

submit a list of persons who are in credential programs for which the institution is approved and who can reasonably be expected to complete at least a partial Fisher Act credential by September 15, 1974, in the program in which they are enrolled. The directive is a brief 1½ page statement which allows each institution a broad range of discretion particularly as it decides which part-time students will be on the list. Since there were some 70 institutions administering the lists within a two-month period, the criteria for inclusion varied. Students with similar characteristics could enter the list at one institution, but not at another. Students who dropped out for a semester in fall 1973 did not enter the list. There is no clear written statement from the commission explaining (1) whether there will be an appeals process to add names to the December 1, 1973, list, (2) by whom it will be administered, or (3) how it will be administered. We suggest a need for administrative clarification of these matters.

Student Confusion

These issues create a large element of apprehension and confusion among education students. Ryan Act students who are three-fourths through their B.A. degree program are counseled that subject area examinations have not been developed nor have any college academic programs which would serve to waive the examinations been approved by the commission. These students are advised (1) to trust that their current college programs will be approved by the commission and (2) that if they must eventually take examinations, the examinations will be developed on time and the student's knowledge in the various subject areas will be sufficient for successful completion of the examination whose scope and content in many popular areas such as mathematics and social sciences is yet to be defined by the commission. We view this to be a disturbing situation at best. Hopefully the budget review process will aid in clarifying and relieving current problems associated with implementing the Ryan Act.

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HIGHER EDUCATION GENERAL STATEMENT

This general statement section sets forth data which relates to all higher education in California. Its purposes are to provide historical information and comparative statistics to augment individual agency and segment budget analyses which follow. Information on higher education organiza-

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tion, the Master Plan, functions, sources of support, student charges, costs per student and student aid follow.

Organization

California's system of public higher education is the largest in the nation and currently consists of 127 campuses serving over one million students. This system is separated into three distinct public segments—the University of California (UC), the California State University and Colleges (CSUC) and the California Community Colleges. Private universities and colleges (PUC) are often considered a fourth segment of higher education.

To provide a guideline for orderly and sound development of this system, the Master Plan for Higher Education in California 1960–75 was developed and its recommendations were largely incorporated into the Donahoe Higher Education Act of 1960. The purpose of the act was to define the function and responsibilities of each segment and to establish an economical and coordinated approach to the needs of higher education. The Coordinating Council for Higher Education (CCHE), to be abolished on March 31, 1974, was established to assist in this coordinated effort. CCHE functions and duties will be assumed on April 1 by the California Postsecondary Education Commission.

Master Plan Review

Assembly Concurrent Resolution 198 (1970) created a Joint Legislative Committee on the Master Plan for Higher Education with a broad mandate to review California higher education and the Master Plan. In January 1971 the Coordinating Council also established a select committee for an overall reexamination of the Master Plan. Assembly Concurrent Resolution 166 (1971) requested reports to the Legislature from both committees. The report of the council's select committee was submitted in December 1972. The joint committee's final report, submitted in September 1973, contains numerous recommendations for change in California's system of public higher education.

Recommendations of the Joint Committee on the Master Plan for Higher Education

Forty-nine recommendations were developed over a two-year period from thousands of interviews, 22 public hearings, 11 contracted studies, and extensive staff research and evaluation. Some of the major findings and recommendations are summarized below.

Although the committee reported a tendency toward educational and organizational uniformity within and between University and CSUC segments, it did not recommend any fundamental change to existing educational missions of the segments. However, it was recommended that UC and CSUC campuses be assigned different specialized educational missions in contrast with the uniform "general campus" and "statewide program" concepts currently used for campus and program development.

A series of recommendations provide for increased standardization in the selection and terms of governing board members of all three public segments. For example, it is recommended that board members be select-

ed by the Governor from a list of five persons submitted for each vacancy by a designated nominating committee and that terms of appointed regents, trustees and members of the board of governors be standardized at eight years.

Some of the principal findings relate to deficiencies in statewide coordination and planning. Consequently, the committee recommended creation of a new statewide coordinating agency and elimination of the existing Coordinating Council for Higher Education. These recommendations were subsequently mandated by Chapter 1187, Statutes of 1973, and are discussed in more detail in the following subsection. One of the primary activities of the new commission will be the development, review and updating of an integrated five-year plan for post secondary education.

Although existing admission restrictions for each segment are supported by the committee's report, additional flexibility to utilize nontraditional criteria for accepting up to 12.5 percent of lower division students is recommended for the two public four-year segments.

Experimental postsecondary education counseling centers are recommended for unspecified urban and rural areas. Similarly, the report recommends the establishment of regional councils throughout the state for purposes of promoting interinstitutional cooperation and comprehensive regional planning.

The committee also reported a need for increased off-campus or "extended" education. Some characteristics of these extended forms of higher education include new student clientele (e.g., senior citizens, employed persons), new instructional techniques, new uses of communications media, off-campus locations, credit by examination and credit for work and other nonacademic experiences. Because the committee found existing segmental attempts at extended educational programs to be fragmented, inadequate and closely tied to traditional concepts, a new fourth public segment, the California Cooperative University, was recommended. To assist in supporting these and other innovative proposals the committee recommended that a special fund in the amount of 3 percent of the annual state operating budget for postsecondary education be provided.

The committee felt that student charges are matters of public policy and forms of taxation. As a result, it recommended the Legislature be empowered to determine whether or not tuition shall be charged, and the amount of any such charges. In contrast with existing University of California policy, it recommended that funds derived from any tuition type charges should not be utilized for construction of physical facilities and that student financial aid should receive first priority for support from such charges.

Substantial increases for all existing state supported student aid programs were recommended. It also recommended that the State Scholarship and Loan Commission report to the Legislature on the need for and means of implementing a new state funded work-study program.

Additional recommendations relate to statewide goals for postsecondary education, improved legislative staff capacities, the roles of private universities and colleges, cost effectiveness and financing.

HIGHER EDUCATION—Continued**Functions**

Coordinating Council for Higher Education (CCHE). The council, to be abolished March 31, 1974, is an advisory body created to provide coordinated planning for both public and private segments of higher education. It consists of 10 members, six representing the general public, one member representing each of the three public segments of higher education and one member representing independent colleges and universities. The council advises the Governor and Legislature as well as the governing boards of the three public segments on matters pertaining to state financial support, long-range physical development, new programs and other concerns.

California Postsecondary Education Commission (PEC). The commission will succeed to the powers, duties and functions vested in the Coordinating Council for Higher Education on April 1, 1974, as a result of Chapter 1187, Statutes of 1973. Numerous additional planning, coordinating and advising functions are specified.

The commission will be comprised of 23 members as follows: two representatives each from the private and three public segments; one representative each from the California Advisory Council on Vocational Education and Technical Training, the council for Private Postsecondary Educational Institutions and the State Board of Education; 12 representatives of the general public of which four each are appointed by the Governor, Senate Rules Committee and Speaker of the Assembly. No person who is regularly employed in any administrative, faculty, or professional position by any institution of public or private postsecondary education will be appointed to the commission. Terms will be for six years or at the pleasure of the respective appointing authority with the exception of representatives of the private segment whose terms will be limited to three years.

The implementing legislation also provides for an advisory committee to the commission consisting of respective designees or the chief executive officers of each of the public segments, the Superintendent of Public Instruction, the association or associations of private universities and colleges, the California Advisory Council on Vocational Education and Technical Training and the Council for Private Postsecondary Educational Institutions.

The University of California (UC). The UC system consists of nine campuses, including a separate medical facility at San Francisco, and numerous special research facilities located throughout the state. Medical schools are presently located at the San Francisco, Los Angeles, San Diego, Davis and Irvine campuses. Hastings College of Law in San Francisco, although affiliated with the university, operates under a separate statutory board of directors. To govern the University of California the State Constitution grants full power of organization and government to a 24-member board of regents, serving 16-year terms and with substantial freedom from legislative or executive control.

In addition to the function of instruction, which is basic to all three

segments of public higher education, the University of California is designated as the primary state-supported agency for research. Instruction is provided to both undergraduate and graduate students in the liberal arts and sciences and in the professions, including the teaching profession. The university has exclusive jurisdiction over instruction in the profession of law and over graduate instruction in the professions of medicine, dentistry and veterinary medicine. It has sole authority for awarding the doctorate degree with the exception that in selected fields, joint doctoral degrees may be awarded in conjunction with the California State University and Colleges.

The California State University and Colleges (CSUC). This system, comprised of 19 campuses, is governed by a statutory 21-member board of trustees, serving eight-year terms. Although the board of trustees does not have the constitutional autonomy of the UC regents, the Donahoe Act of 1960 did provide for centralization of the policy and administrative functions which are carried out by the chancellor's office. The primary function of CSUC is to provide instruction to both undergraduate and graduate students in the liberal arts and sciences, in applied fields and in various professions including the teaching profession. The granting of bachelor's and master's degrees is authorized but doctorate degrees may not be granted except under the joint doctoral program noted above in the UC statement. Faculty research is authorized only to the extent that it is consistent with the instruction function.

The California Community Colleges (CCC). A 15-member board of governors was created by statute in 1967 to provide leadership and direction to the development of the existing 69 community college districts with 97 campuses that comprise the system. Unlike UC and CSUC, community colleges are administered by local boards and derive the majority of their funds from local property taxes.

Instruction in public community colleges is limited to lower division levels (freshman and sophomore) of undergraduate study in the liberal arts and sciences and in occupational or technical subjects. The granting of the associate in arts or the associate in science degree is authorized.

The California Maritime Academy (CMA). As a result of Chapter 1069, Statutes of 1972, the academy is now governed by an independent seven-member board of governors appointed by the Governor for four-year terms. Established at Vallejo in 1929, the academy provides a program for men and women who seek to become licensed officers in the United States Merchant Marine.

The Private Universities and Colleges (PUC). Private nonprofit institutions constitute a major resource and play an integral part in California's total higher education effort. There are approximately 70 such institutions, about 50 of which collectively form the Association of Independent California Colleges and Universities. The value of these institutions lies both in their response to the educational needs and wants of many Californians and in the diversity they add to the total system of higher education. They also divert large numbers of students who would probably enroll in public institutions. Governance, functions and admissions differ widely among

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private institutions.

Admissions

Although the regents have the power to establish their own admission standards, the standards which are utilized are in conformity with guidelines established in the Master Plan. UC admission standards are intended to limit freshmen to the top one-eighth of California's high school graduates and to qualified transfer students from other institutions. Nonresident students must be in the upper one-sixteenth of their state's high school graduates. For admission to advance standing, effective for the fall quarter of 1973, California transfer students who were not eligible for admission as freshmen are required to have a grade-point average of 2.0 (C), as compared to 2.4 (C+) in the past. As previously noted, original Master Plan guidelines provided for a 2-percent waiver of admission standards for selected students with academic promise which was subsequently increased to 4 percent to accommodate disadvantaged students.

The original Master Plan anticipated that all qualified students might not be accommodated at the campus of their choice or even the segment of their choice. This was clearly the concept of the recommendation to redirect students to the public community colleges by establishing a 1975 goal of 40 lower division students to 60 upper division students at both UC and CSUC. The only method available to the segments to redirect students to the community colleges is to deny some students admission under the assumption they will enroll in a community college.

Nevertheless, UC reports that all qualified students will continue to be accommodated within its statewide system. Applications accepted at any campus entitles the student to attend the campus of his choice where facilities are available or attend any other campus with enrollment openings.

In conformity with recommendations of the Master Plan, CSUC admission standards are intended to limit entering freshmen to the top one-third of California's high school graduates and to qualified transfer students from other institutions. As with UC, the CSUC system requires transfer students to have a grade-point average of 2.0 (C). A 4-percent waiver in admissions standards is also allowed for specified students such as the disadvantaged. Students who qualify for acceptance at a campus without openings are redirected to another campus with enrollment openings.

Admission to the community colleges is open to any high school graduate. Other students over 18 who have not graduated from high school may be admitted under special circumstances.

Enrollments

Enrollment data are a major factor in evaluating higher education's budgetary support and capital outlay needs. However, comparisons are difficult since the segments presently use different methods to derive their enrollment workload statistics. Segmental enrollment totals may be reported as head count, full-time equivalent (FTE) students, or average daily attendance (ADA). Both UC and CSUC systems utilize FTE statistics

for budgetary purposes. In contrast state apportionments to community colleges follow traditional elementary and secondary school accounting procedures and are based on ADA statistics.

Table 1 contains reported enrollment data for the three segments. University statistics show FTE by level of enrollment, state university and college FTE is provided on the basis of level of instruction and community college ADA includes regular students and defined adults.

Table 1
Enrollment in California Public Higher Education

	<i>Actual</i> 1972-73	<i>Revised</i> 1973-74	<i>Projected</i> 1974-75
University of California^a			
Lower division	30,909	32,127	31,685
Upper division	43,926	47,763	49,748
Graduates.....	30,865	31,994	32,727
Totals.....	105,700	111,884	114,160
California State University and Colleges^b			
Lower division	81,492	83,700	86,200
Upper division	118,803	121,950	125,500
Graduates.....	13,679	14,100	14,500
Totals.....	213,974	219,750	226,200
Community Colleges ADA			
Other than defined adults.....	464,926	482,473	505,651
Defined adults	108,667	114,141	121,923
Totals.....	573,593	596,614	627,574
Grand totals.....	893,267	928,248	967,934

^a 1972-73 total includes 128 FTE for extended university pilot programs. 1973-74 and 1974-75 totals include 772 FTE for extended university pilot programs.

^b Does not include summer FTE.

Several state programs acknowledge, encourage and in some instances financially support a cooperative role for private institutions in meeting higher education needs. Table 2 combines the totals of public enrollment shown in Table 1 with statistics reported for independent colleges and universities in order to portray total higher education enrollment in California.

Table 2
Total FTE Enrollment in California Public and Private Higher Education

	<i>Actual</i> 1972-73	<i>Estimates</i> 1973-74	<i>Projections</i> 1974-75
Public ^a	893,267	928,248	967,934
Private ^b	99,369	104,636	106,206
Totals.....	992,636	1,032,884	1,074,140

^a Combination of FTE and ADA from Table 1.

^b From data provided by the Association of Independent California Colleges and Universities for its institutions for fall of the reported year.

Table 2 indicates private universities and colleges enroll about 10 percent of California's higher education students.

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Expenditures

Proposed General Fund and total expenditures for public higher education in 1974-75 are shown in Table 3. The total represents an increase of approximately \$84.2 million or 7 percent over the current year's level of General Fund support.

University capital outlay totals include \$28,197,000 from the Capital Outlay Fund for Public Higher Education, \$44,441,000 in other University and nonstate funds, \$15,690,000 in student educational fees, \$3,201,000 in federal funds and \$40,918,000 for health sciences projects funded from a special bond issue approved in November 1972.

State college capital outlay totals include \$32,812,000 from the Capital Outlay Fund for Public Higher Education and \$2,925,000 from nonstate funds.

Community college capital outlay totals include \$44,246,408 in local district funds and \$44,054,600 from the proceeds of a construction bond issue approved by the electorate in November 1972.

Table 3
Proposed 1974-75 Budget Summary for Higher Education
(thousands)

	<i>Support</i>		<i>Capital Outlay</i>		<i>Total</i>	
	<i>All funds</i>	<i>General Fund^a</i>	<i>All funds</i>	<i>General Fund</i>	<i>All funds</i>	<i>General Fund</i>
California Postsecondary Education Commission..	\$1,292	\$859	—	—	\$1,292	\$859
University of California ^b	860,737	474,390	\$132,447	—	993,184	474,390
Hastings College of Law	4,269	2,476	100	—	4,369	2,476
California State University and Colleges	645,553	454,584	35,737	—	681,290	454,584
California Maritime Academy	1,841	1,281	—	\$75	1,841	1,356
Community Colleges	315,922	314,766	44,100	—	360,022	314,766
State Scholarship and Loan Commission	43,015	42,989	—	—	43,015	42,989
Totals.....	\$1,872,629	\$1,291,345	\$212,384	\$75	\$2,085,013	\$1,291,420
General Fund Expenditures as a percent of total expenditures		70.0%				61.9%

^a Does not include salary increase funds.

^b All expenditures included except those for special federal research projects.

Sources of Support

A summary of current expenditure funding sources for higher education in California for the last completed fiscal year, 1972-73, is shown in Table 4. Capital outlay expenditures are not included. Community colleges do not aggregate expenditures according to source of funds and the figures shown for student fees are our estimates based on available income data.

The total expenditures figure of \$860.7 million for the University excludes \$564.5 million of federal funds supporting special research projects.

Table 4
Expenditures for Higher Education
Current Expense by Source of Funds 1972-73
 (in thousands)

<i>Institutions</i>	<i>State support</i>	<i>Local support</i>	<i>Federal support</i>	<i>Student fees</i>	<i>Other^a</i>	<i>Total expenditures</i>	<i>Percent</i>
University of California.....	\$500,454	—	\$7,145	\$99,775	\$253,363	\$860,737	42.2%
California State University and Colleges.....	373,181	—	48,321	42,340	89,586	553,428	27.2
Community colleges ..	186,646	352,005	37,329	6,121	1,167	583,268	28.6
Other agencies ^b	37,536	—	1,823	1,342	303	41,004	2.0
Totals.....	\$1,097,817	\$352,005	\$94,618	\$149,578	\$344,419	\$2,038,437	100.0%
Percent of total expenditures	53.9%	17.3%	4.6%	7.3%	16.9%	—	100.0%

^a Private gifts and grants, endowments, sales, etc.

^b Includes Hastings College of the Law, California Maritime Academy, Coordinating Council for Higher Education, State Scholarship and Loan Commission and the Board of Governors of the Community Colleges (including EOP).

Approximately \$2 billion was expended for higher education support in 1972-73. Of this amount \$1.1 billion (53.9 percent) was state support. The comparable statistic for state support in 1971-72 was 45.7 percent and in 1970-71 was 48.9 percent.

Student Charges

Tuition and fees are the two types of student charges utilized by California's system of higher education to gather additional revenue. According to the Master Plan for Higher Education, "tuition is defined generally as student charges for teaching expense, whereas fees are charged to students, either collectively or individually, for services not directly related to instruction, such as health, special clinical services, job placement, housing and recreation." Although there has been a traditional policy as enunciated in the Master Plan that tuition should not be charged to resident students, there has been an equally traditional policy to charge "fees" to resident students.

All three segments impose a tuition on students who are not legal residents of California. Foreign students are required to pay the same tuition as other nonresidents, Chapter 1100, Statutes of 1972, standardized and placed all residency provisions under one Education Code chapter. One major change resulting from this legislation was a requirement for out-of-state community college students to spend one year in California before qualifying for residency status. The California Maritime Academy is a traditional exception to the free tuition policy. Tuition income usually is expended for instructional services resulting in a direct offset to state funding requirements.

Although designated as an "education fee" by the regents when it was first established in 1970-71, this income also has been used like tuition. Of the total \$37.9 million budgeted from this source in 1974-75, \$16.2 million would be allocated for capital outlay and \$21.7 million would be allocated to fund support costs. The regent's policy for utilization of these funds has varied from year to year.

There are two basic types of fees charged both resident and nonresident

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students enrolled in the regular academic session of UC and CSUC. The first is the registration fee, or materials and service fee as it is called at CSUC. These mandatory fees have been used to cover laboratory costs and other instructionally related items, student health services, placement services and other student 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. Other significant fees include special campus fees for student association memberships, student union fees and other special purposes. In most cases these are mandatory for students and vary in amount from campus to campus.

The UC regents have the constitutional power to determine the level of tuition and fee charges. Section 23751 of the Education Code authorizes the CSUC trustees to establish the level of fees but maximum levels of resident tuition are established by statutes. The Board of Governors of the Community Colleges has set nonresident tuition at \$27 a unit with a maximum of \$810 for the current year. This represents a small increase over the \$750 maximum established for 1972-73. Chapter 876, Statutes of 1972 provides that local community college districts will be authorized to establish their own nonresident and foreign tuition fees beginning with the 1974-75 academic year. Local community colleges now may levy parking fees up to \$40 annually and student health services fees up to \$10.

Table 5 illustrates the current levels of tuition and fees at the various segments. Where these vary from campus to campus, a range is indicated.

Table 5
Basic Academic-Year Student Charges 1973-74

	<i>UC</i>	<i>CSUC</i>	<i>CCC</i>	<i>CMA</i>
Tuition—nonresident/foreign	\$1,500	\$87-\$1,300	\$810	\$705
Tuition—educational fee:				
Undergraduate	300	—	—	405
Graduate.....	360	—	—	—
Registration fee.....	300	118 ^a	1-10	—
Application fee	20	20	—	—
Campus mandatory fees.....	11-87	0-20	—	45
Auxiliary services fees:				
Room and board.....	1,280 ^b	1,200-1,460	—	1,330
Parking	27-108	30	0-40	—
Health	—	27	0-10	—

^a Materials and service fee proposed to increase in 1974-75.

^b Average rate for residence halls. Average rate for apartments is \$1,224.

Average Cost Per Student

There are numerous ways to develop average cost per student data. A common method is to divide total expenditures by the number of students. Because this is a simple calculating procedure, these are the figures most often used in institutional budget presentations. There are other more complex methods of calculating these average costs. Data can be computed using head-count students rather than FTE students, costs can be shown using constant dollars rather than inflated dollars, and expendi-

tures can be allocated on the basis of student-related expenditures as opposed to non-student-related programs such as research and public service.

Because of the high demand for this type of data we are including it with the normal cautions as to its use. We have in the past noted that use of cost-per-student data for comparisons between programs or institutions is improper because existing data is not uniform or reliable. This nonuniformity between UC and CSUC data results from differences in (1) methods of counting students, (2) in determining levels of students, (3) in accounting and budgeting systems and (4) in missions and programs of the segments.

To correct this, Senate Concurrent Resolution 105 (1971) called on the Coordinating Council for Higher Education to develop and report uniform data on the full cost of instruction in higher education. The council's first comprehensive report, published in March 1973, sets forth all the related disparities in data collection and reporting and concludes that its cost figures are not comparable between segments.

Using data presented in the CCHE report, the Governor's Budget shows instructional cost per semester student credit unit by level of instruction for 1973-74 as follows:

	<i>Lower division</i>	<i>Upper division</i>	<i>Graduate division</i>
California State University and Colleges.....	\$105	\$125	\$300
University of California	115	140	375

Table 6 shows the budgeted state cost per full-time student for 1972-73 at CSUC, UC, Hastings College of the Law and the California Maritime

Table 6
State/FTE Costs by Campus
(1973-74)

<i>State University and Colleges</i>		<i>University of California</i>	
Northridge.....	\$1,637	Santa Cruz	\$2,570
Fullerton.....	1,657	Santa Barbara.....	2,601
San Diego.....	1,677	Irvine.....	3,244
Long Beach.....	1,684	Berkeley.....	3,291
San Jose.....	1,699	Los Angeles.....	3,785
Sacramento	1,707	Davis.....	4,298
Los Angeles	1,759	San Diego	4,753
San Luis Obispo	1,835	Riverside	4,873
San Francisco	1,837	San Francisco	11,963
Pomona.....	1,856	Systemwide.....	\$4,040
Fresno	1,883		
Dominguez Hills	1,958		
Humboldt.....	2,174		
Sonoma	2,226		
Stanislaus	2,340	<i>Hastings College of Law</i>	<i>\$1,439</i>
San Bernardino.....	2,766	<i>California Maritime Academy</i>	<i>3,153</i>
Bakersfield	2,774		
Systemwide	\$1,907		

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Academy. For UC the state funds held in the university treasury are also included. The data result from a simple division of state costs by FTE student. These are displayed for each campus. Comparisons of one campus to another within the two systems points out how difficult it is to make meaningful comparisons with this type of information. Note that a few CSUC campuses have a higher per-student cost than some UC campuses.

STUDENT FINANCIAL AID

The Coordinating Council for Higher Education (CCHE) undertook a preliminary study of student financial aid in 1967. In 1969 the Legislature provided for the first inventory of student financial aid under the direction of the State Scholarship and Loan Commission. The commission has since been professionally staffed, designated as the statewide student financial aid information center and charged with systematic collection and reporting of student aid data. Two major reports are currently available for review.

The first, "Student Resource Survey" (SRS), is a statistical summary of 160,000 student responses to a commission questionnaire distributed to campuses of both private and public segments of higher education. The second report inventories 1971-72 and estimated 1972-73 student financial aid resources (FAR), based upon institutional responses. A previous FAR inventory collected comparable 1968-69 data.

During October 1973, the Assembly Ways and Means Subcommittee on the Administration of Student Financial Aids held hearings in San Francisco. One of the issues discussed concerned the adequacy of staffing patterns in student financial aid offices in each segment of higher education. Reported staffing disparities between and within systemwide administrative offices and campus offices fostered these concerns.

As a result our office was asked to prepare detailed comments on appropriate organization and levels of administrative support for student aid programs and to provide comparisons of current staffing and organization patterns within higher education. This information is being collected and analyzed at this time of writing.

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

Item 347 from the General
Fund

Budget p. 204 Program p. II-437

Amount requested in Item 347	\$800,000
Carryover from Chapter 1376, Statutes of 1972	58,625
Total available funds 1974-75.....	858,625
Estimated 1973-74 ^a	215,227
Actual 1972-73	-
Requested increase \$643,398 (298.9 percent)	
Total recommended reduction	None

^a Funding from April 1, 1974 (effective date of Chapter 1187, Statutes of 1973) through June 30, 1974 (end of fiscal year).

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Total Budget Review. Recommend special review of supplemental budget when received. 842

GENERAL PROGRAM STATEMENT

Chapter 1187, Statutes of 1973 created the California Postsecondary Education Commission (PEC) effective on April 1, 1974. The commission will assume the powers, duties and functions assigned the Coordinating Council for Higher Education (CCHE) which is abolished March 31, 1974. Numerous additional responsibilities are also assigned by the enabling legislation.

The commission will be comprised of 23 members as follows: two representatives each from the private and three public segments of higher education; one representative each from the California Advisory Council on Vocational Education and Technical Training, the Council for Private Postsecondary Educational Institutions and the State Board of Education; 12 representatives of the general public of which four each are appointed by the Governor, Senate Rules Committee and Speaker of the Assembly. No person who is regularly employed in any administrative, faculty or professional position by any institution of public or private postsecondary education will be appointed to the PEC. Terms will be for six years, or at the pleasure of the respective appointing authority, with the exception of representatives of the private segment whose terms will be three years. The implementing legislation also provides for an advisory committee to the commission consisting of respective designees or the chief executive officers of each of the public segments, the Superintendent of Public Instruction, the association or associations of private universities and colleges, the California Advisory Council on Vocational Education and Technical Training and the Council for Private Postsecondary Educational Institutions.

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION—Continued

ANALYSIS AND RECOMMENDATIONS

Table 1 combines prior funding levels of the CCHE with those proposed for the new commission. Because both agencies exist during the 1973-74 fiscal year (transfer of responsibilities occurs April 1, 1974), both 1973-74 budgets have been combined for purposes of this table. According to the budget, program or expenditure detail has not been developed for the commission in order to provide maximum flexibility in its initial organization. As a result, Table 1 is limited to a summary of major categories of expenditure.

Table 1
CCHE and PEC Budget Summary

Expenditure categories	CCHE actual 1972-73	Estimated 1973-74 ^a	PEC proposed 1974-75	Change	
				Amount	Percent
Personnel services	\$578,132	\$580,252	\$467,855	\$-112,397	(19.4%)
Operating expense and equipment	237,759	339,634	643,558	303,924	89.5
Federal grants awarded....	397,675	1,039,215	1,039,215	—	—
Totals	\$1,213,548	\$1,959,101	\$2,150,628	\$191,527	9.8%
<i>Funding Sources</i>					
Budgeted General Funds Ch. 1187, Statutes 1973 (PEC legislation)	\$521,325	\$622,690	\$800,000	\$177,310	28.5%
Ch. 1376, Statutes of 1972 (student flow study) ..	—	200,000	—	-200,000	(100.0)
Federal funds	17,777	55,227	58,625	3,398	6.2
Subtotals	685,795	1,256,583	1,292,003	35,420	2.8
Savings	\$1,224,897	\$2,134,500	\$2,150,628	\$16,128	0.8%
Totals	-11,349	-175,399	—	175,399	100.0
Totals	\$1,213,548	\$1,959,101	\$2,150,628	\$191,527	9.8%
Positions	35.5	— ^b	35.0	-0.5	(1.4%)

^a CCHE through March 31, 1974 and PEC from April 1, 1974 to June 30, 1974.

^b CCHE 35.5 positions; PEC 35.0 positions.

Table 1 indicates a substantial savings (\$175,399) has been estimated for 1973-74 which would be returned to the General Fund. This results from a budget decision to utilize the \$200,000 appropriation included in the legislation creating the PEC to fund its 1973-74 operating budget thereby saving the fourth quarter's support that was originally budgeted for CCHE.

Total Budget Review

We recommend special review of the entire commission budget pending receipt of supplemental budget data.

We have identified 13 major CCHE activities that should be continued under the new commission. Although the 1973-74 budget is adequate to support these activities and the existing staff on a contract basis through June 30, 1974, the Governor's Budget implies that the commission and its new director will develop a program, staffing structure and supplemental budget for legislative review during the current budgeting process. Our analysis and recommendations will be based upon this anticipated supplemental budget data.

Staffing Options

The budget proposes a reduction of 0.5 position from the previous CCHE levels. We assume a limited term 0.5 position has been eliminated. Because the budget has not specified positions, the commission has the staffing options of (1) abolishing specific existing positions, (2) permanently continuing specific positions, (3) temporarily continuing specific positions, and/or (4) creating new positions related to organizational structure and workload assignments.

Existing civil service CCHE personnel have certain rights relative to future commission staffing. Section 19370 of the Government Code states:

“Whenever a function or the administration of a law is transferred from one state agency to another state agency, all persons serving in the state civil service and engaged in the performance of the function or the administration of the law shall be transferred to such agency. The status, positions, and rights of such persons shall be retained by them pursuant to the State Civil Service Act. A state agency is not required to retain any unnecessary officers or employees.

“‘State agency’ includes all departments, boards, officers, authorities, commissions, and other agencies of state government.”

WESTERN INTERSTATE COMMISSION FOR HIGHER EDUCATION

Item 348 from the General Fund

Budget p. 206 Program p. II-439

Requested 1974-75	\$28,000
Estimated 1973-74.....	28,000
Actual 1972-73	15,000
Requested 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 including Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming to administer the Western Regional Education Compact. This compact was ratified by the legislatures of the participating states in 1953 with the objective of encouraging greater cooperation among the western states particularly in the field of training health science personnel. The commission’s total representation of 39 members includes three members from each of the participating states. California’s three members are appointed by the Governor to serve four-year terms. The WICHE offices are located at Boulder, Colorado.

The staff of WICHE consists of 170 full-time equivalent positions organized into three operations divisions and one administrative service office.

WESTERN INTERSTATE COMMISSION FOR HIGHER EDUCATION—Continued

ANALYSIS AND RECOMMENDATIONS

Total WICHE Budget

In addition to the general membership dues paid by the states, WICHE has generated additional funds primarily from the federal government which will total approximately \$4.2 million in fiscal year 1973-74 as shown in Table 1.

Table 1
WICHE Total Funding
1967-68 to 1973-74

Year	State funds ^a	Nonstate funds
1967-68	\$255,000	\$1,618,063
1968-69	270,000	2,230,661
1969-70	285,000	3,134,973
1970-71	285,000	4,134,390
1971-72	275,000	4,553,346
1972-73	300,000	5,422,382
1973-74 (est.)	439,000	4,202,470

^a Includes general dues payment (\$28,000 beginning in 1973-74) and optional mental health program dues (\$7,500 in 1973-74 and funded through the Department of Health).

California's Benefits from WICHE Membership

The benefits to California from WICHE participation include revenue increases to the private institutions. In the 1973-74 student exchange program, \$738,968 was paid to California institutions of higher education primarily in the private college sector (\$538,835).

The WICHE student stipends for 1973-74 were increased to \$5,000 in medicine and \$4,000 in dentistry and veterinary medicine. Because out-of-state tuition at the public institutions does not exceed \$1,500, the individual institutions in these three program areas will gain from \$2,500 to \$3,900 in revenue for each WICHE student enrolled as opposed to other out-of-state students. However, these revenue levels will still be less than actual program costs per student.

Other benefits from WICHE membership come through California's participation in health science training programs, particularly nursing and mental health, and the National Center for Higher Education Management Systems (NCHEMS) project in higher education management systems. This latter project has already resulted in movement toward uniform data reporting from both public and private institutions nationwide.

General Fund Support

We recommend approval.

Beginning with 1973-74 individual state membership assessments were increased from \$15,000 to \$28,000. The increased rate is continued and budgeted for 1974-75.

UNIVERSITY OF CALIFORNIA

Items 349-356^a from the General Fund; Item 357 from the California Water Fund

Budget p. 207 Program p. II-441

^a Item 352 providing for salary increases is discussed on page 229 of the Analysis. The amount is not included in the totals.

Requested 1974-75 ^b	\$474,490,015
Estimated 1973-74.....	454,405,363
Actual 1972-73	384,797,746
Requested increase \$20,084,652 (4.4 percent)	
Total recommended reduction	\$560,860

^b General Fund (Items 346-356) plus \$100,000 from California Water Fund (Item 357) for mosquito control research.

Budget Act

item	Purpose	Amount
349	Support	\$461,775,815
350	Federal reductions replacement.....	600,000
351	Salary increases (1973-74 pending)	8,052,200
352	Salary increases	(18,755,000)
353	Extended University pilot.....	1,262,000
354	Charles R. Drew	1,200,000
355	Undergraduate teaching excellence.....	1,000,000
356	Deferred maintenance	500,000
	Totals—General Fund	\$474,390,015
357	Mosquito control research	100,000
	Totals—state appropriations.....	\$474,490,015

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

	Analysis page
1. <i>Overhead Funds. Reduce Budget Bill \$271,356.</i> Recommend reduction in administrative expenditure increase.	849
2. <i>Instructional Support. Reduce \$331,504.</i> Recommend maintenance of 1973-74 rate of instructional support per FTE faculty.	855
3. Item 353, Extended University Pilot. Recommend restrictive control language in Budget Bill be amended.	860
4. Uniform Accounting. Recommend report on progress towards establishing a uniform accounting system.	865
5. Master EDP Plan. Recommend University refrain from expending funds for significant computer acquisitions until master EDP plan and systemwide computer policies are developed.	873
6. Special Review. Recommend special review of augmentation request of \$980,000 for improved management information system.	874
7. Consolidation. Recommend University	874

UNIVERSITY OF CALIFORNIA—Continued

- (1) Phase out its intercampus telephone system and join ATSS,
- (2) Prepare a report identifying savings, and
- (3) Purchase its passenger vehicles through Department of General Services for a *reduction of \$50,000.*
8. Item 356. Deferred Maintenance. Recommend control language to preclude the use of educational fees for matching purposes. 878
9. *Preventive Maintenance Management. Augment \$200,000.* 880
Recommend augmentation to continue development of physical plant management information system.
10. *Excess Savings Transfer. Reduce \$108,000.* Recommend budgetary savings be increased to cover unauthorized expenditure. 888
11. Undergraduate Teaching Excellence. Recommend funding availability be contingent on submittal of comprehensive report. 890
12. Item 354. Charles R. Drew. Recommend special review pending further information. 890
13. Special Project. Recommend a separate Budget Bill item be established for the California Heritage Preservation Commission to contract with the Bancroft Library for completion of the Earl Warren oral history project at a cost of \$45,000. 893

GENERAL PROGRAM STATEMENT

The University of California is the State University and the land grant institution of the State of California. Established in 1868, it has constitutional status as a public trust to be administered under the authority of an independent governing board—the Regents of the University of California. The board of regents includes 24 members; 8 ex officio and 16 appointed by the Governor for staggered 16-year terms. The system consists of nine campuses including eight general campuses plus a health sciences campus.

A broadly based curriculum leading to the baccalaureate degree is offered by the University. Emphasis is placed on instruction in professional fields and graduate programs leading to master's and doctoral degrees.

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.

A third function of the University is public service. This is provided by Agricultural Extension, University Extension and other programs. Examples of other public services offered by the University campuses are lectures, programs in art and special conferences. A portion of the activities of the teaching hospitals and the library system are examples of educational programs that provide services to the public as a byproduct.

ANALYSIS AND RECOMMENDATIONS

Table 1 shows the University of California budget for the 1973-74 and 1974-75 fiscal years. It is divided into cumulative totals showing: (1) total educational and general, (2) total support budget, and (3) 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 second total adds self-supporting auxiliary services such as residence halls, parking facilities, intercollegiate athletics, campus cafeterias, bookstores, etc., plus student aid programs. The grand 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, contracts, gifts and appropriations received from various public and private sources which are used to supplement the University's program.

Table 1
Proposed Budget for 1974-75

	1973-74	1974-75	Increase
1. Instruction and departmental research	\$269,670,136	\$281,392,464	\$11,722,328
2. Summer session	5,121,331	5,048,540	-72,791
3. Teaching hospitals and clinics	147,260,213	152,964,668	5,704,455
4. Organized activities—other	26,815,133	26,884,854	69,721
5. Organized research	52,107,330	52,041,645	-65,685
6. Libraries	33,195,041	34,042,508	847,467
7. Extension and public service	43,222,174	45,210,904	1,988,730
8. General administration and services	57,577,093	59,151,207	1,574,114
9. Maintenance and operation of plant	42,485,940	44,475,652	1,989,712
10. Student services.....	34,707,745	36,387,821	1,680,076
11. Provisions for allocation	23,504,876	35,667,037	12,162,161
12. Special regents' programs.....	16,006,960	20,941,392	4,934,432
Totals, education and general.....	\$751,673,972	\$794,208,692	\$42,534,720
13. Auxiliary enterprises	49,419,543	50,252,928	833,385
14. Student aid	14,076,473	16,275,621	2,199,148
Totals support budget (continuing operations)	\$815,169,988	\$860,737,241	\$45,567,253
Sponsored research and activities	\$264,663,482	\$269,462,305	\$4,798,823
Major AEC-supported laboratories	295,000,000	295,000,000	-
Grand Total	\$1,374,833,470	\$1,425,199,546	\$50,366,076

In 1974-75 the total University support budget is \$860,737,241, which is an increase of \$45,567,253 or 5.6 percent over 1973-74. Of this increase state appropriations added \$20,084,652, University general funds were increased by \$7,024,676, special restricted state appropriations were reduced by \$68,118 and other University revenue sources added \$18,526,043. These revenues are shown in Table 2.

The state appropriation increase of \$20,084,652 (4.4 percent) is detailed in Table 3. The budget changes are categorized into (1) to maintain the existing budget, \$12.5 million, (2) workload and other changes to existing programs, \$13.9 million, and (3) funding changes and offsets to state appropriations, \$6.4 million.

Summation of categories (1) and (2) indicates the net increase in state supported programs is \$26.4 million.

UNIVERSITY OF CALIFORNIA—Continued

Table 2
Revenues—Total Support Budget
1973-74 and 1974-75

	1973-74	1974-75	Increase
General funds:			
State appropriation	\$454,305,363	\$474,390,015	\$20,084,652
University general funds:			
Nonresident tuition	8,787,607	9,447,070	659,463
Other student fees	3,720,156	3,778,162	58,006
Other current funds	1,203,384	1,209,204	5,820
Funds used as income:			
Federal overhead	15,901,254	19,043,000	3,141,746
Prior year balances	2,051,237	5,020,804	2,969,567
Other	329,000	519,074	190,074
Total general funds	<u>\$486,298,001</u>	<u>\$513,407,329</u>	<u>\$27,109,328</u>
Restricted funds:			
State appropriations:			
Mosquito research	\$100,000	\$100,000	-
Real estate program	172,000	172,000	-
Air pollution research	68,118	-	\$-68,118
Federal appropriations	7,145,098	7,145,098	-
University sources:			
Student fees	81,058,783	86,550,034	5,491,251
Balances	21,348,275	26,156,099	4,807,824
Other	218,979,713	227,206,681	8,226,968
Total restricted funds	<u>\$328,871,987</u>	<u>\$347,329,912</u>	<u>\$18,457,925</u>
Total revenue	<u>\$815,169,988</u>	<u>\$860,737,241</u>	<u>\$45,567,253</u>

Table 3
Summary of Changes from 1973-74 Budget

I. To maintain existing budget		\$12,510,788
a. Price increases	\$6,986,000	
b. Merit increases	5,200,000	
c. Faculty promotions	1,000,000	
d. Funding changes	-675,212	
II. Workload and other changes		13,948,540
a. General campus instruction	6,972,000	
b. Health sciences instruction	3,067,682	
c. Interns and resident stipends	1,244,146	
d. Library	846,000	
e. Management data processing	980,000	
f. Fire protection	106,712	
g. Maintenance and janitorial	1,350,000	
h. Police services (Chapter 908, Statutes of 1972)	49,000	
i. New buildings	533,000	
j. Muscular dystrophy (Chapter 1183, Statutes of 1973)	1,100,000	
k. Budgetary savings	1,600,000	
l. Unemployment insurance	-1,700,000	
Subtotal—net program changes		\$26,459,328
III. Funding changes and offsets to State appropriations		\$-6,374,676
a. Nonresident tuition	\$-659,463	
b. Overhead receipts	-3,141,746	
c. Prior year balances	-2,573,467	
Total change—state general funds		\$20,084,652

Overhead Funds—Administration Increase

We recommend that the administrative expenditures proposed from assigned overhead be reduced to the 1973-74 level as adjusted for merit and employee benefits for a General Fund savings of \$271,356.

Included as revenue in Table 3 is \$19,043,000 for estimated overhead representing the state share from federal grant and contract activity. Consistent with a 1967 memorandum of understanding between the University and the Department of Finance, one-half of all overhead receipts (after deducting agreed to expenditures) are split equally between the University and the state. Table 4 shows how the estimated \$42,582,000 receipts for 1972-73 through 1974-75 are applied.

As indicated in Table 4, the budget provides a \$1,100,797 increase in total administrative support. A portion of this increase (\$343,000) is for employee benefits and represents the University's response to a 1972 state audit report recommendation that employees paid from restricted funds should also receive employee benefits from those funds. The increase also includes \$215,000 for salary range and merit adjustments, continuing past budgeting policy.

Table 4
Federal Contract and Grant Overhead Allocation

	1972-73	1973-74	1974-75	Change from 1973-74
Estimated receipts	\$38,774,821	\$37,200,000	\$42,582,000	\$5,382,000
Deductions				
Assigned overhead:				
Administration activity	2,945,347	3,142,499	4,242,000	1,099,501
Washington office	134,058	161,055	162,000	945
Indirect cost studies office	96,676	91,649	92,000	351
Disallowed claims	53,659	—	—	—
Total assigned	\$3,229,740	\$3,395,203	\$4,496,000	\$1,100,797
Available for allocation	35,545,081	33,804,797	38,086,000	5,001,203
Allocations				
Operating budget	\$17,772,541	\$16,902,398	\$19,043,000	\$2,140,602
Special regents' programs	17,772,541	16,902,398	19,043,000	2,140,602

In addition to the foregoing changes to maintain the existing program, \$542,712 is included to acknowledge 1967-68 through 1973-74 workload associated with the increased procedural complexity of handling individual contracts and grants coupled with a greater volume of contract and grant activity. Federal granting agencies have acknowledged this increased workload by augmentation of the negotiated overhead rate by 30 percent since 1967-68 because of the complexity. However, the state has approved workload funding increases of 37 percent over the same period. We assume this change accounted for the increased complexity as well as a portion of the increased volume.

According to the University, 82 percent of budgeted overhead funds are used by campus research departments, contracts and grants offices, and organized research units for the direct administration of contracts and

UNIVERSITY OF CALIFORNIA—Continued

grants within their area. The staff providing these services are paid out of general funds, but the portion of their time and the amount of supplies devoted to contract and grant activity is recharged to an overhead account. Without additional data identifying staffing levels, over the period in question and the methods for determining the recharges, it is difficult to justify a 30-percent increase in support, particularly when the request appears to be based solely on an increased level of activity already accommodated with existing staff.

Educational Fee

The educational fee at the University is applied to all registered students. Current fees are \$300 per academic year for undergraduates and \$360 for graduates. Students with demonstrated financial need may defer payment in the form of a loan.

The budget estimates that \$36,132,814 in 1974-75 will be realized from this fee. Of this total \$4.5 million (12.5 percent) is estimated to be deferred. Table 5 shows the estimated income and expenditures of the educational fee for 1973-74 and 1974-75.

Table 5
Educational Fee Income and Expenditures

	1973-74	1974-75	Difference
Income			
Educational fee	\$34,406,298	\$36,132,814	\$1,726,516
Less amount deferred	-3,778,833	-4,494,709	715,876
Net income	\$30,627,465	\$31,638,105	\$1,010,640
Add capital outlay accumulation	930,000	6,239,000	5,309,000
Total available for expenditure	\$31,557,465	\$37,877,105	\$6,319,640
Expenditures			
Capital outlay	\$12,375,465	\$16,173,105	\$3,797,640
Operating budget	19,182,000	21,704,000	2,522,000

Enrollment Estimates

Enrollment growth is the primary indicator of workload needs. The 1974-75 workload needs are based on an estimated enrollment increase of 4,746 or 4.4 percent for three quarters (academic year). Table 6 compares 1973-74 budgeted enrollments to those proposed for 1973-74 and the percentage increase by each level.

Enrollment Turnaround

Based on fall experience, general campus enrollments for the current year have exceeded the original budget estimate by a total of 2,403 FTE (2.4 percent), including a 2,008 (4.5 percent) in case of upper division students. This is in marked contrast with prior year enrollment shortfalls of 1,079 in 1970-71, 5,309 in 1971-72 and 1,936 in 1972-73.

Following the enrollment shortfall of 1971-72 the University took administrative action to expand 1972-73 enrollments. We reported in last year's analysis that these actions did result in some additional students (4,000 FTE) although 1972-73 enrollments still fell short of what was originally anticipated in the budget.

The University acted to further increase enrollments in 1973-74 by (1) reducing the grade-point average admission standards from 2.4 to 2.0 for transfer students, which is the same as the State University and Colleges, waiving tuition for needy freshmen, and (2) increasing other student aid from University funds. These actions prompted a substantial (3,572 FTE, 8.3 percent) increase in upper division enrollments, resulting in the 4.5 percent overrun discussed previously. There was also a 533 FTE (1.7 percent) overrun in lower division enrollments and a 139 FTE (0.6 percent) shortfall in graduate enrollments.

Table 6
University of California Average of
Fall, Winter and Spring Quarter Full-time Equivalent Students

	<i>Actual</i> 1972-73	<i>Budgeted</i> 1973-74	<i>Proposed</i> 1974-75	<i>Change</i> from 1973-74	<i>Percent</i> <i>change</i>
General campuses					
Lower division	30,909	31,594	31,685	91	0.3%
Upper division	43,224	44,788	48,758	3,970	8.9
Graduates:					
1st stage	13,917	14,318	14,515	197	1.4
2nd stage	8,963	8,937	8,824	-113	-1.3
Subtotals	97,013	99,637	103,782	4,145	4.2
Health sciences					
Upper division	667	673	687	14	2.1
Graduates:					
1st stage	7,288	7,714	8,282	568	7.4
2nd stage	604	618	637	19	3.2
Subtotals	8,559	9,005	9,606	601	6.7
Extended University					
Upper division	35	303	303	—	—
1st stage	93	469	469	—	—
Subtotals	128	772	772	—	—
University totals:					
Lower division	30,909	31,594	31,685	91	0.3
Upper division	43,926	45,764	49,748	3,984	8.7
Graduates:					
1st stage	21,298	22,501	23,266	765	3.4
2nd stage	9,567	9,555	9,461	-94	-1.0
Totals University	105,700	109,414	114,160	4,746	4.3%

Law School's Admission Policies

The Supplementary Report of the 1973 Budget Conference Committee directed the University to "report by December 1, 1973, on the admission policy for the law school, including the number and percentage of nonresident admissions in the fall 1973 entry class and the number of tuition waivers granted. A nonresident level greater than 20 percent would be excessive, and if this occurs additional legislative action may be required."

The report submitted by the University stated that each individual law school drafts their own admission policies. In general, all the schools review similar kinds of information but the weights each applies vary. Academic qualifications appear to carry the most weight (high GPA and LSAT score) and no specific preference is given to residents over nonresi-

UNIVERSITY OF CALIFORNIA—Continued

dents. However, Boalt Hall modified its practice during the 1973 admission cycle, with faculty approval, and conducted a more forceful effort to identify and admit highly qualified California residents. Also Boalt allows special consideration for up to 25 percent of an entering class if its general policy does not produce a "significant representation of racial or cultural groups which have not had a fair opportunity to develop their potential for academic achievement."

Admission to the law schools from 1971 to 1973 is identified by residency status in Table 7. During the three-year period only Boalt Hall exceeded the 20 percent figure used by the Legislature. A total of 49 tuition waivers were granted during that period, representing 7.5 percent of nonresidents admitted. Sixty-one percent of these waivers were granted by Boalt Hall. None were granted by Hastings.

After reviewing the enrollment data just discussed, the law deans generally agreed that the selection process should be more sensitive to the needs of California residents and that nonresident admissions should be limited to 25 percent of the entering class for each school. This was considered more reasonable than 20 percent because of inevitable fluctuations in applications and it would establish an impossible goal "in the rare year where an unusually large number of highly qualified nonresidents sought admission."

Subsequently the president's office requested the chancellors to ensure that, commencing with 1974, admission procedures are adopted whereby nonresident students in the respective entering class do not exceed in aggregate 25 percent of the total admittees. This directive contradicts the law deans' conclusion. Further, our calculations indicate that application of such procedures to 1973 admissions would not have precluded Berkeley from accepting 46 percent nonresidents.

The University further stated in the report that it plans to monitor implementation of these policies and report annually to the Legislature.

Table 7
Resident and Nonresident Admissions to University of California Law Schools, 1971-1973

<i>Entering class</i>	<i>School</i>	<i>Number in class</i>	<i>Number/percent resident</i>	<i>Number/percent nonresident</i>
1971	Berkeley.....	294	199 (68%)	95 (32%)
	Davis.....	163	150 (92%)	13 (7.9%)
	Hastings.....	625	544 (87%)	81 (13%)
	Los Angeles.....	322	274 (85%)	48 (15%)
	Total.....	1,404	1,167 (83.1%)	237 (16.9%)
1972	Berkeley.....	271	169 (62%)	102 (38%)
	Davis.....	182	156 (85.7%)	26 (14.2%)
	Hastings.....	515	479 (93%)	36 (7%)
	Los Angeles.....	366	316 (86.3%)	50 (13.7%)
	Total.....	1,334	1,120 (83.9%)	214 (16%)
1973	Berkeley.....	289	214 (74%)	75 (26%)
	Davis.....	174	151 (86.7%)	23 (13.2%)
	Hastings.....	533	478 (89.7%)	55 (10.3%)
	Los Angeles.....	335	288 (85.8%)	47 (14.2%)
	Total.....	1,331	1,131 (84.9%)	200 (15%)
Three-year total.....		4,069	3,418 (84%)	651 (16%)

Nonresident Tuition Waivers

Nonresident students are required to pay tuition of \$1,500 per academic year at the University in addition to regular fees. It is estimated that \$9,447,070 of nonresident tuition revenue will be received as replacement to General Fund costs in 1974-75. This represents an increase of \$659,463 over the amount estimated to be collected in 1973-74.

Historically, the University has been authorized to waive tuition for 15 percent of the nonresident enrollment which amounted to an estimated subsidy of \$1.7 million in 1972-73. The Legislature became concerned over resident students being denied admission while the state subsidized 15 percent of the nonresidents. Action was taken in 1972-73 reducing state support by \$946,000 and in effect establishing a lower state-supported waiver percentage of approximately 6.5 percent.

Subsequent to budget approval, the Assembly expressed concern for this reduction and, by resolution, indicated that special consideration would be given to restoration of the 15 percent level in 1973-74 and requested the regents to continue to provide the normal percentage in 1973-74 and thereafter.

As indicated in Table 8 the University maintained the 15 percent level by replacing the reduction with regents' controlled funds. The 6.5 percent level of state support was continued in 1973-74 and is proposed for 1974-75. A reduced level of regent support in these years has produced a declining overall subsidy. Regent policy of the past two years has been to provide urgent needed funds for additional waivers. In contrast, the 1974-75 budget proposes to provide \$695,000 on a continuing basis for nonresident tuition grants from opportunity funds. This action was taken to stabilize what is predominantly a form of graduate assistance in the face of declining graduate student aid.

**Table 8
Nonresident Tuition Waivers**

	<i>Actual 1972-73</i>	<i>Budgeted 1973-74</i>	<i>Budgeted 1974-75</i>
Nonresident enrollment	7,477	6,389	6,842
Waivers			
State supported	487	417	445
(percent of enrollment)	(6.5%)	(6.5%)	(6.5%)
State funding	\$730,500	\$625,500	\$667,500
UC supported	628	463	463
Regents' funding	\$941,350	\$695,000	\$695,000
Total waiver ratio	14.9%	13.8%	13.3%

1. INSTRUCTION AND DEPARTMENTAL RESEARCH

Functional Description

The major goal of the University centers in this budget function for instruction and departmental research. Included are the costs of teaching staff and related support for the eight general campuses plus the medical schools and health sciences centers. In addition, the faculty performs research within the organization structure of the academic departments.

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Proposed Budget

	1973-74	1974-75	Change	
			Amount	Percent
Total	\$274,791,467	\$286,441,004	\$11,649,537	4.2%
General funds.....	245,686,808	256,970,636	11,283,828	4.6

The proposed budget increases by \$11.6 million or 4.2 percent. Of this increase, \$11.3 million is general funds distributed to general campus instruction (\$6,972,000) and health sciences instruction (\$4,311,828).

General Campus Instruction

The budget for the general campuses increases by \$6,972,000. This is for 239 additional faculty positions at a salary cost of \$3,178,700 and related academic support costs of \$2,859,902. In addition, 88 FTE teaching assistants are needed at a cost of \$703,296.

The additional faculty will result in a total of 5,964.10 FTE, maintaining the 1973-74 student/faculty ratio of 17.41 to 1. Table 9 indicates the distribution of these student/faculty ratios at each campus. The additional teaching assistants will provide a total of 1,738.72 FTE which maintains the 1973-74 undergraduate-student/teaching-assistant ratio of 46.27 to 1.

Table 9
General Campus Student/Faculty Ratios
1972-73 through 1974-75

	Budget 1972-73	Budget 1973-74	Proposed 1974-75
Berkeley	16.62	16.72	16.51
Davis	18.25	18.68	18.32
Irvine.....	16.58	18.16	18.32
Los Angeles	18.51	17.51	16.97
Riverside.....	18.73	14.30	17.40
San Diego			
General campus	18.29	18.82	18.32
Marine sciences.....	8.87	9.77	9.09
Santa Barbara	18.74	17.71	18.32
Santa Cruz	17.64	18.33	18.01
Eight-campus average.....	17.43	17.41	17.41
Total FTE positions	5,676.01	5,721.75	5,960.75

Table 10
General Campus—Instructional Support Rate

	1973-74	1974-75	Increase
1. Instructional support	\$54,698,912	\$57,558,814	\$2,859,902
2. Less:			
Educational fee programs.....	2,877,201 ^a	3,281,367 ^b	404,166 ^b
Federal contract and grant overhead	965,738	965,738	—
3. Instructional support less laboratory and overhead costs	50,855,973	53,311,709	2,455,736
4. Budgeted faculty (FTE) ^c	5,721.75	5,960.75	239
5. Support per FTE faculty (3 divided by 4)	\$8,888	\$8,944	\$10,275

^a Laboratory cost, representing an annual charge of \$27 per headcount student designed to partially cover the cost of laboratory supplies and equipment and storeroom personnel.

^b Includes a proposed \$300,000 program for excellence in instruction.

^c Excludes 3.35 FTE in the Sea Grant Program supported from the General Research Fund.

Instructional Support Overbudgeted

We recommend that the \$2,455,736 increase proposed for instructional support be reduced by \$331,504, in concurrence with the stated budget criteria of maintaining the 1973-74 rate of instructional support per FTE faculty.

Historically, the budgeted level of instructional support represented a lump-sum allocation developed by applying a predetermined rate to the number of new faculty positions to determine workload needs. The Governor's Budget continues that approach and states that the proposed increase maintains the 1973-74 rate of instructional support per FTE faculty. However, our calculations, in Table 10 do not support this contention.

As indicated, the budget increase related to the addition of 239 faculty positions represents a rate of \$10,275 per faculty member not including programs funded from educational fees and federal contracts and grant overhead. This is \$1,387 (15.6 percent) greater than the 1973-74 budgeted rate of \$8,888 per faculty member. Salary adjustments, price increases and other inflationary items are carried elsewhere in the budget.

Numerous instructional supporting costs such as administrative, technical and clerical positions along with office, classroom and laboratory supplies and equipment have been merged into this single program element to provide administrative flexibility and historically have not been detailed in either the Regents' or Governor's Budget. Without further justification we cannot recommend an increase to the traditional workload formula which maintains the prior-year rate of instructional support. Application of the 1973-74 rate of \$8,888 to the additional 239 faculty positions requires a budget increase of \$2,124,232, \$331,504 less than the \$2,455,736 requested.

Alternative Method for Budgeting Faculty

In the 1971-72 budget the Department of Finance departed from using the student/faculty ratio as the traditional method of measuring workload growth and prepared a method relating to class-contact hours. As a result of legislative hearings the Department of Finance was directed to study "alternative methods of budgeting for faculty positions based on the concept of faculty productivity."

The budget narrative indicates, after two years, that this project is still underway. In fact, its scope has been expanded to consider improving budgetary procedures, for all instructional, resources without a workable solution to the faculty budgeting problem. For instance, data printed in the Governor's Budget and expressing instructional staff requirements in terms of student credit units (SCU) per faculty indicates a proposed reduction in faculty productivity for the budget year in spite of the fact that the faculty/student ratio remains unchanged from 1973-74.

Consequently, as previously noted, the Department of Finance continues to report the student/faculty ratios as the primary performance criteria.

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Health Sciences Instruction

The budgeted General Funds for the health science schools increase by \$4.3 million. This includes (1) the addition of 101.27 FTE (6.7 percent) faculty positions and related departmental supporting costs for \$3.2 million, (2) an increase of \$1.2 million for interns' and residents' stipends, and (3) a \$.1 million reduction representing a funding adjustment.

Proposed enrollment is 9,606 in 1974-75 for a student increase of 601 or 6.7 percent over the level budgeted in 1973-74.

Student/Faculty Ratios

The budget narrative indicates that the number of additional faculty was determined by applying University approved student/faculty ratios for each health science school to the planned total enrollment. These approved ratios are shown in Table 11. Table 12 displays the overall student/faculty ratios budgeted for each school and Table 13 indicates the allocation of the proposed increase by campus and school.

Table 11
University Approved Student/Faculty Ratios
Medical and Health Sciences

<i>Schools of Medicine</i>	
M.D. curriculum	35:1
Interns and residents	
Campus and county hospitals.....	7:1
Other affiliated hospitals.....	10:1
Allied health programs	20:1
Graduate academic	8:1
<i>Schools of Dentistry</i>	
D.D.S. curriculum	4:1
Graduate professional.....	4:1
Interns	
Campus and county hospitals.....	7:1
Other affiliated hospitals.....	10:1
Dental hygienists.....	8:1
Graduate academic	8:1
<i>Schools of Nursing</i>	
B.S. curriculum	7.5:1
Graduate academic	8:1
<i>Schools of Public Health</i>	
Graduate academic	9.6:1
<i>School of Veterinary Medicine</i>	
D.V.M. curriculum	5.4:1
Interns	7:1
Graduate academic	8:1
<i>School of Pharmacy</i>	
Pharm.D. curriculum	11:1
Graduate academic	8:1
<i>School of Optometry</i>	
O.D. curriculum.....	12.5:1 overall
Graduate academic	
<i>School of Human Biology</i>	
Graduate academic	8:1

Table 12
Overall Student/Faculty Ratios
Medical and Health Sciences Schools

	1972-73 Budget	1973-74 Budget	1974-75 Budget
Medicine.....	5.24	5.27	5.43
Dentistry.....	4.51	4.65	4.63
Nursing.....	8.56	8.65	7.74
Optometry.....	13.92	13.64	12.50
Pharmacy.....	10.28	10.17	10.38
Public health.....	11.34	11.77	9.60
Veterinary medicine.....	6.03	5.85	5.94

Table 13
FTE FACULTY MEDICAL AND HEALTH SCIENCES

	1972-73 Budget	1973-74 Budget	1974-75 Governor's Budget	
			Total	Increase
Berkeley				
Optometry.....	16.59	17.59	19.20	1.61
Public health.....	32.22	32.22	36.67	4.45
Total Berkeley	48.81	49.81	55.87	6.06
Davis				
Medicine.....	140.50	154.25	183.83	29.58
Veterinary medicine.....	80.07	83.07	87.78	4.71
Unallocated.....	.50	—	—	—
Total Davis	221.07	237.32	271.61	34.29
Irvine				
Medicine.....	120.50	123.50	135.18	11.68
Los Angeles				
Dentistry.....	87.80	88.80	96.00	7.20
Medicine ^a	327.50	338.00	352.38	14.38
Nursing.....	30.26	30.26	33.25	2.99
Public health.....	30.50	30.50	45.83	15.33
Total Los Angeles	476.06	487.56	527.46	39.90
San Diego				
Medicine.....	136.00	138.00	135.11	(-2.89)
San Francisco				
Dentistry.....	98.15	101.65	100.87	(-0.78)
Medicine.....	263.90	275.10	281.18	6.08
Nursing.....	63.55	64.30	73.48	9.18
Pharmacy.....	41.35	43.56	44.31	.75
Unallocated.....	2.91	3.00	—	(-3.00)
Total San Francisco	469.86	487.61	499.84	12.23
Total Health Sciences	1,472.30	1,523.80	1,625.07	101.27

^a Includes 18 I and R basic sciences faculty teaching dentistry.

Extended University Pilot Program (Item 353)

A special General Fund appropriation of \$1,262,000 is included in the Budget Bill to fund 772 FTE students participating in the Extended University Pilot Program.

In 1971 the University allocated \$500,000 in special regents' funds for planning and implementation of pilot degree programs for part-time students. A special task force was created and a report was presented to the

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regents in November 1971, which proposed a new program for degrees to adult part-time students. The basic concept was to build on the strength of existing programs while testing and experimenting with the educational problems arising out of nontraditional forms of higher education. In fact, the pilot phase includes extended research and evaluation of potential student demand and the effectiveness of the programs that are initiated.

In past analyses we have cautioned that extending services to part-time students had substantial fiscal implications. We also noted the potential adverse effects of expanded enrollments on currently authorized students. Further, new admissions standards and techniques are being used which imply changes from current master plan standards restricting admissions to the top 12.5 percent of high school graduates. For 1972-73, three of the six campuses participating in the program adopted modified admission procedures. The programs have also been limited to students enrolling at the upper division level for the bachelor's degree and at the graduate level for the master's degree. Consequently, of the 121 FTE students enrolled during the first year, 70 percent were graduate students.

The University initiated pilot studies in 1972-73 at all campuses with an allocation of \$500,000 in special regents' funds. In addition, about \$375,000 of budgeted state funds for regular student programs was reallocated in support of these pilot programs. Enrollment of 600 students (less than 300 FTE) was planned but the quarterly average was only 248 students (120.9 FTE). Initially, seven programs were developed. For the 1973-74 academic year, one of these programs was dropped and 14 were added. It is currently anticipated that these 19 programs will enroll 656 FTE students on eight of the University's nine campuses in 1973-74. These programs and enrollments are shown in Table 14.

Table 14
Extended University Pilot Programs—1973-74

Campus	Program	Degree	Enrollment (FTE)	
			1972-73	1973-74
Berkeley	Business administration	MBA	49	85
	Public health	MPH	—	18
Davis	Experimental ^a	Various	33.5	150
Irvine	Social ecology	BA, MA	—	65
	Spanish ecology	MA	—	11.7
	Administration	MA	—	18
Los Angeles	Business administration	MBA	12.3	45
	Human services	BA	—	40
	Public health	MPA	—	17.5
	Liberal studies	BA	—	17
	Education	ME	—	17
Riverside	Architecture	MArch	—	6
	Administration	MA	9.2	30
	Experimental ^a	Various	9.1	—
San Francisco	Nursing	MS	4.5	8.2
Santa Barbara	Law and society	MA	3.3	50
	Electrical engineering	MS	—	45
Santa Cruz	Urban economics	MS	—	12
	Community studies	BA	—	31
Total			120.9	656.4

^a Part-time students in established programs on a controlled basis.

Table 15
Extended University Funding, Campus Allocations and Enrollments (FTE)

Campus	1972-73		1973-74	
	Allocation	Enrollment	Allocation	Enrollment
Berkeley.....	\$147,700	49	\$201,488	103
Davis.....	158,842	33.5	246,038	150
Irvine.....	31,500	—	159,490	84.7
Los Angeles.....	104,000	12.3	389,413	142.5
Riverside.....	69,700	18.3	63,000	30
San Diego.....	25,650	—	—	—
San Francisco.....	30,550	4.5	45,950	8.2
Santa Barbara.....	122,000	3.3	237,982	107
Santa Cruz.....	60,431	—	93,934	31
Total allocation.....	\$745,373	120.9	\$1,437,295 ^a	656.4
Funding				
State.....	\$375,000	—	\$1,303,000	772
Restricted.....	500,000	—	623,000	—
Unallocated.....	129,627	—	488,705	115.6

^a Includes \$125,000 of University opportunity funds.

Table 16
Extended University Breakdown of 1973-74 Campus Allocations by Source of Funds

Campus	General funds		Restricted funds	
	State	UC	Opportunity funds	Student fees
	Berkeley.....	\$152,496	\$12,368	—
Davis.....	140,488	16,500	\$15,000	74,050
Irvine.....	94,714	23,580	—	41,196
Los Angeles.....	265,925	11,240	50,000	62,248
Riverside.....	46,690	500	—	15,810
San Francisco.....	38,190	1,500	—	6,260
Santa Barbara.....	122,033	4,160	60,000	51,789
Santa Cruz.....	69,197	1,700	—	23,037
Total.....	\$929,733	\$71,548	\$125,000	\$311,014
Total allocation—all funds.....	—\$1,437,295			

Table 15 displays program funding, campus allocations and enrollments for the first two years of the pilot effort. Campus allocations are shown by source of funds in Table 16.

Proposed Budget

The proposed extended University budget of \$1,801,000 includes \$1,303,000 from general funds and \$498,000 from educational and registration fees, which anticipates continuation of those programs funded in 1973-74 at the same level of support. The budget funds 42 FTE faculty positions with related academic support at \$1,054,000, a consortium which is a central universitywide administrative unit for \$193,000 and \$554,000 for nonacademic supporting services on the campuses. The student fee income is only used for support of program administration and services.

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Enrollment Levels Overemphasized

We recommend that the Budget Bill control language restricting the availability of the appropriation be modified so as not to discourage innovation.

The special Budget Bill item for this program includes control language providing "that two-thirds of this appropriation shall be available for two-thirds of the estimated 772 full-time equivalent students and shall be allocated on the basis of quarterly reimbursements for student credit units completed as certified by the University."

This language is merely a repetition of the 1973-74 appropriation item for this program. At the time it was drafted it represented a compromise aimed at limiting expenditure of the entire appropriation if there was an enrollment shortfall, but attempting to insure that up to one-third of the appropriation would be available for experimentation and innovation. However, we are concerned that the effect of some of these restrictions is to overemphasize maintaining enrollments as opposed to experimenting with new and innovative programs. In fact, correspondence from the president's office to each of the chancellors authorizing 1973-74 programs and support levels cautions that "since the major portion of the appropriation is related to proposed enrollment levels (FTE), it is essential that the approved programs be held on schedule and at the approved enrollment levels. Enrollment shortfalls may seriously impair our ability to obtain continued state support." It would appear that the effect of the fiscal controls noted above is to provide financial incentive to increase the FTE count in existing programs and preclude experimentation with initially high-cost, small-enrollment programs with potential long-range cost benefits.

We continue to believe this program should be treated as an experimental program and student FTE should not be treated or budgeted the same as students in the regular instruction program.

2. SUMMER SESSION

Functional Description

The master plan for higher education recommended 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 all of the University campuses in 1974-75. This budget category contains the incremental costs associated with these summer programs which are offset by student fees.

Proposed Budget

	1973-74	1974-75	Change	
			Amount	Percent
Total	\$5,121,331	\$5,048,540	-\$72,791	-1.4%
General funds.....	—	—	—	—

Enrollments for summer session programs increased by 2,823 (10.8 per-

cent) students in 1973. However, a decline of 1,848 (6.4 percent) students is estimated in 1974. As a result the budget will be reduced by \$72,791 or 1.4 percent in 1974-75. Table 17 shows actual summer headcount enrollments for 1971 through 1973. The budget indicates that the decline in 1974 enrollments coincides with a national trend of falling enrollments in summer session.

The costs shown in this function are fully funded by student fees and no General Fund support is provided.

Table 17
Summer Session Enrollments

	71-72 <i>Actual</i>	72-73 <i>Actual</i>	73-74 <i>Actual</i>
Berkeley	8,688	9,988	13,448
Irvine	883	1,084	1,084
Davis	1,836	2,145	2,350
Los Angeles	7,061	7,699	7,000
Riverside	1,135	911	950
San Diego	766	786	269
San Francisco	1,273	658	372
Santa Barbara	1,915	1,879	1,972
Santa Cruz	741	1,110	1,138
Total	24,298	26,260	29,083
Percent	+7.9%	+8.1%	+10.8%

3. TEACHING HOSPITALS AND CLINICS

Functional Description

Included within this function is funding of teaching hospitals for which the University has major operational responsibilities. These include the hospitals at the Los Angeles Center for Health Sciences, the San Francisco campus, the San Diego County University Hospital, the Sacramento Medical Center and the Veterinary Medicine Teaching Hospital at Davis. In addition, the medical school at Irvine subsidizes hospital patients at the Orange County Medical Center. In addition to their role in the University's clinical instruction program, the University teaching hospitals serve as a community resource for highly specialized (tertiary) care through major research efforts. The teaching hospitals also engage in cooperative educational programs with local community colleges by providing the clinical setting for students in allied health science areas.

Proposed Budget

	1973-74	1974-75	Change	
			Amount	Percent
Total	\$147,260,213	\$152,964,668	\$5,704,455	3.9%
General funds	20,175,360	20,175,360	—	—

There is no proposed increase from general funds. The increase of \$5,704,455 is from University restricted funds primarily for patient-care costs funded from charges for services. The General Fund allocation in both 1973-74 and 1974-75 is as follows:

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University Hospitals

Los Angeles	\$5,836,000
Sacramento Medical Center.....	4,148,000
San Diego	3,376,000
San Francisco	5,566,000

County Medical Center

Irvine	500,000
Davis Veterinary Medicine	749,000
Total	\$20,175,000

Teaching Hospital Subsidy

The purpose of the clinical teaching subsidy (CTS) is to secure patients for teaching at UC teaching hospitals. This objective is achieved at the present time by passing on the entire amount of the CTS in the form of discounts to patients considered useful for teaching purposes, but adjudged unable to pay the going rate for hospital services.

For the four University hospitals two simplistic measurements used in the past as indicators of workload needs are (1) the percentage of the subsidy in relation to the total budget, and (2) the number of departmental patient days per clinical student. Table 18 shows the five-year trend for both.

Table 18
Human Medicine Teaching Hospitals
(Los Angeles, Sacramento, San Francisco and San Diego)
Five-year Trend in Subsidy Usage

	<i>Total operating budget</i>	<i>Subsidy</i>	<i>Percent of Subsidy to total budget</i>	<i>Departmental patient days per clinical student</i>
1970-71	\$84,018,000	\$11,755,000	14.0%	268
1971-72	92,482,000	12,353,000	13.3	224
1972-73	103,778,000	13,702,000	13.2	171
1973-74 (est.)	145,070,000	18,926,000	13.1	202
1974-75 (proposed)	150,684,000	18,926,000	12.6	174

Student Clinical Resources Decline

In addition to the declining trend illustrated in Table 18, workload data in the Governor's Budget shows reductions in both departmental inpatient and outpatient days per clinical student ranging from 8.1 percent to 13.8 percent. Rules established in the University system, as a whole, require that CTS be limited to departmental patients only.

Thus, the reduction in clinical student support appears to be a consequence of the budget failure to at least maintain the 1973-74 level of CTS. However, further inspection tends to indicate that this was a conscious University decision rather than a simple failure to fund. The budget provides an increase of \$1.0 million in state support for interns and residents stipends for the purpose of relieving the human medicine teaching hospitals of paying for costs which are not related to patient care. Had the

University elected to apply all this revenue to subsidize clinical teaching support, it would not only have maintained the 1973-74 level of CTS but would have exceeded it slightly.

Interns and Resident Stipends

Stipends for approximately two-thirds of the 2,923 interns and residents planned for 1974-75 are funded from such sources as U.S. government-affiliated hospitals, the neuropsychiatric institutes and student aid funds such as Public Health Service Trainees. Stipends for the remaining one-third are funded from a combination of state funds, hospital income and, in certain cases, professional fee income and federal capitation funds.

To relieve the teaching hospitals of paying for costs which are related more to the education of interns and residents than to patient care, the budget provides \$1,244,146 (34%) increase in general funds for stipend costs. This includes (1) an additional \$1 million for 40 percent of the stipend costs for approximately 900 medical interns and residents, (2) \$97,646 to pay the total stipend cost for eight additional residents who will be enrolled at Orange County Medical Center, (3) \$81,500 to support the educational component of stipends paid to dental interns and residents, and (4) \$115,000 for the educational component of stipend costs currently funded entirely by the Veterinary Medical Teaching Hospital. The effect of the stipend increases on teaching hospital operations is discussed in the preceding section on the teaching hospital subsidy.

Funding Adjustment

The Budget Act of 1973 appropriated \$1,031,000 to the University in a special item to replace anticipated federal reductions in instructional resources primarily for public health, family practice medicine and nurse practitioners. Control language attached to the item provided that the funds be returned to the State General Fund to the extent additional federal funds are appropriated to support the program areas identified.

Following is a breakdown of the University's subsequent allocations to the campuses for replacement of anticipated reductions in federal funds from NIH Health Manpower Programs for institutional assistance.

UCLA Public health	\$440,000
Nurse practitioner program.....	65,500
UCB Public health.....	380,000
UCSF Family practice residency program at Sonoma.....	40,000
	<u>\$925,500</u>

The balance of the appropriation (\$105,500) is being returned to the state because the nurse practitioner program and the family practice residency program were funded by the federal government for one-half of the 1973-74 fiscal year. \$105,500 in state funds for 1974-75 represents the appropriate funding adjustment.

The Governor's Budget does not provide for a continuation of the \$925,500 augmentation beyond the current fiscal year. Early indications are that the outlook for continued federal funding in 1974-75 is good.

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4. ORGANIZED ACTIVITIES—OTHER

Functional Description

This function includes partially self-supporting activities organized and operated in connection with educational departments and conducted primarily as necessary adjuncts to the work of these departments. General funds are primarily used in six areas: (1) elementary schools, (2) vivariums 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, (4) art, music, and drama activity including an ethnic collection at UCLA, (5) the dental clinic subsidy and for the first time, (6) support for the two neuropsychiatric institutes which provide mental health care and training and account for a major portion of the funds.

Proposed Budget

	1973-74	1974-75	Change	
			Amount	Percent
Total	\$26,815,133	\$26,884,854	\$69,721	0.3%
General funds.....	17,585,382	16,720,382	-865,000	-4.9

The Neuropsychiatric institutes were transferred to the University July 1, 1973, and account for \$17,677,216 (66 percent) of the total \$26,884,854 organized activities function. Prior to the transfer all inpatient billing and fee collections were accomplished by the Department of Health from Sacramento. Consequently, at the time of the transfer it was estimated that \$865,000 of estimated 1973-74 revenues from patient fees for services rendered during the latter part of 1972-73 would continue to be deposited in the General Fund because of the normal 3.8-month lag in patient repayments. In recognition of this cash flow problem, the Department of Finance approved a special one-time 1973-74 General Fund allocation of \$865,000 to the University.

The reduction of \$865,000 in General Funds included in the 1974-75 budget reflects the elimination of this one-time allocation. This funding reduction is offset by an increase in restricted funds of \$934,721 for a net increase in total support of \$69,721.

State supported activities and the amount of state funds included in the 1974-75 budget are shown in Table 19.

Table 19
Organized Activities Supported from General Funds

General campuses	
Demonstration schools.....	\$494,700
Art galleries and collections	209,110
Vivarium, life sciences	153,281
Employee benefits	73,278
Health sciences	
Dental clinic subsidy	703,472
Medical support labs and vivaria	405,666
Employee benefits	39,113
Neuropsychiatric institutes	14,641,762
Total state funds	\$16,720,382

Dental Clinic Subsidy Accounting

In our 1972-73 analysis we questioned the higher need for state subsidy dollars at the Los Angeles Dental Clinic as compared to the San Francisco clinic. The budget conference committee requested a special report from the University on the dental clinic subsidy. The report was prepared and stated the difference between the two schools results from different procedures for charging costs. The Los Angeles clinic charges all direct and indirect costs to the subsidy while San Francisco absorbs the indirect cost of the clinic in the department's budgets.

We noted that it was difficult to understand why two University dental clinics with substantially the same functions do not use uniform methods for charging costs. In our 1973-74 analysis we suggested that the University consider establishing uniform accounting procedures so that financial reports will have more meaning.

A comparison of the subsidies for the two campuses is shown in Table 20 and illustrates that the differences in accounting practices still exist. In fact, the regent's budget for 1974-75 states that "the University recognizes the need for establishing uniform accounting practices at the two dental clinics to provide a better understanding of the needs for clinical teaching support, and discussions are underway to resolve the problem prior to consideration of the 1974-75 budget by the Legislature."

Table 20
Dental Clinic Subsidy Per Student, San Francisco and Los Angeles
1970-71 through 1974-75

	<u>San Francisco</u>			<u>Los Angeles</u>		
	<i>FTE students (DDS curriculum)</i>	<i>Subsidy</i>	<i>Cost per FTE</i>	<i>FTE students (DDS curriculum)</i>	<i>Subsidy</i>	<i>Cost per FTE</i>
1970-71.....	302	\$206,000	\$682	372	\$499,000	\$1,314
1971-72.....	304	251,000	826	373	604,000	1,619
1972-73.....	316	252,000	797	392	634,000	1,617
1973-74.....	331	252,000	761	411	451,000	1,097
1974-75.....	339	252,000	743	424	451,000	1,063

Uniform System of Accounting Needed

We recommend that the University report to the Legislature by September 1, 1974, on its progress towards establishing a uniform accounting system.

We have encountered several other examples of the lack of uniform accounting procedures while reviewing departmental allocations and financial statements. As illustrated by the dental clinic subsidy example, such inconsistencies make meaningful cost comparisons difficult to develop.

We believe a resolution to this problem might be accelerated by the recommended report.

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5. ORGANIZED RESEARCH

Functional Description

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. State support is used primarily to meet the matching requirements of the federal government and provide for the administrative functions of organized research units.

Proposed Budget

	1973-74	1974-75	Change	
			Amount	Percent
Total	\$52,107,330	\$52,046,645	\$-65,685	-0.14%
General funds.....	45,342,933	45,342,933	—	—

Total budgeted organized research is reduced by \$65,685 in 1974-75 because of the termination of a special one-time appropriation from the Motor Vehicle Fund for the development of an air-pollution research program. No change is proposed in state-supported activities.

The bulk of organized research expenditures are not shown in the budget detail but are included in the totals as extramural funds. Total expenditure for organized research in 1972-73 was \$230,738,000. This is \$31.1 million or 15.6 percent greater than 1971-72. This does not include the \$292.4 million expended by the major Atomic Energy Commission laboratories in 1972-73.

Mosquito Control Research (Item 357)

We recommend approval.

The budget bill continues a special appropriation of \$100,000 from the California Water Fund for research in mosquito control. This appropriation was initiated in 1966-67 as a \$200,000 program of which \$100,000 was appropriated from the California Water Fund and \$100,000 was anticipated from other sources. In addition to these funds, state-supported mosquito research was included in the lump-sum support appropriation to the University but is not readily identifiable.

In 1972-73 the Legislature added \$200,000 to this program with a special General Fund appropriation. In last year's budget an additional \$100,000 was included in a special item but was vetoed by the Governor. However, the accompanying veto message approved a comparable increase to the amount provided in the University's main support item. Table 21 summarizes the various sources of funding for this program.

The 1974-75 budget continues last year's practice of including General Fund support for this program within the main lump-sum support appropriation.

Table 21
Mosquito Research Funding

<i>Source</i>	<i>1971-72</i>	<i>1972-73</i>	<i>1973-74</i>
State			
Special appropriations			
Water Fund	\$100,000	\$100,000	\$100,000
General Fund	—	200,000	—
Other	223,000	210,000	515,000
Federal	223,000	231,000	240,000
Mosquito abatement districts	6,000	8,000	10,000
Total.....	\$567,000	\$749,000	\$865,000

Special Appropriations for Research Deleted

Four special appropriations have been deleted from the 1974 Budget Bill and the funds added to the lump-sum appropriation. These four programs with the 1973-74 General Fund appropriation, are as follows:

1. Research in sea water conversion \$308,100
2. Research in dermatology..... 92,000
3. Institute of Traffic and Transportation Engineering 460,871
4. Aquaculture research 334,000

From a technical budget administration standpoint it is easier to administer one appropriation than several. As a result, if there is no serious legislative objection, these types of special appropriations have in the past been combined into the lump-sum appropriations. On the other hand, the Legislature usually establishes separate appropriation items to provide (1) visibility, (2) annual review, and (3) assurances that the funds are only spent for the intended purpose.

In last year's Analysis, we responded to a similar problem by recommending that the University provide annual reports on its research activities in which the Legislature had previously expressed an interest in order to continue monitoring their progress. The Legislature adopted our recommendation but also established separate appropriation items for the research programs listed above. Those programs for which annual reports were submitted are discussed below.

Desalination Research

This program commenced in 1950 at the request of the Legislature. For several years the program has been supported by state and federal funding of about equal amounts. However, in recent years support from federal sources has diminished. Support from the USDI, Office of Saline Water, which represented about 90 percent of the total federal desalination program, has been reduced by 84 percent since 1971-72. Special state support for this program was also reduced in 1972-73. However, this was offset by the University increasing its level of supplemental support utilizing University general funds allocated to various organized research activities. These funding changes are summarized in Table 22.

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Table 22
Desalination Research Funding

<i>Fund source</i>	1971-72	1972-73	1973-74
State			
Special appropriation	\$334,900	\$308,100	\$308,100
U.C. general funds	57,700	90,000	91,800
Department of Water Resources	18,200	9,200	21,100
Subtotal	\$410,800	\$407,300	\$422,000
Federal	450,900	336,100	119,200
Total	\$861,700	\$743,400	\$541,200

Dermatology Research

State appropriations for psoriasis research partially support the salaries of personnel in the Department of Dermatology at San Francisco. The groups activities include laboratory and clinical research along with treating patients in a newly established Psoriasis Day Care Center. Table 23 shows the funding for this research.

Table 23
Psoriasis Research Funding

	1972-73	1973-74
State	\$92,000	\$92,000
Federal grants and contracts	98,000	131,000
Total	\$190,000	\$223,000

Institute of Transportation and Traffic Engineering

Up until the current fiscal year, the institute's activities were confined to the Berkeley and Los Angeles campuses with a statewide extension program managed at Berkeley. The 1972-73 fiscal year represented the end of activities at Los Angeles with all support that year coming from extramural resources provided by such sponsors as the California Business and Transportation Agency, the Department of Motor Vehicles, and the U.S. Department of Transportation. However, it is anticipated that a new unit of the institute will be established on the Irvine campus.

Table 24 summarizes the institute's resources for 1972-73.

Table 24
Institute of Transportation and Traffic Engineering
Funding—1972-73

<i>Source of funds</i>	Berkeley	Los Angeles
State		
Special appropriation	\$460,871	—
General support	14,139	—
Sale of publications	14,011	—
Extramural grants	15,003	—
Extramural grants and contracts administered through Engineering Office of Research Services	382,448	\$177,883
University extension	116,545	—
Subtotal	\$1,003,017	\$177,883
Total	\$1,180,900	

6. LIBRARIES

Functional Description

Support for the current operations of the University's nine campus libraries as well as related college and school research branch and professional libraries is included in this budget function. The 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 University teaching and research.

Proposed Budget

	1973-74	1974-75	Change	
			Amount	Percent
Total	\$33,195,041	\$34,042,508	\$84,467	2.5%
General funds	32,898,350	33,744,350	846,000	2.6

The budget provides an increase of \$846,000 from general funds. This includes \$346,000 for 40 FTE positions in reference and circulation to provide for an enrollment related increase of 4.7 percent. Also included is a \$500,000 augmentation to the University's intercampus and intersegmental library cooperation program. The budget indicates that the \$500,000 increase is for the purpose of extending the use of existing library resources. These funds include (1) \$225,000 to augment the development of library automation projects, particularly circulations system development, (2) \$225,000 to improve interlibrary loan procedures and (3) \$50,000 for the establishment of regional serials and other service facilities.

The detail of the proposed budget expenditures and related data is shown in Table 25. In addition to the \$846,000 increase, \$697,000 for book price increases is included in universitywide provisions for allocation to maintain the current acquisition levels.

Table 25
Library Expenditures and Selected Data
1973-74 and 1974-75

	1973-74	1974-75
Expenditures		
Book purchases.....	\$7,777,987	\$7,777,987
Binding expense.....	1,525,798	1,525,798
Reference and circulation	10,278,004	10,579,995
Acquisition and processing	11,383,726	11,383,726
Automation	359,528	359,528
Intercampus/segmental cooperation	—	500,000
Employee benefits.....	1,869,998	1,915,474
Totals.....	\$33,195,041	\$34,042,508
Related budget data:		
Volumes added (general funds)	518,950	518,950
Total volumes in collection.....	13,359,592	14,021,847
Volumes per student (FTE).....	123.0	123.7
Reference and circulation staff	1,029.29	1,069.29
Acquisition and processing staff.....	1,033.54	1,033.54

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7. EXTENSION AND PUBLIC SERVICE

Functional Description

This function consists of three major program elements.

1. University Extension

The goal of University extension is to provide educational opportunities for adults, promote participation in public affairs and to provide solutions to community and statewide problems. Continuing adult education programs are offered by University extension throughout the state.

2. Cooperative (Agricultural) Extension

Cooperative extension of the University extends the knowledge and technology derived from research to improve economic well-being and the quality of life for all Californians. It is a cooperative endeavor between the University, boards of supervisors in 56 of California's counties, and the U.S. Department of Agriculture. Operating from three University campuses and 56 county offices in rural and urban areas, it provides problem-solving instruction and practical demonstrations that focuses the educational process on the problems of the citizen.

3. Public Service

The public service function supports the cultural and educational activity on the campuses and in nearby communities. The cultural activities provide opportunities for additional experience in the fine arts, humanities, social and natural sciences and related studies. Well balanced programs including concerts, drama, lectures and exhibits are designed to be of interest to the campuses as well as to the surrounding communities.

Proposed Budget

	1973-74	1974-75	Change	
			Amount	Percent
Total	\$43,222,174	\$45,210,904	\$1,988,730	4.6%
General funds.....	10,895,781	10,830,281	-65,600	-0.6

The proposed budget increase is primarily related to an estimated 7.3 percent growth in University extension enrollments which will be funded solely from student fees. The \$65,600 General Fund reduction reflects the discontinuance of a special state appropriation in the Budget Act of 1973 to replace the lost federal support for the special program to train nurse practitioners at UCLA.

General funds budgeted for 1974-75 are:

Agricultural extension	\$10,690,000
Professional publications.....	61,000
Museums and collections	60,281
Community service	14,000
Employee benefits	5,000
Total.....	\$10,830,281

Enrollments for University extension since 1970-71 along with the percentage increases each year are shown in Table 26.

Table 26
University Extension Enrollments 1970-71—1974-75

	<i>FTE students</i>	<i>Percent increase</i>
1970-71	18,331	—
1971-72	18,416	0.5%
1972-73	18,640	1.2
1973-74	18,558	-0.4
1974-75	19,930	7.3

8. GENERAL ADMINISTRATION AND SERVICES

Function Description

This function is a combination of the two previously separate functions of general administration and institutional services. Activities funded within these closely related functions include planning, policy-making and coordination within the office of the chancellor, president and the officers of the regents. Also included for funding are a wide variety of supporting activities such as police, accounting, payroll, personnel, materials management, publications and federal program administration, as well as self-supporting services such as telephones, storehouses, garages and equipment pools.

Proposed Budget

	<i>1973-74</i>	<i>1974-75</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
Total	\$57,577,093	\$59,151,207	\$1,574,114	2.7
General funds	48,351,247	49,380,247	1,029,000	2.1

The proposed General Fund budget increase of \$1,029,000 includes \$980,000 in executive administration for expansion (+54 FTE) of the

Table 27
General Administration and Institutional Services

	<i>General Fund expenditures</i>		
	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>
Executive administration	\$20,924,775	\$23,284,235	\$24,264,235
Environmental health and safety	1,370,122	1,384,929	1,384,929
University relations	1,244,427	1,370,373	1,370,373
Materials management	3,013,916	3,285,178	3,285,178
Personnel operations	2,236,367	2,597,667	2,597,667
Fiscal operations	5,719,649	6,323,720	6,323,720
Federal contracts and grants administration ^a	-228,083	-247,082	-247,082
Police services	3,341,448	3,872,748	3,921,748
Physical planning	469,653	467,787	467,787
Communications and reproduction	1,728,970	1,846,673	1,846,673
Academic Senate	330,700	407,857	407,857
Employee benefits	3,292,244	3,069,750	3,069,750
Miscellaneous ^b	636,777	687,412	687,412
Total expenditures	\$43,450,965	\$48,351,247	\$49,380,247
Total FTE	3,144.78	3,229.92	3,283.92

^a General Fund support eliminated and replaced with higher level of recharges.

^b Includes universitywide coordinators for computers and hospital business systems, and unallocated staff salary provisions.

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University's information systems development capability and for related data processing costs. Also included is a \$49,000 increase in police services to provide for uniform and equipment replacement costs for certain categories of University employees pursuant to the provisions of Chapter 908, Statutes of 1972. The latter increase affects 28 firemen on three campuses, 228 police officers on all nine campuses and 10 watchmen/guards on three campuses. Funding for general administration and services is shown in Table 27.

Electronic Computing Activities Within the University

The University of California expends approximately \$19 million for all aspects of computing activities for the nine campuses, three hospitals and universitywide administrative data processing. These expenditures by category of processing are: research—50 percent, administrative—25 percent, and instruction—25 percent. The sources of funds for the support of computing are approximately: federal—44 percent, state—35 percent, and University and others—21 percent.

According to a recent inventory of computing resources prepared by the University, all divisions operate a total of 274 computers, exclusive of those under control of the Atomic Energy Commission (AEC) laboratories operated by the University. A breakdown of computing within the University indicates that 34 computers are distributed among the nine campus computing centers which provide general service in support of the research and instructional needs of each campus. Four computers are located in two administrative data processing centers which provide computing support for most of the University's administrative requirements. The remaining 236 computers fall into a category "specialized/dedicated" which means that these machines are utilized primarily by individual campus departments in support of research projects.

Analysis Reveals Proliferation

In our Analysis of the Budget Bill for fiscal year 1970-71, we prepared a detailed chart of computing resources which displayed the 117 electronic computers operated by the University at that time for administrative, instruction and research needs. This inventory was exclusive of those computers located in the Atomic Energy Commission laboratories operated by the University and demonstrated a proliferation of computing resources throughout the system.

In that analysis, we also recommended that the University develop a master plan which identifies computing needs, funding requirements and precludes special interest groups from pursuing independent computer acquisition programs.

As a result of this evaluation, the Supplemental Report of the Committee on Conference (Budget Bill of 1970) recommended that: (1) the University develop a long-range master plan that will identify future computing needs, and (2) the University defer any significant expansion of computer hardware until this report is completed and submitted to the Joint Legislative Budget Committee.

University Responds

The response to this recommendation was submitted in November 1970. In that report it was stressed that consistent with the expressed desires of the Legislature, the University did not anticipate any expansion of its general purpose computer hardware until a long-range plan is completed and the estimate for an initial version of such a plan was June 1971.

To date, although numerous studies relative to University computing and data networks to support computing have been completed, no formal universitywide long-range plan has been approved for implementation. In fact, the difficulty in obtaining agreement on such a plan from all quarters within the University is amply demonstrated by this significant amount of activity but an inability to reach conclusions on a course of action.

We do find that, consistent with its commitment to the Legislature, no new general purpose computers have been procured since 1971.

However, it should be pointed out that given the moratorium on procurement of the larger general purpose computer, the inventory of University computers now shows a dramatic increase in the procurement of minicomputers which are considerably less expensive (usually leasing for under \$2,500 per month), but nonetheless quite powerful because of new technological advances in construction of these machines.

Positive Step Towards Control

We recommend that the University refrain from further expending funds for any significant new computer acquisitions until systemwide computer policies and a University master plan have been formally adopted.

One action which has resulted from the various planning activities is a decision by the president of the University in November 1973 to establish a universitywide computer policy board. This board is to be comprised of 13 individuals representing all facets of the university and include a senior or executive vice chancellor from each campus. The position of executive director of computing has also been established and the University is presently conducting a nationwide search to fill this position.

The new structure will replace the office of the coordinator of computer activities which was established in late 1968 under the vice president for business and finance. This office has been involved in most of the planning and networking activities and was responsible for approving all computer acquisitions exceeding \$100,000 in purchase price or \$2,500 per month in lease costs. This limit for approval has undoubtedly been one factor in the tremendous growth in the procurement of low-cost minicomputers which now number in excess of 200 throughout the University system.

From documents we have examined it appears that the University acknowledges that its approach to computing has over the past 20 years developed primarily in a decentralized manner (except for administrative data processing). Although this historical development was described as appropriate to the circumstances of that time period, it is agreed that such an approach will not be adequate to meet future computing requirements. It is therefore recognized that it is desirable to establish systemwide computing policies. It is also recognized that the technology which provides

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large computers, sophisticated minicomputers, small time-sharing systems and improved data communication networks which must be considered in developing adequate policies.

These are the issues we expect the new Computer Policy Board to deal with. However, given the absence of any currently adopted master plan, we recommend that the University refrain from further expending funds for any significant new computer acquisitions until systemwide computer policies and a University master plan have been formally adopted.

Administrative Data Processing

We recommend special review of the request for \$980,000 in additional funds for new information systems development. The University should develop a detailed explanation of the current status of its management information system together with more specific plans for the implementation of proposed new systems and the resources required.

The Information Systems Division within the University is the unit responsible for developing and operating data processing systems for all administrative functions for all campuses and the office of the president (except for hospitals and major AEC laboratories). The unit is responsible for a consolidated data processing center operation with facilities located in Berkeley and Los Angeles (two computers in each facility).

In past analyses, we have been supportive of this centralized approach and also have encouraged the development of the management information system which is intended to provide a comprehensive data base of information for university decisionmaking.

The Governor's Budget provides additional funds totaling \$980,000 for the continued enhancement to this system which includes \$68,000 for a General Ledger conversion, \$319,000 for data processing, and \$593,000 for other new systems. These new systems are in addition to 16 new information systems which have been developed within general categories covering students, personnel, facilities, material, financial data and general planning.

A total of 54 new positions have been requested to facilitate the development of new systems. This includes 30 programmers and analysts and 24 key data entry personnel. Although we support the continued enhancement of the management information system, we believe that the University should develop a detailed explanation of the current status of its administrative systems together with more specific plans for the implementation of a new system together with resources required. After receipt of this material, we will be prepared to discuss the augmentation before the fiscal committees hearing the University budget. We will also examine the system in order to determine what increased information can be made available to the Legislature as a result of this enhanced management information system.

Operating Activities Consolidation

We recommend that the University:

1. *Phase out its own intercampus telephone system (ITS) and utilize the services of the state's ATSS network.*

2. *Prepare a special report, in coordination with the Department of General Services identifying the immediate and long-range budgetary savings in general funds associated with (1) above and submit this to the Legislature by November 1, 1974.*
3. *Purchase its passenger vehicles through the Department of General Services rather than independently for a General Fund savings of \$50,000.*

By June 1, 1974, all prefixes in the state will be served by the ATSS system. At that time the University's ITS would represent a costly duplication for an inferior level of service. The University system is limited to providing long-distance service mainly between the nine campuses, universitywide central administrative offices and the extension centers. Intrastate calls outside this system must be made at regular long-distance toll rates. Such calls cost two-thirds more than an ATSS placed call if they are to an area which is served by ATSS. The Department of General Services estimates that the University could save at least 50 percent of what it now pays for intrastate long-distance calls by joining the state system.

The University's total annual telephone communications bill is currently about \$8.3 million, which includes the \$650,000 cost of the ITS system. It is difficult to estimate, at this time, the extent of the savings associated with this consolidation proposal. Consequently, we are recommending the preparation of a special report so these savings may be identified for future budgeting considerations.

Recently the University abandoned its policy of purchasing its passenger vehicles through the Department of General Services. The University has indicated that it plans to independently purchase an estimated 285 vehicles in 1973-74 at a cost of about \$880,000. This amounts to an average cost per vehicle of approximately \$195 more than the cost would be if purchased through the Department of General Services after deducting the department's 1 percent fee for providing the service. Consequently, the cost of autonomy is approximately \$50,000. We believe this is an unnecessary expenditure and the University should reconsider its decision. Consequently, we recommend a budget reduction of \$50,000.

Affirmative Action Report

A special augmentation to the 1973-74 budget provided \$250,000 for administrative costs associated with the affirmative action programs based on workload requirements generated by federal regulations. In addition the 1973 Budget Conference Committee's Supplemental Report contained four recommendations with respect to the University's Affirmative Action programs including a report requirement, due to the Legislature prior to January 1, 1974.

That report has been submitted, although it was not received in sufficient time to allow us to include a review in this analysis. However, we are including the following information indicating how the initial \$250,000 augmentation provided in 1973-74 was allocated by the University.

The initial appropriation was allocated to each campus as follows:

Berkeley	\$32,000
Davis	24,700

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Irvine	18,300
Los Angeles	34,500
Riverside	23,500
San Diego	24,700
Santa Barbara	22,000
Santa Cruz	24,700
San Francisco.....	32,000
President's office coordination	13,600
	\$250,000

The regents have also allocated \$100,000 from opportunity funds to this program in 1973-74.

Although program emphasis varies somewhat between campuses on the basis of reports received, funds were distributed to the following activities as indicated.

1. *Recruiting (45 percent)*. Increased emphasis on advertising, and travel support for applicant interviews provide a major impetus to the recruitment of minorities and women for both staff and academic positions.

Departmental recruiting efforts for academic positions are being supplemented in chancellor's offices to develop pools of qualified minorities and women.

2. *Training (25 percent)*. Substantial additional effort is being made to train supervisors to increase their effectiveness in work assignments, performance reviews, assessment of employee potential for promotions, and sensitivity to the needs of all employees, particularly minorities and women.

3. *Data Analysis and Reports (30 percent)*. Major effort and expense are involved in the development of a statistical information base, dealing with both current employees and with the characteristics of the regional employment pools (availability data).

The third activity is the subject of the special report to the Legislature mentioned earlier.

The University also indicated that a variety of current resources have been and will be diverted to the expanding affirmative action program. For example, in personnel operations the majority of staff effort in the recruiting activity has been reassigned to recruiting for women and minorities. In the academic sphere, departmental search committees are expending much more effort on the identification and interviewing of minority and women candidates. The University indicates that the cost of this diverted effort represents the originally estimated gross cost of \$2 million for implementation.

The proposed 1974-75 budget also continues the \$250,000 General Fund augmentation within the lump-sum appropriation.

9. MAINTENANCE AND OPERATION OF PLANT

Functional Description

This budget function provides generally for (1) maintenance of reasonable standards of repair, utility and cleanliness, and (2) improvement in standards of campus facilities in accord with technological advancement. Maintenance and operation of plant is an essential supporting service to the University's primary teaching, research and public service programs. These plant costs include such activities as fire protection, building and grounds maintenance, utilities, refuse disposal and other similar expenses.

Proposed Budget

	1973-74	1974-75	Change	
			Amount	Percent
Total	\$42,485,940	\$44,475,652	\$1,989,712	4.7%
General funds	42,400,218	44,395,218	1,995,000	4.7

The increase of \$1,995,000 includes (1) \$1,350,000 to improve building maintenance and janitorial services, (2) \$533,000 for basic utilities and refuse support of 918,605 square feet of new buildings, (3) \$106,712 for improved fire protection at Santa Cruz and Davis campuses, and (4) \$5,288 to offset a reduction in restricted fund supports.

Maintenance and Janitorial Improvement

An historic measurement of workload growth is total dollars spent related to growth in outside gross square feet. Table 28 shows this growth from 1968-69 through 1974-75. As indicated, the rate of increase has been declining each year for a number of years reflecting a lessening rate of new construction. However, it is anticipated that this trend will reverse in 1974-75 with an estimated 3.0 percent growth. If the same increases were applied to the affected program elements, building maintenance and janitorial service, a total increase of \$565,000 would be justified. The proposed increase of \$1,350,000 (7.2%) represents a significant reversal of prior budgeting trends.

Table 28
Outside Gross Square Feet 1968-69-1974-75

Year	Total outside gross square feet	Year to year percent increase
1968-69	25,515,761	7.8%
1969-70	27,677,543	8.5
1970-71	29,099,000	5.1
1971-72	30,247,000	3.9
1972-73	30,522,700	1.0
1973-74	30,649,000	0.4
1974-75	31,568,000	3.0

Fire Protection Improvements

Two University campuses now provide their own fire protection: Davis, because the city has insufficient equipment, and other equipment (Sacramento) is over 20 miles away; and Santa Cruz, because city service (12 minutes response time) has proved to be too late and too little.

The bulk (\$83,704) of the proposed \$106,712 increase will go to Santa Cruz which will drop a supplementary service agreement with the city

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and provide full response from its new fire station and fire staff of nine FTE which will become operational in June 1974. The remainder (\$23,008) will go to the Davis campus as workload support for 157,000 square feet of added building area in 1974-75 and to replace two half-time student firemen with one permanent professional.

Deferred Maintenance (Item 356)

Included as a separate Budget Act appropriation is a \$500,000 state appropriation to assist in lowering the substantial backlog of \$7.9 million in deferred maintenance. The Budget Act item also includes language requiring equal matching by the regents from nonstate funds.

Beginning in November 1968, and each year since, the University, in response to a request from the Conference Committee on the Budget, has submitted a detailed list of the deferred maintenance backlog. Based on the initial report of 1968, which showed a backlog of \$5.3 million, this item was included in the Budget Act and has been approved each year since then. The growth of the backlog appeared to have stabilized when the 1972 report showed a new increase of \$1 million.

Matching Policy Changed

We recommend that control language be added to preclude the use of educational fees to satisfy the matching requirement.

In response to the deferred maintenance problem, the regents allocated \$2 million in 1973-74 from educational fees (tuition) for this purpose and are proposing to allocate the same amount from the same source for 1974-75. Presumably, this action was considered more than responsive to Budget Bill language which has historically required the University to provide equal matching funds not appropriated in the Budget Act. The regents have elected not to allocate \$500,000 of University opportunity funds to match the state's contribution as has been done in the past, releasing these funds for other purposes. This action violates the matching requirement concept imposed by the 1969 Legislature, because it was developed to compensate for the fact that the state assumes almost total funding responsibility for maintenance and operation of plant while users of the facilities include many non-state-funded activities. The University's share of federal overhead receipts generated by many of these non-state-funded activities is the principal source of these opportunity funds.

We believe the policy established by the Legislature in 1969 is still valid. Consequently, we are recommending amending the Budget Act control language to preclude the use of educational fees for the equal matching provision.

Deferred Maintenance Backlog

Table 29 indicates that, in spite of generally increasing expenditures on each campus, the backlog has continued to grow. Further, there appears to be no consistent relationship between the size of a campus's backlog and its allocation. We suggest that this is evidence of the marginal nature of some of the projects included in the backlog list. It may also reflect additional universitywide project scrutiny based on limited funding. Table

Table 29
Deferred Maintenance Backlog and Actual Expenditures*
1970-71 through 1972-73

<i>Campus</i>	<i>1970-71</i>		<i>1971-72</i>		<i>1972-73</i>		<i>1973-74</i>
	<i>Backlog</i>	<i>Expenditure</i>	<i>Backlog</i>	<i>Expenditure</i>	<i>Backlog</i>	<i>Expenditure</i>	<i>Backlog</i>
Berkeley	\$1,372,052	\$379,714	\$1,748,950	\$196,704	\$2,759,000	\$456,211	\$2,766,620
Davis	1,830,428	78,940	828,000	90,158	838,840	96,854	1,072,967
Irvine	—	—	—	120	150,963	23,795	216,508
Los Angeles	671,719	234,146	1,348,234	298,505	1,208,841	442,302	1,701,974
Riverside	35,262	26,661	129,988	30,594	135,475	78,213	197,156
San Diego	145,361	61,729	157,629	98,001	373,487	105,134	486,558
San Francisco	111,770	51,119	185,700	46,006	136,000	195,372	447,200
Santa Barbara	725,148	117,612	581,631	104,970	570,555	107,597	761,268
Santa Cruz	41,500	29,847	—	26,557	77,945	8,422	142,225
Richmond field station	70,197	—	156,028	—	94,512	—	104,034
Total	\$5,030,438	\$989,765	\$5,136,160	\$891,627	\$6,345,618	\$1,514,000	\$7,896,780
State	—	478,520	—	437,590	—	713,205	—
UC	—	501,248	—	454,035	—	800,795	—
Backlog total in 1970-71 constant dollars....	\$5,030,438	—	\$4,669,236	—	\$5,150,663	—	\$5,722,967

* Campuses have 15 months (or longer if justified) to complete funded projects, and unexpended project balances are carried forward.

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26 also displays another inconsistency. The increased level of expenditure in 1973-74 not only failed to halt the backlog growth but on some campuses prompted even greater increases. Discounting for the effects of construction inflation indicates that there was a period when the backlog seemed to be stabilizing but renewed interest appears to have halted that trend.

We conducted a cursory review of the detailed 1973-74 deferred maintenance backlog list and identified projects totaling in excess of \$2.5 million that appeared questionable applying the University's own criteria for determination of a deferred maintenance project. Projects are also segmented to comply with a \$50,000 limit per item, thus spreading funding over a number of years and incurring increased costs due to inflation and further deterioration.

It would appear from the foregoing discussion that increased funding may not be the total answer to the deferred maintenance problem.

Preventive Maintenance Program Improvements Needed

We recommend a General Fund augmentation of \$200,000 to continue development of the Physical Plant Management Information System.

In partial response to our observation that increased funding for deferred maintenance is not the total answer to the problem, we are suggesting that improved management tools be developed. Initial development of a Physical Plant Management Information System commenced in 1972-73 and has been supported from a variety of sources including campus operating budgets and regent's funds. The system is considered of prime importance from a standpoint of both current operations and planning. It is estimated that at least \$135,000 and 6 FTE will have been utilized through 1973-74 for development.

The recommended \$200,000 augmentation will insure continued support of project development in 1974-75. It will finance 8.0 FTE (\$135,000) program analysts and other titles, with operating expenses of \$33,500 and contract services totaling \$31,000. Maximum total cost of the project is estimated at \$700,000.

When completed, it is anticipated that the system will provide a management-oriented accounting system, relating dollars expended to tasks performed and locations served. It will reinforce existing methods of production control and scheduling and introduce an automated preventive equipment maintenance program.

We believe such a system is long overdue and that the \$700,000 ultimately required represents a prudent investment.

Executive Housing Maintenance

Last year we presented special data to the Legislature relating to state funding of the maintenance expenses for president, vice president and chancellor's houses. Following its review, the Legislature denied a similar increase for State University and College presidents and reduced the University's allotment by 10 percent (\$27,623). While we made no recommendation with respect to this issue, we did suggest that the University

Table 30
State-Supported Executive Housing Maintenance Costs for 1972-73 and 1973-74

	<i>House Maintenance^a</i>		<i>Grounds</i>		<i>Utilities and Telephones</i>		<i>Service Staff</i>		<i>Total</i>	
	<i>1972-73</i>	<i>1973-74</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1972-73</i>	<i>1973-74</i>
President.....	\$11,970	\$9,500	\$1,800	\$1,800	\$3,100	\$3,200	\$27,156	\$20,700	\$44,026	\$35,500
Vice president.....	5,300	2,600	1,800	1,800	1,900	1,900	6,560	5,276	16,460	11,576
Chancellors:										
Berkeley.....	14,000	18,800	18,370	7,391	4,812	4,600	26,699	26,700	63,881	57,491
Davis.....	1,432	3,600	7,728	3,453	928	1,700	7,368	8,203	17,456	16,956
Irvine.....	1,384	2,150	1,600	1,800	1,075	4,200	7,730	6,339	11,789	11,489
Los Angeles.....	12,300	13,072	12,000	13,500	3,900	3,600	26,472	19,000	34,672	49,172
Riverside.....	1,800	2,000	4,200	3,693	1,979	1,986	3,500	3,500	11,479	11,179
San Diego.....	2,600	2,900	5,800	2,000	3,100	3,600	8,500	11,000	20,000	19,500
San Francisco.....	2,220	6,000	192	500	2,208	1,000	10,030	6,850	14,650	14,350
Santa Barbara.....	2,300	2,300	5,250	3,915	1,370	1,507	7,000	7,775	15,920	15,497
Santa Cruz.....	600	2,000	2,700	1,100	600	600	2,000	2,200	5,900	5,900
Total.....	\$55,906	\$65,222	\$61,440	\$40,952	\$24,972	\$24,893	\$133,015	\$117,543	\$276,233	\$248,610

^a Includes improvements and additions, furniture replacement, special entertainment equipment, rent, taxes, fees, insurance and miscellaneous items.

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restudy the expenditures for 1974-75 on the basis that they appeared excessive. Because of legislative interest in this matter, we have included Table 30 outlining state-supported executive housing maintenance costs for 1972-73 and 1973-74.

10. STUDENT SERVICES

Functional Description

A variety of programs are included within this budget function and they are generally classified according to their source of funds. Services directly related to the functioning of the instructional program are financed by state or University general funds. These services may include admission, selection, student registration, class scheduling, grade recording, student statistical information. The services that are related to the maintenance of the students' well-being are financed largely from incidental fees. These services include medical care, housing location, employment placement, counseling, cultural, recreational and athletic activities.

Proposed Budget

	1973-74	1974-75	Change	
			Amount	Percent
Total	\$34,707,745	\$36,387,821	\$1,680,076	4.8%
General fund	8,602,833	8,603,833	—	—

General funds included in this function normally are instructional related and include administrative-type functions such as admission, selection, student registration, class scheduling, grade recording and student statistical information. As indicated, no General Fund increase is proposed. The \$1,680,076 increase is from University restricted funds consisting of \$1,507,890 from registration fees, \$62,125 from educational fees, and \$110,061 from miscellaneous sources.

The general funds included in the budget are allocated to those areas shown in Table 31.

Table 31
General Fund Student Services Expenditures
(in thousands)

	1972-73 Budgeted	1973-74 Budgeted	1974-75 Estimated
Registrar	\$2,637	\$2,934	\$2,934
Admissions	2,249	2,583	2,583
Dean of students	973	1,118	1,118
Financial aid	495	541	541
Public ceremonies	104	109	109
Miscellaneous	502	662	662
Employee benefits	620	656	656
Total	\$7,580	\$8,603	\$8,603

We have in the past recommended augmentations for workload growth associated with enrollment increases. However, because of a need for the

regents to reevaluate their policies regarding the registration fee and current legislative efforts to determine the adequacy of staffing patterns in student financial aid offices, we believe the determination of an appropriate level of state support should await the resolution of these problems.

We are currently collecting data pursuant to a legislative request for a hearing presentation on student financial aids administration, policies, procedures and staffing patterns affecting all three segments of higher education.

Potential Registration Fee Increase

In last year's analysis we reported that in October 1972 the regents were advised that "demands on University registration fee income for student services and facilities, including inflationary costs, were considerably in excess of anticipated income." An augmentation of \$1.3 million was seen as needed annually just to cover estimated salary increments. Subsequently, to avoid "drastic" program reductions in 1973-74 and to alleviate pressure to raise the University registration fee, currently at \$300 per year, the regents adopted a policy that the programs funded from University registration fee income be limited to student services and facilities.

Although this policy provided some temporary relief for the need to further increase fees in 1973-74, we warned that a potential existed for increases in the future. In response, the Legislature requested that the University prepare a special report on the projected income and expenditures from the registration fee identifying the detail and need for increased fees.

The report prepared by the University pursuant to this request concluded that although no increase in the University registration fee is needed for 1974-75, based upon current and projected program levels and giving consideration to salary and inflationary increases, an increase in the University registration fee appears necessary by 1975-76. The University further stressed that it is presently studying the extent of such an increase, but it is evident that campuses will have to closely review priorities and adjust programs to operate within current projections of 1974-75 income.

Fee Resources and Administration

In 1953 the registration fee was made uniform for all campuses and the current rate of \$100 per quarter was established in 1968. However, campus resources differ because each has a different mix between full-fee, partial-fee and nonfee paying students. In addition, there is a considerable variance in total enrollments among the nine campuses. Current policy requires that campus use of registration fee income be limited to support of those student services and facilities for the well-being of students. These include such activities as recreational and cultural programs, placement, student publications, counseling, financial aids administration, and certain other student related programs, as well as intercollegiate athletics, arts and lectures, and student health service. Facilities support includes capital improvements which provide extracurricular benefits for students and amortization of such projects.

Current University policy regarding administration of registration fee resources requires that broad policy and program guidelines be provided

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by the office of the president but specific allocations to programs are the prerogative of the campuses. Campuses are therefore accorded the flexibility to manage fee-funded programs. Consequently, individual program costs per student on each campus differ because of the difference in the services and activities offered on any given campus. Programs also vary because the resource base afforded each campus is different and fixed by the level of enrollment.

Fee Increase Necessitated by Special Projects

The University determined the potential for a fee increase by projecting fee income and program costs for 1974-75 and 1975-76. The report states that just to maintain existing programs at current levels will require more than a \$2.5 million increase between the two years for inflation. However, we have had difficulty substantiating this conclusion, because the projected increases in current expenditures vary from campus to campus and range from a low of 0.5 percent to a high of 12.1 percent, bearing little resemblance to inflation trends. It is estimated that projected enrollment increase will only generate \$1.8 million in additional revenue to offset this need. The report concludes that current programs could be funded but at the expense of eroding registration fee capital reserves.

Our analysis of the University's projected registration fee cash flow statement (Table 32) and other cash data submitted with the report, indicates that special capital outlay expenditures have been and are continuing to divert registration fee resources away from ongoing programs. In fact, the anticipated fee increase is primarily necessitated by planned capital outlay programs on three campuses.

STAFF BENEFITS

Functional Description

Staff benefits consist of the employer's share of various retirement programs, state compensation insurance and contributions toward a payment of employees' group health insurance. Funds requested for the various fringe benefit programs relate to present membership and obligations. These expenditures are not shown as a separate function in Table 1 because costs have been allocated to the other functions. We are continuing to identify this function for information purposes only.

Proposed Budget

	1973-74	1974-75	Change	
			Amount	Percent
Total	\$39,317,000	\$39,673,000	\$357,000	0.9%
General funds.....	39,317,000	39,673,000	357,000	0.9

Included in the net increase of \$357,000 shown above is a reduction of \$800,000 in the University's provision for unemployment insurance; an increase of \$84,000 for OASDI and state compensation insurance; and a general increase of \$1,073,000 for staff benefits required for 1974-75 staff-

Table 32
PROJECTED UNIVERSITY REGISTRATION FEE—CASH FLOW STATEMENT
1974-75 and 1975-76

	<i>Berkeley</i>	<i>Davis</i>	<i>Irvine</i>	<i>Los Angeles</i>	<i>Riverside</i>	<i>San Diego</i>	<i>San Francisco</i>	<i>Santa Barbara</i>	<i>Santa Cruz</i>
1974-75 Beginning reserve balance, July 1, 1974 ..	\$2,680,300	\$1,571,100	\$849,000	\$1,448,300	\$166,100	\$150,500	\$17,700	\$3,695,300	\$120,800
Add: current income.....	8,496,500	4,725,400	2,071,000	8,613,000	1,386,400	2,309,400	704,600	3,747,900	1,675,000
Total cash available.....	11,176,800	6,296,500	2,920,000	10,061,300	1,552,500	2,459,900	722,300	7,443,200	1,795,800
Deduct: current expenditures	8,923,500	4,088,800	2,078,300	8,270,900	1,343,300	2,117,700	722,300	3,304,100	1,477,100
Capital outlay/debt service.....	515,000	1,441,600	540,200	1,048,000	77,600	217,200	—	226,600	134,700
1975-76 Reserve balance, July 1, 1975.....	1,738,300	766,100	301,500	742,400	131,600	125,000	—	3,912,500	184,000
Add: current income.....	8,318,800	4,996,500	2,149,100	8,588,000	1,502,700	2,550,600	725,900	3,905,600	1,805,400
Total cash available.....	10,057,100	5,762,600	2,450,600	9,330,400	-1,634,300	2,675,600	725,900	7,818,100	1,989,400
Deduct: current expenditures	9,683,100	4,586,300	2,210,100	8,796,400	1,442,100	2,316,000	725,900	3,536,400	1,591,900
Capital outlay/debt service.....	—	444,500	102,200	—	74,400	234,800	—	346,600	126,700
Ending reserve balance, June 30, 1976	<u>\$374,000</u>	<u>\$731,800</u>	<u>\$138,300</u>	<u>\$534,000</u>	<u>\$117,800</u>	<u>\$124,800</u>	<u>—</u>	<u>\$3,935,100</u>	<u>\$270,800</u>
Projected capital outlay and debt service for 1976-77	\$2,108,500	\$444,500	\$102,200	\$2,193,000	\$64,500	\$236,500	—	\$2,106,600	\$182,700
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

- (1) Berkeley includes \$976,525 to be spent 1976-77 for Sports and Recreation Building, and \$1.1 million in various projects originally scheduled for 1974-75.
- (2) Davis includes \$444,529 to be spent on various projects (Memorial Union, Rec. Pool Lodge, Rec. Hall) 1976-77.
- (3) Irvine includes debt service of \$102,200 1976-77.
- (4) Los Angeles projects capital outlay of \$2,193,000 in 1976-77 for Sports and Recreation Center; also, the campus wishes to accumulate reserves of \$2.3 million for Student Health Facility for 1978-79; (total project cost \$6.5 million).
- (5) Riverside includes \$64,500 in project costs for 1976-77.
- (6) San Diego—\$236,500 project costs for 1976-77.
- (7) San Francisco—no reserve balance.
- (8) Santa Barbara—1976-77 capital outlay projects of \$2.1 million includes \$146,600 for debt service, \$80,000 for minor projects and \$1,880,000 for a University Center. Plans for the Center are currently being revised to include art gallery/museum, and recreation/cultural facilities, and the project cost may be as much as five times the current estimate.
- (9) Santa Cruz—debt service and project cost for 1976-77 estimated at \$182,700.

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ing and merit increase funds.

Table 33 shows projected 1974-75 allocations for the various types of benefits and the net change over last year's budget. The Department of Finance estimates that the University will have approximately \$500,000 in prior year balances to pay cost of unemployment insurance claims from state-funded positions, including \$200,000 for program administration in addition to the \$160,000 budgeted. We understand this estimate takes into consideration the elimination (\$-800,000) of state support in 1974-75 and the University's return of \$900,000 in unexpended prior year balances.

Table 33
Proposed Total Employee Benefits for 1974-75 State Funds

<i>Proposed total expenditures for employee benefits include the following programs</i>	1974-75	<i>Budget request increase</i>	
		<i>Amount</i>	<i>Percent</i>
Retirement systems:			
University of California Retirement Systems	\$23,963,000	\$760,000	3.3%
Public Employees' Retirement Systems	3,750,000	116,000	3.2
OASDI	881,000	31,000	3.6
Other (including faculty annuities)	4,216,000	130,000	3.2
Total retirement systems	\$32,810,000	\$1,037,000	3.3
Other employee benefits:			
Health insurance	\$5,039,000	\$67,000	1.4
Unemployment insurance.....	160,000	-800,000	-83.3
State compensation insurance	1,664,000	53,000	3.3
Total other employee benefits	\$6,863,000	\$-680,000	-9.0
Total employee benefits—workload.....	\$39,673,000	\$357,000	0.9%

11. PROVISIONS OF ALLOCATION

Functional Description

Provisions for allocation 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 unallocated endowment income, merit increases and promotions, provisions for price increases and budgetary savings.

The General Fund price increase of \$6,986,000 includes a general price increase of \$2,984,000 (4 percent), \$697,000 (8.8 percent) for library book price increases, and \$3,305,000 to cover mandatory cost increases for utilities.

The utilities increase provision represents an average increase of 23 percent over the utilities budget for 1973-74 but includes replacement of \$600,000 in regent's funds which are currently supporting excess utilities costs in 1973-74. Average unit rates are projected to rise 31.1 percent for electricity, 8.2 percent for firm gas, 14.6 percent for interruptible gas, 8.5 percent for water, and 46.9 percent for oil. University estimates for the five basic utilities are generally in line with the August 1, 1973, price letter average increase of 10.5 percent over 1973-74.

The \$6,200,000 for merits and promotions includes merit increases of \$3,188,000 for academic positions and \$2,012,000 for other staff as well as

Proposed Budget

	1973-74	1974-75	Change
General funds:			
Price increase	\$1,868,694	\$8,854,694	\$6,986,000
Merits and promotions	2,955,859	9,155,859	6,200,000
Deferred maintenance	500,000	500,000	—
Budgetary savings	-9,400,000	-7,800,000	1,600,000
1973-74 range adjustment	11,981,752	11,981,752	—
Undergraduate teaching (Item 355)	1,000,000	1,000,000	—
Unemployment insurance	800,000	—	-800,000
Drew Medical (Item 354)	1,200,000	1,200,000	—
Muscular Dystrophy (Chapter 1183, Statutes of 1972)	1,100,000	—	-1,100,000
Replacement of federal reductions	400,000	400,000	—
Other	327,344	327,344	—
Totals—general funds	\$14,359,089	\$27,245,089	\$12,886,000
Restricted funds:			
Endowment income—unallocated	\$1,896,788	\$2,003,842	\$107,054
Registration fee—unallocated	5,181,449	4,680,286	-501,163
Other restricted fund provisions	2,067,550	637,820	-1,429,730
Federal contracts and grants	—	1,100,000	1,100,000
Totals—restricted funds	\$9,145,787	\$8,421,948	\$-723,839
Total provisions for allocations	\$23,504,876	\$35,667,037	\$12,162,161

\$1,000,000 for academic promotions. These basic increases are further enhanced by the provision of budgetary savings relief of \$1,600,000 and unidentified, unbudgeted turnover savings.

The \$800,000 General Fund reduction for unemployment is discussed under the staff benefits section of our analysis.

The General Fund reduction of \$1,100,000 reflects a decision not to continue funding a Neuromuscular Disease Research Center (\$1,000,000) and University research and teacher education projects (\$100,000) which were first funded by Chapter 1183, Statutes of 1973.

Excess Savings

Excess savings are those savings made beyond the savings target anticipated in the budget. The University's basic savings target for 1972-73 amounted to \$9.4 million, or 2.26 percent of all budgeted state General Funds. However, the University felt there was a need during 1972-73 to generate excess savings to fund contingencies such as self-insurance premiums, bad-debt and collection-cost writeoffs, priority equipment needs, and special one-time circumstances. In order to fund these costs, a higher level of savings was generated by imposing limitations on expenditures. The resultant increase in budgetary savings was used by the University to cover extraordinary requirements. Table 34 shows the disposition of excess savings from 1968-69 to 1972-73.

Table 34
Disposition of Excess Savings 1968-69 to 1972-73

	Excess savings	Reallocated	Returned to state
1968-69	\$2,503,398	\$2,791,779	\$-288,381
1969-70	1,074,300	1,588,300	-514,000
1970-71	3,810,700	3,237,700	573,000
1971-72	3,125,630	2,918,630	207,000
1972-73	1,838,363	856,490	981,873

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Reallocation of Excess Savings

Based on direction from the Conference Committee on the 1970-71 Budget, the University submits annual reports listing those nonbudget items financed from excess savings. This report was designed to audit University use of these funds to assure that policies were not established that were contrary to previous decisions. The report submitted for 1972-73 shows that \$856,490 was reallocated to other purposes. These transfers are summarized in Table 35.

Table 35
Summary of Transfers from Excess Savings 1972-73

1. Funding an annual reserve for University fire and extended risk self-insurance	\$142,317
2. Employee benefit shortfall	240,635
3. Administrative contingency	9,100
4. Cutting and removal of dead eucalyptus trees at Berkeley	307,000
5. Loss of patient income at San Francisco due to labor strike of 1972	108,000
6. Employee benefits not charged to specific funds	15,425
7. Writeoff of uncollectibles and collection costs	34,013
Total	\$856,490

Unsupportable Transfer

We recommend that budgetary savings be increased by \$108,000.

Our review of the excess savings reallocations raises a question regarding the University decision on Item No. 5. Use of state funds to directly subsidize hospital operations does not appear to be in accord with our understanding of how these funds are to be used since this represents an unauthorized increase in the level of an approved program (Teaching Hospital Subsidy). Further, this represents a new type of subsidy since the approved clinical teaching subsidy program consists of discounts to patients considered useful for teaching purposes but unable to pay the going rate for hospital services.

The University estimated that, from July 1 through July 14, 1972, 642 inpatient-days were lost during a labor strike on the San Francisco campus which resulted in a \$108,000 reduction in patient income. This impact was based on a University analysis of the occupancy level of the hospital during the strike compared to corresponding periods in 1970-71 and 1971-72. This type of analysis is difficult to substantiate and is presumptive at best since occupancy levels over short periods fluctuate throughout the year for a variety of reasons.

We believe this type of state subsidy sets a potentially costly precedent for the other teaching hospitals which are also struggling with operating deficits. We are recommending that the University's budgetary savings be increased by \$108,000 to return this unauthorized expenditure. Since reallocations of funds from budgetary savings are only available for review on a postaudit basis, the state's logical recourse for recovering unauthorized

expenditures is by adjusting future allocations.

Undergraduate Teaching Excellence Program (Item 355)

The Budget Bill contains a special appropriation of \$1 million to continue support of a universitywide program to "substantially increase interest in and give special recognition to excellence of undergraduate instruction. . . ." This program was initiated by a similar appropriation in last year's bill, with control language making availability of the funds contingent upon board of regents adoption, publication and implementation of a universitywide plan.

The regents authorized the president to develop a plan consisting of campus programs under three main categories:

1. Evaluation of the quality and effectiveness of teaching with related programs for improvement based on the results of these evaluations.
2. Summer instructional grants to improve courses, curricula, and instruction.
3. Seminars or other types of special courses for entering students.

When this action was taken, there was an understanding that a minimum 50 percent of the funds to be allocated would be used for programs in the first category.

Subsequently, a more fully developed plan, incorporating guidelines for use of the funding, was issued to each of the campuses along with an approximation of the amount of their allocation. These amounts were based primarily on the size of projected undergraduate enrollments as indicated in Table 36. The unallocated balance is being held for contingency use or for support of universitywide evaluation of the total program.

Campuses were asked to submit definitive statements, including detailed budget estimates, by the end of October 1973. They were also informed that if better methods of documenting the quality of teaching are developed, it was the intent that these be applied to the regular merit and promotion review process.

Table 36
Undergraduate Teaching Excellence
Campus Funding—1973-74

<i>Campus</i>	<i>Amount</i>	<i>Percent of total</i>	<i>Undergraduate enrollment (FTE)</i>	<i>Percent of total</i>
Berkeley.....	\$235,000	23.5%	18,609	23.9%
Davis.....	135,000	13.5	10,962	14
Irvine.....	70,000	7	5,628	7.2
Los Angeles.....	220,000	22	17,166	22
Riverside.....	60,000	6	3,585	4.6
San Diego.....	70,000	7	5,604	7.2
Santa Barbara.....	120,000	12	9,863	12.7
Santa Cruz.....	60,000	6	4,965	6.3
Unallocated.....	30,000	3	—	—
Total.....	\$1,000,000	—	77,791	—

UNIVERSITY OF CALIFORNIA—Continued**Detailed Campus Plans Not Released**

We recommend that the availability of funds for the Undergraduate Teaching Excellence Program be contingent upon the submittal of a comprehensive report identifying the specific allocations for projects, project budgets, total project costs and expected results and estimating future program funding requirements.

The Supplemental Report of the 1973 Budget Conference Committee recommended that the University submit a report on the proposed undergraduate teaching excellence program to the Joint Legislative Budget Committee and the chairmen of the legislative fiscal committees by November 1, 1973. In early December, the University submitted an interim progress report and indicated that a more detailed account of all the campus plans and uses of the funds had not been completed but would be forthcoming. The progress report noted that campuses were not having difficulty meeting the condition that not less than half the special funding be used for teaching evaluation projects. Only the Los Angeles campus is not planning to use such a large portion of its allocation for this purpose because it already has a comprehensive campuswide program of teaching evaluation underway.

To date, we have not received additional detailed material from the University. Consequently, we cannot comment on the responsiveness of projects to the legislative directive nor can we identify the planned uses of the 1974-75 \$1 million proposed to continue the program.

We recognize that this program is getting started late in the current year and believe that, because of its pilot nature, at least a full year's experience is essential to an adequate evaluation. However, we believe that future funding should be substantiated by program needs rather than continue having dollars generate a program.

Charles R. Drew Postgraduate Medical School (Item 354)

We recommend special review.

The Budget Bill contains a special item of \$1,200,000 to continue state support of a University program of clinical health sciences education, research and public services in conjunction with the Drew Postgraduate Medical School. State funds for this effort were first provided by Chapter 1140, Statutes of 1973, with a \$1.2 million appropriation.

The Charles R. Drew Postgraduate Medical School currently operates programs of continuing education as well as programs for about 75-80 interns and residents at the Los Angeles County Martin Luther King Hospital. The faculty includes joint appointments of faculty from UCLA and USC. In addition to the state appropriation, programs are primarily funded through county appropriations to the hospital plus federal grants.

The University has an affiliation agreement with Drew which provides for the use of clinical facilities by the teaching and research programs of the UCLA School of Medicine. In November 1973, the regents authorized execution of a similar agreement on behalf of the UCLA School of Dentistry.

At the same November meeting, the regents gave the president author-

ity to execute an agreement with Drew to implement the provisions of Chapter 1140. Such an agreement had not been finalized but it was the intent of the University to provide Drew flexibility in the use of the funds under general supervision and program direction by the UCLA School of Medicine with appropriate reporting accountability by Drew.

Although Chapter 1140 specified funding priorities, we have not received any information identifying the programs for which the first \$1.2 million was allocated or the proposed use of the second \$1.2 million appropriated by this special item.

Replacement of Federal Fund Reductions (Item 350)

We recommend approval.

The Budget Bill continues a special \$600,000 General Fund appropriation initiated in 1973-74 to continue state support of long-standing programs previously supported by federal funds. The availability of the funds appropriated is contingent upon a shortfall in federal allocations. The programs funded by this item are:

Bankhead-Jones	\$91,000
Hatch Act and McIntire-Stennis.....	228,000
Smith-Lever Act	81,000
Research ship operations	200,000

Bankhead-Jones Act funds were provided to land-grant colleges for the teaching of agriculture and the mechanic arts. Four campuses, including Berkeley, Davis, Riverside and Santa Barbara, receive allocations in support of approximately 30 FTE faculty plus instructional support costs.

Hatch Act and McIntire-Stennis Act funds support research activities in the area of agricultural efforts. These funds help pay the research component of existing faculty salaries (25 FTE).

Smith-Lever Act funds are for cooperative (agricultural) extension. Programs supported include services to farmers, home economist programs, 4-H clubs, and urban-oriented nutrition education.

Researchship operations principally involve Scripps Institution of Oceanography.

12. SPECIAL REGENTS' PROGRAM

Functional Description

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 continued 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 regents' programs.

Proposed Budget

	1973-74	1974-75	Change	
			Amount	Percent
Total	\$16,006,960	\$20,941,392	\$4,934,432	30.8
General funds.....	—	—	—	—

UNIVERSITY OF CALIFORNIA—Continued

The total program of \$20.9 million and the changes reflected by the \$4.9 million increase are shown and discussed in detail on pages 454 and 455 of the Governor's Budget and are not repeated here. The increases are summarized below.

Student aid	\$1,461,000
Educational enrichment	71,000
Faculty study	1,521,000
Miscellaneous special programs	<u>1,881,432</u>
Total	\$4,934,432

13. AUXILIARY ENTERPRISES**Functional Description**

This function includes activities that are fully supported from specific fees and comprise student residence and dining facilities, parking systems, intercollegiate athletics, bookstores and other student facilities.

Proposed Budget

	1973-74	1974-75	Change	
			Amount	Percent
Total	\$49,419,543	\$50,252,928	\$833,385	1.7%
General funds	—	—	—	—

The increase indicated above is not discussed in the budget. No state funding is provided for activities within this function.

14. STUDENT AID**Functional Description**

Included in this function is the budgeted portion of the University-administered student-aid programs including scholarships, fellowships, grants and loans. Not included is the program supported by overhead listed as special regents programs. The bulk of the federal student aid funds is not included in the budget and is reported separately.

Proposed Budget

	1973-74	1974-75	Change	
			Amount	Percent
Total	\$14,076,473	\$16,275,621	\$2,199,148	15.6%
General funds	—	—	—	—

Increased Student Aid From Tuition

The proposed \$2,199,148 increase in budgeted funds for student aid is identified as (1) \$1.5 million to become an authorized lender under the Federal Insured Student Loan program, and (2) \$.6 million for growth in existing grant programs. These increases will be funded from the educational fee (tuition) income of which 41.8 percent is used to fund the capital outlay budget. A \$2.5 million grant program to improve access to the University for low-income students initiated in 1973-74 is continued in 1974-75.

No state appropriations are made directly to the student aid budget but

a small amount of the Real Estate Education, Research and Recovery Fund allocation is applied to student aid. The greatest portion of the student aid fund is not budgeted and is included as extramural funds.

Supplemental information printed in the budget identifies a total of \$64,595,000 in actual expenditures for student aid in 1972-73 including nonbudgeted funds. Of total funds expended \$61 million were state funds granted from programs administered by the State Scholarship and Loan Commission. Also included were \$1,498,000 in nonresident tuition waivers and \$280,000 statutory fee exemptions which are in effect subsidized by state funds. The regents allocated \$11.3 million of the University share of overhead from federal grants and contracts. The budget does not identify the total student aid funds, from all sources, estimated to be available in 1974-75.

16. SPECIAL ITEM

Oral History Project

We recommend that a separate budget bill item be established for the California Heritage Preservation Commission to contract with the Bancroft Library for the completion of the Earl Warren oral history project (\$+45,000 from the General Fund).

The Earl Warren oral history project is a five-year program which began in 1969 to produce a tape-recorded recent history of California government between 1925 and 1953. In the first four years funding for the project was provided by the National Endowment for the Humanities. Beginning its fifth and final year, the series is producing approximately 140 interviews in the following areas: major legislation; political campaigns; the Governor's office; the Japanese relocation; criminal justice; biographical data regarding the district attorney's office; the Attorney General's office; the court appointment; and the black community in politics.

Sixty-three interviews are finished and bound. Of those still in process, all but eight are in the editing and finishing stage. The need at this time is to finish recording the eight uncompleted interviews. These narrators are those who, based on an assessment of the facts developed in the full three or four years of research and incoming data, should be interviewed to complete the history. All of these persons have begun taping; an average of five more sessions is planned for each, ranging from one session to a possible nine.

Funding Terminated in 1974

In January of 1974 it came to our attention that NEH has terminated funding for the final year of the project. \$45,000 is needed for completion. The costs of the project are for three persons who conduct the interviewing and editing plus stenographic help. We believe that there is a direct state benefit related to the completion of this project. Well researched biographical data from people currently alive will be of great historical usefulness. Since the benefits are of a statewide nature rather than just an institutional benefit to the University, we recommend that funding be provided for the project in a special budget act item for the California Heritage Preservation Commission to contract for the project's completion.

UNIVERSITY OF CALIFORNIA—Continued

HASTINGS COLLEGE OF LAW

Item 358 from the General Fund

Budget p. 216 Program p. II-495

Requested 1974-75	\$2,475,916
Estimated 1973-74.....	2,216,364
Actual 1972-73	1,700,539
Requested increase \$259,552 (11.7 percent)	
Total recommended augmentation	\$87,850

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Nonresident Students. Augment \$70,000.* Recommend General Fund reimbursements be changed to General Fund revenues. 896
2. *Student Aid. Augment \$17,850.* Recommend a \$42 increase in average legal educational opportunity program (LEOP) award. 899

GENERAL PROGRAM STATEMENT

Hastings College of Law was founded in 1878. It is designated by statute as the law arm of the University of California but is governed by its own board of directors. The Chief Justice of the Supreme Court of California is president of the eight-member board. All graduates of Hastings are granted the juris doctor degree by the Regents of the University of California. Hastings provides a basic program of instruction with three supporting programs.

ANALYSIS AND RECOMMENDATIONS

Programs, funding sources, personnel positions and proposed changes are set forth in Table 1.

Table 1
Budget Summary

Programs	Actual 1972-73	Estimated 1973-74	Proposed 1974-75	Change	
				Amount	Percent
I Instruction	\$1,373,045	\$1,442,092	\$1,506,446	\$64,354	4.5%
II Instructional Support ..	350,505	386,134	435,999	49,865	12.9
III Student Service	502,960	743,498	1,001,061	257,563	34.6
IV Institutional Support....	879,845	1,178,738	1,325,286	146,548	12.4
Totals	\$3,106,355	\$3,750,462	\$4,268,792	\$518,330	13.8%
<i>Funding Sources</i>					
General Fund	\$1,700,539	\$2,216,364	\$2,475,916	\$259,552	11.7%
Reimbursements	1,180,609	1,152,268	1,186,046	33,778	2.9
Federal funds	225,207	381,830	606,830	225,000	58.9
Totals.....	\$3,106,355	\$3,750,462	\$4,268,792	\$518,330	13.8%
<i>Positions</i>					
	132.5	153.4	163.9	10.5	6.9%

Table 1 indicates substantial increases in the student service program and in federal reimbursements. These two items are related in that the budget proposes a General Fund increase of \$25,000 plus \$225,000 in federal funds for the National Direct Student Loan activity as reported under the student service program category.

An overall General Fund increase of 11.7 percent is requested for fiscal year 1974-75. This exceeds standard projected cost increases and is not directly related to any increased student workload factors. The additional support is primarily requested for expanding executive management capacities, business services, facilities operation and for additional library personnel. In addition to the 10.5 new positions shown in Table 1, two positions were administratively established in 1973-74 and are proposed for continuation on a permanent basis in 1974-75.

Enrollment

Table 2 shows student enrollment at Hastings by fall semester, spring semester, the two-semester average and for summer session.

Table 2
Student Enrollment

<i>Year</i>	<i>Fall</i>	<i>Spring</i>	<i>Two-semester average</i>	<i>Summer</i>
1968-69	1,036	951	993	98
1969-70	1,173	1,102	1,138	—
1970-71	1,301	1,256	1,278	84
1971-72	1,523	1,479	1,501	177
1972-73	1,526	1,482	1,504	203
1973-74 (estimated)	1,568	1,512	1,540	150
1974-75 (projected)	1,525	1,475	1,500	150

The table indicates that average enrollment will exceed the 1973-74 budgeted workload enrollment by approximately 40 students. In the past, Hastings has experienced support deficiencies by allowing enrollment to exceed budget projections. We have been informed that maximum program and facility capacities were reached and perhaps exceeded when the average enrollment authorization was increased to 1,500 in 1971-72. There have been no major capacity changes since that time. Because average enrollment can be closely controlled by varying the size of the entering class, we believe current policies which allow the authorized enrollment levels to be exceeded may constitute a disservice to both students and faculty. Table 2 indicates approximately 40 excess students were admitted in the fall of 1973-74. On the other hand, if facilities can readily accommodate increased enrollment then a proportional increase in support should be authorized and budgeted.

Table 3 details sources of reimbursements. This traditional information has been deleted from the Governor's Budget this year. Because we believe it is important and refer to it in subsequent analyses, it is included here.

HASTINGS COLLEGE OF LAW—Continued

Table 3
Reimbursement Detail

	<i>Actual</i> 1972-73	<i>Estimated</i> 1973-74	<i>Projected</i> 1974-75
1. Student Fee.....	\$451,194	\$462,000	\$450,000
2. Nonresident Tuition	62,250	70,000	70,000
3. Educational Fee	404,064	410,400	399,600
4. Instructional Materials Fee	18,472	—	—
5. Law Journal—Activities Fee	12,176	12,320	12,000
6. Other Student Fees.....	120,410	118,100	118,110
7. Summer Session Fee.....	32,590	24,000	24,000
8. Law Journal Income	16,386	17,000	17,000
9. Miscellaneous	8,323	6,570	3,000
10. Private Work-Study Funds	11,951	8,000	8,000
11. Council on Criminal Justice	31,103	—	—
12. College Foundation.....	11,690	23,878	23,878
13. Center for Trial and Appellate Advocacy.....	—	—	60,468
Totals.....	\$1,180,609	\$1,152,268	\$1,186,046

Table 3 indicates reimbursements are projected to increase by \$33,778 or approximately 3 percent above 1973-74 estimates. Reductions in student and educational fees (Items 1 and 3) result from a projected decline in average enrollment and are more than offset by reimbursements from a new proposed Center for Trial and Appellate Advocacy (Item 13).

Out-of-State Admissions Policy

We recommend that reimbursements to the General Fund from nonresident tuition be changed to revenues to the General Fund. A Budget Bill augmentation of \$70,000 would be offset by an equal revenue increase.

Reimbursements from nonresident tuition fees are budgeted at \$70,000 for 1974-75. This reflects a policy to admit at least 47 new out-of-state students at a fee of \$1,500 each.

Our recommendation is based on two considerations. First, income from nonresident tuition is currently considered a reimbursement to Hastings which directly reduces the level of state financial support for the operating budget. Thus, Hastings would suffer an operating deficiency if its budgeted quota of 47 nonresidents is not filled and would experience a budget windfall if more than 47 nonresidents are accepted in 1974-75.

Second, we question continuation of a budget procedure which inappropriately dictates policy by providing a financial incentive to admit nonresident students over qualified California applicants. Last year we called attention to this technical procedure and our recommendation for an augmentation of \$50,000 to allow Hastings some added flexibility in its nonresident policy was approved by the Legislature and the Governor. Nevertheless, by continuing to treat nonresident tuition as a direct offset to the operating budget, any budgeted reimbursement serves to dictate nonresident admissions.

Our recommendation would (1) increase General Fund support by \$70,000, (2) eliminate \$70,000 now projected as nonresident tuition reimbursement, and (3) substitute an offsetting General Fund revenue projection of \$70,000. In making this recommendation to allow greater flexibility,

we have assumed Hastings intends to maintain a policy of admitting approximately 47 (or fewer) nonresident students in the future.

I. INSTRUCTION PROGRAM

The instruction program is the primary program of Hastings and is designed to prepare students as members of the legal profession. Graduates increased from 400 in 1972-73 to an estimated 546 in 1973-74. Of the 339 graduates taking the bar examination in 1972-73, 266 or 78 percent passed on their first try. However, 96 percent passed by the second try. Support for the three instructional program elements is detailed in Table 4.

Table 4
Instruction Program Elements

<i>Elements</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Classroom.....	\$1,178,147	\$1,249,180	\$1,254,139	\$4,959	0.4%
Theory-practice	194,898	192,912	193,183	271	0.1
Center for Trial and Appel- late Advocacy	—	—	59,124	59,124	—
Totals.....	\$1,373,045	\$1,442,092	\$1,506,446	\$64,354	4.5%
<i>Positions</i>	62.9	74.6	77.6	3.0	

Table 4 reflects a decision to maintain the classroom and theory practice elements at existing levels. We expressed some concern last year on faculty augmentations which caused a rapid reduction in student/faculty ratio and served, in turn, to increase General Fund cost per student. Three new faculty positions were approved last year, and the Committee on Conference directed Hastings to report on new faculty utilization. The college reported the three positions were included in the theory practice element and made possible 27 new units of clinical course offerings. The report did not indicate an immediate need for further faculty augmentation.

Center for Trial and Appellate Advocacy

The major increase in the instruction program is \$59,124 for the newly proposed Center for Trial and Appellate Advocacy element.

At the present time, continuing legal education for lawyers is provided through experience and supplemental bar association programs. The college reports a lack of practical and relevant continuing education programs for some rural and small-firm lawyers. This proposed center would be available for trial lawyers with less than 10 years' experience who desire short-term specialized training. It is estimated that 265 attorneys will participate in 1974-75 and that 50 students will gain added experience through their assistance in the program. The training is considered a major step in the direction of a post-J.D. degree specialty education.

Three new positions have been requested. One, an administrative assistant, is actually the continuation and relocation of a temporary position established in the executive management element of the institutional support program during 1973-74. It is anticipated the center will be totally self-supporting through program fees and the sale of educational material.

HASTINGS COLLEGE OF LAW—Continued

For example, the budget projects \$60,468 in reimbursements from this activity including \$3,252 for facilities rent and operation.

II. INSTRUCTIONAL SUPPORT PROGRAM

Funding for the two instructional support elements, library and law journal, is detailed in Table 5.

Table 5
Instructional Support Program Elements

<i>Elements</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Library	\$306,497	\$338,758	\$387,073	\$48,315	14.3%
Law Journal.....	44,008	47,376	48,926	1,550	3.3
Totals.....	\$350,505	\$386,134	\$435,999	\$49,865	12.9%
Positions.....	13.9	16.5	19.0	2.5	—

Increases result from a request for 2.5 new library positions based on workload factors and increases for binding and preserving library books.

III. STUDENT SERVICE PROGRAM

Table 6 sets forth the four student service program elements, personnel positions and proposed changes.

Table 6
Student Service Program Elements

<i>Elements</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Student health services	\$91,362	\$108,880	\$106,000	-\$2,880	(2.6) %
Student financial aid	331,707	548,788	808,187	259,399	47.3
Student placement	19,075	21,000	22,044	1,044	5.0
Student pay-work-study	60,816	64,830	64,830	—	—
Totals.....	\$502,960	\$743,498	\$1,001,061	\$257,563	34.6%
Positions.....	5.0	5.0	6.0	1.0	—

Table 7
Student Financial Aid 1973-74, 1974-75 All Funds

	<i>1973-74</i>		<i>1974-75</i>	
	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
Scholarships and grants				
Educational opportunity grants.....	140	\$109,000	140	\$109,000
Registration fee offset grants	157	51,650	157	51,650
Hastings scholarships ^a	155	60,243	144	66,000
Loans				
Educational fee deferrals.....	393	\$140,400	393	\$140,400
National direct student loans	360	359,942 ^b	500	600,000
Federal insured loans.....	900	1,550,000	900	1,550,000
Employment aid				
Work-study on-campus.....	N/A	\$85,000	N/A	\$85,000
Work-study off-campus	N/A	64,830	N/A	64,830
Totals	N/A	\$2,421,065	N/A	\$2,666,880

^a Campus-controlled student aid funds not included in the budget.

^b Budgeted at \$350,000 in 1973-74 based on General Fund appropriation of \$35,000. Additional loans were provided by adding some campus generated funds.

Table 6 indicates all student services are to be maintained at current levels with the exception of student financial aid which will be substantially increased. A clerk-typist position is requested for the student financial aid element to handle increased workload. Table 7 compares Hastings student aid program for 1973-74 with that proposed for 1974-75.

Table 7 indicates a projected increase of approximately \$250,000 in National Direct Student Loans above the authorized 1973-74 level. This increase is composed of \$25,000 from the General Fund for matching purposes and \$225,000 in federal funds. All other student financial aid programs are continued at 1973-74 levels.

Legal Educational Opportunity Program (LEOP) Inadequately Funded

We recommend an augmentation of \$17,850 to aid 210 legal educational opportunity (LEOP) students with an average grant of \$850.

In last year's Analysis we recommended an augmentation to provide all LEOP students with an average grant of \$800. The Department of Finance authorized a 10-percent increase with a budget augmentation of \$42,000. The augmentation was approved, but was less than our original recommendation, and provided for an average grant of \$769 in 1973-74. Table 8 sets forth the recent history of LEOP, the budget proposal and the effect of our recommendation.

**Table 8
Legal Educational Opportunity Program Summary**

	<i>Actual 1971-72</i>	<i>Actual 1972-73</i>	<i>Estimated 1973-74</i>	<i>Proposed 1974-75</i>	<i>Analyst Recommendation</i>
First year	77	67	70	70	70
Second year	35	66	70	70	70
Third year	15	25	70	70	70
Total	127	158	210	210	210
Budgeted	\$102,650	\$102,575	\$160,650	\$160,650	\$178,500
Average grant	\$808	\$650	\$765	\$765	\$850

In view of the substantial reductions in the program since 1971-72, the Committee on Conference last year requested a report by the college on appropriate LEOP funding levels. The report concludes that in order to meet recognizable cost increases affecting Hastings students, an award level of \$850 would be required in 1974-75. Further analysis of the table indicates this is \$42 or a 5-percent increase above the amount authorized and needed in 1971-72. Based on this information we believe the college request is reasonable.

Capital Outlay Proposal

Because Hastings students pay the same system wide fees as other University of California students, we periodically determine if comparable essential services are also provided. Hastings urban location and space limitations preclude some usual activities (e.g., intramural sports). Although basic health, aid and placement services are now provided, the college is considering some expanded and new services within its long-range capital outlay proposals. A planning request of \$100,000 has been included in the capital outlay portion of the Governor's Budget.

HASTINGS COLLEGE OF LAW—Continued

IV. INSTITUTIONAL SUPPORT PROGRAM

Table 9 sets forth program elements and proposed changes in the institutional support program.

Table 9
Institutional Support Program Elements

<i>Elements</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>Amount</i>	<i>Percent</i>
Executive management	\$416,473	\$594,283	\$656,607	\$62,324	10.5%
General administrative serv- ices.....	162,030	183,936	220,519	36,583	19.9
Facilities operation	261,323	355,446	401,294	45,848	12.9
Community relations	40,019	45,073	46,866	1,793	3.4
Totals.....	\$879,845	\$1,178,738	\$1,325,286	\$146,548	12.4%
Positions.....	50.7	57.3	61.3	4.0	—

Table 9 indicates noteworthy program change proposals in all elements except community relations. We recommend approval and summarize below major changes for informational purposes.

New Assistant Dean Proposed

A new dean and a related clerical position are included in the executive management element. There are presently four dean level positions. The last such position was approved in the 1970-71 budget when average student enrollment was budgeted at 1,155. Since that time average student enrollment has been increased to 1,500 or approximately 30 percent. An administrative assistant position administratively established in this element in 1973-74 would be shifted to the Center for Trial and Appellate Advocacy and was reported as a new position in our previous discussion of the center.

Other Budget Proposals

The college provides supplemental instruction materials to students and faculty through an in-house duplicating activity budgeted under the general administrative services element. A request for a duplicating machine supervisor and clerk-typist would be added for this activity on a workload basis. Proposed increases for the facilities operation element include \$49,000 for nine specified special repair and maintenance projects, one new clerk-typist position and one janitor position which was administratively established during 1973-74 and is proposed for permanent continuation.

CALIFORNIA STATE UNIVERSITY AND COLLEGES

Items 359-364 ^a from the General Fund

Budget p. 218 Program p. II-503

^a Item 362 provides for salary increases and is discussed on page 229 of the Analysis. The amounts are not included in these totals

Requested 1974-75	\$454,583,504
Estimated 1973-74.....	444,860,573
Actual 1972-73	373,180,600
Requested increase \$9,722,931 (2.2 percent)	
Increase to improve level of service \$5,081,261	
Total recommended reduction	\$2,925,018

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. State College Sites. Recommend special study on the need or potential uses for or disposition of three undeveloped campus sites. 904
2. *Salary Increase. Reduce \$1,400,000.* Recommend approval of Faculty Class I elimination but deletion of \$1.4 million because it is funded twice. 915
3. *Instructional Equipment. Reduce \$500,000.* Recommend reduction to the level requested by the trustees and the approval of the remaining \$2.5 million only if a satisfactory equipment replacement program is furnished to the fiscal committees for review. 916
4. *Elementary Textbooks.* Recommend special review of replacement of elementary grade textbooks. 922
5. *Personnel Increase. Augment by \$52,408.* Recommend approval for three additional positions for support of systemwide data processing applications. 928
6. Time-sharing Approval. Recommend Department of Finance refrain from stipulating that budgeted funds may only be expended for central time sharing. 930
7. Chancellor's Office Control. Recommend transfer of control over EDP expenditures and plans from Department of Finance EDP control unit to Chancellor's Office. 931
8. Fee Increase. Recommend special policy review of materials and service fee increase of \$26. 934
9. *Trustees Audit Staff. Reduce \$70,000.* Recommend deletion of three of the five proposed new auditors. 941
10. Fullerton Pilot Project. Recommend evaluation by Chancellor's Office to determine the project's systemwide applicability. 942
11. *Housing Allowance. Reduce \$51,600.* Recommend funds for college president's housing allowance be deleted. 943
12. OASDI Rate. Recommend special review of the policy to not budget \$766,875 for increased OASDI rate. 943

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

13. Retirement Rate. Recommend special review of the policy to not budget \$881,905 resulting from crediting sick leave to retirement. 943
14. *Salary Savings. Reduce \$955,826.* Recommend salary savings requirement be maintained at the current-year level for a General Fund savings of \$955,826 during 1974-75. 944

GENERAL PROGRAM STATEMENT

In 1960, legislation was enacted implementing the Master Plan for Higher Education. The legislation (Chapter 49, Statutes of 1960, First Extraordinary Session, i.e., "The Donohoe Act") consolidated 13 largely independent state colleges into a single system of higher education designated "the California State Colleges." The system was assigned the responsibility of providing instruction in the arts and sciences, both academic and applied. During the ensuing decade, the system expanded rapidly. By 1970, 19 campuses had been organized, total student enrollment had increased to 241,559 (fall term headcount), and full-time faculty numbered 11,749. In 1971, additional legislation was enacted redesignating the system: "the California State University and Colleges" (CSUC).

The CSUC system has developed an extensive curriculum designed to accommodate a large number of widely ranging baccalaureate and master's degree programs. In addition, the doctoral degree is awarded jointly with the University of California and several private institutions. Faculty research is permitted, but is largely restricted to projects directly related to the instructional programs.

Governance

The California State University and Colleges system is governed by a 21-member board of trustees. The board consists of five ex officio members: the Governor, the Lieutenant Governor, the Superintendent of Public Instruction, the Speaker of the Assembly and the Chancellor. The 16 additional members are appointed by the Governor subject to Senate confirmation and serve eight-year terms. The trustees appoint the Chancellor, who retains his office at the pleasure of the board.

The Chancellor is the chief executive officer of the system. He is required to assist the trustees formulate appropriate policies and to assure effective administration.

Admissions

Admission of incoming freshmen is restricted to students who have scored above specified minimum levels on the college entrance examinations. These standards are designed to admit those students who have graduated in the upper one-third of their high school class. An exception rule permits admission of certain otherwise unqualified students—but in no case in excess of 4 percent of the incoming freshman class. Students transferring to CSUC from other four-year institutions or from two-year community colleges must provide evidence indicating a previous academic achievement of at least a 2.0 ("C") grade point average. Admission to upper division standing has been limited to those students who have

completed a minimum of 60 units of approved college level courses. However, beginning in fall 1974, the minimum number of units required for upper division standing will be reduced to 56. Out-of-state applicants are admitted only if their previous academic record reflects a standing equivalent to the standing of the upper one-half of the qualified California applicants. Admission to graduate programs is based largely upon criteria determined at the departmental level but requires at least a bachelor's degree from an accredited four-year institution.

ENROLLMENTS

Table 1 outlines the enrollment distribution among the 19 campuses, the off-campus center, and the international program. It highlights the projected 495 FTE enrollment decrease from the budgeted current year level. No previous Governor's Budget has projected an annual FTE decrease for CSUC.

Table 1
Annual Full-Time-Equivalent Students (FTE)

<i>Institution</i>	<i>Reported</i>			<i>Budgeted</i>	
	<i>1970-71</i>	<i>1971-72</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>
Academic year					
Hayward	9,149	9,702	9,597	10,200	9,300
Pomona	7,835	8,755	9,079	10,250	9,400
San Luis Obispo	11,777	11,437	11,566	12,500	13,000
Chico	9,661	10,036	11,112	11,400	11,800
Fresno	12,334	12,666	13,169	14,000	13,500
Humboldt	5,253	5,428	5,955	6,500	6,600
Bakersfield	852	1,495	1,941	2,400	2,900
Long Beach	19,854	19,954	20,086	20,500	21,400
Los Angeles	15,348	15,254	15,282	16,000	15,400
Fullerton	10,656	11,406	12,649	14,100	14,000
Dominguez Hills	2,262	2,941	3,314	5,000	4,400
Sacramento	12,639	14,146	14,670	15,000	15,700
San Bernardino	2,003	2,151	2,268	2,500	2,800
San Diego	20,247	20,184	21,758	22,350	22,500
Northridge	17,843	18,065	18,281	19,000	18,400
San Francisco	14,446	14,152	15,848	15,600	16,000
San Jose	19,074	19,383	20,177	21,000	21,350
Sonoma	3,866	4,712	4,880	4,800	5,150
Stanislaus	2,355	2,357	2,342	3,100	2,600
International programs	379	340	313	360	325
Totals—academic year	197,833	204,564	214,287	226,560	226,525
Summer quarter					
Hayward	1,319	1,199	1,173	1,210	1,070
Pomona	894	841	963	1,100	930
San Luis Obispo	888	1,043	1,119	1,200	1,100
Los Angeles	3,145	3,718	3,037	3,220	3,170
Totals—summer quarter	6,246	6,801	6,292	6,730	6,270
Grand totals	204,079	211,365	220,579	233,290	232,795
Change					
Numbers	17,713	7,286	9,214	12,711	-495
Percent	9.5	3.6	4.4	5.8	-0.2

Table 2 breaks out separately the self-supporting extension and summer session programs.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Table 2
Summer Session and Extension Program Enrollments

Year	Net Enrollment		Annual FTE	
	Extension	Summer session	Extension	Summer session
1966-67	43,758	72,663	4,718	11,578
1967-68	50,768	74,357	5,492	11,294
1968-69	56,680	76,744	6,391	11,567
1969-70	67,608	75,464	7,084	12,331
1970-71	76,881	72,947	7,724	11,768
1971-72	79,800	69,554	7,930	11,303
1972-73	85,873*	63,132	7,301	10,056
1973-74 (estimated)	95,274	60,668	8,371	10,209
1974-75 (projected)	88,875	58,478	7,844	9,539

* Estimated

Undeveloped State College Sites

We recommend the Postsecondary Education Commission and the Department of General Services conduct a study to determine the need for continued state ownership of the undeveloped state college sites in Contra Costa, San Mateo and Ventura Counties and that the findings of this study be submitted to the Joint Legislative Budget Committee by October 1, 1974.

The three state-owned and undeveloped sites for future state college campuses are located in Contra Costa (380 acres), San Mateo (471 acres), and Ventura (438 acres). The Contra Costa and Ventura sites were purchased in 1969 for \$1,495,810 (plus \$244,190 for utility relocation) and \$2,625,000 respectively. Fifty acres of the Ventura site were given to the state as a gift. These two sites are leased to private concerns for agricultural use under short terms (one to five years) at an annual rate of \$5,684 and \$100,000 respectively. The San Mateo site required acquisition of 11 parcels purchased between October 1967 and February 1972 for a total cost of \$4,794,300. This site is not leased out.

At the present time, the state college and university system operates 19 campuses. As shown on Table 3 enrollments at these campuses are estimated to average 219,750 FTE in 1973-74 increasing to 261,000 FTE by 1980-81. The current master plan enrollment ceilings for the 19 campus system totals 353,000. Therefore, if these estimates hold there will be adequate capacity, in 1980-81, for enrollment of an additional 92,000 FTE students within the master plan. If enrollments in the 1980's increase at the rate projected for the remainder of the 1970's, the additional capacity would represent approximately 15 years' growth or well into the 1990's. However, as we have pointed out elsewhere in our analysis, enrollments in higher education are expected to decline in the early 1980's and level out and stabilize in the mid and late 1980's. If this occurs, then the existing 19 campuses may have adequate master plan capacity to provide for enrollment demands into the 2000's.

In view of the projected enrollments and current master plan capacity of the existing campuses, it appears that development of these sites for a state college site will not be necessary until the 1990's or 2000's. Because

Table 3
Final Allocation of Annual Full-Time Equivalent Students for the Academic Year, the California State University and Colleges, Reported 1971-72 to 1972-73, Estimated 1973-74, Allocations 1974-75 to 1980-81
(Excludes Summer Quarter and International Program)

Campus	Reported		Estimated		Allocated					
	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Bakersfield	1,495	1,941	2,300	2,900	3,300	3,600	3,900	4,200	4,500	4,800
Chico	10,036	11,112	11,600	11,800	12,200	12,600	13,000	13,300	13,600	13,900
Dominguez Hills	2,941	3,314	3,800	4,400	4,900	5,300	5,700	6,100	6,400	6,700
Fresno	12,666	13,169	13,200	13,500	13,800	14,100	14,400	14,700	15,000	15,300
Fullerton	11,406	12,649	13,200	14,000	14,600	15,200	15,800	16,400	17,000	17,600
Hayward	9,702	9,597	9,200	9,300	9,400	9,500	9,600	9,700	9,800	9,900
Humboldt	5,428	5,955	6,620	6,600	6,700	6,800	6,900	7,000	7,200	7,300
Long Beach	19,954	20,086	20,900	21,400	22,200	22,700	23,200	23,600	24,000	24,300
Los Angeles	15,254	15,282	15,000	15,400	15,500	15,600	15,800	16,000	16,100	16,200
Northridge	18,065	18,281	18,200	18,400	18,500	18,600	18,800	19,000	19,100	19,200
Pomona	8,755	9,079	8,900	9,400	9,700	10,000	10,300	10,600	10,900	11,200
Sacramento	14,146	14,670	15,200	15,700	16,400	17,100	17,800	18,400	18,700	19,000
San Bernardino	2,151	2,268	2,500	2,800	3,100	3,400	3,700	3,900	4,100	4,300
San Diego	20,184	21,758	22,780	22,500	22,900	23,400	23,900	24,500	25,000	25,000
Calexico Center *	(255)	(291)	(290)	(300)	(300)	(300)	(300)	(300)	(300)	(300)
San Francisco	14,152	15,848	16,200	16,000	16,600	17,000	17,400	17,800	18,100	18,400
San Jose	19,383	20,177	20,600	21,350	21,800	22,200	22,600	23,000	23,400	23,800
San Luis Obispo	11,437	11,566	12,400	13,000	13,300	13,700	14,000	14,300	14,700	15,000
Sonoma	4,712	4,880	5,100	5,150	5,300	5,500	5,600	5,900	6,100	6,300
Stanislaus	2,357	2,342	2,050	2,600	2,600	2,600	2,700	2,700	2,700	2,800
All campuses	204,224	213,974	219,750	226,200	232,800	238,900	245,100	251,100	256,400	261,000
Percent change	+3.4	+4.8	+2.7	+2.9	+2.9	+2.6	+2.6	+2.4	+2.1	+1.8

* Included in San Diego figure.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

this represents perhaps 15 or more years in the future, the location and size of the particular sites may not meet the needs of higher education at that time. We believe the future need for these sites should be reevaluated. Therefore, we recommend the Coordinating Council for Higher Education (Postsecondary Education Commission, effective April 1, 1974) and the Department of General Services conduct a study of the existing sites and submit a report to the Joint Legislative Budget Committee by October 1, 1974. This study should include but not be limited to (1) enrollment projections for higher education in California including probable enrollments in each segment, (2) areas of the state which should be considered for future state college campuses and whether any or all of these sites meet the necessary criteria, (3) need and timetable for development of these sites for a state college campus, (4) other potential state uses of the existing sites, (5) determination of current assessed value of each existing site.

Part-time/Full-time Student Ratios

The budget format is based upon "full-time student equivalents"—"FTE's." One FTE equals 15 course-units. Thus, one FTE could represent one student carrying 15 course-units, three students each carrying five course-units, five students each carrying three course-units, or any of many other student/course-unit combinations the product of which equals 15 course-units. During the past four academic years, from 1969-70 through 1972-73, the average undergraduate course unit workload has decreased approximately 0.5 unit; c.f. Table 4. The average graduate student workload has also decreased, from 8.4 units in 1970-71 to 7.9 units in 1972-73, again 0.5 unit, c.f. Table 4. The continuing decrease of the average student workload poses a serious threat to the system's FTE enrollment base: each 0.1 unit decline of the average student workload is equivalent to the loss of approximately 2,800 FTE's. The decline is not altogether understood; however, several points are worth noting: (a) the draft pressure imposed upon 18-24-year-old men has ceased; and (b) the national economy has tightened somewhat, encouraging students to secure and retain part-time jobs.

Table 4

<i>Level and year</i>	<i>Fall enrollment</i>	<i>Units per student</i>
Lower division		
1969-70.....	57,510	14.1
1970-71.....	59,945	14.0
1971-72.....	62,076	13.6
1972-73.....	68,506	13.6
Upper division		
1969-70.....	117,145	13.1
1970-71.....	128,635	13.2
1971-72.....	142,734	12.7
1972-73.....	147,916	12.5
Graduate		
1969-70.....	50,601	7.8
1970-71.....	52,979	8.4
1971-72.....	57,271	8.0
1972-73.....	60,315	7.9

1974-75 BUDGET OVERVIEW

The 1974-75 Governor's Budget proposes an appropriation from the General Fund of \$454,583,504 for support of the California State University and Colleges system. Support from all sources totals \$645,552,661. As reported in the Governor's Budget, additional General Fund appropriations totaling \$25,630,000 are requested for support of 1974-75 salary increases (Item 362) and employee benefits (Item 95), generating a grand total General Fund proposal of \$480,213,504. Inclusion of the new appropriations for salary increase and employee benefits in the totals is somewhat misleading because this inflates the total of state expenditures compared with prior-year practice so that state contributions appear higher than normal. With the exception of the University budget, this method of reporting is not utilized in the individual budgets of other state agencies.

<i>Budget Act item</i>	<i>Activity</i>	<i>1974-75 amount</i>
95	New employee benefits.....	\$5,114,000
359	Support	441,663,360
360	Academic Senate.....	267,944
361	Salary increase (continue 1973-74 plan).....	5,894,324
362	Salary increase	20,516,000
363	Innovation.....	1,401,248
364	EOP	5,356,628
	Total	<u>\$480,213,504</u>

Table 5 breaks out the total 1974-75 by program classification structure and source of funds.

Table 6 depicts the budget by program extending over a three-year period.

The 1974-75 \$9,722,931 budgeted increase is attributable solely to (1) price increases, (2) nonenrollment related workload increases, and (3) new program funds. No additional enrollment growth funding has been incorporated. The loss of 495 FTE students has generated a reduction of 17.2 faculty positions from the 1973-74 level—a reduction which decreases support requirements by \$442,530.

Table 7 breaks out the 1974-75 expenditure increase over 1973-74.

1. PRIMARY PROGRAMS

1. Instruction

The instruction program consists of all formal instructional activities involving students earning credits toward degrees. The program is composed of three subprograms: (1) regular instruction, (2) summer session instruction and (3) extension instruction.

Proposed Budget

The expenditures for support of the instruction program are outlined in Table 8.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

TABLE 5
SOURCE OF FUNDS BY SUBPROGRAM
(1974-75 GOVERNOR'S BUDGET*)

Program	General Fund			Special Funds—Continuing Education		
	Net General Fund	Reimbursement	Total General Fund	Summer Session	Extension	Total
Instruction						
Regular Instruction	\$289,140,611	\$18,383,841	\$307,534,452	—	—	—
Special Session Instruction	—	—	—	\$5,595,581	—	\$5,595,581
Extension Instruction (for credit)	—	—	—	—	\$3,336,185	3,336,185
Total Instruction	\$289,140,611	\$18,383,841	\$307,534,452	\$5,595,581	\$3,336,185	\$8,931,766
Research						
Individual or Project Research	—	270,134	270,134	—	—	—
Total Research	—	\$270,134	\$270,134	—	—	—
Public Service						
Community Education (non-credit)	—	—	—	—	33,699	33,699
Campus Community Service	-100,000	5,796,538	5,696,538	—	—	—
Total Public Service	\$-100,000	\$5,796,538	\$5,696,538	—	\$33,699	\$33,699
Academic Support						
Libraries	28,974,768	428,110	29,402,878	22,862	1,079	23,941
Audiovisual Services	5,243,723	515,601	5,759,324	21,698	4,428	26,126
Computing Support	5,782,901	—	5,782,901	22,102	19,848	41,950
Ancillary Support	2,109,383	—	2,109,383	—	—	—
Academic Admin. & Personnel Develop.	9,120,445	—	9,120,445	—	—	—
Total, Academic Support	\$51,231,220	\$943,711	\$52,174,931	\$66,662	\$25,355	\$92,017
Student Service						
Social & Cultural Development	—	1,978,650	1,978,650	—	—	—
Supplementary Educational Services	134,263	—	134,263	—	—	—
Counseling & Career Guidance	1,931,734	9,437,588	11,369,312	17,201	—	17,201
Financial Aid	4,507,776	34,588,265	39,106,141	—	—	—
Student Support	—	9,694,679	9,694,679	18,630	—	18,630
Total, Student Service	\$6,573,763	\$55,709,282	\$62,283,045	\$35,831	—	\$35,831
Institutional Support						
Executive Management	12,563,815	1,229,848	13,793,663	1,285,697	1,370,800	2,656,497
Financial Operations	4,570,274	2,228,905	6,799,079	120,237	134,794	255,031
General Administrative Services	17,285,484	4,347,260	21,632,744	75,465	70,752	146,217
Logistical Services	17,315,398	—	17,315,398	89,565	79,247	168,812
Physical Plant Operations	45,907,357	330,670	46,238,027	70,883	1,703	72,586
Faculty & Staff Services	8,455,732	—	8,455,732	—	—	—
Community Relations	1,639,650	195,272	1,835,222	62,284	43,921	106,305
Total Institutional Support	\$107,737,910	\$8,331,955	\$116,069,865	\$1,714,231	\$1,701,217	\$3,415,448
Independent Operations						
Institutional Operations	—	6,138,612	6,138,612	—	—	—
Total Independent Operations	—	\$6,138,612	\$6,138,612	—	—	—
GRAND TOTAL	\$454,583,504	\$95,584,073	\$550,167,577	\$7,412,305	\$5,096,456	\$12,508,761

* Data include \$5,894,324 in unallocated 1973-74 salary increases.

Special Funds				Auxiliary Organizations				Foundations			Grand Totals
Dormitory	Auxiliary Enterprise	Parking	Total Special Funds	(Activity)	(Activity)	(Activity)	Total	Special Educational Project	Research	Total Foundations	
-	-	-	-	-	-	-	-	-	-	-	\$307,534,452
-	-	-	\$5,595,581	-	-	-	-	-	-	-	5,595,581
-	-	-	3,336,185	-	-	-	-	-	-	-	3,336,185
-	-	-	\$9,931,766	-	-	-	-	-	-	-	\$316,466,218
-	-	-	-	-	-	-	-	-	5,370,000	5,370,000	5,640,134
-	-	-	-	-	-	-	-	-	\$5,370,000	\$5,370,000	\$5,640,134
-	-	-	33,699	-	-	-	-	-	-	-	33,699
-	-	-	-	-	-	-	-	18,530,000	-	18,530,000	24,226,536
-	-	-	\$33,699	-	-	-	-	\$18,530,000	-	\$18,530,000	\$24,260,237
-	-	-	23,941	-	-	-	-	-	-	-	29,426,819
-	-	-	26,126	-	-	-	-	-	-	-	5,785,450
-	-	-	41,560	-	(Agriculture)	-	-	-	-	-	5,824,651
-	-	-	-	-	2,100,000	-	2,100,000	-	-	-	4,209,283
-	-	-	-	-	-	-	-	-	-	-	9,120,455
-	-	-	\$92,017	-	\$2,100,000	-	\$2,100,000	-	-	-	\$54,366,946
-	-	-	-	(Student Activities)	-	-	-	-	-	-	-
-	-	-	-	9,719,000	-	-	9,719,000	-	-	-	11,697,650
-	-	-	-	17,201	-	-	-	-	-	-	134,263
-	-	-	-	(Bookstore)	(Food Service)	(Housing)	-	-	-	-	11,386,513
1,736,437	10,569	-	1,765,636	24,876,000	13,786,000	700,000	39,362,000	-	-	-	39,106,141
\$1,736,437	\$10,569	-	\$1,782,837	\$34,595,000	\$13,786,000	\$700,000	\$49,081,000	-	-	-	\$50,822,315
-	-	-	-	-	-	-	-	-	-	-	-
368,208	8,625	267,029	2,666,497	(Special Projects Admin.)	-	-	-	-	-	-	16,460,160
-	-	-	868,893	1,184,000	-	-	1,184,000	-	-	-	6,891,972
-	-	-	146,217	(Special Projects Admin.)	-	-	-	-	-	-	21,778,961
859,383	90,627	1,414,457	2,533,279	1,000,000	-	-	1,000,000	-	-	-	20,848,677
3,772,403	131,862	621,047	4,597,898	-	-	-	-	-	-	-	50,835,925
-	-	-	-	-	-	-	-	-	-	-	8,435,732
-	-	-	106,205	-	-	-	-	-	-	-	1,941,527
\$4,999,994	\$231,114	\$2,302,533	\$10,949,089	\$2,184,000	-	-	\$2,184,000	-	-	-	\$129,202,954
-	-	-	-	(Other)	-	-	2,225,000	-	-	-	8,363,612
-	-	-	-	-	-	-	\$2,225,000	-	-	-	\$8,363,612
\$6,736,431	\$241,683	\$2,302,533	\$21,789,408	-	-	-	\$5,590,000	\$18,530,000	\$5,370,000	\$23,900,000	\$551,446,985

TABLE 6
CSUC Budget Summary 1972-73 to 1974-75

Summary of program requirements ¹	Personnel			Actual 1972-73	Estimated 1973-74	Proposed 1974-75	Change	
	1972-73	1973-74	1974-75				Amount	Percent
Primary programs:								
I. Instruction	17,142.9	17,435.0	18,197.1	\$264,437,827	\$308,916,856	\$316,466,218	\$7,549,362	2.4%
II. Research	7.5	18.7	18.7	6,272,856	5,628,313	5,640,134	11,821	0.2
III. Public Service	534.5	502.6	447.8	25,028,627	25,691,779	24,260,237	-1,431,542	-5.6
Support Programs:								
IV. Academic support	3,116.9	3,389.1	2,704.8	45,095,891	51,222,153	54,366,948	3,144,795	6.1
V. Student service ..	1,873.2	2,115.7	2,088.1	100,456,787	104,389,678	113,146,882	8,757,204	8.4
VI. Institutional support	6,719.7	7,297.6	7,404.9	102,467,918	117,395,734	123,308,630	5,912,896	5.0
VII. Independent operations	507.5	427.7	446.0	9,668,439	8,156,165	8,363,612	207,447	2.5
Totals, Programs	29,902.2	31,186.4	31,307.4	\$553,428,345	\$621,400,678	\$645,552,661	\$24,151,983	3.9%
Salary increases, 1973-74 unallocated				—	5,894,324	5,894,324	—	
Salary increases, 1974-75 ..				—	—	(20,516,000)		
Employee benefits increase, 1974-75				—	—	(5,114,000)		
Totals				\$553,428,345	\$627,295,002	\$651,446,985	\$24,151,983	3.9%
Totals, including 1974-75 salary and employee benefits increase						(677,076,985)		
Reimbursements:								
Federal	—	—	—	-26,874,868	-28,164,051	-31,781,855	-3,617,804	-12.8%
Other	-1,046.4	-946.0	-909.6	-53,316,959	-52,950,286	-63,802,218	-10,851,932	-20.5
Net totals, programs	28,855.8	30,240.4	30,397.8	\$473,236,518	\$546,180,665	\$555,862,912	\$9,682,247	1.8%
General Fund				373,180,600	444,860,373	454,583,504	9,722,931	2.2
General Fund, including 1974-75 salary and employee benefit increase				—	—	(480,213,504)		
Continuing Education Revenue Fund				11,549,871	13,757,311	12,508,761	-1,248,550	-9.1
Dormitory Revenue Fund				5,602,004	6,772,373	6,736,431	-35,942	-0.5
Auxiliary Enterprise Fund				246,886	262,663	241,683	-20,980	-8.0
Parking Revenue Fund				1,795,462	2,123,745	2,302,533	178,788	8.4
Foundations—Federal				21,446,079	20,109,000	20,109,000	—	—
Foundations—other				4,072,329	3,791,000	3,791,000	—	—
Auxiliary organizations				55,343,287	54,504,000	55,590,000	1,086,000	2.0%

¹ Includes expenditures but not personnel man-years for auxiliary operations and foundations—special projects.

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CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Items 359-364

Table 7
Increases Attributable to Price
and Nonenrollment Related Workload Increases
1974-75 Governor's Budget

	<i>Cost</i>	<i>Total</i>
I. Base line adjustments:		
1. Salary adjustments	\$4,485,433	
2. 1974-75 faculty promotions.....	1,896,048	
3. Full-year position funding.....	1,477,698	
4. OASDI population revision.....	-756,366	
5. Retirement population revision.....	-1,128,599	
6. Health and welfare population revision	-697,113	
7. Price increases	4,156,872	
8. Reappropriated savings	-3,000,000	
9. M and S fee increase	-7,613,086	
10. Foreign student tuition	-900,940	
11. Special repairs	76,855	
Total base line adjustments		\$-2,003,198
II. Program maintenance proposals		
12. New building operating costs.....	\$760,809	
13. Sabbatical leaves, present level	183,183	
14. Salary savings reduction	955,826	
15. Faculty for changes in student demand	-64,596	
16. Practice teaching.....	260,019	
17. Library	428,549	
18. Campus computing resources	167,697	
19. Educational opportunity program	383,581	
20. Enrollment	-528,796	
21. Chancellor's Office	289,617	
22. Information systems	612,872	
23. Trustees' audit	132,749	
24. Library development.....	845,038	
25. External degree program	175,456	
26. New program development and evaluation	103,209	
27. Protective clothing allowance	136,030	
28. Utilities.....	122,561	
29. Presidential housing	51,600	
30. Faculty class I elimination	1,400,000	
31. Miscellaneous campus programs	229,464	
Total program maintenance proposals		\$6,644,868
III. Program change proposals		
32. Instructional technical and clerical	\$997,308	
33. Instructional equipment replacement	3,000,000	
34. Computing resources	714,538	
35. Security	162,420	
36. Pilot services to disabled students	32,437	
37. Credit by examination.....	134,250	
38. Special campus programs	40,308	
Total program change proposals		\$5,081,261
Grand total.....		\$9,722,931

Table 8
Instruction Program Expenditures
1972-73 to 1974-75

<i>Instruction</i>	<i>Personnel</i>			<i>Expenditures</i>			<i>Change</i>	
	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>Amount</i>	<i>Percent</i>
Program elements								
A. Regular instruction	16,318.6	16,531.3	17,385.1	\$255,789,923	\$298,861,892	\$307,534,452	\$8,672,560	2.9%
B. Special session instruction	606.7	605.2	522.9	6,039,116	6,575,851	5,595,518	-980,270	-14.9
C. Extension instruction (for credit)	217.6	298.5	289.1	2,608,788	3,479,113	3,336,185	-142,928	-4.1
Total program	17,142.9	17,435.0	18,197.1	\$263,437,827	\$308,916,856	\$316,466,218	\$7,549,362	2.4%
General Fund	16,318.6	16,531.3	17,385.1	241,061,601	285,070,204	289,140,611	4,070,407	1.4
Reimbursements	—	—	—	14,728,322	13,791,688	18,393,841	4,602,153	33.3
Continuing Education Revenue Fund	824.3	903.7	812.0	8,647,904	10,054,964	8,931,766	-1,123,198	-11.2

Regular Instruction

The regular instruction subprogram incorporates all state-funded expenditures for support of normal classroom, laboratory and independent study activities. Instructional administration, including deans and departmental chairmen, is also included. Collegewide administrators above the dean level are included under institutional support shown elsewhere in the budget.

Instructional Administration

Positions related to instructional administration up to but not including the vice president for academic affairs are included in the instruction program. Specific positions are authorized on the basis of specified formulas and include: (a) deans of academic planning, deans of undergraduate studies, deans of instructional services, deans of graduate studies and deans of schools, (b) coordinators of teacher education, (c) academic planners, (d) department chairmen, and (e) related clerical positions.

1974-75 Faculty Staffing

The 1974-75 budget proposes a reduction of 17.2 faculty positions from the 1973-74 level of 13,068.1. The reduction reflects the first faculty loss ever generated by declining enrollments, 495 FTE students. The 1974-75 faculty position count, 13,050.9, maintains the 1973-74 student-faculty ratio. Table 9 depicts the systemwide growth pattern of faculty positions and corresponding student-faculty ratios.

Table 9
Estimated and Actual Student-Faculty Ratios

Year	Faculty		Student-faculty ratio	
	Estimated	Actual	Estimated	Actual
1966-67	8,154.5	7,722.7	15.83:1	16.86:1
1967-68	8,842.9	8,545.8	16.27:1	17.21:1
1968-69	10,001.3	9,592.7	16.10:1	17.35:1
1969-70	11,333.0	11,176.1	15.92:1	16.67:1
1970-71	12,343.5	11,749.0	16.36:1	17.34:1
1971-72	12,081.3	11,785.3	18.27:1	17.91:1
1972-73	12,698.8	12,415.7	17.94:1	17.74:1
1973-74	13,068.1	—	17.82:1	—
1974-75 (est.)	13,050.9	—	17.81:1	—

Table 10 outlines faculty characteristics and workload indices.

The 1974-75 budget incorporates use of a budgeting technique designed to provide (a) a programmatic (output) oriented expression of resource requirements and (b) academic flexibility—permitting campuses to determine class size, mode of instruction, etc. The budgeting technique is based upon past three years (1970-71, 1971-72 and 1972-73) student credit units (SCU) per full-time-equivalent faculty (FTEF) position (the SCU/FTEF ratio) broken out by campus and instructional discipline categories.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Table 10
Faculty Workload Indices^a

<i>Indicators</i>	<i>Fall 1970</i>	<i>Fall 1971</i>	<i>Fall 1972[*]</i>	<i>Change</i>
Faculty FTE ^b	11,542.1	11,336.0	11,851.1	515.1
Percent of regular faculty with Ph.D.	58.1	60.2	63.3	3.1
Enrollment FTE ^c	199,127.0	208,268.0	217,574.0	9,306.0
Student-faculty ratios	17.3	18.4	18.4	—
Regular instruction section load per FTE faculty	3.8	3.7	3.7	—
Lecture and lab contact hours per faculty FTE	12.5	12.5	12.5	—
Independent study contact hours per faculty FTE	4.2	4.4	4.5	0.1
Total contract hours per faculty FTE	16.7	16.9	17.0	0.1
Average class size	27.9	28.4	28.6	0.2
Lecture and lab WTU per faculty FTE	10.8	11.1	11.0	-0.1
Independent study WTU per faculty FTE.....	1.6	1.7	1.8	0.1
Total WTU per faculty FTE.....	12.4	12.8	12.8	—
SCH per WTU ^d	21.63	22.96	22.95	-0.01
SCH per faculty FTE.....	259.0	276.0	276.0	—

^a Based on actual experience not budgeted.

^b A full-time-equivalent (FTE) faculty teaches 12 weighted teaching units (WTU).

^c A full-time-equivalent (FTE) student enrolls in 15 credit units.

^d Student credit-hours per computed (12 × FTEF) weighted teaching unit.

^{*} Estimated

Table 11
System Average Productivity Measure
Student Credit Unit per Full-Time-Equivalent Faculty

<i>Discipline category</i>	<i>SCU/FTEF</i>			
	<i>Fall 1970</i>	<i>Fall 1971</i>	<i>Fall 1972</i>	<i>3-year average</i>
Agriculture and natural resources	197	224	244	222
Architecture and environmental design	192	188	181	187
Area studies.....	333	452	361	382
Biological sciences.....	244	267	275	262
Business and management	299	324	326	316
Communications	254	289	299	281
Computer and information sciences	246	268	225	246
Education	217	236	228	227
Physical education.....	199	198	213	203
Industrial education	223	231	231	228
Engineering	165	172	174	170
Fine and applied arts.....	213	223	224	220
Foreign languages.....	220	236	247	234
Health professions.....	311	334	320	322
Nursing.....	92	111	108	104
Home economics	270	298	302	290
Letters	283	298	292	291
Library science.....	205	265	246	239
Mathematics	270	271	278	273
Physical sciences	233	245	252	243
Psychology.....	337	356	362	352
Public affairs and services.....	241	288	306	278
Social sciences	342	362	349	351
Interdisciplinary studies.....	384	314	268	322
All categories	259	276	275	270

The ratios are then divided into SCU projections. The resulting figure reflects the number of faculty required by campus and discipline. Table 11 summarizes the systemwide calculations for 1974-75 by discipline.

Table 12 depicts the past, current, and proposed systemwide average student-faculty ratios and the corresponding student-credit-unit/full-time-equivalent faculty ratios.

Table 12

Budget year	Student-Faculty ratio	Student credit unit per FTE faculty
1967-68.....	16.38	246
1968-69.....	16.21	243
1969-70.....	15.98	240
1970-71.....	16.26	244
1971-72.....	18.25	274
1972-73.....	17.94	269
1973-74 (estimated).....	17.82	267
1974-75 (proposed).....	17.81	267

Salary Increase—Faculty Class I Elimination

We recommend that the proposal to eliminate the faculty class I salary range be approved at a cost of \$1.4 million from funds already provided in Item 362. We further recommend that the excess \$1.4 million provided in this item be deleted.

The 1974-75 budget proposes the elimination of a unique salary differential at a cost of \$1.4 million for increased salaries. Currently, CSUC maintains two separate salary schedules for faculty. One schedule has been established for Ph.D. faculty; the other for non-Ph.D. faculty. The difference between these two ranges is one step or 5 percent. About 35 to 40 percent of the faculty do not have doctorates, and under this proposal a substantial number would have an additional 5 percent step at the top of the range.

A number of alternative proposals have been made in the past ranging from no first-year cost to substantial costs. This proposal assumes that all class I faculty at the top of the range will receive an additional one-step increase (5 percent). The cost of \$1.4 million when converted to the total salary base would be equivalent to a 0.5-percent increase for all faculty.

We endorse the proposal to eliminate the class I differential and recommend it be approved. On the other hand, we believe that funds required to implement this policy have been included twice in the budget. The CCHE and the trustees have surveyed comparison institutions nationally and based on existing CSUC faculty salaries the trustees have recommended a 1974-75 salary increase of 5.45 percent costing \$15,134,000 (Item 362). One of the reasons CSUC is behind its comparison institutions is because the lower-paid non-Ph.D. class I salaries pull down the average salaries of all faculty by the estimated 0.5 percent. If we correct this problem separately, then CSUC faculty salaries are only 4.95 percent behind the comparison salaries for a dollar need of \$13,734,000. Because Item 362 includes funds to meet both problems, the additional \$1.4 million in this item is not needed. As a result, we would recommend the deletion of the excess \$1.4 million from either this item or from Item 362.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued**Sabbatical Leave**

The budget includes an additional \$183,183 for support of the current sabbatical leave formula; one leave for every 12 eligibles. The augmentation maintains current policies.

Technical/Clerical Formula Increase

The budget provides for an increase of \$997,308 for support of enriching the technical-clerical formula established 15 years ago. Currently, 0.22 positions are budgeted for each faculty FTE. Approval of the \$997,308 will boost the formula to 0.50 for department chairmen only. The additional positions correspond to an increased workload at the department chairman level. Although some additional relief may be justified, this is a substantial formula increase which is difficult to support with workload data.

Instructional Equipment Replacement

We recommend that \$500,000 of the \$3,000,000 requested for equipment replacement be deleted to correspond with the original trustees' budget request and that the remaining \$2,500,000 be appropriated only upon receipt by the fiscal committees prior to budget approval this session of a program of equipment replacement.

Section 10.3 of the 1972 Budget Act reappropriates up to \$3,000,000 of savings achieved in the 1972-73 CSUC appropriation for allocation and expenditure during the 1973-74 fiscal year. \$1.0 million is to be used solely for the replacement of instructional equipment. The remaining \$2,000,000 may be expended for (1) the purchase of library books, (2) book-processing costs, and (3) additional instructional equipment. The section reflects the Legislature's response to CSUC's expressed concern regarding the need to provide additional funds to support a program of instructional equipment replacement.

The 1973-74 Governor's Budget proposed adoption of a similar section in the 1973 Budget Act. However, the Legislature refused adoption of the section and requested that the CSUC Board of Trustees in cooperation with the Department of Finance develop a planned equipment replacement program for instructional use. The Legislature further requested that the program be developed in sufficient time to permit its being used to support any 1974-75 equipment replacement funding requests. In addition, the Legislature provided a \$1.0 million augmentation to the CSUC budget to provide for the alleviation of the system's most critical replacement needs.

To date, CSUC and the Department of Finance have not developed the equipment replacement program requested by the Legislature. Nevertheless the 1974-75 Governor's Budget includes a \$3.0 million augmentation for instructional equipment replacement which is \$500,000 in excess of the trustees' original request.

Nonteaching Faculty Assignments

The 1973 conference committee directed CSUC to prepare a report detailing the faculty positions utilized in other than student credit unit producing activities. The report was to be submitted by December 1, 1973, but was not received until December 31, 1973.

The report provided detailed faculty workload reports by campus and for the system. They show that campus average direct *instructional* workload for full-time individuals ranges from 11.33 weighted teaching units (WTU) to 13.24 with a systemwide average of 12.43 (WTU). When assigned WTU for *instructionally related* activities are included, the range is 12.16 to 13.46. Thus all campuses exhibit an average workload for their full-time people in excess of the 12 WTU norm. A total of 2,030 individuals (11.8 percent of all individuals with instructional appointments) received assigned WTU for instructionally related activities in 1972-73. Such assigned WTU accounted for 3.8 percent of all WTU reported for individuals with instructional appointments. The average such WTU assigned per individual was 2.9.

The data provides estimates by campus of "faculty positions or fractions thereof which in 1972-73 were utilized in other than direct student credit unit producing activities." It estimated that a total of 348.1 faculty positions or 5,981 WTUs (2.8 percent of all positions reported) were used in instructionally related activities.

The data provided detail by campus on the types of activities for which WTU were assigned. Student advising was the largest single category of these assignments (24 percent) followed by special instructional programs (12.3 percent), instructionally related research (12.2 percent), instructionally related committee assignments (11.9 percent), instructionally related service (11.3 percent), and curricular planning (10.4 percent).

Impact of the "Ryan Act"

Implementation of the Ryan Act has significantly altered the academic thrust of CSUC's teacher education programs. The act retains former total credit levels required for graduation and certification, but markedly shifts the emphasis of the students' curriculum from the more traditional, classroom-oriented instruction to on-the-job practice teaching. CSUC estimates that the shift will amount to 2,890 enrollments and 12,891 units.

The Governor's Budget provides for a \$260,019 General Fund increase to support the additional master teacher contracts, teacher education coordinators, and clerical assistance needed for implementation of the Ryan Act.

Competency-Based Learning: Innovative Programs (Item 363)

The 1972-73 budget established a state-funded "Innovative and Improvement Program for Instruction" at a level of \$1.3 million. The Chancellor's office employed the funds to establish a central staff which reviewed 138 individual campus proposals. During the first year, the staff reviewed 138 campus proposals. Of the 138, 37 were funded. Table 13 identifies the 1973-74 funded proposals. The 1974-75 budget proposes a total expenditure of \$1,401,248 (Item 363), an increase of \$118,609.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Table 13
1973-74 Innovative Pilot Projects
Grant Allocations, Excluding Salary Increases

<i>Campus</i>	<i>Project</i>	<i>Amount</i>	<i>Total Amount</i>
Bakersfield	Self-pacing; implementation and evaluation	\$50,006	\$50,006
Chico	1. Innovative uses of media in mathematics	15,757	
	2. Interuniversity video link.....	40,000	
	3. Faculty development: School of Business	5,000	
	4. New approach to accreditation.....	21,510	
	Total Chico.....		82,267
Dominguez Hills	1. Small college program development and evaluation	44,531	
	2. Project overlay: concurrent high school/college education	24,923	
	Total Dominguez Hills		69,454
Fresno	Comparative modes of instruction:		
	Bibliographic aids	4,714 (est.)	4,714 (est.)
Fullerton	1. Alternative approaches to general educ.	25,000	
	2. Center for Community Internships and Cooperative Education	49,417	
	Total Fullerton		74,417
Hayward	1. Human Development Program	40,252	
	2. Competency Assessment processes in recreational curricula	21,362	
	Total Hayward.....		61,614
Humboldt	New general education sequence in science	25,652	25,652
Long Beach	Learning Assistance Support System Center	27,472	27,472
Los Angeles	The relation between student educational learning	11,642	11,632
Northridge	1. Credit by examination: mathematical physics	14,356	
	2. Comprehensive final examination: Economics	14,735	
	3. Spirit: self-pacing individualized retrieval of information by telephone.....	15,000 (max.)	
	4. Self-paced programmed instruction: musical ear training.....	4,912	
	5. Individualized Instruction: freshman English composition	37,628	
	Total Northridge.....		86,631
Pomona	1. Institute for advanced systems studies	64,143	
	2. Biological sciences audio-tutorial learning	8,393	
	3. Optimizing effectiveness of the discussion	20,000 (est.)	
	Total Pomona		92,536
Sacramento	A new approach to independent learning	25,296	25,296
San Bernardino	Comprehensive examination	28,845	28,845
San Diego	Credit by examination: literature	7,155	7,155
San Francisco	1. Project for planned change	49,328	
	2. Evaluation of experiential learning	5,000	
	Total San Francisco		54,328
San Jose	1. Competency programming: special education (ITV)	45,993	
	2. Audio-tutorial: art history	4,000	
	3. Resource-oriented instruction in speech communication	5,000	
	4. A PSI approach to the basic English composition course	8,000	
	Total San Jose		62,993

San Luis Obispo	1. Individualized large-group instruction: chemistry	27,125	
	2. Program for teaching mastery: engineering ..	11,948	
	Total San Luis Obispo		39,073
Sonoma	1. CAI: social science methods course	27,094	
	2. New approaches to the bachelor of arts degree	20,000 (est.)	
	Total Sonoma		47,094
Stanislaus	A programmed course in phonetics: speech	11,246 (est.)	11,246 (est.)
Systemwide	1. College-level proficiency examination	15,000	
	2. Career education committee.....	25,000 (max.)	
	3. Innovative education program information dissemination	30,000 (est.)	
	4. Computerized test item bank implementation (CTSS)	30,000 (est.)	
	5. A program for faculty exchange.....	15,000 (est.)	
	6. Intercampus development, distribution and use of self-learning modules: Nursing	68,117	
	7. Assessment of standardized examination: Business	10,000	
	8. Comprehensive competency examination in political science.....	18,750	
	9. Survey of comprehensive assessment approaches	14,107	
	Total systemwide		225,974
	Grand total		\$1,088,409

International Programs

In 1974-75 the CSUC system proposes the continued operation of instructional centers in 10 foreign countries. Table 14 breaks out the distribution of the centers among the 12 countries.

Table 14
International Programs Student Assignments 1973-74 and 1974-75

	1973-74	1974-75
Denmark	12	12
France.....	65	60
Germany—Heidelberg	32	30
Israel—Jerusalem	4	—
Tel Aviv	5	—
Italy	46	60
Japan	12	10
Mexico.....	9	10
Spain—Granada	11	10
Madrid	33	20
Sweden—Stockholm	—	—
Uppsala	26	43
Taiwan	11	15
United Kingdom.....	17	30
Totals.....	283	300

Under the provisions of this program, upper division and graduate students are permitted to study abroad at a cost approximately similar to the cost of studying in California on an on-campus residency basis. The academic programs are designed to complement a student's home degree program. State expenditures support the program's administration, pro-

Table 15
Academic Support Program Expenditures 1972-73 to 1974-75

<i>Academic support</i>	<i>Personnel</i>			<i>Expenditures</i>			<i>Change</i>	
	<i>72-73</i>	<i>73-74</i>	<i>74-75</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>Amount</i>	<i>Percent</i>
Program elements								
A. Libraries	1,601.2	1,680.2	1,713.8	\$25,603,829	\$27,686,123	\$29,426,819	\$1,740,696	6.3%
B. Audiovisual services	361.2	391.6	392.5	5,120,304	5,622,406	5,785,450	163,044	2.9
C. Computing support	209.9	217.2	230.4	4,465,895	5,048,855	5,824,851	775,996	15.4
D. Ancillary support	130.2	147.6	149.9	3,803,326	4,110,510	4,209,383	98,873	2.4
E. Academic administration and personnel devel- opment	814.4	952.5	218.2	6,102,537	8,754,259	9,120,445	366,186	4.2
General Fund	3,104.9	3,379.2	2,696.4	42,128,635	48,168,414	51,231,220	3,062,806	6.4
Reimbursements	—	—	—	783,114	838,130	943,711	105,581	12.6
Continuing Education Reve- nue Fund	12	9.9	8.4	108,539	115,609	92,017	-23,591	-20.4
Auxiliary organizations	—	—	—	2,075,603	2,100,000	2,100,000		
Total program costs	3,116.9	3,389.1	2,704.8	\$45,095,891	\$51,222,153	\$54,366,948	\$3,144,795	6.1%

gram directors and supplemental tuition expenses.

During 1971-72 the program was reorganized to provide for its operation out of the Chancellor's office. The reorganization entailed refunds to students totaling approximately \$260,000. Currently, the program is administered as a supplemental appendage of the regular instructional program. It serves to enhance the academic variety of specified disciplines.

2. Research and Public Service

The CSUC faculty is authorized to undertake research which is designed to complement the basic instructional programs. Public service activities are designed to provide college and university capabilities to communities, including: extension courses which are not part of a degree curriculum, conferences, institutes, radio, the San Diego educational television and consultation, etc. Neither program is supported by the General Fund.

	<i>Actual</i> 1972-73	<i>Estimated</i> 1973-74	<i>Proposed</i> 1974-75	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Research.....	\$6,272,856	\$5,628,313	\$5,640,134	\$11,821	0.2%
Public service	25,028,627	25,691,779	24,260,237	-1,431,542	-5.6
<i>Reimbursements and special funds</i>	31,201,483	31,320,092	29,900,371	-1,419,721	-4.5

II. SUPPORT PROGRAMS

1. Academic Support Program

The academic support program is composed of five subprograms: (a) libraries, (b) audiovisual services, (c) television services, (d) computing support, and (e) ancillary support. The subprograms provide services designed to aid and reinforce the system's academic functions. Table 15 displays the expenditures budgeted for support of the activities.

Libraries

The library function includes administration of the acquisition and processing of books, pamphlets, periodicals and documents, the maintenance of the catalog and indexing systems, the distribution of reference services to students and faculty administration.

Libraries are located at each of the CSUC campuses. Holdings range in size from 123,000 volumes (Bakersfield) to 652,000 (San Jose).

Table 16 displays the systemwide acquisitions for the past, current and budget years.

Table 16
Library Acquisitions and Holdings

	1972-73	1973-74	1974-75
Volumes acquired	593,568	506,818	500,000
Total systemwide volumes	6,932,673	7,439,491	7,939,491

The 1974-75 budget proposes an expenditure of \$1.5 million to expand

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

and accelerate the library development program. This program is designed to develop (1) greater sharing of resources among the campuses, (2) the regulation of the acquisition of highly specialized and expensive materials and (3) the improvement of library operations through automation. The largest portion of these funds (\$800,000) are proposed for workload for conversion of campus bibliographic data to computer readable form. Savings resulting from the program are planned to begin to materialize within the next several years. We will monitor the program carefully to assure the realization and appropriate allocation of those savings.

In addition, the 1974-75 budget provides (1) \$101,400 for the purchase of elementary textbooks which in the past have been furnished free of charge (Chapter 929, Statutes of 1972), (2) \$96,445 for support of a one-time move of the Sacramento and Chico libraries into new quarters, and (3) \$243,528 for support of circulation positions, reshelving, and circulation monitoring at Chico, Bakersfield, Sacramento, and Northridge.

Elementary Grade Textbook Purchases

We recommend special review of the \$101,400 for purchase of elementary grade textbooks.

Chapter 929, Statutes of 1972, provides that beginning in the 1974-75 fiscal year, elementary grade textbooks can no longer be provided free of charge to CSUC teacher education programs. The Governor's Budget proposes funding the estimated 1974-75 cost of the books since the books are not a normal part of the CSUC library book collections. That cost is set at \$101,400.

Chapter 929 also broadened the textbook adoptions to make many more titles available for local school district selection so that there is now a substantially greater number of titles in adoption than there was a few years ago. This will continue to increase as will the cost of purchase to CSUC. If in the future CSUC plans to purchase copies of all titles to be adopted, then we would question such a policy unless it can be shown that there is a high priority need.

One alternative to the budget proposal is to require these purchases to be made within the existing library budget. The ongoing library budget for 1974-75 is designed to maintain the level of book acquisitions (500,000 volumes) and reader services provided for in the 1973-74 budget. That level provides for a significant increase in volumes per FTE student; specifically from 31.89 for the current year to 34.11 for the budget year.

The budget formulas provide lump-sum resources for volume acquisitions but they do not dictate the type or subject matter to be purchased. These academic decisions should be made within the constraints of resources available. If these titles are needed by CSUC, they could be purchased with the existing acquisition formulas by reordering priorities.

Another alternative is to maintain the currently budgeted dollar level of acquisitions by approving the \$101,400, but requiring future expansion of titles to be purchased from the current acquisition formulas.

Pending clarification of future CSUC policy, we recommend special

review.

Administrative and Instructional Computing

	<i>Actual</i> 1972-73	<i>Estimated</i> 1973-74	<i>Proposed</i> 1974-75	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
<i>Chancellor's office</i> ^a					
Equipment and operations.....	\$1,879,627	\$2,395,309	\$3,465,084	—	—
Man-years	70.4	89.0	95.0	—	—
Personnel costs	\$880,637	\$1,194,431	\$1,269,683	—	—
Total	\$2,760,264	\$3,589,740	\$4,734,767	—	—
<i>Campuses</i>					
Equipment and operations.....	\$2,567,015	\$2,892,188	\$2,980,908	—	—
Man-years	295.9	304.8	324.8	—	—
Personnel costs	\$3,452,362	\$3,584,144	\$3,694,919	—	—
Total	\$6,019,377	\$6,476,332	\$6,675,827	—	—
Total (all computing)	\$8,779,641	\$10,066,072	\$11,410,594	\$1,344,522	13.4%

^a Chancellor's office expenses include Information Systems Division, State University Data Center and Central Time-Sharing Network.

The installation of the California State University and Colleges Distributed Computing Network to serve instructional and administrative data processing requirements was essentially completed during fiscal year 1972-73. This approach to state college data processing was developed initially as a result of recommendations of this office which were contained in a March 1, 1968, special report to the fiscal committees regarding expenditures for data processing in the state college system. At that time, the colleges were operating obsolete computing or punched-card equipment with very limited capability. There was a trend also for each campus independently to develop plans for installation of new computers. Further, there was no strong central leadership from the Chancellor's office and no common administrative systems were in existence within the college system. A summary of the recommendations from that report and subsequent analyses follows:

1. A concentrated system design effort should be undertaken by a central systems group in the Chancellor's office to accomplish installation of uniform and mandatory administrative systems for all state colleges.
2. To preclude proliferation of large computer systems throughout the colleges, two regional EDP centers for administrative processing (one at a northern college and one at a southern college) should be established.
3. Computing capability in support of instruction should initially be developed by individual colleges but the equipment must be compatible, an integrated network should be developed, and campus computer capability should be augmented by the regional centers.
4. A "time-sharing" capability should be available for instructional use which provides apparently simultaneous on-line services to multiple users with individual requirements.
5. Central coordination for both instructional and administrative data processing must be maintained through the Chancellor's office Information Systems Division.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued**Coordinated Approach Produces Results**

Under the leadership and coordination of the Information System Division in the Chancellor's office, one of the more complex higher education computing networks in the country has been established at an extremely reasonable cost to the State of California. It is estimated by the Chancellor's office that from \$10-11 million in savings on equipment rental and personnel costs will result (through the budget year) from the systemwide coordinated approach to computing when compared to allowing each campus to provide for its individual data processing requirements. Similarly, a recent study by the Chancellor's office demonstrated that the electronic data processing (EDP) equipment costs for each student enrolled in the CSUC system is \$15 per FTE. This cost was found to be the lowest per student cost of 15 comparable public and private institutions in the United States which were surveyed. Cost per student for data processing ranged from \$21 to \$107 with eight institutions exceeding \$50 per student and five others exceeding \$30 per student. The proposals for increased computing support contained in the Trustees' Budget for fiscal year 1974-75 would have raised this figure from \$15 to \$17 per student.

As a result of this coordinated approach, common computer-supported administrative systems now in use throughout the 19 campuses and the Chancellor's office include: (1) Common admissions, (2) Allotment expenditure ledger, (3) and budget planning. With regard to a personnel system, CSUC is participating in the development of the personnel information management system (PIMS) effort whereby faculty and other staff data will become a part of a state employee data base for payroll as well as personnel purposes. Using \$105,000 appropriated in the current year budget, a computer-assisted registration system (CAR) was developed at Sacramento State University and it is also in use now at Long Beach and Chico. Six other institutions are planning to install this system. Except for minor modifications to the primary system, no other CAR system will be developed. The appropriation for this purpose is continued in the budget year.

The Distributed Computing Network

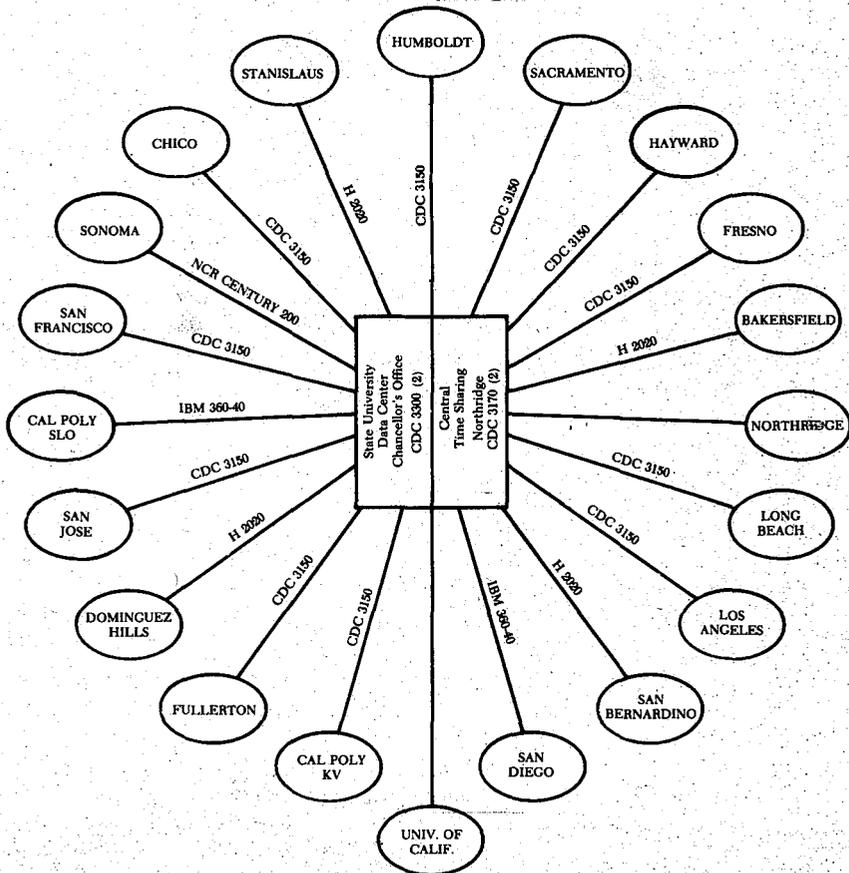
Exhibit I is a graphic representation of the distributed computing network which serves all facets of the state university and college system. The distributed network can best be described as a hierarchy of computer systems to provide capabilities for both instructional and administrative data processing. The network includes small to medium-sized computers on each campus connected via leased telephone lines to central computing and time-sharing systems. This "hierarchical" approach has been described in a recent nationwide business magazine publication as the "new concept" in automation programs.

At the time this exhibit was first displayed in our Analysis of the Budget Bill 1970-71, regional data processing centers were located at San Jose and Los Angeles, eight Control Data Corporation (CDC) systems had been competitively procured through a group procurement by eight of the larger campuses, four IBM 360/20 computers were competitively pro-

cured to serve as remote job entry terminals for smaller campuses and a number of other campuses had made their own arrangements for oncampus computing such as contracting with the "foundation" (San Diego) or purchasing equipment with available funds (Sonoma).

Exhibit I portrays the network with recent changes including those proposed for implementation during the current year. These include (1) the consolidation of the two regional centers into a single data center located in the Chancellor's office, (2) the further standardization of the campus computers by acquiring three more CDC 3150 computers for medium and large campus use, (3) the replacement of the IBM 360/20 computers with Honeywell 2020 models (the result of a recent competitive bid), (4) the enhancement of the systemwide time-sharing capability for instruction by installing twin CDC 3170 computers at the Northridge campus, (this centralized time-share system supports 96 terminals which are located throughout the 19 campus systems), and (5) the entire system

EXHIBIT I
1973-74 California State University and Colleges
Distributed Computing Network



CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

is connected to the central computer at UCLA for very large or complex computing requirements.

This distributed network is linked together with 5,000 miles of telephone lines.

CSUC Competitive Procurement Policies

In our judgment, the Division of Information Systems within the Chancellor's office with cooperation from campus technical personnel has adequately conducted competitive procurements for the badly needed upgrade of computing capability within the system which occurred between 1969 and 1973.

Prior to the requirement for competitive bidding in Section 4 of the Budget Acts of 1972 and 1973, the state competitive procurement procedures prescribed in the State Administrative Manual were followed. The writing of detailed specifications, the release of a request for proposal (RFP) and the evaluation and selection process were carried on with a minimum of difficulty for both the eight-college acquisition which resulted in the selection of Control Data Corporation and the smaller college procurement which selected IBM. Most of the major computer manufacturers responded to the RFP's released for these procurements and there were no formal protests.

The most recent procurement under competitive bidding resulted in the selection of Honeywell to replace the IBM 360/20 machines. The largest single contract with Control Data Corporation (CDC) resulted in a quantity discount arrangement with the vendor and a firm contract which expires in April 1974.

Current Network Operations

The existing distributed computing network performs essential administrative and instructional data processing in the following manner. Administrative services of a systemwide nature are processed on the large centralized data facility in the Chancellor's office for such operations as common admissions, budgeting, accounting, faculty workload and space utilization. Certain large campus administrative jobs are also processed at the central facility together with sophisticated instructional programs. The campus computers provide basic administrative data processing services for such local application as student records processing, registration, accounting and faculty workload.

Computing support for the instructional program is provided primarily by the campus computers where that capability exists, through the central data processing facility in the Chancellor's office for smaller campuses with remote job entry terminals and by the time-sharing network which is an essential element of the instructional program because it provides students individual access to a computer through teletype terminals. Instructional uses include the teaching of basic computer programming languages, use of the computer as a tool in problem solving, use of data bases in various degree programs, the application of business games and planning languages in certain degree programs and the development of specialists in the field of computer and information science.

Planning for System Upgrade

Although the CSUC system has made substantial progress during the past five years in bringing the colleges from an era of outdated equipment and systems to a period where a fair degree of computing capability is available at a low cost per student, improvements to the system are definitely required. In previous analyses, we indicated that new plans for system capabilities during the period 1974-80 would probably have to be developed because of an impending saturation of the system.

With increasing requirements for computer capability in the instructional area, the situation now exists where student and faculty access to computing resources is becoming very difficult. Long waiting lines for use of time-sharing terminals now exist, and turn-around times for computer jobs run through the campus batch data processing centers or the central facility are unacceptable. A similar situation exists in the administrative area where needed improvements to student record, student financial aid and other systems is impossible because of a lack of computer capacity.

The Information Systems Division has examined the various alternatives available to the CSUC for improving computing capability. Part of this examination included a formal request for information (RFI) from various segments of the industry relative to CSUC requirements. Basically, there are four alternative approaches to configuring any new system. These include: (1) distribution of computer systems and personnel to provide small to medium computers on each campus for campus related work and a capability to communicate with central systems for systemwide applications and large jobs. (This essentially represents the current approach.) Further, the centralized time-sharing facility could be supplemented with local on-campus time sharing provided by one minicomputer per campus (to reduce communication problems); (2) full centralization with one large computer center providing terminals and remote processing for all campuses; (3) complete decentralization with adequate computing power and personnel on each campus to perform required data processing work; (4) the establishment of a number of large computer sites (possibly five or six) to serve regions of the state with smaller computers on each campus providing input and output devices.

The cost of EDP equipment and personnel to operate each alternative as estimated by the Information Systems Division clearly favors the continued development of alternative No. 1. Alternative No. 2 was discarded altogether for the next five-year period because no existing or planned data communication network to serve the widely dispersed university and college system with over 300,000 students (head count) and over 17,000 faculty members will be capable of handling the extremely large volume of data which would be generated on either a regular or peak workload (such as student registration) basis.

Current Plans

We have examined the various planning documents and backup information prepared by the Division of Information Systems with assistance and involvement of campus personnel and are in basic agreement with the approach embodied in alternative 1, that is, continuation of the current

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

distributed network approach. The planners recognize that a considerable investment has been made in the existing system and that given the limitation of funds available for computing, a gradual and modular upgrade of the system is both logical and prudent.

Consistent with this philosophy, the following represents the current CSUC plan for improving computing capability: (1) Enhance the CDC 3150 computers installed on five of the larger campuses by installing electronic components within the central processing unit (CPU) thereby making significant improvements in performance at no overall increase in cost (because funds are available for this purpose in the current year). Enhancing the CPU of these five computers should permit their use for another two years, permit the use of a standard version of the COBOL computer language and maximize the heavy investment in administrative systems now written for the current computer configurations, (2) install local time-sharing systems utilizing minicomputers on each campus. This approach significantly improves student access for instruction, (3) upgrade the central time-sharing system when funds become available, and (4) continue to develop systemwide applications through the addition of new systems analysis and programming personnel.

Budget Year Funds for Computing

We recommend a budget augmentation of \$52,408 and an increase of three authorized positions to permit half-year funding for 13 positions to continue development and provide support for new systemwide data processing applications.

The Trustees' budget contains funds for the improvement of CSUC computing totaling \$3,223,550. The Governor's Budget however, provides \$1,344,522 in new funds for computer equipment and personnel.

This allocation (in the Governor's Budget) is distributed as follows: (1) campus computing resources—10 computer operations positions to accommodate workload, miscellaneous equipment rental and a one-time purchase of tapes—\$199,522 (The trustees' budget requested \$488,777); (2) Division of Information Systems—6 new positions to accommodate workload increases to be phased in during the budget year and additional capacity for central data center and other equipment improvements—\$435,000 (the trustee's budget requested \$1,081,118); and (3) program change proposals to improve the existing level of support including 10 new systems analysts and programmers to serve as campus resource personnel and an augmentation to improve instructional time sharing—\$710,000—the trustees' budget requested \$1,680,116.

Because of an expected tight fiscal situation, we are not recommending increases to the budget for computing except in one area. The trustees' budget requested 13 systems analysts and programmers to be located at certain campuses to develop and support an increasing number of new systemwide administrative applications. In addition to such systems as the common admission program and computer assisted registration which were discussed earlier, new systems including student record keeping, financial aid and facilities inventory are required if the proliferation of

campus administrative systems is to be controlled and improved common systems developed in their place. Managerial supervision of these positions will be the responsibility of the Information Systems Division in order to insure systemwide applicability of all new administrative systems. Due to the high degree of benefit from this approach, we are recommending authorization for 13 positions and an increased funding level of \$52,408. This augmentation will provide one-half the funding requested in the trustees' budget and should allow for phasing in the 13 positions during the budget year.

Improves Timesharing—A Critical Need

The Governor's Budget provides \$650,000 in new funds to permit substantial growth of instructional time sharing. This time-sharing approach can be defined as a computer system which provides apparently simultaneous services to multiple users with individual problems. The evidence indicates that there is a greatly increased demand for interactive computer terminals to support the instructional use of computers within the 19 campus state university and college systems. These terminals, usually teletypes, allow students and faculty to interact directly with the computer to learn and use a number of programming languages and solve a variety of problems which require a computer capability.

This resource is important to instructional programs which prepare students for careers in science, engineering, business, computer science and other disciplines. The student demand for access to a time-shared computer has more than tripled in the past year.

We understand that the Division of Information Systems is completing plans to utilize the \$650,000 augmentation to install new minicomputers at each campus which would be used to provide a greatly improved time-sharing capability. These plans call for using these sophisticated new and inexpensive minicomputers to support up to 32, 16 or 8 ports (each port provides access to the minicomputer for a number of terminals) on various campuses, depending on size. A total of 416 extra ports could be made available for student instruction on the local campuses and student computer requirements for the large part would be satisfied without having to transmit student jobs over the 5,000 mile network of telephone lines which interconnects the campuses with the central time-sharing facility.

The central time sharing system which provides 96 terminals would continue to be available for more advanced computing requirements which cannot be accommodated on the less powerful minicomputers.

This approach appears to be highly cost/effective based on data which we have examined and is consistent with experience of other colleges and universities who are using this approach. It is also similar to many business enterprises who are making excellent use of minicomputers to control manufacturing processes at greatly reduced costs over larger computers. One national business publication reported recently that a \$2,000 minicomputer is more powerful, more reliable and easier to use than the big \$100,000 machines of a decade ago and the use of the minicomputer is increasing rapidly in modern factory automation programs.

A controlled acquisition of minicomputers for this purpose is greatly

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

preferred to allowing proliferation of these new devices in the various campus academic departments (a common occurrence on today's university campuses as evidenced by the fact that the nine campuses of the University of California have over 200 minicomputers now installed). The expressed limit of one such minicomputer per campus should result in selection of a machine with considerable capability in order to provide a variety of computer programming languages for student and faculty use. Future plans could also permit the interconnection of the campus "mini" to the central time-sharing network for transmission of large jobs to the more powerful central computer.

Department of Finance and IBM Recommend Central Approach

We recommend that the Legislature direct that the Department of Finance refrain from stipulating that the \$650,000 allocated in the Governor's Budget for computer time-sharing improvements may be expended only for an improved central time-share facility.

Based on documents we have reviewed, the Department of Finance appears to be recommending the replacement of the existing central time-sharing computers with new equipment to support 192 terminals on the centralized network. The \$650,000 augmentation should be used only for this purpose according to the current thinking of the State Data Processing Officer and the Electronic Data Processing Control and Development Unit (EDPCDU) within Finance.

Similarly, IBM in documents prepared for presentation to executive management within the Chancellor's offices reflects a concern about the continued increase in minicomputer time-sharing system requests. The IBM position on CSUC computing requirements is based on the assignment of 13 of its personnel to serve the CSUC system. IBM is the only major computer vendor we are aware of who has questioned the plans of the Division of Information Systems to upgrade computer capability and has made a presentation to executive management of the CSUC to that effect.

Contrary to the apparent position of IBM and the Department of Finance the data which we have examined appears to clearly favor the use of minicomputers on each campus for local time sharing. The cost of a minicomputer time-sharing port is only \$287 per month while the cost of a port on a central time-share computer with 192 ports is \$564 per month. Put another way, it is possible to provide a total of over 500 ports through using local campus minicomputers combined with the existing central facility at just slightly greater cost than that required to support a new central time-share facility with 192 terminals.

Given the concerns of the Legislature over the failure to negotiate with all vendors who may be proposing different hardware solutions during the procurement of computers for the Teale Consolidated Data Center, we believe that it is in the best interests of the state for the Legislature to prevent the Department of Finance from insisting that the CSUC consider only a central time-sharing computer, especially when one vendor (IBM) is pressing for a similar solution.

Transfer Computing Central Control to Chancellor's Office

We recommend that full responsibility for the control function over the development of CSUC computing requirements be transferred from the Department of Finance to the Chancellor's Office Information Systems Division.

Within the Chancellor's office, the Information Systems Division has had since its establishment a number of years ago the primary responsibility for coordinating, planning, equipment procurements, and control over data-processing activities and expenditures for the 19-campus system. We have recommended increased central coordination and control by the Chancellor's office in a number of past analyses and supplemental language reports (relating to the Budget Bill) have in various years contained requirements that this function be increased in both administrative and instructional data-processing facilities.

As a result, there has been a continuing acceptance of greater responsibility by the division. Although there are 95 man-years allocated the division, in the budget year, most of the authorized positions are to operate the central data center, the central time-sharing network and to develop and maintain systemwide administrative applications. However, approximately six man-years are devoted to review of campus EDP budget requests, development of the systematic computing budget, long-range planning, development and review of feasibility studies and procurements of computing equipment.

These activities are identical in most respects to the functions performed by the State Data Processing Officer and the EDP Control and Development Unit within the Department of Finance. For example, the Information Systems Division requires a comprehensive reporting system from the campuses regarding EDP practices and utilization of computers, reduced the requests for new EDP positions from all campuses in the budget year from 221.75 to the 39 recommended in the trustees' budget and reduced the campus request for increased rental of computing equipment from \$929,732 to the \$186,724 recommended in the trustees' budget. This conservative and fiscally realistic approach to computing coupled with the fair and impartial procurement practices of the Information Systems Division which we discussed earlier in this analysis provide the basis for the recommendation that the CSUC system be removed from jurisdiction of the Department of Finance EDP Control and Development Unit and the State Data Processing Officer.

It also appears that there is a communication problem between the division and Finance because in just one activity alone, the proposal to purchase a \$40,000 system to support a computer graphics system for the California Polytechnic State University at San Luis Obispo, the Information Systems Division expended \$12,000 in personnel resources attempting to satisfy certain requirements of the EDPCDU in the Department of Finance which were apparently both unwritten and undefined.

One further reason centers around what appears to be a tendency by the Department of Finance to recommend computer solutions for the CSUC which closely parallel the solutions preferred by IBM (as discussed above).

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Because the Department of Finance derives its authority over the CSUC system in the area of EDP primarily from Section 4 of the Budget Act of 1973 and language in the Supplemental Report of the Committee on Conference (Budget Bill of 1973), we will make the necessary recommendations for changes in this regard in our analysis of control sections of the Budget Bill which will be published at a later date.

This recommendation should in no way be construed as suggesting that CSUC EDP expenditures should not be subject to the normal budgetary controls exerted by the Budget Division of the Department of Finance. Further, all requirements in Section 4 of the Budget Act and the Conference Committee Report which relate to competitive bidding, use of the model contract, security and privacy and other provisions should still apply. The only difference will be that responsibility for enforcing these regulations would rest with the Information Systems Division.

Student Financial Aid

Financial aid offices are located on each of the 19 CSUC campuses. The offices are staffed by personnel charged with the responsibility of administering a complex program of student awards, including scholarships, grants, fellowships and employment.

Financial Aid Administration

During October, 1973, the Assembly Ways and Means Subcommittee on the Administration of Student Financial Aids held hearings in San Francisco. One of the issues discussed concerned the adequacy of staffing patterns in student financial aid offices in each segment of higher education. Reported staffing disparities between and within systemwide administrative offices and campus offices fostered these concerns.

As a result our office was asked to prepare detailed comments on appropriate organization and levels of administrative support for student aid programs and to provide comparisons of current staffing and organization patterns within higher education. This information is being collected and analyzed at this time of writing.

2. Student Services Support Program

The Student Services Support Program is funded partially from revenues generated by the student materials and service fee. Additional dollar support is furnished by reimbursements, auxiliary organizations, and the General Fund. Several elements of the program are tied to special funds and are wholly supported by revenues produced by those funds. Program services include: social and cultural development, supplementary educational services, counseling and career guidance, financial aid and student support.

Table 18 displays the expenditures for support of the Student Services Support Program.

Table 17
Student Services Program Expenditures

<i>Student services</i>	<i>Personnel</i>			<i>Expenditures</i>			<i>Change</i>	
	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>Amount</i>	<i>Percent</i>
Program elements								
A. Social and cultural development	137.1	135.2	138.9	\$11,007,723	\$11,353,086	\$11,697,650	\$344,564	3.0%
B. Supplementary educational services	15.4	24.3	24.3	74,061	130,845	134,263	3,418	2.6
C. Counseling and career guidance	732.2	816.8	822.7	9,922,800	11,132,747	11,386,513	253,766	2.3
D. Financial aid	211.6	210.2	210.2	31,203,587	31,974,459	39,106,141	7,131,682	22.3
E. Student support	776.9	929.2	892.0	48,248,616	49,798,541	50,822,315	1,023,774	2.1
Total program costs	1,873.2	2,115.7	2,088.1	\$100,456,789	\$104,389,678	\$113,146,882	\$8,757,204	8.4%
General Fund	1,577.6	1,772.8	1,786.0	\$5,068,418	\$9,348,191	\$6,573,763	\$-2,774,428	29.7
Reimbursements	—	—	—	45,483,703	45,268,008	55,709,282	10,441,274	23.1
Dormitory Revenue Fund	288.6	338.3	296.5	1,514,875	1,789,899	1,736,437	-53,462	3.0
Auxiliary Enterprise Fund	2.2	2.4	2.4	9,465	10,694	10,569	125	1.2
Auxiliary organizations	—	—	—	48,343,244	47,944,000	49,081,000	1,137,000	2.4
Continuing Education Revenue Fund	4.8	2.2	3.2	37,082	28,886	35,831	6,945	24.0

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Student Fees

CSUC resident students are assessed a very minimal fee (\$118) each academic year. Indeed, the fee schedule is among the very lowest in the country. Table 17 compares the 1973-74 student fees of a selection of state universities and land grant colleges, including CSUC.

Table 18
Comparison of State Universities and Land Grant Colleges
(1973-74)

<i>College or university</i>	Resident <i>tuition</i>	<i>College or university</i>	Resident <i>tuition</i>
Alabama University	\$280	Louisiana State University	\$320
University of Alabama	610	University of Maryland	345
University of Alaska	472	Michigan State University	720
Arizona University	320	University of Mississippi	400
University of Arizona	411	Montana State University	476
University of Arkansas	400	University of New Hampshire	983
University of California	644	University of New Mexico	456
CSUC	118	State University of New York	750
Colorado State University	778	Ohio State University	750
University of Colorado	593	Oregon State University	451
University of Connecticut	715	Pennsylvania State University	900
Delaware State College	355	University of Tennessee	399
Florida A. & M. University	570	University of Texas	378
University of Georgia	589	Utah State University	453
University of Hawaii	380	Washington State University	564
University of Illinois	686	West Virginia University	310
Indiana University	682	University of Wisconsin	573
Iowa State University	600	University of Wyoming	411
University of Kansas	544		

The Board of Trustees has appointed a task force to (1) evaluate the basis for the fee (2) develop appropriate recommendations. The task force is to submit its findings during the 1974-75 fiscal year. Three students, including one part-time student, have been asked to participate.

Fee Policy Review Needed

We recommend that the proposed 1974-75 Materials and Service Fee increase of \$26 (from \$118 to \$144) be given special policy review.

The CSUC Board of Trustees is granted the authority to establish fee levels. The levels are set sufficient to provide for the costs of specified program expenditures. During the past several years, however, expenditures have outrun the revenues generated by the current fee schedule. Staff of the Chancellor's office estimates that the 1974-75 end-of-year balance will total \$-7,613,086. Table 19 breaks out the materials and service fee expenditures and revenues from 1970-71 through 1974-75 which includes a higher figure prepared prior to being technically adjusted for the Governor's Budget.

Table 19
M & S Fee Expenditures and Reimbursements

	<i>Actual^a</i> <i>1970-71</i>	<i>Actual</i> <i>1971-72</i>	<i>Estimated</i> <i>1972-73</i>	<i>Estimated</i> <i>1973-74</i>	<i>Proposed</i> <i>1974-75</i>
Instructional Supplies	\$8,821,166 ^b	\$9,213,051 ^c	\$10,230,674	\$11,160,204	\$11,705,929
Academic support	272,819	335,826	448,514	489,189	513,203
Student service					
Social and cultural development	1,261,508	1,416,043	1,676,893	1,957,629	2,070,984
Counseling	3,752,528	4,212,215	4,988,148	5,823,236	6,212,954
Testing	728,262	817,474	968,061	1,130,129	1,187,028
Placement	1,733,811	1,946,204	2,304,715	2,690,558	2,929,686
Financial aid	1,619,544	1,817,939	2,152,823	2,513,236	2,677,129
Health	5,685,926	6,382,455	7,558,169	8,823,516	9,420,455
Housing	454,021	509,639	603,520	704,558	787,677
Student service	\$15,235,600	\$17,101,969	\$20,252,329	\$23,642,862	\$25,255,913
Institutional support					
Executive Management	\$506,703	\$559,867	\$742,121	\$818,049	\$961,211
Financial operations	896,517	990,581	1,313,047	1,512,641	1,549,448
Institutional Support	\$1,403,220	\$1,550,448	\$2,055,168	\$2,330,690	\$2,510,659
Total gross expenditures	\$25,732,805	\$28,201,294	\$32,986,685	\$37,622,945	\$39,985,704
Plus: estimated 1974/75 salary increase (5%)					1,246,759
Less: federal financial aid administration allowance	675,264	622,010	792,530	742,818	500,342
Total net expenditures	\$25,057,551	\$27,579,284	\$32,194,155	\$36,880,127	\$40,732,121
M & S Fee	26,731,173	29,593,706	30,668,524	31,976,371	32,662,182
Balance	1,673,632	2,014,422	-1,525,631	-4,903,756	-8,069,939
Cumulative Balance	\$1,673,632	\$3,688,054	\$2,162,423	\$-2,741,333	\$-10,811,272

^a Estimated in 1970-71 to fit the WICHE Program Budget adopted in 1971-72.

^b The Budgeted Amounts for this year were expenditures of \$24,489,869 and reimbursements of \$24,309,749 for a balance of \$-180,120.

^c The Budgeted Amounts for this year were expenditures \$28,843,044 and reimbursements of \$29,992,433 for a balance of \$1,149,389.

Revised 11-15-73

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

The Board of Trustees has recently adopted an increased fee schedule which should eliminate the estimated 1974-75 deficit. The schedule will not, however, offset the entire cumulative balance. It will be implemented during the fall term of the 1974-75 academic year. Full-time students will be assessed approximately \$144 rather than the current \$118.

It may be misleading to evaluate the need for a fee increase within the context of a defined expenditure program. Revenues generated by the fee are commingled with General Fund and are not statutorily limited to specified activities. The current expenditures supported by the fee have been determined by policies developed by the Board of Trustees, the administration, and the Legislature. The "fee deficit," therefore, can be eliminated by altering those policies and at an additional budget cost to be funded either through savings or augmentation from the General Fund.

Educational Opportunity Program

The California State Colleges Educational Opportunity Program (EOP) was established by the Legislature during the 1969 session (Chapter 1336, Statutes of 1969). The program is designed to assist economically disadvantaged students. It is administered by the Board of Trustees. State-supported grants (up to a maximum of \$700 per academic year) are authorized to fund the cost of tuition, books, room and board. Grant recipients must be residents nominated by agencies appointed by the board. Standards underlying the selection of recipients are set by the trustees.

College campuses must secure program approval from the trustees. Program funds can be used to support directors, counselors, and advisors. An academic record of each grant recipient is maintained by the trustees and is periodically reviewed.

EOP students are admitted to CSUC on the basis of special criteria—criteria which permits attendance of otherwise unqualified high school graduates (up to four percent of the incoming freshmen class).

The program was initially funded during the 1969-70 fiscal year. Table 24 displays enrollments and state funding from 1969-70 through 1974-75.

Table 20
New EOP Enrollment Related to Total Academic Year Enrollment

<i>Year</i>	<i>New EOP enrollees</i>	<i>Academic year enrollment</i>	<i>EOP percent of total</i>
1969-70	3,150 FTE	181,254 FTE	1.7%
1970-71	3,500	197,454	1.8
1971-72	3,500	204,224	1.7
1972-73	3,500	213,974	1.6
1973-74 (est.)	4,220	226,200	1.9
1974-75 (est.)	4,220	226,200	1.9

Ethnic Compositions

Fall 1971 EOP enrollments totaled 3,689 students. The ethnic composition was as follows: American Indian 147 (4%); black 1,608 (43.6%); Chicanos 1,508 (40.9%); Oriental 224 (6.1%); white 150 (4.1%); and other 52 (1.4%)

1974-75 EOP Budget Request

The trustees' budget requested support for an estimated 6,723 continuing EOP students and 4,320 new students. The projected level of new students exceeds the current year level by 100 students. The level of continuing students was calculated on the basis of an 80 percent persistence rate—a rate which coincides with the general persistence rate for all CSUC students. In addition, the trustees' budget request provided for an inflationary adjustment which totals \$150,000.

The Governor's Budget reflects (1) the deletion of funds for support of the 100 new students and (2) the elimination of the inflationary adjustment. The reduction of 100 first-year students from the request is consistent with the decreased enrollment projections calculated by CSUC staff. We are concerned with the decision not to include an adjustment for inflationary costs. Conversely the new federal Basic Opportunity Grant Program would have an offsetting but uncertain effect. For that reason, we have not proposed an augmentation at this time.

Table 21 shows the number and amount of grants by student year for the 1972-73, 1973-74 and 1974-75 years as reported in the Governor's Budget.

3. Institutional Support Program

The institutional support program provides collegewide services to the other programs of instruction, organized research, public service and student support. The activities include executive management, financial operations, general administrative services, logistical services, physical plant operations, faculty and staff services and community relations.

Proposed Budget

Table 22 breaks out the expenditure for support of the program:

Executive management consists of all systemwide program elements related to CSUC administration and long-range planning. The subprogram includes legal services, the trustees, the Chancellor's office, and the senior executive officers.

Financial operation consists of fiscal control and investment elements.

General administrative services is composed of program elements which provide central management support. Included in the subprogram are data processing, student admissions, and record management.

Logistical services provide for the procurement, distribution, maintenance and movement of supplies. Also included are health and safety elements.

Physical plant operations provides for the maintenance and expansion of campus grounds and facilities. Included are utilities operations, campus planning, repairs, grounds and custodial services.

Faculty and staff services include funds budgeted for overtime and reclassifications.

TABLE 21
California State University and Colleges, Educational Opportunity Program, Awards and Expenditures

	<i>Actual year 1972-73</i>			<i>Current year 1973-74</i>			<i>Budget year 1974-75</i>		
	<i>Number of grants</i>	<i>Average award</i>	<i>Total grant dollars</i>	<i>Number of grants</i>	<i>Average award</i>	<i>Total grant dollars</i>	<i>Number of grants</i>	<i>Average award</i>	<i>Total grant dollars</i>
1st yr	3,500	\$440	\$1,540,000	4,220	\$462	\$1,949,640	4,220	\$462	\$1,949,640
2nd yr	2,800	220	616,000	2,898	231	669,438	3,376	231	779,856
3rd yr	—	—	—	1,342	240	322,080	2,240	240	537,600
4th yr	—	—	—	1,074	240	257,760	1,107	240	265,680
Total Grants	<u>6,300</u>		<u>\$2,156,000</u>	9,534		<u>\$3,198,918</u>	10,943		<u>\$3,532,776</u>
Total administration and counsel- ing			<u>\$1,474,868</u>			<u>\$1,807,385</u>			<u>\$1,823,852</u>
Total Program Costs			<u>\$3,630,868</u>			<u>\$5,006,303</u>			<u>\$5,356,628</u>

Table 22
Institutional Support Expenditures
1971-72 to 1973-74

<i>Institutional support</i>	<i>Personnel</i>			<i>Expenditures</i>			<i>Change</i>	
	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>Amount</i>	<i>Percent</i>
<i>Program elements</i>								
A. Executive management	714.5	804.5	792.0	\$13,452,328	\$16,228,701	\$16,460,160	\$231,459	1.4%
B. Financial operations	625.8	703.6	687.0	7,830,008	8,930,883	8,881,972	-48,911	0.5
C. General administrative services	1,279.7	1,406.3	1,447.7	18,172,808	20,544,131	21,778,961	1,234,830	6.0
D. Logistical services	945.6	985.9	1,003.0	18,543,463	19,910,536	20,848,677	938,141	4.7
E. Physical plant operations	3,030.0	3,325.8	3,403.6	41,889,070	48,066,231	50,835,925	2,829,694	5.9
F. Faculty and staff services	60.0	—	—	1,028,372	1,925,093	2,561,408	636,315	33.1
G. Community relations	64.1	71.5	71.6	1,551,869	1,790,159	1,941,527	151,368	8.5
Total program costs....	6,719.7	7,297.6	7,404.9	\$102,467,918	\$117,395,734	\$123,308,630	\$5,912,896	5.0%
<i>General Fund</i>	6,139.7	6,597.7	6,754.3	83,490,612	96,479,440	101,843,586	5,364,146	5.6
<i>Reimbursements</i>	—	—	—	7,827,671	7,851,397	8,331,955	480,558	6.1
<i>Parking Revenue Fund</i>	156.0	181.0	185.7	1,795,462	2,123,745	2,302,533	178,788	8.4
<i>Dormitory Revenue Fund</i>	235.5	267.3	257.2	4,087,129	4,982,474	4,999,994	17,520	0.4
<i>Auxiliary Enterprise Fund</i>	8.5	10.6	7.7	237,421	251,969	231,114	-20,855	8.3
<i>Auxiliary organizations</i>	—	—	—	2,297,443	2,184,000	2,184,000	—	—
<i>Continuing Education Revenue Fund</i>	180.0	241.0	200.0	2,732,180	3,522,709	3,415,448	-107,261	3.0

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Community relations consists of program elements which provide for (1) maintaining relationships with the general community and the alumni, and (2) fund raising. The governmental affairs office in Sacramento is included in the element.

Chancellor's Office

The Chancellor is the chief executive officer of the State College Board of Trustees. He is responsible for the implementation of all policy enacted by the board. His administrative officers and staff, located in Los Angeles, provide necessary assistance including:

- (1) Compilation of the annual budget;
- (2) Formulation of salary proposals;
- (3) Fiscal management of the budget within guidelines established by the Legislature and other control agencies.

The Chancellor's office is organized into several major divisions: student affairs, legal affairs, academic affairs, physical planning, fiscal affairs, faculty and staff affairs. Table 23 breaks out the 1973-74 and proposed 1974-75 positions and expenditures related to the Chancellor's office.

Table 23
Chancellor's Office Expenditures
Governor's Budget

	1973-74		1974-75		Change	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
Chancellor's office						
Personnel:						
Main office.....	14.5	\$304,169	14.5	\$309,901	—	\$5,732
Legal Affairs	16.5	333,258	18.5	377,933	2.0	44,675
Academic Affairs	52.3	1,019,523	54.3	1,091,915	2.0	72,392
Faculty and staff	29.0	541,607	30.0	580,866	1.0	39,259
Business affairs	109.5	1,564,306	111.5	1,647,278	2.0	82,972
Physical planning.....	21.8	434,381	21.8	441,015	—	6,634
Government affairs	8.0	130,496	8.0	134,260	—	3,764
Institutional research	14.0	272,416	14.0	275,673	—	3,257
Public affairs	4.0	90,458	4.0	90,496	—	38
Subtotal.....	269.6	\$4,690,614	276.6	\$4,949,337	7.0	\$258,723
Operating expense and equipment....	—	1,258,114	—	1,249,874	—	-8,240
Total	269.6	\$5,948,728	276.6	\$6,199,211	7.0	\$250,483
Audit staff						
Personnel.....	6.0	\$128,626	11.0	\$211,976	5.0	\$83,350
Operating expense and equipment	—	24,443	—	73,842	—	49,399
Total	6.0	\$153,069	11.0	\$285,818	5.0	\$132,749
Information systems						
Personnel.....	89.0	\$1,194,431	95.0	\$1,336,378	6.0	\$141,947
Operating expense and equipment	—	2,395,309	—	2,866,234	—	470,925
Total	89.0	\$3,589,740	95.0	\$4,202,612	6.0	\$612,872
Grand Total.....	364.6	\$9,691,537	382.6	\$10,687,641	18.0	\$996,104
Funding sources						
General Fund	310.6	\$8,658,845	327.6	\$9,676,704	17.0	\$1,017,859
Reimbursements	54.0	1,032,692	55.0	1,010,937	1.0	-21,755

Trustees Audit Staff

The Supplemental Report of the Committee on Conference, 1973-74, included language directing the Office of the Legislative Analyst to "report on the proper organizational location of the trustees' audit staff in the 1974-75 Analysis."

Chapter 1406, Statutes of 1969, (SB 542, Harmer) authorizes the Board of Trustees to establish an internal audit staff. The staff is charged with the responsibility of auditing the operating procedures of the colleges, foundations, and the Chancellor's office.

An internal audit is defined as an "independent appraisal activity within an organization for the review of accounting, financial and other operations as a bases for service to management. It is a managerial control, which functions by measuring and evaluating the effectiveness of other controls." Thus, the very definition of an internal audit function underscores the necessity of its independence. The function must be undertaken within a context which permits (1) complete objectivity and (2) freedom from fear of reprisal.

Outside auditing agencies are normally provided such a context simply because of their externality. However, an internal auditing staff cannot be assured of such a context unless that staff is organized outside of the line-management structure. Consequently, an internal auditing unit should be required to report directly to top management, in the case of CSUC, to the Board of Trustees. Therefore, we support the current organizational location of the CSUC auditing unit.

The stress upon independence, however, can be pressed too far. While independence must be guaranteed, care should be exercised to ameliorate to the extent possible the mistrust and suspicion which that independence might induce among administrators whose units or agencies are being audited. Especially is this true in the case of internal auditing teams. Administrators must be helped to understand that an internal auditing function can help them to improve their efficiency; that, indeed, the purpose of an audit is to enhance agency effectiveness and improve managerial controls. A simple but sound technique developed by auditors to ameliorate fear and mistrust is the "exit conference." It is a technique which in no way violates the independence of the auditing team, but does serve to set the entire audit within a positive framework. An exit conference provides for a briefing of agency administrators just prior to the departure of the auditing team. The results of the audit are discussed and usually a copy of the draft report is furnished. A copy of the same draft report can be provided to top management to assure against the possibility that the auditing team will be adversely influenced by an agency response. There is some concern that the trustees' audit team has not effectively utilized the exit conference procedure. We recommend that their policies in this area be clearly outlined to the various colleges.

Proposed Audit Positions

We recommend deletion of 3 proposed audit positions in 1974-75 for a General Fund saving of \$70,000.

The 1974-75 budget proposes the addition of five additional audit posi-

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

tions to effectively double the current five-member staff. We are concerned with the need to provide a 100 percent increase in audit staffing on a workload basis. Regular audits of the CSUC system are performed by the Department of Finance and private audit firms. The trustees audit staff has been utilized on an as needed basis. We concur that two additional positions can be phased into the unit and utilized effectively. However, we believe that a doubling of the staff is excessive.

Fullerton Pilot Project

We recommend that the Legislature direct the Chancellor's office to critically evaluate the effectiveness of the Fullerton pilot project authorized by Chapter 1164, Statutes of 1971, and to determine its applicability systemwide. A report should be submitted to the Legislature no later than December 1, 1974.

The Legislature enacted Senate Bill 1239 during the 1971 Session (Chapter 1164, Statutes of 1971), which required the Trustees of the California University and State Colleges system "to initiate a pilot management planning, and budgeting system." It further required the trustees to consider the concept that "more efficiency may ensue if more decisionmaking power is decentralized to the campus and department level." Finally, the act suggested that "Budgeting by standardized formulas may not necessarily be the most effective way to determine resource needs or their governance." Central to these concerns was the need for the development of a management system and sophisticated cost-benefit data.

The management model selected for use by the project, "Resource Requirements Predictive Model 1.6" (RRPM 1.6), is a computerized report generator developed by the National Center for Higher Education Management Systems (NCHEMS) to provide university management with data regarding program, department, and university costs and resources expected or required, both for past and future semesters.

California State University, Fullerton, was selected as the test campus, and the School of Business Administration and Economics was selected as the test unit.

Implementation of this model on campus began on July 1, 1972, and was successfully operating by the end of August 1972, at which time reports were generated for each semester of the 1971-72 academic year. Subsequently, these reports have been generated for each semester of the 1972-73 academic year.

The Chancellor's office provided approximately \$38,000 to initiate the project during 1972-73. The next year, 1973-74, the Legislature budgeted approximately \$65,000 to continue the project. The project will be funded during 1974-75 at approximately \$76,000.

The project will soon be entering its third year of testing. We believe that the time has arrived for the Chancellor's office to critically evaluate its effectiveness and reach a decision as to its applicability systemwide.

College Presidents Housing Allowance

We recommend deletion of \$51,600 for support of the proposed college presidents' housing allowance.

The 1974-75 budget includes \$51,600 for support of presidential housing allowances. The proposal allocates \$300 per year to the presidents of colleges located in high-cost urban areas and \$200 per year to the presidents of colleges located in less urbanized areas. The presidents of the remaining colleges have secured nonstate funding for support of housing.

Staff of the Chancellor's office argue (1) that housing allowances are benefits furnished many college presidents nationwide and, consequently, should be provided in California; (2) the allowance will enhance the effectiveness of presidential recruitment; and (3) it constitutes a form of reimbursement for support of necessary entertainment. Staff of the Chancellor's office has pressed for adoption of the allowance for several years. Our office, however, has consistently recommended against its adoption. College president salaries currently range up to a maximum of \$46,668, a level set to accommodate the need for some entertainment expense. We stress that adoption of the allowance is tantamount to an additional salary increase.

Chancellor's House

In December of 1972, the trustees took action to accept a gift of a \$300,000 home in Bel Air, California, to be used as the Chancellor's residence. An item of \$8,000 for groundskeeping expense at the home was proposed in the 1973-74 budget but was deleted by the Legislature. Last year we noted that it was difficult to justify a state expenditure for this purpose unless it could be shown that the residence would be used extensively for CSUC functions. Again this year \$8,000 is proposed in the budget for "exterior upkeep and grounds maintenance" of the Chancellor's residence, and we raise the same concern.

OASDI Rate Change not Budgeted

We recommend special review.

A change in the level of taxable salaries and wages was instituted by the federal government after issuance of the Department of Finance Price Letter. The maximum taxable salaries and wages was raised from \$12,600 to \$13,200 which translates in the CSUC to a change in the rate applied to all salaries and wages from 4.38 percent to 4.58 percent. This generates a need of \$766,875. These funds were not included in the Governor's Budget on the basis that there would be a statewide appropriation for this expense. To date we know of no such statewide appropriation either in the budget or a separate bill. If the matter is not clarified by the time of the fiscal hearings on this budget, we will recommend a \$766,875 augmentation for the increased OASDI expenses.

Retirement Rate Change Not Budgeted

We recommend special review.

Chapter 1141, Statutes of 1973, provides for crediting unused sick leave for retirement service and increasing employer (state) contributions by 0.23 percent for miscellaneous members and 0.30 percent for safety mem-

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

bers. These percentages generate an additional funding need of \$881,905 that would have to be absorbed in other functions of the budget. We also understand that this increase is not included in the budgets of other state agencies. It is unclear whether the Department of Finance intends to fund these costs through deficiency appropriations, or require CSUC to absorb these within the existing appropriation. If the latter, then the budget is not an accurate reflection of the proposed fiscal plan.

Academic Senate (Item 360)

The Academic Senate is the official organization representing the faculty of all campuses. It consists of 50 members and convenes five times each year. In addition, representatives of the senate are expected to attend meetings of the Board of Trustees. The 1974-75 budgets \$267,944 for support of the Academic Senate.

Salary Savings

We recommend the deletion of salary savings funds totaling \$955,826.

Salary savings are funds budgeted for support of personal services, but not expended due to vacancies, hiring delays, and turnover. Each year the Department of Finance estimates a minimum level of salary savings which the colleges and universities are expected to attain. The 1974-75 level is \$11,791,678.

\$955,826 of the 1974-75 level is generated on the basis of a formula change. During the past several years, faculty salary savings have been budgeted at 2 percent of wages and nonfaculty at 4 percent. The 1974-75 budget proposes a decrease of the nonfaculty formula to 3.5 percent.

The same formula change was proposed last year. We opposed the change on the basis that historical data did not prove a need to lower the formula. The Legislature maintained the 4 percent level and authorized a pilot project designed to secure more recent data. The project is scheduled to be implemented July 1, 1974. We do not understand why the budget is proposing the very change that the project, yet to be implemented, is designed to evaluate. The formula change should await the results of the project.

Independent Operations

The independent operations program consists of agencies and units which are within the campus community but are not an integral part of the primary instructional activities. Included are dining halls, bookstores and college unions.

CALIFORNIA MARITIME ACADEMYItem 365 from the General
Fund

Budget p. 224 Program p. II-572

Requested 1974-75	\$1,280,531
Estimated 1973-74.....	1,263,055
Actual 1972-73	1,008,018
Requested increase \$17,476 (1.4 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
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- | | |
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| 1. Five-year Plan. Recommend special review. | 947 |
| 2. Student Costs. Recommend report on student tuition and fee schedules. | 949 |
| 3. Food Services. Recommend report on potential savings from private contract for food services. | 950 |

GENERAL PROGRAM STATEMENT

The California Maritime Academy (CMA), located at Vallejo, provides a program for men who seek to become licensed officers in the United States Merchant Marine. It was established in 1929 and is one of six such institutions in the country that are supported by the states and federal government.

The three-year training program, during which the student attends school 11 months each year, offers standard academic courses and deck or marine engineer training. A three-month sea training period is conducted each year aboard a merchant-type ship loaned California by the Federal Maritime Administration. Students, upon successful completion of the entire program, must pass a U.S. Coast Guard examination for either a third mate or third assistant engineer license before they receive a bachelor of science degree.

As a result of Chapter 1069, Statutes of 1972, CMA is now governed by an independent seven member board of governors appointed by the Governor to four-year terms. In accordance with this recent legislation two members are educators, three are public members and two represent the maritime industry. The board sets admission standards and appoints a superintendent who is the chief administrative officer of the academy.

ANALYSIS AND RECOMMENDATIONS

The proposed 1974-75 budget of the academy is \$1,840,527. This includes \$1,280,531 from the General Fund which represents an increase of \$17,476, or 1.4 percent over the current year's estimated expenditures. Federal funds and reimbursements compose the balance of the funding sources as set forth in Table 1.

Table 1 also indicates the programs and shows they would be continued in general at current year levels. The decline in the administration and

CALIFORNIA MARITIME ACADEMY—Continued

Table 1
Maritime Academy Budget Summary

Programs	Actual 1972-73	Estimated 1973-74	Proposed 1974-75	Change	
				Amount	Percent
Classroom Instruction	\$381,076	\$440,786	\$486,140	\$45,354	10.3%
Sea Training	377,703	375,880	443,427	67,547	18.0
Residential.....	257,176	269,116	292,925	23,809	8.8
Administration and Service	429,684	695,673	618,035	-77,638	(11.2)
Totals	\$1,445,639	\$1,781,455	\$1,840,527	\$59,072	3.3%
<i>Funding Sources</i>					
General Fund.....	\$1,008,018	\$1,263,055	\$1,280,531	\$17,476	1.4%
Reimbursements	241,335	300,000	320,000	20,000	6.7
Federal Funds	196,286	218,400	239,996	21,596	9.9
Totals	\$1,445,639	\$1,781,455	\$1,840,527	\$59,072	3.3%
Positions.....	84.1	86.8	89.8	3.0	3.5%

service program results from the elimination of two special items of expense funded last year.

Academy Redirection

Since 1969 the academy's future, governance, cost, unaccredited academic program and graduate employment potential have been subjects of special legislative and executive attention. The current redirection of the academy results from Chapter 1069, Statutes of 1972 which was based, in part, on recommendations developed by a 1971 Governor's task force study. The 1972 Budget Bill Committee on Conference also recommended the "instructional program be redesigned to provide an accredited degree in marine or maritime sciences or other related academic areas and that annual reports on progress toward this goal be submitted to the Joint Legislative Budget Committee."

This year's report highlights (1) admission of five women, (2) some curriculum improvements during 1973-74, (3) development of a five-year curriculum and facilities plan and (4) an evaluation by the Accreditation Commission for the Senior Colleges and Universities of the Western Association of Schools and Colleges which served to upgrade the academy from "correspondent" status to "candidate" status. The next step is full accreditation which could be achieved within a year or two under the proposed five-year plan.

Five-year Plan

A five-year academic and facilities plan has been developed and will be available for legislative review. The plan calls for an average 1974-75 enrollment of 313 increasing to 468 by 1978-79. The plan requires an immediate addition of at least 3.5 full-time equivalent (FTE) instructor positions to the current 19 FTE level. By 1978-79 (end of the five-year transition period) the academy would be on a four-year academic program consisting of approximately eight regular semesters, three 10-week sea training periods, a two-week internship and a final four-week seminar to prepare for license board examinations. A total of 27.5 FTE faculty positions would be required for the two fully accredited programs of Marine Engineering Technology and Nautical Industrial Technology (approximately 140 semester credit hours each). Existing classroom space is

reported as adequate for implementation of the plan although some minor classroom renovation and laboratory expansion would be required. We believe some facility expansion for faculty and administrative offices may also be required. Because the academy would continue its required student boarding policy, a new residence facility is the major cost item in the plan.

Need for Special Review

We recommend special review of the five-year program and facilities plan.

The Governor's Budget is not based on the five-year plan which has been under development by the academy. However, the budget states, "a request for a budget augmentation will be submitted to effect the implementation of the plan during the 1974-75 budget year."

We have consistently reported that continued delay in resolving the future of the academy provides few benefits to either the state or students. Our review of the proposed five-year plan indicates it is a comprehensive and viable policy alternative to prior considerations for closure of the academy or its transfer to the California State University and Colleges system. Therefore, we have requested the superintendent to be prepared to present his plan and funding details during budget committee hearings. Based on our understanding of the problems of the academy, we believe the special review should include considerations of the following:

1. Can enrollment estimates be met?
2. Will General Fund costs be reasonable?
3. What degree of continued federal support can be anticipated?
4. What are employment potentials for graduates?
5. What effect will the petroleum shortage have on sea training?
6. Must the Coast Guard licensing requirement be maintained for all students?
7. Is it necessary to require all students to be campus residents?
8. What potential exists for increased student charges and maritime industry support?

To further assist in the recommended special review, Table 2 presents historical statistics for CMA and Table 3 compares related 1973-74 estimates for all six maritime academies. Most of the information in Table 3 was compiled and reported by CMA staff at our request.

Table 2
California Maritime Academy
(Selected Statistics)

	1969-70	1970-71	1971-72	1972-73	1973-74 (est.)	1974-75 (est.)
Applications	212	179	214	195	230	—
Budgeted enrollment	252	250	250	230	240	260
Average enrollment	242	219	226	221	238	260
Gross cost/student	\$5,013	\$5,376	\$5,602	\$6,541	\$7,085 ^a	\$7,079
General Fund cost/student	\$3,339	\$3,613	\$3,507	\$4,561	\$4,908 ^a	\$4,925
Percent federal support	17.5% ^b	16.7%	17.5%	13.6%	13.0% ^a	13.0%
Percent state support	66.6%	67.2%	62.6%	69.7%	69.2% ^a	69.6%
Percent student fees	15.9%	16.1%	19.9%	16.7%	17.8% ^a	17.4%
Graduates	73	71	61	60	53	65

^a Total expenditures reduced by \$95,000 allocated for five-year plan development.

^b Steady decline from 27.2 percent in 1960-61.

Table 3
Comparative Statistics for Maritime Academies
(1973-74 estimates)

	<i>California</i>	<i>Maine</i>	<i>Massachusetts</i>	<i>New York</i>	<i>Texas</i>	<i>Kings Point</i>
Enrollment ^a	255	413	557	611	85	800
Capacity	275	500	700	900	150	1,000
Program length (years)	3	4	4	4	4	4
Budget totals	\$1,781,455	\$2,545,135	\$3,187,000	\$4,560,774	\$1,134,872	\$8,600,000
Capital investments	\$3,218,505	\$9,409,775	\$10,600,000	\$34,300,000	\$11,350,000	Unknown
Gross cost per student	\$6,633 ^b	\$6,163	\$5,722	\$7,464	\$13,351	\$10,750
Student costs	\$4,430 ^c	\$8,480	\$8,900	\$10,800	\$8,036	—
Maximum potential federally subsidized students	330 ^d	600	Unknown	1,004	140	Unrestricted

^a Fall enrollment.

^b Does not equal Table 2 gross cost per student figure because of different enrollment bases.

^c Total three-year cost at CMA; total four-year cost at other academies.

^d Would increase to 440 under four-year proposal.

Enrollment as shown in the Governor's Budget is based on the annual fall student count. Table 2 averages the fall and spring semester counts which we believe is a more valid presentation. The table shows an average increase in cost per student of approximately 11 percent between 1969-70 and 1973-74. A reversal of this trend is projected for 1974-75 resulting from a projected increase in enrollment. A relatively consistent decline in federal support is also apparent.

Table 3 shows California has a relatively low facilities investment in CMA. Gross cost-per-student statistics are not directly comparable. However, the reported figures tend to show an approximate cost range from which only Texas and Kings Point deviate significantly. The table also indicates enrollment at all academies falls short of their reported capacities.

Unallocated Funds Available for Other Purposes

Based on special legislative review and approval last year, the 1973-74 budget provides \$45,000 for contract services to develop a five-year curriculum and facilities plan and \$50,000 for initial academic program expansion in support of the approved plan. The Governor's Budget reports these funds as expended. However, the academy indicates that of the special \$45,000 authorization, \$29,095 was utilized for contract planning services with the California State University and Colleges, \$3,900 was utilized for a financial aid consultant and \$12,005 remains uncommitted. At this time of writing the special \$50,000 allocation is also unexpended and uncommitted. As a result, we believe the remaining \$62,005 from these two special allocations could be applied as an offset to any increased costs which may result from an approved program expansion.

Student Costs

We recommend that the academy governing board review and change, as deemed appropriate for 1974-75, its current tuition and fee schedules toward the ends that (1) tuition and fees be standardized for all resident students enrolled in the same academic program, (2) all federal subsidies be retained by the academy and (3) nonresident tuition and fees be revised to reflect actual costs. We also recommend that a report of this review, its future implications and any changes in 1974-75 tuition and fees be reported to the Joint Legislative Budget Committee prior to December 1, 1974.

Currently the academy receives a \$600 federal subsidy for each entering student up to a maximum of 110 students. This subsidy continues as long as the student is enrolled. CMA's policy has been to apply \$400 to the operating budget and give the student \$200. A student who does not qualify for the subsidy (for example when more than 110 are admitted as in 1973-74) does not receive the \$200 grant and must also contribute an

CALIFORNIA MARITIME ACADEMY—Continued

additional \$400 to make up the federal subsidy. This means that some resident students could actually pay \$600 more than other similarly qualified resident students particularly if enrollments were to increase as projected under the five-year plan. We believe this inequity should be eliminated and basic tuition and fee costs standardized for all admitted resident students.

Further, we find that CMA student costs when projected for a four-year program are 35 percent less than average student costs of all other state maritime academies. As a result, we believe some tuition and fee increase appears warranted. Nonresidents pay an additional \$900 over the three years. This total is about 60 percent below General Fund costs. Some increase in nonresident tuition also appears warranted based on these comparisons.

We have not specified any amount of potential state savings from tuition increases because these would depend, in part, upon the type and length of the program to be offered in the future. However, if tuition were increased by \$600 for all students now receiving the federal subsidy, additional reimbursements of \$150,000 would be generated by the 260 students budgeted for 1974-75 and CMA student costs would still be about 14 percent less than at other state academies.

Potential Food Service Savings

We recommend the academy investigate and report to the Joint Legislative Budget Committee prior to December 1, 1974, on costs and potential savings which could result from contracting food services through a private firm.

The 1974-75 budget contains \$292,925 to provide a residence facility and meals for academy students. With the exception of approximately \$6,000 in housekeeping expense, remaining program expenditures provide for meals and food service personnel. We cannot predict any specific savings potential at the academy but we find most higher education institutions advantageously utilize private food service contracts. Our recommendation would require the academy to consider and report on the feasibility of this program alternative.

Technical Budget Inconsistencies.

There are two technical problems which should be corrected.

1. *Special Repairs and Maintenance.* The budget narrative for the administration and institutional services program states that "\$40,000 for special repairs and maintenance items," are included in the budget. Although this was the intent, these funds were not included. We understand that this error may be corrected by administrative action.

2. *Student Aid.* The academy budget was augmented \$13,300 last year for matching requirements under several federal student aid programs. Although not reported in the budget, the academy indicates approximately \$9,500 will remain unspent for 1973-74. The remaining \$3,800 available cannot be expended until the related \$60,000 in federal matching funds are administratively added to the budget. Although we anticipate this action by the Department of Finance, at this writing it is still pending.

This same technical problem could occur in the 1974-75 budget because the \$13,300 allocation for student aid matching purposes is continued but the federal matching funds are not. We would suggest these funds be shown in the budget to eliminate the need for administrative action in 1974-75.

Budgeted Personnel Changes

The budget proposes to add one administrative services officer and a related clerk in the administration program and one clerk-typist in the instruction program. These positions are all administrative workload related.

BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES

Items 366-367 from the General Fund

Budget p. 226 Program p. II-578

Amount requested in Items 366-367	\$7,437,190
Community College apportionments ^a	307,329,173
Total available funds 1974-75.....	314,766,363
Estimated 1973-74 ^b	265,273,728
Actual 1972-73 ^b	192,080,592
Requested increase \$49,492,635 (18.6 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Personnel Services. Reduce \$17,000.* Recommend budgeting new positions at entry level. 953
2. *Contract Services. Augment \$17,000.* Recommend feasibility study for automating the apportionment activity and related reports. 954
3. *Credentials.* Recommend establishing a special fund for credentials fees. 955
4. *Facilities Planning Section.* Recommend addition of a principal architect position contingent upon enactment of reimbursement legislation. 956
5. *EOP. (Item 367).* Recommend implementation report on mandated cost effectiveness and priority allocation procedures. 957

^a Transferred to Board of Governors administration by Chapter 940, Statutes of 1973, effective July 1, 1974.
^b Community College apportionments formerly reported under the Department of Education have been included in past and current year totals for comparative purposes.

GENERAL PROGRAM STATEMENT

The Board of Governors of the Community Colleges was created by Chapter 1549, Statutes of 1967, to provide leadership and direction for the continuing development of community colleges as one segment within

CALIFORNIA COMMUNITY COLLEGES—Continued

the overall structure of public higher education in California. The board is composed of 15 members appointed by the Governor for four-year terms. The functions of this board are specifically designed to preserve local autonomy in the relationship between the board and the 69 governing boards of California's 97 community colleges.

The Chancellor's office is the administrative staff of the board. Small regional offices working under the occupational education unit are located in Los Angeles, Oakland, and Sacramento. The board serves primarily as a planning, coordinating, reporting, advising and regulating agency. It directly administers a credentialing program, the state-funded Extended Opportunity Program (EOP), certain aspects of federally funded occupational programs and, with the enactment of Chapter 940, Statutes of 1973, will administer state apportionments to community college districts beginning July 1, 1974.

Enrollments

Table 1 shows enrollment and average daily attendance (ADA) statistics since 1968. Community colleges are projecting an increase of 30,960 ADA (5.2 percent) for 1974-75.

Table 1
Student Enrollment and ADA in Community Colleges Since 1968

Year	Total enrollment	Fall graded students		Ungraded students	Total ADA	Percent increase ADA
		Full-time	Part-time			
1968-69.....	649,923	233,711	334,435	81,777	418,805	10.9%
1969-70.....	704,768	258,998	343,919	101,851	464,565	10.9
1970-71.....	825,129	282,388	269,553	173,188	517,339	11.3
1971-72.....	873,784	295,646	299,590	178,548	552,208	6.7
1972-73.....	921,953	281,740	429,216	210,997	573,593	3.9
1973-74 (est.).....	1,010,000	301,000	539,000 ^a	170,000 ^a	596,614	4.0
1974-75 (est.).....	1,075,000	310,000	590,000	175,000	627,574	5.2

^aMajor change due to elimination of adult permissive tax resulting from Chapter 209, Statutes of 1973.

The table projects an increased growth rate for 1974-75 in spite of the unanticipated actual decline in high school graduates now projected for 1974-75.

ANALYSIS AND RECOMMENDATIONS**Board of Governors Budget**

The board's total General Fund budget as proposed for 1974-75 is \$314,766,363. This includes \$1,266,690 (Item 366) for support of the board, \$6,170,500 (Item 367) for the extended opportunity program which is administered by the board and \$307,329,173 from continuing statutory authorizations consisting of (a) assistance to new community colleges (\$549,173) and (b) state aid apportionments to local districts (\$306,780,000). Table 2 sets forth total expenditure programs, positions and proposed changes.

Table 2
Board of Governors Program Budget Summary

Programs	Actual 1972-73	Estimated 1973-74	Proposed 1974-75	Change	
				Amount	Percent
I. Board of Governors Support (Item 366)					
Executive	\$345,864	\$408,320	\$441,242	\$32,922	8.1%
Programs and operations	\$1,549,290	\$1,799,872	\$1,980,564	\$180,692	10.0
II. Extended Opportunity Program (Item 367)	\$4,850,000	\$6,170,500	\$6,170,500	—	—
III. Community College Apportionments ^a					
Regular	\$186,260,262	\$257,637,500	\$306,780,000	\$49,142,500	19.0%
New district	—	326,370	549,173	222,803	68.3
Totals	\$193,005,416	\$266,342,562	\$315,921,479	\$49,578,917	18.6%
Funding Sources					
Support Budget Act appropriation ^b	\$970,330	\$1,139,358	\$1,266,690	\$127,332	11.2%
EOP Budget Act appropriation ^b	4,850,000	6,170,500	6,170,500	—	—
Reimbursements	222,673	245,734	285,979	40,245	16.4
Federal funds	702,151	823,100	869,137	46,037	5.6
District apportionment appropriations ^b	186,260,262	257,963,870	307,329,173	49,365,303	19.1
Totals	\$193,005,416	\$266,342,562	\$315,921,479	\$49,578,917	18.6%
Positions	89.3	99.3	105.3	6.0	6.0%

^a Previously reported under Department of Education. Transferred to Board of Governors for 1974-75 by Chapter 940, Statutes of 1973.

^b Sum of these three items equals total General Fund budget of \$314,766,363 for 1974-75.

The table shows a total of six new positions are being requested for 1974-75. However, and primarily because of positions administratively established during the current year and proposed for continuation, a total of 12 new positions are subject to legislative review for the first time.

New Positions Budgeted at Midrange

We recommend Personnel Services be reduced \$17,000 by budgeting new positions at the entry level.

Our review of the 12 new positions requested for 1974-75 indicates they have been budgeted at the average of the salary range rather than at the entry step. Normally, new positions are budgeted at the entry step unless there is a special need that would warrant otherwise. Since these positions are usually filled by new employees at the first step or by promoting employees in lower classes which creates salary savings, budgeting above the entry step for new positions would result in overbudgeting. There is a subsequent recommendation to utilize these funds for contract services.

I. BOARD OF GOVERNORS SUPPORT (Item 366)

Executive

A major reorganization affecting almost all staff activities took place during 1973-74. Changes were based in part upon recommendations developed by the program review branch of the Audits Division of the Department of Finance. Its report, published in September 1973, was generally critical of the performance of the board and Chancellor's office.

Changes in executive staffing include the assignment of the three major

CALIFORNIA COMMUNITY COLLEGES—Continued

operational units to one vice chancellor, leaving the legal counsel and director of governmental affairs reporting to the other vice chancellor.

A new unit, analytical studies, was created January 1, 1974 with 4.2 positions transferred from other units. The budget also proposes to transfer an administrator into this unit from financial services. In addition to these internal transfers, the budget proposes two new limited-term positions (to December 31, 1975) to assist in developing and collecting new census data as required by Chapter 209, Statutes of 1973.

A higher education specialist position in the Chancellor's office would be permanently abolished under the budget proposals.

A substantial proposed increase for rent anticipates the expansion, consolidation, and relocation of the Chancellor's office during 1974-75.

Programs and Operations

Table 4 summarizes the programs and operations budget with its proposed changes.

Table 4
Programs and Operations Budget Summary

Units	Actual 1972-73	Estimated 1973-74	Proposed 1974-75	Change	
				Amount	Percent
Administrative and fiscal services	\$347,863	\$467,066	\$524,555	\$57,489	12.3%
Academic and student affairs ^a	563,327	599,907	706,261	106,354	17.7
Occupational education.....	638,100	732,899	749,748	16,849	2.3
Totals	\$1,549,290	\$1,799,872	\$1,980,564	\$180,692	10.0%
Positions.....	70.7	82.7	86.7	4.0	4.8%

^a Less EOP awards

Administration and Fiscal Services Unit

This unit is headed by an assistant chancellor and is comprised of an administrative section, fiscal services section and a credentials office. The fiscal services section has been augmented by internal transfers and received four new administratively established positions on January 1, 1974. The budget proposes to continue these positions on a permanent basis and add two more for a total of six new positions. The two additional positions are directly related to the new apportionment function assigned by Chapter 940, Statutes of 1973.

EDP Potential

We recommend contract services be increased by \$17,000 for a feasibility study for automating the apportionment activity and related reports.

The highly technical apportionments activity was automated under the Department of Education. When this function was reassigned to the board, no EDP funding provisions were made and the Chancellor's office will implement a manual system on July 1, 1974. We question the capabilities of the assigned staff to continue the extensive reports traditionally associated with the apportionment process and we also believe costs could be reduced through automation. The feasibility study would determine

advantages, costs and savings among alternatives such as (1) manual operation, (2) contracting with the Department of Education for continued administrative services and (3) redesigning the data collection and reporting system based on the new budget and accounting manual approved by the board for implementation on July 1, 1974.

Credentials Office

We recommend the Chancellor's office establish a special fund for credentials fees to insure proper budgeting and reporting.

We reported last year that a special drawing account had been established by the Department of General Services for the deposit of credential fees. We found the legality of the administrative procedures which allowed deposits and withdrawals was clouded. We also found that a substantial unreported excess had been allowed to accumulate because there was no way to reflect this in the budget.

Based on our recommendation, a surplus of \$225,000 was transferred to the General Fund as of June 30, 1973. Using credential application estimates we believe about \$40,000 in excess revenues will be collected this year. Again this potential surplus is not budgeted. However, Budget Control Section 11.5, as established last year, provides for the transfer of any excess credentials fees to the General Fund.

Our recommendation would result in community college credentials fees being treated like fees received by the Commission for Teacher Preparation and Licensing for elementary and secondary teacher applications and this would require fund conditions with surplus to be reported in the budget. We believe the enactment of Chapter 1050, Statutes of 1973, implies legislative authority for the immediate establishment of the recommended fund.

Credentials Report

Based on our recommendation, the Legislature required the Chancellor's office to report on "(a) actual harms to community colleges which may result from the elimination of each and all credentials, and (b) savings potential based on contracting for credentialing administrative services from the Commission on Teacher Preparation and Licensing."

Information provided indicated no immediate or substantial cost savings would result from transfer of the administrative function and that legislation (SB 1225) has been introduced to give the Chancellor's office increased flexibility for relating the credentialing process to classroom teaching preparation.

Academic and Student Affairs Unit

This unit is to be headed by a new assistant chancellor and is comprised of an academic affairs section, facilities planning section and student personnel services section. In addition to the assistant chancellor, a specialist for handicapped would be added to the academic affairs section and a specialist in facilities planning would be added to the facilities planning section.

CALIFORNIA COMMUNITY COLLEGES—Continued**Academic Affairs Section Report**

We have recommended on page ____ that the functions and responsibilities of the Area Adult Continuing Education Coordinating Councils and Area Vocational Planning Committees be reviewed jointly by the Chancellor and the State Superintendent of Public Instruction to determine whether the two groups could be combined and to report their findings and recommendations to the Joint Legislative Budget Committee by December 1, 1974.

Facilities Planning Section Augmentation

We recommend the addition of a principal architect to the facilities planning section contingent upon the passage of Assembly Bill 2398.

This recommendation is based on a similar recommendation approved by the Legislature last year for a principal architect and one specialist in facilities planning. Although both positions were deleted by the Governor from the 1973 Budget Act, the specialist position is included for 1974-75.

In support of the architect we noted previously that, with some \$100 million a year expended on community college capital construction projects, we believe substantial savings to local and state taxpayers could result from this recommended addition. The Chancellor's office reports nine new campuses were in the planning and construction stages in the last year, four of the 97 existing colleges were moving into new campuses, and eight others were building substantial additions. The total requested capital outlay program for 1974-75 exceeds \$88 million.

The architect's duties would include consultation with districts and their architects on plans for campuses, buildings, traffic, grounds and on environmental impact reviews. The Chancellor's office, while required to review plans, now lacks the professional expertise to promote good community college architectural design and to consult with local architects on a professional level. The Chancellor's office has estimated potential savings from this position of between \$500,000 and \$1 million annually. These savings would be shared on the same average 50-50 state-local ratio now used for funding capital construction projects.

To provide funding for these positions last year we recommended an increase in the plans checking fees charged local districts. Our proposal was to change the fee from one-twentieth of 1 percent to one-seventh of 1 percent for specified projects and is now contained in Assembly Bill 2398. Enactment would produce an additional \$90,000 in annual reimbursements and more than offset the cost of this recommended position (approximately \$28,000).

Occupational Education Unit

This unit is headed by an assistant chancellor and is comprised of a program planning section and operations section. No personnel increases are proposed and expenditures would increase by 2.3 percent in 1974-75. All 30.5 positions and operating support are fully reimbursed from federal funds.

II. EXTENDED OPPORTUNITY PROGRAM (Item 367)

This program was initially funded by the 1969 Budget Conference Committee and subsequently defined by Chapter 1479, Statutes of 1969. It requires special community college programs to (1) identify students affected by language, social, and economic handicaps, (2) establish and develop services, techniques, and activities directed to recruiting and retaining such students in community colleges, and (3) stimulate student interest in intellectual, educational, and vocational attainment.

Table 5 summarizes the EOP program since its inception.

Table 5
Extended Opportunity Program Summary

<i>Year</i>	<i>Annual appropriation</i>	<i>Students served</i>	<i>Average expenditure/student</i>
1969-70.....	\$2,870,000	13,943	\$206
1970-71.....	4,350,000	19,725	221
1971-72.....	3,350,000	19,459	172
1972-73.....	4,850,000	19,800	245
1973-74 (est.).....	6,170,500	24,142	256
1974-75 (est.).....	6,170,500	24,298	254

The 24,142 students served in 1973-74 represent 4 percent of average daily attendance. The table indicates that the average expenditure per student would decline under the decision to continue the current year funding level into the budget year.

EOP Program Cuts

Last year the Governor's Budget provided a 5.4 percent EOP inflation allowance. There are no similar provisions this year.

In addition, we pointed out last year that the budget failed to maintain the same percentage of community college students being assisted because no allowance was made for overall community college enrollment growth. Our recommended augmentation was approved and increased by the Legislature and an additional \$1,056,000 was ultimately authorized in the Budget Act. This year approximately \$582,000 would be required to provide for both a 5-percent cost-of-living increase and a 5.2-percent ADA growth. That is, a total appropriation of \$6,752,700 would support 25,103 EOP students at an average expenditure of \$269.

We have not made a recommendation for augmentation this year because of potential impacts of the federal Basic Opportunity Grant Program and related recommendations for the development of a master plan for the coordination and integration of all publicly funded student aid programs which are discussed in our analysis of the State Scholarship and Loan Commission budget.

EOP Reports

We recommend an implementation report on the procedures established to permit annual evaluation of EOP projects and allocation of funds on a cost-effective and priority basis be submitted to the Joint Legislative Budget Committee by December 1, 1974.

The supplementary report of the Committee on Conference Relating to the Budget Bill directed the Chancellor of the California Community

CALIFORNIA COMMUNITY COLLEGES—Continued

Colleges "to develop, publish, and require districts to report standardized data which will permit annual evaluation of EOP projects and allocation of funds on a cost-effective basis. A report on the progress toward full implementation in 1974-75 will be submitted to the Joint Legislative Budget Committee." We reported last year that the progress report indicated program and cost-effective guidelines were being developed to include a working definition for cost effectiveness and the degree to which EOP components provide effective support for a disadvantaged student to complete 24 units in an academic year.

In addition, the 1973 Budget Act and 1974 Budget Bill provides that the Board of Governors shall allocate EOP funds "on a priority basis and only to local programs which demonstrate their effectiveness and which have the most pressing need for financial aid for students."

Our recommendation would require implementation information on both of these previously mandated policies.

Other Reports Received

The supplementary report of the Committee on Conference Relating to the 1973 Budget Bill required (1) the Chancellor's office to report on the "types of courses being taken by EOP students and their relative academic performance" and (2) the Board of Governors to recommend "what steps may be taken to increase participation in community college agricultural and agribusiness-related classes by students from racial and ethnic groups presently underrepresented in California agribusiness, and how careers in agribusiness may be made more attractive to such students." These reports have been received and are under staff review at this time.

III. COMMUNITY COLLEGE APPORTIONMENTS

As a result of Chapter 940, Statutes of 1973, responsibility for the administration and preparation of various reports relating to state support of local community college districts was transferred from the Department of Education to the Board of Governors. The system of apportionments is controlled by constitutional and statutory provisions and has three components:

1. *Derivation.* The amount of money authorized for annual transfer from the General Fund to the State School Fund for support of community college districts is referred to as the derivation of the fund. The derivation formulas are based on certain statutory and constitutional amounts per pupil in average daily attendance (ADA) in the preceding year. The statutory rate bears no relationship to the current level of school district expenditures; rather it is simply an automatic device to facilitate the annual transfer of funds. Under current law the maximum amount authorized for transfer is \$402.72 per ADA.

2. *Distribution.* After the State School Fund is derived, it is distributed into various categories for educational programs and activities specified by statute.

3. *Apportionment.* The total amount authorized for transfer from the General Fund to the State School Fund is allocated to local community college districts on the basis of apportionment formulas.

The major component is the foundation program which is designed to guarantee from state and local funds a prescribed level of financial support

for all public school pupils. It is important to note that the foundation program does not represent the total amount spent by school districts for each unit of ADA but merely guarantees a minimal level of support.

The foundation program consists of the following three elements:

(a) **Basic Aid.** Existing law requires that basic aid of \$125 per ADA be paid from state funds to all districts of the state regardless of their relative wealth, as measured by assessed valuation.

(b) **District Aid.** In each district of the state a computational tax rate of \$0.39 for regular community college students and \$0.24 for defined adults is used to determine the local contribution to the foundation program. It is important to note that district aid is a measure of the relative financial ability of a school district and does not represent the total amount of local support to be raised by school district taxes.

(c) **Equalization Aid.** The third component of the foundation program is state equalization aid. The amount of state equalization paid to a school district is determined by subtracting the sum of basic aid plus district aid from the guaranteed total foundation program. Districts in which the combined total of basic and district aid exceed the guaranteed foundation program level do not receive state equalization aid.

Recent Changes

Enactment of Chapter 209, Statutes of 1973, provided \$66.5 million in new state funds for community college programs and tax relief. It provided for an increase in the regular foundation program from \$643 per ADA to \$1,020 and for community college defined adult ADA from \$520 to \$556. It also provided for annual cost-of-living adjustments in the program. An increase of \$46.7 million in regular apportionments as shown in Table 6 results from this statute.

Table 6
Apportionment Estimates Summary
1972-73 to 1974-75

	Actual 1972-73 ^a	Estimated 1973-74 ^a	Proposed 1974-75	Change	
				Amount	Percent
Regular Apportionments:					
13-14 basic aid	\$58,109,625	\$58,875,000	\$61,854,000	\$2,979,000	5.1%
13-14 equalization aid	98,606,217	167,441,200	204,914,500	37,473,300	22.3
Adult basic aid	13,205,625	13,662,500	14,710,000	1,047,500	7.7
Adult equalization aid	12,576,881	13,308,800	18,510,500	5,201,700	39.1
Totals	\$182,498,348	\$253,287,500	\$299,989,000	\$46,701,500	18.4%
Special Education:					
Physically handicapped	\$664,263	\$750,000	\$900,000	\$150,000	20.0%
Mentally retarded	4,811	42,500	85,000	42,500	100.0
Special transportation	851	7,500	15,000	7,500	100.0
Totals	\$669,925	\$800,000	\$1,000,000	\$200,000	25.0%
Special Apportionments:					
State Teachers' Retirement System increase	\$2,939,389	\$3,550,000	\$4,430,000	\$880,000	24.8%
Community college hand- capped adults	232,822	1,629,000	1,361,000	-268,000	(16.5)
Assistance to new commu- nity colleges	—	326,370	549,173	222,803	68.3
Totals	\$3,172,211	\$5,505,370	\$6,340,173	\$834,803	15.2%
GRAND TOTALS	\$186,645,684	\$259,592,870	\$307,329,173	\$47,736,303	18.3%

^a Previously reported under Department of Education; transferred to Board of Governors effective July 1, 1974, by Chapter 940, Statutes of 1973.

Table 7
Summary of Fiscal Support for Community Colleges Since 1969

	<i>Actual</i> 1969-70	<i>Actual</i> 1970-71	<i>Actual</i> 1971-72	<i>Actual</i> 1972-73	<i>Estimated</i> 1973-74	<i>Projected</i> 1974-75	<i>Change</i>	
							<i>Amount</i>	<i>Percent</i>
Average daily attendance	464,565	517,339	552,208	573,593	596,614	627,574	30,960	5.2%
Total expense (in millions)	\$376.5	\$451.0	\$509.9	\$552.0	\$612.0	\$680.0	\$68.0	11.1
Total expenditure per student.....	\$811	\$875	\$923	\$962	\$1,026	\$1,084	\$58	5.7
Total state allocation (in millions)	\$126.8	\$162.6	\$175.9	\$186.6	\$259.6	\$307.3	\$47.7	18.3
State allocation per student	\$273	\$315	\$319	\$325	\$435	\$490	\$55	12.6
Percent state allocation to total expense	34%	36%	35%	34%	42%	45%	3%	7.1

The relationship since 1969 of total state support to average daily attendance and total community college expense is summarized in Table 7.

Other Chapter 209 Features

In addition to the funding provisions discussed above Chapter 209, Statutes of 1973, included a local revenue control mechanism designed to limit the future growth in school expenditures and related property tax rates based upon revenues received in the 1973-74 fiscal year. The theory of the control mechanism is that poor districts are allowed to increase their revenue limits at a greater rate than more wealthy districts so that within a period of years expenditure per ADA in all districts will be nearly equal. The ceilings may be exceeded with local funds if specifically authorized in a district election.

Another feature of the legislation with potential fiscal implications is a requirement that the Board of Governors, with the approval of the Department of Finance, establish uniform census weeks and drop dates for purposes of determining annual apportionment ADA. This effort is currently underway and will be completed by July 1, 1975.

STATE SCHOLARSHIP AND LOAN COMMISSION

Items 368 and 369 General Fund.

Item 370 Guaranteed Loan Reserve Fund.

Item 371 Real Estate Fund.

Budget p. 228 Program p. II-621

Amount requested in Items 368-371	\$41,087,246
Carryover from Chapter 1112, Statutes of 1973	1,927,800
Total available funds 1974-75.....	43,015,046
Estimated 1973-74.....	38,723,359
Actual 1972-73	28,494,573
Requested increase \$4,291,687 (11.1 percent)	
Total recommended reduction	None

STATE SCHOLARSHIP AND LOAN COMMISSION—Continued

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

- 1. Research Program Studies. Recommend two specified studies be continued on an alternating-year schedule. 963
- 2. Master Plan. Recommend preparation of a master plan for the administration and coordination of all publicly funded student aid. 965
- 3. Scholarship Program. Recommend subsequently identified savings be utilized to fund the number of new scholarships prescribed by law and that any remaining savings be applied toward the maintenance of the commission's estimated average award level. 967
- 4. Graduate Fellowship Program. Recommend manpower need information be obtained from other specified cognizant agencies. 970
- 5. Medical Contract Program. Recommend \$724,200 in unreported savings be reappropriated for purposes of scholarship program augmentations. 973
- 6. Clinical Internship Program. Recommend \$215,000 in unreported savings be reappropriated for purposes of scholarship program augmentations. 974

GENERAL PROGRAM STATEMENT

Statewide student financial assistance programs are provided through the State Scholarship and Loan Commission. The commission consists of nine members appointed by the Governor to represent public and private institutions of higher education as well as the general public. The commission was first established in 1955 to administer the State Scholarship Program. Since then, eight additional programs have been implemented under the commission's administrative cognizance. In addition, a Bilingual Teacher Development Grant Program was established by Chapter 1096, Statutes of 1973, but has not been funded.

ANALYSIS AND RECOMMENDATIONS

Funding for the commission incorporates the following Budget Bill items. Item 368 funds all administrative and support type expenses. Item 369 funds all student awards and institutional payments. Item 370 appropriates funds from interest earned on federal deposits to offset administrative costs of the Guaranteed Loan Program. Item 371 appropriates interest from a Real Estate Fund endowment to support the Real Estate Scholarship Program.

<i>Item</i>	<i>Funding Source</i>	<i>Amount</i>
368	General Fund	\$1,394,741
369	General Fund	39,666,411
370	Guaranteed Loan Reserve Fund	21,094
371	Real Estate Fund	5,000
	Subtotal	<u>\$41,087,246</u>
	Continued appropriation, Medical Contract Program	1,927,800
	Total proposed expenditures	<u>\$43,015,046</u>

It should be noted that Medical student contract program awards were funded through the budget in 1972-73 (\$660,000) and in 1973-74 (\$1,203,600). Administrative support will still be funded through the budget process in 1974-75 but awards will be funded through 1977-78 by an appropriation of \$12,863,400 contained in Chapter 1112, Statutes of 1973. As shown in the above schedule, \$1,927,800 of the total appropriation is scheduled for expenditure in 1974-75.

Expenditures identified in the Governor's Budget as "administration distributed" include only executive and central staff costs. Administrative costs for each program are not shown. In contrast, our analysis will focus on (1) all administrative costs (commission personnel, operating expense and equipment) and (2) amounts expended on award and contract programs.

A summary of administrative costs, award and contract programs, funding sources, personnel positions and proposed changes are set forth in Table 1. For continuing operation of the commission, and all its programs, \$43,015,046 is budgeted for 1974-75. Of this amount \$42,988,952 is from General Fund sources. This represents an increase of \$4,285,114 or 11.1 percent over estimated 1973-74 General Fund expenditures.

I. ADMINISTRATION

Research Program Studies

We recommend the student resources survey and student aid inventory be conducted in alternating years and submitted prior to February 15.

A research program is included under the administrative category and consists of two permanent and one temporary positions. Estimated 1973-74 expenditures of \$65,832 would be increased to \$68,107 in 1974-75.

A student aid inventory is currently required on an annual basis with a report due prior to December 1. There are no provisions for continuing the student resources survey. Workload experience indicates these two extensive data collection efforts should not be undertaken in the same year. Further, we believe a report every other year would be sufficient as a data base and for trend analyses.

In addition, the commission informs us that campus data collection problems preclude a December 1 report as now directed. Although our recommended February 15 date would not provide information in time for publication in the Governor's Budget or Analysis, it would be available for subsequent policy considerations and reference during the annual budgeting process.

Our recommendation also assumes the advisory committee will review and refine future collection and reporting techniques of both publications. For example, we believe statistically valid matrix sampling techniques and automated analyses can be employed with future student resources surveys for substantial savings.

Table 1
Scholarship and Loan Commission Budget Summary

<i>Programs</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>Amount</i>	<i>Percent</i>
I. Administration and Support.....	\$1,073,392	\$1,290,599	\$1,416,585 ^a	\$125,986	9.8%
II. Awards and Contracts					
1. State scholarships	21,335,520	28,097,190	31,861,941	3,764,751	13.4
2. Graduate fellowship.....	948,207	1,000,000	1,000,000	—	—
3. College opportunity grants	3,974,554	6,111,970	6,111,970	—	—
4. Occupational training	—	500,000	677,500	177,500	35.5
5. Guaranteed loan	—	—	—	—	—
6. Peace officers	2,900	20,000	15,000	-5,000	(25.0)
7. Medical contract.....	660,000	1,203,600	1,927,800	724,200	60.2
8. Clinical internship	500,000	500,000	—	-500,000	(100.0)
9. Real estate scholarships	—	—	4,250	4,250	100.0
Subtotals, awards and contracts	\$27,421,181	\$37,432,760	\$41,598,461 ^b	\$4,165,701	11.1%
Grand totals (I plus II)	\$28,494,573	\$38,723,359	\$43,015,046	\$4,291,687	11.1%
<i>Funding Sources</i>					
General Fund.....	\$28,479,925	\$38,703,838	\$42,988,952	\$4,285,114	11.1%
Guaranteed Loan Fund.....	14,648	19,521	21,094	1,573	8.1
Real Estate Fund.....	—	—	5,000	5,000	100.0
Totals	\$28,494,573	\$38,723,359	\$43,015,046	\$4,291,687	11.1%
<i>Positions</i>	88.2	94.8	97.2	2.4	2.5%

^a Budget Bill Item 368 plus Item 370 which is totally expended for administrative purposes plus \$750 of Item 371 which is scheduled for administrative support.
^b Total of Budget Bill Items 369 and \$4,250 of Item 371 plus a continuing appropriation of \$1,927,800 authorized by Chapter 1112, Statutes of 1973.

Student Aid Master Plan

We recommend the State Scholarship and Loan Commission in coordination with the staff of the Postsecondary Education Commission prepare a master plan for the administration and coordination of all publicly funded student aid. We also recommend an interim progress report to the Joint Legislative Budget Committee by November 15, 1974, with a final recommended plan due June 30, 1975.

State student aid programs are increasingly characterized by their number and lack of coordination. New programs and several proposals to expand existing programs are also being considered by the Legislature.

In addition to the eight programs administered by the commission there are other state-funded programs (e.g., EOP) being administered by higher education institutions. In addition to state and institutional programs, there are several traditional federal student aid programs and the new Basic Opportunity Grant (BOG) program. As we subsequently explain, BOG is already having a major impact on funding decisions in the state scholarship and college opportunity grant programs.

Each student aid program has its own set of administrative regulations, reports, need analyses and effectiveness indicators. This causes duplication and confusion.

Guidelines for measuring and meeting a student's actual need by combining separate grant, scholarship, loan or employment programs are poorly developed and vary between campuses. Disparities in staff size, counseling competence and campus administrative organizations were recent undesirable findings of the Assembly Ways and Means Subcommittee on the Administration of Student Financial Aid.

This uncoordinated complexity has serious implications. For example, the commission has concluded that California's current multiform student aid delivery systems will continue to increase the amount of confusion among applicants, parents, educators, recipients, and counselors. Not only is the potential for mismanagement increased but indications are that some students may be getting more money than they need through program duplication. Others may not get assurances of support when enrollment or reenrollment decisions need to be made while too many are probably underfunded or not funded at all.

Our recommendation would require the commission to develop a master plan for public student aid to include (1) specified and integrated objectives for all state programs, (2) coordinating guidelines for federal, state, segmental and institutional programs and (3) recommendations for combining, eliminating or strengthening existing programs and for new programs to fill unmet needs. The plan should also (4) develop and recommend standardized reporting and need analysis procedures and (5) prescribe the appropriate levels of administration (i.e., state, regional, segmental or institutions) staffing and training for all state-funded programs. Inherent in such a plan would be considerations concerning appropriate levels of state assistance to students at private universities and colleges.

STATE SCHOLARSHIP AND LOAN COMMISSION—Continued**Unauthorized Position Established**

Section 20 of the annual Budget Acts prohibits the continuation of authorized positions which were vacant continuously between October 1 and July 1 of the prior year. Prior to 1972-73 this prohibition could be waived in writing by the Department of Finance but the Legislature specifically deleted this power in the Budget Act of 1972.

A program assistant position was vacant continuously during the period October 1, 1972, to July 1, 1973, and was abolished but the Department of Finance administratively reestablished the position on September 6, 1973. Although our review of the position indicates it is justified on a need basis, we cannot recommend unauthorized administrative actions which tend to compromise the integrity of the budget process.

Commission Staff Growth Slowed

We objected to the commission's clerical workload formulas last year because they (1) were mathematically invalid and inconsistent for weighting the various workload functions actually performed, (2) used workload constants developed in 1967-68 thereby eliminating any subsequent economies of scale, (3) did not include supervisory and administrative staff who were budgeted separately, (4) failed to encourage automation, and (5) were unnecessarily complex for budgeting purposes. As a result some minor reductions were made in personnel requests and the Department of Finance was encouraged during budget hearings to support fully the commission's proposals for automation planning and implementation.

This year's limited staffing request presumes economies of scale, benefits from automating the scholarship program and the combination and/or elimination of certain program activities. In addition, \$45,000 has been provided for automating scholarship payments during 1974-75. Establishing a new workload formula during this transition period is difficult and we have not been provided the basis for the proposed increase of 2.4 new positions (1.4 are temporary help positions). We anticipate new workload formulas will be developed during the budget year.

II. AWARDS AND CONTRACTS**1. State Scholarship Program**

This program was established in 1955 when the State Scholarship and Loan Commission was created. Scholarships are granted to academically able students who are in need of financial assistance to meet their tuition and fee costs. Award levels are determined for each student on the basis of standardized need assessment formulas and procedures established by the College Scholarship Service of the College Entrance Examination Board. Once an initial award is granted, a student may apply for annual renewal if he maintains academic eligibility and continues to meet financial need standards. Awarded scholarships are held in reserve for students while they are attending a community college.

We suggested last year that some workload economies could result and the fiction of the "state honor roll" would be eliminated if the preliminary notification to "semifinalists" (about 75 percent of all applicants) was

eliminated. This is one of several administrative improvements made by the commission during the current year. Because applicants now submit a financial need statement at the time of application, the commission reports less confusion and earlier award announcements.

Table 2 summarizes the history of the state scholarship program since 1969-70.

Table 2
Summary of State Scholarship Program Since 1969

Year	Number of high school graduates	New state scholars	Total awards	Average award
1969-70.....	288,900	5,778	13,541	\$816
1970-71.....	301,100	6,023	15,914	829
1971-72.....	307,100	9,214	20,201	804
1972-73.....	317,415	9,526	23,090	924
1973-74 (est.).....	319,790	11,193	27,403	1,025
1974-75 (projected).....	315,436	12,617	32,134	992

The table indicates the Department of Finance has projected a reversal in the historic annual increase in the number of high school graduates. This reversal was unanticipated at this time and has implications for all higher education activities. We discuss below how the projected increase in the number of new state scholars results, in part, from recent legislation and how the decline shown in the average award is a result of new executive policies based on assumptions about the impact of the federal Basic Opportunity Grant program.

Scholarship Program Reductions

We recommend that subsequently identified savings be utilized to fund the number of scholarships at the level prescribed by Chapter 1034, Statutes of 1973, and that any remaining savings be utilized to fund the program up to the estimated workload level.

Two subsequent recommendations identify and recommend that unreported estimated savings totaling \$939,200 be applied to offset scholarship reductions proposed in the Governor's Budget. Our first augmentation priority would be to fund recent legislative policy. Chapter 1034, Statutes of 1973, increased the number of new state scholarships from 3.5 percent to 4.25 percent of the previous year's high school graduates and the maximum award on January 1, 1974, from \$2,200 to \$2,500. However, the Governor's Budget would limit the increase to 4 percent. This is a reduction of 789 new awards. Therefore, at the average proposed new award estimate of \$1,027 an augmentation of \$810,300 would be required to fully fund the number of awards prescribed by Chapter 1034.

For the first time this year the budget also assumes an impact of the federal Basic Opportunity Grant (BOG) program and reduces the average state scholarship grant by \$42. However, Section 31204 of the Education Code states, "It is the policy of the Legislature that any funds for scholarships for California college students received from the federal government shall be considered as supplemental and additional to the California state scholarship program." We believe the budget disregards this

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legislative policy.

An augmentation of \$1,382,800 would be required to fully offset the BOG reduction for all scholarship recipients including the additional 0.25 percent of high school graduates discussed under our first augmentation priority. However, we place a lesser priority on the need to replace this reduction because, as shown by Table 3, the commission has substantially overbudgeted the average grant level for the two most recent years for which actual expenditures are available.

Table 3
Average Scholarship Award Level Budgeted to Actual

Year	Budgeted	Actual	Difference
1971-72	\$875	\$804	\$71
1972-73	1,002	924	78

The table shows that actual average awards were more than \$70 below the workload levels estimated and budgeted by the commission. If similar conditions hold for 1974-75, the \$42 BOG reduction could be offset within the proposed funding level. However, to hedge the possibility of underfunding and to clearly counter a questionable new executive policy we recommend that any additional savings resulting from our subsequent recommendations be applied as a second priority to the average award level for purposes of offsetting the BOG reduction.

Increasing Subsidies for Private Universities and Colleges

One of three objectives reported for the state scholarship program notes it was initiated and expanded by the Legislature to assist California's independent colleges by (a) increasing the number of students able to attend and (b) maintaining enrollment levels. The budget then sets forth seven specific benefits in relation to the stated objectives for assisting private colleges. It is estimated that 30 percent of all freshmen in private institutions in fall 1973 received state scholarship support. The budget also states the scholarship program "encouraged these institutions to grow in size and to develop more physical facilities." We have previously questioned the level of state benefits and savings implied by diversion of students from public to private institutions particularly as enrollment pressures subside in the public segments leaving underutilized instructional capacities and physical facilities.

Table 4 shows how the major student aid programs are providing more state dollars each year to private universities and colleges.

Table 4
State Student Aid Funds at Private Universities and Colleges
(in thousands)

Program	1971-72	1972-73	1973-74	Change from 1971-72	
				Amount	Percent
State Scholarship	\$13,816	\$17,743	\$22,428	\$8,612	62.3%
College Opportunity Grant	455	994	1,880	1,425	313.2
Graduate Fellowships.....	301	782	826	525	174.4
Totals	\$14,572	\$19,519	\$25,134	\$10,562	72.5%

In 1973-74 the dollars shown in Table 4 for the scholarship and fellowship programs represented approximately 79 percent of total award funding; the corresponding statistic for the COG program was 32 percent. Projections for 1974-75 are not available but recent trends are expected to continue. However, because average individual awards are higher at private universities and colleges, substantially fewer students are supported than at public institutions for any given level of dollar support. For example, the COG program, which recognizes community colleges as the least expensive level of California higher education and requires that the program's emphasis be on education initiated primarily at the community college level, will assist 1,901 community college and 791 private college students in 1973-74. State funds required to support the 791 private students could support an additional 2,140 community college students.

Tuition Gap

Private institutions desire more state subsidy based on the tuition gap. That is, in the 1950's student fees at public institutions were less than \$200 and private tuition and fees averaged less than \$1,000. The competitive gap was relatively small. The Association of Independent California Colleges and Universities indicates that average annual tuition and fees of its members increased to \$2,434 by 1973-74 whereas public institutions maintained low or no tuition policies. Thus, an average four-year tuition gap will probably approach \$10,000 in 1974-75.

We believe tuition gap offsets and state subsidy policies for private institutions should be based on written legislative policy. However, an appropriate level of state support has never been established and there are no legislative mandates or specific objectives to guide the development or expansion of state subsidies to private universities and colleges. Our earlier recommendation for the creation of a student aid master plan should result in public policy recommendations relating to the tuition gap and subsidy problem.

2. Graduate Fellowship Program

Financial assistance to graduate students began in 1965 with the establishment of the Graduate Fellowship program. The original goal of the program was to increase the supply of candidates for college and university faculties. Chapter 1597, Statutes of 1971, eliminated the teaching objective and redesigned the program to parallel the objectives of the State Scholarship Program. Table 5 summarizes the recent history of the fellowship program.

Table 5
Summary of Graduate Fellowship Program Since 1969

<i>Year</i>	<i>Applicants</i>	<i>Total awards</i>	<i>Average award</i>
1969-70	1,475	797	\$880
1970-71	3,028	938	933
1971-72	3,661	384 ^a	862
1972-73	4,154	569	1,666
1973-74 (est.)	4,522	638	1,567
1974-75 (proposed)	4,900	600	1,666

^a Old program terminated

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Table 5 indicates the budgeted awards have been adjusted to continue the 1973-74 funding level of \$1 million.

Manpower Need Information

We recommend the commission request and utilize manpower need information from the California Postsecondary Education Commission and/or the California Advisory Council on Vocational Education and Technical Training for purposes of weighting award considerations in the Graduate Fellowship and Occupational Training Grant Programs.

One feature of the new fellowship program and an original requirement in the occupational training grant program was a requirement to consider critical manpower needs in making student awards. The commission currently possesses neither the capacity nor expertise in the manpower field. While its efforts to implement this charge have been extensive, they also have been costly in time and effort and have not taken full advantage of the manpower specialization of other public agencies. Our recommendation would require the commission to seek and utilize manpower need data developed by agencies which are charged with this specialization.

Recent Administrative Changes

We noted in our analysis last year that 41 students were receiving support beyond four years of graduate education and up to the eighth year of such training. We suggested a time limit on support. The commission has subsequently established guidelines restricting all initial awards to the first two years of graduate study. Renewals cannot exceed four years.

Underfunding May Be Warranted

Historically we have reported that this program is funded below the legislative mandate of two percent of baccalaureate degrees awarded by California institutions of higher education. We assumed that graduate students, particularly those beyond the normal two year master's programs, were recipients of considerable special aid such as teaching and research assistantships. These assumptions were verified by the recent "Student Resources Survey" which indicated that during the 1971-72 fiscal year 5,251 of the University of California's 63,740 respondents received graduate teaching or research assistantships during the academic year averaging \$2,220 and 2,467 received assistantships averaging \$1,120 during the summer. Of the 47,252 respondents in the state university and colleges system, 994 received assistantship support averaging \$910 during the regular terms and 608 received average summer earnings of \$750 from assistantships.

3. College Opportunity Grant Program

The College Opportunity Grant Program (COG) authorized by Chapter 1410, Statutes of 1968, has the goal of increasing access to higher education for disadvantaged students. To accomplish this goal the program was established as a four-year pilot demonstration to assist disadvantaged students who are selected by experimental methods and subjective judg-

ments as well as more conventional academic methods.

Chapter 1406, Statutes of 1971, increased the number of new grant awards from 1,000 to 2,000 for each year from 1972-73 through 1976-77 thereby extending the original program. Table 6 summarizes COG participation and average awards since the program began in 1969.

Table 6
Summary of College Opportunity Grant Program Since 1969

<i>Year</i>	<i>Number of applicants</i>	<i>Number of new grants</i>	<i>Total grants</i>	<i>Average grant</i>
1969-70.....	2,034	1,000	1,000	\$833
1970-71.....	4,092	1,000	1,720	869
1971-72.....	5,926	1,000	2,393	941
1972-73.....	8,929	2,000	3,811	1,043
1973-74 (est.).....	9,341	2,000	4,757	1,266
1974-75 (projected).....	10,000	2,000	5,494	1,114

Average Grant Award Decreased

For the first time this year the budget assumes some impact of the federal Basic Opportunity Grant Program (BOG). The budget would reduce the fully funded program by \$906,344 and the average grant by \$165. It is obvious that the decision to fund this program in 1974-75 at the exact 1973-74 levels (\$6,111,970) is not based upon precise information on the actual impact of BOG. However, we have not recommended an augmentation for this program as we did for the scholarship program because (1) the COG program helps many low-income students who will also be helped by the BOG program and (2) there are no legislative directions to treat federal aid as supplementary in this program. Nevertheless, we are concerned by the size this unsubstantiated reduction of \$906,344.

Community College COG Participation Declines Further

We have questioned for the last two years whether the statutory objective of supporting students whose destination is community colleges was being effectively accomplished. Implementing statutes recognize the community colleges as the least expensive level of California higher education and set forth the intent "that the additional opportunities for education provided (by the COG program) shall be initiated primarily on the community college level." The budget indicates only 20 percent of the funds appropriated for this program in 1973-74 were expended at community colleges.

Our traditional concerns have also been substantiated by the recent "Student Resources Survey" which reported that (1) community colleges represent the largest segment of higher education participation, (2) substantial costs are related to community college attendance, (3) minority and low-income groups have the greatest community college participation, and (4) this segment receives the smallest amount of institutionally controlled student aid support.

However, with the expansion of BOG expenditures in 1974-75 the commission estimates very few community college students may qualify for COG awards because their need may be totally met by the increased federal award. Although community college student need could be met

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by the federal program, two other concerns arise. First, California will receive a substantially lower level of federal student aid subsidy because of its no-tuition policy at community colleges. Second, the commission now restricts some COG recipients to community colleges in order to meet a requirement that 51 percent of all new awards go to community college enrollees. Therefore, if the BOG program has the anticipated impact in 1974-75 and thereafter it will be increasingly difficult to adhere to the 51 percent mandate.

4. Occupational Training Grant Program

This program was established by Chapter 987, Statutes of 1972. Its objectives include assistance to financially needy students who desire to undertake postsecondary occupational training. Grants up to \$2,000 for tuition and \$500 for related training costs may be approved. Chapter 442, Statutes of 1973, changed the title of this program to the Bill Greene Occupational Training Scholarship Act.

During 1973-74, the first year of the program, 500 grants were awarded at an average level of \$870. The budget year will include an estimated 299 renewals in addition to 500 new grants. The commission has estimated the average award level at \$848 for 1974-75.

5. Guaranteed Loan Program (Item 370)

This program was authorized in 1966 to provide central state administration for a federal loan program. The program was designed to provide low-interest loans to college students. All federal funds were encumbered in 1967 and since that time the commission has been unable to guarantee additional loans. The present function of the state program is to provide necessary administrative services for outstanding loans. The federal government has directly administered subsequent loan programs.

Funding is from a special appropriation (Item 370) from the State Guaranteed Loan Reserve Fund. The \$21,094 proposed for administrative support in 1974-75 is reimbursed from earned interest generated by federal funds deposited in the special fund reserve. This reserve fund is used to offset loan defaults.

6. Dependents of Deceased or Disabled Peace Officers

This program was authorized by Chapter 1616, Statutes of 1969, but was not funded in 1970-71. Chapters 919 and 920, Statutes of 1971, funded the program at \$20,000 and opened eligibility to dependents of totally disabled as well as deceased peace officers. Chapter 290, Statutes of 1973, broadened the peace officer classification to include specified officers and employees of the Department of Corrections and Department of Youth Authority. The program goal is to assure a college education for financially needy dependent children of peace officers totally disabled or killed in the line of duty. The budget includes \$15,000 for stipends on the assumption there will be 15 grants averaging \$1,000. Three grants were awarded in 1972-73 and in 1973-74.

7. Medical Contract Program

This program was authorized by Chapter 1519, Statutes of 1971. The program goal is to increase the number of physicians and surgeons graduated by private medical colleges and universities in California. The commission is authorized to contract with private institutions for state payments of \$12,000, minus federal capitation grants, for each student enrolled above a 1970-71 enrollment base. The budget indicates 118 students were contracted for in 1973-74 at \$10,200 (\$12,000 less \$1,800 federal capitation grant) for a total of \$1,203,600. Chapter 1112, Statutes of 1973, provided \$12,863,400 to the commission to provide funding based on a schedule of program growth through 1977-78.

Table 7 sets forth a summary of the program as funded.

Table 7
Medical Contract Program Summary of Students Funded

	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78
Loma Linda University	30	60	90	120	127	120
Stanford University	11	22	33	44	50	50
University of Southern California	14	36	66	104	128	144
Totals.....	55	118	189	268	298	314

The table indicates that the amount appropriated by Chapter 1112, Statutes of 1973, would provide for \$12,000 per contract student from 1974-75 through 1977-78 plus \$35,400 which was added for 1973-74 in case federal capitation grants were eliminated. Because it was not needed, the \$35,400 has been reported as estimated savings for 1973-74.

Reappropriation to Fund Deficiencies

We recommend that \$340,200 of identifiable 1974-75 savings from the appropriation made by Chapter 1112, Statutes of 1973, and \$384,000 of Item 298 of the 1972 Budget Act for a total of \$724,200 be reappropriated to fund deficiencies in the scholarship program.

Chapter 1112, Statutes of 1973, appropriated \$12,828,000 for the Medical Contract Program for the four years 1974-75 through 1977-78. The statute specified the numbers of students supported for each of the four years and provided \$12,000 for each student. In 1974-75 funds were provided for 189 students at \$12,000 each for a total of \$2,268,000. Because federal capitation grants of \$1,800 per student are applied to reduce the \$12,000 level guaranteed by the state, only \$1,927,800 can be spent. The budget does not report this \$340,000 as savings but carries it forward to future years. Because these funds cannot be spent in future years, this balance could be reappropriated for other uses in 1974-75. We suggest the \$340,200 be used to fund the previously discussed deficiencies in the scholarship program.

In addition, the commission, by memorandum of January 9, 1974, reports that \$384,000 from the Budget Act allocation for the 1972-73 Medical Student Contract Program is being held for Loma Linda University. The enabling legislation (Chapter 1519, Statutes of 1971) for this program authorized the commission to contract on behalf of the state for increased medical student enrollments with private colleges and universities maintaining and operating accredited schools of medicine and "which have an affirmative action program approved by the State Fair Employment Prac-

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tice Commission for the equitable recruitment of instructors and medical students." Since 1972-73, the commission, the Department of General Services and the Fair Employment Practices Commission have attempted to negotiate an acceptable program contract with Loma Linda University. The Fair Employment Practices Commission has not been able to approve the 1972-73 affirmative action program because of the school's possible preferential employment practices toward members of the Seventh-Day Adventist Church. Therefore, based on the initial legislation, it would be impossible for the commission to retroactively contract for a 1972-73 program when the prerequisite conditions for such a contract did not and cannot exist. As a result, we recommend the \$384,000 being held for Loma Linda University for 1972-73 also be applied to offset scholarship program deficiencies. None of these funds have been reported as savings and are not included in the General Fund surplus. If the contract with Loma Linda is not approved for 1973-74, and this does not appear likely, an additional \$612,000 in savings would be available.

8. Clinical Internship Program

This program was established by Chapters 85 and 933, Statutes of 1972, and amended by Chapter 888, Statutes of 1973. It provides medical schools a payment of \$10,000 for each student enrolled in a special clinical internship program. This special program provides additional clinical training for students who attended a medical school in the Republic of Mexico. At least three such students must be enrolled for a medical school to qualify for payments. The legislation requires comprehensive reports from the participating institutions. As of this writing only one report has been received.

Program to Be Terminated

We recommend that an estimated \$215,000 of identifiable 1973-74 savings from Item 330 of the 1973 Budget Act be reappropriated to fund deficiencies in the scholarship program.

Enabling legislation provides for the termination of this program on December 31, 1974. To avoid the possibility of admitting new students in the fall of 1974 to begin a one-year program that would expire after a few months, no funding is provided in the 1974-75 budget. This assumes the program will not be continued beyond its present expiration date. We support the budget action and scheduled termination of this legislation based upon our evaluation of the program conducted during summer 1973. We have also been informed that a substitute program is being developed under the auspices of the Assembly Select Committee on Health Manpower.

Our investigation of this program disclosed that approximately 35 full-time-equivalent students participated during 1972-73 although funds were appropriated for up to 50 students. An additional \$500,000 was appropriated in 1973-74 for 50 more students. The commission informs us that it estimates 32 students will be supported in 1973-74. As a result, a \$234,000 reversion to the General Fund surplus from the 1972-73 appropriation already has occurred and the commission estimates savings between \$210,-

000 and \$220,000 when the program ends. These latter funds have not been reported as savings and are not included in the General Fund surplus. Our recommendation would apply these savings to fund the previously discussed deficiencies in the scholarship program.

9. Real Estate Scholarship Program (Item 371)

This new program was established by Chapter 1173, Statutes of 1973. It provides that interest earned from an endowment of \$200,000 from the Real Estate Fund be used for "worthy and disadvantaged students enrolled in a real estate career oriented program in institutions in the California State University and Colleges." The commission estimates \$5,000 will be available for award during 1974-75.

CAPITAL OUTLAY

Summary

The Budget Bill includes a total of approximately \$243.6 million for capital outlay. This amount is 41 percent less than the appropriation included in the Budget Act of 1973.

General Fund

Approximately \$16.5 million (6.8 percent) of the total appropriation is from the General Fund. This represents a decrease of nearly 87 percent from the General Fund appropriation in the Budget Act of 1973. This difference is mainly due to the 1973 Budget Act General Fund transfer of \$42 million and \$41.5 million into the Capitol Improvement Fund and the Bagley Conservation Fund respectively. The amount in the 1973 Budget Bill provides financing for the Departments of Agriculture, General Services, Corrections, Health, Water Resources and minor assessments in Parks and Recreation, Youth Authority and the Maritime Academy. It should be noted that the proposal for the Department of Corrections includes \$2.5 million for expenditure at San Quentin State Prison, which represents a change from the administration's stated policy to close this facility.

Higher Education Summary

The major portion of the proposed capital outlay program is in higher education. Of the grand total \$179.6 million (73.7 percent) is for the University of California (UC), California State University and Colleges (CSUC) and the California Community Colleges. Included in this total is \$10 million from the COFPHE fund for construction cost-rise augmentation of UC and CSUC projects which are funded from this source.

University of California

The program for the University of California totals nearly \$93 million and is proposed from four funding sources. The major portion (53 percent) is from the Health Sciences Facilities Construction Program Fund (bonds). The remainder is from the Capital Outlay Fund for Public Higher Education (COFPHE-oil royalties) (13 percent); the COFPHE (from Chapter 1, Statutes of 1971, First Extraordinary Session) (17 percent); and the Educational Fee Fund (student fees) (17 percent).