for approval at the reduced level of \$606,802, a recommendation which was accepted by the Legislature but subsequently vetoed by the Governor. This year, the Governor's Budget contains the following amounts for ADP workload:

	<i>Estimated 1967-68</i>	<i>Budgeted 1968-69</i>	<i>Proposed increase</i>
Personal services -----	\$954,759	\$1,350,779	\$396,020
Operating expense -----	712,366	932,055	219,689
Equipment -----	540,814	653,301	117,487
Totals -----	\$2,207,939	\$2,941,135	\$733,196

In addition, a new program augmentation if included in a separate section (page 334 of the Budget Document) in the amount of \$358,051. According to the budget narrative, these funds will be used for feasibility studies for automated systems in the areas of student services, personnel, business management and library, specific systems designs in the same areas, expanded data processing capability at the developmental center to be provided for Los Angeles area colleges and the Chancellor's Office and the development and testing of remote data processing applications and techniques for implementation at all southern California state colleges in 1969-70. This first phase of the long range plan is designed to meet both instructional and administrative needs for ADP services.

No detailed data has accompanied this augmentation request although we note that this new program is substantially different from the automatic data processing proposal that appeared in the budget of the board of trustees, which called for increased computing capacity on each campus.

When the workload budget request and the new program are evaluated in terms of a potential impact on the uncoordinated program that has developed to date, it appears that there will continue to be a lack of progress unless the program is given a direction that it now does not have. Because of this, we have formulated the previously listed recommendations which we believe will provide the needed direction. *To recap, the recommendations were for two new computer centers, the first to be installed at Los Angeles in October of 1968 and the second to be installed at Sacramento in April of 1969. To finance this venture, we have recommended that a total of 24 requested positions be deleted at a savings of \$264,370 and that the \$358,051 ADP augmentation be ap-*

California State Colleges—Continued

plied to the cost of the project. It is our intention that these facilities will service only the administrative data processing needs of the state colleges as well as the Chancellor's Office and that the existing campus computers should be utilized for instructional uses exclusively.

We are recommending the deletion of the 18 programmer II positions because we believe that such an augmentation will further fragment attempts to design and implement a statewide administrative system and will make a common system impossible to attain. These positions cannot be justified on the basis of assistance to faculty in instructional applications since faculty members teaching programming, for example, must of necessity learn the skill at special schools provided without charge by equipment manufacturers or from available manuals.

We are recommending the deletion of the 6 ADP managers because we believe they involve unnecessary duplication of effort. The campuses at which these managers would be located are each currently staffed with EDP supervisor positions. It would appear that additional management personnel would tend to further impede the efforts to develop a state-wide system.

The increase for computer assisted instruction is recommended on the grounds that it constitutes a major needed improvement in the instructional uses of computers which is not currently found on any of the college campuses. It is recommended for the Los Angeles campus because the officials involved on that campus have submitted an articulate and workable plan for its implementation.

Instruction

The instructional function includes all expenditures for classroom instruction and supporting services excluding those for the international program which are budgeted under the Chancellor's Office. The budgetary presentation of this item consists of the categories of instruction and instructional services with the former divided further into administration, instructional faculty, technical and clerical and special programs. Instructional services include salaries, operating expenses and equipment for audio-visual services, educational television, data processing, master teacher payments to local school districts, special lecture services and college farm operations.

Three other instructional programs (excluding the international program) which are not presented in this section of the college budgets are those for summer sessions, extension and year-round operations. The first and second of these programs are fully reimbursed activities supported by student fees and are presented under the category of "reimbursed activities." The third, year-round operations, is isolated in its own category as a separate program. Although the long-range continuation of this practice may be questionable, it seems desirable in the first few years of operation to allow fourth quarter costs to be readily identifiable inasmuch as its continuation or expansion is not altogether clear. In 1968-69 the Department of Finance has allowed funds only for the maintenance of the 1967-68 level of service for year-round operation. This entire subject is treated in more detail in a later section of the Analysis.

Table 11

Budgeted Expenditures for Teaching and Instructional Administration, 1968-69

	<i>Personal services</i>				<i>Operating expense</i>					<i>Total</i>
	<i>Instructional administration</i>	<i>Teaching faculty</i>	<i>Technical & clerical assistance</i>	<i>Instructional services & special programs</i>	<i>Administration & teaching expense</i>	<i>Recruitment expense</i>	<i>Instructional services</i>	<i>Special programs</i>	<i>Equipment</i>	
San Jose -----	\$1,092,939	\$14,235,632	\$1,667,895	\$311,166	\$535,345	\$38,962	\$108,063	\$9,800	\$199,598	\$18,199,400
Long Beach -----	828,196	12,816,840	1,375,416	235,488	530,000	48,343	71,021	--	236,059	16,141,363
San Diego -----	791,429	11,912,659	1,432,388	1,054,402	462,313	34,797	84,650	20,853	208,544	16,002,850
San Francisco --	634,482	11,760,253	1,349,614	809,737	391,730	25,341	101,050	23,570	154,616	15,251,209
Los Angeles -----	833,323	11,101,130	1,213,557	242,458	420,525	31,175	105,280	--	164,875	14,112,323
San Fernando Valley -----	704,192	8,783,088	988,883	145,742	373,530	34,361	66,200	--	157,460	11,253,456
Sacramento -----	659,394	7,098,051	738,805	468,888	268,642	24,544	48,350	6,213	137,521	9,449,908
Cal Poly—San Luis Obispo --	655,033	6,905,471	679,435	260,288	290,191	20,844	30,288	79,600	123,662	9,044,812
Fresno -----	563,141	6,760,843	754,873	1,038,024	271,606	29,375	50,600	92,359	112,098	9,672,919
Fullerton -----	304,427	5,544,006	679,063	99,519	230,030	25,572	26,950	--	120,540	7,030,107
Chico -----	378,750	5,403,290	637,711	380,188	220,660	19,404	30,000	86,660	96,655	7,253,318
Cal Poly—Kellogg-Voorhis --	409,117	4,712,513	459,491	227,962	198,875	19,506	24,500	65,000	82,250	6,199,214
Hayward -----	390,959	4,347,038	481,583	86,912	154,508	22,488	46,687	--	91,860	5,622,035
Humboldt -----	297,844	3,299,685	367,791	298,242	108,645	9,921	22,521	16,990	48,196	4,469,923
Sonoma -----	158,888	1,503,604	175,526	39,333	51,000	10,409	19,628	--	33,789	1,999,740
Stanislaus -----	117,057	1,041,175	127,693	46,529	43,198	5,654	12,221	--	25,928	1,431,077
San Bernardino --	112,508	1,250,639	150,823	27,022	45,608	6,476	11,645	--	30,868	1,635,589
Dominguez Hills	129,299	784,265	75,917	30,268	21,283	10,896	4,500	--	21,083	1,077,511
Kern County ----	113,703	--	--	--	--	5,000	--	--	1,014	98,813
Totals -----	\$9,174,681	\$119,260,182	\$13,356,464	\$5,801,668	\$4,617,689	\$423,068	\$864,154	\$401,045	\$2,046,616	\$155,945,567
Unallocated increases -----										1,325,635
Total -----										\$157,271,202

California State Colleges—Continued
Teaching and Administration

The instructional function is budgeted at a cost of \$155,945,567 for the 1968-69 fiscal year including \$9,174,681, or 5.9 percent, for instructional administration; \$119,260,182, or 76.5 percent, for teaching faculty; \$13,356,464, or 8.6 percent, for technical and clerical assistance; and \$5,810,668, or 3.7 percent, for instructional services and special programs. Operating expenses for these subfunctions total \$6,305,956 (4.0 percent) with equipment adding another \$2,046,616 (1.3 percent).

Table 11 shows the proposed expenditures for instruction for 1968-69. The "unallocated increases" line is a total of three augmentation items contained in the "provision for allocation" section of the Governor's Budget including \$1,040,000 for "faculty staffing", \$237,232 for an increase in pay for faculty members on full year sabbatical leaves and \$48,403 for a joint doctoral program in special education at California State College at Los Angeles in conjunction with UCLA. Finally, there is another unallocated item in the amount of \$6,776,416 to account for enrollment increases which is not included in the table inasmuch as it contains more than instructional costs.

In the budget year the \$119,260,182 for teaching faculty includes necessary funds primarily for classroom instruction but also for sabbatical leaves, special leaves and distinguished teaching awards. It will provide for a total of 9,780 teaching faculty positions of which 860 are new. The need for these positions is determined by the complex faculty staffing formula and is then modified somewhat by the application of a predetermined student-faculty ratio. The formula determines faculty needs by assigning courses to one of six types, each requiring a different number of hours in class and in preparation. From this it is possible to compute the number of courses that will make up a full program for each faculty member based on a normal course load equivalent of 12 units which normally requires 12 hours per week in the classroom and 24 hours per week in preparation. For faculty members teaching one or more graduate courses, however, the teaching load is reduced to the equivalent of 10 units on the assumption that more outside preparation is required for each hour in the classroom.

The student-faculty ratio is also used as a general guideline and can serve to reduce faculty allotments. In the current and budget years, this ratio is listed at 16.38 students per faculty member. What effect the \$6.8 million augmentation for further enrollment increases will have on this ratio is not currently known and will not be known until the colleges determine the amount that will be allocated to the instructional function.

One point that should be mentioned is the possible effect that a change in the composition of the student population could have on the student-faculty ratio. Given the fact that faculty members teaching graduate courses are required to carry two fewer units of work, it is apparent that an increase in the number of graduate students will require more faculty members than would be true of an increase at the undergraduate level. This in turn should have the effect of further lowering the student-faculty ratio without really improving the level

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of service offered. For the 1968-69 year the Governor's Budget notes that the percentage of graduate students is scheduled to increase to 4.9 percent of the total student enrollment, from the currently estimated level of 4.8 percent. In spite of this, the budget shows no decrease in the ratio of students to faculty which leads to the conclusion that the current budget is actually proposing a reduction in the service level.

It is unfortunate that this apparant inconsistency is not possible to verify precisely inasmuch as the effect on the total student population is not currently known in the absence of a detailed breakdown of the 5,030 FTE student increase. It is certainly possible that the \$6.8 million unallocated augmentation for enrollment increases can account fully not only for the additional students but for any inequities in the current allotment of faculty. But until we know how many additional faculty members will be provided by the augmentation we are unable to make a definitive comment on the adequacy of the current support level.

For instructional administration, a total of \$9,174,681 is budgeted which constitutes an increase of approximately \$585,000 over the current year. These funds are used for the salaries of deans and associate deans of schools, division and department chairmen, coordinators and curriculum supervisors.

In last year's analysis we noted the fact that the state colleges have recently been reorganizing instructional administration by changing from divisions to schools in order to streamline administrative operations and to eliminate one level between the faculty member and the chief academic administrative officer.

Our objection to the practices employed by the colleges in the 1967 Analysis was that the "division chairmen" positions, the number of which was derived by a formula of one for each 25 faculty members, were used as a pool of released time to free department or division chairmen from teaching responsibilities without ever clearly articulating the duties and functions such administrators were to perform. This practice was continuing in spite of the fact that the position of division chairman had been eliminated through the reorganization. We argued then that if greater administrative efficiency was the objective, it was reasonable to assume that the number of academic administrators should be reduced on the one hand and that they should be assigned specific functions which could be measured on the other. Consequently, we recommended that 29.9 proposed new division chairman positions be deleted, a recommendation which the Legislature accepted to the extent of 14.3 positions.

In the interim, a one-year solution was developed by our office and agreed to by the Department of Finance. This proposal allows one dean per school and one associate dean for schools with more than 200 faculty members. Clerical help will be budgeted on the old scale of one position per school dean and .22 positions per department or division chairman. This involves only minor alterations and will have no profound effect on the number of instructional administrators. However,

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it should be emphasized that this is only a one-year solution to be used pending a plan from the colleges for more accurately determining the needs for department chairmen as well as the functions they are to perform.

Operating expenses for the instructional function are determined partially by formula and partially on an individual justification basis. Administration and teaching and audio-visual expenses are entirely supported from the student Materials and Service Fee and are set at a sum equivalent to \$31.50 per FTE student. Faculty recruitment expenses are determined by the application of a percentage increase which accounts for increases in the cost of travel. Television costs and those for laboratory schools and most other special programs are determined by prior expenditure experience.

Table 12
Expenditures for Instructional Operating Expense

	<i>Actual</i> 1966-67	<i>Estimated</i> 1967-68	<i>Budgeted</i> 1968-69	<i>Proposed</i> <i>increase</i>
Administration and teaching --	\$3,880,488	\$4,235,824	\$4,617,689	\$381,865
Master teachers -----	308,023	434,133	462,472	28,339
Special lectures -----	36,301	51,950	52,575	625
Faculty recruitment				
Moving allowance -----	57,833	181,500	239,981	58,481
Recruitment travel -----	53,894	105,592	139,896	34,304
On-campus interviews -----	10,356	31,900	43,173	11,273
Television -----	83,768	82,803	86,803	4,000
Data processing -----	60,789	--	--	--
Audiovisual services -----	217,623	214,730	250,422	35,692
Laboratory schools -----	35,257	39,050	40,150	1,100
Special programs -----	286,826	322,690	360,895	38,205
Other -----	30,267	8,180	11,900	3,720
Totals -----	\$5,061,425	\$5,708,352	\$6,305,956	\$597,604

We recommend withholding approval of \$1,040,000 requested for "faculty staffing" on page 330 of the Governor's Budget pending clarification of its application. In the "provision for allocation" section of the budget, it is argued that the above sum is needed to recognize the changing distribution of students, the increase in specialized programs and the need for faculty research. No other justification has been presented as of this writing.

As mentioned above, we believe that consideration should be given to lowering the student-faculty ratio to account for the changing distribution of students in the colleges if that change can be demonstrated. However, we note in the absence of concrete figures that the percentage increase in graduate students has not been consistently upward in recent years but has tended to fluctuate. For example, between 1963-64 and 1964-65, the percentage of graduate students decreased from 4.6 percent to 4.2 percent at the same time that the student faculty ratio increased. This ratio also decreased between 1965-66 and 1966-67 from 4.7 percent to 4.6 percent. Other factors also tend to complicate decision-making in this area particularly the possibility for increased rates of induction of graduate students into the armed forces. For these reasons,

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it is not possible to approve the request for funds on the basis of a changing distribution of students.

The second justification for the request is the increase in specialized programs. We make two points. First, existing special programs have received normal workload increases for the 1968-69 year and are adequately funded. Second, if it is the intention to augment these programs and thereby to improve the level of service, then the budget should indicate which programs are to be improved and for what reasons. This request for a specific justification also applies to the possibility of establishing new special programs. At this point, we have no information on any of the college intentions in this area.

Concerning the third part of this justification which claims there is a need for additional faculty research, we again believe that more information is needed. The master plan specified that there should be a division of the research function between the University of California and the California State Colleges. Specifically, the research undertaken in the college system should be associated with the primary function of teaching. (In a later part of the analysis we are offering suggestions on the types of research activity that we believe are consistent with the colleges' assigned responsibilities.) At this point, we have no way of knowing generally or specifically how much of the augmentation will be used for research activities or what kind of research is being proposed. In the absence of this information, we cannot recommend that the additional funds be approved.

We recommend that \$237,232 requested for additional sabbatical leave funds be denied.

In July 1966 the State College Board of Trustees passed an amendment to Title 5 of the California Administrative Code which specified that faculty members on full-year sabbatical leaves would receive two-thirds pay rather than one-half pay which had been the previous remuneration. In spite of this change, however, no funding to recognize the increase has been included in the Governor's Budget until this year.

The request is supported on the grounds that "the fringe benefits of state college faculty (including provision for sabbatical leaves) do not equal the benefits of comparison institutions or colleges with whom the state colleges compete for faculty." We agree that overall faculty fringe benefits are not as high as those for the current list of comparison institutions but we point out that according to the report by the Coordinating Council for Higher Education on faculty recruitment, salaries and benefits (CCHE Report Number 67-17, December 5, 1967) sabbatical leaves are not considered a fringe benefit but a special benefit and should be analyzed separately.

We believe two points should be considered in any discussion of sabbatical leaves. First, what percentage of the faculty is granted leaves and second, what is the compensation offered for those leaves? The coordinating council states in its report that faculty leaves (including but not limited to sabbatical leaves) are available for 5.1 percent of the full-time faculty at the colleges while the comparison institutions enjoy a percentage of 7.5. However, they also note that "state college sabbati-

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cal leave policies provide greater compensation and lower eligibility requirements for leaves than do those of the state college comparison institutions."

Current state funding policies in the college system are that an eligible faculty member will receive full pay for a half-year leave and one-half pay for a full year leave. Also, a faculty member may qualify for a sabbatical leave after only two years of service at quarter system colleges and three years of service at semester system colleges. In contrast to this policy, five of the comparison institutions have no sabbatical leave programs at all, eight offer leaves only after six years of service and then at no more than one-half pay for a full year leave. Four institutions have flexible programs whereby sabbatical leaves are supplemented by other special leaves. The final institution (Wayne State University) is the only one which offers more than half pay for a full year leave and it offers 60 percent. The coordinating council concludes its discussion of this subject as follows: "State college provisions for a full year's leave at two-thirds pay (or two quarters at full pay) plus a program for special leaves independent of the now broadened sabbatical leave program, exceed the compensation and eligibility provisions of the leave programs at nearly all the comparison institutions."

We believe that the state colleges have reversed their priorities in this policy area by granting additional compensation before increasing the total number of leaves. It is noted that there is currently a backlog of 2,575 faculty members eligible for leaves and that the budget provides for only 166.5 full-year leaves at a cost of \$1,574,055. It also seems difficult to make the argument that faculty members cannot afford to take a full years' leave inasmuch as there is always the opportunity to take a leave for a half-year or two quarters at full pay. Further, a half-year leave is almost always for more than six months inasmuch as it generally overlaps with the summer recess resulting in an actual leave for between seven and nine months. Our conclusion is that the \$237,232 requested should not be allowed for the purpose of increasing faculty leave compensation but that consideration should be given to the possibility of appropriating the funds for an increase in the total number of leaves at the existing budgetary levels.

Instructional Services

Instructional services are shown in Table 13 and include various activities in support of the regular instructional program including audiovisual services, instructional television, data processing, master teachers and special lectures. The \$2,945,354 budgeted for 1968-69 comes from the General Fund with the exception of operating expenses for audiovisual services which are supported by the student materials and services fee.

As noted previously, expenditures for automatic data processing are now contained in the general institutional expense category under general administration, a change which we have recommended in previous analyses of the college budgets. We believe this more accurately reflects the fact that the services ADP makes available are shared by most of the other functions in the system.

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Table 13
Expenditures for Instructional Services

	<i>Actual</i> 1966-67	<i>Estimated</i> 1967-68	<i>Budgeted</i> 1968-69	<i>Proposed</i> <i>increase</i>
Audiovisual services -----	\$1,568,251	\$1,879,975	\$2,030,620	\$150,645
Instructional television -----	353,107	376,319	399,687	23,368
Data processing -----	308,292	----- ¹	----- ¹	-----
Master teachers -----	308,023	434,133	462,472	28,339
Special lectures -----	36,301	51,950	52,575	625
Distinguished teaching awards--	31,500	32,000	35,000	3,000
Totals -----	\$2,605,474	\$2,774,377	\$2,980,354	\$205,977

¹ Expenditures transferred to General Administration.

The expenditures for audiovisual services are on a formula basis for personal services and an individual basis for operating expense. As has been the case for several years, the budget for master teachers is derived from a payment of \$5 per credit unit for students majoring in education for practice teaching programs. Special lecture funds are budgeted at the rate of \$3,000 per campus with only three minor exceptions. Distinguished teaching awards are budgeted at \$67,500 in the Chancellor's Office budget and \$35,000 in the college budgets under personal services for a total of \$102,500 for the program.

Special programs in the colleges include laboratory schools, master of social work programs, college farms, television broadcasting, off-campus centers, joint doctorals and miscellaneous activities including the marine studies facility at Moss Landing, centers for economic education and a natural resources program at Humboldt. The identifiable costs for these programs and the number of campuses conducting them are shown in Table 14.

Table 14
Identifiable Budgeted Expenditures for Special Programs, 1968-69

Laboratory schools (five campuses) -----	\$922,753
Master of Social Work (four campuses) -----	1,299,343
College Farm (four campuses) -----	767,760
Television broadcasting (San Diego) -----	378,714
Off-campus centers (Fresno and San Diego) -----	483,755
Centers for economic education (San Jose and Fullerton) -----	18,713
Joint doctoral programs (San Diego and San Francisco) -----	61,460
Natural resources program (Humboldt) -----	52,908
Moss Landing (San Jose) -----	29,652
Total -----	\$4,015,058

Libraries

The library function at the state colleges includes such operations as the acquisition and processing of books, pamphlets, periodicals and other documents, the maintenance of the catalog and indexing systems, the distribution of reference services to students and faculty, and the supervision and administration of these activities. The operation is similar to that found at liberal arts institutions that emphasize undergraduate education and teaching before research. In this regard, they do not specialize to the extent that is evident in large universities but tend to offer a general purpose facility strongly oriented to under-

Table 15

Proposed Library Expenditures, 1968-69

	<i>Personal services</i>	<i>Books</i>	<i>Periodicals</i>	<i>Supplies and services</i>	<i>Equipment</i>	<i>Unallocated reduction for price increase</i>	<i>Totals</i>
San Jose -----	\$938,033	\$326,824	\$75,000	\$100,456	\$32,805	\$-35,566	\$1,437,552
Long Beach -----	1,084,676	659,834	45,000	176,209	23,061	-62,385	1,926,395
San Diego -----	893,233	417,541	44,611	115,539	16,297	-40,078	1,447,143
San Francisco -----	776,152	307,047	42,000	87,263	15,903	-29,966	1,198,399
Los Angeles -----	799,844	307,460	54,220	90,420	24,057	-34,453	1,241,548
San Fernando Valley -----	763,399	377,479	50,000	106,870	22,074	-37,787	1,282,035
Sacramento -----	597,655	259,483	45,000	76,121	13,572	-26,950	964,881
Cal Poly-San Luis Obispo -----	507,995	222,536	35,000	64,384	8,901	-22,795	816,021
Fresno -----	527,313	193,221	40,000	58,305	8,568	-20,846	806,561
Fullerton -----	613,610	345,014	50,000	98,754	5,716	-34,963	1,078,131
Chico -----	465,981	215,265	26,500	65,741	8,293	-21,281	760,499
Cal Poly-Kellogg-Voorhis -----	453,090	237,922	20,000	64,481	2,719	-22,829	755,383
Hayward -----	421,596	214,729	25,000	59,932	8,512	-21,218	708,551
Humboldt -----	260,705	95,956	17,075	28,258	3,884	-9,899	395,979
Sonoma -----	170,484	55,975	16,000	17,944	1,874	-6,371	255,956
Stanislaus -----	157,270	58,626	10,000	17,157	1,520	-6,074	238,499
San Bernardino -----	186,116	88,045	25,500	28,386	879	-10,050	318,876
Dominguez Hills -----	109,058	33,464	9,000	10,616	1,179	-3,759	159,558
Kern County -----	40,362	--	--	39,000	4,700	--	84,062
Subtotals -----	\$9,766,572	\$4,416,421	\$629,906	\$1,305,886	\$204,514	\$-447,270	\$15,876,029
Unallocated Augmentation for Price Increases -----							444,536
Total -----							\$16,320,565

California State Colleges—Continued

graduate instruction. Recently, however, the college libraries have attempted to expand their offerings and to increase specialization in response to the steady expansion of master's degree programs.

Organization is by subject field (history, engineering, art, English, etc.) with special sections for government documents, periodicals, reference materials, art materials, etc. Part of the master plan for building construction calls for the allocation of library space to accommodate approximately 25 percent of the college's FTE projected three years ahead of the time the building will be occupied.

The budget for library expenditures is broken down into five categories including personal services, books, periodicals, supplies and services, and equipment. In addition, the library function includes allocations for general administration, plant operation and maintenance, and institutional expenses. Inasmuch as these are not directly relatable to the library function, they are budgeted under general administration and plant operation.

Library expenditures for 1968-69 are proposed at \$15,876,029 for an increase of \$964,715 over the current year. This proposal is shown in Table 15.

Proposed expenditures for personal services are \$9,766,572, an increase of 81.4 positions and \$792,683 for the system. These positions are allocated among the several campuses on the basis of formulas which provide for one librarian position per college and between three and five supporting positions depending on the size of the college. In addition, technical processing staff is budgeted on the basis of one position for each 850 new volumes with public services positions allocated on the basis of one position for each 300 FTE.

Table 16
Total Library Volumes and Volumes per FTE

	<i>Previous total</i>	<i>Volumes added</i>	<i>Total</i>	<i>FTE</i>	<i>Volumes per FTE student</i>
Actual					
1965-66 -----	2,770,377	482,263	3,252,640	116,165	20.8
1966-67 -----	3,252,640	667,345	3,919,985	128,686	30.5
Estimated					
1967-68 -----	3,919,985	607,344	4,527,329	140,245	32.2
1968-69 -----	4,527,329	627,513 ¹	5,154,842	151,790	34.0

¹ Excludes the funding of 13,000 volumes for Kern County from capital outlay.

As indicated in Table 16, a total of 627,513 books and periodicals are scheduled for acquisition in the budget year. This total results in a need for 738.2 positions. In addition, the original FTE figure of 151,790 (excluding summer quarter FTE) was used to compute the public services staff which at one position per 300 FTE produces 505.9 positions. The remaining staff includes 19 librarians and 73 supervisory staff positions for a total of 1,336.1 positions including the 81.4 position increase. We believe this increase conforms to recognized workload standards and should be approved.

California State Colleges—Continued

The total budgeted expenditure for books is \$4,416,421 and for periodicals, \$629,906 for an increase of \$503,397. These funds will be used to continue the program of book and periodical acquisition which began in 1965-66 and which is intended to produce a ratio of 40 books per student by 1974-75. The allocation is determined in two parts, first for a "deficit entitlement" which provides an annual increase in the number of books per student based on the 1965-66 FTE and the ongoing increase which is computed by multiplying the annual FTE increase by 40. The result is the 627,513 volume increase of which all but 10 percent will be for books. In addition to this total, 13,000 volumes will be provided at Kern County from capital outlay funds.

Supplies and services includes the cost of periodical binding, book processing materials and other miscellaneous library resources and is budgeted on the basis of 25 percent of the proposed expenditures for books and periodicals. In 1968-69 it is estimated at \$1,305,886.

The total actual, estimated and proposed expenditures for libraries are shown in Table 17.

Table 17
Total Library Expenditures

	Actual 1966-67	Estimated 1967-68	Budgeted 1968-69	Proposed increase
Personal services -----	\$7,818,404	\$8,973,889	\$9,766,572	\$792,683
Books -----	4,110,632	3,982,894	4,416,421	433,527
Periodicals -----	517,599	560,036	629,906	69,870
Supplies and services -----	1,089,631	1,207,386	1,305,886	98,500
Equipment -----	168,123	187,109	204,514	17,405
Unallocated reduction for price increases -----	--	--	—447,270	—447,270
Totals -----	\$13,704,389	\$14,911,314	\$15,876,029	\$964,715

We recommend approval of the library request as budgeted.

Student Services

The student services function includes a wide variety of services to students which are not related to the instructional program and which are financed partially or completely from revenues from the student materials and service fee. For budgetary purposes, services are identified by administration (Office of the Dean of Students), admissions and records, student personnel (counseling and testing, foreign student counseling, activities and housing, placement), health services and equipment. Until this year, a portion of student financial aids administration was budgeted under student services, but this year it has been moved to a separate category entitled "Student Financial Aids." This does not change our analysis significantly, however, since we have discussed student financial aid separately in the past. With the exception of admissions and records which is partially student fee supported, all of the above mentioned activities are financed by the revenue from the materials and service fee.

Proposed expenditure for 1968-69 totals \$15,330,756 which constitutes an increase of \$1,129,452 over the current year estimate. Included

Table 18
Budgeted Expenditures for Student Services, 1968-69

	<i>Administration</i>	<i>Admissions and records</i>	<i>Student personnel</i>	<i>Health services</i>	<i>Equipment</i>	<i>Totals</i>
San Jose.....	\$52,096	\$441,078	\$660,384	\$434,359	\$21,879	\$1,609,796
Long Beach.....	52,641	484,456	555,162	419,198	11,176	1,522,633
San Diego.....	48,017	386,900	511,768	390,710	14,649	1,352,044
San Francisco.....	52,359	388,777	528,661	359,090	16,531	1,345,418
Los Angeles.....	53,091	488,014	494,887	319,371	20,679	1,376,042
San Fernando Valley.....	48,351	353,522	436,237	308,400	22,468	1,168,978
Sacramento.....	48,623	288,040	344,987	226,668	10,031	918,349
Cal Poly-San Luis Obispo.....	45,018	186,870	346,752	225,056	8,374	812,070
Fresno.....	46,797	242,929	358,013	224,613	11,296	883,648
Fullerton.....	43,496	236,868	261,676	175,350	8,332	725,722
Chico.....	46,435	185,248	308,867	185,934	7,026	733,510
Cal Poly-Kellogg Voorhis.....	42,678	163,467	292,936	176,041	7,508	682,630
Hayward.....	44,126	175,362	276,817	120,574	10,649	627,528
Humboldt.....	31,635	123,771	185,445	95,012	5,585	441,448
Sonoma.....	29,338	97,714	131,759	64,435	1,666	324,912
Stanislaus.....	31,768	76,860	98,196	34,433	1,963	243,220
San Bernardino.....	32,532	75,517	122,893	44,538	2,115	277,595
Dominguez Hills.....	35,026	73,893	89,755	30,095	2,855	231,624
Kern County.....	29,647	23,042	---	---	900	53,589
Totals.....	\$813,674	\$4,492,328	\$6,005,195	\$3,833,877	\$185,682	\$15,330,756

California State Colleges—Continued

in the budgeted amount is \$813,674 for administration, \$4,492,328 for admissions and records, \$6,005,195 for student personnel, \$3,833,877 for student health services and \$185,682 for equipment. A total of 86.4 new positions are proposed in the budget year.

Administrative costs at \$813,674 include additions of four half-time positions, all clerical which are distributed among four campuses. These are based on formulas and are justifiable on a workload basis.

The admissions and records subfunction is proposed at \$4,492,328 which includes the addition of 26.7 positions. Staff in this area is determined both on the basis of the size of the institution and on the number of applications for admission and can be affected by the distribution between limited and full-time students. No new program is proposed in this section and all increases are in conformance with current budgeting standards.

The student personnel section is budgeted at \$6,005,195 for the coming year which includes a total of 31.9 new positions at an estimated cost of \$218,445 which will be used primarily in the counseling and testing and student placement areas. As with the other amounts in the student services function, the amounts budgeted for student personnel are according to accepted workload standards.

Health services is budgeted at \$3,833,877 and includes an increase of 25.8 positions at a cost of \$212,268 which is determined by formulas based on the FTE of each college. The increases listed are all for workload only and include no additional funds for an improved level of service.

Table 18 shows the proposed expenditure level for the budget year.

We recommend that the \$15,330,756 budgeted for student services be approved.

Student Financial Aid

The programs devoted to assisting students in the completion of their higher education are many and varied and have grown rapidly in recent years, particularly at the federal level. The form of student aid offered by the colleges is either a direct award or a "package" combining several forms of aid. A direct award is generally offered to students with limited need and may take the form of a California State Scholarship if the student is of high academic merit and in substantial financial need, an NDEA loan, a part-time job under the Work-study Program or some other program. For students with a much greater need, i.e., a student receiving little or no parental assistance, the college financial aid administration will generally construct a "package" program consisting of a loan, a grant, and a part-time job.

The concept of the "package program" has grown out of the recognition by higher education and government officials that the demand for scholarship and grant funds is greater than the available supply. Of all the student aid money allocated within the college system each year, only about 14 percent is in the form of scholarships and grants. Given this fact, it is incumbent upon the college administrations to insure that the existing funds are disseminated as evenly as possible among the qualified applicants. Further, federal regulations under the

California State Colleges—Continued

Educational Opportunity Grant Program state that only 50 percent of any student's financial needs may be from this program, which necessitates adoption of the package approach.

The current expenditure level of student financial aid programs is not possible to predict precisely due to the many overlapping jurisdictions administering them including the federal government, state government and the collegiate institutions themselves. In addition, there are a great many sources of funds other than governmental and educational agencies including alumni groups, banks, private and semi-public foundations and many private interests. Finally, a major source of financial aid is part-time jobs which are often allocated on an informal basis and not reported.

Although there are a great number of student financial aid programs utilized by the state colleges, they are responsible for the administration of only five. These programs include the Educational Opportunity Grant Program, the National Defense Student Loan Program, the Nursing Student Loan Program, the Work-study Program and the Nursing Educational Opportunity Grant Program, all of which are supported primarily with federal funds. In 1966-67 these programs accounted for a total of \$11,072,446 in loans and grants, a total that is expected to increase to \$14,327,300 in 1967-68 and \$17,599,110 in the budget year. Table 19 lists the college administered programs.

Table 19
College Administered Financial Aid Programs

	<i>Actual 1966-67</i>	<i>Estimated 1967-68</i>	<i>Budgeted 1968-69</i>	<i>Proposed increase</i>
Program Funds				
Work-study Program -----	\$5,197,760	\$6,468,050	\$7,895,065	\$1,427,015
NDEA Student Loan Program	4,686,090	5,379,100	7,218,345	1,839,245
Educational Opportunity grants -----	1,129,716	2,362,500	2,292,700	-69,800
Nursing Educational Opportunity Grant Program -----	---	---	33,400	33,400
Nursing Student Loan Program -----	58,880	117,650	159,600	41,950
Totals -----	\$11,072,446	\$14,327,300	\$17,599,110	\$3,271,810

This year for the first time, all student financial aids are shown as a separate function. In prior years, various components of the program were distributed throughout the support budget in the general administration, student services and reimbursed activities functions. Also, some federal student aid programs which were listed only in a summary section in the first part of the state college presentation in the Governor's Budget are now included in the individual college presentations. The change of format has resulted in a more complete and accurate accounting of student financial aid programs both in total aid distributed and in the administrative costs.

Work-study Program

The work-study program is authorized under Title I of the Economic Opportunity Act of 1964 (P.L. 88-452) and Title IV of the Higher

California State Colleges—Continued

Education Act of 1965 to provide part-time employment to students who need financial assistance to continue their educations. The only requirements for participation in the program are that the student be in good standing (not on academic probation) and that he spend no more than 15 hours per week on the job. While the program is open to all students, preference is generally given to those with a demonstrated financial need who, in practice, receive almost all of the available funds, generally as part of a financial aid package.

The mechanics of the program involve a student's applying to the institution for a work-study job. The college will then draw on its job sources which generally include academic assistantships, community agency work, work in schools for handicapped children, and employment in private nonprofit enterprises. When possible, the colleges attempt to employ students in activities that are related to their course of study. In all cases, the employing agency supplies the necessary matching funds and the participating colleges pay the students from funds received from the federal government. The program regulations do not require the matching share to be in cash and may be in the form of tuition, books or room and board waivers. In the state college example, however, no waivers of this type are provided.

Each year since the inception of the program, the Legislature has made a special appropriation for the work-study matching requirement which in the current and budget years amounts to \$114,195 and \$94,190 respectively. In addition, federal regulations allow the colleges to use as matching funds part of the money allocated for the hiring of student assistants out of the overall General Fund appropriation to the institution. This amount is expected to increase from \$605,019 to \$681,399 in 1968-69. Thirdly, employers from private nonprofit agencies will contribute an estimated \$800,179 to the program in the budget year. Total expenditures for the program are shown in Table 20.

Table 20
Work-study Program Expenditures

	<i>Actual</i> 1966-67	<i>Estimated</i> 1967-68	<i>Budgeted</i> 1968-69	<i>Proposed</i> <i>increase</i>
On-campus employment				
State share				
Student assistants' funds	\$205,816	\$605,091	\$681,399	\$76,308
Appropriation for matching funds	76,303	114,195	94,190	—20,005
Subtotal	\$282,119	\$719,286	\$775,589	\$56,303
Federal share	\$2,640,372	\$2,046,096	\$3,057,657	\$1,011,561
Subtotal	\$2,922,491	\$2,765,382	\$3,833,246	\$1,067,864
Off-campus employment				
Employing agencies	\$233,055	\$934,982	\$800,179	\$—134,803
Federal share	2,042,214	2,804,941	3,261,640	456,699
Subtotal	\$2,275,269	\$3,739,923	\$4,061,819	\$321,896
Total program funds	\$5,197,760	\$6,505,305	\$7,895,065	\$1,389,760

California State Colleges—Continued

When the program was originally established, the federal government assumed 90 percent of the costs of the program with the intention of reducing this share to 75 percent in 1967-68, the participating agencies supplying the remainder. The possibility of the state's assuming 25 percent of the cost of the program was recognized by an additional allocation in the 1967-68 Governor's Budget but no additional funds were allowed for an expansion of the program to account for the increases in enrollment. Because of this, the Legislature appropriated an additional \$111,766 for matching funds which was intended to provide the state share of the additional student need. Since then, several complications have arisen which are not yet resolved in the budget presentation.

In August of 1967, two months after the beginning of the 1967-68 fiscal year, Congress finally acted on the amendments to the Economic Opportunity Act and decided to reduce the federal percentage to 85 percent instead of 75 percent. As a consequence, the Department of Finance allocated only one-third of the special appropriation in the amount of \$37,255 to account for the 5 rather than 15-percent decrease in federal support. This, however, still left the problem of the remainder of the work-study funds which were budgeted on the presumption of 75 percent federal support and are still listed as such in the current summary for the 1967-68 year.

The Department of Finance recognized that the figures listed for 1967-68 would almost certainly be incorrect to the extent that state matching funds were overstated. However, inasmuch as these matching funds are derived from three sources, state appropriations, student assistants' funds and private contributions, the question became one of which source or sources to reduce. It should be noted from Table 20 that the student assistants' contribution from 1966-67 to 1967-68 increased from \$205,815 to \$605,399 for a 194-percent increase, while the state appropriation for matching funds increased from \$76,303 to \$114,195 for a 49.7-percent increase. Inasmuch as the increase in the contribution from student assistants' funds was so much greater than that for the General Fund, it was decided to show any savings as a reduction in the students assistants' share. We believe that this is a reasonable approach.

The National Defense Student Loan Program

The National Defense Student Loan Program (Title II of the National Defense Education Act) is intended to provide loan funds at institutions of higher learning from which needy students may borrow at low interest rates to enable them to complete their collegiate training. The available federal funds are distributed among the states in the proportion that the full-time equivalent enrollment in that state bears to the total full-time college enrollment in the nation. When this state allocation is determined by the U.S. Office of Education, it is divided among the state's institutions of higher education according to applications submitted by each. Students may then apply directly to the college for assistance. The program from its inception has required a 10-percent match from state funds.

California State Colleges—Continued

Undergraduate students desiring assistance under the program may receive up to \$1,000 for each full year of schooling to a maximum of \$5,000. For graduate students, the rates are \$2,500 and \$10,000 respectively. Repayment of the loans is made over a 10-year period beginning one year after the borrower has ceased to be a full-time student. Interest is at 3 percent per year on the declining balance and does not start to accrue until the beginning of the repayment period. The only exception to this general procedure is for borrowers who become full-time teachers in public elementary or secondary schools who are entitled to have as much as 50 percent of the loan cancelled at the rate of 10 percent for each full year of teaching. These loan cancellation funds then become available to the colleges for matching purposes.

Table 21 gives a five-year history of the expenditures under the program.

Table 21
National Defense Education Act Funding, 1964-65-1968-69

Year	Total U.S. expenditures	California allocation	California percent	State college allocation	State college percent of California allocation
1964-65	\$131,413,000	\$9,217,941	7.0	\$3,014,663	32.7
1965-66	179,285,000	14,319,514	8.0	4,420,440	30.9
1966-67	175,927,000	15,565,970	8.8	4,686,090	30.1
1967-68 (est.)	190,000,000	17,096,049	9.0	5,379,100	31.5
1968-69 (est.)	190,000,000	17,000,000	8.9	7,218,345	42.5

Nursing Student Loan Program

This program (Part B of the Nurse Training Act of 1964, P.L. 88-581) is designed to assist the states in providing an increasing number of trained nurses. Toward this end, the federal government provides for federal grants for the expansion or construction of facilities (Part A of the act) and loans for student nurses. The loan provision is very similar to the previously discussed NDEA student loan program including a 10 percent state matching requirement and a 50-percent maximum forgiveness provision for nursing students who subsequently become full-time professional nurses employed by public or nonprofit private institutions or agencies.

The maximum loan amount that a student may receive for an academic year is \$1,000 which is repayable at varying interest rates (determined by the institution granting the loan) beginning one year after the borrower ceases to be a full-time student.

In 1968-69, it is anticipated that state matching funds will constitute \$15,960 for the 10 percent share with the federal government supplying \$143,640 for a total allocation of \$159,600.

Nursing Educational Opportunity Grant Program

This program was established in 1966 by an amendment to Title VIII of the Public Health Services Act to provide scholarships to nursing students who would not otherwise be able to continue their education. The maximum amount of the award is \$800 per year.

California State Colleges—Continued

In 1967-68, the first year the program was funded, the state colleges received \$19,500 which is included for budgetary purposes in the overall appropriation of \$2,362,500 for the Educational Opportunity Grant Program, discussed below. In the budget year, the allocation is separately budgeted and is estimated at \$33,400, all from federal funds.

Educational Opportunity Grants

The Educational Opportunity Grant Program was created by Title IV-A of the Higher Education Act of 1965 with an initial appropriation of \$58 million of which California received approximately \$5.9 million in the 1965-66 fiscal year. The program, which requires no state matching funds, is designed to assist undergraduate students of "exceptional financial need" who "show academic promise." The U.S. Office of Education requires that the grant amount be no more than 50 percent of the student's total needs and that such grants shall range from between \$200 and \$800 per year with an additional \$200 per year for students in the upper half of their class during the preceding year. Average grants are estimated at \$591 per student for 1967-68 and \$586 per student for 1968-69.

Budgeted expenditures for the program are listed in Table 19.

Student Financial Aid Administration

Student aid administration is separated into three subfunctions including business management, student services and off-campus work study. The personnel involved are basically responsible for processing aid applications and insuring that all funds are correctly distributed to the recipients and loans repaid by previous recipients.

As mentioned previously, the 1968-69 budget presentation includes the new function of "Student Financial Aids" which combines those activities previously budgeted in general administration, student services and reimbursed activities. This change, which we have recommended on previous occasions, has resulted in a fuller disclosure of administrative costs which has made the item more amenable to discussion and analysis. In particular, we are able for the first time to report the total costs for the administration of the various federal programs.

Total expenditures for the budget year are proposed at \$993,701 and are shown together with applicable reimbursements in Table 22. Expenditures by object for the past, current and budget years are shown in Table 23.

Table 22

Budgeted Expenditures and Reimbursements for Student Financial Aid Administration, 1968-69

	Expenditures						Reimbursements		
	Personal services			Operating expense	Equipment	Subtotal	Off-campus work-study	Federal NDEA adminis- tration	Total
	Business management	Student services	Off-campus work-study						
San Jose -----	\$24,380	\$49,641	\$60,000	\$4,250	\$729	\$139,000	\$--60,000	\$--51,918	\$27,082
Long Beach -----	19,054	39,162	23,267	400	743	82,626	--19,200	--19,808	43,618
San Diego -----	22,930	42,168	1,400	2,400	349	69,247	--1,400	--17,586	50,261
San Francisco -----	22,985	34,422	20,000	3,600	2,612	83,619	--20,000	--25,000	38,619
Los Angeles -----	14,546	37,765	14,800	1,600	212	68,923	--14,800	--21,000	33,123
San Fernando Valley -----	14,706	37,495	10,000	300	2,275	64,776	--10,000	--12,000	42,776
Sacramento -----	10,886	38,830	3,409	5,100	106	58,331	--3,409	--14,346	40,576
Cal Poly-San Luis Obispo -----	11,070	24,878	1,000	360	486	37,794	--1,000	--12,142	24,652
Fresno -----	11,382	39,039	6,000	650	263	57,334	--6,000	--13,500	37,834
Fullerton -----	8,912	22,186	5,200	250	486	37,034	--5,200	--3,895	27,939
Chico -----	11,018	34,917	4,560	780	1,006	52,281	--4,560	--12,592	35,129
Cal Poly-Kellogg Voorhis -----	8,121	22,736	6,501	300	2,754	40,412	--6,501	--7,500	26,411
Hayward -----	11,113	22,115	2,000	480	212	35,920	--2,000	--10,723	23,197
Humboldt -----	10,602	24,835	2,400	1,200	1,058	40,095	--2,400	--14,200	23,495
Sonoma -----	5,385	19,688	3,062	360	506	29,001	--3,062	--3,000	22,939
Stanislaus -----	5,407	10,989	108	300	349	17,153	--96	--3,100	13,957
San Bernardino -----	2,742	11,350	—	250	106	14,448	--1,413	--1,530	11,505
Dominguez Hills -----	2,430	5,295	1,400	50	486	9,661	--1,400	--995	7,266
Staff Benefits -----	13,565	32,223	10,258	—	—	56,046	—	—	56,046
Totals -----	\$231,234	\$549,734	\$175,365	\$22,630	\$14,738	\$993,701	\$--162,441	\$--244,835	\$586,425

California State Colleges—Continued

Table 23
Expenditures for Student Financial Aid Administration

	<i>Actual</i> <i>1966-67</i> ¹	<i>Estimated</i> <i>1967-68</i>	<i>Proposed</i> <i>1968-69</i>	<i>Increase</i>
Personal services -----	\$407,720	\$792,685	\$956,333	\$163,648
Operating expense -----	658	2,824	22,630	19,806
Equipment -----	481	500	14,738	14,238
Totals -----	\$408,859	\$796,009	\$993,701	\$197,692

¹ Totals are incomplete inasmuch as operating expenses, equipment and staff benefits are only partially identifiable.

The amount budgeted constitutes an increase of \$197,692 over the current year allotment and involves 26.4 new positions which will be used to administer the student aid increase of over \$3.2 million. Although there are no formulas applicable to this area, we are satisfied, based on the justifications submitted by the individual colleges, that the additional staff is warranted.

We therefore recommend that the total amount of \$17,922,198 for student financial aid in 1968-69 be approved as budgeted.

Plant Operation

The plant operation and maintenance function includes all activities of a custodial nature to maintain the physical facilities of the colleges. In general this includes electrical maintenance, plumbing, heating repairs, painting, grounds maintenance and janitorial services. In addition the function includes all costs for utilities, motor vehicle operation, campus security and college farm operation. It does not include any activities associated with dormitory or parking lot operation inasmuch as these are budgeted as self-supporting activities through special funds.

Table 24
Total Expenditures for Plant Operation

	<i>Actual</i> <i>1966-67</i>	<i>Estimated</i> <i>1967-68</i>	<i>Budgeted</i> <i>1968-69</i>	<i>Proposed</i> <i>increase</i>
Administration -----	\$839,122	\$1,001,792	\$1,076,582	\$74,790
Maintenance of structures ----	11,900,955	13,685,919	14,722,826	1,036,907
Maintenance of grounds -----	2,517,650	2,885,436	3,132,488	247,052
Plant security -----	762,808	968,808	1,130,859	162,051
Motor vehicle operation -----	503,304	561,393	635,402	74,009
Utilities -----	3,162,472	3,415,682	3,945,145	529,463
Rental -----	452,808	707,816	969,379	261,563
Equipment -----	167,529	190,867	253,399	62,532
Other -----	471,004	464,023	647,462	183,439
Subtotal -----	\$20,777,647	\$23,881,736	\$26,513,542	\$2,631,806
Special augmentation -----	--	--	250,208	250,208
Total -----	\$20,777,647	\$23,881,736	\$26,763,750	\$2,882,014

Total expenditures for plant operation are proposed at \$26,513,542 plus a special augmentation in the "provision for allocation" section of the Governor's Budget in the amount of \$250,208 for a total of \$26,763,750. This sum constitutes a workload increase of \$2,631,806 over the amount estimated for the current year and is shown in Table 24. The cost per square foot is shown in Table 25. The workload in-

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crease amounts to only four and one-half cents per square foot which is a 3.3 percent increase over the cost for the current year.

Table 25

Cost per Square Foot of Building Area

	<i>Actual</i> 1966-67	<i>Estimated</i> 1967-68	<i>Budgeted</i> 1968-69	<i>Change from</i> 1967-68
Administration -----	\$.051	\$.057	\$.057	\$.000
Maintenance of structures ----	.717	.780	.781	.001
Maintenance of grounds ----	.152	.164	.166	.002
Plant security -----	.046	.055	.060	.005
Utilities -----	.191	.195	.209	.014
All other -----	.096	.110	.133	.023
Subtotal -----	\$1.253	\$1.361	\$1.406	\$.045
Special augmentation -----	0	0	\$.013	\$.013
Total -----	\$1.253	\$1.361	\$1.419	\$.058

The 1968-69 budget contains increases of 223.8 new positions as indicated below.

Administration -----	8.1
Maintenance of structures ----	168.8
Maintenance of grounds ----	25.9
Plant security -----	17.6
Motor vehicles -----	3.4
Total -----	223.8

The need for these positions is determined partially by formulas and partially by specific justifications. The former includes some of the positions in the "maintenance of structures" category and all of the positions in the "maintenance of grounds" section. The nonformula or individual justification positions include those for engineers and tradesmen (carpenters, painters, etc.), administration, plant security and motor vehicles.

The 8.1 positions for administration are requested at five campuses and are justifiable on the basis of an increased number of buildings that will go into operation in the budget year at one campus and the fact that the amount of overtime (and therefore compensatory time off) has grown to unacceptably high levels in the other four. For the maintenance of structures, the justifications for tradesmen (other positions are budgeted according to acceptable formula standards) relate primarily to the increase in square footage in the budget year and therefore to workload. Although it is not possible to evaluate these needs precisely, we note the fact that the cost per square foot for this item is scheduled for an increase of only \$.001 which is substantially less than has been budgeted in prior years. (See Table 25).

The 17.6 plant security positions are requested for eleven campuses and are justified in several ways. Building security is the major argument and is listed by 9 of the 11 campuses. In addition, three campuses say they are needed primarily for "crowd control and riot prevention," three give crowd control for special events as justification and two state that the positions are needed to curb rising campus crime rates.

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It is difficult for us to accept these requests based on the information presented. For example, while the increase in the number of special events is given as a reason, no information is offered on the extent of the increase or the effects it could have on campus security responsibilities. The argument for crime control is offered by two campuses, Sacramento and San Fernando Valley, yet only Sacramento lists a specific event which requires more security and that is a locker theft which cannot be presumed to be preventable by the addition of a campus security officer. The argument for building security is somewhat more solid in that several campuses appear to be understaffed for the number of square feet of building area that must be patrolled. We are recommending approval of five of the proposed 17.6 positions on this basis. One of the problems in evaluating this request is the lack of precise workload standards. In the future, such problems could be obviated if the Chancellor's Office and the Department of Finance attempted to develop a formula for the allocation of campus security positions.

The final argument is also the most difficult to evaluate. Three campuses San Fernando Valley, Chico and San Luis Obispo say that the positions are needed in order to curb student and other campus disorders. This is an issue only at Chico, however, inasmuch as the other positions are justifiable on the basis of needs for building security. One of the 4.5 positions requested at Chico is also justifiable on this basis. It is interesting to note that none of the campuses on which student disorders have actually occurred are requesting additional security positions and that while Chico State College has experienced some student rallies and demonstrations, none have involved student misconduct requiring police action or been beyond the control of the existing campus security force. Further, given the experiences of recent student disturbances, we are not convinced that the addition of one or even two or three campus security officers would be sufficient to curb a significant disruption of campus life.

We therefore recommend that 12.6 positions requested in the budget year for campus security be deleted for a savings of \$79,778 plus related staff benefits.

We further recommend that two campus security officer positions at California State Polytechnic College at San Luis Obispo and one campus security officer position at each of the campuses at San Fernando Valley, Sacramento and Chico be allowed for a total of five new positions.

Year-round Operations

Year-round operation of the state college system on a quarter calendar was ordered by the Trustees in 1964 as the result of recommendations by the Coordinating Council for Higher Education and a legislative directive embodied in Senate Concurrent Resolution No. 24 of the 1964 General Session. At that time, it was decided to convert all campuses to three quarter operation (fall, winter and spring) and to phase in the fourth or summer quarter at the several campuses over a period of years as soon as the need for it arose and adequate planning could be conducted. Since then, this basic objective of converting

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all campuses by 1975 has not changed although some revisions have been made in the dates at which some campuses will move to full-year use. Table 26 indicates the conversion schedule.

Table 26
Scheduled Conversion to Quarter System and Year-round Operation

	<i>Begin Planning for year-round operations</i>	<i>Conversion to quarter system</i>	<i>First summer quarter</i>
Hayward ¹ -----	--	--	1965
Kellogg-Voorhis ¹ -----	--	--	1966
San Luis Obispo ¹ -----	--	--	1966
Los Angeles -----	1964-65	1967-68	1967
San Francisco -----	1966-67	1968-69	1969
Humboldt -----	1966-67	1967-68	1970
Chico -----	1968-69	1970-71	1971
San Fernando Valley -----	1968-69	1970-71	1971
San Jose -----	1968-69	1970-71	1970
Long Beach -----	1970-71	1972-73	1972
Dominguez Hills ¹ -----	--	--	1972
San Bernardino -----	--	--	1973
Fullerton -----	1968-69	1970-71	1971
Stanislaus -----	1973-74	1965-66	1974
Fresno -----	1972-73	1974-75	1974
Sacramento -----	1973-74	1975-76	1975
San Diego -----	1973-74	1975-76	1975
Sonoma -----	1972-73	1974-75	1974
Kern County ² -----	--	--	--

¹ Began operation on the quarter system making conversion unnecessary.

² Undetermined at present.

In 1968-69, workload expenditures for year-round operation are proposed at \$6,188,847 in both planning and operations costs. In addition, an amount of \$408,844 has been added in the "provision for allocation" section to cover the costs of operating several campuses for three quarters instead of two semesters (generally known as "cycling costs"). These costs for the applicable campuses are shown in Table 27 and 28 for planning and conversion and operations. The augmentation is included in Table 29.

Table 27
Expenditures for Conversion to Quarter
System and Year-round Operation

	<i>Actual 1964-65</i>	<i>Actual 1965-66</i>	<i>Actual 1966-67</i>	<i>Estimated 1967-68</i>	<i>Proposed 1968-69</i>
Los Angeles -----	\$43,543	\$98,722	\$329,018	--	--
San Francisco -----	--	--	111,047	\$188,874	\$102,558
Humboldt -----	--	--	2,952	7,679	8,628
Chancellor's Office --	14,702	18,894	23,703	26,930	27,194
Totals -----	\$58,245	\$117,616	\$466,720	\$223,483	\$138,380

Table 28
Fourth Quarter Operating Costs

	<i>4th quarter</i>	<i>Annual FTE</i>	<i>4th quarter Cost per FTE</i>	<i>Regular session Cost per FTE</i>
Hayward -----				
1965-66 -----	\$373,903	353	\$1,059	\$1,300
1966-67 -----	632,138	472	1,339	1,494
1967-68 -----	883,937	570	1,551	1,509
1968-69 -----	960,697	710	1,353	1,448

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Table 28—Continued
Fourth Quarter Operating Costs

	<i>4th quarter</i>	<i>Annual FTE</i>	<i>4th quarter Cost per FTE</i>	<i>Regular session Cost per FTE</i>
Cal-Poly—KV				
1966-67	323,268	363	891	1,341
1967-68	597,155	510	1,171	1,442
1968-69	760,281	708	1,074	1,423
Cal-Poly—SLO				
1966-67	366,248	420	872	1,224
1967-68	564,380	525	1,075	1,392
1968-69	716,814	625	1,147	1,378
Los Angeles				
1966-67	553,283	447	1,238	1,330
1967-68	3,590,879	2,000	1,795	1,299
1968-69	3,639,869	2,132	1,707	1,283

Table 29
Quarter System Cycling Costs, 1968-69

	<i>Positions</i>	<i>Cost</i>
Dominguez Hills	1.5	\$7,594
Stanislaus	3.1	20,652
San Bernardino	4.0	24,474
Humboldt	10.0	64,024
Hayward	15.0	92,014
Kellogg-Voorhis	13.0	78,798
San Luis Obispo	20.5	121,288
Total	67.1	\$408,844

The costs listed in Table 28 are incomplete in that they do not include cycling costs at Hayward and the two Cal Poly campuses. Cycling costs for Los Angeles are included. They also do not indicate a cost trend at any of the campuses maintaining a fourth quarter and probably will not indicate such a trend for several years. Another problem lies in the fact that the summer quarters are operated over two fiscal years which means that the costs shown are not truly indicative of the costs for any single quarter. For example, the total of \$3,590,879 listed for the Los Angeles summer quarter in 1967-68 is actually a cost for the last three-fourths of the 1967 summer quarter and the first fourth of the 1968 summer quarter.

Concerning the special augmentation for cycling costs shown in Table 29, we have examined the workload data developed by the Department of Finance and believe that these positions will be needed for the maintenance of the quarter system schedule.

We recommend that the amount budgeted for year-round operations be increased by \$1,864,448 to \$8,462,139 according to the following schedule:

San Francisco	\$1,468,207
San Fernando Valley	110,096
Chico	107,286
San Jose	98,945
Fullerton	79,914
Total	\$1,864,448

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These funds will be used for planning and the first four weeks operation of the 1969 summer quarter at San Francisco and for initial planning at the other campuses.

We recommend that the Coordinating Council for Higher Education study the projected costs and savings produced by year-round operation and report to the Joint Legislative Budget Committee prior to November 1, 1968.

In the budget year, the Department of Finance has proposed to call a moratorium on the extension of year-round operations. This will mean delaying indefinitely the conversion of the San Francisco campus and eliminating new planning funds at San Jose, San Fernando Valley, Fullerton and Chico. Planning funds for San Francisco will be continued at the reduced level of \$102,558.

In proposing this major change from the original schedule of year-round operations conversion, the department makes the basic point that the costs per FTE for the summer quarter greatly exceed the regular FTE costs. To support this contention, they note that there was a 25-percent increase in the faculty staffing allowance for the summer quarter because class sizes were smaller than anticipated, that there was a 33.3-percent increase in the division chairman allowance to provide for increased planning and scheduling and that there was a 25-percent increase in the technical and clerical allowance due to the change from two semesters to four quarters. The department also argues that the number of students actually accelerating their programs in the summer quarter is substantially less than the number predicted by the coordinating council which will eventually lead to a much lower savings in capital outlay expenditures.

We are not convinced by the Department of Finance argument for the basic reason that we have seen no definitive evidence to indicate that year-round operation does in fact cost more money than it saves. To the contrary, the information we have obtained from California State College at Los Angeles and the enrollment estimates from the Chancellor's Office indicate that a net savings for year-round operation by or before 1975-76 is probable. However, we realize that much of the information on costs and savings is not precise, particularly that concerning capital outlay savings and cycling costs.

The savings from year-round operation are produced by the lack of necessity to build physical facilities. This absence of need results from the fact that enrollments can be more evenly distributed throughout the year and the fact that summer quarter attendance results in acceleration for some students who graduate sooner than they would normally, making room for additional students.

According to the Chancellor's Office, by 1975-76 year-round operation will have obviated the need for facilities for 15,100 FTE due to the above mentioned factors of balancing of enrollments and student acceleration. The office states that this is a tentative estimate which will not be finalized for several months. On the cost side, we are estimating that \$7,000 is required per FTE for new construction, a figure which, while not precise, is a reasonable estimate. On the assumption that these figures are correct, we believe the total capital outlay savings produced by the

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quarter system could be \$105.7 million by 1975-76. However, these savings will be partially offset by the costs of year-round operation.

Cost factors fall into three categories: (1) incremental faculty costs caused by lower faculty-student ratios in the summer quarter compared with the academic year average; (2) cycling costs which may be defined as the additional costs of operating a campus for three quarters instead of two semesters; and (3) planning and conversion costs.

It should be mentioned in any discussion of the costs of year-round operation that it is relevant to consider only the difference in the cost of producing a student credit hour in the regular session and the cost of producing the same unit during the summer quarter. In other words, if it costs \$1,500 to educate a student during the summer term and \$1,200 to educate that student during the fall term, the only cost of the summer quarter is the incremental cost or \$300 and not the full \$1,500.

During the Los Angeles summer quarter, the faculty-student ratio was 12.1:1 instead of the normally budgeted figure of 16.38:1. If this rate were to be maintained on all campuses offering a summer quarter up to 1975-76, we are estimating that an additional 7,647.6 faculty members would be required at a total cost of \$31.1 million assuming an average cost per faculty member of \$12,194.

Concerning cycling costs, California State College at Los Angeles estimated an additional cost of \$441,746 or \$35.51 per FTE in the fall, winter and spring quarters. On the other hand, the Department of Finance is allowing \$408,844 for cycling costs for 1968-69 for the other seven campuses which operate for either three or four quarters at a cost of \$14.50 per FTE, a figure which they indicate does not cover all cycling costs. Using a midpoint figure of \$25 per FTE for these expenses and projecting it to the population of students on quarter system schedules each year to 1975-76, we estimate an added cost of \$26.2 million.

The final cost item is for planning for which no firm estimates are available. However, given the fact that over \$1 million has already been spent and the fact that most of the major campuses are yet to convert to year-round operations, we believe a figure of \$5 million is reasonable.

When the savings and the cost items are compared, a net savings of \$43.4 million is produced. However, some of the cost figures are imprecise and need further refinement. For example, the capital outlay savings estimate is based on enrollment figures projected to 1975-76 by the Chancellor's Office and a capital outlay cost per FTE, neither of which are grounded in firm data. Further, the estimate for cycling costs has not been completely analyzed and needs to be studied in order to establish a reasonably firm estimate for future decision making. The \$31.1 million estimate for added faculty cost is probably the most reliable but it could be sharply reduced if the faculty student ratio were to rise.

In spite of the tentativeness of these estimates, the best indication we have is that the institution of year-round operations in the state college system will result in savings in the long run. We note that even

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if the most inflated estimates for increased costs and the lowest estimates for savings are employed, the system still produces a modest savings. For this reason, we are recommending continuation of the original schedule of implementation of the quarter system. Further, because of the questions about the financial feasibility of year-round operation, we are recommending that an inquiry into actual costs be conducted by the coordinating council. The last formal estimate of the costs of the program was made in 1964 by the council and by the segments themselves.

We believe there are several things that could be done to further improve the economic performance of the system. First is to increase the attendance during the summer quarter. The report from California State College at Los Angeles on their experience during the 1967 summer quarter recommends this in the form of additional budgetary support for what amounts to an advertising effort for the summer quarter. If this should be approved, it should only be on a short-term basis and terminated if it proves not to be yielding results.

A second recommendation concerns the data processing capability of the Los Angeles campus. In a previous section of this analysis, we made the recommendation for new computer centers at Los Angeles and Sacramento to be used for administrative purposes. The need for such centers is more clearly demonstrated because of the fact that most cycling costs occur in the admissions and records area which is easily adaptable to computerized procedures. The fact that the University of California has a more advanced data processing capability may explain why their cycling costs are demonstrably lower than those in the state colleges.

Another possibility which should be considered only after all other efforts to increase the administrative efficiency and the enrollment size of the summer quarter are exhausted is that of charging a fee similar to the summer session fee during the summer quarter.

The final consideration is that the summer quarter offers an improved level of service, given its generally smaller class sizes which should allow more time for student-teacher contact. It could be decided that even if, as we doubt, no savings are realized, the program is a worthwhile investment in terms of educational improvement.

Research and Special Projects

In recent years, the state colleges have attracted increasing amounts of money from a variety of nonstate sources for research and special project activities. The vast majority of these activities are supported by federal funds which are expected to account for 80.5 percent of the total in the budget year.

Special projects include workshops, special events, special training programs consisting primarily of Peace Corps training programs at San Francisco State College and California State Polytechnic College at San Luis Obispo, institutes and pilot projects. Table 30 shows the funding arrangements for these activities as well as for research in the past, current and budget years.

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Table 30
Expenditures for Research and Special Projects

	<i>Actual 1966-67</i>	<i>Estimated 1967-68</i>	<i>Budgeted 1968-69</i>	<i>Proposed increase</i>
Federal				
Research -----	\$3,238,809	\$3,275,802	\$2,627,262	\$-648,540
Workshops -----	201,752	118,597	304,305	185,708
Special events -----	713,606	742,321	750,101	7,780
Special training programs -----	6,450,463	6,829,564	6,331,174	-498,390
Institutes -----	6,800,863	6,124,912	6,029,312	-95,600
Pilot projects -----	128,684	127,972	41,972	-86,000
Institutional grants -----	21,439	3,950	--	-3,950
A.I.D. overseas contracts -----	78,380	448,346	418,936	-29,410
Other special projects -----	209,520	210,302	152,909	-57,393
Subtotal -----	\$17,843,516	\$17,881,766	\$16,655,971	\$-1,225,795
Unidentified sources				
Research -----	\$326,144	\$535,745	\$594,995	\$59,250
Special projects -----	2,410,123	3,217,467	3,445,881	228,414
Subtotal -----	\$2,736,267	\$3,753,212	\$4,040,876	\$287,664
Totals -----	\$20,579,783	\$21,634,978	\$20,696,847	\$-938,131

Of the total expenditures reported for the 1966-67 fiscal year, the vast majority were administered through the state college foundations. The foundations are nonprofit corporations established by the colleges for the purposes of administering federal and other nonstate funds for the above mentioned purposes without the administrative complications associated with operations conducted through state procedures. Specifically, the foundations have the authority to grant credit, incur losses, accumulate surpluses and perform similar functions available to corporations generally. The most important powers they have, however, involve their ability to make transactions rapidly and with great flexibility.

In March, 1967, a study was released listing the sources of support for research, most of which was administered through the foundations. This study showed that in 1965-66, most research support came from three sources, the National Science Foundation, the U.S. Department of Health, Education and Welfare and the National Institute of Health. In that year, research funds totaled about \$2.2 million or 70 percent of the total research moneys available. Table 31 shows the amounts given for research from all sources in 1965-66.

Table 31
Funds Expended for Faculty Research by Granting Agency, 1965-66

<i>Source of Funds</i>	<i>Expenditures, all colleges</i>	<i>Percent</i>
Federal Agencies		
National Science Foundation -----	\$886,569	
Department of Health, Education and Welfare -----	825,922	
National Institute of Health -----	459,643	
Armed forces (Army, Navy, Air Force) -----	269,945	
Atomic Energy Commission -----	88,144	
Department of the Interior -----	87,441	
Department of Labor -----	29,630	

California State Colleges—Continued

Table 31—Continued

Funds Expended for Faculty Research by Granting Agency, 1965-66

<i>Source of funds</i>	<i>Expenditures, all colleges</i>	<i>Percent</i>
Arms Control Agency -----	\$14,937	
National Aeronautics and Space Administration---	11,800	
Department of Justice -----	10,042	
Department of Agriculture -----	3,664	
Other federal agencies -----	6,427	
Subtotal -----	\$2,694,164	85.8
State of California agencies -----	227,392	7.2
Corporations -----	91,114	2.9
Private foundations and professional societies-----	75,857	2.4
Other -----	53,762	1.7
Total -----	\$3,142,289	100.0

Federal Overhead Funds.

When a foundation receives a grant from the federal government, the conditions of the grant usually include a provision for the payment of certain costs which relate to its administration. These payments are known as indirect cost reimbursements or federal overhead payments and generally amount to between 10 and 20 percent of the cost of the project. As a rule, these payments to the foundations are far in excess of actual administrative overhead costs inasmuch as the groups and individuals conducting the projects utilize state supported facilities. According to the Chancellor's Office, these payments amounted to \$1,086,122 in 1965-66 and \$1,699,976 in 1966-67.

In the 1966 analysis of the California State Colleges, we argued that because the General Fund was actually paying for the facilities used by the foundations, it should be reimbursed a substantial portion of the federal payments. We noted that of the \$722,336 received in 1964-65, only \$35,090 or 4.9 percent was returned. In 1965-66, the total increased to \$1,086,122 and the state share to \$73,338. Consequently, we proposed that 50 percent of the overhead funds that were retained by the foundations be reimbursed to the General Fund. The 50-percent figure was chosen because of the existence of a policy that 50 percent of the overhead funds received by the University of California are returned to the General Fund excluding those received by the Atomic Energy Commission. The recommendation relative to the colleges was for a reduction in General Fund support of \$350,000.

The trustees opposed this reduction with the result that the status quo was maintained for a one-year period. But the Senate Finance and Assembly Ways and Means committees also directed the Chancellor's Office and the Department of Finance to prepare a plan for the 50-percent reimbursement in future fiscal years. This plan was submitted but instead of requiring a 50-percent reimbursement, it noted the opposition of the trustees and the Academic Senate to any reinstatement of funds and then recommended a 25-percent rebate.

In the 1967 analysis, we stated our belief that the proposal was inadequate and recommended a reimbursement of \$450,000 corresponding to 90 percent of the funds retained by foundations that were not used for actual administrative costs. The Legislature accepted this recommendation but stipulated that \$200,000 should be returned to the

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colleges to be used as matching funds for additional federal project moneys. In addition, the two legislative finance committees directed the Departments of Finance and General Services and the Chancellor's Office to "take all necessary steps, including the modification of existing administrative procedures to permit the individual colleges to administer federally sponsored research and other special activities which are now administered by the state college foundations."

In November, 1967, the Chancellor's Office presented a "progress report" recommending administrative modifications pursuant to the committee requests. The report makes recommendations too numerous to present here but the primary recommendation involves the establishment of a special revolving fund to which all foundation funds would be appropriated and which would be administered by the business offices at the individual campuses. The program aspects would be managed by a new division at each college to be known as the "Division of Research and Related Special Projects." The control over the fiscal and program aspects would be almost entirely in the hands of the colleges with little or no control exercised by the Departments of Finance and General Services. The Chancellor's Office feels that this is the only way in which to retain the needed flexibility in programming and financing that exists with the current arrangement. There is no mention of overhead fund reimbursements in the report.

We have no objections to the report's major recommendation for the establishment of the nongovernmental special fund and we believe that the recommendations for the control of research and special activities by the colleges are in accord with the legislative directive. However, the fact that there is no mention of the procedures for the recovery of overhead funds is a serious defect. One of the purposes of the legislative request for the Chancellor's Office study was to permit the recovery of the overhead funds by providing for the administration of research and special projects through state procedures. This recovery is by no means assured when a revolving fund is used inasmuch as it is possible to carry reserves and surpluses, including overhead funds, forward into the subsequent fiscal year. This is not possible for expenditures from the General Fund.

We have consistently maintained that inasmuch as the state is providing facilities for foundation activities, it should receive a reimbursement for their use. The size of this reimbursement should be equal to the total return of overhead funds less only the amount needed for actual administrative costs. We therefore believe that if the special fund proposed by the Chancellor's Office is established, certain conditions should be attached to it. First, all costs associated with the administration of federal grants should be shown in the same form as in the support budget, namely by line item with breakdowns by personal services, operating expense and equipment. Second, the budget for this fund should list the total federal receipts for all projects and estimated receipts of overhead funds. Third, the difference between the administrative costs and the overhead receipts, less a factor of 10 percent for unforeseen contingencies, should be listed as a payment to the General

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Fund with appropriate adjustments in the reimbursement sections of the individual college budgets.

Accordingly, we recommend that a special fund be established in the budget year for the administration of federally sponsored research projects with the abovementioned conditions and that the proposed level of General Fund support for the state colleges be reduced by \$200,000 for the 1968-69 fiscal year to reflect the additional reimbursements of federal overhead funds.

Our recommendation for total reimbursements is \$535,493 and is derived by assuming administrative expenditures at 65 percent (slightly higher than experience indicates is necessary), deducting these expenditures from the estimated total 1968-69 receipts of \$1,699,976 and recouping 90 percent of the remainder. The difference between the \$535,493 figure produced by these computations and the amount listed in the Governor's Budget (\$335,436) is \$200,057, which, when rounded off, produces the recommended reduction.

Research

The problem of the proper role of research in the state colleges has never been fully resolved despite ostensible solution in the assignment of responsibility made in the Master Plan for Higher Education. In the Master Plan the role of the colleges has been defined primarily as that of teaching. Specifically, the Master Plan stated that "the state colleges shall have as their primary function the provision of instruction in the liberal arts and sciences . . . (and) . . . faculty research, using facilities provided for and consistent with the primary function of the state colleges, is authorized." It also emphasized that "the University shall be the primary state-supported institution for research . . ."

While the state does not provide research funds to the colleges directly, it does provide some money for special leaves for research and creative activity which could be considered support for research. These leaves which were added by the Legislature in lieu of lump sum research allowances to the colleges provide a limited number of faculty members with leaves for either one semester or one or two quarters at full pay. The leaves are granted by faculty committees on the basis of special research projects submitted by faculty members. In 1968-69, the Governor's Budget provides approximately \$425,000 for this purpose. In addition, research funds from nonstate sources are estimated at \$3,222,257 in the budget year.

Increasingly, the colleges have come to regard research as important to the continuing improvement of their system, a belief evidenced by statements by the Academic Senate, the Chancellor and various faculty committees on the campuses. The Chancellor has argued that one of the recruiting problems faced by the colleges is the lack of research money available, money which he contends is available at competing institutions. The trustees have recognized these attitudes by including requests in the systemwide budget for additional special leaves for research and creative activity and for innovative programs for the improvement of instruction.

California State Colleges—Continued

The Legislature in the past has been unwilling to approve requests for funding departmental research sums largely for three reasons.

1. The Master Plan defined the primary role of the state colleges to be teaching, and the experience in academic institutions generally has been that where research funding is provided, faculty members devote an increasing proportion of their time to research and, accordingly, a smaller portion of their time to classroom instruction and contacts with students.

2. Research is extremely expensive and the Master Plan recognized the financial problem in duplicating research facilities and released time for research if this function were to be authorized for both the University and the state colleges.

3. Research funds from nonstate sources have been substantial and tend to be available in areas where research is regarded as particularly important as evidenced by the fact that the funding comes from independent sources.

It has become increasingly apparent, however, that as society generally recognizes and employs the research capabilities of individuals, no program of higher education is complete unless it trains persons in these skills. The growing size and importance of the state colleges as suppliers of trained persons, including a growing graduate program, emphasizes the need to incorporate in their programs recognition of this need for training in research methods and capabilities. While this need can be met to a great extent by fundamental training in the particular disciplines concerned, it also appears that it would be substantially satisfied by actual experience in working out research problems by students and faculty acting in concert. In recognition of this emphasis on training for research as distinguished from the University's additional concern with research for its own sake, including publication and major facilities for scientific research, certain faculty elements within individual state colleges have been endeavoring to develop a research training concept which is compatible with the primary instructional function of the state colleges. We also, unaware until recently of these efforts, have been attempting to develop independently a concept which recognizes this fundamental need.

At Fresno State College in particular, committees have attempted to define and structure an approach which provides scheduled student participation in research projects designed by the faculty member to be (1) consistent with and an extension of the instructional program in his subject area and (2) of a research level which is primarily valuable as an instructional tool or method. That is to say, such research is not primarily oriented toward publication or, as in the case of the University's objectives, "to push back the frontiers of knowledge," but, rather, is designed to instruct students in research methods in the particular discipline and is an extension in that sense of the instructional program. It does not separate the faculty member from the student, nor should it encourage significant increased amounts of released time for the faculty, since the research is an integral part of the function of instruction.

California State Colleges—Continued

We believe that the idea of involving students in research activities has merit, and that it should be discussed fully before the fiscal committees of the Legislature, perhaps by presentation from the committees at Fresno State College which have developed a related concept.

We would be prepared to recommend an appropriate increase in the budget for such limited release time and other supplementary costs as might be associated with a well developed program of this particular orientation.

Reimbursed Activities

Summer Session

The summer sessions are self-supporting activities conducted by all but two of the colleges (Cal Poly-SLO and Dominguez Hills) for students desiring early enrollment from high school, enrichment, acceleration or an increase in credit hours for professional reasons. The types of programs offered vary to some extent with campuses offering two six-week sessions, one six-week and one five-week session or one two-week session, one six-week session and one three-week session. Regardless of the format, however, the maximum number of units that may be taken is 11 at almost all campuses. Unlike the regular program, matriculation to the college is not required for admission to the program.

Summer session activities are budgeted under the functional category of Reimbursed Activities which also contains expenditures for extension programs, auxiliary organizations and other instructionally related activities. The listed amounts for summer session programs are not delineated by function and the expenditures for staff benefits and equipment are hidden among similar expenditures for other services. Nevertheless, it is possible to derive a close approximation of the actual costs which are illustrated in Table 32 together with the actual reimbursements received from summer session fee income.

Table 32
Summer Session Estimated Expenditures and Fee Income

	Actual 1966-67	Estimated 1967-68	Projected 1968-69	Proposed increase
Personal services -----	\$5,722,250	\$6,385,161	\$6,787,091	\$401,930
Operating expenses -----	466,782	603,428	557,400	—46,028
Equipment -----	21,051	31,566	30,239	—1,327
Totals -----	\$6,210,083	\$7,020,155	\$7,374,730	\$354,575
Fee income -----	\$6,478,456	\$7,039,190	\$7,596,072	\$556,882
Net General Fund savings -----	\$268,373	\$19,035	\$221,342	\$202,307

In last year's analysis, we commented on the fact that the variations in summer session expenditures among the several functions was quite large and we speculated on the possibility of a lack of uniformity in accounting practices and in service levels. As examples, it was noted that expenditures for instruction varied between 67 percent and 97 percent of total costs and that library expenditures fluctuated between no allocation at all and an expenditure totalling 1.6 percent. This year, it is not possible to make similar comments because of the impossibility

California State Colleges—Continued

of obtaining a functional breakdown. However, we have not been informed of any change in the previously existing accounting practices.

In subsequent budget presentations, we believe it would be helpful if the expenditures for summer session programs were more completely detailed. We also believe that it would be desirable for the Chancellor's Office to investigate the accounting practices of the individual colleges relative to these expenditures and the level or levels of service that are offered throughout the system.

Therefore, we recommend that the Legislature direct the Chancellor's Office to study summer session activities at the colleges, particularly in regard to systems of accounting for summer session expenditures and reporting and the educational adequacy of the programs offered. This report should be submitted to the Joint Legislative Budget Committee on or before November 1, 1968.

During the 1967 summer session, the enrollments did not increase substantially but it should be noted that the production of student credit hours and therefore FTE showed a marked increase. However, the reasons why students decided to take heavier loads during the summer has not been disclosed and is probably not known at this time. Total enrollment in the past several years is shown below.

Table 33
Summer Session Enrollment

	<i>Net individuals</i>	<i>Student credit hours</i>	<i>Equivalent annual FTE</i>
1963-----	67,508	331,309	11,044
1964-----	69,333	N/A	N/A
1965-----	68,866	335,644	11,188
1966-----	72,663	347,227	11,578
1967-----	72,988	431,030	14,368

Extension

Extension programs are offered at 14 campuses to assist persons employed in government agencies, school districts, industries and other organizations in the furtherance of their educations. Like the summer session, this is a self supporting public service program operated by the colleges and it offers both credit and non-credit courses in a large number of fields including accounting, education, engineering, the natural, physical and social sciences and the humanities. In addition to regular course work, the state college extension also offers workshops, institutes, conferences and consultant services. Again like the summer session, matriculation is not required.

In recent years, college extension programs have increased in popularity as is indicated by Table 34 which shows the number of individuals participating, the total production of student credit hours and the equivalent annual FTE.

California State Colleges—Continued

Table 34
Extension Enrollment

	<i>Net individuals</i>	<i>Student credit hours</i>	<i>Equivalent annual FTE</i>
1962-63	26,652	94,505	3,150
1963-64	34,133	118,650	3,955
1964-65	37,776	139,377	4,645
1965-66	39,786	141,107	4,704
1966-67	42,218	144,612	4,820

Expenditures for the program are listed at \$2,386,786 in the extension summary section of the budget but are not totally identifiable inasmuch as they are grouped with other programs (summer session, special projects, etc.) under Reimbursed Activities in the individual college budgets. The following table, however, is a close approximation of the actual distribution of costs.

Table 35
Expenditures for Extension Programs

	<i>Actual 1966-67</i>	<i>Estimated 1967-68</i>	<i>Proposed 1968-69</i>	<i>Proposed increase</i>
Personal services	\$1,552,811	\$1,679,482	\$1,948,909	\$269,427
Operating expense	324,686	285,529	367,967	82,438
Equipment and staff benefits	46,937	50,260	69,910	19,650
Total	\$1,924,434	\$2,015,271	\$2,386,786	\$371,515
Fee income	\$2,012,995	\$2,015,271	\$2,386,786	\$371,515

The 1967 Legislature enacted Chapter 1543, thereby creating the State College Extension Programs Revenue Fund which became effective as of January 1, 1968. This will be a revolving fund to which all extension program funds will be appropriated without regard to fiscal years. The advantage of this type of fund for the colleges is that it will enable them to carry balances or surpluses forward from one fiscal year to the next, eliminating the need to revert any existing reserves to the General Fund.

One of the stipulations of the enabling legislation was that all expenditures be shown in the Governor's Budget. The Department of Finance has interpreted this directive to mean inclusion of actual and estimated costs both in summary form at the beginning of the overall presentation and in line item form in each college budget. We believe this procedure is acceptable as it provides access to both individual and collective figures on the program. Our only reservation is that the exact figures for staff benefits and equipment are not separated from the other programs budgeted under Reimbursed Activities. This does not really present a serious problem in the analysis of the extension budget, however, inasmuch as the amounts involved are relatively minor.

Auxiliary Enterprises

Auxiliary enterprises fall basically into two categories, those operated by nonprofit, on-campus corporations and those financed through special nongovernmental cost funds. The first category includes such services as bookstores and cafeterias which are generally managed by founda-

California State Colleges—Continued

tions. These foundations should not be confused with the state college foundations responsible for the administration of research and special project activities discussed previously. Neither income nor expenditures for the operation of such services are reported in the Governor's Budget.

The second category includes parking and dormitory services which are financed through special funds. Although they are not included in the overall budget totals, the income and expenditures for these funds are included as separate items in the budget. The first of these two funds to be established was the College Auxiliary Enterprise Fund in 1949. It was created by the Legislature to accept title to dormitory buildings which had been constructed by the Federal Public Housing Administration for veterans of the second world war. At present, it is a very small operation with responsibility for the operation of only 277 family dwelling units. The anticipated revenue and expenditures for this fund in the budget year are \$191,070 and \$182,318 respectively.

The larger of the two funds concerned with housing activities is the State College Dormitory Revenue Fund. This fund was established by the Legislature in 1957 for the construction of housing facilities for students and was financed in part through a loan in the amount of \$13,763,000 from the Federal Housing and Home Finance Agency (now the Department of Housing and Urban Development—HUD) at an interest rate of 2½ percent. In addition, \$16,484,353 was received from the State Construction Program Fund. Subsequently, HUD agreed to purchase \$35 million in revenue bonds at an interest rate of 3 percent with a term of 40 years for the construction of an additional 6,000 student residence units and an increase in cafeteria capacity of 6,800 seats. Table 36 presents income and expenditures for this program.

Table 36
Income and Expenditures for the State College
Dormitory Revenue Fund

	<i>Actual</i> 1966-67	<i>Estimated</i> 1967-68	<i>Projected</i> 1968-69	<i>Proposed</i> <i>increase</i>
<i>Income</i>				
Accumulated surplus	\$2,198,950	\$2,633,854	\$2,788,909	\$155,055
Revenue	3,164,054	3,300,312	3,233,986	—66,326
Total resources	\$5,363,004	\$5,934,166	\$6,022,895	\$88,729
<i>Expenditures</i>				
Personal services	\$973,907	\$1,221,906	\$1,240,116	\$18,210
Operating expense	1,042,795	1,080,286	1,075,436	—4,850
Equipment	22,448	51,065	13,850	—37,215
Subtotal	\$2,039,150	\$2,353,257	\$2,329,402	\$—23,855
Debt service requirements	690,000	792,000	792,000	—
Operating reserve	254,894	294,157	291,175	—2,982
Total encumbrances	\$2,984,044	\$3,439,414	\$3,412,577	\$—26,837
Net operating surplus	\$2,378,960	\$2,494,752	\$2,610,318	\$115,566

Parking services are provided through the State College Parking Facilities Program which is financed by the State College Parking Revenue Fund, also a nongovernmental cost fund which was added by

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the Legislature in 1965 (Chapter 1282, Statutes of 1965). Prior to the establishment of this fund, the construction and maintenance of state college parking facilities was a General Fund operation with expenditures shown by line item in each college budget. The present fund was established in response to the colleges' contention that there was an additional need for new parking space at the same time that parking revenues were exceeding expenditures and being reimbursed to the state. The Legislature agreed and created the new revolving fund under which any year-end surpluses are retained in the fund for future parking needs. Table 37 lists the fund's income and expenditures.

Table 37
Income and Expenditures
State College Parking Revenue Fund

	<i>Actual</i> 1966-67	<i>Estimated</i> 1967-68	<i>Proposed</i> 1968-69	<i>Projected</i> <i>increase</i>
<i>Income</i>				
Accumulated surplus -----	--	\$1,245,929	\$1,986,809	\$740,880
Interest income -----	\$374	--	--	--
Revenues -----	2,201,886	2,461,351	2,479,458	18,107
Total income -----	\$2,202,260	\$3,707,280	\$4,466,267	\$758,987
<i>Expenditures</i>				
Personal services -----	\$666,167	\$377,447	\$926,848	\$49,401
Operating expense -----	234,598	314,706	333,242	18,536
Equipment -----	21,312	51,629	92,070	40,441
Minor projects -----	34,254	280,962	--	--280,962
Subtotal -----	\$956,331	\$1,524,744	\$1,352,160	\$-172,584
Debt service requirements -----	--	195,727	178,200	--17,527
Operating reserve -----	--	152,474	117,958	--34,516
Total expenditures -----	\$956,331	\$1,872,945	\$1,648,318	\$-224,627
<i>Net operating surplus</i> -----	\$1,245,929	\$1,834,335	\$2,817,949	\$983,614

When a new special fund is established, it is sometimes difficult to ensure that all responsibilities are transferred from one fund to the other. In the case at hand, it appears that the transfer was not complete and that there has been some overlapping between the new parking fund and the General Fund.

According to the Audits Division of the Department of Finance, the transfer of responsibilities from the General Fund to the parking fund was not complete with the result that certain services were provided the parking program in 1966-67 by the General Fund. These services included time spent by security officers, groundsmen, maintenance men and clerks as well as certain operating expenses and costs for motor vehicle operation and utilities. The Audits Division estimates the value of these services at roughly \$150,000 but cannot ascertain a more precise figure since "detailed time and cost records were not maintained." The problem has been corrected by the addition of 14.3 positions in the current year and 3.7 more positions in 1968-69 but this does not alter the fact that the General Fund financed services for which it was not reimbursed. *Accordingly, we recommend that the accumulated surplus of the State College Parking Revenue Fund be reduced by \$150,000 and that this sum be prorated among the appropriate college budgets*

California State Colleges—Continued

as increases in reimbursements and a corresponding reduction in the current year General Fund appropriation.

Other Reimbursed Activities

This category includes miscellaneous reimbursements from state college foundations and other auxiliary organizations and nongovernmental agencies. Many of the miscellaneous items that we listed in last year's analysis are not separately identified in this year's budget presentation. For example, the item for special programs and projects are listed as a single item and have previously been totally included in Table 30 under the section on research and special project activities. In addition, reimbursements from the residence hall programs are not separately reported this year but are included in the overall figure for auxiliary organizations. The remaining figures are for auxiliary organizations for which reimbursements are reported below. All other expenditures in the 1968-69 Governor's Budget have been discussed in other sections of this analysis.

	<i>Actual</i> 1966-67	<i>Estimated</i> 1967-68	<i>Proposed</i> 1968-69
Miscellaneous reimbursements from auxiliary organizations -----	\$938,493	\$1,222,192	\$1,531,643

Student Fees

Student fees fall into seven identifiable categories. Included are the materials and service fee, nonresident fees, application fees, catalog fees, fees for summer session and extension programs and miscellaneous fees. A further delineation would separate out-of-state students from foreign students but this distinction is not made in the budget presentation. Total fee income from these sources is listed in Table 38.

Table 38
Income from Student Fees and Other Charges

	<i>Actual</i> 1966-67	<i>Estimated</i> 1967-68	<i>Proposed</i> 1968-69	<i>Proposed</i> <i>increase</i>
Regular Session				
Materials and service fee----	\$11,430,983	\$14,403,072	\$15,396,205	\$993,133
Nonresident tuition -----	2,086,028	2,503,518	2,460,525	—42,993
Application fee -----	924,900	1,763,710	2,054,383	290,673
Catalog fee -----	--	191,000	161,577	—29,423
Miscellaneous -----	900,006	617,258	825,414	208,156
Summer Session -----	6,478,456	7,039,190	7,596,072	556,882
Extension -----	2,012,995	2,015,271	2,386,786	371,515
Total -----	\$23,833,368	\$28,533,019	\$30,880,962	\$2,347,943

The materials and service fee is current set at \$86 per year for full-time students attending semester system colleges and \$87 per year for full-time students attending quarter system colleges. Limited students pay \$44 and \$45 at semester and quarter system colleges respectively. The fee income shown in Table 38 is based on a FTE enrollment of 156,790 for 1968-69 which therefore does not account for the 5,030 FTE enrollment increase discussed previously.

We have analyzed the costs which this fee income is intended to support and find that these costs exceed the projected income by \$44,-

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394. However, we are not recommending an increase in the fee at this time inasmuch as the deficit is very small and because the final figures on income and expenditures have not been presented. Table 39 shows the expenditures which the fee is intended to support in comparison with estimated fee income.

Table 39

Activities Supported by the Materials and Service Fee	
Instruction	
Administration and teaching -----	\$4,617,689
Audio-visual operating expense -----	250,422
Student services	
Student personnel and student health services -----	10,024,754
Student Financial Aids	
Student services -----	549,734
Total -----	\$15,442,599
Income from materials and service fee -----	15,396,205
Net deficit -----	\$46,394

Nonresident Tuition

We recommend that out-of-state student tuition be raised from the budgeted level of \$780 per student to \$890 per student for a reduction in General Fund support of \$244,860.

We also recommend that foreign student tuition be increased from the current rate of \$255 per year to \$312 per year for an increase in reimbursements and a decrease in state support of \$166,896.

We further recommend that the Legislature grant the Trustees of the California State Colleges the authority to allow waivers to out-of-state and foreign undergraduate students not to exceed 5 percent of their total enrollment at a cost of \$113,218. The net reduction for non-resident tuition would be \$298,538.

Currently, tuition for out-of-state students is set at \$720 per year which is determined by a complicated formula involving the prorating of a faculty member's time devoted to teaching plus a related amount for clerical time, operating expenses and equipment. According to the Governor's Budget, the computations involved have produced a fee requirement of \$780, a \$60 increase over the current fee which has been included in the budget presentation for a net reduction of \$133,560 in state support.

We believe that the formula which produces this fee does not include a great many costs of the instructional program of the colleges. We also believe that when the out-of-state tuition does not include most instructional costs, the result is a state subsidy for nonresident students, a policy for which we can see little justification. Consequently, we are proposing a new formula which we believe will not only be less complex than the current formula but which will also more accurately reflect the actual costs of providing an education.

Under this proposal, out-of-state student tuition would be determined by dividing the total FTE of the state college system into a figure composed of all costs for the instructional function excluding only the costs of instructional administration and the operating expenses for

California State Colleges—Continued

administration and teaching and audio-visual services, both of which are financed through the materials and service fee. In addition, a deduction would be made for salary savings based on the current rate of 2.5 percent of the salaries of teaching faculty and 4 percent of all other salaries in the instructional function. The resulting computations produce a fee of \$893 which we have rounded off to \$890 for an increase of \$110 above the proposed \$780 rate in the budget. This will raise the total fees for out-of-state students to \$976, including the \$86 materials and service fee. Using the budgeted figures of 2,226 out-of-state students (after a reduction for waivers), a net reduction in General Fund support of \$244,860 is produced.

We believe that in terms of the total instructional costs of the state college program, this is a reasonable increase. It includes none of the expenditures for the library, for example, which is an instructionally related function, nothing for student financial aids administration which is partially state supported and nothing for the several instructional support functions such as general administration and plant operation. Were these costs included in the calculations, we believe the out-of-state tuition requirement would be prohibitive.

It is interesting to note that the tuition figure we are proposing is only slightly above the median for the 14 publicly operated state college comparison institutions which is currently at \$908 including all incidental fees and charges. Included in this list are Michigan State University with a tuition of \$1,200 for out-of-state students, the University of Colorado at \$1,120, Pennsylvania State University at \$1,050 and five others with tuition rates over \$900. It should be further noted that the out-of-state tuition charge at the University of California is \$981 plus \$219 in incidental fees for a total of \$1,200 compared to our proposed total for the colleges of \$976.

Tuition payments for foreign students are currently set at \$255 where they have been since 1963. At that time, out-of-state tuition was set at \$360. Since then, out-of-state tuition has been increased to \$720, is recommended for another increase of \$60 by the Department of Finance and is recommended for a further increase of \$110 by our office. In light of this, it seems reasonable to presume that some adjustment should be made in foreign student tuition.

We accept the argument offered by higher education officials that foreign students make a major contribution to campus life in that they increase awareness among American students of the cultures of other people throughout the world. For this reason, we do not believe that foreign student tuition should be as high as that for out-of-state students, where the benefit received by California students is less apparent. However, in recognition of the rapidly rising costs of the instructional program at the state colleges and the fact that foreign student tuition has not been increased since 1963, we believe it might be reasonable to establish the rate at 35 percent of that for nonresidents which would produce a fee of \$312 or an increase of \$57 per year. This percentage figure is chosen inasmuch as it describes the current relationship between the two tuition figures of \$255 and \$720. Given the current foreign student population of 2,928 students, this would produce an

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increase in reimbursements of \$166,986 and therefore an equal reduction in General Fund support.

Two conflicting arguments appear to come into play in recommendations of this type. First, it can be argued that the state should not be required to subsidize the educations of students who are not state residents inasmuch as the higher education institutions are supported by California tax dollars and because it is difficult to demonstrate that a student from out-of-state contributes more to the institution than a student from within the state. This is less so for foreign students as we have noted previously and which is recognized in our recommendations. On the other hand, it is generally recognized that it is in the state's interest to attract outstanding individuals who more than likely will remain in California after they complete their education. This latter point applies particularly to graduate students who through their undergraduate training have demonstrated marked intellectual ability. For this reason, the Education Code (Section 23754.3) allows the colleges to waive the nonresident tuition for up to 25 percent of the out-of-state and foreign graduate students.

In our view, both of these arguments have merit. Therefore, we believe that a reasonable policy would be to raise the tuition as we have proposed but to also allow a small number of waivers for undergraduate out-of-state and foreign students where there is a demonstrated financial need and proven academic ability. The 5-percent waiver proposed in our recommendation would exempt approximately 198 undergraduate students from the tuition requirement which would result in fee losses of approximately \$113,218. It is not possible to determine this fee loss precisely inasmuch as it is not known what the distribution will be between foreign student waivers and out-of-state waivers. It is also not possible to determine whether the colleges will choose to grant all of the waivers they are allowed.

Salary Savings

Salary savings is the amount budgeted for personal services that is not spent due to vacancies, delays in filling authorized positions and turnover where an employee leaves and is replaced by another employee at a lower salary. Each year, the Department of Finance establishes a minimum level of salary savings for the budget year, a level which the colleges are required to meet in the dollar equivalent of a specified number of positions.

Prior to the 1968 budget, salary savings for the colleges have been budgeted at 2 percent of the allocation for instructional faculty and 4 percent of all other persons excluding those in reimbursed activities. This year, the level has been set at 2.5 percent for instructional faculty and 4 percent for other positions which produces a salary savings figure of \$6,204,836. This figure is in line with the salary savings levels actually realized in the system in the past two years and with the anticipated level in the budget year.

In addition to the amount above, the budget contains an additional salary savings amount of \$4,481,146 which brings the total figure to \$10,685,982 and which was originally intended to offset normal merit

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Education

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salary adjustments. However, this amount has been reimbursed in the "provision for allocation" section of the budget in the amount of \$4.5 million which allow the state college system to grant the merit salary adjustments that it originally intended to provide. We have commented previously on our objections to this budgeting procedure.

CALIFORNIA MARITIME ACADEMY

ITEM 102 of the Budget Bill

Budget page 517

FOR SUPPORT OF THE CALIFORNIA MARITIME ACADEMY FROM THE GENERAL FUND

Amount requested	\$667,938
Estimated to be expended in 1967-68 fiscal year	652,543
Increase (2.4 percent)	\$15,395

TOTAL RECOMMENDED REDUCTION..... None

GENERAL PROGRAM STATEMENT

The California Maritime Academy, located at Morrow Cove, Vallejo, provides a three-year training program for young men who seek to become licensed officers in the United States Merchant Marine. It is one of six such institutions in the country that are supported jointly by the states and the federal government. The other institutions are at Kings Point and Ft. Schuyler, New York; Castine Bay, Maine; Buzzard Bay, Massachusetts and Galveston, Texas.

The program consists of both a normal academic program and specialized programs in either deck officer or engineering officer training. The program is year-round in three terms, two devoted to shore based instruction with three month's training at sea aboard the *Golden Bear*, a merchant type ship loaned to the academy by the Federal Maritime Administration. Upon completion of the three-year program and successful passage of the United States Coast Guard license examination, the students are awarded the bachelor of science degree.

The affairs of the academy are managed by a Board of Governors which includes the Superintendent of Public Instruction and four others appointed by the Governor for four-year terms. The board in turn appoints a superintendent who is the chief administrative officer of the academy. Admission standards are determined by the board and include an entrance examination.

Table 1
Average Annual Enrollment

Year	Budget Estimate	Actual Enrollment
1963-64	250	220
1964-65	250	227
1965-66	236	238
1966-67	242	258
1967-68 (estimated)	252	248
1968-69 (proposed)	252	---

Table 2
Sources of Support
California Maritime Academy
1959-60 — 1968-69

<i>Year</i>	<i>Enrollment</i>	<i>General Fund</i>	<i>Percent</i>	<i>Federal funds</i>	<i>Percent</i>	<i>Student fees, etc.</i>	<i>Percent</i>	<i>Total support</i>
1959-60 -----	220	\$365,649	49.2%	\$217,400	29.2%	\$160,216	21.6%	\$743,265
1960-61 -----	224	390,836	52.2	204,124	27.2	154,610	20.6	749,570
1961-62 -----	228	415,488	53.3	205,436	26.4	157,800	20.3	778,724
1962-63 -----	231	435,422	54.3	203,642	25.4	162,740	20.3	801,804
1963-64 -----	220	491,425	57.9	206,619	24.4	150,278	17.7	848,322
1964-65 -----	227	531,205	60.2	205,702	23.3	145,614	16.5	882,521
1965-66 -----	238	563,478	60.5	208,121	22.3	159,993	17.2	931,592
1966-67 -----	258	592,685	58.3	219,397	21.6	204,290	20.1	1,016,372
1967-68 (Estimated) -----	252	652,543	61.1	213,750	20.0	202,459	18.9	1,068,752
1968-69 (Proposed) -----	252	667,938	61.3	219,600	20.1	202,459	18.6	1,089,997

California Maritime Academy—Continued

ANALYSIS AND RECOMMENDATIONS

The support budget for the academy for the 1968-69 year totals \$1,089,997 of which \$667,938, or 61.3 percent is to be provided from the General Fund. The remainder, \$422,059, is composed of \$202,459 in student fees and miscellaneous reimbursements and \$219,600 in federal funds. Table 2 shows the relative distribution of state, federal and student fee income in the preceding eight years, the current year and the budget year. The constantly increasing percentage share carried by the General Fund and the decreasing share by the federal government should be noted.

The federal contribution is based on a flat grant of \$75,000 plus \$600 per resident student of which \$400 is paid to the academy to offset operating expenses and \$200 to students to help cover the costs of uniforms, textbooks and other incidental expenses associated with attendance. In addition, the federal government also covers the cost of maintaining the *Golden Bear* training ship. This is estimated at \$62,500 in 1968-69 and is not included in the above figures.

Revenues from students are estimated at \$196,139 for next year and are derived from a fee schedule which was established in 1965 at \$750 per year for residents and \$1,050 for nonresidents. This fee is intended to cover the students' subsistence costs. Currently, 10 nonresident students attend the academy.

Table 3 shows the total cost per student and the cost per student from the General Fund since 1959-60.

Table 3
Total and State Costs Per Student

Year	Total costs per student	General Fund (state) cost per student
1959-60 -----	\$3,378	\$1,662
1960-61 -----	3,346	1,745
1961-62 -----	3,415	1,822
1962-63 -----	3,471	1,885
1963-64 -----	3,856	2,234
1964-65 -----	3,888	2,340
1965-66 -----	3,914	2,368
1966-67 -----	3,939	2,297
1967-68 -----	4,241	2,589
1968-69 -----	4,325	2,651

The \$15,395 General Fund increase includes \$6,511 for workload adjustments and does not include any new positions. The remaining \$8,884 is for equipment. The total expenditures by function are presented in Table 4.

California Maritime Academy—Continued

Table 4

	Total Expenditures by Function			
	<i>Actual</i> 1966-67	<i>Estimated</i> 1967-68	<i>Budgeted</i> 1968-69	<i>Proposed</i> <i>increase</i>
Administration -----	\$111,549	\$114,344	\$119,003	\$4,659
Instruction -----	305,254	330,063	335,685	5,622
Care and subsistence-----	275,686	299,428	307,134	7,706
Plant operation -----	149,458	157,171	156,934	—237
Ship operation -----	174,425	167,746	171,241	3,495
Totals -----	\$1,016,372	\$1,068,752	\$1,089,997	\$21,245

We recommend approval as budgeted unless approval is given to the policy option presented below.

POLICY OPTION

In last year's analysis, we offered the option of reducing state support for the academy by \$67,500 as an inducement to the federal government to increase its percentage support to the level which had existed in 1959-60. We stated then that "In our opinion, the Board of Governors of the Academy should make every effort to obtain a reasonable increase in order to restore such (federal) aid at least to the level which was achieved with the passage of the 1958 act (the Maritime Academy Act of 1958)."

Since this policy option was offered, the Board of Governors has contacted the congressional representative from Vallejo who introduced a bill in the Congress to increase federal support during the 1967 session. This bill failed to pass. Subsequently, the superintendent of the academy met with the five other academy superintendents and agreed to sponsor a joint bill containing the same increase in support for each of them. The content of this legislation calls for a flat grant of \$250,000 per year plus \$600 per student replacing the current level of \$75,000 per year plus \$600 per student. If this proposal is adopted, the federal percentage of the academy's expenses would rise from the projected 1968-69 level of 20.1 percent to 36.2 percent which would be higher than federal support has ever been and would doubtless account for a more equitable relationship between state and federal responsibilities as costs increase in coming years.

We concur in the propriety of an increase in federal support, which has not been increased in the past 10 years. Therefore, we believe the Legislature should press for an increase in federal support of \$175,000.

BOARD OF GOVERNORS OF THE COMMUNITY COLLEGES

ITEM 103 of the Budget Bill

Budget page 519

**FOR SUPPORT OF THE BOARD OF GOVERNORS OF THE
COMMUNITY COLLEGES FROM THE GENERAL FUND**

Amount requested -----	\$394,626
Estimated to be expended in 1967-68 fiscal year-----	10,000
Increase -----	\$384,626
RECOMMENDED FOR SPECIAL REVIEW-----	\$394,626

California Maritime Academy—Continued
GENERAL PROGRAM STATEMENT

The Board of Governors of the Community Colleges was created by Chapter 1549, Statutes of 1967, to "provide leadership and direction in the continuing development of junior colleges as an integral and effective element in the structure of public higher education in the state." The functions of this board are not specifically designated at present but the enabling legislation did require the Coordinating Council for Higher Education to study and report to the Governor and the Legislature on the proper relationship between the new board and the governing boards of the local junior colleges and the duties each is to perform. The board is composed of 15 members who were appointed by the Governor on January 15, 1968. As of this writing, the board has yet to hold its first meeting.

ANALYSIS AND RECOMMENDATIONS

The budget request for 1968-69 is \$394,626 from the General Fund. This amount is composed entirely of the transfer of existing positions and related expenses from various bureaus within the Department of Education and does not constitute any net increase in General Fund cost. The detail for this request is presented below.

<i>Bureau from which positions have been transferred</i>	<i>Number of positions</i>	<i>Total cost for transferred positions</i>
Division of Higher Education		
Bureau of Junior College Services-----	4.0	\$46,476
Bureau of Administration and Finance-----	11.1	137,354
Division of Instruction		
Bureau of Vocational Education-----	25.4	308,043
Subtotal -----	40.5	\$491,873
Department of Education indirect costs-----		18,045
Staff benefits, operating expense and equipment-----		124,708
Total -----		\$634,626
Federal reimbursements -----		\$240,000
Net General Fund cost of transferred positions-----		\$394,626

At this time, it is not possible to determine the adequacy of the amount requested for this item. The funds provided are to maintain the level of service that existed prior to the establishment of the new board without explanation of requirements or justifications. In the absence of a specific request for additional services and a statement of the actual duties and responsibilities of the new board, we reserve judgment on this item. *We therefore recommend that the decision on this item be deferred until further information is received.*

STATE SCHOLARSHIP AND LOAN COMMISSION

ITEM 104 of the Budget Bill

Budget page 546

FOR SUPPORT OF STATE SCHOLARSHIP AND LOAN
COMMISSION FROM THE GENERAL FUND

Amount requested	\$8,923,995
Estimated to be expended in 1967-68 fiscal year	5,627,039
Increase (58.6 percent)	\$3,296,956

TOTAL RECOMMENDED REDUCTION..... None

GENERAL PROGRAM STATEMENT

Three state student aid programs are administered by the State Scholarship and Loan Commission: the California State Scholarship Program, the Graduate Fellowship Program and the federal Guaranteed Loan Program. Public and private institutions as well as the general public are represented by a nine-member commission appointed by the Governor. An executive director and a staff of 23 personnel administer the activities of the Scholarship and Loan Commission.

The allocation of the \$8,999,245 budgeted for the commission is shown in the following summary.

	<i>General Fund</i>	<i>Federal funds</i>	<i>Total expenditures</i>
State Scholarship Program	\$8,083,995 ¹	--	\$8,083,995
Graduate Fellowship Program	840,000	--	840,000
Guaranteed Loan Program	--	\$75,250 ²	75,250
Total expenditures	\$8,923,995	\$75,250	\$8,999,245

¹ Administrative costs totaling \$256,245 for the Scholarship and Fellowship programs are included within this amount.

² Interest from federal funds in the State Guaranteed Loan Reserve.

Actual expenditures from 1965-66 through budgeted expenditures for 1968-69 are shown in Table 1. The initiation of the Guaranteed Loan Program is indicated by the \$80,420 in interest expended for administration of the program and accrued from the Guaranteed Loan Fund Reserve.

Table 1
State Expenditures for Programs Administered
by the State Scholarship Commission

	<i>Scholarship program</i>	<i>Graduate fellowships</i>	<i>Guaranteed loans</i>	<i>Total expenditures</i>
Actual				
1965-66	\$3,775,523	--	--	\$3,775,523
1966-67	4,700,985	--	--	4,700,985
Estimated				
1967-68	\$5,347,039	\$280,000	\$80,420	5,707,459
Budgeted				
1968-69	\$8,083,995	840,000	75,250	8,999,245

ANALYSIS AND RECOMMENDATIONS

State Scholarship Program

Established in 1955, this program has the following goals: (1) provide public scholarship funds for California students of high academic merit who have a demonstrable need for financial assistance in order that they may pursue undergraduate studies at a public or private four-year California institution of higher education; and (2) to permit and encourage the private colleges and universities to absorb a larger propor-

State Scholarship Commission—Continued

tion of the undergraduate enrollment and, thereby, reduce the demand on taxpayers for current and capital outlay funds for public institutions of higher education. An additional benefit derived from this program is the strengthening of the financial aid programs of the colleges and universities who enroll recipients of state scholarships.

Scholarship grants at independent colleges and universities range from \$300 to \$900 plus 90 percent of tuition and fees above \$900 to a maximum total of \$1,500 for an academic year. At the University of California and the California State Colleges, scholarships are in the amount of fees charged the students. Scholarships may be held in trust for those recipients who elect to attend a junior college prior to transferring to a four-year institution.

Under the provisions of Chapter 1659, Statutes of 1967 the percentage basis for granting state scholarship awards is increased from 1 to 2 percent of the high school graduates of the previous year. Awards are granted on the basis of scholastic ability, academic potential, and the need for financial assistance to enable a student to attend the college of his choice. The increase of scholarship awards to 10,650 scholarships, plus provisions for renewal are reflected in the budget in the amount of \$7,827,750.

Table 2
General State Scholarship Award Funds
1965-66 through 1968-69

	Number of awards	Average award amount	Total general award funds
1965-66 actual -----	5,120	\$701	\$3,588,952
1966-67 actual -----	6,042	728	4,397,437
1967-68 estimated -----	6,902	735	5,070,000
1968-69 budgeted -----	10,650	735	7,827,750

Total expenses for administering this volume of awards plus 840 graduate fellowships is \$256,245. Due to preparatory workload necessitated by the expansion of the scholarship program, an emergency appropriation of \$33,293 was made to the commission for an additional 4.2 positions during 1967-68. Increases requested for 1968-69 amounting to \$2,287 can also be associated with this expansion of the program. Administrative costs for financial need-evaluation are reduced in 1968-69 by approximately \$36,000 by a newly instituted policy of requiring semifinalist in the State Scholarship Program to pay for the cost of processing the Parent Confidential Financial Statement. We recommend approval of the amount budgeted for this program.

Graduate Fellowship Program

Chapter 1475, Statutes of 1965, established the Graduate Fellowship Program to provide assistance for outstanding graduate students who intend to become college teachers. According to the statute, the principal objective of the program is to increase the supply of college and University faculty with special emphasis on those fields where there is a critical shortage of teachers. Under this provision, 280 fellowships are estimated to be granted in 1967-68, totaling \$280,000. The fellowships are limited to one year, including one summer unless extraordinary circumstances prevail which necessitate a renewal. The amount

State Scholarship Commission—Continued

of the reward is determined according to the needs of each recipient up to the full cost of tuition and fees.

Under the provisions of Chapter 1659, Statutes of 1967, the basis for granting awards has been increased from 1 percent to 2 percent of the baccalaureate degrees of the prior academic year. The 1968-69 budget provides \$840,000 for 840 fellowships.

We recommend approval of this program in the amount budgeted.

Guaranteed Loan Program

Title IV, Part B, of the Higher Education Act of 1965 establishes a federal sponsored low interest Guaranteed Loan Program for college students with family adjusted incomes less than \$15,000. The federal government provides loan insurance funds to enable private lending institutions to make loans to students at rates no higher than 6 percent and subsidizes student interest costs to the extent of eliminating interest while a student remains in college and limits it to a maximum of 3 percent thereafter during the repayment period.

Under Chapter 63, Statutes of 1966, First Extraordinary Session, the Scholarship and Loan Commission was designated as the administering agency for the Guaranteed Loan Program. Since November, 1966, the commission has guaranteed 17,652 loans totaling over \$14.7 million for California college students. All funds received from the U.S. Office of Education are deposited in the State Guaranteed Loan Reserve Fund. As of November 1967, all funds were encumbered by the federal government and no loans have been made since that date. The federal statute authorizing additional guaranteed loans expires on June 30, 1968; therefore, no additional loans are expected to be guaranteed in 1968-69.

As a result of the federal action, administrative staff is being reduced by 3 clerical positions and 0.8 man-years of temporary help. The remaining positions will be necessary to service and maintain the outstanding loans. This budget of \$75,250 will provide for 6.2 man-years to be financed from loan fund reserve interest. The total reserve is estimated to be \$1,512,838 as of July 1, 1968.

We recommend approval of this program in the amount budgeted.

STATE GUARANTEED LOAN PROGRAM

ITEM 105 of the Budget Bill

Budget page 52

**FOR SUPPORT OF STATE GUARANTEED LOAN PROGRAM
FROM THE GENERAL FUND**

Amount requested	\$75,250
Estimated to be expended in 1967-68 fiscal year	80,420
Decrease (6.4 percent)	\$5,170

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATIONS

An appropriation of \$75,250 in interest earnings from the Guaranteed Loan Reserve Fund is provided in this item for the support of

Items 106-107

Employment

State Guaranteed Loan Program—Continued

administrative expenses incurred in the operation of the Guaranteed Loan Program by the State Scholarship and Loan Program.

The activities of this program are described in the preceding analysis on the State Scholarship and Loan Commission. The interest income is accrued from the federal loan guarantee funds deposited as reserve for the student loans authorized under this program.

We recommend approval in the amount budgeted.

DEPARTMENT OF EMPLOYMENT

ITEMS 106 and 107 of the Budget Bill

Budget page 523

FOR SUPPORT OF THE DEPARTMENT OF EMPLOYMENT FROM THE UNEMPLOYMENT COMPENSATION DIS- ABILITY FUND AND THE DEPARTMENT OF EMPLOYMENT CONTINGENT FUND

Amount requested, Unemployment Compensation Disability Fund ----	\$11,679,767
Amount requested, Department of Employment Contingent Fund ----	\$495,876
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	\$12,175,643
Estimated to be expended in 1967-68 fiscal year -----	11,600,747
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Increase (4.95 percent) -----	\$574,896
TOTAL RECOMMENDED REDUCTION-----	\$179,008

Summary of Recommended Reductions	Amount	Budget Page	Line
Department of Employment Contingent Fund			
Elimination of Department of Finance audit of the Un- employment Insurance—Employment Service Pro- gram -----	\$46,364	526	25
Unemployment Compensation Disability Fund			
Reduction in requested positions and related equipment--	132,644	535	37 & 65

GENERAL PROGRAM STATEMENT

The Department of Employment administers programs in two basic areas: (1) filling employment needs of both employers and those seeking work and (2) lessening the hardships of those involuntarily unemployed through income stabilization. Employment opportunities are presented through a system of statewide offices while the involuntarily unemployed are assisted by similar offices under the unemployment insurance program and disability and hospital benefits program.

Projected benefits for unemployment insurance and disability and hospital benefits total \$741,428,000 for the 1968-69 fiscal year of which unemployment insurance is estimated at \$493,040,000 and disability and hospital benefits at \$248,388,000. In addition to the total benefit amount, administrative expenses are estimated at \$88,572,003 for a total expenditure of \$830,000,003. The proposed benefit amounts are department estimates based upon projected rates of employment for the unemployment benefit program and previous experience of those filing disability and hospital benefit claims as related to the number of persons covered by disability insurance.