

COMMISSION FOR TEACHER PREPARATION AND LICENSING—Continued

that the Governor's Budget has provided the Commission for Teacher Preparation and Licensing with an adequate level of support.

POSTSECONDARY EDUCATION

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POSTSECONDARY EDUCATION GENERAL STATEMENT

Postsecondary education consists of formal instruction, research, public service, and other learning opportunities offered by educational institutions that are accredited by agencies recognized for that purpose or are otherwise eligible for state fiscal support or to participate in state programs. Postsecondary education primarily serves persons who have completed or terminated their secondary education or who are beyond the age of compulsory school attendance.

This general statement section sets forth data which relates to all postsecondary education in California. Its purpose is to provide historical information and comparative statistics to supplement individual agency and segmental budget analyses. Information on postsecondary education organization, functions, enrollments, expenditures, sources of support, student charges, and costs per student follow.

Organization

California's system of public postsecondary education is the largest in the nation and currently consists of 135 campuses serving over one million students. This system is separated into three distinct public segments—the University of California, the California State University and Colleges and the California Community Colleges. Three public institutions in California's postsecondary education system fall outside this tripartite classification: The California Maritime Academy, a state institution; Otis Art Institute of Los Angeles, a county institution; and the U.S. Naval Postgraduate School at Monterey, a federal institution.

In addition to the public system, the California Postsecondary Education Commission reports there are approximately 70 independent colleges and universities serving 156,000 students; 2,000 private vocational and technical schools serving an unknown number of students; 472 adult education institutions sponsored by high school and unified school districts serving an estimated enrollment of 1.7 million students and 65 state sup-

ported regional occupational centers and programs serving over 50,000 adults (enrollments shown are for Fall 1974).

To provide guidelines for the orderly development of the three major public segments, 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. A coordinating agency was established to assist in meeting the objectives of the act.

Functions

California Postsecondary Education Commission (CPEC). The commission assumed the powers, duties and functions vested in the original 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 were specified also.

The commission is 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 the Speaker of the Assembly.

No person regularly employed in any administrative, faculty, or professional position by any institution of public or private postsecondary education can be appointed to the commission. Terms are for six years or at the pleasure of the respective appointing authority with the exception of representatives of the private segment whose terms are limited to three years.

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 for 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 23-member Board of Regents, serving 12-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 desig-

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nated 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 existing 70 community college districts with 103 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. Community services courses are also offered at no state cost.

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.

Independent Universities and Colleges. Private, nonprofit, accredited, four-year and graduate institutions constitute a major resource and play an integral part in California's total higher education effort. There are approximately 70 such institutions, 53 of which collectively form the Association of Independent California Colleges and Universities (AICCU). 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 private institutions. The AICCU reports that among all four-year and graduate institutions in California, private universities and colleges enroll 25 percent of total students and award 20 percent of bachelor's degrees, 38 percent of master's degrees, 49 percent of doctoral degrees, and 63 percent of professional degrees.

Admissions

The UC regents have the power to establish their own admission standards, and historically it has been assumed that the standards which are utilized were in conformity with guidelines established in the original Master Plan. The Master Plan called on the University to limit admissions to the top one-eighth of California's high school graduates and to qualified 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, California transfer students who were not eligible for admission as freshmen are required to have a grade point average of 2.0 (C). Original Master Plan guidelines provided for a two percent waiver of admission standards for selected students with academic promise. This flexibility was subsequently increased to four percent and a more recent resolution suggested a waiver of 12½ percent for both UC and CSUC to accommodate disadvantaged students and other nontraditional admissions criteria. We believe recent grade inflation may have expanded the pool of high school graduates above the top one-eighth percent. As a result we have recommended the CPEC review the current admissions policies of both UC and CSUC in relation to the Master Plan guidelines.

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. However, between 1958 and 1970, UC lowered its proportion of full-time undergraduates by only .5 percent to 45.9 percent whereas CSUC moved from 48.0 percent to 34.4 percent. We believe further recent relaxation of UC admissions policy for transfer students may have magnified this unequal shift. Our proposed CPEC study would collect and analyze recent statistics and policies in relation to the Master Plan guidelines.

In conformity with recommendations of the original 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). Students who qualify for acceptance at a campus without openings are redirected to another campus with enrollment openings.

Admission to the community college is open to any high school graduate. Other students over 18 who have not graduated from high school may

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be admitted under specified circumstances.

Enrollments

Enrollment data are major factors 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 Postsecondary Education

	<i>Actual</i> 1974-75	<i>Revised</i> 1975-76	<i>Projected</i> 1976-77
University of California FTE ^a			
Undergraduate	82,958	86,895	85,776
Graduates	31,187	34,908	35,822
Totals	114,145	121,803	121,598
California State University and Colleges FTE ^b			
Undergraduate	211,343	220,116	222,513
Graduates	15,659	16,309	16,487
Totals	227,002	236,425	239,000
Community Colleges ADA			
Other than defined adults	552,963	600,800	626,000
Defined Adults	142,411	164,500	180,000
Totals	695,374	765,300	806,000
Grand Totals	1,036,521	1,123,528	1,166,598

^a Total includes 749 FTE in 1974-75, 1,206 FTE in 1975-76 and 1,187 FTE in 1976-77 for Extended University programs.

^b Excludes international program FTE.

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 Enrollment in California Public and Private Higher Education

	1974-75	1975-76	1976-77
Public ^a	1,036,521	1,123,528	1,166,598
Private ^b	128,245	142,163	143,585
Totals	1,164,766	1,265,691	1,310,183

^a Combination of FTE and ADA from Table 1.

^b Based on data provided by the Association of Independent California Colleges and Universities for its member institutions. AICCU represents approximately 85 percent of private enrollment in California and totals are adjusted accordingly.

Table 2 indicates that private universities and colleges a) continue to

increase in enrollments and b) enroll about 12 percent of California's higher education students.

Expenditures

Proposed General Fund and total budgeted expenditures for public higher education in 1976-77 are shown in Table 3. The total support budget represents an increase of approximately \$159 million or 10.1 percent over the current year's estimated level of General Fund support.

Table 3
Proposed 1976-77 Budget Summary for Postsecondary Education
(thousands)

	<i>Support</i>		<i>Capital Outlay</i>		<i>Totals</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	\$2,269	\$1,266	—	—	\$2,269	\$1,266
University of California ^b	1,173,504	619,043	\$70,425	—	1,243,929	666,696
Hastings College of Law	5,395	3,557	1,900	—	7,295	3,557
California State University and Colleges ..	798,566	576,326	23,232	—	821,798	576,326
California Maritime Academy	3,020	1,944	292	—	3,312	2,236
Community Colleges ^c ..	476,013	474,322	34,059	—	510,072	508,381
Student Aid Commission	69,594	62,659	—	—	69,594	62,659
Totals	\$2,528,361	\$1,739,117	\$129,908	—	\$2,658,269	\$1,739,117
General Fund Expenditures as a percent of total expenditures		68.8%		0.0%		65.4%

^a Does not include salary increase funds.

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

^c Excludes \$479.7 million in projected local support funds and \$28.0 million in local capital outlay funds.

Sources of Support

A summary of current expenditure funding sources for higher education in California for the last completed fiscal year, 1974-75 is shown in Table 4. Capital outlay expenditures are not included.

Approximately \$3.1 billion was expended for higher education support in 1974-75. Of this amount \$1.4 billion (44.0 percent) was state support.

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, hous-

Table 4
Expenditures for Postsecondary Education
Current Expense by Source of Funds 1974-75
(thousands)

<i>Segments</i>	<i>State support</i>	<i>Local support</i>	<i>Federal support</i>	<i>Students fees</i>	<i>Other^a</i>	<i>Total Expenditures</i>	<i>Percent</i>
University of California.....	\$526,496	\$ —	\$642,403	\$96,258	\$381,897	\$1,647,054	52.4%
California State Uni- versity and Colleges.....	481,546	—	45,638	76,066	86,422	689,672	21.9
Community Colleges.....	318,950	344,971	48,326	11,152	20,074 ^c	743,473	23.7
Other agencies ^b	56,640	—	5,031	1,716	23	63,410	2.0
Totals.....	\$1,383,632	\$344,971	\$741,398	\$185,192	\$488,416	\$3,143,609	100.0%
Percent of Total Expenditures.....	44.0%	11.0%	23.6%	5.9%	15.5%	n.a.	100.0%

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

^b Includes Hastings College of the Law, California Maritime Academy, California Postsecondary Education Commission, Student Aid Commission and the Board of Governors of the Community Colleges (including EOP).

^c Primarily county support.

ing 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. 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 \$32.8 million budgeted from this source in 1976-77 all 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 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. Chapter 876, Statutes of 1972, authorizes local community college districts to establish their own nonresident and foreign tuition fees beginning with the 1974-75 academic year. As a result nonresident fees may vary more than \$1,000 per year between colleges.

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.

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

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Table 5
Basic Academic-Year Student Charges 1975-76

	<i>UC</i>	<i>CSUC</i>	<i>CCC</i>	<i>CMA</i>
Tuition-nonresident/foreign	\$1,500	\$1,300	\$840-2,116	\$930
Tuition-educational Fee:				
Undergraduate	300	— ^c	405	—
Graduate	360	—	—	—
Registration Fee	300	144 ^a	1-10	—
Application Fee	20	—	—	—
Campus mandatory fees	11-89	0-20	—	50
Auxiliary service fees:				
Room and board	1,468 ^b	1,192-1,599	—	1,650
Parking	36-108	30	0-40	—
Health	—	6	0-10	75

^a A \$4 increase in the Student Services Fee (from \$144 to \$148) has been proposed. Approval by the Trustees is pending.

^b Average rates for residence halls. Average rate for apartments is \$1,608.

^c Defined adults (students 21 years of age or older enrolled for 10 class hours or less per week) may be charged a tuition fee which cannot exceed the cost of conducting the class less any state support received.

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 (1) in 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 report, published in March 1973, set forth all the related disparities in data collection and reporting and concluded that its cost figures were not comparable between segments.

Table 6
Cost Per Student Credit Unit by Level of Instruction

	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75 (est)</i>	<i>1975-76 (est)</i>
<i>Lower Division</i>				
UC	\$109	\$113	\$126	\$138
CSUC	99	106	116	122
<i>Upper Division</i>				
UC	152	146	163	178
CSUC	123	140	154	162
<i>Regular Graduates</i>				
UC	367	376	420	458
CSUC	191	227	250	263
<i>Independent Graduates</i>				
UC	1,051	1,054	1,178	1,284
CSUC	469	472	518	545
<i>All Levels Combined</i>				
UC	197	199	222	243
CSUC	121	136	150	158

The California Postsecondary Education Commission continued the student cost collection and reporting effort in 1974-75. However, the Commission is reviewing its methodology for collecting and reporting comparable data and intends to redesign its analysis procedures. As a result there will be a temporary suspension of the report until 1977-78. For reference purposes last year's data is shown in Tables 6 and 7.

Table 6 shows cost per student credit unit by level of instruction and Table 7 shows cost per student credit unit by level of student. The difference in the two tables reflects differences caused by a student at one level of instruction enrolled in courses at another level (e.g., a graduate student enrolled in a upper division course).

Table 8 shows the budgeted state cost by campus per full-time student

Table 7
Cost Per Student Credit Unit by Level of Student

<i>Lower Division</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75 (est)</i>	<i>1975-76 (est)</i>
UC	\$125	\$121	\$136	\$148
CSUC	106	113	124	131
<i>Upper Division</i>				
UC	136	138	154	168
CSUC	117	132	145	152
<i>Graduate I*</i>				
UC	419	440	492	536
CSUC	166	194	213	224
<i>Graduate II*</i>				
UC	628	666	746	812
CSUC	592	355	528	375
<i>All Levels Combined</i>				
UC	197	199	222	243
CSUC	121	136	150	158

* Level I includes students with BA working toward MA or certificate and Level II includes students with MA working toward doctorate or those advanced to doctoral candidacy.

Table 8
State/FTE Costs by Campus
1975-76

State University and Colleges

Long Beach	\$2,015
Northridge	2,033
Fullerton	2,038
San Diego	2,038
Sacramento	2,123
San Francisco	2,181
San Jose	2,189
Los Angeles	2,191
San Luis Obispo	2,191
Chico	2,306
Pomona	2,436
Fresno	2,453
Dominquez Hills	2,514
Hayward	2,523
Sonoma	2,640
Humboldt	2,658
San Bernardino	2,967
Stanislaus	3,439
Bakersfield	<u>3,642</u>
Systemwide	\$2,346

University of California

Santa Barbara	\$ 3,085
Santa Cruz	3,402
Berkeley	4,127
Irvine	4,232
Los Angeles	4,869
Davis	5,308
San Diego	5,522
Riverside	6,528
San Francisco	<u>14,623</u>
Systemwide	\$5,360
Hastings College	
of Law	\$2,076
California Maritime	
Academy	\$5,164

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for 1975-76 at UC, CSUC, Hastings College of Law and the California Maritime Academy. For UC the state funds held in the University treasury are also included. The data results 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.

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

Item 345 from the General
Fund

Budget p. 899

Requested 1976-77	\$1,266,390
Estimated 1975-76.....	1,289,365
Actual 1974-75	914,887
Requested decrease \$22,975 (1.8 percent)	
Total recommended reduction	\$94,453

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. Budget Format. Recommend budget format be revised to include detail of special studies funded outside the agency budget. 766
2. *Contract Services. Reduce \$24,929.* Recommend elimination of unallocated, overbudgeted monies. 766
3. *Information Systems. Reduce \$69,524.* Recommend elimination of two new positions proposed for program enrichment. 767
4. Education Information Systems. Recommend annual report to the Legislature on all state-level postsecondary systems. 767
5. Admission Standards. Recommend a study with recommendations on admission standards used by UC and CSUC systems relative to master plan guidelines. 768

GENERAL PROGRAM STATEMENT

Chapter 1187, Statutes of 1973, abolished the Coordinating Council for Higher Education (CCHE) on March 31, 1974 and transferred its powers, duties and functions to the California Postsecondary Education Commission (CPEC).

The commission is comprised of 23 members as follows: two representa-

tives 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 may be appointed to the CPEC. Terms are normally for six years, with the exception that representatives of the private segment have three-year terms.

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

ANALYSIS AND RECOMMENDATIONS

Table 1 sets forth program expenditures, funding sources, positions and proposed changes.

Table 1
Budget Summary

<i>Programs</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Amount</i>	<i>Percent</i>
1. Information systems	\$90,588	\$181,474	\$337,995	\$156,521	86.3%
2. Coordination and review	198,500	218,275	239,424	21,149	9.7
3. Planning and special projects	269,236	511,213	262,693	-248,520	-48.6
4. Federal programs	976,181	1,002,675	1,002,675	-0-	0.0
5. Executive	177,973	219,440	230,503	11,063	5.0
6. Staff Services	100,897	73,459	96,771	23,312	31.7
7. Commission activities	49,693	57,504	71,004	13,500	23.5
8. WICHE	28,000	28,000	28,000	-0-	0.0
TOTALS	\$1,891,068	\$2,292,040	\$2,269,065	\$-22,975	-1.0%
<i>Funding Sources</i>					
General Fund	\$914,887	\$1,289,365	\$1,266,390	\$-22,975	-1.8%
Federal funds	976,181	1,002,675	1,002,675	-0-	-0-
TOTALS	\$1,891,068	\$2,292,040	\$2,269,065	\$-22,975	-1.0%
<i>Positions</i>	29.3	46.0	45.0	-1.0	-2.2%

Although Table 1 indicates a reduction of one position, two new positions are actually being requested. The difference arises from the elimination of three positions included in the current year base. One of the three positions eliminated is a temporary help position administratively established during the current year and the other two were established for a limited term study (authorized by Chapter 1376, Statutes of 1972) which will be concluded this year. We support the elimination of these three positions and will discuss the two new proposed positions in the analysis which follows.

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION—Continued**Budget Format Should Be Improved**

We recommend that future budget formats be revised to include detail of special studies that are funded outside the agency budget.

Table 1 reflects a minor General Fund decrease whereas a substantial increase to the commission's base is actually being proposed by the Governor's Budget. The difference is caused by the fact that the current year (1975-76) total includes supplemental expenditures of approximately \$253,000 received from appropriations outside the Budget Act for special studies. If these special study expenditures were excluded from the year-to-year comparisons, the Governor's Budget then would show a General Fund increase of approximately \$230,500 or 22.3 percent.

In some cases expenditures of these supplemental funds are shown as "contractual services." However, we believe some studies are performed by agency staff as a part of their normal workload. From the present budget format it is impossible to tell how all of these supplemental funds were expended. Although we have requested the agency to provide additional clarifying detail for 1975-76 expenditures, our recommendations would require such detail to be included in future budget formats.

Contract Services Overbudgeted

We recommend unallocated, overbudgeted contract services be reduced for a General Fund savings of \$24,929.

Table 2 reflects the budget detail for contract services expenditures.

Table 2
Contract Services Budget Detail

<i>Item</i>	<i>Amount</i>
1. National Science Foundation grant	\$85,000
2. Data processing contract	70,000
3. Unspecified special projects	24,929
TOTAL	\$179,929

As shown by Table 2, the Governor's Budget would establish a new policy of providing funds (\$24,929) for unspecified studies (number 3).

The commission has a statutory responsibility to "act as a clearinghouse for postsecondary education information and as a primary source of information for the Legislature, the Governor, and other agencies." In other words, all of the general support funds provided the commission are primarily for ongoing and special information services. Further, we believe that the workload budget can incorporate most executive or legislative information requests and that special study needs which may be expressed through the budget process can and should be built into the budget year workplan. For example, there are workload related recommendations under Items 355, 361, 363 and 367. Special study requests in legislation subsequent to the annual budget process are analyzed by our office for their fiscal and workload implications. If required, special funding is provided in such legislation.

Therefore, we believe the proposed unallocated \$24,929 (1) has no historical basis, (2) is an arbitrary amount, (3) is unnecessary and (4) would

establish a poor budget precedent.

Information-Systems Program

This is a new budget program. Included are two new positions and \$70,000 for contract services to provide increased automated data storage, collection and retrieval capabilities. A contract for access to a private educational data base through a rented computer terminal was authorized this year. However, there has been limited use of these capabilities thus far.

New Personnel Unnecessary

We recommend that the proposed two new information systems positions for program enrichment not be approved for a General Fund savings of \$69,524.

Table 3 sets forth authorized staffing and salary schedules for the Information Systems Division.

Table 3
Information Systems Division
Position and Salary Schedule

<i>Authorized Positions</i>	<i>1976-77 Salary Schedule</i>
Specialist III	\$29,844
Specialist II	29,844
Senior librarian	15,360
Research assistant	14,280
Junior staff analyst	11,196
Senior stenographer	10,980
Stenographer	8,502
TOTALS: 7 positions	\$120,006

We believe the proposed assignment of presently authorized staff, as shown by Table 3, represents a substantial allocation of resources for an information system that is not yet established. It also appears that about one-half of the 10 positions shown in the federal program are used for information systems development. Without additional justification we cannot support this proposed program enrichment at this time and therefore recommend a reduction of \$69,524 which includes the budgeted salaries and all related operating and equipment costs for the two proposed positions. Our recommendation would not affect the \$70,000 budgeted under this program for contract services.

We note also that one of the two requested positions has been overbudgeted by \$4,800. Normally, new positions are budgeted at the entry step unless there is special need that would warrant otherwise.

Information System Report

We recommend that the California Postsecondary Education Commission submit an annual report by November 1 to the Joint Legislative Budget Committee providing a comprehensive survey of all state level postsecondary education information systems to include recommendations for short- and long-range changes and funding levels.

In a recent special community college report we recommended that the

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Board of Governor's of the California Community Colleges, in coordination with the California Postsecondary Education Commission, implement during 1976-77 (1) a statewide data element dictionary, (2) an integrated information base, (3) a data storage and retrieval capability and (4) a procedure for expanding and updating the information base. This recommendation requires coordination at the outset in the development of a community college information system.

More importantly, we identified the need for planning and funding postsecondary education information systems from a more integrated perspective than that provided by the traditional budget processes. We also reported that our 1976-77 analysis of the commission's and community college Chancellor's information systems budget requests would be guided by the following priorities: (1) the need for a standardized data-element dictionary; (2) a storage and retrieval capability characterized by flexibility, simplicity, and economy; and (3) integration of collection efforts to prevent duplication.

The recommended annual report would provide the Legislature with a comprehensive program and funding overview to insure that desirable priorities and efficiencies are continued.

Information System Special Review May Be Required

Additional data on the information system budget proposal have been requested. Based on information available at this time, we believe (1) cost estimates prepared by state data processing agencies for the proposed information services are excessive, (2) proposed services and capabilities are inadequate to meet the integrated needs of the agencies that will rely on the system, and (3) consideration should be given to a competitive contract with organizations already possessing national comparative data bases and experienced in the implementation and operation of statewide postsecondary information systems. Based on our further review of commission data, we will be prepared to offer additional recommendations during subcommittee hearings.

Admission Standards Study

We recommend that the California Postsecondary Education Commission study the current admission standards of the University of California and the California State Universities and Colleges in relation to admission guidelines established in the Master Plan for Higher Education and report its findings and recommendations to the Joint Legislative Budget Committee by December 1, 1976.

Although University of California Regents have the power to establish their own admission standards, historically it has been assumed that both the University of California (UC) and the California State University and Colleges (CSUC) utilized standards that were in conformity with guidelines established in the *Master Plan for Higher Education in California 1960-75*. UC was to limit freshman admissions to the top one-eighth of California's high school graduates and to nonresidents in the upper one-sixteenth of their state's graduates. CSUC standards were set at the top one-third of California's high school graduates. Both systems were to reach

a 1975 goal of a ratio of 40 lower division students to 60 upper division students. The Master Plan envisioned annual segmental reports on admissions standards and monitoring by the statewide coordinating agency to insure compliance. This reporting and monitoring is not occurring.

We believe static admissions policies, grade inflation and special admission waivers may be destroying the traditional differentiation of admissions proposed by the Master Plan. Because of the cost differences between the three public segments, the admissions policies by which the decreasing pool of high school graduates is apportioned between the three public segments are very important and have significant capital outlay and operating cost implications. We believe this study can be accomplished from budgeted resources.

Federal Programs

Federal funds and positions provided in support of the commission's "1202" activities correspond with the commission's statutory coordinating mission. As a result, we believe those positions and expenditures not directly related to the administration of federal programs should be allocated to those programs where the personnel are employed. For example, we believe several of these positions are being used in the information systems division and that they should be budgeted there.

Western Interstate Commission for Higher Education (WICHE)

The annual \$28,000 appropriation for WICHE has been incorporated into the commission's budget this year. We believe this technical change appropriately simplifies the annual review of this small membership-type program.

Five-Year Plan Completed

A major task assigned the commission by its enabling legislation was the creation of a five-year plan for postsecondary education. One purpose of the plan and its annual update was to allow the commission, when requested by the executive and legislative branches, to participate in the annual budget process for the purpose of advising whether segmental requests are compatible with the plan.

The completed plan, adopted by the commission on December 8, 1975, identifies eleven priority problems facing postsecondary education which demand immediate attention. These reported problem areas in order of priority are: (1) a statewide information system; (2) adult education; (3) financing postsecondary education; (4) regulation of private vocational institutions; (5) regional planning; (6) equal opportunity; (7) evaluation of program quality; (8) educational and career counseling; (9) vocational education; (10) student financial aid; and (11) collective bargaining. Based on these priorities the commission has established its own work plan to address these problem areas.

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Item 346-355 ^a from the General Fund; Item 356 from the State Transportation Fund; Item 357 from the California Water Fund; Item 358 from the COFPHE Fund.

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^a Item 355 providing for salary increases is discussed on page 189 of the Analysis. The amount is not included in the totals.

Requested 1976-77	\$623,152,922
Estimated 1975-76.....	588,097,381
Actual 1974-75	514,837,989
Requested increase \$35,055,541 (6.0 percent)	
Total recommended reduction	\$5,279,553

1976-77 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	Analysis page
346	Support	General	\$613,966,262	773
347	Undergraduate Teaching Excellence	General	1,000,000	783
348	Fresno-San Joaquin Medical Education Program	General	70,000	795
349	Berkeley Medical Education Program	General	267,000	797
350	Riverside/UCLA Biomedical Program	General	108,000	797
351	Deferred Maintenance	General	500,000	827
352	Aquaculture	General	334,000	803
353	Charles R. Drew	General	1,706,660	807
354	California College of Podiatric Medicine	General	541,000	808
355	Salary increases	General	(25,243,000)	189
—	EOP (Chapter 1017, Statutes of 1975)	General	550,000	817
	Total—General Fund		\$619,042,922	
356	Institute of Transportation and Traffic Engineering	State Transportation	310,000	803
357	Mosquito Control Research	California Water	100,000	805
358	Maintenance and equipment replacement	COFPHE	5,000,000	830
—	Institute of Transportation and Traffic Engineering (Chapter 1130, Statutes of 1975)	State Transportation	200,000	803
—	Maintenance and equipment carry forward	COFPHE	-1,500,000	827
	Total—All funds		\$623,152,922	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Enrollment. Augment Item 346 by \$2,425,255.* Recommend funding total undergraduate enrollment growth projected for 1976-77. 777
2. *Undergraduate Teaching Excellence. Reduce Item 347 by \$500,000.* Recommend reduction pending University-wide police change. 786
3. *Instructional Computing. Reduce Item 346 by \$500,000.* Recommend reduced level of support. 787
4. *Davis Medical School. Reduce Item 346 by \$561,000.* Recommend reducing the entering MD class size to 50 students pending long term contract solution. 793
5. *Psychiatric Residency—San Diego. Reduce Item 346 by \$150,000.* Recommend elimination of special state subsidy. 794
6. *Fresno—San Joaquin Medical Education Program.* Recommendation withheld on Item 348 pending receipt of additional information. 795
7. *Berkeley—Medical Education Program. Reduce Item 349 by \$134,000.* Recommend reduction to recognize an enrollment change. 797
8. *Riverside—UCLA Biomedical Program (Item 350).* Recommend technical adjustment to reduce Item 346 (Support) by \$143,500 and augment Item 350 by an equivalent amount. 798
9. *Extended University.* Recommend that the University be directed to freeze enrollments pending clarification of the state's policies. 800
10. *Reports.* Recommend deletion of annual reporting requirements for special legislative programs. 802
11. *Aquaculture Research.* Recommendation withheld on Item 352 pending receipt of additional information. 803
12. *Charles R. Drew. Augment Item 353 by \$93,840.* Recommend increase to continue 1975-76 level of support. 807
13. *Libraries. Augment Item 346 by \$182,445.* Recommend workload increase for additional undergraduate enrollment. 810
14. *Student Services. Augment Item 346 by \$197,000.* Recommend increase for workload growth. 813
15. *Nonresident Tuition. Reduce Item 346 by \$2,202,195.* Recommend fee increase to offset inflated instructional costs. 815
16. *EOP. Reduce Item 346 by \$275,000.* Recommend funding from non-state sources. 818
17. *Law School EOP.* Recommend the Regents critically examine the effectiveness of the UCLA and Davis Law School EOP programs. 819
18. *Telephone Service. Reduce Item 346 by \$140,652.* Rec- 822

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ommend reduction to reflect anticipated savings from conversion to ATSS.

19. *Computer Control. Reduce Item 346 by \$62,496. Recommend eliminating state support for the Executive Director of Computing function.* 824
20. *Management Information Systems. Reduce Item 346 by \$980,000. Recommend elimination of state support for continued development of management information systems.* 825
21. *Fire Stations. Reduce Item 346 by \$172,750. Recommend cost sharing for fire protection services at Davis and Santa Cruz.* 827
22. *Deferred Maintenance (Item 351). Recommend technical adjustment to delete Budget Item 351 (deferred maintenance) for \$500,000 and augment Budget Item 346 by an equivalent amount.* 828
23. *Maintenance and Equipment. Reduce Item 358 by \$2,500,000. Recommend limiting one-time appropriation to maintenance, deleting three-year availability, reducing state support and requiring equal matching from University controlled funds.* 830

**Summary of Recommended Fiscal
Changes to 1976-77 Budget**

Activity	Program Changes		Funding Impact	
	Reductions	Augmentations	Appropriation	Reimbursements
Enrollment		\$ + 2,425,255	\$ + 2,425,255	
Undergraduate Teaching Excellence	\$ - 500,000		- 500,000	
Instructional Computing	- 500,000		- 500,000	
Davis Medical School	- 561,000		- 561,000	
Psychiatric Residency	- 150,000		- 150,000	
Berkeley Medical Education Program	- 134,000		- 134,000	
Charles R. Drew		+ 93,840	+ 93,840	
Libraries		+ 182,445	+ 182,445	
Student Services		+ 197,000	+ 197,000	
Nonresident Tuition			- 2,202,195	\$ + 2,202,195
EOP	- 275,000		- 275,000	
Telephone Service	- 140,652		- 140,652	
Computer Control	- 62,496		- 62,496	
Management Information Systems	- 980,000		- 980,000	
Fire Stations			- 172,750	+ 172,750
Totals (General Fund)	\$ - 3,303,148	\$ + 2,898,540	\$ - 2,779,553	\$ + 2,374,945
Maintenance and Equipment (carry forward) ^a	- 1,500,000			
Maintenance and equipment ^a	- 1,000,000		- 2,500,000	
Totals (All Funds)	\$ - 5,803,148	\$ + 2,898,540	\$ - 5,279,553	\$ + 2,374,945
Net program changes				
General Fund	\$ - 404,608			
Total	- 2,904,608			

^a \$5 million COFPHE fund appropriation with three-year availability.

GENERAL PROGRAM STATEMENT

The University of California is the land grant State University 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. In November 1974 the voters passed a constitutional amendment which changes the membership of the Regents and shortened the term of the Governor-appointed members from 16 years to 12 years. Currently, the Board of Regents includes 24 members, 7 ex officio, 16 appointed by the Governor and one University of California student appointed by the board.

The University is designated by the Donahoe Higher Education Act of 1960 (Master Plan) to be the primary state-supported academic agency for research. It also was given exclusive jurisdiction in public higher education over instruction in the professions of law, medicine, dentistry and veterinary medicine. It has the sole authority to award doctoral degrees in all fields, except that joint doctoral degrees with the California State University and Colleges are permitted. In 1974-75 a total of 28,930 degrees were granted, including 20,113 bachelor's degrees, 5,503 master degrees and 3,314 doctorates.

Administrative Structure

The University system consists of nine campuses. Eight are general campuses offering broadly based curriculum leading to the baccalaureate degree. Emphasis is also placed on instruction in professional fields and graduate programs leading to master's and doctoral degrees. For greater diversity and efficiency five of these general campuses also support educational programs in the health sciences. The ninth campus is exclusively devoted to education in the health sciences.

The overall responsibility for policy development, planning and resource allocations rests with the President of the University, who is appointed by the Regents and directly responsible to them. Primary responsibility for individual campus management has been delegated to the Chancellor. This includes the management of campus resource allocations as well as campus administrative activities. The academic senate has the delegated authority to determine conditions of admission (subject to the constraints of the Master Plan), degree requirements, and approval of courses and curricula. 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.

Admissions

The Regents have the authority to establish their own admission standards. However, the standards which are utilized essentially conform to the guidelines established in the Master Plan of 1960. The University's standards are intended to limit admission of first time freshmen to the top one-eighth (12½ percent) of California's high school graduates. Higher standards are applied to nonresident freshmen applicants who must be in the upper one-sixteenth of their state's high school graduates. The University is permitted to waive the admission standards for selected students,

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but not to exceed 4 percent of the incoming freshman enrollment. California transfer students are required to have at least a 2.0 or "C" average in prior academic work to be eligible for admission to advance standing. The transfer grade-point requirement was recently (1973-74) reduced from 2.4 to 2.0 as part of a four-year experiment to test the validity of certain assumptions about (1) the performance of scholastically ineligible high school graduates and (2) the relevance of high school records after a student completes two full years of advance study. The minimum requirement for admission to a graduate program is possession of a valid 4-year degree from an accredited institution.

Enrollment

Enrollment growth is the primary indicator of workload needs. For 1976-77, workload needs in the Governor's Budget are based on an estimated enrollment increase of 775 FTE or 0.7 percent. As far as we can determine, this is the smallest enrollment increase ever budgeted for the University. Table 1 compares budgeted 1975-76 enrollments and 1976-77 proposed and indicates the percentage increases. The Regents revised enrollment estimates for 1975-76, based upon an assessment of recent fall experience, are also included in Table 1.

Table 1
University of California Average of
Fall, Winter, and Spring Quarter
Full-Time Equivalent Students

	<i>Actual</i> <i>1974-75</i>	<i>Budgeted</i> <i>1975-76</i>	<i>Revised</i> <i>1975-76^a</i>	<i>Governor's Budget</i>		
				<i>Proposed</i> <i>1976-77</i>	<i>Change</i> <i>from 75-76</i> <i>Budgeted</i>	<i>Percent</i> <i>Change</i>
General Campuses						
Undergraduate	81,917	82,823	85,515	82,950	127	.2%
Graduates	23,607	23,849	24,423	24,037	188	.8
Subtotals	105,535	106,672	109,938	106,987	315	.3
Health Sciences						
Undergraduates	756	849	871	875	26	3.0
Graduates	9,105	9,793	9,788	10,227	434	4.4
Subtotals	9,861	10,642	10,659	11,102	460	4.3
Totals:						
Undergraduates	82,673	83,672	86,386	83,875	153	.2
Graduates	32,723	33,642	34,211	34,264	622	1.8
University totals	115,396	117,314	120,597	118,089	775	.7
Extended University.....	749	1,102 ^b	1,206	—		

^a Revision based upon an assessment of the impact of Fall 1975 enrollment experience.

^b Not funded by the state in 1975-76 or proposed for state funding in 1976-77.

The table indicates that undergraduate enrollments are expected to grow very little (0.2 percent) while graduate enrollments are projected to increase 1.8 percent and make up the bulk of the enrollment growth planned for 1976-77. These projections are essentially as originally requested in the Regent's Budget and are part of the Ten-Year General

Campus Enrollment Plan which extends through 1985 and was approved by the President in February 1975.

According to the Regents' Budget, the plan was the result of extensive analysis and consultation with campuses. The projections reflect (1) enrollment ceilings on some campuses, (2) a limit on the annual rates of expansion at developing campuses which are determined by construction lead times, facilities adequacy, and concern for impact on surrounding communities, and (3) academic considerations such as the graduate to undergraduate student mix, and the balanced development of departments of instruction.

In addition, the enrollment estimates are also predicated on the most recent registration experience and the traditional policy of admitting all qualified undergraduates to some campus in the University system. However, as indicated by the revised 1975-76 enrollment column in Table 1, the Governor's Budget has not been adjusted to account for the unanticipated Fall 1975 enrollment surge.

Unpredictable Demand

Since 1970-71 the University has had difficulty predicting student demand. In the years 1970-71 through 1972-73 successive enrollment shortfalls of 1,079, 5,309, and 1,936 were experienced. Following these shortfalls the University took administrative actions to expand enrollments. These did result in some additional students in 1972-73, although enrollments still fell short of what was originally anticipated in the budget. However, a turnaround was experienced in 1973-74 when general campus enrollments exceeded the original budget estimate by 2,403 FTE (2.4 percent). This was repeated in 1974-75, although the overrun was only 1.7 percent.

Despite these recent trends, there was some speculation during the review of 1975-76 budget projections that enrollment targets were overly optimistic. In fact, newspaper accounts reported that freshman applications for admission to the fall 1975 class were down at all UC campuses except Davis. In March 1975 the University reviewed and reaffirmed its 1975-76 projections, taking into account the latest information on applications, demographic projections, participation and acceptance rates, and student persistence.

Fall 1975 Enrollment Up Dramatically

As indicated in Table 2, actual enrollments are promising to belie the conservative 2.1 percent increase forecast for 1975-76.

The Universitywide total for fall 1975 represents an increase of 6,042 students (4.9 percent) over the 1974-75 enrollment and is 4,304 higher than predicted. A review of the statistics indicates that the 61,105 enrolled as continuing and returning students represents a record high. This is an increase of 2,899 (5 percent) over the fall 1974 total. New undergraduates are up 1,587 (5.5 percent) over last year and are comprised of 17,790 freshman and 12,772 transfer students. In addition, enrollments in the University's health sciences programs grew 720 (7.3 percent) over last fall. By contrast, general campus graduate enrollments are only up 836 (3.3 percent) over the fall 1974 total.

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Table 2
Comparison of Campus Budgeted (Headcount) Enrollment
Estimates with Fall 1975 Experience

	<i>Budgeted^a</i> <i>1975-76</i>	<i>Actual</i> <i>Fall 1975</i> <i>Enrollment</i>	<i>Governor's</i> <i>Budget^a</i> <i>1976-77</i>
Berkeley			
Undergraduate	19,441	20,639	19,013
Graduate	8,252	8,742	8,065
Health Sciences	642	620	648
Davis			
Undergraduate	12,117	12,559	12,100
Graduate	2,850	3,057	2,900
Health Sciences	1,587	1,615	1,679
Irvine			
Undergraduate	6,696	7,378	6,705
Graduate	1,129	1,200	1,175
Health Sciences	939	783	970
Los Angeles			
Undergraduate	19,576	21,421	19,318
Graduate	7,878	8,375	7,942
Health Sciences	3,393	3,432	3,471
Riverside			
Undergraduate	3,412	3,763	3,485
Graduate	1,273	1,295	1,300
San Diego			
Undergraduate	6,900	7,596	7,350
Graduate	1,290	1,238	1,394
Health Sciences	840	793	897
San Francisco			
Health Sciences	3,283	3,295	3,483
Santa Barbara			
Undergraduate	11,459	12,546	11,657
Graduate	1,839	2,038	1,883
Santa Cruz			
Undergraduate	5,596	5,765	5,825
Graduate	347	328	393
Totals:			
Undergraduate	85,197	91,667	86,081
Graduate	24,858	26,273	25,355
Health Sciences	10,684	10,538	11,148

^a Average of fall, winter and spring quarters.

The dramatic fall 1975 enrollment increase has been attributed, in part, to problems of unemployment among young adults. This is the age group with the highest unemployment rate, apparently causing more individuals than usual to opt for college since jobs are not available.

The 1975-76 enrollment bulge is not unique to the University system. The California State University and Colleges experienced the same turn-

around and nationwide, university enrollments are at an all-time high. Total postsecondary enrollment is up 9.7 percent, the largest percentage increase since 1965.

Despite the unpredicted turnaround in enrollments nationwide, long term projections by such organizations as the U.S. Office of Education and the Carnegie Council remain unchanged. They are continuing to forecast an absolute decline in the 1980's with a slow upturn beginning in the early 1990's.

Budget Silent on Enrollment Bulge Impact

Following receipt of the final fall registration figures shown in Table 2, the University (1) requested a deficiency appropriation for 1975-76 and (2) revised upward its 1976-77 enrollment estimates and requested a corresponding revision in the Governor's Budget. The budget narrative and expenditure tables indicate that the 1975-76 budget has been augmented \$1,853,000 to fund the overenrollments (0.8 percent) which exceeded the two percent deviation factor recognized under the provisions of Section 28.9 of the Budget Act. A deficiency appropriation from the General Fund will be requested to accommodate the overenrollment. However, the \$1,853,000 is not carried forward into the 1976-77 budget year and the Regents requested enrollment revision was not granted.

Enrollment Level Inadequate

We recommend a General Fund augmentation of \$2,425,255 to add 82.22 FTE faculty and related academic support costs and 30.95 FTE teaching assistants to accommodate the unfunded undergraduate enrollment growth projected for 1976-77 (Item 346).

The budget narrative offers no explanations for the failure to recognize the University's revised budget request. Consequently, it is not clear whether the policy decision is (1) to place a lid on overall enrollment growth and if necessary, redirect qualified high school students to other segments, or (2) to accept all qualified new undergraduate applicants at the expense of graduate programs or (3) to treat the 1975-76 overenrollment as a one-time spurt that will diminish and not reoccur in 1976-77.

Certainly, the no-enrollment growth budget explanation is plausible, many colleges across the nation are reportedly taking deliberate steps to keep down the number of enrollees, both to maintain high academic standards and to avoid extra expense. However, we are concerned about the impact of the budget decision.

The implications that qualified undergraduate applicants will be denied admission to the University, is a major change in public policy with which we do not agree.

We believe that for 1976-77 the University should continue its policy of accepting all qualified undergraduate students. To insure that the University has the resources available to carry out this commitment, we are recommending workload augmentations based on the University's revised enrollment projections for undergraduates.

It should be noted that, in the foregoing discussion, we have only expressed concern about the impact of the budget decision on undergraduate enrollments. This is because graduate enrollments have always been

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managed by the University according to available resources, student demand, and general trends in the needs of society. We view the budget decision as placing more emphasis on the available resources constraint, requiring the University to more carefully manage graduate enrollments. We do not recommend any change in the budgeted level of graduate enrollments.

Table 3 indicates that the implementation of our proposal requires enrollment workload funding for 1,438 FTE undergraduates.

Application of the budgeted ratios of 17.49 to 1 (students/faculty) and 46.46 to 1 (undergraduates/teaching assistants), to the Regents 1976-77 revised undergraduate estimate in Table 3 justifies a workload increase of 82.22 FTE faculty and 30.95 FTE teaching assistants.

The same methodology the University used to determine the incremental costs of the excess enrollment in the current year was employed to price out the workload increase for 1976-77 necessitated by the 1975-76 overenrollment. This assumes that any additional positions will be filled with non-ladder appointments and that the instructional support allocation only needs to cover marginal costs.

Consequently, our calculations support increases of \$1,078,365 for the 82.22 faculty positions, \$1,055,527 in related academic support costs, and \$291,363 for the additional 30.95 FTE teaching assistants. These increases total \$2,425,255 which is our recommended augmentation.

1976-77 Budget Overview

Table 4 shows the University of California budget for the 1975-76 and 1976-77 fiscal years. In 1976-77, the total University support budget is \$1,173,504,199 which is an increase of \$74,432,734 or 6.1 percent over 1975-76. Of this increase state appropriations added \$31,947,541, University general funds decreased by \$1,432,399, special restricted state appropriations were increased by \$3,108,000 and other University revenue sources added \$39,377,193. These revenues are shown in Table 5.

The state General Fund appropriation increase of \$31,947,541 is detailed in Table 6. The budget changes are categorized (1) to maintain existing budget, \$21,618,437, (2) workload and other changes to existing programs, \$8,896,705, and (3) funding changes and offsets to state appropriations, \$1,432,399.

Summation of categories (1) and (2) in Table 6 indicates that the net increase in state supported programs is \$30,515,142.

Table 3
Comparison of FTE Enrollment Estimates for 1976-77
General Campuses

	<i>Budgeted 1975-76</i>	<i>Revised 1975-76*</i>	<i>Governors Budget</i>			<i>Regents Revised Request*</i>			<i>Unfunded Enrollment 1976-77</i>
			<i>Proposed 1976-77</i>	<i>Change from 75-76 Budgeted</i>	<i>Percent Change</i>	<i>Proposed 1976-77</i>	<i>Change from 75-76 Budgeted</i>	<i>Percent Change</i>	
General Campuses:									
Undergraduate	82,823	85,515	82,950	127	0.2%	84,388	1,565	1.9%	1,438
Graduates	23,849	24,423	24,037	188	0.8	24,785	936	3.9	748
Totals	106,672	109,938	106,987	315	0.3%	109,173	2,501	2.3%	2,186

* Revision based upon an assessment of the impact of Fall 1975 enrollment experience.

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Table 4
Proposed UC Budget for 1976-77

	Personnel			1975-76	1976-77	Change	
	1975-76	1976-77	Change			Amount	Percent
I. Instruction							
A. General Campuses	12,039.46	12,074.95	35.49	\$242,320,170	\$246,654,640	\$4,334,470	1.5%
B. Health Sciences	3,995.67	4,116.54	120.87	101,666,936	104,964,040	3,297,104	3.2
C. Summer Session	345.43	347.43	2.00	4,763,328	5,048,399	285,071	5.9
D. University Extension	1,335.43	1,335.50	.07	27,653,406	28,304,505	651,099	2.4
II. Research	2,589.06	2,579.20	-9.86	60,485,758	60,162,169	-323,579	-0.5
III. Public Service	1,203.40	1,203.40	—	26,903,046	27,024,651	121,605	0.5
IV. Academic Support							
A. Libraries	2,175.11	2,182.03	6.92	42,922,026	43,021,718	99,692	0.2
B. Organized activities—other	1,922.81	1,922.81	—	35,456,313	37,214,237	1,757,924	4.9
C. Teaching Hospitals and clinics	10,566.45	10,655.45	89.00	239,250,306	274,018,367	34,768,061	14.5
V. Student Services							
A. Activities	2,592.21	2,617.21	25.00	47,243,738	47,755,930	512,192	1.1
B. Financial aid	—	—	—	22,895,887	23,195,239	299,352	1.3
VI. Institutional Support							
A. General Administration and services	5,792.91	5,792.91	—	75,620,632	75,823,867	203,235	0.3
B. Maintenance and operation of plant	3,030.45	3,067.95	37.50	60,113,099	61,140,919	1,027,820	1.7
VII. Independent Operations (Auxiliary Enterprises)	1,939.21	1,948.21	9.00	59,597,464	62,433,100	2,835,636	4.8
VIII. Special Regents Programs				21,548,300	23,056,300	1,508,000	7.0
IX. Unallocated Adjustments							
A. Provisions for allocation				30,631,066	32,067,681	1,436,615	
B. Fixed costs and economic factors					21,618,437	21,618,437	
Totals support budget (continuing operations)	49,527.60	49,843.51	315.99	\$1,099,071,465	\$1,173,504,199	\$74,432,734	6.8%
Sponsored research and activities				337,484,700	358,183,800	20,699,100	6.1
Major ERDA-supported laboratories				403,010,000	403,010,000	—	—
GRAND TOTAL				\$1,839,566,165	\$1,934,697,999	\$95,131,834	5.2%

Table 5
Revenues—Total Support Budget

	1975-76	1976-77	Change	
			Amount	Percent
General Funds:				
State appropriation	\$587,095,381	\$619,042,922	\$31,947,541	5.4%
University General Funds:				
Nonresident tuition	10,179,070	10,425,930	246,860	2.4
Other student fees	3,782,875	3,894,593	111,718	2.9
Other current funds	1,325,652	1,592,083	266,431	20.1
Funds used as income:				
Federal overhead	23,485,169	22,961,899	-523,270	-2.2
Prior year balances	4,749,954	3,417,725	-1,332,229	-28.0
Other	807,909	606,000	-201,909	-25.0
Total General Funds	\$631,426,010	\$661,941,152	\$30,515,142	4.8%
Restricted Funds:				
State appropriations				
Real estate program	\$192,000	—	\$-192,000	-100.0%
Transportation research	710,000	\$510,000	-200,000	-28.2
Mosquito research	100,000	100,000	—	—
Maintenance and equipment	—	3,500,000	3,500,000	—
Federal appropriations	7,710,678	7,710,678	—	—
United State Grants	6,096,803	6,096,803	—	—
University sources:				
Student fees	100,346,496	101,612,200	1,265,704	1.3
Sales and services	18,614,989	18,690,189	75,200	0.4
Teaching hospitals	214,261,557	247,629,557	33,368,000	15.6
Organized activities	12,592,215	13,829,310	1,237,095	9.8
Endowments	11,343,528	11,362,172	18,644	0.2
Auxiliary enterprises	58,663,218	61,498,854	2,835,636	4.8
Other	9,942,040	10,443,353	501,313	5.0
Prior year balances	5,523,631	5,523,631	—	—
Special regent's programs	21,548,300	23,056,300	1,508,000	6.9
Total restricted funds	\$467,645,455	\$511,563,047	\$43,917,592	—
Total revenue	\$1,099,071,465	\$1,173,504,199	\$74,432,734	6.8%

ANALYSIS AND RECOMMENDATIONS

Analysis Format Change

The format for our analysis of the University of California budget is revised for greater consistency with our presentation of the analysis of the other segments. Following the format developed by the National Center for Higher Education Management Systems (NICHEMS), the University budget analysis is separated into nine program classifications.

The first three, Instruction, Research, and Public Service, encompass the primary higher education functions. The next four, Academic Support, Student Services, Institutional Support, and Independent Operations, provide supporting services to the three primary functions. The remaining two program classifications, Special Regents Programs and Unallocated Adjustments accommodate special resource allocations and budget reporting procedures and directly or indirectly affect all of the other seven programs.

I. INSTRUCTION

Functional Description

This program classification includes four subprogram areas as shown in Table 7.

UNIVERSITY OF CALIFORNIA—Continued

Table 6
Summary of Changes from 1975-76 Budget

I. To maintain existing budget		\$21,618,437
a. Merit increases and promotions	\$10,195,382	
b. Price increases	8,500,055	
c. Malpractice insurance	2,923,000	
II. Workload and other changes to existing programs		8,896,705
a. General Campus instruction	3,706,513	
b. Health Sciences instruction	3,293,858	
c. Libraries	99,646	
d. Organized Activities	512,000	
e. Teaching Hospitals	1,400,000	
f. Operation and Maintenance of Plant	1,026,528	
g. EOP	275,000	
h. Budgetary savings	-2,710,290	
i. One-time salary payment	-1,400,000	
j. Employee benefits	5,732,000	
k. Veterinary medicine Field Clinic study	-50,000	
l. UC data program	-97,000	
m. Prior year balance not available	-850,000	
n. 1975-76 overenrollment	-1,853,000	
o. Other	-188,550	
Subtotal—net program changes		30,515,142
III. Funding changes and offsets to State appropriations		1,432,399
a. Nonresident tuition	-246,860	
b. Misc. student fees	-111,718	
c. Overhead receipts	523,270	
d. UC Press reserve	249,371	
e. Interest on unexpended balances	-250,000	
f. Prior year balances	1,332,229	
g. Other	-63,893	
Total change—State General Fund		31,947,541
Total change—State Transportation Fund		-200,000
Total change—Real Estate Education, Research and Recovery Fund		-192,000
Total change—Capital Outlay Fund for Public Higher Education		3,500,000
Total increase		\$35,055,541

Table 7
Instruction Expenditures

	1975-76	1976-77	Change	
			Amount	Percent
1. General campuses	\$242,320,170	\$246,654,640	\$4,334,470	1.5%
General Funds	236,474,825	240,781,383	4,306,513	1.6
2. Health science	101,666,936	104,964,040	3,297,104	3.2
General Funds	80,168,704	83,462,562	3,293,858	4.1
3. Summer session	4,763,328	5,048,399	285,071	5.9
General Funds	-	-	-	-
4. University Extension	27,653,406	28,304,505	651,099	2.4
General Funds	-	-	-	-
Totals	\$376,403,840	\$384,971,584	\$8,567,744	2.2%
Totals, (General Funds)	316,643,529	324,243,900	7,600,371	2.3

Included in the first two areas, general campuses and health sciences are the costs of faculty, teaching assistants and related instructional support for the eight general campuses and health sciences centers. In addition to teaching, the faculty performs research within the organizational structure of the academic departments. Other activities of the instructional faculty include advising and informal contact with students, supervision of undergraduate independent studies, guidance of graduate student research and supervision of doctoral dissertations.

The third area, summer sessions, contains the incremental costs associated with the summer programs which are offset by student fees and extramural funds. The program was initiated in response to the master plan for higher education, which recommends that every public higher education institution able to offer academic programs in the summer months do so to make full use of the state's higher education physical facilities.

The fourth program area, University Extension, is also a self supporting enterprise. Its goal 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. It has open admissions, optional credit and free student selection of curriculum. University extension is responsible for administering all continuing education programs at each campus, although the specific organization offering programs varies from campus to campus, depending upon the size of the program and the characteristics of the campus.

1. GENERAL CAMPUSES INSTRUCTION

The proposed general campuses' budget increase of \$4,306,513 has four components. It includes (1) \$324,475 in salary costs for 18.02 new faculty positions, (2) \$231,338 in related-academic support cost, (3) \$25,700 for an additional 2.73 FTE teaching assistants, and (4) \$3,725,000 to enrich the instructional support allocation and thereby enable the University to meet its high priority needs in the areas of instructional equipment replacement and instructional computing.

The additional faculty will result in a total of 6,116.11, maintaining the 1975-76 student faculty ratio of 17.49 to 1. The additional 2.73 FTE teaching assistants will provide a total of 1,785.45 FTE which maintains the 1975-76 level of undergraduates to teaching assistants of 46.46 to 1. Both the increases in faculty and teaching assistants were determined by applying the approved ratios to the enrollments shown in Table 1.

Undergraduate Teaching Excellence Program (Item 347)

The Budget Bill continues a special \$1 million appropriation to support a universitywide program to improve undergraduate instruction. Following a successful student lobbying effort, the program was initiated in 1973-74 with a similar appropriation and has been funded in each subsequent year. During this period, the special \$1 million program has supplemented ongoing programs devoted to other kinds of instructional improvement projects funded from Regents' funds. The various funding sources and programs are summarized in Table 8.

UNIVERSITY OF CALIFORNIA—Continued

Table 8
Instructional Improvement Program Funding

	1972-73	1973-74	1974-75	1975-76	Proposed 1976-77
General Fund:					
Undergraduate Teaching Excellence.....		\$1,000,000	\$1,000,000	\$999,999	\$1,000,000
Regents Funds:					
Innovative Projects in University Institutions	\$300,000	400,000	400,000	400,000	400,000
Regents Undergraduate Instructional Improvement Grants	300,000	300,000	300,000	300,000	300,000
Teaching Excellence					300,000
Educational Fee Funds:					
Regents TA Training Fund			150,000	150,000	
Multi-campus Projects			150,000	150,000	
TOTAL	\$600,000	\$1,700,000	\$2,000,000	\$2,000,000	\$2,000,000

Program Restricted

From the outset of the program use of the special \$1 million was restricted. The Regents authorized the development of campus programs under three main categories and specified that at least 50 percent of the funds allocated would be used for teaching evaluation.

The three categories were:

1. Teaching evaluation and related programs from improvement based on the evaluations.
2. Summer grants to improve courses, curricula and instruction.
3. Seminars or other special courses.

More specific guidelines for use of the funding were developed and transmitted to the campuses but these were modified after one year of operation. Important modifications included (1) a broader interpretation of evaluation needs to give campuses more flexibility, and (2) clarification of the limits on compensation to faculty.

Initially, the special funds were allocated to campuses based on the relative sizes of undergraduate enrollments. This procedure was modified after the first year to provide a core amount of \$5,000 to each campus before distributing the balance based on enrollments.

Budget Detail Lacking

In 1973, when the program was initiated, and again in 1974 the Budget Conference Committee directed the University to report back in early November, detailing how the funds were being used and projecting future budget requirements. In both years, the required reports were incomplete and contained only tentative information because many campuses had not even finalized their current programs. The University was able to provide more detailed information about current expenditures in time for subcommittee hearings. However, it has never submitted specific proposals for allocation of the \$1 million in order to substantiate its budget request.

This deficiency has not been rectified, and funding continues to precede planning on most campuses. Consequently, funds have not been allocated for 1975-76 and for 1976-77, it is impossible to identify the planned uses of the \$1 million proposed for continuation.

Program Evaluations

Because of student and legislative concern, this program has been the subject of two comprehensive evaluations since it began in 1973. Both were conducted by special evaluation research teams composed of faculty, researchers, special consultants and students, functioning under the aegis of the Presidents Advisory Committee on Instructional Improvement Programs.

The first study, titled *Toward Excellence in Teaching, Too*, but referred to as the Stone Report was released in November 1974. It only reviewed the special \$1 million fund, is limited to the first year of operation, 1973-74, and is an assessment of projects underway, but not completed.

The second study, released in November 1975, is broader in scope. Titled, "... and Gladly Teche", it assesses the results of efforts funded under three separate instructional improvement programs. This includes the special program funded by the state in 1973-74 and 1974-75 and two grant programs funded by the Regents from 1971-72 through 1974-75. In contrast to the Stone Report, the evaluation team was able to select completed projects for this second study. Because it was found that the same types of projects were funded by both state and Regents' funds, the review did not focus on sources of funding.

The second study is treated as a general overview of all instructional improvement projects rather than a narrow review of the special \$1 million program. However, it confirmed the findings of the earlier limited report, including some of the important deficiencies of the program.

Program Deficiencies

In last year's Analysis we questioned the effectiveness and potential of the special \$1 million program because of the apparent lack of commitment and involvement of organized academic units. This observation was based on the findings of the Stone Report which recommended continued funding and was not regarded by the University as definitive because the program was just beginning. To overcome this deficiency, the second study was expanded to include some ongoing programs and similar but completed projects funded over a four-year period.

Many of its findings paralleled the earlier report and it too recommended continued funding. Continuation was recommended largely because (1) most of the projects achieved their stated goals, and (2) the need for an incentive to further encourage and support faculty involvement in efforts to improve teaching.

The report also recommended improvements in program planning and in the way programs and funds are administered on the campuses and systemwide. However, it failed to come to grips with two fundamental problems: (1) the disproportionate emphasis on research as opposed to teaching in the promotional review process and (2) widespread faculty and administrative indifference to any program emphasizing teaching

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over research at the University.

Fundamental Policy Changes Needed

We recommend that the special \$1 million appropriation for the undergraduate teaching excellence program be reduced by \$500,000 pending the adoption of Universitywide policies to insure that (1) more emphasis is placed on teaching when making personnel decisions and (2) campus administrative procedures are changed to mitigate the current indifference to the program. (Item 347).

We concur with the need to encourage improvements in undergraduate instruction but we are skeptical of the potential impact of current efforts because of the apparent lack of commitment and involvement of organized academic units and administrators. Without some fundamental changes in University policy, it is difficult to support a \$2 million program to improve teaching. However, because of the evidence that some of the state funded projects have been moderately successful, we are not recommending elimination of state support. Rather, we are recommending deletion of that portion of the special \$1 million allocated by the University to teaching evaluation (50 percent) pending positive changes in University policies to improve the utility of the program. This reduction would result in a \$1.5 million program level for 1976-77, which we believe is adequate.

Instructional Support

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. This lump sum provides for numerous instructional supporting costs such as administrative, technical and clerical positions along with office, classroom and laboratory supplies, instructional equipment and instructional computing.

Further, the following academic positions are funded within this lump sum: demonstration teacher, supervisor of teacher education, social welfare field staff, supervisor of teaching, physical activities assistant, apprentice teacher, academic dean and director, remedial tutor, military science assistant bandmaster, and certain student assistants (reader, tutor and language examiner).

The University has retained the flexibility to allocate the funds provided by this lump-sum approach in response to its own internal priorities, needs, and administrative decisions. It should be pointed out that salary adjustments, price increases and other inflationary items associated with instructional support are carried elsewhere in the budget.

For 1976-77, the Governor's Budget continues the lump-sum approach and proposes (1) a workload increase of \$231,338 to maintain the 1975-76 rate of \$11,053 per FTE faculty and (2) a \$3,725,000 improvement (\$609 per FTE faculty) in the instructional support rate to fund high priority needs for instructional equipment and computing.

Instructional Support Augmentation

The budget increase of \$3,725,000 to meet some of the University's high priority needs in the areas of instructional equipment replacement and instructional computing is a significant departure from the lump-sum approach to instructional support. This is because it singles out categories for deficiency funding and, in effect, restricts the University's flexibility to allocate the funds between the numerous instructional supporting costs. However, the budget does allow some flexibility for allocating the increase between equipment and computing.

The failure of the budget to be more specific about the intended uses of the proposed increase makes it difficult to determine the appropriateness of the amount. In our discussion of the \$5 million COFPHE Fund increase proposed in Item 358 we expressed our sympathy with the instructional equipment funding dilemma and indicated our support for the long-term solution offered by this increase to the on-going support appropriation.

However, because the budget narrative clearly indicates that some of the proposed increase is for instructional computing, it is necessary to determine how much of the funds will be allocated to this purpose. At this writing, the University has not developed any plans for allocating the \$3.7 million between computing and equipment. Consequently, for analysis purposes, we assumed that allocations would probably be proportionate to the Regents' Budget requests for increases in equipment and computing, because they appeared to be of equal priority.

Those amounts were \$4.6 million and \$1.5 million respectively. Proportioning the \$3.7 million increase proposed in the budget to correspond with this relationship indicates that approximately \$1 million is for instructional computing. While we support the need for additional instructional equipment funding, we have some reservations about a \$1 million increase for instructional computing.

Instructional Computing Increase Excessive

We recommend a reduction of \$500,000 in the support augmentation for instructional computing (Item 346).

In addition to purchasing service at the campus computer centers, it is our understanding that the University intends to utilize approximately one-half of this request for the purchase of minicomputers for use by students as "personal" computers. These new devices costing about \$10,000 or more each would be used to meet instructional computing requirements in lieu of the larger machines.

We believe there is a need for additional funding to permit increased student access to the machines installed in campus computer centers although we are not comfortable with the amount requested in the Regent's Budget. However, some campuses have a considerably lower allocation per student for computing than others. Consequently, we can recommend approval of \$500,000 to improve instructional computing for those campuses at the low end of the scale in per student allocation.

Although we acknowledge the trend towards lower cost minicomputers with substantially increased capability, we do not believe that the Univer-

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city has done sufficient detailed planning to warrant increased state funding for this purpose. No attempt to assess student needs in this area or develop systemwide procedures for the acquisition, distribution or utilization of minicomputers has been completed.

Given the uncontrolled growth in the number of smaller computers which has occurred since the early 1970's, we cannot recommend a \$500,000 increase for purchase of more minicomputers.

Faculty Promotions:

In considering the 1975-76 budget for the California State University and Colleges (CSUC) the Legislature sought clarification of the promotion and tenure policies at the University. Consequently, the following recommendation was included in the Supplemental Report of the 1975 Budget Conference Committee:

"It is recommended that the University prepare a report identifying the percentage distribution of faculty by rank, with data comparable to that arrayed for CSUC in Table 14, page 761, of the 1975-76 Analysis of the Budget Bill. The report shall be submitted to the Department of Finance and the Legislative Analyst by September 1, 1975 and the data utilized in a comparative analysis of promotion and tenure policies in UC and CSUC, to be incorporated in the 1976-77 Analysis of the Budget Bill along with any appropriate recommendations."

Table 9 summarizes the faculty distribution between ranks for the two segments for 1973-74 and 1974-75.

Table 9
Summary of FTE Faculty Distribution
University of California and California State University and Colleges
1973-74 and 1974-75

	UC		CSUC	
	1973-74	1974-75	1973-74	1974-75
Total Instructional Faculty.....	5,721.75	5,960.75	13,068	12,973
Total Upper Ranks	3,697.64	3,856.40	7,102	7,660
Percentage Upper Ranks	64.62%	64.70%	54.34%	59.0%
Total Tenured Faculty	3,671.39	3,822.32	7,079	7,874
Percentage Tenured	64.16%	64.12%	54.17%	60.69%

Table 10 shows the UC distribution, by campus. Campus statistics for CSUC are shown in Table 15, Analysis page 000.

As indicated in Table 9 the percentage of faculty distributed in the upper ranks as well as to tenured positions is higher in UC for both years. However, the reduction in faculty positions between 1973-74 and 1974-75 in CSUC brought the percentages closer together for the two segments.

Promotion Policies

Currently, promotion policies in CSUC are administered according to ACR 70, adopted in 1974 by the Legislature. It resolved "... that the faculty of the California State University and Colleges should be promoted on the basis of merit and ability and should not be denied promotion on the basis of arbitrary quotas for the rank of associate or full professor."

While the adoption of the policy by the CSUC Board of Trustees spelled

Table 10
UNIVERSITY OF CALIFORNIA
Percentage of Tenure FTE Faculty, 1973-74 and 1974-75 *
GENERAL CAMPUSES

	1973-74			1974-75		
	<i>Total Instructional Faculty FTE</i>	<i>Total Tenure FTE</i>	<i>Percent Tenure FTE</i>	<i>Total Instructional Faculty FTE</i>	<i>Total Tenure FTE</i>	<i>Percent Tenure FTE</i>
Berkeley	1,585.81	1,139.93	71.88%	1,585.81	1,139.02	71.83%
Davis	733.67	403.40	54.98	771.67	429.81	55.70
Irvine	360.13	209.88	58.28	424.13	247.63	58.39
Los Angeles	1,397.93	915.57	65.49	1,458.93	939.78	64.42
Riverside	334.51	221.75	66.29	314.51	222.00	70.59
San Diego	364.21	249.95	68.63	415.21	273.30	65.82
Santa Barbara ..	653.74	395.01	60.42	676.74	416.68	61.57
Santa Cruz	291.75	135.90	46.58	313.75	154.10	49.11
TOTAL	5,721.75	3,671.39	64.16%	5,960.75	3,822.32	64.12%

* Comparable data for 1972-73 is not available.

the end of the historic 60-40 policy (no more than 60 percent in upper two ranks), the data in Table 9 indicates that the actual systemwide distribution in 1974-75 still closely resembles the historic distribution. However, it is still too early to draw any conclusions from the data presented because of the short period the new CSUC policy has been in effect and our current inability to isolate the effects of independent variables such as budget decisions.

The University has never had a systemwide tenure policy comparable to the 60-40 distribution of CSUC. Instead, the responsibility for promotion and tenure decisions has been delegated to the campuses where it falls under the aegis of the Academic Senate. Because of this decentralization, no two campus processes or policies are exactly alike.

All candidates for promotions are subject to very formal and rigorous peer review procedures, culminating with the Budget Committee of the Academic Senate. This process is not constrained by arbitrary budget formulas but is influenced by the availability of resources resulting from campuswide budget decisions.

2. HEALTH SCIENCES INSTRUCTION

The budget provides a General Fund increase of \$3,293,858 or 3.2 percent for the health sciences schools. This increase has five components including (1) \$1,921,531 for workload generated 51.75 FTE faculty and related departmental support costs, (2) \$310,451 for 11.25 FTE faculty and related support to fund all family nurse practitioner programs at the same student faculty ratio (8 : 1), (3) \$718,376 for interns and residents stipends, (4) \$143,500 for a 3 FTE faculty advance for the UCR/UCLA biomedical program and (5) \$200,000 to improve the budgeted instructional support rates for nursing, dentistry, and public health programs.

Proposed enrollment in 1976-77 is 11,102 FTE students, for an increase of 460 FTE or 4.3 percent over the level budgeted in 1975-76.

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Student/Faculty Ratios

The proposed budget increase is based on maintaining the current year level of state support for the anticipated 1976-77 enrollments. Consequently, the number of additional faculty was determined by applying University approved student/faculty ratios for each health science school to a breakdown of the planned total enrollment.

These approved ratios are shown in Table 11.

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

Schools of Medicine	
M.D. curriculum	
Interns and residents	3.5:1
Campus and county hospitals	7:1
Other affiliated hospitals	10:1
Allied health programs	20:1
Graduate academic	8:1
Schools of Dentistry	
D.D.S. curriculum	4:1
Graduate professional	4:1
Interns and residents	
Campus and county hospitals	7:1
Other affiliated hospitals	10:1
Dental hygienists	8:1
Graduate academic	8:1
Schools of Nursing	
B.S. curriculum	7.5:1
Graduate academic	8:1
Schools of Public Health	
Graduate academic	9.6:1
School of Veterinary Medicine	
D.V.M. curriculum	5.4:1
Interns and residents	7:1
Graduate academic	8:1
School of Pharmacy	
Pharm. D. curriculum	11:1
Graduate academic	8:1
School of Optometry	
O.D. curriculum and graduate academic	12.5:1 overall
School of Human Biology	
Graduate academic	8:1

Table 12 indicates the allocation of the proposed increase by campus.

Table 12
FTE Faculty Medical and Health Sciences

	1974-75 <i>Budget</i>	1975-76 <i>Budget</i>	1976-77 <i>Governor's Budget</i>	
			<i>Total</i>	<i>Increase</i>
Berkeley				
Optometry	19.20	20.56	21.04	0.48
Public Health	36.67	40.10	40.10	—
Total Berkeley	55.87	60.66	61.14	0.48
Davis				
Medicine	183.83	189.03	205.02	15.99
Veterinary Medicine	87.78	91.52	91.95	0.43
Total Davis	271.61	280.55	296.97	16.42
Irvine				
Medicine	135.18	151.22	155.47	4.25
Los Angeles				
Dentistry ^a	96.00	98.06	100.74	2.68
Medicine	358.81	395.58	398.47	2.89
Nursing	33.25	33.33	34.58	1.25
Public Health	45.83	46.88	49.49	2.61
Total Los Angeles	533.89	573.85	583.28	9.43
Riverside				
Medicine	1.00	1.00	4.00	3.00
San Diego				
Medicine	135.11	152.51	166.01	13.50
San Francisco				
Dentistry	100.87	104.15	104.15	—
Medicine	295.75	319.13	331.68	12.55
Nursing	73.48	70.31	75.23	4.92
Pharmacy	44.31	46.49	47.94	1.45
Total San Francisco	514.41	540.08	559.00	18.92
Total Health Sciences	1647.07	1759.87	1825.87	66.00

^a Includes 19 Instruction and Research basic sciences faculty teaching dentistry.

Table 13 displays overall student/faculty ratios budgeted for each school.

Table 13
Overall Student/Faculty Ratios
Medical and Health Sciences Schools

	1974-75 <i>Budget</i>	1975-76 <i>Budget</i>	1976-77 <i>Budget</i>
Medicine	5.43	5.65	5.70
Dentistry	4.63	4.59	4.60
Nursing	7.74	7.76	7.75
Optometry	12.50	12.50	12.50
Pharmacy	10.38	10.37	10.30
Public Health	9.60	9.60	9.60
Veterinary Medicine	5.94	5.95	5.97
Overall	5.95	6.07	6.11

UNIVERSITY OF CALIFORNIA—Continued**Revised Enrollment Estimate**

In our introductory comments on the enrollment increase budgeted for the University we pointed out that the budget estimate does not recognize the impact of the recent enrollment surge on future enrollments. Consequently, we are recommending budget augmentations to overcome some of the deficiencies. However, we confined our adjustment to undergraduate enrollments on the general campuses.

The revised estimate for 1975-76 health science enrollments is only 17 FTE or 0.2 percent greater than the 1975-76 budgeted figure. Based on this slight increase the University requested that the 1976-77 budgeted level be increased by 136 or 1.2 percent. This is on top of the 4.3 percent increase budgeted. None of this increase involves students in the professional curriculum.

Clinical Resources

Three of the five University medical schools currently rely on former county hospital facilities to support the clinical education component of their instructional programs. The 1,373 operational beds in these three hospitals currently provide the inpatient clinical resources required for 484 third and fourth year MD candidates and 724 interns and residents. More importantly, according to the University, these hospitals provide the minimum acceptable number of University controlled beds required to sustain planned MD class sizes of 100 at Davis, 96 at Irvine and 128 at San Diego.

To achieve the level of control deemed essential for its medical education programs, the University has the operational responsibility for two of these hospitals (Sacramento and San Diego) under separate county contracts. It is currently renegotiating a contract to assume operational responsibility for the third county hospital (Orange).

Contracts Deficient

In a December 1974 statement presented to the Joint Committee on Health Sciences Education, we commented extensively on the deficiencies in the contracts negotiated by the University with Sacramento, and Orange Counties. Both of the contracts contain provisions which appear to shift non-educational costs from the counties to the University. Because of these deficiencies, and some excessive capital cost implications, we recommended against approving the agreements.

The Legislature shared our concern and subsequently, in the Budget Act of 1975, coupled control language requiring renegotiation of the contracts with an \$8.1 million appropriation for capital improvements at the two hospitals. None of the funds can be allocated by the State Public Works Board until the President of the University certifies that specified changes in the contract provisions have been made.

Program in Jeopardy

On December 8, 1975, in a joint hearing of the Senate and Assembly Select Committees on Health Sciences Education, the University testified that the Orange County problem is near resolution. Subsequently, a revised agreement was signed which resolves the Orange County contract deficiencies.

At Sacramento the outlook is not as promising. Renegotiations have been underway since February 1975 and the University has indicated to Sacramento County that it intends to terminate the present agreement on July 1, 1978 unless the terms are changed.

To date the most that has been accomplished is the adoption of an interim agreement. It calls for payments by the County to the University of \$3.5 million annually for 1975-76, 1976-77 and 1977-78 plus \$2.4 million for prior years. It also calls for termination of the contract by July 1, 1978 if a long term solution is not reached by July 1, 1977.

However, agreement has not been reached on major issues relating to (1) the level of County financial responsibility for the care of medically indigent, and (2) an equitable determination and subsequent distribution of operating costs between those services that are required to insure an acceptable standard of patient care and those that are required solely for teaching purposes.

The fiscal implications of this dilemma could be significant. University operating losses for the first two years (1973-74 and 1974-75) totaled almost \$10 million while county reimbursements for services will total less than \$3.1 million. For 1975-76, the University estimated that \$4.9 million would be needed from Sacramento County to cover the costs of providing care for county patients. The County first suggested a figure of \$2.3 million, revised its offer to \$3 million and finally agreed to pay \$3.5 million. Still \$1.4 million short of the University's estimate. Further, the interim agreement calls for equivalent payments in 1976-77 and 1977-78, despite escalating hospital costs.

In addition to the fiscal implications suggested by the lack of an amended agreement with Sacramento County, the viability of the medical school program is in jeopardy. The University has indicated that it cannot maintain the present clinical enrollment at Davis without the County Hospital as a resource. The current MD student class size of 100 would have to be reduced, as would the number of internships and residencies and the scope and breadth of graduate specialty programs.

Clinical Resources Inadequate for Class Size at Davis Medical School

We recommend reducing the 1976-77 entering MD class at Davis to 50 students pending agreement on a definitive long term contract solution or the development of a workable reconfiguration of the medical school program that excludes use of county hospital facilities.

We further recommend a budget reduction of \$561,000 to reflect the downward enrollment adjustment (Item 346).

Because of their inability to come up with a long term solution, Sacramento County and the University have approved an two-year interim agreement to allow time for further negotiations. We believe the lack of

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a definitive long term agreement raises questions about the capabilities of the medical school to continue its present clinical enrollment beyond July 1, 1978, the contract termination date.

We have not received any substantive information to indicate that the current impasse between the county and the University can be resolved by further negotiations. Consequently, the Davis medical school is likely to be without its major clinical resource after July 1, 1978, and will be forced to look for other clinical resources to sustain enrollments.

While improved and expanded affiliations could alleviate some of the pressures caused by such a loss, it is doubtful whether the University would be able to negotiate a sufficient number of agreements with public and private hospitals to permit University control over an adequate number of beds and insure sufficient clinical exposure for a 100 MD student class size.

Faced with the potential for such a reduction, the University could wait and attempt to transfer the affected students and instructional resources, including faculty, to other campuses. However, such a transfer would be disruptive and cause numerous administrative and academic problems.

Reducing the number of students requiring clinical training in 1978-79 would alleviate many of these problems and could be accomplished with less disruption, simply by reducing the size of the entering MD class for 1976-77.

Because of the uncertainty surrounding the availability and adequacy of clinical resources in 1978-79, we cannot recommend continuation of the current 100 MD student class size at Davis in 1976-77. Consequently, we are recommending a 50 percent reduction in the fall 1976 entering class size pending a speedy resolution of the contract problems or development of a workable alternative configuration for continuing the present medical education program or reducing it. Our proposed reduction of 50 MD students would generate a budget reduction of \$561,000 based on budgeted faculty and support ratios.

If desirable, the planned entering class sizes at other University medical schools, particularly Irvine, could be adjusted to offset a reduction at Davis. We believe it is crucial that the University respond now to the problems posed for 1978-79 by the Sacramento County impasse. In our opinion, the concept of an interim agreement is unacceptable because it does not address these problems.

Psychiatric Residency Training Program—San Diego

We recommend elimination of the special subsidy for this program, for a reduction of \$150,000 (Item 346).

In 1970-71, \$150,000 was transferred from Langley-Porter Neuropsychiatric Institute to the University's San Diego Campus for the operation of a psychiatric residency training program. This project was designed to provide a basis for comparison of residency training costs at a neuropsychiatric institute and a University psychiatry department. To facilitate legislative monitoring of this project, the Budget Act called for progress reports to be submitted annually for the life of the project.

Various cost comparisons have been conducted since this project began, but no definitive conclusions have been drawn, largely because of difficulties identifying and allocating program costs. However, these comparisons were continued even after transfer of the institutes to the University.

Because both of these programs are now operated by the University and budgeted similarly, the usefulness of the program cost comparisons is questionable. More importantly, we question the need to continue what is essentially a special state subsidy for the San Diego program.

All faculty and related academic support costs required for training psychiatric residents are funded by the state as part of the health sciences instruction budget. In addition, the state's current policy is to fund 40 percent of the stipend costs for all medical interns and residents. This policy assumes that anything over 40 percent subsidizes hospital operations costs for patient care.

It is our understanding that stipends for the residents at the institutes are fully paid for by the federal government. However, the annual report for the San Diego program indicates that the special \$150,000 allocation is primarily being used to partially fund 40 resident stipends, supplementing the state's 40 percent contribution. Thus, the effect of this special allocation is to subsidize the teaching hospital operations for patient care costs. This is inconsistent with the current state policy of only paying for the educational component of interns and residents salaries. Consequently, we recommend elimination of the special subsidy for this program.

Fresno-San Joaquin Medical Education Program (Item 348)

We withhold recommendation pending a decision on the supplemental grant application and receipt of a 5-year plan projecting enrollments and operating budget requirements (Item 348).

A special General Fund appropriation of \$70,000 is included in the Budget Bill to provide continued state support for planning a medical education program in the Fresno-San Joaquin Valley Region.

This program was prompted by the March 1974 report and recommendation of the Joint Committee on the Siting of Teacher Hospitals that the Legislature support and authorize the establishment of such a program under the sponsorship of the University. Subsequently, \$70,000 was appropriated in the Budget Acts of 1974 and 1975 to plan the program. The specific areas to be emphasized included:

- a. The training of family physicians and other primary care physicians,
- b. The training of medical students and residents with other health personnel to develop appropriate health care delivery models,
- c. Research into methods of improving the delivery of primary health services, and
- d. The decentralization of the clinical training program in order to maximize the beneficial impact of the health care services provided by the teaching program.

In addition to contributing to the expanded output of primary care physicians in California, this program represents a legislative effort to direct resources toward meeting the problems of speciality and geographic maldistribution of medical services. In addition, this particular

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program was especially attractive because of the potential for a \$5.2 million Veterans Administration Grant to underwrite an estimated 15-20 percent of the program costs during its first seven years.

Federal Funding Reduced

After rejecting two successive grant applications, the Veterans Administration awarded funds for a five-year period, instead of seven, and reduced the amount awarded for operating the program by 30 percent. The University has submitted a follow-up proposal to restore funding for the program to the level required for a full seven-year period.

If this supplemental request is not granted, the University intends to reduce the planned program and the request for state funding in order to maintain the same relationship between federal and state funds as originally proposed in the grant request. The amounts proposed in the Governor's Budget for 1976-77 are based on the program receiving operating support for the full seven years, as originally anticipated.

Educational Elements

The proposed medical education program entails an expansion and extension of San Francisco campus programs in Fresno. In cooperation with VA-Fresno, affiliated residency training programs will be developed and coordinated with Valley Medical Center and other community hospitals and a base will be established for clinical instruction of additional third and fourth year medical students. Undergraduate medical students will have the opportunity to take clinical clerkships and preceptorships in the Fresno area, principally in primary care fields.

Affiliated residency training programs in Fresno constitute a major element of the medical education program because they provide the foundation for many other aspects of the program. The goal is to develop the Valley Medical Center and the Fresno VA Hospital as the principal training sites. As the program evolves, the residency program will be extended to include other community hospitals in Fresno and elsewhere in the region. Residency training will also include clinical experience with other community health agencies, as is necessary in primary care training.

State Funding Level Subject to Revision

The \$70,000 proposed in this item will be used for academic administration and coordination of the program. In addition \$206,316 is included in Item 346 within the proposed budget increase for health sciences instruction. The later amount provides for 5 FTE faculty and related support for a planned enrollment of 6 third year medical students and 94 interns and residents.

As previously indicated, these statistics are subject to revision if the supplemental federal grant application is rejected. Because of the uncertainty surrounding the ultimate level of federal participation in this program, we are uncertain as to what the state is buying into and what its ultimate fiscal responsibility will be. Consequently, we are withholding recommendation on the total amount budgeted (\$276,316) pending a decision on the supplemental grant and receipt of finalized budget infor-

mation.

Berkeley-San Francisco Medical Education Program (Item 349)

We recommend that the item be reduced by \$134,000 to recognize an enrollment reduction (Item 349).

This special item continues the \$267,000 in state support for an experimental effort by the Berkeley campus to educate health professionals in a nontraditional mode. The program is operated jointly with the School of Medicine at San Francisco and is designed to determine if a strong direction toward primary care could be maintained by using existing campus resources for basic science training and relying on existing community resources for clinical exposure and training.

The Berkeley experiment actually began in 1972-73 with extramural funding. A "medical option" program paralleling the first two years of medical school was built around existing campus offerings. Collaboration with the San Francisco campus gave assurance that students in the program would be able to transfer to advanced standing in any accredited four-year medical school.

The \$267,000 of state support for the program began in 1974-75 and includes \$237,000 for faculty and support and \$30,000 for planning the clinical years of the program.

Since 1974-75, the program has had 24 students (12 in each of the first two years) coregistered at the Berkeley and San Francisco campuses. However, it is our understanding that the University is not accepting new enrollees for the budget year because an academic review and evaluation of the program is currently being conducted. Particular attention is being given to the issue of whether or not to expand the program to include clinical training (third and fourth years of the MD curriculum).

The effect of the University's decision to curb enrollments is to reduce the program in half. We assume continuing students were not affected by the University's action. Consequently, we have no basis for supporting the full program cost in the budget year.

Riverside-UCLA Biomedical Program (Item 350)

This program was funded for the first time in the Budget Act of 1974 with a special \$86,200 appropriation. It is a joint effort between the Riverside campus, the School of Medicine at Los Angeles and the San Bernardino County General Hospital.

The Riverside campus provides the first five years of instruction including courses in the basic medical sciences, as well as an introduction to clinical medicine through its association with San Bernardino County. In the sixth and seventh years a select number of students will complete the requirements for the MD degree at Los Angeles.

This program represents the elimination of one year from the typical eight-year period required to obtain an MD degree.

There are no restrictions on enrollment in this program through the first three years. However, at the end of the third year, only 24 students will be selected for continuation in the program and at that time will be coregistered in the School of Medicine at the Los Angeles campus. It is anticipated that only 21 of these students will eventually transfer into the

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third and fourth years of the MD curriculum.

In the 1975-76 budget, this program was terminated because of concerns that it was not cost effective. However, this assertion was challenged by the University and the program was subsequently reinstated by special legislation in Chapter 863, Statutes of 1975, (AB 2463), which appropriated \$108,000 for continuation of 1974-75 operating costs. This included \$73,800 for a program director, 1 FTE faculty and support and \$34,200 for related library workload expenditures.

Total Program Costs Obscured

We recommend that \$143,500 be transferred from Item 346 (main support item) to this Item 350 to identify all program costs and facilitate annual review and cost monitoring.

In addition to continuation of the \$108,000 in this item, the budget also provides a program augmentation of \$143,500, but the funds are included in the University's main support Item 346. These funds provide for an additional 3 FTE faculty and support for curricular development, instruction in a new course in human biology, and program coordination with the medical school at Los Angeles and the San Bernardino County General Hospital.

While the clinical portion of the curriculum will not begin until 1977-78, it is customary to provide a complement of faculty in advance of the workload need, in order to facilitate program planning and to permit orderly development.

From a technical budget administration standpoint, it would be easier to administer this program with one appropriation rather than several. Elimination of the proposed funding split could be accomplished either by including all funds in the main support Item 346 or by increasing this special item to account for all program costs.

In this instance, we are supporting the later alternative because of our concerns about the cost implications of starting another medical school (of even modest size) and our belief that the Legislature should closely monitor its progress.

3. SUMMER SESSION INSTRUCTION

Summer sessions are operated on all of the University campuses and are composed of regular degree credit courses open to all qualified applicants. Program offerings generally reflect the course needs of regular University students and others seeking degree credit study. Enrollments have been declining since 1972-73, but are expected to increase by 30 percent in 1976-77.

Table 14 shows actual summer head count enrollments for 1972-73 through 1975-76.

4. EXTENSION INSTRUCTION**Extended University Pilot Program**

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

Table 14
Summer Session Enrollments

<i>Campus</i>	<i>72-73 Actual</i>	<i>73-74 Actual</i>	<i>74-75 Actual</i>	<i>75-76 Actual</i>
Berkeley.....	9,988	9,442	5,749	5,868
Davis.....	2,145	2,141	2,274	2,739
Irvine.....	1,084	1,334	2,262	2,298
Los Angeles.....	7,699	7,465	8,325	9,021
Riverside.....	911	837	953	1,003
San Diego.....	786	719	637	773
San Francisco.....	658	771	1,055	1,035
Santa Barbara.....	1,879	1,994	2,285	2,652
Santa Cruz.....	1,110	780	907	1,001
Total.....	26,260	25,483	24,447	26,390
Percent.....	+8.1%	-3.0%	-4.1%	+7.9%

which proposed, as a three-year experiment, a new program to offer degrees to adult part-time students. The concept included building on the strength of existing programs while testing and experimenting with the educational problems of nontraditional forms of higher education. Consequently, the pilot program included extensive research and evaluation of potential student demand and the effectiveness of the programs initiated.

In addition to experimenting with degree programs for part-time students, other objectives of the pilot program were:

1. To experiment with off-campus programs, new approaches to instruction, alternate admission and residency requirements, multi-campus programs and intersegmental cooperation.
2. To design new curricula for part-time students.
3. To develop the ability to provide this type of program on a cost-effective basis.

Chronology

The University initiated the pilot program, limited to upper division and graduate students, in 1972-73 with an allocation of \$500,000 in special Regent's funds and approximately \$375,000 of budgeted state funds reallocated from regular student programs. During its first year the program enrolled 120.9 FTE students in seven programs offered by six of the campuses.

For the 1973-74 academic year, one of the original 7 programs was dropped and 13 were added. These 19 programs enrolled 478 FTE students on eight campuses and were supported by \$806,949 from the State General Fund and \$202,135 from educational and registration fees.

For the final year of the pilot program, 1974-75, two of the 19 programs funded in the prior year were dropped and seven new programs were added. These 24 programs enrolled 749 FTE students on eight campuses. Information on total University expenditures for this program in 1974-75 has not been made available, but the budget does indicate state support totaling \$1,306,925.

No state funds were budgeted in 1975-76 to continue the experiment beyond its pilot phase. Partly because of concern for students in the "pipe-

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line" the Legislature approved a budget augmentation of \$1,354,000 to continuing the program. The Governor subsequently vetoed this increase on the basis that separate funding was no longer warranted and the University could operate the programs within existing resources. The veto message did not preclude the University from using its own resources to meet commitments to students.

Program Expanded

For 1975-76, despite the discontinuance of state support, the University not only honored its commitment to students in the program but allowed enrollments to expand by 457 FTE students (61 percent) to a new three quarter average of 1,206.

For 1976-77, the University is anticipating a slight reduction (1.6 percent) in the program to 1,187 FTE students. (Because students must enroll for nine units or less per quarter, the actual number of participants in the program exceeds the FTE count. Fall 1975 enrollment information identified 1,932 students registered in Extended University programs.)

It is our understanding that program costs are primarily being supported from University Opportunity Funds, supplemented by some of the Educational Fee revenue collected. Registration fees collected from Extended University students are retained by the campuses to fund student service programs. Information on total program expenditures has not been included in either the Regent's or Governor's Budgets. However, the Regent's budget proposed state support for Extended University enrollments in 1976-77 at the same level budgeted for regular full-time students and promised to limit future growth programs. This necessitated a budget request of \$2,590,601.

State Support Not Justified

We recommend that the University be directed to freeze enrollments in Extended University programs pending clarification of the state's policies regarding adult learning.

No state funds are budgeted for the Extended University in 1976-77. The reason for this exclusion is not indicated. This could be viewed as a policy decision that the General Fund is an inappropriate funding source or a reaction to the lack of a resolution to the broader public policy issues involving expansion of off-campus programs, extended learning and adult education in all higher education segments.

As yet there is no consensus as to what the demand is, how the programs should be administered, who should be served, and what costs and sources of funding are appropriate. We believe these issues should be resolved before existing programs are expanded or additional state resources are provided.

In light of these unresolved issues, we concur with the budget decision not to provide state support at this time for the Extended University. However, we are also concerned about the University's apparent inability to curb program expansion. Consequently, we are recommending that the University be directed to freeze enrollments until the public policy issues are resolved.

II. RESEARCH

Functional Description

State-supported activities included in the Governor's Budget under this function consist primarily of support for institutes and bureaus, faculty research grants and travel to professional meetings and research in agriculture, forestry and veterinary medicine.

Total research funding is shown in Table 15.

Table 15
Total Research Funding

	1975-76	1976-77	Change	
			Amount	Percent
A. Organized Research	\$60,485,748	\$60,162,169	\$-323,579	-0.5
General Funds	52,595,624	52,595,624	—	

As indicated above, no General Fund increase is proposed. Merit salary increases and price increases for these activities are budgeted in a lump-sum account under provisions for allocations.

The \$323,579 reduction in the total amount budgeted for research is partly related to a budget decision by the Department of Real Estate to discontinue the direct appropriation of \$192,000 to the University for research from the Real Estate Education, Research and Recovery Fund. Instead, the funds will be allocated by the Real Estate Commissioner for specific research proposals.

Table 16 indicates the basic elements receiving funds under the research program classification.

Table 16
Organized Research Program Elements
Supported from General Funds
1976-77
(in thousands)

	1974-75 Budgeted	1975-76 Budgeted	1976-77 Proposed
1. Organized research units:			
General Campuses	\$10,686	\$11,468	\$11,468
Health Sciences	1,970	1,256	1,256
2. Agricultural Sciences	26,427	28,391	28,391
3. Marine Sciences	3,165	3,495	3,495
4. Faculty Grants and Travel	2,685	2,755	2,755
5. Employee Benefits	4,886	5,233	5,233
Total	\$49,819	\$52,596	\$52,596

1. ORGANIZED RESEARCH UNITS

As shown in the table, most of the general funds are allocated to support general campus ORU's and for agricultural sciences research. The University retains the flexibility to allocate funds between the program elements as well as within them.

The largest portion of the organized research budget (\$761 million) which is received from private individuals, agencies, and the federal government is excluded from the support budget. State support is used pri-

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marily to meet the matching requirements of the federal government and to provide for the administration functions of organized research units (ORU's).

ORU's are formal agencies established by action of the Regents to promote and coordinate research in a specified area of interdisciplinary research. Currently, there are 129 ORU's. Each unit is reviewed at intervals of five years or less by a special review committee of the Academic Senate. Under this procedure, many ORU's have been discontinued or reoriented, with accompanying reallocation of resources.

Special Reports No Longer Required

We recommend deletion of the 1973 Budget Conference Committee's requirements for annual reports on the following activities: desalination research, psoriasis research, and the psychiatric residency training program at San Diego.

In 1973-74 the University budget abandoned the practice of identifying by separate line items special research activities which had been requested by the Legislature. Instead, funds for the programs were included within the main lump-sum support appropriation.

From a technical budget administration standpoint it is easier to administer one appropriation than several. In addition, it gives the University the flexibility to reallocate research funds in response to policy and program changes.

To facilitate annual review and permit the Legislature to continue monitoring the progress of special interest programs, the University was required to provide annual reports on certain activities (supplemental report of the 1973 Budget Conference Committee).

In the ensuing period, legislative interest in some of the activities reported on has waned. Further, the special level of state support initiated by the Legislature for one of the programs has been eliminated.

We believe the usefulness of some of the annual reports is not sufficient to justify the administrative effort required to submit them. Consequently, we recommend deletion of the reporting requirements for those activities that the Legislature determines no longer deserve special consideration.

While these reports are no longer necessary, we believe that there is a need for more information about the aquaculture program.

Support for Sea Grant Program Reduced

It should be noted that the budgeted reduction in University research support indicated in Table 15 does not reflect the elimination elsewhere in the budget of special fund support for the Sea Grant Program.

Chapter 1115, Statutes of 1973, initiated a five year program to support selected sea grant research projects at public and private higher education institutions. Beginning in 1974-75, it provided for the distribution of \$500,000 annually from tide lands oil revenues for use in satisfying up to two-thirds of the local matching requirement for projects funded under the National Sea Grant College and Program Act of 1966.

The state program is administered through the Resources Agency by a nine member advisory panel appointed by the agency secretary. The

panel reviews and prioritizes annual applications for funding and monitors the progress of funded projects.

In 1975-76 the University's total matching contribution of \$1.4 million for the Sea Grant Program included \$356,035 from this special funding source. These funds represent the largest single contribution to the program and the only direct state support. However, for 1976-77, the budget proposes to withdraw that support and instead use the \$500,000 set aside for the Sea Grant Program as supplemental support for the ongoing activities of the Department of Fish and Game. The effects of this proposal are that (1) it reduces the University's overall research program because replacement funds are not budgeted from other state sources, and (2) it jeopardizes the University's participation in the Sea Grant Program by withdrawing state support.

Budget Bill Item 247 accomplishes the transfer of funding required to implement the budget proposal. For a further discussion of this issue see our analysis of Item 247.

2. AQUACULTURE RESEARCH (ITEM 353)

We withhold recommendation pending receipt of a comprehensive report dealing with all aquaculture research activities and which includes budget and expenditure detail from all funds for the 1974-75 and 1975-76 fiscal years. This report should be submitted to the Joint Legislative Budget Committee by April 1, 1976 for discussion before the fiscal committees.

This special appropriation for financing research and development of aquaculture to expand the food production potential from aquatic species was initiated in 1973-74 with a \$334,000 General Fund appropriation.

In 1974 it was deleted from the budget bill and added to the main lump-sum appropriation for support of the University. In 1975-76 and again in 1976-77, the budget bill reverts to the earlier practice and contains a special \$334,000 line item appropriation for this program.

Program operations are administered through the Institute of Ecology, an ORU at Davis, and transferred to various departments. All projects are screened by the Ad-hoc Aquaculture Advisory Committee. However, the responsibility for administering the Bodega Bay laboratory, where marine aquaculture efforts are focused, is delegated to the Berkeley campus.

Table 17 summarizes the latest information we have detailing the pro-

Table 17
Aquaculture Programs and Funding Sources
1973-74

	General Funds	Restricted Funds	Totals
Research Programs			
Marine aquaculture			
Bodega	\$278,600	\$160,000	\$438,600
Davis	9,000		9,000
Freshwater aquaculture			
Davis	76,100		76,100
Bodega Marine Laboratory Support	20,000		20,000
Totals	\$383,700	\$160,000	\$543,700

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grams and funding of aquaculture research efforts. The data was extracted from a comprehensive report, prepared by the Institute of Ecology at Davis, which was submitted to the Legislature in March 1975.

While the information contained in the report was helpful in understanding the 1973-74 effort, we are hesitant to use it as the basis for recommending the adequacy of the amount proposed for 1976-77. Consequently, we are withholding recommendation pending receipt of additional information.

3. INSTITUTE OF TRANSPORTATION AND TRAFFIC ENGINEERING (ITEM 356)

The budget bill contains a special appropriation of \$310,000 from the Transportation Planning and Research Account, Transportation Fund, for transportation oriented research. Appropriation from this source for research was initiated in 1975-76, in place of state general funds.

Background

The Institute of Transportation and Traffic Engineering (ITTE) was established by the Regents in 1974 in response to a legislative request. It was established to provide instruction and research related to the design, construction, operation and maintenance of highways, airports and related public transportation facilities.

In 1971 the Legislature recommended that the scope and responsibilities of the institute be expanded and enlarged to enable it to cooperate in research and training with the State Business and Transportation Agency and other agencies with public transportation responsibilities. It was also recommended that the institute give attention to some specific planning development and operational problems of particular legislative concern.

From 1974 through mid-1973, the ITTE operated two branches, one at UCLA and another at Berkeley. The branch at UCLA was phased-out in 1972-73 at the request of the campus. However, as this was occurring, an interdisciplinary group of faculty on the Irvine campus formulated plans for a new branch of the ITTE on that campus. In July 1974, the Regents endorsed the establishment of such a branch, effective August 1974. Initial funding support has been provided through the use of temporary funds.

Historically the institute has received its core support from the state General Fund. Additional support has also come 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.

Table 18 summarizes the institute's resources for 1973-74 and 1974-75.

Alternate Funding Source

In our 1975-76 Analysis, we recommended transfer of the support responsibility for the ITTE to the Transportation Planning and Research Account. Sufficient funds were available and the Legislature had provided the mechanism to support the research activities of the ITTE from this dedicated source. The Legislature concurred and appropriated \$510,000 from this special account to support the activities of the institute.

Table 18
Institute of Transportation and Traffic Engineering Funding
1973-74 and 1974-75

<i>Source of Funds</i>	<i>1973-74</i>	<i>1974-75</i>
State		
Special appropriation	\$460,871	\$460,871
General Support	53,116	92,610
Sale of Publications	18,970	12,108
Extramural Grants	1,785	4,757
Extramural grants and contracts administered through Engineering Office of Research Services	240,506	574,867
University Extension	93,540	75,821
Total	\$868,788	\$1,221,034

Special Funding Prompts Budget Reduction

In late 1975, Chapter 1130 (SB 283) provided for the allocation of \$18,902,500 from the Transportation Planning and Research Account for various transportation purposes. Included was an allocation to the ITTE of \$200,000 for each fiscal year from 1975-76 to 1977-78.

These funds were to be used for the development of transit management programs, incorporating training and supporting research. It is not clear whether this legislation was intended to redirect existing research efforts or sponsor a limited effort, anticipating conclusive results at the end of three years.

The Governor's Budget is based on the redirection interpretation. Consequently, the current year budget level of \$510,000 has been reduced by \$200,000 to reflect the availability of offsetting funds from Chapter 1130.

The \$510,000 lump-sum allocation for this program has remained constant since it was first singled out for special consideration. It has not been adjusted to program needs, price increases, salary levels, etc. For this reason, it could be considered as a subsidy type appropriation, the amount being determined simply by the availability of resources. On this basis, it is difficult to identify any programmatic deficiencies associated with the changes in funding for the ITTE.

4. MOSQUITO CONTROL RESEARCH (ITEM 357)

The budget bill continues a special appropriation of \$100,000 from the California Water Fund for research in mosquito control. This special appropriation was initiated in 1966-67 to supplement funding anticipated from other sources and insure support for a \$200,000 program. This was in addition to the mosquito research program funded by the state within the lump-sum support appropriation.

The Legislature expanded the program in 1972-73 with a separate \$200,000 General Fund appropriation item. In 1973-74 the Governor approved a \$100,000 augmentation to this program but included General Fund support for this program within the University's main lump-sum support appropriation. The 1976-77 budget continues that practice.

Table 19 summarizes the funding for this program.

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Table 19
Mosquito Research Funding

<i>Source</i>	<i>1973-74</i>	<i>1974-75</i>	<i>1975-76</i>
State:			
Water Fund.....	\$100,000	\$100,000	\$100,000
General Fund.....	300,000	300,000	320,000
Other	413,000	436,000	372,000
Federal.....	397,000	467,000	433,000
Mosquito abatement districts	10,000	18,000	11,000
Other sources (including industry)	21,000	27,000	17,000
Total	\$1,241,000	\$1,348,000	\$1,253,000

III. PUBLIC SERVICE**Proposed Budget**

This program consists of four major program elements as shown in Table 20.

Table 20
III. Public Service

<i>Element</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
1. Campus Public Service	\$5,441,250	\$5,502,855	\$61,605	1.1%
General Funds.....	48,000	48,000		
2. Cooperative Extension.....	19,214,136	19,214,136	—	
General Funds.....	13,278,326	13,278,326	—	
3. Charles R. Drew Postgraduate Medical School				
General Funds.....	1,706,660	1,762,160	55,500	3.3
4. California College of Podiatric Medicine				
General Funds.....	541,000	545,500	4,500	0.8
Totals	\$26,903,046	\$27,024,651	\$121,605	0.5%
Totals (General Funds).....	15,573,986	15,633,986	60,000	0.4

1. CAMPUS PUBLIC SERVICE

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

2. COOPERATIVE (AGRICULTURE) EXTENSION

Cooperative Extension applies the technology derived from research to solve specific, often local, problems. 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.

3. CHARLES R. DREW POSTGRADUATE MEDICAL SCHOOL (ITEM 353)

The Charles R. Drew Postgraduate Medical School currently operates programs of continuing education as well as programs for 130 interns and residents and 100 allied health students at the Los Angeles County Martin Luther King Hospital located in Watts. The faculty includes joint appointments 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.

In December 1974, and again in September 1975, the Regents entered into contracts with Drew specifying conditions consistent with the recommendations of the Joint Committee on the Siting of Teaching Hospitals. The recommendations of the Joint Committee, in Chapter 1140, Statutes of 1973, specified programs and priorities and allocated \$1.2 million to establish the program. Those programs and priorities are:

1. continuing education of physicians and other health professionals and consumers of health services;
2. community medicine, designed to improve the health status of the citizenry, the health care delivery system, and health sciences education;
3. internship and residencies including a family practice residency program at the Martin Luther King Hospital and such other facilities and clinics as may be appropriate;
4. such other programs of clinical health sciences education, research, and public service as the Regents and the Charles R. Drew Postgraduate Medical School deem in the public interest, provided that the programs herein specified are first funded.

Table 21 indicates the four-year growth pattern of the Drew programs authorized by the enabling legislation.

Program Underfunded

We recommend an augmentation of \$93,840 to continue the 1975-76 level of support in 1976-77. (Item 353).

The Budget Bill continues to provide state support for a special program of clinical health sciences education, research and public services operated in conjunction with the Drew-Postgraduate Medical School. State funding for this effort was initiated by the Legislature and was first provided by Chapter 1140, Statutes of 1973, with a \$1.2 million appropriation. The budget for 1976-77 includes a total of \$1,781,760 to continue that policy. Of that amount \$1,706,660 is appropriated in this item and the \$55,500 balance is included in the main University support Item 346 within the general price increase provision.

However, the total amount provided falls short of the amount required to continue the program at the 1975-76 level of operation. As indicated in

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Table 21
Charles R. Drew Health Education Programs
Program Budgets—State Funds
1973-74 through 1976-77

	<i>1973-74 Actual</i>	<i>1974-75 Actual</i>	<i>1975-76 Projected</i>	<i>1976-77 Proposed</i>
Community Medicine				
Community Health Planning	\$90,599	\$117,076]		
Medical Care Evaluation	11,687	13,821]	\$181,300	\$181,300
Medical Care Organization	63,021	101,947]		
Health Rights Project	51,819	100,832	80,600	80,600
Health Information System	61,968	50,330	157,000	157,000
Residents and Fellows Program	—	62,910	47,750	47,750
Human Ecology	48,534	87,046	—	—
Subtotal	\$327,628	\$533,961	\$466,650	\$466,650
Graduate Education				
Family Medicine and Other Departments				
Subtotal	\$86,270	\$498,858	\$812,950	\$842,200
Continuing Professional Education	\$108,894	\$129,087	\$101,600	\$72,350
Consumer Health Education	\$35,797	\$63,913	\$88,800	\$88,800
Interdisciplinary Programs				
Child Development	\$43,567	\$80,459	\$27,000	\$27,000
Maternal Health and Infant Development	806	88,138	76,900	76,900
Trauma Center	17,151	39,545	103,600	103,600
Peace Research and Conflict Resolution				
Center	54,640	96,247	—	—
Hypertension Prevention, Education, and				
Control	—	27,968	28,500	28,500
Mental Health	—	—		
Diabetes Identification	—	—	15,300	15,300
Subtotal	\$116,164	\$332,357	\$251,300	\$251,300
Allied Health Programs	\$18,587	\$50,690	\$79,200	\$79,200
Total	\$693,340	\$1,608,866	\$1,800,500	\$1,800,500 ^b
Special State Appropriations	\$1,200,000	\$1,200,000	\$1,206,660 ^a	\$1,706,660

^a Price increase funds totaling \$93,840 were carried in the University's main support item.

^b Does not include price increase adjustments.

Table 21, \$1,800,500 is required in 1976-77 to maintain the 1975-76 program level without price increase adjustments. The budget includes the amount requested for price increase (\$55,500) but inadvertently overlooked the \$93,840 inflation adjustment that occurred in 1975-76. Consequently, a \$93,840 budget augmentation is required to carry out the stated budget policy intent to maintain the current program level in the budget year.

4. CALIFORNIA COLLEGE OF PODIATRIC MEDICINE (ITEM 354)

This element was also established by special legislation (Chapter 1497, Statutes of 1974) which provided \$541,000 to support an education program in podiatry operated in conjunction with U.C. San Francisco.

The Budget Bill continues a special item of \$541,000 for continued state support of a cooperative program of basic and clinical health sciences education and primary health care delivery research in podiatry. The program is operated in conjunction with the University's San Francisco campus.

The California College of Podiatric Medicine (CCPM) is a private, nonprofit, fully accredited school training podiatric medical doctors. Approximately 336 students are currently enrolled in the professional degree program with 15 internists in a two year post-doctoral program. The current entering class size of 98 was reached in 1975 when a \$5.5 million, federally funded, facilities expansion program was completed and conversion from two separate curriculums (3 and 4-year) to a single 4-year curriculum was concluded.

The cooperative program, funded by the state, was developed to strengthen existing programs in four areas. This includes (1) providing compensation for the sharing of basic science faculty, resources and personnel participating in the program, (2) allowing for the sharing of services of appropriate University clinical sciences faculty with CCPM to insure representation of certain related specialties, (3) providing for an experimental joint clinical education program with podiatric medical doctors and a full time group of primary care medical specialists in other disciplines and (4) making available various types of instructional support services and resources already developed at the San Francisco campus.

The total amount of state funds budgeted for this program in 1976-77 is \$545,500. The \$4,500 difference between this item and the total is the provision for price increase that is included in the University's main support Item 346.

The proposed uses of the \$541,000 include: (1) \$362,100 for salaries and related academic support costs for 9.5 FTE basic and clinical sciences faculty from UCSF that are participating in the program; (2) \$64,825 for the experimental joint clinical education program; (3) \$47,675 for educational support services, and (4) \$66,400 for program planning, coordination and evaluation.

IV. ACADEMIC SUPPORT

Proposed Budget

This function consists of three major program elements as shown in Table 22.

Table 22
IV. Academic Support

	1975-76	1976-77	Change	
			Amount	Percent
1. Libraries	\$42,922,026	\$43,021,718	\$99,692	0.2%
General Funds	42,118,047	42,217,693	99,646	0.2
2. Organized Activities-Other	35,456,313	37,214,237	1,757,924	4.9
General Funds	21,329,052	21,841,052	512,000	2.4
3. Teaching Hospitals	239,250,306	274,018,367	34,768,061	14.5
General Funds	24,917,436	26,317,436	1,400,000	5.6

1. LIBRARIES

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

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is to support adequately the academic programs of the University. Access to scholarly books, manuscripts and other documents is considered an integral part of University teaching and research.

Additional Support

We recommend an augmentation of \$182,445 for the library workload in reference and circulation activities associated with our recommended enrollment augmentation of 1,438 undergraduates. (Item 346).

The budget provides an increase of \$99,646 or 0.2 percent for an additional 6.92 FTE positions in reference and circulation to provide for an enrollment related increase of 0.7 percent. This increase maintains the 1975-76 ratio of reference-circulation staff to FTE enrollment (113.5:1). Workload for the reference circulation function has historically been related to the number of students because they are the prime users of the service.

In the past we have recommended augmentations for this type of formula workload growth when funds were not included in the budget. Consequently we are recommending an augmentation to provide the workload funding associated with our recommendation to support the University's revised estimate for 1976-77 undergraduate enrollments. Application of the 113.5 factor to the 1,438 FTE undergraduate increase we are supporting justifies a reference and circulation workload augmentation of 12.67 FTE at a cost of \$182,445.

2. ORGANIZED ACTIVITIES—OTHER

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 seven 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, (6) support for the two neuropsychiatric institutes which provide mental health care and training and account for a major portion of the funds and (7) clinical teaching support for the veterinary medical teaching facility at Davis.

Budget Detail

The \$512,000 general fund increase proposed for this program element is the net affect of funding changes in three areas and is summarized in Table 23.

Dental Clinic Subsidy

The proposed \$651,000 increase in the dental clinic subsidy is the net required from the state after applying a proposed \$179,000 increase in patient revenues against an \$830,000 funding request. The approved request included \$600,000 to fund prior year operating deficits, \$125,000 to

Table 23
Organized Activities Supported from General Funds
(in thousands)

<i>Element</i>	<i>1974-75 Budget</i>	<i>1975-76 Budget</i>	<i>1976-77 Budget</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
General Campuses:					
Demonstration Schools	\$595	\$674	\$674	—	—
Museums and Galleries	375	402	402	—	—
Vivaria, Other	250	223	223	—	—
Health Sciences:					
Dental clinic subsidy	821	796	1,447	\$651	81.8 %
Medical support labs and vivaria	517	517	517	—	—
Neuropsychiatric institutes.....	16,248	17,830	17,452	-378	-2.1
Veterinary Medical Teaching Facility.....	787	887	1,126	239	26.9
Total state funds	\$19,593	\$21,329	\$21,841	\$512	2.4%

offset the affects of inflation and \$105,000 to provide for additional patient settings required by increased clinical enrollments.

Neuropsychiatric Institutes

The \$378,000 budget reduction for the neuropsychiatric institutes is misleading. Because of new accounting and collection systems, patient revenues at the institutes are estimated to increase by \$1,006,000 in the budget year. These revenues were applied against (a) a \$262,000 increase to fund the stipends of 12 first year residents, implementing a new four-year residency program, (b) a \$163,000 increase for malpractice premiums, and (c) a \$203,000 decrease in the budgetary savings target.

The difference between these program changes which total \$628,000 and the increased patient revenue estimate is \$378,000. These excess revenues are used to partially fund the increases for the dental clinics and veterinary medicine. Because an increase in nonstate revenue reduces the need for state support it shows up in the general fund portion of the budget as a reduction.

Veterinary Medicine

The \$239,000 increase in clinical teaching support for veterinary medicine is again the net required from the state after applying a proposed \$31,000 increase in patient income against a \$270,000 funding request. The \$270,000 increase was required to recover from a 1974-75 operating deficit caused by an increased clinical training requirement and inflation.

3. TEACHING HOSPITALS

Included within this function is funding of the human medicine teaching hospitals for which the University has major operational responsibilities. This includes hospitals at the Los Angeles Center for Health Sciences, the San Francisco campus, the San Diego County University Hospital and the Sacramento Medical Center. 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 com-

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munity colleges by providing the clinical setting for students in allied health science areas.

Budget Detail

The total subsidy proposed for OCMC as well as other General Fund allocations for clinical teaching support are shown in Table 24.

Table 24
Clinical Teaching Support Allocations
1974-75 through 1975-76

	<i>1974-75 Actual</i>	<i>1975-76 Budgeted</i>	<i>1976-77 Proposed</i>	<i>Change</i>
University Hospitals				
Los Angeles	\$6,550,000	\$6,733,513	\$6,733,513	—
Sacramento Medical Center	4,335,000	4,466,024	4,466,024	—
San Diego	3,606,000	3,881,529	3,881,529	—
San Francisco	6,425,000	6,679,370	6,679,370	—
County Medical Center				
Irvine	500,000	3,157,000	4,557,000	1,400,000
Total	\$21,416,000	\$24,917,436	\$26,317,436	\$1,400,000

The proposed \$1,400,000 general fund increase in clinical teaching support is required by the impending acquisition of the Orange County Medical Center (OCMC) at Irvine. It represents the amount required to insure adequate support for a full 12-month period of operation.

Anticipated Medicare/Medi-Cal Shortfalls not Funded

The financing of University teaching hospitals has become increasingly precarious. Additionally, changes in state and federal regulations regarding reimbursements could add to the problem. Medicare and Medi-Cal regulations have been imposed which attempt to curb inflation of health care costs through regulation of health care service charges.

The projected impact of these limitations upon University teaching hospitals could be significant. In only one teaching hospital is the maximum routine daily service charge allowable under the regulations greater than the actual cost. At all other teaching hospitals, the routine cost of care is substantially greater than the maximum charge allowed, partially because of the impact of educational costs and the unique range of care these hospitals offer.

The shortfall from these regulations is currently projected to total \$4.3 million in 1975-76 and over \$4.9 million in 1976-77. The University currently plans to request funds to recover the 1975-76 shortfall in special legislation. If requested exceptions to the new Medicare/Medi-Cal regulations are obtained by the University, these projected shortfalls could be somewhat less.

We believe this problem merits careful monitoring by the Legislature. However, because there are a sufficient number of uncertainties surrounding the University's estimate of the fiscal impact, it would appear that a budget augmentation at this time is premature.

V. 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, and student statistical information. The services that are related to the maintenance of the student's well-being are financed largely from registration fees. These services include medical care, housing location, employment placement, counseling, cultural, recreational and athletic activities.

Also 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.

Table 25 shows the expenditures for this program.

Table 25
Student Services

	1975-76	1976-77	Change	
			Amount	Percent
1. Activities	\$47,243,738	\$47,755,930	\$512,192	1.1%
General Funds	10,489,940	10,489,940	-	
2. Financial Aid	22,895,587	23,195,239	299,352	1.3
General Funds	550,000	825,000	275,000	50.0

As indicated, no General Fund increase is proposed for student services. The \$512,192 increase is from University restricted funds primarily generated from educational and registration fees.

The General Fund contribution included in the budget is allocated to those areas shown in Table 26.

Table 26
General Fund Student Services Expenditures
(in thousands)

	1974-75 Budgeted	1975-76 Budgeted	1976-77 Proposed
Social & Cultural Services	\$163	\$215	\$215
Supplementary Educ. Services	24	27	27
Counseling & Career Guidance	1,840	1,940	1,940
Financial Aid Administration	511	564	564
Student Admissions & Records	6,248	6,728	6,728
Employee Benefits	913	1,016	1,016
Total	\$9,699	\$10,490	\$10,490

Workload Increase Justified

We recommend an augmentation of \$197,000 for workload growth. (Item 346).

This is the third consecutive year that the budget has failed to fund any workload growth for student services. Because workload for student services is directly related to enrollment growth, failure to fund workload

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growth results in an arbitrary reduction in services, unless the University shifts an additional burden onto the registration fee, which according to reports is already overtaxed.

The last time workload growth for student services was fully funded was in the 1969-70 budget. Since that time enrollments have grown 19.0 percent while General Fund support for student services has grown less than .5 percent. We have in the past noted that economies of scale would not necessarily require the percentage increase in the budget to be equal to the percentage increase in enrollment. However, this does not justify the lack of workload funding since 1972-73, during which period student enrollments were allowed to increase 10.9 percent.

Because the budget again fails to recognize any student services workload growth, we are recommending an increase in state support proportionate to the projected enrollment growth in 1976-77, including the 1,438 undergraduates we propose to add to the budgeted level. This amounts to an enrollment increase of 1.9 percent, thus requiring an augmentation of \$197,000.

1. 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 University estimates that \$36,752,205 will be realized from this fee. Of this total \$3,021,721 (10.7 percent) is estimated to be deferred.

Table 27 shows the estimated income and expenditures from the educational fee for 1975-76 and 1976-77.

Table 27
Educational Fee Income and Expenditures

	1975-76	1976-77	Change
Income			
Educational Fee	\$36,351,040	\$36,752,205	\$221,165
Less Amount Deferred	<u>3,802,561</u>	<u>3,921,721</u>	<u>119,160</u>
Net Income	\$32,728,479	\$32,830,484	\$102,005
Expenditures			
Operation budget	\$32,728,479	\$32,830,484	\$102,005
Capital Outlay	6,560,000 ^a	-	-6,560,000

^a Allocated for capital outlay from Educational Fee reserves.

2. NONRESIDENT TUITION

Nonresident students attending the University are subject to payment of \$1,500 tuition per academic year in addition to all regular fees. Almost two-thirds of the students affected are at the graduate level. For 1976-77 it is estimated that nonresident tuition will generate revenue of \$10,425,930 from the 7,089 students subject to the fee. This represents an increase of \$246,860 (2.4 percent) over the 1975-76 revenue estimate, but is considerably less than the 7.8 percent increase anticipated for 1975-76.

Waivers

Not all nonresident students are required to pay tuition. Historically, the University has been authorized to waive tuition for a certain percentage of the nonresident enrollment. Currently, this form of state subsidy benefits 6.5 percent of the nonresidents, primarily graduate students. In addition, \$1,000,000 of Regents controlled funds are proposed for 1976-77 to provide additional waivers. Consequently, the overall waiver percentage is close to 15.3 percent.

Fee Setting Policy

The concept of charging nonresident students tuition at the University was initiated in 1876. This policy was ratified by the Master Plan which provides that all students who are residents of other states should pay tuition. In addition the Master Plan provides that the amount of tuition assessed should be "... sufficient to cover not less than the state's contribution to the average teaching expense per student."

The amount of the University's nonresident tuition charge is set by the President, with the approval of the Board of Regents. Periodically it has been adjusted upward to reflect rising costs. To clarify the University's fee setting procedure, a 1968 Regent's Special Committee on Student Charges and Student Aid recommended that the level of nonresident tuition should approximate the enrollment-related, state-funded average cost per student. This recommendation accompanied the 1968-69 fee increase from \$980 to \$1,200 per year.

In 1971-72 the Regents again raised the level of nonresident tuition. This time it was determined that a \$300 per year (25 percent) increase was required to adjust the fee to a level that more nearly reflected enrollment-related costs. However, the size of this increase was moderated because of the recent introduction (1970-71) of the Educational Fee.

This new fee of \$300 per year for undergraduates and \$360 per year for graduates was coupled with the proposed \$1,500 per year nonresident tuition charge to attain a level approximating enrollment-related, state-funded costs. Consequently, the actual fee increase to nonresident students was \$600 (50%).

Inflation Adjustment Warranted

We recommend that the nonresident tuition income estimate be increased to reflect the \$375 fee increase required to offset inflated instructional costs, for a corresponding General Fund reduction of \$2,202,195 (Item 346).

The level of nonresident tuition has not been changed since 1971-72. Yet Table 28 illustrates that over the ensuing four year period the budgeted salary level for new faculty has risen over 32 percent and the instructional support rate has climbed over 41 percent.

Viewed from another perspective, information included in the Governor's Budget for 1976-77 suggests that the current year average state cost per student is \$2,630. Comparing this figure to nonresident student charges of \$1,800 for undergraduates and \$1,860 for graduates (combining tuition and the Educational Fee) indicates a disparity between costs and revenue of 41 percent.

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Table 28
Increases in Selected General Campus Instructional Cost
Components 1971-72 through 1975-76

	<i>Budgeted Salary Level for New Faculty</i>		<i>Budgeted Instructional Support Rate per FTE Faculty</i>	
	<i>Amount</i>	<i>Percent Annual Increase</i>	<i>Amount</i>	<i>Percent Annual Increase</i>
1971-72	\$11,400	-	\$7,820	-
1972-73	12,500	9.6%	8,297	7.4%
1973-74	13,300	6.4	9,249	10.1
1974-75	14,100	6.0	10,138	9.6
1975-76	15,100	7.0	11,053	9.0

It is apparent that the \$1,500 nonresident tuition fee does not adequately reflect current instructional costs. Since the purpose of nonresident tuition is presumably to offset some of the state's contribution for direct instructional expenses, we believe it is not unreasonable to adjust the fee upwards to recognize the effects of inflation. Using the data in Table 28 as a basis, we believe a \$375 (21 percent) increase in nonresident charges is a fair reflection of the increase in instructional costs experienced since 1972-73. This requires a 25 percent increase in tuition because the Educational Fee is fixed.

We excluded the rise from 1971-72 to 1972-73 because the 1971-72 funding level was artificially restrained by the deletion of a cost-of-living increase for all academic employees. We also focused primarily on salary inflation because it represents the largest component (80 percent) of the direct instructional cost.

The fiscal impact of our recommendation would be an increase in fee revenues and a corresponding reduction of state fund requirements totaling \$2,202,195. This estimates assumes that the higher tuition will result in a deterrence rate of 5 percent based on previous University experience. A comparison of budgeted nonresident tuition income and estimated enrollment to actual is shown in Table 29. It indicates that the last time tuition was raised (1971-72) the actual deterrence rate was 3 percent for the first year. This is considerably less than the 6 percent predicted by the University in the budget. Consequently, we have assumed a rate in between to account for the larger increase being proposed.

Table 29
Nonresident Tuition
Comparison of Budget to Actual

	<i>Budgeted</i>		<i>Actual</i>	
	<i>Income</i>	<i>Enrollment Subject to Fee</i>	<i>Income</i>	<i>Enrollment Subject to Fee</i>
1970-71	\$10,060,450	8,540	\$8,985,460	7,700
1971-72	11,482,670	8,064	9,625,800	7,931
1972-73	10,286,720	6,986	10,699,343	7,477
1973-74	8,787,607	5,431	10,285,747	7,114
1974-75	9,447,070	6,397	10,844,524	7,647
1975-76	10,183,470	7,375	—	—
1976-77	10,425,930	7,089	—	—

3. EOP PROGRAM

The University established its Educational Opportunity Program (EOP) in 1964. The purpose of the program was to provide students who would not have attended the University for various socio-economic reasons, with an opportunity to secure a university-level education. Any student is eligible for EOP assistance provided they are formally admitted to the program by the director of a campus EOP program, and who upon being admitted to that program, requires one or more of the services available to EOP students, including (a) admission by special action, (b) tutoring and retentive services, (c) special counseling services and (d) financial aid.

EOP enrollment has grown from approximately 100 students in 1965-66 to 7,980 students in the 1973-74 academic year. During that period, over \$30 million has been spent by the University for financial assistance to EOP students. Over the same period, approximately \$9 million has been allocated for student services such as counseling and tutoring. Prior to 1975, no state funds had ever been appropriated directly for the support of University EOP programs.

In the 1975-76 budget, the Governor proposed increasing the University's EOP program by \$1,100,000, using state funds. The proposal was contingent upon the University maintaining its prior year expenditure level for EOP from non-state sources and required equal matching with University controlled funds. The Legislature subsequently deleted the item, partly because of indications that sufficient financial aid would be available from non-state sources to accommodate the needs of all students including those in EOP programs. These state funds were eventually restored with the passage of Chapter 1017, Statutes of 1975, (AB 2412). The bill provided the \$1.1 million for a two year period, 1975-76 and 1976-77, with equal amounts to be expended each year. It also required the University to provide matching funds.

State Funded EOP Effort—Initial Planning

Initially, the University intended to allocate these new monies to three program areas. These included (a) \$300,000 to initiate special outreach efforts, (b) \$362,500 to support pre-university programs designed to correct academic counseling/tutoring/advising efforts, and (c) \$431,500 for financial assistance to 125 first year graduate students. These plans were developed to correspond with the University's new student affirmative program that was taking shape. At the time the University had not developed a plan for allocating its required contribution.

Initiated in Fall 1974, this program is an effort to look beyond traditional EOP programs. Its principal goals are to (1) increase substantially the number of disadvantaged students within the University, and (2) improve their educational experience once they have arrived. The University's planned allocation of the new EOP funds was directed at achieving the first goal in the most effective ways.

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These initial plans were subsequently modified following the completion of a comprehensive report by the Student Affirmative Action Task Groups. These groups were made up of students, faculty and staff and had been charged with the responsibility of conducting a thorough review of key aspects of the educational process, and identifying barriers within them which deny equal opportunity.

Current Plans

Current University plans for the \$1.1 million provided by the state are to dedicate the funds for financial aid, thereby insuring availability and permitting earlier commitment of aid to economically disadvantaged students. Plans for use of the University's matching monies call for the allocation over two years of (a) \$584,000 to the campuses for stepped up outreach efforts involving 12th graders and community college students, and (b) \$516,000 to marshal a statewide effort to increase the eligibility pool by working with and motivating 7th, 8th and 9th grade students.

The statewide effort is not expected to be operational until February 1976. The University has indicated that both of these outreach programs are being treated as pilots and as such will be monitored closely to determine their effectiveness.

EOP Augmentation

We recommend deletion of the \$275,000 increase in the level of state support for EOP because sufficient funds are available for the intended purpose from non-state sources (Item 346).

Included in the budget for 1976-77 is a proposed \$275,000 (50 percent) increase in the level of state support for the University's EOP programs. As in the case of AB 2412, the Regents are required to provide equivalent matching monies from non-state sources. The budget narrative does not elaborate on the intended use of the augmentation but does indicate that it reflects a concern for increasing services to disadvantaged students.

As indicated above, the outreach efforts and early commitment of aid programs funded by the initial \$2.2 million over two years are still in their formative stages. Consequently, the University did not request any additional funds in 1976-77. However, it is anticipated that the funds provided by the augmentation will be used for student support services such as tutoring and advising, to improve the retention of disadvantaged students.

Non-state Funding Sources

Traditionally, student support services related to maintenance of the student's well-being have been funded from Registration Fee revenues. Some General Fund support is budgeted for student services but only for those programs directly related to the functioning of the instructional program, such as admissions, registration, class scheduling and grade recording.

However, to relieve the pressure on Registration Fee revenues caused by inflation and program expansion, the Regents have been allocating Educational Fee income for student service programs. In 1975-76, placement and career planning activities totaling \$2.9 million were shifted to

the Educational Fee pursuant to a proposed two-year funding shift. Subsequently, the Regents allocated an additional \$2 million of Educational Fee income to other student service programs. These funds were distributed to the campuses for financial aid administration (\$1,821,000) and disadvantaged student assistance (\$179,000).

In addition to these recently transferred student service activities, the Educational Fee supports a \$2.5 million program begun in 1972-73 and designed to improve access to the University for low-income students. Program emphasis is placed on community college transfers, providing financial assistance and augmented student services for these students while they are at the University.

Funding Policy

We believe that the Educational Fee is a more appropriate source of funding for the \$275,000 EOP augmentation instead of the General Fund. As the foregoing discussion indicates, some precedent exists to support our contention.

Sufficient Educational Fee revenues should be available to fund identifiable needs for more student support services. Fee revenues generated by a) the current year overenrollment and b) the increase in budgeted enrollment that we are recommending for 1976-77 could exceed \$1.2 million, more than enough to offset the total \$550,000 program increase proposed by the Governor.

Law School Services

We recommend that the Regents critically examine the effectiveness of student support services to the UCLA and Davis Law School's Educational Opportunity Programs with a report to the Joint Legislative Budget Committee by December 1, 1976.

In the past decade the University has shown a greater awareness towards increasing its enrollment of minority students. This is particularly true in the undergraduate program and in the professional schools of medicine and law. Often minority students gain entrance to the University through the special admissions program and subsequently receive financial aid, tutoring and counseling services in order to insure their continuance and eventual graduation from the academic program.

Utilization of this program in university law schools has been successful in meeting the goal of graduation. However, in the past several years, these graduates have experienced significant difficulty in passing the California State Bar Exam as shown in Table 30.

One explanation of this failure was thought to be a bias in the Bar Examination mechanism. Concerned with this matter, the State Bar conducted an extensive study on the issue of racial bias in the Bar Exam. The results of this study were published in the fall of 1975. The study concluded that after a series of bias correlations were examined by their panel and its consultants, bias in the bar exam cannot be established. Consequently, other factors must be responsible. Better service to the students in terms of teaching, tutoring and financial aid were discussed.

We are concerned about this issue since law school enrollments are a scarce and expensive public resource. If an essential goal of these students

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Table 30
California Public Law Schools
First Time Performance
on State Bar Exam^b

<i>School</i>	<i>All 1970-72</i>			<i>Minority 1970-1973</i>		
	<i>Number</i>		<i>Percent</i>	<i>Number</i>		<i>Percent</i>
	<i>Take</i>	<i>Pass</i>	<i>Pass</i>	<i>Take</i>	<i>Pass</i>	<i>Pass</i>
Hastings	956	716	74.9	42 ^a	13	31.9
Boalt	665	579	87.1	103	50	48.5
UCLA	671	496	73.9	94	24	25.5
Davis	296	219	74.0	38	13	34.2
Statewide	5,738	4,047	70.4	543	210	38.7

^a Data for 1972, 1973 only.^b Data reported by State Bar.

is the passage of the bar exam then the state's program should be of high enough quality to insure reasonable success.

We are particularly concerned with the results at the UCLA and Davis Law Schools. As shown previously in Table 30, between 1970 and 1973 only 25.5 percent of the minority graduates at UCLA and 34.2 percent at Davis pass the bar exam on their first try. Eventual passage of the bar is somewhat higher but only to the levels of 38.8 percent and 52.6 percent respectively. These programs appear to need critical examination and improvement. We believe this role should be performed by the Regents with a report to the Joint Legislative Budget Committee by December 1, 1976.

VI. INSTITUTIONAL SUPPORT

This program classification has two major elements shown in Table 31.

Table 31
Institutional Support Expenditures

	<i>1975-76</i>	<i>1976-77</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
1. General Administration and Services	\$75,620,632	\$75,823,867	\$203,235	0.3%
General Funds	63,236,065	63,236,065	—	—
2. Maintenance and Operation of Plant	60,113,099	61,140,919	1,207,820	1.7
General Funds	59,722,590	60,749,118	1,026,528	1.7

The general administration and services element is a combination of the two separate functions, general administration and institutional services. Activities funded in these closely related functions include planning, policymaking and coordination within the office of the President, chancellors and the officers of the Regents.

Also included for funding are a wide variety of supporting activities such as management computing, 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.

The maintenance and operation of plant element 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.

1. GENERAL ADMINISTRATION AND SERVICES BUDGET

As indicated in Table 31, no General Fund increase is proposed for general administration and institutional services activities. However, provisions for merit salary increases and price increases for these activities are budgeted as a lump sum within the Unallocated Adjustments program classification. The funding trend for this program element is shown in Table 32.

Table 32
General Administration and Services
General Fund Expenditures

	<i>1974-75 Actual</i>	<i>1975-76 Budgeted</i>	<i>1976-77 Proposed</i>
Executive Management	\$18,735,349	\$20,398,000	\$20,398,000
Fiscal Operations	10,403,020	7,893,000	7,893,000
General Administrative Services	12,438,309	14,070,000	14,070,000
Logistical Services	12,760,220	10,579,000	10,579,000
Community Relations	4,055,042	3,445,000	3,445,000
Employee Benefits	—	6,851,000	6,851,000
Total Expenditures	\$58,391,940	\$63,236,000	\$63,236,000
Total FTE	3,418.45	3,469.36	3,469.36

Telephone Service Consolidation

Commencing June 1, 1974, all prefixes in the state were being served by the ATSS system. In our 1974 Analysis we pointed out the then pending improvement in service and suggested that there would be savings to the state and the University, if the latter joined the state system. Savings would accrue to the state because increased volume would lower state-wide rates and the University would benefit from reduced intrastate toll costs and be in a position to abandon its own inferior quality intercampus telephone system (ITS) and thereby eliminate a costly duplication of service.

The Legislature adopted our recommendation that the University be directed to phase-out its ITS system and in conjunction prepare a special report identifying immediate and long-range budgetary savings. In the ensuing report, the University indicated its intention to adopt the ATSS system to eliminate long distance toll charges but expressed its reservations about replacing the ITS without further study. The report failed to identify the fiscal implications of the University's decision because of uncertainties surrounding the impact of improved ATSS service on the volume of calls.

To date, three campuses have been converted to the ATSS system for

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intrastate toll calls. By December 1976 three more campuses will be on the ATSS network. This includes Irvine, Santa Cruz and Davis, all currently converted, and San Francisco, Riverside and Berkeley. It is anticipated that the three remaining campuses, San Diego, Los Angeles and Santa Barbara, will not be on ATSS until September 1977.

Savings Not Budgeted

We recommend a reduction in institutional support of \$140,652 to reflect the anticipated savings generated by conversion to the ATSS network (Item 346).

The Department of General Services has estimated that the University will save \$303,783 in 1976-77 by shifting to the ATSS network. According to the University this is not all General Fund savings because only 46.3 percent of telephone costs are charged to General Fund budgets. The balance is charged to federal program accounts (20.9 percent) and to accounts supported from income and other nonstate sources (32.8 percent). Applying 46.3 percent to the Department of General Services estimate indicates a \$140,652 General Fund savings potential for 1976-77. The Governor's Budget does not account for this potential, thereby budgeting on a de facto basis, enrichment of other institutional support programs at the expense of higher priority needs. Consequently, we are recommending that the budget be reduced \$140,652 to recover the savings and permit legislative review of any reallocation of these funds.

Computing Activities Within the University

The University of California expends approximately \$21 million for all aspects of computing activities on its nine campuses, and for University-wide administrative data processing. These expenditures by category of processing are: research—60 percent, administrative—25 percent and instruction—15 percent. The sources of funds for support of computing are: state—38 percent, federal—37 percent, and University and others—25 percent.

According to a May 1, 1975 inventory of computing resources prepared by the University, all divisions operate a total of 469 computers, exclusive of those under control of the three Energy Research and Development Agency (ERDA) Laboratories operated by the University under contract to ERDA. A breakdown of this equipment indicates that 400 of these machines are smaller computers costing less than \$100,000 each. The remaining 60 are installed in the nine campus computer centers, the system-wide administrative data processing center and specialized computer facilities.

Lack of Progress in Master Planning

Commencing with our 1970-71 Analysis, we have been critical of University efforts to plan adequately for its computing needs. At the time, it was recognized that certain administrative and funding changes would have to occur because of (1) a diminishing program on the part of vendors (particularly IBM) in either providing grants or discounts on machines and (2) the decline in federal research grants available for computing.

These factors coupled with an almost complete lack of systemwide policies or plans during the latter part of the 1960's prompted our concern.

We pointed out in our 1970 Analysis that the Regents had recognized the computer problem in 1966 and commissioned a Universitywide study, conducted by the Management Analysis Center of Cambridge, Massachusetts. The Phase I report of the consultants identified problems of computer proliferation and funding. It also acknowledged the probability of dramatically increased computing needs and the necessity of meeting these needs through adequate financial support and the establishment of centralized computer facilities. In the final report, the consultant took note of the fact that Universitywide policies affecting computers were either nonexistent or of no help, and that long-range planning for computer requirements and facilities had been nonexistent or quite informal in contrast to the emphasis on formal planning in such areas as the capital program.

Subsequently, because of the University's continued slow progress in the area of computer master planning, language was added to the Budget Act of 1974 precluding the use of state funds for large scale acquisitions. No expenditures could be made for any new medium or large-scale computers exceeding 100,000 positions of primary core memory until systemwide computer policies and a university master plan had been formally adopted by the University and submitted to the Legislature. This language was again added in 1975-76 because the plan had not been submitted.

Unfortunately, the 1966 consultant study, our comments and recommendations in successive Analyses, subsequent studies by University task forces, and formal language in the Budget Acts of 1974 and 1975 have all failed to convince the University of the merits of developing a systemwide master plan for computer management.

Certain activities have occurred during the past ten years but none of these can be characterized as providing solutions to problems which have been identified. These activities included (1) the issuance of a number of special reports by the University on various subjects associated with computing, (2) the appointment of a University coordinator of computing activities in 1970, (3) the establishing by the President in 1973 of a Universitywide computer policy board and (4) the appointment in late 1974 of an Executive Director of Computing.

Response to Budget Act Language

The University forwarded its formal response to the Budget Act language on December 11, 1975, consisting of a policy document entitled "Goals, Policies and Plan of Implementation for Computing in the University of California."

Subsequently, we corresponded with the University and expressed disappointment over the contents of the document. It was not what we expected from a two-year planning effort. Further, we found it difficult to accept the report as a master plan when measured against master planning efforts of similar duration conducted by other state agencies. The stated goals, policies and plan of implementation were drafted to allow such a degree of flexibility as to make it unlikely that a definitive system-

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wide plan could be developed.

Deficiencies in Management Planning

We continue to believe that efficient and effective management of University computer resources could benefit from long-range planning solutions to problems such as (a) the need to replace obsolete equipment installed at certain computer centers, (b) the sharing of facilities by various campuses, (c) the question of a centralized vs. a decentralized approach (or a mix of both) to computing, (d) the establishment of some form of a communication network which will link facilities together to provide improved access by students, faculty and administrators and (e) the proper role of the minicomputer (a device which is rapidly commanding a larger share of the computer market place).

In 1974 the University appeared to demonstrate a desire to begin managing computing resources. In a document that was entitled "Computers and Information Systems Budget Task Force Report" prepared to support its budget request, it was stated that.

"... It is the realization that large organizations in general and the University of California in particular have reached a point where computer activities can begin to be optimally managed on a systemwide basis that is a crucial factor in the University's request for funds for computers and information systems in 1974-75." The document continued with the finding that . . .

"Overtime, instructional and research computing have developed primarily in a decentralized manner and administrative computing in a separate and centralized manner.

While this development has been suitable in the past, it has been concluded that this is not an adequate approach to future computing. At least eight years ago in 1966, it was apparent that long-range planning was necessary to evaluate what steps should be taken to increase the University's ability both to manage and to utilize its computer services."

Although these statements indicate an awareness on the part of the University of the need for increasing emphasis on planning and management, the most recent planning document transmitted to the Legislature appears to indicate that a change in attitude might have occurred.

Need to Continue Centralized Control Function Questionable

We recommend a reduction of \$62,496 to eliminate state support for the Executive Director of Computing function (Item 346).

As indicated, the University has made several attempts in the past five years to develop orderly plans for centralizing and/or managing computer resources. One of the most recent efforts resulted in the establishment of a Universitywide computer policy board and an Office of the Executive Director of Computing to exercise systemwide control over administrative, instructional, and research computing activities. This office is staffed with 5 FTE positions, including the executive director of computing (salary \$42,000), at an approximate total cost to the General Fund of \$135,696. Also included in this five is the position of coordinator of computing activities (salary \$34,800) which is currently unfilled. Prior to the creation

of the office of the executive director, the duties of this position involved universitywide coordination of all computing activities.

Because of the apparent inability of the University to commit itself to any definitive planning coupled with de-emphasis of centralized development and control of campus academic computing activities, we believe the need for the executive director function has diminished. Instead, we suggest that the duties of the office more closely resemble those of the computer coordinator. Consequently, we recommend reducing state support for this activity, leaving \$73,200 for support of computer coordination activities.

Administrative Data Processing

The University has traditionally operated its administrative data processing activities in a centralized manner. The Information Systems Division (ISD) located within Universitywide administration, is responsible for system's design and computer operations, providing services in such areas as payroll, accounting, financial management, personnel, and student records.

Currently under development are a number of new management information systems, intended to increase the ability of the University to manage its resources through the installation of large integrated data bases with access furnished to users via remote terminals. Special funding for this project has been provided by both the Regents (\$780,000 annually) and the state (\$980,000 annually) over the past few years.

In the past we have supported the administrative data processing program and the work of the ISD. This is because we believe the central design and implementation of new management tools for systemwide application in areas such as payroll, financial management, personnel and facilities planning is more efficient. Similarly, the development of common data definitions and common systems for many facets of student record systems, student financial aid programs and campus business procedures is more cost-effective than each campus independently designing and implementing its own systems.

MIS Efforts Questioned

We recommend a reduction of \$980,000 in state support for the continued development of management information systems. (Item 346).

Despite the considerable financial support for the development of improved management information systems provided by both the state and the Regents, it now appears that this effort has not lived up to expectations.

In fact, the internal auditor (Haskins and Sells) in a report dated November 10, 1975, was critical of (a) the absence of a workable master plan for the development of information systems, (b) the lack of active participation by top management in the master planning process, (c) the fact that ISD has not demonstrated a sense of urgency in completing systems development, and (d) the lack of understanding between users and system designers regarding user requirements.

The report did note that the President of the University has established a high-level committee to review computer and management information

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problems and to determine where the University should be moving in this particular area.

These recent developments suggests that the University is having a difficulty time planning and managing resources in administrative computing. Consequently, we do not believe that continued state funding for increased development of management information systems can be justified at this time.

University Procedures Should be Re-examined

In our December 1975, letter to the University regarding the matter of planning and managing computer resources, we also pointed out that the Legislature has expressed concerns about procedure for purchasing electronic computers. These concerns have resulted in the enactment of various statutes and the addition of Control Section 4 to the Budget Act, affecting all state agencies except the University. However, we believe the University would benefit by adopting similar procedures and regulations.

Criteria for insuring competitive procurement of computers, the conduct of feasibility studies, and in certain instances computer consolidation, have been established. In addition, the Legislature has directed that planning for computers and systems for CSUC should be the responsibility of the Chancellor's office to avoid situations where each of the 19 campuses act independently in pursuing various computer services.

From a fiscal standpoint, it could be pointed out that the systemwide approach in CSUC resulted in the acquisition of a substantial number of computers in 1969 at a price which was 67 percent less than that offered for a single system by the vendor. Similarly, a 1975 contract was signed for the installment purchase of 19 minicomputers at a cost which was 58 percent less than the costs of such systems if they were obtained on an individual basis. Also, 375 cathode ray terminals and 101 hard copy printers were acquired in 1975 by CSUC at a price which was 67 percent of the individual unit price.

We recently pointed out to the University that its competitive bidding procedures could benefit from the state's experience. We noted that the seven page "Request for Quotation" which resulted in selection of an IBM 370/145 for installation at San Francisco appeared to be a considerably different approach to procurement than required of CSUC. The November 1975 release of an "Invitation for Bid" by CSUC for a general timesharing computer system is 185 pages in length and appears to be a much more thorough document.

2. MAINTENANCE AND OPERATION OF PLANT

The General Fund increase of \$1,026,528 for this program element includes: (1) \$330,000 for building maintenance to maintain the 1975-76 budgeted level of 0.624 percent of plant replacement value, (2) \$199,000 for janitorial services to maintain the 1975-76 budgeted ratio of 1 FTE janitor to 23,167 janitorized square feet, (3) \$430,000 for purchased utilities associated with new buildings, (4) \$27,000 for refuse disposal, and (5) \$40,528 for employee benefits for the new positions generated by the above increases.

Fire Protection Cost Sharing

We recommend that self-supporting operations at Davis and Santa Cruz share the costs of fire protection and that the General Fund budget be reduced \$172,750 to reflect this shift (Item 346).

With two exceptions, fire protection services for University campuses are provided by adjacent municipalities at no cost to the state. The Davis and Santa Cruz campuses maintain their own fire protection services at state expense.

At Davis this provision is necessitated because the city has insufficient equipment to accommodate the multistory structures on campus, and adequate service (Sacramento) is over 20 miles away. At Santa Cruz the problem is similar, isolation from adequate protection. City service (12 minutes response time) has proved to be too late and too little.

The total cost of operating these two campus fire departments is budgeted at \$691,000 for 1976-77. This full amount is assessed the General Fund. In spite of this fact, approximately 25 percent of the space protected on these two campuses was provided by and is dedicated to self-supporting activities, such as student residences, dining facilities, extension, etc. We believe these programs should contribute a proportionate amount to offset the costs of providing adequate fire protection. Consequently, we are recommending that the self-supporting programs at Davis and Santa Cruz be assessed (25 percent) in 1976-77 to support campus fire department operations, for a corresponding General Fund savings.

Deferred Maintenance (Item 351)

Included as a separate Budget Act item is a \$500,000 state appropriation to assist in lowering the substantial backlog of \$15.8 million in deferred maintenance. Control language is also included requiring equal matching by the Regents from nonstate funds and excluding the use of educational fees for matching purposes.

Beginning in November 1968, and each year since, the University has been required to submit 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.

In response to the growing problem the Regents allocated \$2 million from the Educational Fee for deferred maintenance in 1973-74. The amount was reduced to \$1.5 million in 1974-75 and has been continued at that level from the same source. The Regents also allocated \$5 million from Opportunity Funds to match the state appropriation in 1974-75 and 1975-76 and are proposing to continue that policy in 1976-77. In addition to these funds, the budget is proposing a \$5 million, three-year program for maintenance and equipment replacement, funded from the Capital Outlay Fund for Public Higher Education (COFPHE). For further discussion of this proposal see the analysis of Item 358 under the Unallocated Adjustments program classification.

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Deferred Maintenance Backlog

Table 33 indicates that, in spite of generally increased 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.

In the past we have suggested 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.

We conducted a cursory review of the detailed 1975-76 deferred maintenance backlog list and identified numerous projects 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 should be noted that 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, with substantial growth taking place between 1971 and 1975.

It would appear from the table and foregoing discussion that increased funding may not be the total answer to the deferred maintenance problem. For instance, it is our understanding that a certain level of backlogged work is necessary and acceptable from an operations and management standpoint to facilitate planning, scheduling and the efficient allocation of resources. Just what that acceptable level should be for the University has not been determined. Further, the alternative solution of increasing the level of support for ongoing maintenance activities has not been explored.

Deferred Maintenance not the Answer

We recommend transfer of the \$500,000 in this Item 351 to the main University support Item 346, in augmentation of ongoing building maintenance services.

As indicated in the foregoing discussion, it does not appear from experience (7 years) that increased funding for deferred maintenance is the total answer to the problem. Yet the budget is proposing to augment the current \$2.5 million annual expenditure by \$5 million over the next three years.

No funds were provided in response to the Regent's Budget appeal for \$1.5 million of improvements in the level of ongoing building maintenance. We submit that funding increases for deferred maintenance might be better spent increasing the level of maintenance activities, where the problem probably originates.

With funds being appropriated elsewhere for deferred maintenance, we are recommending reallocation of the \$500,000 in this item in support of our contention that the problem is twofold.

Table 33
Deferred Maintenance Backlog and Expenditures ^b
1973-74 through 1975-76

<i>Campus</i>	<i>1973-74</i>		<i>1974-75</i>		<i>1975-76</i>	
	<i>Backlog</i>	<i>Actual Expenditure</i>	<i>Backlog</i>	<i>Actual Expenditure</i>	<i>Backlog</i>	<i>Estimated Expenditure</i>
Berkeley.....	\$2,766,620	\$448,469	\$872,000 ^a	\$500,857	\$5,287,800	\$552,085
Davis.....	1,072,967	258,027	3,828,075	202,918	3,502,200	314,000
Irvine.....	216,508	68,512	211,942	141,929	370,886	113,000
Los Angeles.....	1,701,974	309,060	3,293,100	608,008	3,203,500	711,000
Riverside.....	197,156	87,501	247,357	107,242	248,850	179,000
San Diego.....	486,558	170,581	599,960	189,705	799,670	243,000
San Francisco.....	447,200	66,437	381,800	80,506	231,500	102,000
Santa Barbara.....	761,268	78,540	1,245,669	146,305	1,902,644	153,000
Santa Cruz.....	142,225	66,139	265,600	90,939	206,650	101,000
Richmond Field Sta.....	104,034	—	81,650	—	53,115	31,195
Total.....	\$7,896,510	\$1,553,266	\$10,481,153	\$2,068,409	\$15,806,815	\$2,500,000
State.....	—	570,428	—	581,022	—	500,000
UC.....	—	982,838	—	1,487,387	—	1,000,000
Backlog Total in 1973-74 Dollars.....	\$7,896,510	—	\$8,734,294	—	\$12,253,344	—

^a The Berkeley campus lists additional deferred projects totaling \$5 million, not included for funding.

^b Campuses have 15 months (or longer, if justified) to complete funded projects, and unexpended balances for uncompleted projects are carried forward.

UNIVERSITY OF CALIFORNIA—Continued**Maintenance and Equipment Replacement (Item 358)**

We recommend:

1. *The appropriation be limited to maintenance of plant*
2. *The budget bill language providing for three-year availability of funds be deleted, and*
3. *The amount be reduced from \$5.0 million to \$2.5 million with language added requiring equal matching from University controlled funds (COFPHE Fund savings of \$2.5 million in Item 358).*

Included for the first time is a proposed \$5 million, 3-year program for maintenance and equipment replacement, funded from the Capital Outlay Fund for Public Higher Education (COFPHE). The intended distribution of the funds between the two purposes is not delineated and no explanation is given for the three-year availability. Further, there is no indication of the basis for determining the amount of funds provided or to support the expenditure estimate of \$3.5 million in 1976-77.

We have two basic concerns about the proposal. *First*, the concept of funding the replacement of instructional equipment out of what is essentially a one-time appropriation does not solve the problem. For years, the amount of funds available to the University for replacement of obsolete instructional equipment depended largely upon the magnitude of the capital improvement program. Throughout the growth years (1960's) large amounts of capital improvement funds for equipping new buildings allowed the University to keep pace with its equipment needs.

That period of expansion has been replaced by a leveling off of enrollments and significantly fewer capital improvements. As a consequence, an important source of equipment replacement funds has all but disappeared. Because of the uncertainty surrounding future capital outlay needs and generally dismal outlook, a more stable source for equipment replacement funding is needed. We do not believe the proposed one-time appropriation from the COFPHE fund answers that need. The justification for funding equipment in this item suffers additionally because the budget also proposes the appropriate solution to this problem by augmenting the main support Item 346 \$3.7 million for instructional equipment and computing.

3-Year Availability Unjustified

Our *second* concern regarding this proposal is with the extended period of funding availability. Because of the one-time nature of the proposal, it is unlikely the University will use the funds to increase maintenance staffing. Instead the funds will probably be used for deferred maintenance type expenditures which are only one-time commitments. Such expenditures have historically been funded on a year to year basis.

The approach permits regular review of the program and insures expeditious management of the funds. We can see no reason to abandon good budgeting principles for this particular item. It should be pointed out that recently these principles have been applied to capital outlay budgeting.

In fact, adoption of our recommendation elsewhere in this year's capital outlay Analysis to limit construction funding to one year rather than three, would eliminate the historic three-year funding concept, for all phases of capital budgeting except site acquisition.

Based on the budget projections, elimination of the three-year availability for this item would permit a reduction of \$1.5 million, the third and fourth year expenditures.

Matching Policy Abandoned

Historically, the University has been required to match state appropriations for deferred maintenance with an equal amount of nonbudgeted funds. This concept was imposed by the 1969 Legislature 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. We believe the policy is still valid and should be applied in the case of this item. However, because we believe a \$5 million deferred maintenance effort (twice the current year level) is all that is manageable, we are only recommending the University match a \$2.5 million state funded program. This is a slight reduction (\$1 million) from the level contemplated in the budget but we think it is more realistic.

Table 34 outlines the funding differences between the budget proposal and our recommendation.

Table 34
Deferred Maintenance Funding
1976-77

	<i>Governor's Budget</i>	<i>Analyst Proposal</i>
General Fund (Item 351)	\$500,000	—
University Funds	500,000 ^a	\$1,000,000 ^b
Educational Fees	1,500,000	1,500,000 ^b
COPFHE Fund (Item 358)	3,500,000 ^c	2,500,000
Total	\$6,000,000	\$5,000,000

^a University opportunity funds allocated to satisfy the matching requirement in Item 351.

^b University opportunity funds and Educational Fee allocations may be used to satisfy Analyst recommended matching requirement in Item 358.

^c Budget estimate of the amount of funds that will be expended from the \$5 million in 1976-77.

As indicated in the table, the combined effects of our recommendations for this item and Item 351 (the traditional deferred maintenance appropriation) are:

1. A \$1 million decrease in the overall level of funding, and
2. A \$500,000 increase in the University's total contribution, including Educational Fee allocations.

VII. INDEPENDENT OPERATIONS

Functional Description

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

The only intercollegiate athletic programs considered as independent operations are at Berkeley and Los Angeles, where they are fully supported from income and student fees.

UNIVERSITY OF CALIFORNIA—Continued

The largest element of this program is student housing, with over 20,500 residence hall spaces and approximately 3,500 apartments, as well as associated dining and recreation facilities. The second major element is the parking program which includes more than 53,000 parking spaces.

Table 35
Independent Operations

	1975-76	1976-77	Change	
			Amount	Percent
1. Auxiliary Enterprises.....	\$59,597,464	\$62,433,100	\$2,835,636	4.8%
General Funds	—	—		

The 4.8 percent increase indicated above is not discussed in the budget. It merely reflects the enrollment and inflation-related increases for all program elements. No state funding is provided for activities within this function.

VIII. SPECIAL REGENTS PROGRAMS**Functional Description**

In accordance with Assembly Concurrent Resolution No. 66 of the 1976 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 Regent's programs. Expenditures are shown in Table 36.

Table 36
Special Regents Programs

	1975-76	1976-77	Change	
			Amount	Percent
1. Student Aid	\$9,513,000	\$10,413,000	\$900,000	9.5%
2. Instruction	1,911,000	2,287,000	376,000	19.7
3. Research and Public Service....	4,297,000	4,327,000	30,000	0.7
4. Supporting Programs	5,828,300	6,030,300	202,000	3.5
Totals	\$21,548,300	\$23,956,300	\$1,508,000	7.0%

IX. UNALLOCATED ADJUSTMENTS**Functional Description**

This budget program classification is comprised of Universitywide programs and items not assigned to specific campuses. Allocations are made to the campuses on the basis of workload requirements.

Table 37
Unallocated Adjustments

	1975-76	1976-77	Change	
			Amount	Percent
1. Provisions for allocation	\$30,631,066	\$32,067,681	\$1,436,615	
General Funds	24,249,741	22,172,901	-2,076,840	
2. Fixed costs and Economic Factors				
General Funds	—	21,618,437	21,618,437	
Totals	\$30,631,066	\$53,686,118	\$23,055,052	
Totals (General Fund)	24,249,741	43,791,338	19,541,597	

Table 38 summarizes the increases budgeted for incremental provisions, fixed costs and other economic factors. With reference to the table it should be noted that the 1975-76 column represents base budget balances and Universitywide provisions which were unallocated as of July 1, 1975. Also shown are incremental provisions for new programs related to more than one campus for which distribution is subject to further review.

Table 38
Unallocated Adjustments

	1975-76	1976-77	Change
General Funds:			
Merits and Promotions	\$6,134,812	\$16,330,194	\$10,195,382
Price Increase	4,333,998	12,834,053	8,500,055
Malpractice Insurance	2,427,286	5,350,286	2,923,000
Deferred Maintenance	500,000	500,000	—
Budgetary Savings	-9,590,000	-12,900,000	-3,310,000
Range Adjustment	7,103,596	5,703,596	-1,400,000
Unemployment Insurance	700,000	700,000	—
Employee Benefits	8,099,419	13,831,419	5,732,000
Undergraduate Teaching	999,999	1,000,000	1
Veterinary Medicine Field Clinic Study	50,000	—	-50,000
UC Data Program	97,000	—	-97,000
Prior Year Balance	850,000	—	-850,000
1975-76 Overenrollment	1,853,000	—	-1,853,000
Other	305,341	656,790	-248,551
Bad Debts and Self Insurance	385,290	385,000	-290,000
Total—General Funds	\$24,249,741	\$43,791,338	\$19,541,597
Restricted Funds:			
Endowment Income Unallocated	\$2,285,438	\$2,277,614	\$-7,824
Registration Fee Unallocated	2,184,147	2,455,081	270,934
Maintenance and Equipment—COPPHE	—	3,500,000	3,500,000
Other	1,911,740	1,662,085	-249,655
Total—Restricted Funds	\$6,381,325	\$9,894,780	\$3,513,455
Total Provisions for Allocation	\$30,631,066	\$53,686,118	\$23,055,052

Merits and Promotions

The \$10.2 million for merits and promotions includes \$6.4 million for academics and \$3.8 million for staff. The amount included for academic merit increases and promotions represents 2.24 percent of the estimated 1975-76 General Fund academic salary base plus related academic employee benefits equal to 15.56 percent of the merit increases. The staff merit increase amount represents approximately 1.70 percent of budgeted 1975-76 staff salaries and includes related employee benefits equal to 13.60 percent of the merit increases.

Price Increase Methodology Responsive

In last year's Analysis we were critical of the methodology employed by the University for determining its price increase request. We suggested that the University's approach was inconsistent with the Department of Finance price letter guidelines, which serve as the basis for budgeting

UNIVERSITY OF CALIFORNIA—Continued

price increase funds for all other agencies, including the California State University and Colleges.

In response to this criticism, the University developed a more detailed breakdown of its operating expenses, based upon extensive consultation with the Department of Finance. Against that detail, the University applied individual price increase factors as found in the Department of Finance price letter and General Services price book. Application of these individual factors generated a requirement for \$7,887,000 or 7.21 percent. The addition of \$613,055 to that amount to carry forward an anticipated current year utility deficit resulted in the \$8,500,055 total budgeted for 1976-77 price increases. According to the budget this amount includes \$3,482,055 for general price increases, \$684,000 for libraries and \$4,334,000 for utilities.

1. MALPRACTICE INSURANCE INCREASING

As indicated in Table 38, the budget includes a general fund increase of \$2,923,000 for malpractice premiums in 1976-77. This increase includes \$1,589,000 to fund the continuation cost of a 1975-76 deficit, \$392,000 to increase protection at OCMC to a full year, and \$942,000 for premium increases anticipated in 1976-77.

Since 1971-72, the State and the University have shared the total cost of funding malpractice liability insurance premiums. In distributing the cost, distinction is drawn between two different types of malpractice risk:

- (1) risk associated with the clinical instruction of professional students, interns, and residents, and the duties of health science faculty, and
- (2) the institutional risk associated with all other hospital and clinic patient services.

The state has assumed the responsibility of funding the first type of risk, based on a prorated share of 53 percent of the total premium. The cost of the second is borne by the University using restricted fund revenues collected through patient charges at its hospitals and clinics and from student health center income.

The states total share of the 1976-77 premium is estimated to be \$7,314,000 an increase of 22.3 percent over the amount budgeted for 1975-76. A review of the current trends in malpractice costs illustrated in Table 39 tends to indicate that the University's 1975-76 estimate is overly optimistic.

Table 39
Malpractice Insurance Premiums
1972-73-1976-77

Policy Period	Total Premiums	State Share		
		State Premiums	Change Amount	Percent
1972-73	\$1,749,170	\$927,060		
1973-74	2,609,000	1,380,000	\$452,940	48.9%
1974-75	6,713,000	3,558,000	2,178,000	157.8
1975-76 (estimated)	11,284,000	5,980,000	2,422,000	68.0
1976-77 (estimated)	13,800,000	7,314,000	1,334,000	22.3

Self-insurance Option

Two years ago during budget hearings the Legislature asked the University for an analysis of whether it would be cheaper to self-insure rather than purchasing coverage from a private carrier. At that time, the University's response indicated that there was not a significant financial advantage but intimated that this situation could change in the future. The most recent cost comparison between these alternatives continues to support the private carrier solution.

2. EXCESS SAVINGS

Excess savings are those savings made beyond the savings target anticipated in the budget. The University's basic savings target for 1973-74 amounted to \$9.4 million, or 1.9 percent of all budgeted state General Funds. However, as in the past, the University generated excess savings to fund contingencies such as self-insurance premiums, bad-debt and collection-cost writeoffs, priority equipment needs and special one time circumstances. These additional costs were funded by imposing more stringent limitations on expenditures.

Table 40 shows the disposition of excess savings from 1969-70 to 1974-75.

Table 40
Disposition of Excess Savings 1969-70 to 1974-75

	<i>Excess Savings</i>	<i>Reallocated</i>	<i>Returned To State</i>
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
1973-74	3,890,857	2,233,295	1,657,562
1974-75	541,723	870,839 ^a	-329,116

^a An additional \$1,620,000 was reallocated to accommodate overenrollments.

Reallocation of Excess Savings

As directed by the Conference Committee on the 1970-71 Budget, the University reports annually on those nonbudgeted items financed from excess General Fund 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 of 1974-75 expenditures shows that \$870,839 was reallocated to other purposes. The transfers are summarized in Table 41.

Table 41
Summary of Transfers from Excess Savings 1974-75

1. Funding an annual reserve for University fire and extended risk self insurance	\$134,889
2. Write-offs of uncollectables and collection costs	99,679
3. Additional utilities costs	44,808
4. Orange County Medical Center transition	112,500
5. Malpractice insurance deficit	121,068
6. Total equivalent compensation-special study	36,000
7. Library serials deficit	223,000
8. Employee benefit shortfall	6,406

UNIVERSITY OF CALIFORNIA—Continued

In the past we have raised questions regarding some of the University decisions and expenditures, because of what appeared to be unauthorized increases in approved program levels. In response to our continuing concerns, the Conference Committee on the 1975-76 Budget directed that the University restrict future uses of excess budget savings only for extraordinary and/or emergency requirements of a one-time nature. However, this policy would not have affected the 1974-75 transfer decisions shown in Table 41 but should be evident in next year's report on 1975-76 expenditures.

HASTINGS COLLEGE OF LAW

Item 359 from the General
Fund

Budget p. 937

Requested 1976-77	\$3,556,773
Estimated 1975-76.....	3,172,810
Actual 1974-75	2,684,019
Requested increase \$383,963 (12.1 percent)	
Increase to improve level of service \$29,032	
Total recommended reduction	\$65,375

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Faculty. Reduce \$29,032.* Recommend elimination of one new faculty position proposed for program enrichment. 838
2. *Operating Expense. Reduce \$4,420.* Recommend adjusting UC lease reimbursements. 839
3. *Student Aid. Reduce \$31,923.* Recommend restoration of traditional Legal Educational Opportunity Program (LEOP). 839

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 budgets a basic instruction program and three supporting programs.

ANALYSIS AND RECOMMENDATIONS

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

Table 1
Hastings Budget Summary

	<i>Actual</i> 1974-75	<i>Estimated</i> 1975-76	<i>Proposed</i> 1976-77	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
<i>Programs</i>					
I. Instruction	\$1,699,480	\$1,879,496	\$1,917,169	\$37,673	2.0%
II. Instructional support	454,140	561,330	586,808	25,478	4.5
III. Student service	748,866	1,029,936	1,117,394	87,458	8.5
IV. Institutional support	1,371,295	1,566,104	1,773,496	207,392	13.2
TOTALS	\$4,273,781	\$5,036,866	\$5,394,867	\$358,001	7.1%
<i>Funding Sources</i>					
General Fund	\$2,684,019	\$3,172,810	\$3,556,773	\$383,963	12.1%
Reimbursements	1,231,794	1,257,226	1,231,264	-25,962	-2.1
Federal funds	357,968	606,830	606,830	-0-	0.0
TOTALS	\$4,273,781	\$5,036,866	\$5,394,867	\$385,001	7.1%
<i>Positions</i>	158.5	170.7	173.2	2.5	1.5%

Although Table 1 indicates a net increase of 2.5 new positions, the actual number of new positions proposed in the Governor's Budget is 4.5. The difference arises from the administrative establishment of one new position during 1975-76 which is proposed for continuation during the budget year and the proposed elimination of one other position to be offset by one new position in 1976-77. Each requested position change has been identified with supporting detail in the four program analyses which follow.

Enrollment

Table 2 shows recent average student enrollment at Hastings.

Table 2
Average Student Enrollment

<i>Year</i>	1971-72	1972-73	1973-74	1974-75	1975-76 (est)
Fall Enrollment	1,522	1,526	1,578	1,513	1,540
Annual Average Enrollment	1,501	1,504	1,553	1,502	1,528

We called attention to overenrollment in 1973-74 and noted its strain on several workload related budget elements. We believe maximum program and facilities capacities were reached when the average enrollment authorization was increased at the request of the college to 1,500 in 1971-72. There has been no major capacity change since that time.

We note that total registration this fall, was 1,540, an increase of 27 over the preceding year's fall registration. 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 are questionable particularly in light of the state's supply of lawyers. In addition, it may constitute a disservice to both students and faculty and may generate an unjustified conclusion that facilities are overcrowded.

Nonresident Enrollment

The 1975-76 Conference Committee recommended Hastings admit no more than 10 percent of its entering class as nonresidents (approximately 50). We are informed that 54 nonresidents were enrolled this last fall.

HASTINGS COLLEGE OF LAW—Continued**Nonresident Fee Increase Recommended**

We recommend in our analysis of the University of California budget that nonresident tuition be increased from \$1,500 to \$1,800. Historically, nonresident tuition at Hastings has paralleled that of the University. If our recommendation is approved for the University, we would recommend an equal increase for Hastings. Because nonresident tuition is a General Fund revenue, implementation of this recommendation would have no direct impact on the support budget.

I. INSTRUCTION PROGRAM

Instruction, the primary program at Hastings, is designed to prepare students for the legal profession. Of the 482 graduates taking the bar examination in 1974-75, 390 or 81 percent passed on their first try. Ninety percent passed by the second try.

The proposed budget for this program includes an increase of two positions. One is a faculty position and the other is a clerk-typist position for audio-visual services. We recommend the latter position which is workload related.

New Instructor Position

We recommend elimination of one new faculty position requested for program enrichment for a General Fund savings of \$29,032.

In our 1973-74 Analysis we expressed concern about faculty augmentations which caused a rapid reduction in the student/faculty ratio and served, in turn, to increase the General Fund cost per student. Although the requested positions were approved, the Committee on Conference directed Hastings to report on new faculty utilization. The subsequent report indicated an intent to evaluate thoroughly the faculty situation for the 1974-75 budget. Additional faculty were not requested during 1974-75.

Since 1973-74 average annual enrollment at Hastings has been budgeted at 1,500. Therefore, this requested faculty enrichment is not related to increased enrollment workload. Further, approval of this proposed enrichment should be weighted against the failure of the Governor's Budget to provide any faculty for increased enrollment at other UC campuses.

Reimbursement Schedule

Table 3 details sources of reimbursements.

Table 3
Hastings Reimbursement Detail

Category	Actual	Estimated	Proposed	Change	
	1974-75	1975-76	1976-77	Amount	Percent
1. Student fees	\$447,482	\$450,000	\$450,000	-0-	-0-
2. Educational fee	423,765	399,600	399,600	-0-	-0-
3. Fee loan collections	4,700	60,000	36,000	\$-24,000	-40.0%
4. Scholarship publications	38,902	50,700	50,700	-0-	-0-
5. Other student fees	116,687	103,600	94,600	-9,000	-8.7
6. Summer session fees	40,354	40,000	40,000	-0-	-0-
7. College foundation	30,826	33,458	33,458	-0-	-0-
8. Center for T.A.A.	73,410	100,468	107,506	7,038	7.0
9. Work-study (private)	33,311	8,000	8,000	-0-	-0-
10. UC lease	7,000	9,580	9,580	-0-	-0-
11. Miscellaneous	15,357	1,820	1,820	-0-	-0-
Totals	\$1,231,794	\$1,257,226	\$1,231,264	\$-25,962	-2.1%

This traditional information has been deleted from the Governor's Budget format again this year. The table indicates that reimbursements are projected to decrease by \$25,962 or approximately 2.1 percent below 1975-76 estimates. One noteworthy change results from a decrease in "educational fee loan collections" (category 3). The Legislature established a policy last year of applying these loan repayments as support budget reimbursements. This caused a one-time increase because 1974-75 repayments were added to the 1975-76 repayments. A minor decrease in "other student fees" (category 5) reflects a continuing decline in applications for admission.

UC Lease Reimbursement Underbudgeted

We recommend the University of California lease reimbursement estimate for 1976-77 be budgeted at \$14,000 for a General Fund savings of \$4,420.

Extended University leases space from Hastings for an evening educational program. The UC lease arrangement with Hastings is for \$14,000 per year. Table 3 indicates a scheduled reimbursement of only \$9,580 (Category 10). The difference of \$4,420 should be a direct offset to budgeted operational support for a related General Fund savings.

II. INSTRUCTIONAL SUPPORT PROGRAM

The instructional support program is composed of the library and scholarly publications elements. Both elements reflect normal cost increases. Last year a new professional publication, the *Hastings Constitutional Law Quarterly* joined the traditional *Hastings Law Journal*. We understand a periodical on international law is under development.

III. STUDENT SERVICE PROGRAM

The student service program is composed of (1) student health services, (2) student financial aid and (3) student placement. Student health services is budgeted at the current year level and student placement receives an 11 percent increase. In addition to normal price increases, provision has been made for additional recruiting and placement publications. Substantial change is reflected in the student aid element.

Table 4 shows current and proposed student aid programs. The major increase occurs in Legal Educational Opportunity Program (LEOP) grants.

The Governor's Budget incorrectly reports funds are provided for 88 new LEOP grants at an average award level of \$850 rather than 65 new grants as shown in Table 4.

Consistent LEOP Policy Recommended

We recommend a restoration of the traditional Legal Education Opportunity Program (LEOP) by (1) funding the average award at 20 percent of total student costs (\$975), (2) restricting new LEOP students to 75 in each entering class and (3) providing for 170 awards in 1976-77 for a net General Fund savings of \$31,923.

HASTINGS COLLEGE OF LAW—Continued

Table 4
Hastings Student Financial Aid Summary

	1975-76			1976-77		
	Number	Amount	Average	Number	Amount	Average
<i>Scholarships and Grants</i>						
LEOP grants	172	\$126,670	\$736	237	\$201,573	\$850
Registration fee offset grants ..	172	51,650	300	172	51,650	300
Hastings scholarships ^a	230	50,920	221	175	55,016	314
Graduate fellowships	9	6,147	683	9	6,000	666
<i>Loans</i>						
Educational fee deferrals	390	140,400	360	390	140,400	360
National direct student loans ..	394	437,000	1,109	500	600,000	1,200
Federal insured loans	478	959,150	2,006	500	1,000,000	2,000
<i>Employment Aid</i>						
Work-study on-campus	27	68,012	252	30	70,000	233
Work-study off-campus ^a	96	241,131	251	100	240,000	240
TOTALS	524 ^b	\$2,081,080	\$3,972	600 ^b	\$2,364,639	\$3,941

^a Student aid funds not included in the budget.^b Unduplicated student count.

The Legal Educational Opportunity Program (LEOP) was created for students who show considerable promise for success in the legal education program but who cannot qualify for admission under normal selection processes. Many are disadvantaged minority students from low-income families but not all require financial assistance.

Grant Policies

In 1974-75 the accepted student budget (total annual cost of attending Hastings including living expenses) was \$3,285. It was the Legislature's intention in 1974-75 to assist LEOP students with an average award of \$765 or about 20 percent of the student budget. Because the student budget is projected to increase to \$4,871 in 1976-77, an average award level of \$975 would continue the traditional 20 percent relationship.

Number of Awards

In the 1973-74 Analysis we reported Hastings new policy of admitting 75 first-year LEOP students annually. The college indicated that 90 percent of the specially admitted students required financial aid. As a result, the Legislature supported grants for 68 awards (i.e., 90 percent of 75). In 1974-75 the number of new awards proposed by the college and supported by the Legislature was set at 70. This same figure was used in funding the current year (1975-76) program.

However, experience now indicates less than 90 percent of admitted LEOP students require financial aid as shown by Table 5. For example in 1974-75, 68 percent required aid and in the current year 76 percent.

Table 5
Number of Students Enrolled Under LEOP and Awards Granted

<i>Class Year</i>	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Hastings Proposed 1976-77 Budget</i>	<i>Legislative Analyst Funding Proposal</i>
1st	77	81	85	75
2nd	65	76	81	81
3rd	82	70	76	76
Total admitted	224	227	242	232
Total awards	153	172	237	174
Percent awards/admitted	68%	76%	98%	75%

Table 5 also shows Hastings actual LEOP admissions policy has exceeded that presented to the Legislature for several years. This policy results in (a) average grants to students being considerably less than budgeted and (b) fewer openings for regular admittees.

As shown in Table 5, Hastings is planning on a LEOP program of 242 in 1976-77 of which the Governor's Budget would fund 237 grants at \$201,573 (an average award level of \$850). This increase in number of awards resulted from a broad policy decision to increase all EOP programs by 50 percent. As mentioned, recent experience suggests only 68 to 76 percent of LEOP students will require awards. By contrast, the Governor's Budget assumes 98 percent of LEOP students will require awards. We do not believe this assumption is justified.

Total Grants to be Funded

We recognize that LEOP admissions have exceeded the policy discussed in previous budgets and consequently recommend a LEOP program of 232 enrollees (75 first year, 81 second year, and 76 third year) with funding for 174 grants (75% of enrollments) of \$975 (\$169, 650). This is \$31,923 less than budgeted.

Minority Students and the State Bar Examination

A final report from the Commission to Study the Bar Examination Process to the Board of Governors of the State Bar of California was submitted in August 1975. This report indicates that between 1970 and 1973 only 31 percent of Hastings minority graduates passed the bar examination on their first try. This increased to 50 percent after a second attempt. The comparable statistics for all of Hastings graduates between 1970 and 1972 were 75 percent first try and 92 percent second try.

Although many factors are reviewed in the report, it is apparent that many public law schools are having difficulty articulating special admissions criteria with supplemental training to insure that minority graduates possess a reasonable potential for passing the bar examination.

This problem affects all University law schools and is discussed further in the UC budget analysis. This condition points out a need for caution in increasing the LEOP program as proposed by the Governor's Budget until we can be assured by the public law schools that specially admitted students are being adequately trained.

HASTINGS COLLEGE OF LAW—Continued**IV. INSTITUTIONAL SUPPORT PROGRAM**

The institutional support program is composed of the (1) executive management, (2) business services, (3) registrar, (4) admissions, (5) facilities operation, and (6) community relations elements.

The executive management element receives normal price increases and includes (1) funds for upgrading one associate dean position to that of vice dean and registrar and (2) upgrading one assistant dean to associate dean. These two position changes were administratively implemented during the current year.

Major Capital Outlay Plans

Hastings has been acquiring land for several years in anticipation of a major building program. Although funds are not included in the Governor's Budget, the college is requesting \$2.6 million as a state share of a \$4.8 million 1976-77 capital improvement budget. Overall project costs for four construction elements approach \$60 million. One element is an academic facilities building which will accommodate instruction and instructional support elements. It will also provide space for faculty staff assistance, audio-visual services, financial aid, housing services, duplicating, community services, health services and other activities.

The services element will accommodate a student/faculty commons, dining commons, and child care center. Recreational facilities such as a swimming pool, two steam rooms, dressing rooms, exercise room, two handball/squash courts and a small gymnasium are also planned.

A nonstate funded legal affairs facility is included as a third element. This facility would provide space for legal associations, commercial enterprises, city and state offices and other community services activities. A fourth element would fund coordinated alterations to the existing building.

These capital outlay proposals do not include any enrollment increase in the existing instruction program. However, a new advanced degree program would be provided for in the academic facilities building. Review of the need for this new program by the California Postsecondary Education Commission is required under existing law.

CALIFORNIA STATE UNIVERSITY AND COLLEGESItem 360-361 ^a from the General

Fund

Budget p. 945

^a Item 361 provides for salary increases and is discussed on Page 189 of the Analysis. The funds in Item 361 are not included in these totals.

Requested 1976-77	\$576,326,165
Estimated 1975-76	542,057,016
Actual 1974-75	481,546,141
Requested increase \$34,269,149 (6.3 percent)	
Total recommended reduction	\$8,160,185

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. Campus Enrollment Ceilings. Recommend the Chancellor's office reevaluate existing campus enrollment ceilings, considering projected enrollments and existing instructional capacity space, and report the results of this reevaluation to the Joint Legislative Budget Committee by November 15, 1976. 856
2. Redirection Policy. Recommend the Chancellor's office implement a limited redirection policy to improve utilization of systemwide space and negate the need to construct new capacity space and report on efforts in this area to the Joint Legislative Budget Committee by November 15, 1976. 858
3. *Faculty Staffing. Augment \$560,354.* Recommend a General Fund augmentation of \$560,354 for 34 additional faculty positions to partially offset the shift of students from high student-faculty ratio disciplines to low student-faculty ratio disciplines. 862
4. Nursing Programs. Recommend the Chancellor's office examine the reasons for the variations in nursing student-faculty ratios and report to the Joint Legislative Budget Committee by December 1, 1976 on whether these ratios can be raised on some campuses without endangering program content. 863
5. Library Volume Price Increase. Recommend staff from the Department of Finance and the Chancellor's office work together to develop a mutually acceptable library volume price increase formula and report the results of this effort to the Joint Legislative Budget Committee by November 1, 1976. 870
6. *Humboldt Library Positions. Augment \$30,003.* Recommend a General Fund augmentation of \$30,003 to staff the new library facility at Humboldt State University fully when it opens in April, 1977. 870
7. *Library Transactors. Augment \$150,000.* Recommend a General Fund augmentation of \$150,000 to (1) fund an outside 871

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

- contractor evaluation of the current transactor specifications, and (2) allow the Chancellor's office to develop any modifications recommended by the outside contractor.
8. *Computing Support. Augment \$67,507.* Recommend a General Fund augmentation of \$67,507 to provide (1) the maintenance funds required for the San Luis Obispo and Sonoma computing equipment, and (2) the additional data handling equipment required at a number of campuses. 872
 9. *Affirmative Action. Augment \$250,000.* Recommend increased General Fund support for the Affirmative Action program of \$250,000 so as to bring it into parity with that provided the University of California. 873
 10. *Instructionally Related Activities. Reduce \$485,818.* Recommend all General Fund support for instructionally related activities be eliminated for a General Fund savings of \$485,818. 875
 11. *Student Services Fee. Increase Reimbursements \$5,440,628.* Recommend a Student Services Fee increase totaling \$18 per academic year for a General Fund savings of \$5,440,628. 878
 - (a) *Increase Reimbursements \$4,000,000.* Recommend a Student Services Fee increase of \$13 per academic year to cover the indirect costs of providing approved student services. 878
 - (b) *Increase Reimbursement \$1,440,628.* Recommend a Student Services Fee of \$5 per academic year to cover the salary increases provided student services personnel. 878
 12. *Non-Resident Tuition. Increase Reimbursements \$2,172,760.* Recommend (1) the estimated non-resident enrollment for 1976-77 be raised to 6,104 FTE students, and (2) the non-resident tuition fee be increased from \$1,300 to \$1,440 annually for a General Fund saving of \$2,172,760. 880
 13. *Financial Aids Billing System.* Recommend the Chancellor's office submit a final report on the Financial Aid Billing System pilot project to the Joint Legislative Budget Committee and the Department of Finance by November 1, 1977. Recommend the Chancellor's office submit an interim report by November 1, 1976 which (1) reviews the 1st year results of the pilot, and (2) outlines the structure of the final report and the evaluative techniques to be employed. 881
 14. *Financial Aids Staffing. Reduce \$190,000.* Recommend 19 financial aids positions not be filled for a General Fund savings of \$190,000. 882
 15. *Educational Opportunity Program (EOP).* Recommend the Chancellor's office prepare a report for presentation to the Legislative fiscal committees detailing how the \$3.8 883

- million in new funds provided in the Governor's budget will be utilized.
16. *Disabled Student Program. Augment \$300,265.* Recommend a General Fund augmentation of \$300,265 be provided to establish a Disabled Student Program on each of the 19 campuses. 885
 17. *Communications Expenses. Augment \$557,520.* Recommend a General Fund augmentation of \$557,520 to meet the total projected cost of Communications. 887
 18. *Industrial Disability Leaves. Reduce \$150,000.* Recommend General Fund support for industrial disability leaves be reduced from \$500,000 to \$350,000 for a General Fund savings of \$150,000. 887
 19. *Unemployment Insurance. Reduce \$120,000.* Recommend that in view of the improved economic condition predicted for California in 1976-77, the General Fund support for unemployment insurance be reduced from \$1,300,000 to \$1,180,000 for a General Fund savings of \$120,000. 890
 20. *Physical Planning and Development Staff. Reduce \$171,628.* Recommend in view of the low facilities planning and space management workload, the building coordinator position on the seven smallest campuses be eliminated for a General Fund savings of \$171,628. 891
 21. *Federal Overhead Funds. Reduce \$1,345,000.* Recommend that to insure reimbursement for the costs incurred from administering federal grants, the General Fund annually receive 50 percent of all federal overhead funds for a General Fund savings of \$1,345,000 in 1976-77. 897

**Summary of Recommended Fiscal Changes
to the 1976-77 Budget**

Activity	Program Changes		Funding Impact	
	Reductions	Augmentations	General Fund	Reimbursements
Faculty Staffing	—	\$+560,354	\$+560,354	—
Humboldt Library Positions	—	+30,003	+30,003	—
Library Transactor	—	+150,000	+150,000	—
Computing Support	—	+67,507	+67,507	—
Affirmative Action	—	+250,000	+250,000	—
Instructionally Related Activities	\$-485,818	—	-485,818	—
Student Services Fee Increase				
A. Student Services	—	—	-4,000,000	+4,000,000
B. Salary Increases	—	—	-1,440,628	+1,440,628
Non-resident Tuition	—	—	-2,172,760	+2,172,760
Financial Aids Staffing	-190,000	—	-190,000	—
Disabled Student Program	—	+300,265	+300,265	—
Communications	—	+557,520	+557,520	—
Industrial Disability Leaves	-150,000	—	-150,000	—
Unemployment Insurance	-120,000	—	-120,000	—
Building Coordinators	-171,628	—	-171,628	—
Federal Overhead Funds	—	—	-1,345,000	+1,345,000
Totals	\$-1,117,446	\$+1,915,649	\$-8,160,185	\$+8,958,388
Net change in programs =		\$+798,203.		

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

The above recommendations result in a net General Fund reduction of \$8.2 million. This reduction is primarily made possible by increases in reimbursements. A \$140 increase in the non-resident tuition fee and a reevaluation of estimated non-resident enrollment produces a General Fund savings of \$2.2 million. An \$18 per academic year increase in the Student Services Fee produces a General Fund savings of \$5.4 million. A 50-50 sharing of federal overhead funds between the General Fund and the campus foundations produces a General Fund savings of \$1.3 million.

The net change in General Fund support for programs is an augmentation of \$798,203. The above chart summarizes the fiscal changes to the 1976-77 budget.

GENERAL PROGRAM STATEMENT

In accordance with the 1960 Master Plan for Higher Education, the Donahoe Act (Chapter 49, Statutes of 1960, First Extraordinary Session) requires the California State University and Colleges (CSUC) to provide instruction in the liberal arts and sciences and in professions and applied fields which require more than two years of collegiate education. Instruction in teacher education, both for undergraduate students and graduate students through the master's degree, is also mandated. In addition, the doctoral degree may be awarded jointly with the University of California or private institutions and faculty research, using facilities provided for and consistent with the instructional function of the CSUS, is authorized.

Governance

The California State University and Colleges system is governed by a 22-member board of trustees. The original board of trustees, created by the Donahoe Act, consisted of 21-members: five ex officio members including the Governor, the Lieutenant Governor, the Superintendent of Public Instruction, the Speaker of the Assembly and the Chancellor plus 16 additional members appointed by the Governor subject to Senate confirmation who serve eight year terms. Effective January 1, 1976, Chapter 1121, Statutes of 1975 authorizes the governor to appoint annually one student trustee to serve a one year term.

The trustees appoint the Chancellor, who serves at the pleasure of the board. It is the Chancellor's responsibility as the chief executive officer of the system to assist the trustees in making appropriate policy decisions and to provide for the effective administration of the system.

The system presently includes 19 campuses with an estimated 1976-77 fiscal year full-time equivalent (FTE) enrollment of 239,410.

Admissions

In accordance with the Master Plan of 1960, admission of incoming freshmen is limited to those graduating in the highest third of their high school class as determined by overall grade point averages and college entrance examination test scores. An exception rule permits admission of

certain otherwise unqualified students, not to exceed 4 percent of the incoming freshman class.

Transfer students may be admitted from other four-year institutions or from junior colleges if they have maintained at least a 2.0 or "C" average in prior academic work. To be admitted to upper division standing, the student must also have completed 60 units of college courses. Out-of-state students must be equivalent to the upper half of the qualified California students to be admitted. To be admitted to a graduate program, the minimum requirement is a bachelor's degree from an accredited four-year institution. However, individual programs may designate more restrictive standards.

1976-77 Budget Overview

The 1976-77 Governor's Budget proposes an appropriation from the General fund of \$576,326,165 for support of the CSUC system. An additional General Fund appropriation of \$27,402,000 is proposed for 1976-77 academic salary increases, generating a total General Fund request of \$603,728,165. The CSUC salary increase request is discussed on page 189 of the Analysis.

The total General Fund request is contained within the following Budget Act items:

<i>Budget Act Item</i>	<i>Activity</i>	<i>1976-77 Amount</i>
360	General Support	\$576,326,165
361	Salary Increase.....	27,402,000
Total		\$603,728,165

Table 1 reflects the total 1976-77 Budget by program and source of funds, while Table 2 provides a budget summary by program for the past, current and budget years.

The 1976-77 CSUC budget increase (exclusive of salary increases) over the 1975-76 budgeted support level is \$36,464,149. As detailed in Table 3, approximately \$11 million of this increase is attributable to projected enrollment growth of 9,405 FTE students. Another \$3.4 million results from a 50 percent increase in support for the Educational Opportunity Program. The remainder of the increase, approximately \$22.2 million, is due primarily to price increase, baseline adjustments and workload increases.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Table 1
SOURCE OF FUNDS BY SUBPROGRAM
(1976/77 GOVERNOR'S BUDGET)

Program	General Fund		Special Funds—Continuing Education			
	Net General Fund	Reimbursement	Total General Fund	Summer Session	Extension	Total
I. Instruction						
Regular Instruction	\$374,633,104	\$12,152,462	\$386,785,566	—	—	—
Special Session Instruction	—	—	—	\$5,384,790	—	\$5,384,790
Extension Instruction (for credit)	—	—	—	—	\$4,345,576	4,345,576
Total Instruction	\$374,633,104	\$12,152,462	\$386,785,566	\$5,384,790	\$4,345,576	\$9,730,366
II. Research						
Individual or Project Research	—	138,969	138,969	—	—	—
III. Public Service						
Campus Community Service	—	326,958	326,958	—	—	—
IV. Academic Support						
Libraries	34,210,975	410,967	34,621,942	21,911	2,080	23,991
Audio-Visual Services	6,764,200	554,382	7,318,582	22,856	7,259	30,115
Computing Support	14,388,571	—	14,388,571	20,390	26,172	48,562
Ancillary Support	7,428,701	—	7,428,701	—	—	—
Total Academic Support	\$62,792,447	\$965,349	\$63,757,796	\$65,157	\$37,511	\$102,668
V. Student Service						
Social and Cultural Development	—	2,514,126	2,514,126	—	—	—
Supplementary Education Services	129,989	—	129,989	—	—	—
Counseling and Career Guidance	2,541,731	13,193,733	15,735,464	14,573	—	—
Financial Aid	7,024,878	32,925,606	39,950,484	—	—	—
Student Support	—	13,225,989	13,225,989	22,531	—	22,531
Total Student Service	\$9,696,598	\$61,859,454	\$71,556,052	\$37,104	—	\$37,104
VI. Institutional Support						
Executive Management	15,216,988	1,502,822	16,719,810	1,217,391	2,124,802	3,342,193
Financial Operations	6,465,283	3,215,096	9,680,379	138,945	147,635	286,580
General Administrative Services	15,125,842	4,774,400	19,900,242	86,076	111,824	197,900
Logistical Service	23,416,583	—	23,416,583	243,926	261,912	505,838
Physical Plant Operation	62,452,119	319,289	62,771,408	53,099	721	53,820
Faculty and Staff Services	4,471,929	—	4,471,929	—	—	—
Community Relations	2,055,272	250,290	2,305,562	165,304	142,060	307,364
Total Institutional Support	\$129,204,016	\$10,061,897	\$139,265,913	\$1,904,741	\$2,788,954	\$4,693,695
VII. Independent Operations						
Institutional Operations	—	9,576,582	9,576,582	—	—	—
Outside Agencies	—	8,134,482	8,134,482	—	—	—
Total Independent Operations	—	\$17,711,064	\$17,711,064	—	—	—
GRAND TOTALS	\$576,326,165	\$103,216,153	\$679,542,318	\$7,391,792	\$7,172,041	\$14,563,833

<i>Special Funds</i>			<i>Auxiliary Organizations</i>				<i>Foundations</i>	<i>Grand Totals</i>
<i>Dormitory</i>	<i>Parking</i>	<i>Total Special Funds</i>	<i>(Activity)</i>	<i>(Activity)</i>	<i>(Activity)</i>	<i>Total</i>		
—	—	—	—	—	—	—	—	\$386,785,566
—	—	\$5,384,790	—	—	—	—	—	5,384,790
—	—	4,345,576	—	—	—	—	—	4,345,576
—	—	\$9,730,366	—	—	—	—	—	\$396,515,932
—	—	—	—	—	—	—	—	138,969
—	—	—	—	—	—	—	—	326,958
—	—	23,991	—	—	—	—	—	34,645,933
—	—	30,115	—	—	—	—	—	7,348,697
—	—	49,562	(Agriculture)	—	—	—	—	14,437,133
—	—	—	1,950,000	—	—	—	—	9,378,701
—	—	\$102,668	\$1,950,000	—	—	\$1,950,000	—	\$65,810,464
—	—	—	—	(Student Activities)	—	—	—	12,314,126
—	—	—	—	9,800,000	—	9,800,000	—	129,989
14,573	—	—	14,573	—	—	—	—	15,750,037
—	—	—	(Bookstore)	(Food Service)	(Housing)	—	—	39,950,494
1,699,460	—	1,721,991	29,836,000	18,860,000	660,000	49,356,000	—	64,303,980
\$1,699,460	—	\$1,736,564	\$29,836,000	\$28,660,000	\$660,000	\$59,156,000	—	\$132,448,616
—	—	3,342,193	—	—	—	—	—	20,062,003
361,449	317,100	965,129	1,620,000	—	—	1,620,000	—	12,255,508
—	—	197,500	—	—	—	—	—	20,098,142
1,260,666	1,900,737	3,667,241	—	1,080,000	—	1,080,000	—	28,163,824
5,278,872	985,719	6,318,411	—	—	—	—	—	69,089,819
—	—	—	—	—	—	—	—	4,471,929
—	—	307,364	—	—	—	—	—	2,612,926
\$6,900,987	\$3,203,556	\$14,798,238	\$1,620,000	\$1,080,000	—	\$2,700,000	—	\$156,764,151
—	—	—	(Other)	—	—	—	—	11,426,582
—	—	—	1,850,000	(Other)	—	1,850,000	—	35,134,482
—	—	—	—	8,800,000	—	8,800,000	18,200,000	—
—	—	—	\$1,850,000	\$8,800,000	—	\$10,650,000	\$18,200,000	\$46,561,064
\$8,600,447	\$3,203,556	\$26,367,836	\$35,256,000	\$38,540,000	\$660,000	\$74,456,000	\$18,200,000	\$798,556,154

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Table 2
THE CALIFORNIA STATE UNIVERSITY AND COLLEGES BUDGET SUMMARY

<i>SUMMARY OF PROGRAM REQUIREMENTS</i>	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Proposed 1976-77</i>
I. Instruction	\$341,478,169	\$377,902,610	\$396,515,932
II. Research	59,101	152,073	138,969
III. Public service	383,481	320,646	326,958
IV. Academic support	56,305,002	62,606,398	65,810,464
V. Student service	113,345,976	125,625,199	132,448,616
VI. Institutional support	132,665,833	143,790,215	156,764,151
VII. Independent operations	45,434,160	43,991,579	46,561,064
TOTALS, PROGRAMS	\$689,671,722	\$754,388,720	\$798,566,154
Salary increases, 1976-77	-	-	(27,402,000)
1975-76 Enrollment adjustment	-	2,195,000	-
TOTALS	\$689,671,722	\$756,583,720	\$798,566,154
Totals, Including 1876-77 Salary Increase	-	-	(\$825,968,154)
Reimbursements	-71,054,452	-69,121,362	-75,334,926
NET TOTALS, PROGRAMS	\$618,617,270	\$687,462,358	\$723,231,228
General Fund	481,546,141	542,057,016	576,326,165
General Fund, including 1976-77 salary increase	-	-	(603,728,165)
Federal funds	25,263,770	29,192,461	27,881,227
Continuing Education Revenue Fund	13,097,141	14,823,933	14,563,833
Dormitory Revenue Fund	7,425,208	8,244,107	8,600,447
Parking Account, dormitory Revenue Fund	2,685,301	2,877,841	3,203,556
Foundations—federal	18,197,023	18,200,000	18,200,000
Foundations—other	9,290,927	8,800,000	8,800,000
Auxiliary organizations—federal	2,177,045	2,160,000	2,160,000
Auxiliary organizations—other	58,934,714	61,107,000	63,496,000
Personnel man-years	31,517.5	31,342.6	32,664.9

Table 3
Proposed Budget Increases

	<i>Cost</i>	<i>Total</i>
I. Base Line Adjustments		\$539,862,016
<i>Increase of Existing Personnel Costs</i>		
1. Salary adjustments	\$6,691,318	
2. Full-year funding	1,302,837	
3. Faculty promotions	884,501	
4. Retirement (1% increase)	3,938,209	
5. Health and Welfare	67,679	
6. Workers' Compensation	400,000	
7. Unemployment Compensation	475,000	
8. Other	418	
Total, Increase of Existing Personnel Costs		\$13,759,962
<i>Non-Recurring Items</i>		
1. 1975/76 Special Salary Increase; One-Time Bonus	\$-955,560	
2. Office Equipment	-252,310	
3. Disabled Students—Pilot Program	-40,467	
Total, Non-Recurring Items		\$-1,248,337
<i>Price Increase</i>		6,722,227
<i>Capital Outlay Staffing Reduction</i>		-103,567
Total, Base Line Adjustments		\$19,130,285

II. Program Maintenance Proposals

Enrollment Growth

1. Increase of 3,075 FTE	\$3,832,137
2. Increase of 6,330 FTE	6,978,837

Total, Enrollment Growth of 9,405 FTE..... \$10,810,974

Special Cost Increases

1. Instructional Administration	\$106,478
(Department Chairmen Conversion)	
2. Sabbatical Leaves	303,780
3. Computing Support	247,701
4. Ancillary Support	46,691
5. Financial Aids	129,625
6. Space Management	462,570
7. Physical Plant Operations	1,423,497
8. Reimbursements	68,993
9. Other Campus Items	117,426
10. Systemwide Offices and Systemwide Provisions	498,187

Offices

a) Chancellor's Office	(242,536)
b) Information Systems	(160,873)
c) International Programs	(6,431)
d) Trustees Audit Staff	(-3,340)
e) Statewide Academic Senate	(-4,932)
f) Library Development	(107,645)

Provisions

g) External Degree Program Fee Waiver	(75,145)
h) New Program Development and Evaluation	(-239,692)
i) Financial Aids	(83,521)
j) Specialized Training	(70,000)
11. Other	2,282

Total, Special Cost Increases..... \$2,482,090

Total, Program Maintenance Proposals..... \$13,293,064

III. Program Change Proposals

A. *Mandated Program Changes*

Financial Aid Administration	1,265,079
Student Services Fee Increase	-1,265,079

B. *Required Program Improvements*

Computing Support	\$377,981
Public Safety	225,244

C. *Special Allocation for Educational Opportunity Program*

3,437,575

Total, Program Change Proposals

\$4,040,800

Total, Support Budget Increase

\$36,464,149

Grand Total

\$576,326,165

Budget Presentation

Following the format developed by the National Center for Higher Education Management Systems (NCHEMS), the CSUC Budget is separated into seven program classifications. The first three, Instruction, Organized Research, and Public Service, encompass the primary higher education functions. The remaining four, Academic Support, Student Services, Institutional Support and Independent Operations, provide the support services essential to the three primary programs (see Table 1 for an overall outline).

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued**I. INSTRUCTION**

The instruction program includes all formal instructional activities in which students earn credits toward degrees. The program is composed of three subprograms (1) regular instruction, (2) summer session instruction and (3) extension instruction.

Proposed expenditures for the 1976-77 instruction program are shown in Table 4.

1. REGULAR INSTRUCTION

The regular instruction subprogram includes all state-funded expenditures for the normal classroom, laboratory and independent study activities. Instructional administration is also included in this item.

Instructional Administration

Positions for instructional administration up to but not including the vice president for academic affairs are included in the instruction program. Such positions are authorized according to specific 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. Collegewide administration above the dean of school level is reported under the institutional support program.

2. ENROLLMENT

Enrollment in the CSUC system is measured in full-time equivalent (FTE) students. 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 other student/course-unit combinations the product of which equals 15 course-units.

Current year enrollment in the CSUC (1975-76) is now estimated to be 236,800 FTE students, 6,795 over the budget level of 230,005. As a result of this current year enrollment bulge, the CSUC has revised upwards its 1976-77 enrollment projection by 6,330 (2.7%) to 239,410 FTE students. The 1976-77 Governor's Budget is based on this revised estimate. Table 5 gives the anticipated distribution of this enrollment among the 19 campuses.

The 1975-76 enrollment bulge is not unique to the CSUC system. Nationwide, university enrollments are up to 3.8 percent over 1974-75 and total postsecondary enrollment is up 9.7 percent, the largest percentage increase since 1965. Enrollment at the University of California is 2.8 percent over the budgeted level.

But despite the current enrollment surge, long-term projections remain unchanged. Barring major changes in federal or state educational policies, such organizations as the US Office of Education and the Carnegie Council are forecasting an absolute decline in enrollments in the 1980's with a slow upturn beginning in the early 1990's. In fact, the Carnegie Council pre-

Table 4
Instruction Program Expenditures

<i>Program Elements</i>	<i>Personnel</i>			<i>Expenditures</i>			<i>Change</i>	
	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Amount</i>	<i>%</i>
1. Regular instruction.....	17,809.2	17,181.7	17,879.1	\$332,279,928	\$367,501,734	\$386,785,566	\$19,283,832	5.3
2. Special session instruction	487.9	491.5	441.2	5,714,283	5,971,307	5,384,790	-586,517	-9.8
3. Extension instruction.....	264.2	326.7	320.8	3,483,958	4,429,569	4,345,576	-83,993	-1.9
Program costs.....	18,561.3	17,999.9	18,641.1	\$341,478,169	\$377,902,610	\$396,515,932	\$18,613,322	4.9
<i>General Fund</i>	17,809.2	17,181.7	17,879.1	312,114,608	353,792,254	374,633,104	20,840,850	5.9
<i>Reimbursements</i>	—	—	—	20,165,320	13,709,480	12,152,462	-1,557,018	-11.4
<i>Continuing Education Revenue Fund</i>	752.1	818.2	762	9,198,241	10,400,876	9,730,366	-670,510	-6.5

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Table 5
Annual Full-Time Equivalent Students (FTE)

Academic Year	Campus	Reported			1975-76		1976-77
		1972-73	1973-74	1974-75	Budget	Revised ^a	
Bakersfield		1,941	2,296	2,268	2,400	2,300	2,400
Chico		11,112	11,455	11,612	11,900	12,100	12,100
Dominguez Hills		3,314	3,847	4,491	4,900	5,150	5,700
Fresno		13,169	13,135	13,041	13,000	13,000	13,000
Fullerton		12,649	13,327	14,005	14,500	14,700	15,400
Hayward		9,597	8,905	8,315	8,000	8,150	8,000
Humboldt		5,955	6,458	6,591	6,700	6,600	6,700
Long Beach		20,086	20,632	20,884	21,400	22,190	22,300
Los Angeles		15,282	14,993	15,026	14,800	15,800	15,900
Northridge		18,281	17,990	18,171	18,100	19,100	19,200
Pomona		9,079	8,747	9,249	9,400	10,200	10,700
Sacramento		14,670	15,002	15,225	15,400	15,800	16,400
San Bernardino		2,268	2,592	2,843	3,100	3,150	3,500
San Diego		21,758	22,517	23,297	23,200	23,400	23,400
San Francisco		15,848	16,228	15,850	16,500	17,200	16,800
San Jose		20,177	20,197	19,337	19,100	19,600	19,600
San Luis Obispo		11,566	12,429	13,606	13,800	14,300	13,800
Sonoma		4,880	5,150	5,172	5,300	5,150	5,300
Stanislaus		2,342	2,175	2,302	2,400	2,450	2,500
Totals—Academic Year		213,974	218,075	221,285	223,900	230,340	232,700
Summer Quarter							
Hayward		1,173	1,090	1,048	1,030	1,015	1,000
Los Angeles		3,037	3,112	2,783	2,700	2,913	3,000
Pomona		963	862	814	830	956	1,050
San Luis Obispo		1,119	1,013	1,072	1,170	1,201	1,250
Totals—Summer Quarter		6,292	6,077	5,717	5,730	6,085	6,300
College Year Totals		220,266	224,152	227,002	229,630	236,425	239,000
International Programs		313	308	326	375	375	410
Grand Total		220,579	224,460	227,328	230,005	236,800	239,410
Change							
FTE		9,214	3,881	2,868	2,677	9,472	2,610
Percent		4.4	1.8	1.3	1.2	4.2	1.1

^a Revision based on Fall 1975 preliminary reports.

Table 6
Allocation of Annual Full-Time Equivalent Students for the Academic Year^a, To 1984-85

<i>Campus</i> <i>Academic Year</i>	<i>Reported Estimate</i>		<i>Allocated</i>									
	<i>1973-74</i>	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>1980-81</i>	<i>1981-82</i>	<i>1982-83</i>	<i>1983-84</i>	<i>1984-85</i>
Bakersfield.....	2,296	2,280	2,400	2,500	2,600	2,700	2,800	2,900	3,000	3,000	2,900	2,800
Chico.....	11,455	11,650	11,900	12,100	12,400	12,700	13,000	13,200	13,400	13,500	13,500	13,500
Dominguez Hills.....	3,847	4,560	4,900	5,300	5,700	6,100	6,400	6,600	6,800	6,900	6,900	6,000
Fresno.....	13,135	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000
Fullerton.....	13,327	14,100	14,500	14,900	15,400	15,800	16,200	16,500	16,700	16,900	16,900	16,900
Hayward.....	8,905	8,360	8,000	7,800	7,700	7,700	7,700	7,700	7,700	7,600	7,500	7,400
Humboldt.....	6,458	6,600	6,700	6,800	6,900	7,000	7,100	7,200	7,300	7,400	7,500	7,500
Long Beach.....	20,632	21,100	21,400	21,700	22,000	22,300	22,600	22,800	23,000	23,200	23,200	23,100
Los Angeles.....	14,993	15,000	14,800	15,000	15,000	15,000	15,000	15,000	15,000	14,900	14,800	14,700
Northridge.....	17,990	18,100	18,100	18,100	18,100	18,100	18,100	18,100	18,100	18,100	18,000	18,000
Pomona.....	8,747	9,100	9,400	9,600	9,800	10,000	10,200	10,400	10,600	10,800	10,700	10,600
Sacramento.....	15,002	15,200	15,400	15,800	16,100	16,400	16,700	16,900	17,100	17,300	17,200	17,100
San Bernardino.....	2,592	2,800	3,100	3,200	3,400	3,500	3,600	3,700	3,800	3,900	3,800	3,700
San Diego ^b	22,517	23,200	23,200	23,400	23,700	24,000	24,400	25,000	25,000	25,000	25,000	25,000
San Francisco.....	16,228	15,900	16,500	16,800	17,100	17,400	17,700	17,900	18,100	18,200	18,100	18,000
San Jose.....	20,197	19,450	19,100	19,000	18,900	18,800	18,800	18,800	18,800	18,700	18,700	18,600
San Luis Obispo.....	12,429	13,560	13,800	13,800	13,800	14,200	14,500	14,800	15,000	15,000	15,000	15,000
Sonoma.....	5,150	5,250	5,300	5,500	5,600	5,700	5,800	5,900	6,000	6,100	6,000	5,900
Stanislaus.....	2,175	2,300	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,300	2,300	2,300
Totals, Academic Year.....	218,075	221,510	223,900	226,700	229,600	232,800	236,000	238,800	240,800	241,800	241,000	240,000

^a Summer Quarter and International Programs not included.

^b Includes Calxico Center

Note: Long-range allocations were last revised in February 1975. Allocations for 1976-77 were made in November 1975. Long-range allocations will be revised in 1976 to reflect enrollment experience embodied in the current 1976-77 allocations.

Does not reflect the upward enrollment projections based on the reported enrollment for the Fall of 1975. (E.g., the 1975/76 and 1976/77 figures have recently been revised to 230,340 and 232,700, respectively.)

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dicts an overall decline in enrollments despite increasing enrollment for (1) part-time students, (2) older students, (3) nondegree students, (4) graduate students and (5) women and minority students.

The CSUC has slowly brought its future enrollment projections into line with the anticipated enrollment dip of the 1980's. Since 1970 the CSUC has continually revised downward its estimates of enrollment growth. In 1970 the CSUC was projecting 354,630 FTE students in 1980-81, but by 1975 this had been reduced to 238,800. The most recent projection shows enrollment peaking in 1982-83 and dropping slightly the following year.

Table 6 shows the current long-range estimate of enrollment growth by campus through 1984-85.

A. Self-Support Enrollments

Additional enrollments occur in extension and summer session programs as shown in Table 7. These programs are entirely self-supporting. No General Fund support is provided.

Table 7
Summer Session and Extension Program Enrollments

Year	<u>Net Enrollment</u>		<u>Annual FTE</u>	
	<i>Extension</i>	<i>Session</i>	<i>Extension</i>	<i>Session</i>
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	81,025	63,132	7,143	10,056
1973/74	85,430	60,276	7,446	9,105
1974/75	85,824	56,305	7,558	8,232
1975/76 ^A	102,483	61,995	9,035	9,365
1976/77 ^B	101,609	54,866	9,088	8,398

^A Estimated

^B Projected

B. Campus Enrollment Ceilings

We recommend that the Chancellor's office reevaluate existing campus enrollment ceilings, considering projected enrollments and existing instruction capacity space, and report to the Joint Legislative Budget Committee by November 15, 1976.

Enrollment capacity ceilings have not been revised since 1972 and reflect the higher enrollments predicted in earlier years. Table 8 shows (a) the currently projected actual campus enrollment for 1982-83 (estimated to be the year of peak enrollment until at least the mid 1990's) and (b) the present academic year enrollment capacity ceilings. On nine campuses the enrollment capacity ceiling is in excess of 150 percent of projected actual enrollment. On three campuses, San Bernardino, Bakersfield, and Stanislaus, the enrollment capacity ceilings are 300, 400, 500 percent

of projected actual enrollment. Systemwide, the ceiling is 146 percent of projected actual enrollment.

Table 8
FTE Campus Enrollment Ceilings and Projected Enrollment in 1982-83

<i>Campus</i>	<i>1982-83 Projected Enrollment</i>	<i>Academic Year Enroll- ment Ceiling</i>	<i>Enrollment Ceiling as a percent of Projected Enrollment</i>
Bakersfield	3,000	12,000	400%
Chico	13,500	14,000	104
Dominguez Hills	6,900	20,000	290
Fresno	13,000	20,000	154
Fullerton	16,900	20,000	118
Hayward	7,600	18,000	237
Humboldt	7,400	10,000	135
Long Beach	23,200	25,000	108
Los Angeles	14,900	25,000	168
Northridge	18,100	25,000	138
Pomona	10,800	20,000	185
Sacramento	17,300	25,000	145
San Bernardino	3,900	12,000	308
San Diego	25,000	25,000	100
San Francisco	18,200	20,000	110
San Jose	18,700	25,000	134
San Luis Obispo	15,000	15,000	100
Sonoma	6,100	10,000	164
Stanislaus	2,300	12,000	522
TOTALS	241,800	353,000	146%

Efficiency

We are not recommending arbitrary reductions in any campus capacity ceiling. But we are suggesting that in some instances a downward revision of the ultimate campus capacity might improve the efficiency of the CSUC system without impairing academic quality and without creating real hardships for any students.

The Chico campus presents a specific example where reliance on the existing academic year enrollment capacity ceiling encourages inefficient use of existing CSUC facilities and may result in unnecessary General Fund expenditures. The 1976-77 trustees' budget requests \$2.3 million for the Chico campus primarily to add additional laboratory facilities. While the laboratory space may be needed, the campus currently has substantial excess lecture space. For a portion of the cost of constructing new facilities some of the excess lecture space could be converted to the needed laboratory facilities.

An additional feature of the reduced capacity ceiling would be to induce more students from outside the Chico area to attend other CSUC campuses with underutilized facilities. This can be accomplished with no real hardships to individual students because 76 percent of Chico students reside outside of its generally recognized service area. No potential student from the Chico service area need be refused attendance on the Chico campus.

We have used Chico to illustrate how a reduction in a campus enrollment capacity ceiling would facilitate more efficient use of CSUC facilities and reduce future capital outlay costs. Long Beach and San Luis Obispo are other examples. Consequently, in light of the reduced enrollments

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projected for the CSUC system through the early 1990's and the current underutilization of some campus facilities, we recommend that the Chancellor's office reevaluate existing campus enrollment ceilings and report the results of this reevaluation to the Joint Legislative Budget Committee by November 15, 1976.

C. Redirection

We recommend that the Chancellor's Office implement a limited redirection policy to improve utilization of systemwide space and avoid the need to construct new instructional capacity space and report on efforts in this area to the Joint Legislative Budget Committee by November 15, 1976.

Despite the reduced enrollment projections for the CSUC system, the Chancellor's office continues to request numerous new buildings when thousands of additional students could be served in existing space. To illustrate the current level of overbuilding, Table 9 shows that an additional 31,482 FTE students or 13 percent of current enrollment could be accommodated in existing classrooms and an additional 496 FTE students could be served in existing laboratories.

Redirection of students can become a sensitive subject, if it proposes extensive dislocations. However:

- (1) A successful redirection policy can be implemented which allows all students to attend local CSUC campuses if they choose to do so.
- (2) Very few students need be redirected because of pressing facilities shortages, and
- (3) A successful redirection policy can be implemented which allows all students to meet their specific programmatic needs.

Table 9
Additional FTE Students Who Could be Accommodated Within Existing Facilities on Selected CSUC Campuses^a

<i>Campus^b</i>	<i>Regular Classroom Students</i>		<i>Laboratory Students</i>	
	<i>Number of additional FTE students</i>	<i>Additional Students as a percent of current enrollment</i>	<i>Number of additional FTE students</i>	<i>Additional Students as a percent of current enrollment</i>
Bakersfield.....	1,322	71%	191	78%
Dominguez Hills	1,336	30	391	281
Fresno.....	1,973	19	78	6
Hayward.....	5,519	80	22	4
Los Angeles.....	5,146	38	671	59
Pomona.....	2,739	33	115	10
Sacramento	969	7	81	9
San Bernardino.....	561	20	151	109
Sonoma.....	641	15	151	40
Stanislaus	1,394	66	168	175
Totals.....	21,600		2,019	
Net Total for all 19 campuses.....	31,482		496	

^a based on data obtained from the Chancellor's office.

^b includes only the 10 campuses with excess classroom space and excess laboratory space.

To illustrate that a successful redirection policy will permit every student to attend a local CSUC campus, we have developed Table 10. It shows the number of CSUC students who choose to attend a CSUC campus away from home, rather than the local CSUC campus. According to fall 1974 Chancellor's Office statistics, over 40,000 students (15 percent of all enrolled students) chose *not* to attend the local campus.

Table 10
CSUC Student Attendance Pattern

<i>Campus</i>	<i>Fall 1974 Headcount Enrollment</i>	<i>Local CSUC Students attending non-local CSUC campus^a</i>
Bakersfield	2,854	1,519
Chico	12,532	278
Fresno	14,741	912
Hayward	11,547	6,216
Humboldt	7,174	579
Sacramento	19,280	1,865
San Bernardino	3,457	4,021
San Diego	29,624	2,364
San Francisco	18,184	1,830
San Jose	25,457	4,624
San Luis Obispo	14,124	342
Sonoma	5,666	1,223
Stanislaus	2,770	1,063
Fullerton	19,813	16,345 ^b
Dominguez Hills	5,709	
Long Beach	29,367	
Los Angeles	22,702	
Northridge	24,837	
Pomona	10,336	
TOTALS	280,528	43,181
		15.4%

^a Number of CSUC students who do not attend the CSUC campus in their home county. (Based on fall-1974 enrollment data.)

^b Number of CSUC students from Los Angeles and Orange Counties who attend CSUC campuses other than Northridge, Los Angeles, Long Beach, Pomona, Dominguez Hills or Fullerton.

The actual number is probably larger than these figures indicate. First, home area is determined by the potential student's address on the application for admission. Consequently, individuals who move to a campus area prior to applying for admission will appear to be local residents. Second, for statistical convenience, we have assumed that any student residing in Los Angeles or Orange Counties who attends one of the six CSUC campuses in the LA basin is attending his local campus. But clearly most students from Orange County who attend the Northridge campus in the San Fernando Valley, for example, have moved to the campus area rather than commute.

These statistics show that a significant number of CSUC students not only are willing to attend a non-local CSUC campus, but desire to do so. From within this pool of students, most of whom do not want to stay in their home area, redirection can be implemented.

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In some instances redirection would actually be most effective if some students would attend campuses closer to their homes. Table 11 makes this point and simultaneously shows how the redirection of very few students would relieve much of the systemwide shortage of facilities.

From campus to campus, the largest shortage of space is in laboratory facilities and together the three campuses listed in Table 11 account for almost 50 percent of the total systemwide need (according to Chancellor's Office data presented in the Capital Outlay Section's Table 1 these three campuses require laboratory space for an additional 680 FTE students). Yet 79 percent of the students enrolled at these three campuses are from outside the campus' service area. In fact, almost 5,000 of the students enrolled on these three campuses, over 14 percent of their total enrollment are from Los Angeles county alone. And two campuses in Los Angeles County, Dominguez Hills and Los Angeles State, have enough laboratory facilities between them to serve an additional 1,062 FTE students. We are not suggesting that all laboratory space is directly interchangeable between academic disciplines. However, many laboratory facilities are adaptable for use by a variety of disciplines.

Table 11
Origin of Student Enrollment—Fall 1974

<i>Campus</i>	<i>Enrollment</i>	<i>Students from outside campus service area</i>		<i>Students from inside campus service area</i>	
		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
San Luis Obispo ^a	14,124	12,109	86%	2,015	14%
Humboldt ^b	7,147	5,129	72	2,018	28
Chico ^c	12,532	9,462	76	3,070	24
Totals	33,803	26,700	79%	7,103	21%

^a Home area assumed to be San Luis Obispo

^b Home area assumed to include Del Norte, Siskiyou, Humboldt and Trinity Counties

^c Home area assumed to include Butte, Glenn and Tehama Counties.

Programatic Needs of Students

A policy of redirection must be sensitive to the programatic needs of students as well as their geographical needs. Students, for instance, who want to major in architecture need to be accommodated on either the San Luis Obispo or Pomona campuses because these are the only campuses with architecture programs. But even after meeting the special programatic needs of individual students, redirection offers a viable and sensible method to reduce the current need for new capacity space. While some degree programs such as architecture and agriculture are only offered on a few campuses, the vast majority are offered on virtually every campus. With thoughtful planning, a modest program of redirection can be instituted which does not conflict with every student's ability to study the discipline of their choosing.

For example, because of a shortage of space in the Music Building on the Long Beach campus, the trustees are requesting \$3 million for a Music Building Addition. Yet, buildings for similar purposes are available on the Dominguez Hills, Fullerton, and Los Angeles State campuses. Dominguez Hills is less than 15 freeway miles from the Long Beach campus, while

Fullerton is approximately 20 miles away and Los Angeles approximately 25 miles.

Construction Will Continue

Based on the above analysis, we have not concluded that the need for capital outlay expenditures in the CSUC system is near an end. It is not. There will always be reoccurring needs to alter existing space to meet the constantly changing patterns in student interests. For example, currently students are shifting from lecture oriented disciplines such as History and Sociology to laboratory oriented disciplines such as Biology, Chemistry and Physics. On some campuses, this requires the conversion of some lecture space into laboratory facilities.

What we have concluded is that a very limited program of redirection, tied in part to reduced or interim campus enrollment ceilings, would not only relieve some of the congestion on the more crowded campuses, but would in addition eliminate the need for some of the building projects currently listed in the CSUC capital outlay Master Plan.

This is important because according to Department of Finance statistics, systemwide, CSUC already has sufficient space to meet all student needs thru at least the mid 1990's. Consequently, we recommend that the Chancellor's Office implement a limited redirection policy and submit a report detailing its efforts to the Joint Legislative Budget Committee by November 15, 1976.

3. STUDENT WORKLOAD

The average student workload in the CSUC system has been slowly declining. This simply means that the average student is taking less course units per academic year than in the past.

Table 12 provides an estimate of the decline as a systemwide average for all CSUC students. For undergraduate students the average unit course load is always higher than the total systemwide average, while for graduate students it is always lower. As a result of this decline, each year the number of students (head count) attending the CSUC has increased more than the number of full-time equivalent (FTE) students.

Table 12
Average Student Workload
1970-71 to 1974-75

Academic Year	Annual	Average	Average Student Workload	
	FTE	Enrollment	Academic Year ^a	Per Term
1970-71.....	197,454	242,474	24.43	12.22
1971-72.....	204,224	259,185	23.64	11.82
1972-73.....	213,974	273,465	23.47	11.74
1973-74.....	218,075	281,678	23.23	11.62
1974-75.....	221,285	289,072	22.96	11.48

^a Expressed in semester units. Annual FTE x 30 ÷ average enrollment.

Although several explanations, including an increasing percentage of part-time students, have been advanced to account for the declining student workload, why it continues to drop is not altogether understood. More importantly, the Chancellor's office is unable to predict whether the

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trend will continue. Because head count students and full-time equivalent (FTE) students are crucial determinants of the level of General Fund support, the relationship between these two variables should be closely monitored.

4. FACULTY STAFFING

We recommend a General Fund augmentation of \$560,354 for 34 additional faculty positions to partially offset the shift of students from high student-faculty ratio disciplines to low student-faculty ratio disciplines.

In each year since 1971-72, CSUC faculty positions have been budgeted on the basis of a systemwide student-faculty ratio.

As Table 14 indicates, in each of the last 3 years CSUC faculty positions have been budgeted on approximately a 17.8 to 1 ratio. The 1976-77 Governor's Budget proposes continuation of this ratio.

Table 14
STUDENT FACULTY RATIOS

Year	Faculty		Student-faculty ratio	
	Estimated	Actual	Budgeted	Actual
1967-68	8,842.9	8,545.8	16.38:1	17.21:1
1968-69	10,001.3	9,592.7	16.21:1	17.35:1
1969-70	11,333.1	11,176.1	15.98:1	16.67:1
1970-71	12,343.5	11,749.0	16.26:1	17.34:1
1971-72	12,081.3	11,785.3	18.25:1	17.91:1
1972-73	12,698.8	12,415.7	17.94:1	17.74:1
1973-74	13,068.1	12,846.0	17.82:1	17.45:1
1974-75	12,973.3	12,770.8	17.80:1	17.78:1
1975-76	12,900.6	—	17.80:1	—
(estimated)				
1976-77	13,427.0	—	17.80:1	—
(proposed)				

Our office supports the continuation of the basic 17.8 to 1 student-faculty ratio. However, because of recent shifts in student interests, we believe an adjustment is warranted.

In the last 3 years it has been recognized both nationally and within the CSUC that there is a shift in student interest from the liberal arts and social science areas into the more technical and occupationally oriented disciplines. Because the more technical and occupationally oriented disciplines such as computer science and nursing generally require more faculty to teach a given number of students, the impact of this program shift has been a de facto drop in needed faculty resources, although the student-faculty ratio has remained unchanged. The Chancellor's office reports that between 1972-73 and 1974-75 these student shifts have generated a need for an additional 137.7 faculty positions in order to maintain the basic program support level.

We are aware of the problem caused by these enrollment shifts, consequently we recommend a General Fund augmentation of \$560,354 for 34 additional faculty positions to partially offset the shift of students from high student-faculty ratio disciplines to low student-faculty ratio disciplines. Conversely, if a shift from low student-faculty disciplines to high

student-faculty disciplines begins, the appropriate reductions in faculty positions should also be made.

Faculty Promotions

The 1976-77 Governor's budget provides \$884,501 for approximately 980 faculty promotions.

Table 15 shows the percentage of tenured faculty using budgeted faculty positions as the base.

Table 15
CSUC Tenured Faculty as a Percentage of
Budgeted Faculty Positions
1972-73 to 1974-75

	1972-73	1973-74	1974-75
Bakersfield	14.3%	21.8%	34.7%
Chico	49.4	52.8	53.6
Dominguez	24.7	25.5	46.1
Fresno	54.2	58.2	66.6
Fullerton	37.9	40.9	50.0
Hayward	38.2	44.6	50.6
Humboldt	52.7	58.4	62.3
Long Beach	65.3	63.1	66.7
Los Angeles	50.1	50.3	55.7
Northridge	44.2	51.4	62.6
Pomona	47.1	43.9	63.3
Sacramento	57.5	63.1	67.0
San Bernardino	29.1	34.5	38.3
San Diego	60.0	62.8	65.4
San Francisco	70.5	64.9	63.0
San Jose	62.5	61.6	64.8
San Luis Obispo	50.3	49.3	57.0
Sonoma	42.2	55.7	69.0
Stanislaus	40.3	48.3	66.0
CSUC Average	52.3	54.2	60.7

5. CSUC NURSING PROGRAMS

We recommend that the Chancellor's office closely examine the reasons for the variations in nursing student faculty ratios among campuses and report to the Joint Legislative Budget Committee by December 1, 1976 on whether these ratios can be raised on some campuses without endangering program content.

As mentioned, faculty in the CSUC system are budgeted on the basis of one position for every 17.8 full-time equivalent students. Although 17.8 to 1 is the systemwide average, the ratios for individual disciplines may vary considerably from this average. Many social sciences, History and Political Science as examples, have ratios in excess of 17.8 to 1 because many of their lower division courses can be taught in large lecture classes by a single faculty member. Conversely, many physical sciences such as Chemistry and Physics have extensive numbers of laboratory courses where room size, the need for close faculty supervision, and the many laboratory hours required per class combine to limit to well below the 17.8 to 1 systemwide average the number of students whom an individual faculty member can teach.

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Nursing is a discipline which requires relatively low student faculty ratios. There are two reasons for this. First, extensive clinical experiences are required to obtain nursing degrees. Usually such classes are conducted in hospitals or similar facilities and participating hospitals often set very strict limits on the number of students allowed in wards at any one time. Second, agencies which accredit nursing programs believe that low student faculty ratios for clinical classes are essential to a sound educational program.

For the reasons given above we do not question the need for low student faculty ratios in CSUC nursing programs. However, our review of the actual campus nursing ratios, summarized in Table 16, suggest that some campuses may be devoting more faculty resources to their nursing programs than others find necessary to offer a sound educational program.

Table 16
Student-Faculty Ratios in CSUC Nursing Programs for Fall 1974

<i>Campus</i>	<i>Lower Division</i>	<i>Upper Division</i>	<i>Graduate</i>	<i>Total</i>
Bakersfield	—	6.2	—	6.2
Chico	8.7	7.5	6.6	7.7
Fresno	8.6	9.1	5.5	8.7
Hayward	9.1	9.7	—	9.5
Humboldt	4.9	4.1	—	4.3
Long Beach	12.8	7.0	—	8.3
Los Angeles	7.5	8.0	7.8	7.8
Sacramento	26.8	11.2	—	11.4 ^a
San Bernardino	—	14.2	—	14.2 ^b
San Diego	—	5.7	—	5.7
San Francisco	6.3	6.6	—	6.5
San Jose	—	9.5	6.7	9.2
Sonoma	—	7.7	—	7.7
Systemwide	8.6	8.0	6.7	8.0

^a The Chancellor's office has reported that the student faculty ratio on the Sacramento campus has been reduced from 11.4 " . . . to 10 or less for the fall of 1975."

^b According to the Chancellor's office the 14.2 ratio on the San Bernardino campus is explained by the fact that the program (1) is new with relatively few students, and (2) was designed to have considerable community input and thus operate at a ratio of between 12 and 14 to 1.

Humboldt provides the extreme example with an overall student faculty ratio in their nursing program of only 4.3 to 1 in fall 1974. Even in their lower division, which has a much lower concentration of laboratory and clinical class than their upper division, the student faculty ratio is only 4.9 to 1. While Humboldt is the extreme case, other campuses such as Bakersfield (6.2), San Diego (5.7), and San Francisco (6.5) also had very low ratios. By contrast, upper division nursing programs in UC are budgeted at a 7.5 to 1 ratio.

Perhaps one reason for the low ratios on the Bakersfield and Humboldt campuses is the relatively small size of the program, but this is certainly not the case with either San Diego or San Francisco, both of which have over 125 full-time equivalent nursing students.

We are not ready to recommend the establishment of a systemwide budgeted ratio similar to that used in UC. Not only do the needs of nursing

programs vary from campus to campus, but in general, we believe the relative proportion of faculty resources which should be devoted to any one discipline can best be determined on the individual campuses. Nonetheless, we believe that on some campuses the number of faculty positions going to the nursing program has gotten out of proportion to need.

To illustrate this point, the National League for Nursing has informed us that despite the wide variation in nursing student faculty ratios between campuses, every campus listed in Table 16 has an acceptable and therefore accredited nursing program with the exception of San Bernardino where the program is only in its second year of operation.

Consequently, we recommend that the Chancellor's office closely examine the reasons for the variations in nursing student faculty ratios among campuses and report to the Joint Legislative Budget Committee by December 1, 1976, on whether these ratios can be raised on some campuses without endangering program content. The very low nursing ratios on some CSUC campuses can have the effect of detracting from the quality of other academic disciplines on such campuses.

II. ORGANIZED RESEARCH

The CSUC faculty is authorized to perform research activities consistent with the primary instructional function. Research is funded by many groups including business and industry and federal and state agencies. The entire organized research program is funded by reimbursements. No General Fund support is provided.

Table 17 shows the estimated expenditures for 1976-77. It should be noted that the organized research program contains only those projects awarded directly to individual campuses. Projects awarded to foundations are not included. We believe that future budgets should reflect foundation expenses in this program.

III. PUBLIC SERVICE

The public service program contains all program elements directed toward the benefit of groups or individuals who are not formally associated with the CSUC system. This program consists primarily of two major types of services, continuing education and general public service.

Continuing education includes those activities established to provide an educational service to members of the community. Examples would be mini-courses in a variety of general interest subjects and professional growth classes such as those offered for classroom teachers.

General public service involves making available to the community various resources which exist within the CSUC. Examples would be conferences and institutes on subjects such as urban and international affairs, general advisory services, reference bureaus, and the San Diego Educational Television station. Oftentimes, individual events enhance the public service program although they are integral parts of the instructional program. A convocation which is open to the general public would be an example. No General Fund support is provided to the public service program.

Table 18 shows the estimated expenditures for 1976-77.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Table 17
Organized Research Program Expenditures

<i>Program Requirements</i>	<i>Personnel</i>			<i>Expenditures</i>			<i>Change</i>	
	<i>74-75</i>	<i>75-76</i>	<i>76-77</i>	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Amount</i>	<i>%</i>
Research	3.6	9.7	10	\$59,101	\$152,073	\$138,969	-13,134	-8.6
<i>General Fund</i>	—	—	—	-12,629	—	—	—	—
<i>Reimbursements</i>	3.6	9.7	10	71,730	152,073	138,969	-13,134	-8.6

Table 18
Public Service Program Expenditures

	<i>Personnel</i>			<i>Expenditures</i>			<i>Change</i>	
	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Amount</i>	<i>%</i>
<i>Program Requirements</i>								
Continuing program costs	31.8	16	16	\$383,481	\$320,646	\$326,958	\$6,312	2.0%
General Fund	—	—	—	—34,473	—	—	—	—
Reimbursements.....	31.8	16	16	417,954	320,646	326,958	6,312	2.0

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Table 19
Academic Support Program Expenditures

	<i>Personnel</i>			<i>Expenditures</i>			<i>Change</i>	
	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Amount</i>	<i>%</i>
Program Elements								
1. Libraries	1,698	1,682.3	1,720.5	\$29,707,489	\$32,960,403	\$34,645,933	\$1,685,530	5.1%
2. Computing support	467.3	469.8	508.0	12,198,131	13,647,497	14,437,133	789,636	5.8
3. Audiovisual services	396.1	389.4	400.2	6,657,051	7,011,284	7,348,697	337,413	4.8
4. Ancillary support.....	341.7	378.7	381.4	7,742,331	8,987,214	9,378,701	391,487	4.4
Continuing program costs	2,903.1	2,920.2	3,010.1	\$56,305,002	\$62,606,398	\$65,810,464	\$3,204,066	5.1
<i>General Fund</i>	<i>2,895.3</i>	<i>2,912.4</i>	<i>3,001.5</i>	<i>53,593,369</i>	<i>59,719,978</i>	<i>62,792,447</i>	<i>3,072,469</i>	<i>5.1</i>
<i>Reimbursements</i>	—	—	—	<i>844,066</i>	<i>904,243</i>	<i>965,349</i>	<i>61,106</i>	<i>6.8</i>
Continuing Education Revenue Fund	7.8	7.8	8.6	75,667	102,177	102,668	491	0.4
Auxiliary organizations	—	—	—	1,791,900	1,880,000	1,950,000	70,000	3.7

IV. ACADEMIC SUPPORT

The Academic Support Program is composed of those functions which directly aid and support the primary program of instruction. The budget identifies four subprograms for academic support (1) libraries, (2) audio-visual services and television services, (3) computing support, and (4) ancillary support.

Expenditures for the academic support program are shown in Table 19.

1. LIBRARIES

The library function includes such operations as a) the acquisition and processing of books, pamphlets, periodicals and documents, b) the maintenance of the catalog and indexing systems, c) the distribution of reference services to students and faculty and d) the administration of these activities. The CSUC system maintains 19 libraries, one on each campus.

Table 20 shows the current library holdings on each campus.

Table 20
CALIFORNIA STATE UNIVERSITY AND COLLEGES
LIBRARY COUNTABLE HOLDINGS

<i>Campus</i>	<i>Countable holdings as of 6/30/75</i>	<i>Volumes est. to be added by purchase 1975-76</i>	<i>Volumes Budgeted to be purchased 1975-76</i>	<i>Estimated countable holdings 6/30/75^a</i>	<i>Estimated FTE 1975-76</i>	<i>Estimated holdings per FTE 1975-76</i>
San Diego ^b	536,170	31,841	34,260	564,712	23,400	24.1
Long Beach	572,199	32,165	34,610	602,332	22,190	27.1
San Jose	650,582	26,827	28,865	677,311	19,600	34.6
Northridge	559,777	32,765	35,225	586,827	19,100	30.7
Los Angeles	620,938	26,468	28,480	643,694	18,713	34.4
San Francisco	480,371	21,785	23,440	482,111	17,200	28.0
Sacramento	491,094	29,211	31,430	518,658	15,800	32.8
San Luis Obispo	367,505	22,124	23,805	384,848	15,501	24.8
Fullerton	362,854	23,221	24,985	380,463	14,700	25.9
Fresno	448,069	26,316	28,315	472,848	13,000	36.4
Chico	406,018	23,490	25,275	426,828	12,100	35.3
Pomona	265,129	18,802	20,230	280,915	11,156	25.2
Hayward	476,834	21,994	23,665	496,936	9,165	54.2
Humboldt	193,603	12,426	13,370	205,386	6,600	31.1
Sonoma	213,093	15,539	16,720	227,395	5,150	44.2
Dominguez Hills	155,200	11,078	11,920	165,959	5,150	32.2
San Bernardino	222,923	9,317	10,025	231,593	3,150	73.5
Stanislaus	123,123	9,034	9,720	131,366	2,450	53.6
Bakersfield	119,398	13,597	14,630	131,808	2,300	57.3
TOTAL	7,264,880	408,000	439,000	7,611,990	236,425	32.2

^a Based on volumes added, not volumes budgeted, and assumes 60,889 volumes withdrawn as was done in 1974/75. Ignores losses.

^b Excludes Callexico Center

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued**Price Increase for Library Volumes**

We recommend that staff from the Department of Finance and the Chancellor's office work together to develop a mutually acceptable library volume price increase formula and report the results of this effort to the Joint Legislative Budget Committee by November 1, 1976.

According to the Chancellor's office library staff, the price increase figure used for library volumes has been less than the actual rate of inflation in book prices. For this reason the Chancellor's office reports that the actual number of books purchased continues to be less than the authorized number.

Table 21 presents the figures for the last three years.

Table 21
Library Volumes Purchased

Year	Volumes Authorized	Volumes Purchased	Volumes purchased as a percent of volumes authorized
1972-73	595,000 ^a	508,000	85.4%
1973-74	506,500 ^a	483,000	95.4
1974-75	500,000	464,000	92.8

^a Includes volumes authorized from carryover of prior year funds.

Apparently, the types of volumes which the campuses purchase are increasing in cost faster than books included in the national index relied on by the Department of Finance. Professional journals and textbooks are examples.

If authorized volumes is to remain a meaningful budgeting tool, an accurate measure of average cost per volume must be available. Therefore, we recommend that staff from the Department of Finance and the Chancellor's office work together to develop a mutually acceptable library volume price increase formula and report the results of this effort to the Joint Legislative Budget Committee by November 1, 1976.

Humboldt Library Positions

We recommend a General Fund augmentation of \$30,003 to fully staff the new library facility at Humboldt State University.

In April 1977 the new Humboldt State Library facility is scheduled to open. Because the new library will be larger than the current facility, it will have additional reader service stations. Six additional positions are required to staff them. We recommend that the budget be augmented by the \$30,003 necessary to fund these 6 positions for the final 3 months of the 1976-77 budget year.

Library Development Program

The CSUC system is proceeding with a library improvement plan first recommended by the Department of Finance. The plan, entitled the Library Development Project, seeks to improve library utilization through interlibrary cooperation and automation. The project is both long-range and comprehensive.

We support the concept of an automated library system which stresses

interlibrary cooperation. Such a program should make the campus library a more valuable resource while simultaneously helping to control library costs. We will, however, closely monitor each phase of the program to insure that the potential benefits justify the costs incurred.

Library Transactors

We recommend a General Fund augmentation of \$150,000 to (1) fund an outside contractor to evaluate the current transactor specifications and (2) allow the Chancellor's office to develop any modification recommended by the outside contractor.

The installation of library transactors on each campus is an integral phase of the Library Development Project. Transactors, which are actually mini-computers, will permit the automation of routine library functions such as the logging in and out of books and the placing of holds. This automation should result in reduced labor costs. But more importantly transactors will routinely provide library administrators with the management information they need to improve service to students and faculty while simultaneously helping to control costs.

Transactors, for example, will automatically report on the frequency with which individual books circulate. When books are found to be heavily used, additional copies can be ordered. When books are found to be rarely used, they can be removed from the shelves and stored in lower cost storage areas.

Transactors

CSUC has encountered difficulties in its attempt to purchase library transactors. The first transactor was scheduled for installation on the Sacramento campus in Spring 1976 with the remaining transactors to be phased in over a two year period. Unfortunately, the CSUC has recently determined that the firm which won the bid to deliver the transactors will not be able to meet the specifications set forth in the contract. The specifications are too complex for existing technology. Consequently, the CSUC is seeking to void the contract, and as a result, the Governor's budget reduced support for the Library Development Project by the amount of funds budgeted for transactors.

Assuming the contract is voided, the Chancellor's office is recommending two actions. First, that an outside consultant be hired to determine if perhaps a less sophisticated transactor would suffice. Second, that Chancellor's office staff develop the detailed specifications for a revised prototype transactor after reviewing the outside consultants recommendations.

We support both actions. Based on past experience in similar EDP matters, a thorough review by an independent evaluator, followed by the inhouse development of the recommended specifications, would be a prudent approach. Therefore, we recommend that a General Fund augmentation of \$150,000 be provided: approximately \$75,000 for the outside evaluation and \$75,000 for the development of the specifications of a prototype transactor.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

2. COMPUTING SUPPORT

Over the past few years the CSUC system has developed a network of computers, and the requisite support services, to meet the instructional and administrative computing requirements of all 19 campuses and the Chancellor's office. This distributed computing network can best be described as a hierarchy of small to medium sized computer systems which are interconnected via leased telephone lines to permit both instructional and administrative computing. The network approach was developed as an alternative to each campus acquiring large computers and running these machines independent of the rest of the system.

A state university data center, located at the Chancellor's office, and smaller campus computers provide for administrative computing. Until this year, terminals on each campus, linked to a central time-sharing facility located on the Northridge campus, handled all instructional computing.

Now this facility is supplemented by minicomputers which have been installed on each campus. These small and relatively inexpensive systems allow simultaneous use by many students and represent a major technological breakthrough. They will be used primarily in lower division courses where students are gaining a basic exposure to programming.

Table 22 shows that the total CSUC cost for computing is estimated to be \$15.3 million. Approximately \$8.3 million of this amount is for instructional computing with the remainder budgeted for administrative computing.

Table 22
1976-77 Cost of computing Support in the CSUC*
(000)

Function	Computing Costs			Other	Total Cost	Percent
	Man- Years	Personnel	Rental			
Administrative Computing.....	263.5	\$4,011	\$1,803	\$1,555	\$6,969	45.5%
Instructional Computing.....	249.9	3,808	3,365	1,167	8,340	54.5
Total	513.4	\$7,819	\$5,168	\$2,322	\$15,309	
Percent		51.0%	33.8%	15.2%		100%

* As current cost accounting practice does not distinguish between administrative computing costs and instructional computing costs, estimated 1976-77 FY expenditures were prorated based upon estimated computer utilization percentages when the item encompassed both areas.

Reallocation of Computing Support

We recommend a General Fund augmentation of \$67,507 to provide (1) the maintenance funds required for the San Luis Obispo and Sonoma computing equipment, and (2) the additional data handling equipment required on a number of campuses.

In our view, with one minor exception, the 1976-77 Governor's Budget provides an adequate level of support for CSUC computing requirements. In particular, we support the inclusion of funds to provide the equipment technicians and data clerks recommended by our office in 1975-76. The 1976-77 budget, however, does not include (1) \$17,948 needed to support

maintenance of the state-owned computing equipment on two campuses and (2) \$79,559 required to provide data handling equipment on a number of campuses.

The maintenance funds are required for the San Luis Obispo and Sonoma computing hardware because the equipment is state-owned and thus the vendor is not responsible for its service. On the remaining campuses maintenance is provided through the lease contract.

The funds for data handling equipment are primarily needed for rental of additional key punch machines on campuses where the student workload is exceeding the capacity of the current equipment. Part of the funds are for support of unrecognized price increases between 1974-75 and 1975-76.

These two items total \$97,507. The Chancellor's office has agreed to the transfer of \$30,000 budgeted for additional core and channels. The remaining deficit is \$67,507 and we recommend a General Fund augmentation of this amount to support both the required maintenance and the data handling equipment.

3. AFFIRMATIVE ACTION

We recommend a General Fund augmentation of \$250,000 for the Affirmative Action program in order to bring the level of state support into parity with that provided the University of California.

Since 1974-75 both CSUC and UC have received \$250,000 annually to promote Affirmative Action and compile the data necessary to fulfill the reporting requirements of the state and federal governments. Last year we recommended to the Conference Committee that the CSUC budget for Affirmative Action be increased to \$500,000. We argued that this increase was justified because the CSUC has over twice as many campuses, faculty, and staff as UC; consequently, the magnitude of the task is much larger in the CSUC. The Legislature provided a \$500,000 program, but the \$250,000 increase was vetoed by the Governor.

For 1976-77, we again recommend an augmentation of \$250,000 for the Affirmative Action program. CSUC is requesting \$545,525, an increase of \$295,525. A doubling of funds to \$500,000, however, should be sufficient. According to the CSUC budget the additional funds would be used (1) to increase the recruitment of women and minorities and (2) to facilitate the collecting and reporting of information to the federal and state governments.

V. STUDENT SERVICES SUPPORT PROGRAM

The Student Services Support program is funded partially from revenues generated by the Student Services Fee (formally titled the Material and Services 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 23 displays the estimated expenditures for 1976-77.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Table 23
Student Services Program Expenditures

	<i>Personnel</i>			<i>Expenditures</i>			<i>Change</i>	
	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Amount</i>	<i>%</i>
Program Elements								
1. Social and cultural development	158.6	141.7	145.8	\$12,007,344	\$12,178,923	\$12,314,126	\$135,203	1.1%
2. Supplemental educational services.....	14	20.7	21.4	100,486	133,173	129,989	-3,174	-2.4
3. Counseling and career guidance.....	789.1	822.5	993.4	11,860,308	13,640,001	15,750,037	2,110,036	15.5
4. Financial aid.....	252	232.8	295.3	32,190,760	38,018,452	39,950,484	1,932,032	5.0
5. Student support.....	714.7	788.3	788.0	57,187,078	61,654,650	64,303,980	2,649,330	4.3
Continuing program costs	1,928.4	2,006	2,243.9	\$113,345,976	\$125,625,199	\$132,448,616	\$6,823,417	5.4%
<i>General Fund</i>	<i>1,756.8</i>	<i>1,807.6</i>	<i>2,070.0</i>	<i>7,081,558</i>	<i>7,447,064</i>	<i>9,696,598</i>	<i>2,249,534</i>	<i>3.0</i>
<i>Reimbursements—other</i>	—	—	—	<i>25,928,525</i>	<i>30,303,746</i>	<i>34,185,558</i>	<i>3,881,812</i>	<i>12.8</i>
<i>Reimbursements—federal</i>	—	—	—	<i>23,881,395</i>	<i>28,990,892</i>	<i>27,673,896</i>	<i>-1,316,996</i>	<i>-4.5</i>
<i>Dormitory Revenue Fund</i>	<i>166.9</i>	<i>195.1</i>	<i>170.6</i>	<i>1,757,221</i>	<i>2,008,973</i>	<i>1,699,460</i>	<i>-309,516</i>	<i>-15.4</i>
<i>Auxiliary organizations</i>	—	—	—	<i>54,612,311</i>	<i>56,837,000</i>	<i>59,156,000</i>	<i>2,319,000</i>	<i>4.1</i>
<i>Continuing Education Revenue Fund</i>	<i>4.7</i>	<i>3.3</i>	<i>3.3</i>	<i>84,966</i>	<i>37,524</i>	<i>37,104</i>	<i>420</i>	<i>1.1</i>

1. INSTRUCTIONALLY RELATED ACTIVITIES

We recommend that all state support for instructionally related activities be eliminated for a General Fund savings of \$485,818.

In 1974-75 the CSUC received a \$2.6 million budget augmentation to fund instructionally related activities, which according to the Chancellor's Office are "activities and laboratory experiences which are sponsored by an academic discipline or department and integrally related to formal instructional offerings." The primary instructionally related activities are (1) intercollegiate athletics, (2) campus newspapers, (3) music and dance performances, and (4) drama and musical productions.

Last year we questioned whether the majority of these instructionally related activities "are integrally related to formal instructional offerings." We argued that instructionally related activities should have a very low priority for General Fund support, especially since these activities are currently funded primarily by student fees which are no higher than \$20 per academic year on any campus. The Legislature agreed and reduced General Fund support from \$3.2 million to \$467,000 and specifically excluded any of the remaining funds from being expended on intercollegiate athletics.

This year \$485,818 is provided for these activities from the General Fund. We recommend that this state support for instructionally related activities be eliminated. Elimination of state support is justified on two grounds (1) those instructionally related activities which have academic merit already receive General Fund support, and (2) some instructionally related activities provide useful and enjoyable experiences for the entire student body and consequently students should contribute to their support.

First, many instructionally related activities now receive state support. Students in journalism and English for example, earn academic credit for working on campus publications such as the student newspaper. The academic credit earned automatically generates faculty positions, clerical support, operating expenses, etc. This is also true of other instructionally related activities such as drama productions, dance performances, and music recitals. Further, each of these activities is housed in state facilities.

The reason these activities automatically receive state support is that much of the CSUC budget is based on the number of full time equivalent students (FTE). And since the number of FTE students is dependent on the total units of academic credit earned, whenever a student receives academic credit for a course or activity, the state resources available to the CSUC increase automatically.

Further, we point out that at present a significant portion of instructionally related activity funds are not subject to normal state review by the Legislature and the Department of Finance. In 1974-75 11 campuses contracted with the Associated Students for distribution of the funds while 3 campuses made a similar arrangement with a campus foundation. These organizations are not subject to as rigorous a budgetary review as the campuses are, nor are they subject to all the same budget act stipulations.

Finally, few people would dispute that the general campus student body

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

directly benefits from a number of instructionally related activities. Two examples would be the opportunity to attend campus drama and musical productions and the availability of a campus newspaper. Consequently, student fees should continue to be utilized.

Student Activities Fee

In 1954 a student body fee limit of \$20 was statutorily set. The inflation of the past few years has eroded much of the fee's purchasing power. In recognition of this problem, the Legislature last year passed a bill raising the fee limit to \$40 while stipulating that any fee increase must be approved by a majority vote of the students on campus. Although the Governor vetoed this legislation, it had the support of the CSUC Student Presidents. We would support the introduction of a similar bill in 1976.

2. STUDENT SERVICES FEE

Historically, all students in the CSUC system have been assessed a Materials and Service Fee, which covered two major categories of expenditures: (1) student services, such as housing, placement and counseling and (2) certain instructional supply items, such as paper, chemicals and chalk.

In 1974 the Trustees retitled the fee the Student Services Fee and proposed that the General Fund slowly absorb the cost of the instructional supplies portion. To accomplish this transfer over a number of years the Trustees suggested that the Student Services Fee remain constant at \$144 per academic year and each year the General Fund provide the difference between the constant amount of Student Services Fee revenue generated and the costs of all student services programs and instructional supplies. Because program costs go up each year and fee revenue would be constant, the General Fund expenditure would increase annually.

This practice would be followed until the General Fund expense equaled the cost of instructional supplies. From that time forward the total cost of instructional supplies would be borne by the General Fund and the cost of all student services would be borne by the Student Services Fee, which would again be allowed to increase as necessary to meet increased costs.

In 1975-76 the Legislature augmented the Governor's Budget by the \$2.5 million necessary to fully implement the first stage of the Trustees' proposal. The 1976-77 Governor's Budget has provided the \$7.4 million necessary to implement the second stage of the Trustees' proposal. Full conversion to General Fund support, according to Chancellor's office estimates, will take 5 years.

Table 24 shows the annual fee and General Fund cost through 1979-80.

The actual Student Services Fee anticipated in the 1976-77 Budget is \$148 per academic year. The Trustees submitted, and the Department of Finance approved, a proposal for a \$4 increase in the Student Services Fee. The additional funds raised, approximately \$1.3 million, will support 102.9 positions requested by the Trustees to handle the increasing workload requirements in student financial aid administration. We are in support of this \$4 increase.

Table 24
Student Services Fee
Projections^a of Expenditure and Revenue
1975/76 to 1979/80

Expenditures	1975-76	1976-77	1977-78	1978-79	1979-80
(1) Instructional Supplies and Services	\$13,219,590	\$14,343,401	\$15,000,000	\$16,000,000	\$17,000,000
(2) Student Services ^d	32,040,532	36,607,350 ^b	40,000,000	45,000,000	50,000,000
Total Expenditures: ^d	\$45,260,122	\$50,950,751 ^b	\$55,000,000	\$61,000,000	\$67,000,000
Revenues and Fees					
Student Fee	\$144	\$148 ^c	\$148	\$148	\$166
Fee Revenue	\$40,152,720	\$43,598,505 ^b	\$43,598,505	\$43,598,505	\$50,000,000
General Fund Expenditure	\$5,107,402	\$7,352,246	\$11,401,495	\$17,401,495	\$17,000,000

^a Includes increases for price and salary increases but *not* student enrollment.

^b Includes \$1,265,079 for the Financial Aid PCP, and \$1,440,628 for salary increases.

^c Estimated fee level recommended subject to Board of Trustee action.

^d Federal Administration Allowance deducted from gross expenditures for student services.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued**Actual Cost of Student Services**

As mentioned, the Trustees believe the General Fund should pay the full cost of instructional supplies and that students should pay the full cost of student services. A task force report, approved by the Trustees, states that "... fees assessed all students as a condition of matriculation should be directly related to specific student programs or student service areas".

At present, however, students do not pay the actual cost of student services because two significant cost components are charged to the General Fund. To correct this inconsistency we are recommending a Student Services Fee increase of \$18 per academic year. But because this increase has two distinct components, we have broken our recommendation into two parts, indirect expenses and salary increases.

(a) Indirect Expenses.

We recommend that the Student Services Fee be increased by \$13 per academic year to cover the indirect costs of providing approved student services. (This reduces Item 360 by \$4 million.)

Currently, students pay only the direct personnel costs associated with the delivery of student services. Although direct personnel expense is the largest component of total cost, the General Fund expense for such other items as utilities, custodian maintenance, telephone and postage was approximately \$3.6 million in 1975-76 and is estimated to be \$4.0 million in 1976-77.

In keeping with the concept, articulated by the Trustees, that students pay only for the cost of student services, we recommend a Student Services Fee increase of \$13 per academic year to cover the indirect cost of providing approved student services. This fee increase provides a General Fund savings of \$4 million.

(b) Salary Increase for Student Services Personnel.

We recommend that the Student Services Fee be increased by \$5 per academic year to cover the salary increases provided student services personnel. (This reduces Item 361 by \$1,440,628.)

As we have explained, the major cost component of student services is personnel. And while in theory the Student Services Fee is supposed to cover this expense, the 1976-77 Governor's Budget provides \$1.4 million (Item 361) in General Fund support for the salary increases of student services personnel.

In past years when the Student Services Fee was periodically increased, an attempt was made to raise the fee sufficiently to cover salary increases. But last year when the fee was frozen at \$144, it became necessary to fund these salary increases through the General Fund. In our view, however, there is no question that salary increases for student services personnel are a legitimate student expense and that funding them through the Student Services Fee is entirely consistent with the student fee policy espoused by the Trustees and accepted by the Department of Finance. Consequently, we recommend that the Student Services Fee be increased by \$5 per academic year to cover the salary increases provided student services

personnel. This fee increase provides a General Fund savings of \$1,440,628.

Student Fees in the CSUC

To put CSUC student fees in perspective, we have included Table 25 which shows the 1974-75 level of student fees in each of the 15 largest public universities in the United States. Only in the City University of New York are student fees less than those charged in the CSUC. At approximately \$175 a year, CSUC student fees are less than $\frac{1}{3}$ of the average fees charged at other large public universities. CSUC student fees are also less than $\frac{1}{3}$ of those charged at the University of California.

If the Student Services Fee is increased \$18 as we have recommended, total CSUC student fees in 1976-77 would be approximately \$200 per year for a full-time student or about 36% of the average fees charged at other large public universities in 1974-75.

Table 25
University Tuition and Fees

<i>15 Largest Public Universities</i>	<i>1974-75 Tuition and Fees</i>
State U. of New York	\$675
CALIF. STATE UNIVERSITY AND COLLEGES	175
City U. of New York	95
U. of Wisconsin	485
U. of California	636
State U. System of Florida	585
U. of North Carolina	459
U. of Texas	358
Indiana U.	682
Pennsylvania State	960
U. of Minnesota	716
U. of Illinois	690
Oregon State System	573
U. of Maryland	708
U. of Missouri	540
Average.....	\$556

3. NON-RESIDENT STUDENTS

Non-resident tuition is a fee charged to CSUC students who are legal residents of foreign counties or states other than California. For 1975-76 the Chancellor's office is estimating non-resident enrollment to be 5,097 FTE students. The actual number of non-resident students, however, will probably be substantially higher.

Table 26 shows actual non-resident enrollments for the years 1971-72 through 1974-75.

In each of these years the number of non-resident students has been higher than in the previous year, and in 1974-75, the last year for which we have actual data, the number stood at 5,797 FTE students. Yet for 1976-77 the Chancellor's office is projecting only 5,090 FTE students. This is a reduction of over 12% from the 1974-75 estimated figure. This conflicts with systemwide enrollments which are projected to increase by 5.3 percent over the same period. This hardly seems realistic in view of the fact that since 1971-72 non-resident enrollments have increased twice as fast as systemwide enrollments (15.5 percent versus 7.5 percent).

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Table 26
Non-Resident Students

Year	Non-resident Fee	Non-resident Students (FTE)	Annual Percentage Growth in Non-resident students
1971-72.....	\$1,110	5,018	—
1972-73.....	1,110	5,191	3.5%
	1,110 ^a		
1973-74.....	1,300	5,324	2.6
1974-75.....	1,300	5,797	8.9
1975-76.....	1,300	5,097 ^b	-12.1
1976-77.....	1,300 ^b	5,090 ^b	0.0

^a Fee raised in mid year^b Budgeted**Non-resident Tuition Fee Level**

We recommend that (1) the estimated non-resident enrollment for 1976-77 be raised to 6,104 FTE students, and (2) the non-resident tuition fee be increased from \$1,300 to \$1,440 annually for a General Fund saving of \$2,172,760 and a reimbursement increase of the same amount.

Because of the inconsistency noted above, a more realistic estimate of non-resident enrollment for 1976-77 is needed. We propose taking the actual number of non-resident students in 1974-75, and adjusting this number upwards by the projected increase in systemwide enrollment between 1974-75 and 1976-77. Using this approach the estimated non-resident enrollment would be 6,104 FTE students, a 5.3 percent increase. Considering that non-resident enrollment has been increasing at twice the rate of systemwide enrollment, this provides a very conservative update.

In addition, our estimate of 6,104 non-resident students for 1976-77 was determined by using the current non-resident tuition charge of \$1,300 annually. We recommend, however, that the non-resident tuition fee, which has not been adjusted for inflation since 1973-74, be increased to \$1,440 annually, as recommended by the Chancellor's office. While we strongly support the notion that a wide mix of students has a positive impact on the educational process, we also believe that the fees charged to non-resident students should be periodically adjusted to reflect the increasing cost of providing education. Because the Chancellor's office estimates that "... a non-resident tuition fee based on the cost of instruction would be \$1,440 ..." we recommend that the non-resident tuition fee be raised to this level.

If the non-resident tuition fee is raised to \$1,440 annually, the Chancellor's office argues that the higher cost will result in fewer students enrolling. Projected non-resident enrollment should therefore be adjusted downward by 3 percent for every \$100 increase in the fee.

We disagree for two reasons. First, after the fee was raised in the middle of the 1973-74 year, non-resident enrollment the following year still increased by 8.9 percent, while in the same year systemwide enrollment increased only 1.3 percent. This indicates that nonresident students ap-

preciate the quality of CSUC education and are not likely to be deterred from attending by a relatively small fee increase. And this may be more true today than in 1974-75 given the current nationwide acceleration in student fees, both at public and private institutions.

Second, as we stated above, it is very likely that we have already underestimated non-resident enrollment for 1976-77. We based the upward revision on the projected increase in systemwide enrollments, although the data indicate that non-resident enrollment has been increasing at twice the rate of systemwide enrollment.

In summary, we recommend that the estimated non-resident enrollment for 1976-77 be raised to 6,104 students and the non-resident tuition fee be increased from \$1,300 to \$1,440 annually. These two recommendations result in a General Fund saving of \$2,172,760 and a fee reimbursement increase of the same amount.

4. STUDENT FINANCIAL AID

The financial aid programs available to higher education students are varied and have grown rapidly in recent years, particularly at the federal level. The Chancellor's office reports that the number of students receiving financial aid has grown from an estimated 2,000 in 1961-62 to 75,053 in 1973-74. Over that same period of time the financial aid awarded has increased from \$1.5 million to \$77.7 million in the form of loans, scholarships, fellowships, grants and employment funded from federal, state and private sources.

Most student aid consists of loans, direct grants, or a combination of the two. Often students will receive a program "package" consisting of a loan, a grant, and a part-time job. The concept of the program package has grown out of the recognition by higher education and governmental officials that the demand for direct scholarship and grant funds is greater than the available supply. Consequently, it is incumbent upon the college administrations to insure that the existing funds are disseminated as equitably as possible among the qualified applicants.

The administration of financial aid has two major components (1) the evaluation of requests and the awarding of financial aid "packages," and (2) the monitoring, billing and collection of outstanding loans. Financial aid offices are located on each of the 19 CSUC campuses.

Report on Financial Aids Billing System (FABS) Pilot Project

We recommend that the Chancellor's office submit a final report on the Financial Aids Billing System Pilot Project to the Joint Legislative Budget Committee and the Department of Finance by November 1, 1977.

In addition, we recommend that the Chancellor's office submit an interim report by November 1, 1976 which (1) reviews the 1st year results of the pilot, and (2) outlines the structure of the final report and the evaluative techniques to be employed.

Last year we recommended and the Legislature approved a \$125,000 budget augmentation to allow the CSUC to contract on a pilot basis with a commercial firm for the collection of student loans and all record-keeping and reporting functions associated with their collection. A contract has been awarded and a pilot program, expected to last 2 years, is underway

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at four campuses: San Francisco State University, San Jose State University, CSU, Long Beach and CSPU Pomona. For 1976-77 the Governor's Budget provides \$208,521 required for continuation of the pilot.

We supported this pilot program in 1975-76 because we felt that the CSUC should evaluate which is the more economical way to collect student loans: (1) contracting with a commercial firm, or (2) using CSUC personnel. In order to provide our office and the Department of Finance with the information necessary to evaluate the relative merits of each approach, we recommend that the Chancellor's office submit a final report on the 2 year effort to the Joint Legislative Budget Committee and the Department of Finance by November 1, 1977. In addition, we recommend that the Chancellor's office submit an interim report by November 1, 1976 which (1) reviews the 1st year results of the pilot, and (2) outlines the structure of the final report and the evaluative techniques to be employed.

Financial Aids Staffing

We recommend that in view of the Chancellor's office estimate of the staff savings accruing from the FABS pilot project, 19 financial aids positions not be filled for a General Fund savings of \$190,000.

The 1976-77 Governor's Budget includes a \$4 increase in the Student Services Fee requested by the trustees. The funds raised will be used to provide all 19 campuses with the additional personnel needed to handle the increasing financial aid workload. We generally support this workload change.

According to the Chancellor's office a significant number of these new positions are necessary to keep up with activities such as loan accounting, loan collection, and reporting to federal and state agencies on outstanding loans. However, on the 4 campuses participating in the FABS pilot, which was discussed previously, all of these activities have been assumed by the outside contractor. If no workload for these activities exists on the 4 pilot campuses, no new positions funded by the \$4 fee increase should be needed and therefore we recommend that they not be authorized.

Table 27 was prepared by the Chancellor's office to help explain the benefits of the FABS program. It estimates that a total of 27 positions can be left unfilled if the FABS program is implemented on these 4 campuses.

Table 27
Financial Aid Staff

	<i>Pomona</i>	<i>Long Beach</i>	<i>San Francisco</i>	<i>San Jose</i>	<i>Total</i>
Total Positions.....	9.1	15.6	18.1	22.9	65.7
Staff required with FABS ^a	5.8	10.0	9.9	13.0	38.7
Staff Reduction ^a	-3.3	-5.6	-8.2	-9.9	-27.0
Estimated dollar reduction (@\$10,000 per position)	\$-33,000	\$-56,000	\$-82,000	\$-99,000	\$-270,000

^a Estimates made prior to actual experience with pilot project

We recommend that each of the 4 campuses be allowed to fill two more positions than are estimated to be needed. This will help insure that the

pilot runs smoothly and thus permit an accurate measure of the potential benefits from using an outside contractor. A residual of 19 unfilled positions remains for an estimated General Fund savings of \$190,000. (A General Fund savings of \$190,000 results because the deficit in Student Services Fee revenue to be covered by the General Fund is reduced by our proposal.)

5. EDUCATIONAL OPPORTUNITY PROGRAM (EOP)

The CSUC Educational Opportunity Program (EOP) was established by the Legislature during the 1969 session. The program, administered by the Board of Trustees, is designed to assist economically disadvantaged students. State supported grants (up to a maximum of \$700 per academic year) are authorized to fund the cost of tuition, books and room and board. EOP funds can also be used to support program directors, counselors and advisors. Total program costs are shown in Table 28.

Grant recipients must be California residents nominated by agencies authorized by the trustees. EOP students are admitted to CSUC on the basis of special criteria set by the trustees, which permit attendance of otherwise unqualified high school graduates (up to 4 percent of the incoming freshmen class). An academic record of each grant recipient is maintained by the trustees.

1976-77 EOP Budget

We withhold recommendation on the 1976-77 EOP budget until the Chancellor's office has prepared a report for presentation to the legislative fiscal committees detailing how the \$3.8 million in new funds provided in the Governor's budget will be utilized.

As Table 28 indicates, the 1976-77 Governor's budget provides a \$3.8 million increase in support for the EOP program. This is more than had been requested by the trustees. Total budgeted support for 1976-77 is \$10.4 million versus \$6.6 million in 1975-76. This is a 1 year increase of 50 percent.

While our office has traditionally supported the EOP program, we question whether the program can effectively absorb a 50 percent increase in funds in 1 year. To illustrate, two-thirds of the funding increase is budgeted so as to double the number of 1st year EOP students receiving financial aid from 4,270 in 1975-76 to 8,426 in 1976-77. Yet in each of the last two years, the EOP program has not been able to utilize all the financial aid funds available. Also, without some major changes in admission criteria (increasing the 4 percent limit on special admits, for example) and a more intensive recruitment effort, it seems unlikely that a substantial increase in the number of first year EOP students eligible for financial aid is possible.

Some increase in the EOP budget may be appropriate. For example, the maximum grant per academic year (\$700) has not been increased since the program was initiated in 1969. Given the rapid inflation of the past few years, the purchasing power of EOP grants has been drastically reduced. The Chancellor's office estimates that approximately 46 percent of the

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Table 28
Educational Opportunity Program
Awards and Expenditures
1974-75 through 1976-77

	<i>Actual Year 1974-75</i>			<i>Current Year 1975-76</i>			<i>Budget Year 1976-77</i>		
	<i>Number of grants</i>	<i>Average dollar grant</i>	<i>Total grant dollars</i>	<i>Number of grants</i>	<i>Average dollar grant</i>	<i>Total grant dollars</i>	<i>Number of grants</i>	<i>Average dollar grant</i>	<i>Total grant dollars</i>
1st year	3,165	480	1,519,200	4,270	\$525	\$2,241,750	8,426	\$525	\$4,423,800
2nd year	3,117	249	776,134	3,376	275	928,400	3,416	275	939,400
3rd year	1,904	258	491,232	2,703	275	743,325	2,701	275	742,775
4th year	1,065	258	274,889	1,790	275	492,250	2,162	275	594,550
Totals.....	<u>9,251</u>	<u>-</u>	<u>\$3,061,455</u>	<u>12,139</u>	<u>-</u>	<u>\$4,405,725</u>	<u>16,705</u>	<u>-</u>	<u>\$6,700,525</u>
Totals, Administration and Counseling.....	<u>-</u>	<u>-</u>	<u>\$1,943,724</u>	<u>-</u>	<u>-</u>	<u>\$2,243,411</u>	<u>-</u>	<u>-</u>	<u>\$3,681,808</u>
TOTALS, PROGRAM COSTS.....	-	-	\$5,005,179	-	-	\$6,649,136	-	-	\$10,382,333

EOP students who receive financial aid in 1975-76 are eligible for the full \$700. For 1976-77, this group will increase to between 55 percent and 60 percent. Consideration should be given to raising the maximum level of grants.

Consideration of an increase in the number of support staff who provide tutorial and other services may also be appropriate. The tutorial staff has not increased nearly as fast as the number of EOP students. The ratio of tutors to EOP students receiving tutorial aid has increased from 1 to 48 in 1970-71 to 1 to 121 in 1974-75. For many EOP students tutorial services are as essential as financial aid if they are to be successful in college. Consideration should be given to increasing the number of staff who provide tutorial aid.

Because the Chancellor's office had not requested an increase in EOP support, it has not had time to plan how the incremental funds can best be used. For this reason we withhold recommendation on the EOP budget until the Chancellor's office has prepared a report for presentation to the legislative fiscal committees detailing how the additional \$3.8 million in new funds provided in the Governor's Budget will be utilized.

6. DISABLED STUDENTS PROGRAM

We recommend that a General Fund augmentation of \$300,265 be provided to establish a Disabled Students Program on each of the 19 campuses.

Based on the results of a pilot project on the Long Beach campus, the trustees are requesting \$506,028 to establish a Disabled Student program on each of the 19 campuses. As defined by the Chancellor's office a disabled student is "... one who, by reason of physical impairment, cannot without adaptation or assistance, pursue the total educational experience usually accorded the general student population."

A recent review of admission data conducted by the Chancellor's office indicates that there are currently 3,457 disabled students enrolled on the 19 CSUC campuses. The actual number may be even greater because disabled students are not required to identify themselves upon admission.

The primary goals of the disabled Student Program would be to

- (1) Coordinate the campus services available to disabled students (examples are: special registration, disabled student counseling, and career planning workshops),
- (2) Provide those services needed, but not available elsewhere on campus (examples are: securing notetakers, readers and interpreters; referrals to campus and community services; and mobility training), and
- (3) Increase the awareness of administrators, faculty, staff, and students to the unique needs of the disabled.

Because the larger campuses tend to have greater disabled student enrollments, the Chancellor's Office Task Force on Disabled Students has recommended the following campus staffing patterns:

Staff Positions

<i>Campus Enrollment</i>	<i>Professional</i>	<i>Clerical</i>	<i>Student</i>	<i>Total</i>
15,000 or more	1.0	1.0	1.0	3.0
14,999 to 10,0005	.5	.5	1.5
9,999 or less3	.3	.3	.9

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In addition, each campus would receive a basic complement of necessary equipment, including such items as a Braille writer, an audio tape cassette recorder, and a silent communication telephone. This equipment would cost approximately \$2,400 per campus and would be a one time expense.

We agree with the trustees that providing a central location on each campus where disabled students can go for assistance should increase the probability of disabled students meeting their educational objectives. Further, a program designed to meet the special needs of disabled students should encourage more educationally qualified disabled students to attend college. However, in our view these objectives can be met at a lower cost than the \$506,028 requested by the trustees.

Given the current level of disabled student enrollment, a suitable program can be offered with half-time staffing on campuses with over 15,000 students and one-third time staffing on campuses with less than 15,000 students. Further, rather than fill the professional position with a Student Affairs Officer III, a Student Affairs Officer II should be hired. The qualifications are almost identical and both positions are likely to be filled by an individual with a Master's Degree in Rehabilitative Counseling or a related field.

These two changes reduce the cost of the disabled student program to \$300,265 in 1976-77 and we recommend a General Fund augmentation of this amount for implementation. Because the equipment required is a one time expense, the cost drops to \$273,663 in 1977-78.

VI. INSTITUTIONAL SUPPORT

The institutional support program provides systemwide 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.

Executive management consists of all systemwide program activities 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 operations includes the fiscal control functions, both for the Chancellor's office and the 19 campuses, and investment management.

General administrative services consists of all control management support functions. Included in the subprogram are administrative 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.

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

Table 29 shows the estimated expenditures for 1976-77.

1. COMMUNICATIONS EXPENSES

We recommend a General Fund augmentation of \$557,520 to meet the total projected cost of communications.

The 1976-77 Governor's budget has not provided sufficient funds to meet anticipated CSUC communications expenses. Table 30 summarizes the major categories of communications expenditures and indicates that, according to the Chancellor's office, the budgeted level of support is \$557,520 less than projected 1976-77 costs.

There are two primary reasons why the Governor's budget does not provide sufficient support for communications expenditures despite the fact that funds for price increase were included. First, new buildings will be completed during 1976-77 and workload expenses increase when new telephone equipment is installed.

Second, for some communications items the 1975-76 budget, from which the 1976-77 budget is calculated, did not contain sufficient funds. For example, the \$2.7 million budgeted in 1975-76 for telephone exchange charges will be inadequate to cover all expenditures. When this level of support is adjusted for price increase and carried forward to 1976-77 the problem of insufficient funds is perpetuated.

Our review of the budget indicates that the CSUC system is attempting to hold down communications expenses. As an illustration, the Chancellor's office has budgeted an absolute reduction in funds for long distance charges in 1976-77. Because we believe efforts are being made to control costs, we recommend that the budget be augmented by the additional \$557,520 CSUC estimates will be required for communications in 1976-77.

2. INDUSTRIAL DISABILITY LEAVES

We recommend that General Fund support for industrial disability leaves be reduced from \$500,000 to \$350,000 for a savings of \$150,000.

The Berryhill Total Compensation Act (Chapter 374, Statutes of 1974), which became effective January 1, 1975, provides for industrial disability leaves for state employees who are members of the Public Employees' Retirement System. Consequently, any CSUC employee, who is temporarily disabled by illness or injury resulting from employment may receive (1) an industrial disability leave, and (2) certain payments if he or she does not receive either Worker's Compensation temporary disability payments or sick leave payments. Industrial disability payments equal an employee's full pay minus deductions for the first 22 working days of disability and two-thirds of full pay after that time. Payments and leave are

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Table 29
Institutional Support Program Expenditures

Program Elements	<i>Personnel</i>			<i>Expenditure</i>			<i>Change</i>	
	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Amount</i>	<i>%</i>
1. Executive management	785.7	795	798.2	\$17,916,492	\$19,756,775	\$20,062,003	\$305,228	1.5%
2. Financial operations.....	709.6	706.6	772.2	10,593,397	11,040,270	12,265,508	1,225,238	11.1
3. General administrative services	1,208.2	1,290	1,331.2	17,429,892	19,360,516	20,098,142	737,626	3.8
4. Logistical services.....	997.7	996.5	1,023.8	24,133,674	25,937,661	28,163,824	2,226,163	8.6
5. Physical plant operations	3,174.3	3,462	3,556.4	56,799,702	61,796,885	69,089,819	7,292,934	11.8
6. Faculty and staff services	—	—	—	3,622,519	3,534,454	4,613,989	1,079,535	30.5
7. Community relations.....	80.9	76.1	76.6	2,170,157	2,363,654	2,470,866	107,212	4.5
Continuing program costs.....	6,956.4	7,326.2	7,558.4	\$132,665,833	\$143,790,215	\$156,764,151	\$12,973,936	9.0%
<i>General Fund.....</i>	<i>6,330.6</i>	<i>6,653.9</i>	<i>6,875.2</i>	<i>109,227,835</i>	<i>118,902,720</i>	<i>129,204,016</i>	<i>10,301,296</i>	<i>8.7</i>
<i>Reimbursements—other</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>8,369,548</i>	<i>8,589,595</i>	<i>9,854,566</i>	<i>1,264,971</i>	<i>14.7</i>
<i>Reimbursements—federal.....</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>255,588</i>	<i>201,569</i>	<i>207,331</i>	<i>5,762</i>	<i>2.9</i>
<i>Parking Account, Dormitory Revenue Fund.....</i>	<i>170.7</i>	<i>186</i>	<i>187.8</i>	<i>2,685,301</i>	<i>2,877,841</i>	<i>3,203,556</i>	<i>325,715</i>	<i>11.3</i>
<i>Dormitory Revenue Fund.....</i>	<i>264.9</i>	<i>267</i>	<i>272.6</i>	<i>5,667,987</i>	<i>6,235,134</i>	<i>6,900,987</i>	<i>665,853</i>	<i>10.7</i>
<i>Auxiliary organizations.....</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>2,721,307</i>	<i>2,700,000</i>	<i>2,700,000</i>	<i>—</i>	<i>—</i>
<i>Continuing Education Revenue Fund.....</i>	<i>190.2</i>	<i>219.3</i>	<i>222.8</i>	<i>3,738,267</i>	<i>4,283,356</i>	<i>4,693,695</i>	<i>410,339</i>	<i>9.6</i>

Table 30
Communications Cost Element Expenses

<i>Cost Element</i>	<i>1974-75 Actual Expenditure</i>	<i>1975-76 Authorized Expenditure</i>	<i>1976-77 Estimated Expenditure</i>	<i>1976-77 Governor's Budget</i>	<i>Unfunded 1976-77 Expenditures</i>
Telephone Exchange Charges	\$2,627,281	\$2,717,505	\$3,015,315	\$2,785,441	\$229,874
Telephone Installation Charges	148,071	147,015	237,700	150,691	87,009
Telephone Long Distance Charges	603,574	711,516	661,247	729,304	-68,057
Telephone Message Unit Charges	462,705	505,382	540,765	518,017	22,748
Telephone Lease Line	731,496	700,263	868,929	717,771	151,158
Telegraph	5,424	10,296	10,715	10,556	159
Postage	1,898,695	1,853,000	2,620,339	2,479,314	141,025
Communication—Other	6,780	6,240	—	6,396	-6,396
Total	\$6,484,026	\$6,651,217	\$7,955,010	\$7,397,490	\$557,520

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limited to a maximum of 52 weeks and eligibility is limited to two years from the first day of disability.

Because this is a relatively new program, it has been difficult for the Chancellor's office to estimate what the actual costs will be. For 1975-76, the first full year of the program, the CSUC requested \$500,000 based on an estimate of employee time lost due to disabling injuries in 1973-74. Because the 1976-77 estimate had to be submitted before a full year's experience under the program was available, the CSUC again requested \$500,000 and this sum is included in the Governor's Budget.

Although we do not have a full year's experience with this program, we do have cost data for the first nine months experience. Extrapolating a full year's cost from this data produces an annual cost estimate of \$216,000. CSUC, however, argues that because the program is only now becoming generally known, the initial costs were artificially low. This is a possibility, but it does not warrant the conclusion that the actual annual cost will be 2.3 times the extrapolated cost of \$216,000. In our view \$350,000 (62 percent more than the derived estimate of \$216,000) provides a prudent reserve against the possibility of an increasing number of claims and therefore we recommend that General Fund support for industrial disability leaves be reduced by \$150,000.

3. UNEMPLOYMENT INSURANCE

We recommend that in view of the improved economic condition predicted for California in 1976-77 General Fund support for Unemployment Insurance be reduced from \$1,300,000 to \$1,180,000 for a savings of \$120,000.

Under provisions of the California Unemployment Insurance Code, the CSUC must make unemployment compensation payments to eligible former employees. Although estimating the required level of support is difficult, we know that the projected rate of unemployment in California should be a good indicator. Simply put—the higher the projected rate of unemployment, the greater the amount of unemployment compensation funds required.

Table 31 shows that in 1974-75 the unemployment rate was 8.6 percent and the actual cost of Unemployment Compensation was \$1,208,186.

Table 31
Unemployment Compensation

Year	Governor's Budget	Actual Cost	Unemployment Rate
1974-75	\$750,000	\$1,208,186	8.6%
1975-76	825,000	1,200,000 ^a	9.4
1976-77	1,300,000	1,300,000 ^a	8.4

^a Estimated.

While the unemployment rate in the current year (1975-76) is expected to average 9.4 percent, the Department of Finance estimates a drop in the average unemployment rate to 8.4 percent for 1976-77. The CSUC, however, assumed in their budget request that "... the prevailing economic condition of higher unemployment will continue at its present

rate", consequently, they requested, and the Governor's Budget provides, \$1.3 million for 1976-77.

Because the unemployment rate is now expected to dip below the 1974-75 rate, we propose that the budgeted level of funds be adjusted downward based on an extrapolation from the actual 1974-75 experience. Therefore, we recommend that \$1,180,000 in General Fund support be provided, a reduction of \$120,000 from the budgeted amount of \$1,300,000.

4. CAMPUS PHYSICAL PLANNING AND DEVELOPMENT STAFF

We recommend that the building coordinator position on the seven campuses with the lowest enrollments be eliminated for a General Fund saving of \$171,628.

Currently, each of the 19 CSUC campuses is authorized to have three Physical Planning and Development Staff members: an executive dean, a building coordinator, and a clerical assistant. The activities performed by these individuals tend to fall into one of two major categories: facility planning or space management.

Facility planning involves working with faculty and administrators to determine (1) how much and what type of space will be needed for the future, and (2) the priorities and specifications for individual projects. Space management involves (1) the scheduling of classes, (2) the assignment of faculty offices, and (3) planning the necessary short-term space alternations.

The rationale for having 3 Physical Planning and Development staff members on each campus was developed a number of years ago. In 1970 when CSUC enrollments were predicted to reach 354,000, this may have been a proper staffing level. But today, with enrollments scheduled to peak at 242,000, this is no longer the case.

Since much of the staff workload is generated by new construction planning, a look at the recent CSUC capital outlay budgets, shown in Table 32, helps to illustrate why a lower level of staffing may now be warranted. In each year since 1973-74 the capital outlay budget has declined.

Table 32
CSUC Capital Outlay Budgets

<i>Year</i>	<i>Capital Outlay Budget</i>
1973-74	\$60,641,000
1974-75	45,591,000
1975-76	22,949,000
1976-77	23,232,000 ^a
	18,724,000 ^b

^a Governor's Budget.

^b Legislative Analyst's recommendations.

The final 1976-77 capital outlay budget will probably be approximately one-third of that provided in 1973-74. In addition, our staff estimates that the CSUC capital outlay budgets in the next few years will be less than the 1976-77 level. A look at Table 9 helps explain why. Systemwide, the CSUC currently has the capacity space to serve an additional 31,978 FTE students. According to the Department of Finance data, the CSUC already has sufficient capacity space, systemwide, to meet the peak enrollment

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

needs of 1982-83.

Recommendations for reductions in campus Physical Planning and Development staff need to be based on campus by campus analysis, not systemwide averages. For this reason we have constructed Table 33 which provides some relevant statistics for the 7 CSUC campuses with the lowest student enrollments.

One of the most important tasks of the campus Physical Planning and Development staff is coordinating the planning for new facilities. But Table 33 shows that 6 of the 7 campuses listed already have more capacity space for 1976-77 than will be needed for the projected peak enrollment year of 1982-83. The 7th campus, Sonoma, requires space for an additional 60 FTE students. This does not mean that construction will be halted on any of these campuses, but clearly it will be very limited; probably a very small fraction of the level of construction over the previous 5 years.

The second major task of campus Physical Planning and Development staff is space management. To show how widely the space to be managed varies from the small to large campuses, Table 33 also presents data on the number of faculty offices and total instructional rooms. In both categories, faculty offices and instructional rooms, five of the seven campuses listed have less than half the systemwide campus average and all 7 campuses have been less than half the space to be managed at Long Beach, the third largest campus. In fact, 5 of the 7 campuses listed have less than one-third the space to be managed on the Long Beach campus. Yet all campuses are authorized 3 positions.

The statistics presented indicate that the smaller campuses do not require the same level of staffing as the larger campuses. Consequently, we recommend that the building coordinator position on the seven smallest campuses be eliminated for a General Fund saving of \$171,628. This will leave these 7 campuses with 2 staff positions each, an executive dean and a clerical assistant, while the 12 largest campuses will each retain their currently authorized 3 staff positions.

5. ACADEMIC SENATE

The Academic Senate is the official organization representing the CSUC faculty. The full-time faculty on each campus selects its representatives, who total 50 systemwide. The full Academic Senate meets on the average of five times each year. Selected representatives regularly attend meetings of the Board of Trustees and are consulted on various matters affecting academic policy.

The 1976-77 Budget provides \$338,330 for support of the Academic Senate. These funds primarily provide for release time from teaching duties for the senate's principal officers. Release time is essential because members of the senate are expected to actively participate in CSUC administrative affairs and attend numerous Academic Senate committee meetings each year.

Table 33
Comparison of Facilities

<i>Campus</i>	<i>1974-76 Budgeted Enrollment (FTE students)</i>	<i>Additional FTE Student capacity needed to meet peak year Enrollment^a</i>	<i>Faculty offices^b</i>			<i>Instructional Rooms^c (Lecture and Laboratory)</i>		
			<i>current faculty offices</i>	<i>% of statewide campus average</i>	<i>% of Long Beach campus</i>	<i>Instruc- tional rooms</i>	<i>% of systemwide campus average</i>	<i>% Long Beach campus</i>
Bakersfield	2,300	-874	207	30%	17%	74	33%	21%
Stanislaus	2,450	-1,742	157	23	13	66	29	19
San Bernardino	3,150	-10	173	25	14	76	34	22
Sonoma	5,150	+60	312	45	25	105	47	30
Dominguez Hills	5,150	-173	296	43	24	97	43	28
Humboldt	6,600	-141	415	61	34	155	69	45
Hayward	8,150	-6,039	509	74	41	179	80	52

^a Obtained by subtracting current capacity space from estimated 1982-83 FTE student enrollments adjusted for off-campus workload.

^b Based on 1977 capacity.

^c Based on Fall 1974 data, which is the most recent available.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued**6. CHANCELLOR'S OFFICE**

The Chancellor is the chief executive officer of the CSUC Board of Trustees. He is responsible for the implementation of all policy enacted by the board. Other responsibilities of the Chancellor and his staff include:

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

Table 34 lists the major divisions in the Chancellor's office and shows a net decrease of one General Fund position.

One change not noted in the table is that the number of vice chancellors has been reduced from 7 to 5 as a result of personnel shifts. The Vice Chancellor and General Counsel position has been redesignated as General Counsel and the Vice Chancellor, Physical Planning and Development position has been redesignated Assistant Vice Chancellor, Physical Planning and Development.

VII. INDEPENDENT OPERATIONS

The independent operations program contains a variety of auxiliary organizations and special projects performed by college employees for private and public agencies which are not an integral part of the primary instructional function. Included are dining halls, book stores, college unions and campus foundations. No direct General Fund support is provided.

Table 35 shows the estimated expenditures for 1976-77.

1. CAMPUS FOUNDATIONS AND FEDERAL OVERHEAD FUNDS

Every CSUC campus has a foundation. One of the primary functions of these foundations, which are nonprofit corporations, is the administration of research and training grants funded by federal and other nonstate sources. Foundation expenditures are reported in the Governor's budget. Their expenditures, however, are exempt from state control and therefore are not subject to the fiscal review process associated with operations conducted with funds appropriated in the budget act.

When a foundation receives a grant from the federal government it typically includes a payment for "overhead" or "indirect costs" which are incurred as a by-product of the grant. Currently, these overhead charges add from 40 percent to 50 percent to the total cost of the grant. Some of the more important components of overhead costs are reimbursements for (1) the use of campus facilities and equipment, (2) general and administrative costs, (3) utilization of the campus library, and (4) maintenance and operation of the campus physical plant (utility and custodial costs, for example).

Many of these costs are actually paid by the General Fund. The foundations, however, do not reimburse the General Fund its full share of the overhead earned, consequently most foundations generate surplus funds from their administration of federal grants which they can use to carry on

Table 34
Chancellor's Office Expenditures
Governor's Budget

	1975/76		1976/77		Change	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
Chancellor's Office						
Personnel						
Executive Office	14.5	\$377,023	14.5	\$379,899		2,876
Legal Services	16.5	406,489	16.5	421,248		14,759
Academic Affairs	54.3	1,360,649	54.3	1,381,354		20,705
Faculty and Staff	32.0	732,559	29.0	694,371	-3.0	-38,188
Business Affairs	60.4	1,318,820	60.4	1,338,185		19,365
Physical Planning	21.8	525,434	19.8	488,577	-2.0	-36,857
Government Affairs	9.0	182,721	9.0	188,568		5,847
Institutional Research	13.0	298,834	13.0	300,439		1,605
Public Affairs	4.0	113,758	4.0	114,730		972
Administrative Office	56.1	787,735	56.5	837,006	0.4	49,271
Subtotal	281.6	\$6,104,022	277.0	\$6,144,377	-4.6	\$40,355
Operating Expense and Equipment		1,551,966		1,996,097		444,131
Total	281.6	\$7,655,988	277.0	\$8,140,474	-4.6	\$484,486
Audit Staff						
Personnel	11.0	257,580	11.0	266,695		9,115
Operating Expense and Equipment		73,360		73,884		524
Total	11.0	\$330,940	11.0	\$340,579		\$9,639
Information Systems						
Personnel	116.0	2,015,160	117.0	2,124,683	1.0	109,523
Operating Expense and Equipment		3,691,203		3,897,743		206,540
Total	116.0	\$5,706,363	117.0	\$6,022,426	1.0	\$316,063
Grand Total	408.6	\$13,693,291	405.0	\$14,503,479	-3.6	\$810,188
Funding Sources						
General Fund	349.6	\$12,413,236	348.6	\$13,092,358	-1.0	\$679,122
Reimbursements	59.0	\$1,280,055	56.4	\$1,411,121	-2.6	\$131,066

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Table 35
Independent Operations Expenditures

	<i>Personnel</i>			<i>Expenditures</i>			<i>Change</i>	
	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Amount</i>	<i>Percent</i>
Program Elements								
1. Institutional operations	483.5	525.3	551.8	\$10,042,421	\$10,205,045	\$11,426,582	\$1,221,537	12.0%
2. Outside agencies	649.4	539.3	633.6	35,391,739	33,786,534	35,134,482	1,347,948	4.0%
Continuing program costs	1,132.9	1,064.6	1,185.4	\$45,434,160	\$43,991,579	\$46,561,064	\$2,569,485	5.8%
<i>General Fund</i>	—	—	—	—424,127	—	—	—	—
<i>Federal funds</i>	—	—	—	1,126,787	—	—	—	—
<i>Reimbursements</i>	1,132.9	1,064.6	1,185.4	15,257,309	15,141,579	17,711,064	—	—
Foundations:								
<i>Federal funds</i>	—	—	—	18,197,023	18,200,000	18,200,000	—	—
<i>Other</i>	—	—	—	9,290,927	8,800,000	8,800,000	—	—
<i>Auxiliary organizations</i>	—	—	—	1,986,241	1,850,000	1,850,000	—	—

their own programs independent of legislative control. The residual funds retained by the foundations are used as seed money for future grants, for partial support of the CSUC Washington, D.C. office, for funding various miscellaneous projects and to provide contingency reserves. Included under miscellaneous projects have been expenditures for computers, building repairs, land purchases, public relations, institutes and various campus research projects.

General Fund Reimbursement for Indirect Costs Incurred

We recommend that the General Fund annually receive 50 percent of all federal overhead funds which produces a General Fund savings of \$1,345,000 in 1976-77.

Since 1970-71 the CSUC foundations have had an agreement negotiated with the Department of Finance and the Legislature. By the terms of this agreement, the General Fund was reimbursed with federal overhead funds for the use of state facilities in conjunction with federal research and training grants.

Table 36 shows the results of that agreement.

Table 36
Indirect Overhead Received by CSUC Foundations

Year	Total Federal Funds Expended	Total Federal Indirect Overhead	Total General Fund Reimbursements	General Fund Reimbursement as a Percent of Federal Overhead Funds
1970-71	18,576,000	1,637,000	Not Available	—
1971-72	18,915,000	2,194,000	21,042	less than 1%
1972-73	18,970,000	1,697,000	22,270	less than 1%
1973-74	17,326,000	2,579,000	19,177	less than 1%
1974-75	18,970,000	2,832,000	21,000 ^a	less than 1%

^a Estimated

This agreement was entered into because it was believed that it would provide a fair reimbursement to the General Fund for the costs incurred. Recently we talked with foundation officials and Federal HEW officials who are responsible for determining federal overhead rates and then we reviewed the data contained in Table 36.

It is our opinion that the General Fund does not receive a fair reimbursement for costs to the General Fund. As Table 36 indicates, in each of the last 4 years the share of federal overhead funds returned to the General Fund has been less than 1 percent. Yet, the current request for federal overhead funds by the Los Angeles State College Foundation, now being audited by the regional office of HEW, reports that more than 70 percent of all federal overhead costs were incurred by the General Fund and less than 30 percent by the foundation. While the actual percents vary from foundation to foundation, these percentages are fairly typical according to officials in the HEW regional office.

Because the current reimbursement policy does not allow the General Fund to recoup its legitimate share of federal overhead funds, a new policy should be established.

We recommend that the General Fund receive 50 percent of all federal overhead funds. This is consistent with the policy in effect with the Uni-

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

versity of California since 1963. In view of the Los Angeles State Foundation report which indicates that over 70 percent of all overhead costs are incurred by the General Fund, a policy calling for a 50-50 split of overhead funds appears to be fair.

Although the Chancellor's office has stated that federal overhead funds received in 1976-77 will not vary by more than 1 percent to 2 percent from the 1974-75 total, we have conservatively estimated 1976-77 overhead funds to be \$2,690,000, only 95 percent of the 1974-75 level. The General Fund share of these funds should be \$1,345,000. Consequently, we recommend that General Fund support be reduced by this amount and the Chancellor's office directed to reduce the individual campus budgets by the appropriate amounts.

CALIFORNIA MARITIME ACADEMY

Item 362 from the General
Fund

Budget p. 984

Requested 1976-77	\$1,944,095
Estimated 1975-76.....	1,802,390
Actual 1974-75	1,463,852
Requested increase \$141,705 (7.9 percent)	
Total recommended reduction	Pending

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Continuing Education. Recommend establishing a separate budget element for continuing education. 901
2. Student Services. Recommend future costs related to housing, health services and food services be fully reimbursed by student fees and shown in the budget presentation. 901
3. Student Fees. Recommend federal subsidies for entering students be awarded on the basis of financial need. 902
4. Faculty and Staff Housing. Recommended a report on the future cost of and need for faculty and staff housing. 902
5. Institutional Support. Withhold recommendation for \$60,000 minor capital outlay until projects are identified and justified. 902

GENERAL PROGRAM STATEMENT

The California Maritime Academy (CMA), located at Vallejo, was established in 1929 and is one of six institutions in the United States providing a program for students who seek to become licensed officers in the U.S. Merchant Marine. The academy receives some federal support for this program.

In response to legislation (Chapter 1069, Statutes of 1972) CMA prepared a five-year academic plan designed to expand the curriculum, provide accredited degrees in marine and maritime sciences and increase the number of graduates. This plan was reviewed and approved by the Legis-

lature and Governor for its initial year of funding in 1974-75. By 1978-79 (end of the five-year transition period) the academy will enroll 468 students and 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 will be required for the two fully accredited programs of Marine Engineering Technology and Nautical Industrial Technology.

Sea Training periods are conducted each year aboard a merchant-type ship loaned California by the Federal Maritime Administration (MARAD). 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.

CMA is governed by an independent seven member board of governors appointed by the Governor to four-year terms. 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 1976-77 total budget for the academy is \$3,019,581. This includes \$1,944,095 from the General Fund, an increase of \$141,705 or 7.9 percent over the current year. Federal funds (\$387,918) and reimbursements (\$687,568) comprise the balance of the funding sources as shown in Table 1.

Table 1
Maritime Academy Budget Summary

	<i>Actual</i> <i>1974-75</i>	<i>Estimated</i> <i>1975-76</i>	<i>Proposed</i> <i>1976-77</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
<i>Programs</i>					
Instruction	\$568,711	\$679,001	\$789,710	\$110,709	16.3%
Academic support	333,993	398,764	468,400	69,636	17.5
Student services	549,997	656,658	749,943	93,285	14.2
Institutional support	780,457	931,810	1,011,528	79,718	8.6
Totals	\$2,233,158	\$2,666,233	\$3,019,581	\$353,348	13.3%
<i>Funding Sources</i>					
General Fund	\$1,463,852	\$1,802,390	\$1,944,095	\$141,705	7.9%
Reimbursements	483,730	517,143	687,568	170,425	33.0
Federal funds	285,576	346,700	387,918	41,218	11.9
Totals	\$2,233,158	\$2,666,233	\$3,019,581	\$353,348	13.3%
Positions	91.8	101.6	107.4	5.8	5.7%

In addition to the 5.8 new positions shown in Table 1, the Governor's Budget proposes to continue on a permanent basis one additional position administratively established during the current year.

Table 1 reflects substantial increases in all of the programs. These increases are generally workload related and are largely offset by increased reimbursements from student tuition and fees.

CALIFORNIA MARITIME ACADEMY—Continued**Enrollment**

Table 2 summarizes CMA applications, enrollment and graduates for a five-year period. It indicates that enrollment is scheduled to increase by 65 students or 18.6 percent in 1976-77.

Table 2
CMA Enrollment Statistics

	1972-73	1973-74	1974-75	1975-76 (est.)	1976-77 (est.)
Applications.....	195	230	320	374	n.a.
Admissions.....	113	132	152	146	n.a.
Budgeted enrollment.....	230	240	313	360	414
Average enrollment.....	221	240	312	349	414
Graduates.....	60	52	58	99	9 ^a

^a Interim class, most students converted to new four-year program.

Progress Toward Accreditation

The Committee on Conference for the Budget Act of 1972 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 indicates arrangements for a coordinated visit from all three accrediting agencies in October 1976. It is expected that overall accreditation by the Western Association of Schools and Colleges, accreditation of the marine engineering technology curriculum by the Engineer's Council for Professional Development, and accreditation of the nautical industrial technology curriculum by the National Association for Industrial Technology will follow the scheduled visitation.

The Governor's Budget continues to support the five-year academic plan with the proposed addition of 1.5 new instructor positions, one related clerk position and the addition of two student affairs officers (one was established administratively during the current year by the Department of Finance).

Improved Budget Format

Last year the Conference Committee requested that the academy budget reflect additional detail on changes in numbers of students, graduates, tuition, student fees, student aid and costs per student. In addition, a separate budget element on sea training and continuing education was to be established. With the exception of the continuing education element, all of these improvements are reflected in this year's budget format. For example, the operation of the training ship, *Golden Bear*, involves 12 positions and is budgeted at \$391,441 in 1976-77 (an increase of \$56,031 or 16.7 percent). If all of the federal funds and reimbursements are applied to this element as offsets, a General Fund cost of \$250,000 remains.

Training Ship Alternatives

Concerned with the General Fund cost of supporting the training ship, the Legislature asked the academy to investigate cost-saving alternatives. The report submitted in November supports continued use of the ship under past policies and procedures. Seven alternatives were reviewed and each proved less feasible than current practices.

As long as the mandated mission of the academy requires the training of licensed officers for the American Merchant Marine, the ship will be required. The report also indicates the federal government will contribute about \$400,000 for ship's maintenance during the current year. These funds are in addition to those shown in the budget.

Continuing Education

We recommend that a budget element for continuing education be established under the academic support program.

We noted previously that the improved budget format used this year failed to include an element for continuing education. The continuing education function was to offer the academy's facilities and training to California's maritime industry on a reimbursement basis. In the past, the Legislature supported this activity with "seed" money based on the academy's arguments that a need and desire for such services existed and that reimbursements would eventually exceed costs. Our recommended special budget element would allow an annual assessment of the continuing education activity in relation to these arguments.

Student Services

We recommend that future costs related to (1) maintenance and cleaning of housing, (2) health services and (3) food services should be fully reimbursed by student fees. Subsequent budget presentations should clarify this policy.

The student services program combines budget elements which are totally student supported (e.g., food services) with those that are fully state supported (e.g., financial aid). None of the elements include the corresponding level of reimbursements and it is impossible from the existing format to determine what percent of costs is being reimbursed. Because we believe housing, health services and food services should be reimbursed from student fees now specified for these purposes, we recommend these elements be separately identified in future budgets with their offsetting reimbursements.

Food Services

In 1974 the Legislature asked the academy to report on costs and potential savings which could result from contracting food services through a private firm. The report indicated the four private food service firms which investigated the academy's operation believed they could provide better food service at less cost. The academy took no action because of a legal opinion that it would be unconstitutional to contract for services currently performed by civil service employees.

Last year the Legislature requested a report on actions taken and future alternatives for reducing food services costs at the academy. The report

CALIFORNIA MARITIME ACADEMY—Continued

considered several alternatives and compared projected costs with those at selected California State University and Colleges (CSUC) campuses. Based on economies instituted by CMA and the increasing student population being served, it is estimated 1976-77 costs will approximate or be lower than some CSUC campuses. The report concluded with the recommendation that student fees continue to offset all food service costs.

Student Fees

We recommend that the federal subsidies for entering students be awarded on the basis of financial need criteria established by the Student Aid Commission for awarding all state funded student aid.

Historically the academy receives a \$600 federal subsidy for each entering student up to a maximum of 110 students (temporary increase to 114 for 1976-77). 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 (e.g., this year more than 110 were admitted) does not receive the \$200 grant and must also contribute an additional \$400 to make up the federal operations subsidy. This means that some resident students actually benefit by \$600 more than other fully qualified resident students.

Under current policy these subsidy awards are given on a scholastic (i.e., grade-point average) basis. We recommend future awards be based on an analysis of each resident student's financial need.

Faculty and Staff Housing

We recommend that the governing board of the academy prepare a comprehensive cost and need analysis of public subsidized housing provided for some faculty and staff members and report its findings and recommendations to the Joint Legislative Budget Committee by December 1, 1976.

Several older units of faculty and staff housing exist at the academy and maintenance costs may be excessive in light of the revenue received. We believe the mission of the academy may not necessitate replacing these homes. If this is the case, we would recommend phasing out this housing as maintenance costs exceed rental reimbursements. The recommended report would provide the basis for future funding and policy decisions. A capital outlay request to upgrade street lighting should be delayed until the recommended analysis is submitted.

Institutional Support Program

We withhold recommendation of the \$60,000 budgeted for minor capital outlay until projects are identified and justified.

This budget program would receive one clerical and .5 janitor position augmentations in 1976-77. Included also is a \$60,000 minor capital outlay item. Because the proposed use of these funds or their relationship to the requests submitted by the academy cannot be determined from the Governor's Budget we believe additional project identification and justification is necessary.

Major Capital Outlay Program

Item 398, Budget Act of 1974, appropriated \$6.2 million for a five-year major capital outlay program at the academy. This program is underway and its progress will be reported by academy representatives during the subcommittee hearings.

BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES

Items 363, 365, and 366 from the
General Fund, Item 364 from
the Credentials Fund

Budget p. 989

Requested 1976-77	\$474,322,072
Estimated 1975-76	390,601,388
Actual 1974-75	353,565,340
Requested increase \$83,720,684 (21.4 percent)	
Total recommended reduction	\$3,572,524

1976-77 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	<i>Analysis page</i>
363	Board of Governors support	General	\$1,807,632	906
365	Extended Opportunity Program	General	11,484,027	912
366	Local District Apportionments	General	460,880,413	915
—	Chapter 1269, Statutes of 1975	General	150,000	—
		Total	\$474,322,072	
364	Community Colleges Creden- tialing	Credentials	340,694	910

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- | | <i>Analysis
page</i> |
|---|--------------------------|
| 1. <i>Temporary Help.</i> Reduce Item 363 by \$59,720. Recommend temporary help positions be budgeted at the entry level salary of appropriate position classifications. | 907 |
| 2. Budget Format. Recommend inclusion of separate budget element for Board of Governor's expenses. | 908 |
| 3. Information System. Recommend special review based on specified criteria. | 908 |
| 4. Local Service. Recommend development and report on procedures to provide specified services requested by local districts on a reimbursement basis. | 909 |
| 5. <i>Fiscal Services.</i> Reduce Item 363 by \$41,500. Recommend two new positions for the apportionment process not be approved because of increased automation. | 910 |
| 6. Credentials Fee. Recommend the credentials fee not exceed \$12.50 beginning July 1, 1976. | 911 |
| 7. <i>Credential Administration.</i> Reduce Item 364 by \$26,304. Recommend four new temporary help positions not be approved. | 911 |
| 8. Extended Opportunity Program (EOP). Recommend at least 70 percent of all EOP monies be expended for student services. | 913 |
| 9. <i>EOP.</i> Reduce Item 365 by \$3,445,000. Recommend EOP be funded at the traditional workload level plus an increased enrollment workload allowance of five percent. | 914 |

10. Future Funding. Recommend the Legislature direct the Postsecondary Education Commission to include specified alternatives in its ongoing study of community college financing. 918

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 within the overall structure of public postsecondary education in California. The board is composed of 15 members appointed by the Governor for four-years terms.

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, since July 1, 1974, state apportionments to the 70 local community college districts.

Enrollments

Table 1 shows enrollment and average daily attendance (ADA) statistics since 1969. Community colleges are projecting an increase of 40,700 ADA (5.3 percent) for 1976-77. State apportionments will be subject to certain limits in 1976-77 as they are during the current year.

Table 1
Student Enrollment and ADA in Community Colleges

Year	Total enrollment	Fall graded students		Ungraded students	Total ADA	Percent increase ADA
		Full-time	Part-time			
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	399,590	178,548	552,208	6.7
1972-73.....	921,953	281,740	429,216	210,997	573,593	3.9
1973-74.....	1,010,823	306,070	546,747 ^a	158,006 ^a	609,459	6.3
1974-75.....	1,137,668	324,281	635,426	171,961	695,374	14.1
1975-76 (est)	1,275,600	342,000	735,000	198,000	765,300 ^b	10.0
1976-77 (est)	1,345,000	345,000	795,000	205,000	806,000	5.3

^a Major change due to elimination of adult permissive tax (Chapter 209, Statutes of 1973).

^b State funded increase limited to 5 percent (Chapter 176, Statutes of 1975.)

ANALYSIS AND RECOMMENDATIONS

Board of Governors Budget Summary

The board's total General Fund budget as proposed for 1976-77 is \$474,322,072. This includes \$1,807,632 (Item 363) for the support of the board, \$11,484,027 (Item 365) for the Extended Opportunity program (EOP), \$460,880,413 for apportionment to local community college districts, and \$150,000 from a continuing appropriation for coordination of regional occupational education programs.

In addition to these General Fund monies, the budget proposes to trans-

COMMUNITY COLLEGES—Continued

for \$340,694 from the Community College Credentials Fund (Item 364) for support of the credentialing activity and \$100,000 from a Special Deposit Fund to support a real estate education program. Thus, a combination of all of these funding sources plus \$1,250,088 in reimbursements provides the board a total of \$476,012,854 for expenditure and apportionment in 1976-77.

Table 2 sets forth total program expenditures, funding sources, positions and proposed changes.

Table 2
BOARD OF GOVERNORS PROGRAM
BUDGET SUMMARY

<i>Programs</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Amount</i>	<i>Percent</i>
I. Board of Governors support	\$2,895,960	\$3,355,208	\$3,648,414	\$293,206	8.7%
II. Extended opportunity program	6,170,500	7,656,018	11,484,027	3,828,009	50.0
III. Community college apportionments	346,066,049	381,161,799	460,880,413	79,718,614	20.9
TOTALS	\$355,132,509	\$392,173,025	\$476,012,854	\$83,839,829	21.4%
<i>Funding sources</i>					
<i>General Fund</i>					
1. Support Budget Act appropriation	\$1,328,791	\$1,783,571	\$1,807,632	\$24,061	1.4%
2. EOP Budget Act Appropriation	6,170,500	7,656,018	11,484,027	3,828,009	50.0
3. Continuing appropriations	0	0	150,000	150,000	100.0
4. District apportionments	346,066,049 ^a	381,161,799 ^a	460,880,413 ^a	79,718,614	20.9
GENERAL FUND SUBTOTALS	\$353,565,340	\$390,601,388	\$474,322,072	\$83,720,684	21.4%
<i>Special Deposit Fund</i>					
Special Deposit Fund	0	80,000	100,000	20,000	25.0
Credentials Fund	0	269,755	340,694	70,939	26.3
Reimbursements	1,371,644	1,186,895	1,250,088	63,193	5.3
Federal funds	195,525	34,987	0	-34,987	-100.0
Positions	107.5	113.3	119.3	6.0	5.3%

^a State share only. Does not include federal, county, district or student funded expenditures.

Table 2 shows six new positions requested for 1976-77. However, because positions administratively established during the current year or budgeted on a temporary basis are proposed for continuation on a permanent basis, 16 new positions are subject to final approval before their establishment. Only those position requests which we believe warrant special consideration are discussed in the analyses which follow.

I. BOARD OF GOVERNORS' SUPPORT PROGRAM (Item 363)

Table 3 summarizes the elements within the Board of Governors' support program and shows proposed changes.

Table 3
Board of Governors' Support Program Summary

<i>Elements</i>	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Change</i>	
	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Amount</i>	<i>Percent</i>
1. Chancellor's Office ..	\$197,133	\$210,687	\$208,913	\$-1,774	-0.8%
<i>Positions</i>	<i>6.4</i>	<i>6.1</i>	<i>5.8</i>	<i>-0.3</i>	<i>-4.9</i>
2. Analytical Studies	164,638	193,123	252,387	59,264	30.7
<i>Positions</i>	<i>7.3</i>	<i>7.7</i>	<i>9.2</i>	<i>1.5</i>	<i>19.5</i>
3. Government and Public Affairs	143,317	154,133	180,901	26,768	17.4
<i>Positions</i>	<i>4.7</i>	<i>5.8</i>	<i>6.1</i>	<i>0.3</i>	<i>5.2</i>
4. Administrative and Fiscal Services	543,329	519,813	525,770	5,957	1.2
<i>Positions</i>	<i>19.4</i>	<i>23.1</i>	<i>23.6</i>	<i>0.5</i>	<i>2.2</i>
5. Credentials	277,997	269,755	340,694	70,939	26.3
<i>Positions</i>	<i>11.6</i>	<i>10.0</i>	<i>13.0</i>	<i>3.0</i>	<i>30.0</i>
6. Academic Affairs	214,295	275,291	286,081	10,790	3.9
<i>Positions</i>	<i>7.9</i>	<i>9.1</i>	<i>9.1</i>	<i>0</i>	<i>0</i>
7. Facilities Planning	287,418	309,428	318,745	9,317	3.0
<i>Positions</i>	<i>10.6</i>	<i>10.6</i>	<i>10.6</i>	<i>0</i>	<i>0</i>
8. Student Personnel	207,593	239,704	244,393	4,689	2.0
<i>Positions</i>	<i>7.6</i>	<i>7.9</i>	<i>7.9</i>	<i>0</i>	<i>0</i>
9. Occupational Education	860,240	1,183,274	1,290,530	107,256	9.1
<i>Positions</i>	<i>32.0</i>	<i>33.0</i>	<i>34.0</i>	<i>1.0</i>	<i>3.0</i>
Total Dollars	\$2,895,960	\$3,355,208	\$3,648,414	\$293,206	8.7%
Total Positions	<i>107.5</i>	<i>11.3</i>	<i>119.3</i>	<i>6.0</i>	<i>5.3%</i>

Temporary Help Overbudgeted

We recommend authorized and proposed temporary help positions be budgeted at the entry salary level of the appropriate position classifications for a General Fund savings of \$59,720 (Item 363).

This recommendation is based on the correct, historical method for budgeting temporary help positions. By contrast, this agency has been allowed to inflate the dollars actually budgeted for temporary positions. The extra dollars can then be used to employ more temporary help than justified or redirected to other unbudgeted purposes with Department of Finance approval. We found this questionable practice in both the budget base positions and the requested new temporary help positions.

For example, the agency submitted justification for temporary help clerical positions in the credentials office. The Governor's Budget adds four such positions at a cost of \$42,871. By contrast, four *permanent* clerk-typist positions would have cost no more than \$26,304 or \$16,567 less than that provided by the Governor's Budget.

Total savings reflected in our recommendation are the result of informal discussions with the agency on the duties generally performed by temporary help. We then recomputed all temporary positions at the entry step of classifications which we felt most nearly corresponded to duties being performed. We have requested a report on temporary position assignments from the agency.

COMMUNITY COLLEGES—Continued**Budget Format Should Be Improved**

We recommend that future budget formats include an element for Board of Governors' expenses.

This technical recommendation would require those expenses incurred or budgeted on behalf of board members to be identified separately. For example, we believe confusion now exists over how much is budgeted for board member travel in comparison with Chancellor's office staff travel. We believe some of the board's needs may be underbudgeted whereas staff travel may be overbudgeted. The recommended refinement would assist the identification and monitoring of the actual use of budgeted funds.

1. Chancellor's Office

Table 3 shows a minor decrease in funding for the Chancellor's office and a reduction of 0.3 position. This small change results from an internal shift of temporary help from this element to the Government, District and Public Affairs element.

2. Analytical Studies

The Governor's Budget provides \$48,000 for the proposed automated management information system (MIS). Funding would support two additional permanent clerical positions and 1.5 additional temporary help positions (reduced funding is recommended for these temporary help positions at the beginning of this analysis).

Management Information System Review

We recommend the proposed new management information system be reviewed by the Legislature and authorized only if it meets specified criteria.

In a recent report we recommended that the Board of Governors of the California Community Colleges, in coordination with the California Postsecondary Education Commission, establish and implement during 1976-77 (a) a statewide data element dictionary, (b) an integrated information base, (c) a data storage and retrieval capability, and (d) a procedure for expanding and updating the information base. We also noted that the California Postsecondary Education Commission established as its top priority, the development of a series of comprehensive, state-level systems for information collection, storage, retrieval, analysis, and dissemination to facilitate informed decision-making about and within postsecondary education.

To avoid duplication we believe that coordination should be required at the outset in the development of a community college MIS. More importantly, we believe the planning and funding of postsecondary education information systems should be viewed from a more coordinated perspective than provided by our traditional budgeting processes. To these ends our report established four criteria to evaluate the need for or expansion of any postsecondary education MIS.

However, the justification provided our office describing the proposed

community college MIS is not related to our criteria. We will request additional agency information and, based on our analysis, make a recommendation on the MIS proposal during the budget hearings.

3. Government, District and Public Affairs

This element receives a minor augmentation of funds and an additional .3 of a position through a transfer from the Chancellor's office element.

Second Legal Counsel Proposed

We recommend the Board of Governor's develop and recommend to the Joint Legislative Budget Committee by December 1, 1976 a procedure to fund, on a reimbursement basis, legal services requested by local districts.

The Chancellor's office has one permanent legal counsel position. The Governor's Budget would add a second position which was administratively established on a temporary basis February 1, 1976 under the provisions of Section 28 of the Budget Act of 1975. The agency reported increased workload in five separate areas: (1) on-going, historical, Chancellor's office and Board of Governors' activities, (2) advisory committee duties connected with the permissive *Education Code* legislation (Chapter 1508, Statutes of 1974), (3) credential office functions and appeals, (4) legal activities related to federally funded occupational education programs, and (5) legal assistance to local community college districts.

Although not reflected in either the original Section 28 letter or the agency justification, the Department of Finance subsequently informed our office that, with agency agreement, (1) this position was to be funded during the remainder of 1975-76 with one-third federal Vocational Education Act funds, one-third reimbursement from the Credentials Fund (a special fund generated from credential fees) and one-third from General Fund salary savings, and (2) the position would be proposed for continuation in 1976-77 on the same tripartite funding basis.

In evaluating the Section 28 request, we recommended the position be established only on a temporary basis for two reasons. First, the two fiscal subcommittees reviewed and disapproved a supplementary budget augmentation request by the agency for this additional position last year. At that time we argued that any increased legal services provided to local community college districts upon their request should be partially reimbursed from local revenues under traditional shared state and local funding policies. This type of workload was still included in the Section 28 justification. A second factor is that the agency justification indicated four days per month are devoted by the existing legal counsel to the Advisory Committee for the Permissive Code. This activity is scheduled for completion in March 1976, and the counsel workload should be proportionately reduced.

We now support establishing the position on a permanent basis if a procedure will be authorized and implemented in the future to allow shared state and local funding for any legal services provided at local district request. This procedure also might be utilized in the future to support additional local district services other than legal services.

COMMUNITY COLLEGES—Continued**4. Administrative and Fiscal Services**

This element provides management and staff for the administration of state apportionments to local community college districts. Three and one-half new positions are proposed.

Increased Automation Should Not Require Additional Positions

We recommend the proposed new specialist in district organization position and the associate program analyst position be eliminated for a General Fund savings of \$41,500 (Item 363).

We noted last year that the Chancellor's office had assured the Legislature that the transfer of the apportionments function from the Department of Education would not increase costs. However, we subsequently discovered that without increased funding, manual processing and a reduction in informational services would result.

To solve these problems an additional \$37,510 was included in the budget last year for the development and implementation of an apportionments data processing system and to continue the level of informational services previously provided by the Department of Education. However, the Chancellor's office will still not publish its own statistical summary report until next year and we question the comparability of the level of automation that has been achieved.

At the time the discussions on apportionment automation took place there were no requests for additional personnel. However, the Governor's Budget now proposes to continue on a permanent basis "two additional positions, established administratively in 1975-76 to assume the increased workload as a result of apportionments (cap) of the Budget Act of 1975 and use of the automated apportionments system."

Continuation of these positions is not warranted based on the justification provided by the Governor's Budget and our previous review of the proposed automated apportionments process. We also believe any additional workload related to developing administrative procedures for implementing the apportionment "cap" will not continue into 1976-77.

We support continuing on a permanent basis the Associate Research Analyst for Attendance Accounting position that was established by the Legislature for the current year on a temporary basis. This position should assist in correcting the serious attendance accounting problems. The proposed 0.5 position for a reproduction machine operator is workload related and reasonable.

5. Credentials (Item 364)

Administrators and teachers in community colleges are required to obtain a state-mandated credential. The Chancellor's office is the issuing agency. The Governor's Budget augments this activity with six permanent positions, two of which were established by the Legislature last year on a temporary basis plus four which were administratively established during the current year by the Department of Finance on the basis of workload.

We have concluded and reported that the current credentialing process (1) is unnecessary, (2) is not representative of higher education, (3) limits

local autonomy, (4) is inadequate by itself for local hiring purposes, and (5) is unnecessarily expensive for applicants.

As a result, the Legislature last year limited two requested certification analyst positions to a temporary basis in case legislation was enacted to eliminate specified credentials. Such legislation was not enacted. Consequently, these two positions should be continued on a permanent basis as originally proposed. A recommendation related to the proposed four new temporary help positions is presented later.

Legislative Mandate on Credential Fee Reduction Was Not Implemented

We recommend the credentials fee not exceed \$12.50 beginning July 1, 1976.

The Committee on Conference on the Budget Bill of 1974 directed the Chancellor's office to "review and adjust the credential application fee to eliminate overcharges and credential fund surpluses." However, no adjustment in the \$15 fee was made and \$86,665 in excess credentials fees were collected from 24,355 applicants. This excess was transferred to the General Fund (excess charge of \$3.50 per credential).

Concerned with this overcharge again last year, the Legislature by supplemental budget language directed the Chancellor's office to review and adjust the credential application fee to eliminate overcharges and surpluses. Last year the Governor's Budget projected a surplus of \$120,000 for 1975-76. The Governor's Budget now estimates this surplus will grow to \$135,245 or an average overcharge of \$5.00 per credential.

The Board of Governors, on the Chancellor's recommendation, again refused to adjust the credential fee downward for this year on the rationale that had expenditures been higher and processing backlogs avoided, the surplus would be less.

We agree that, given the opportunity, the credentials activity will be staffed and administered in such a manner that the \$15 fee will be consumed. Our recommendation is designed to prevent that consequence and is (1) based upon previous Legislative intent and (2) made possible by savings and revised surplus estimates set forth in the discussion of the next recommendation.

The Credentials Backlog

We recommend the four temporary help positions proposed for the credentials section be eliminated for a General Fund savings of \$26,304 (Item 364).

The request for increased personnel is based upon the following arguments: (1) the credential application load is not spread evenly throughout the year, and (2) excessive backlogs and delays have occurred under authorized staffing levels. We believe the four temporary help positions already in the base provide adequate flexibility to deal with workload fluctuations. To answer the second argument for four more positions requires an evaluation of the need for rapid processing.

We estimate that very few credential applicants will be employed by a community college within six months of their application. Moreover, temporary credentials are authorized and issued by the county any time a district desires to employ an individual who has submitted his application

COMMUNITY COLLEGES—Continued

to the Chancellor's office. Therefore, if a credential is required for employment purposes, procedures already exist to prevent any problem. We do not believe applicants should be forced to pay a 20 percent premium for an accelerated service which they do not need.

Although the four proposed positions are budgeted at \$40,016, this cost would be reduced by \$13,712 if our earlier recommendation on the over-budgeting of all temporary help positions is implemented. In addition, the Governor's Budget fails to reflect the increased income from 1,000 additional applications which it projects. These adjustments plus the implementation of this recommendation would result in a surplus of \$193,300 (an excess of \$4.25 per credential). Thus, implementation of our recommendation for a \$12.50 fee would still provide a contingency surplus of about \$50,000.

II. EXTENDED OPPORTUNITY PROGRAM (ITEM 365)**Major Increase Proposed**

Table 4 summarizes the funding history of the community college's Extended Opportunity Program and Services (EOP) and shows the 50 percent increase proposed by the Governor's Budget.

Table 4
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.....	6,170,500	25,083	246
1974-75.....	6,170,500	23,917	258
1975-76 (est)	7,656,018	27,149	282
1976-77 (est)	11,484,027	40,724	282

It should be noted that the Budget Act of 1975 provided \$6,849,255 for EOP which subsequently was augmented \$806,763 by Chapter 1017, Statutes of 1975.

Statutory Mandate Not Followed

For the last two years allocations to local districts of EOP money appropriated by the Budget Act have been based on a formula which "permits annual evaluation of EOP projects and allocation of funds on a cost effective and priority basis." The formula requirement was based on a recommendation in our 1972-73 Analysis and implementing language was included in the report of the Committee on Conference. Since that time, Budget Act language has reflected the original mandate by stating, "the Board of Governors shall allocate 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." In compliance with this language \$6,849,255 was allocated to 97 colleges in 1975-76 based upon a formula which met the priority and effectiveness mandates.

Chapter 1017, Statutes of 1975, appropriated an additional \$806,763 for community college EOP and repeated the same allocation control language as the Budget Act. However, the Chancellor's office developed an allocation procedure that benefited 25 colleges whose programs had been reduced under the priority and effectiveness evaluation procedures used for the earlier Budget Act allocation.

The Board of Governors approved this questionable allocation procedure and districts were notified through the Chancellor's office. However, districts were not notified of an important statutory condition.

That is, *Education Code* Section 25528.3 requires approval by the Department of Finance of any proposed schedule of payments to districts under EOP. The Chancellor's office requested this approval on October 20, 1975. Because the Chancellor's office notified districts prior to Finance approval, districts had already committed these additional funds and the Department of Finance was faced with a choice of seriously disrupting the budget of 25 districts or approving this highly questionable allocation. The request was finally approved on January 14, 1976.

New EOP allocation procedures are under development by the Chancellor's Office. We will review them to determine whether they equal or exceed the effectiveness criteria used during the last two years for Budget Act allocations.

Grants Versus Services

We recommend at least 70 percent of all EOP monies be expended for student services.

The Legislature directed the Chancellor's office last year to "review and change as deemed appropriate for 1975-76 its current formula for allocating EOP funds between grants and student services" and report the results to the Joint Legislative Budget Committee. This requirement was based upon information similar to that shown in Table 5 reflecting dramatic increases in state and federal grant aid for community college students.

Table 5
Community College Grant Financial Aid
(Without EOP)

Program	1974-75	1975-76	Change	
			Amount	Percent
College opportunity grant *	\$1,594,000	\$2,529,000	\$935,000	58.7%
Basic educational opportunity grant ..	9,181,000	10,000,000	819,000	8.9
Grants to veterans	38,735,000	63,000,000	24,265,000	62.6
Other grants	8,672,000	10,795,000	2,123,000	24.5
Totals	\$58,182,000	\$86,324,000	\$28,142,000	48.4%

* State funds; other programs shown are federally funded.

We believe the statistics in Table 5 drawn from the Governor's Budget are extremely conservative. For example, a 1975 report by the State Scholarship and Loan Commission reflects student aid resources and increases shown in Table 6.

The "other financial assistance" category is composed primarily of GI benefits. Table 6 does not include the impact of the new federal Basic Educational Opportunity Grant (BEOG) program.

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Table 6
Community College Student Aid Resources
(College Controlled Funds)

	1972-73	1973-74	Change	
			Amount	Percent
Scholarships and grants	\$11,734,746	\$17,053,048	\$5,318,302	45.3%
Loans	11,234,066	10,739,453	-494,613	-4.4
Employment	16,718,631	19,315,514	2,596,883	15.5
Subtotals for institution aid	\$39,687,443	\$47,108,015	\$7,420,572	18.7%
Other financial assistance	\$191,343,956	235,309,340	43,965,384	23.0
Grand totals all assistance	\$231,031,399	\$282,417,355	\$51,385,956	22.2%
Total awards	118,343	132,093	13,750	11.6

We believe all student aid funds will continue and increase somewhat in the future. In fact, major increases in the traditional state funded programs, including the College Opportunity Grant program (intended by the Legislature to serve primarily community college students), will occur over the next three years as a result of the enactment of Chapter 1270, Statutes of 1975.

The information presented in Tables 5 and 6 suggests that even without EOP grant augmentation, a far greater percentage of disadvantaged students are probably entering community colleges through the other aid programs.

Experience has shown the need to support these students with special tutorial services, remedial courses and peer counseling programs. Because EOP is the only state program which provides services specifically designed for disadvantaged students, we believe the dramatic increase in grant aid has created a situation whereby increased funding of student services is required to insure these students, once admitted, have a reasonable potential for achieving their educational objectives.

The Governor's Budget specifies \$4,409,869 for student services in 1976-77. This represents a shift of only 3.3 percent from *grants* to *services* and in our opinion is not adequate to meet the needs of new disadvantaged students entering the colleges. Our recommendation would require 70 percent of any appropriation be expended for services. Further, we believe the California Student Aid Commission should recommend future percentage changes based on their overview of total student aid resources.

Student Grant Duplication and Premature Policy Change

We recommend EOP be funded at the traditional workload level plus an enrollment related allowance of five percent for a net General Fund savings of \$3,445,000. (Item 365).

Tables 5 and 6 showed major increases in community college grant aid. When the Legislature created EOP, the federal Basic Educational Opportunity Grant (BEOG) program was not in existence. This new basic entitlement program has more than doubled the availability of grant aid for which a substantial number of EOP-type students would qualify. For example, reports received from the federal government indicate 24,000 Cali-

fornia community college students received about \$15 million in BEOG grants during 1974-75.

It also should be noted that Chapter 801, Statutes of 1975, requires the California Postsecondary Education Commission, in consultation with the Student Aid Commission, to conduct a comprehensive study of EOP in all three segments of public postsecondary education. The report, due July 1, 1976, will assess the unmet financial need of EOP-type students and investigate the potential for coordinating or consolidating the grant portion with other state-funded grant programs.

We believe the information from this specially funded EOP study should be analyzed before the program is substantially increased or changed.

In our opinion an increase of five percent in the number of students served (from 27,149 to 28,506) is appropriate for the budget year. This percentage is consistent with the maximum allowable state funded increase in total community college ADA in 1976-77 and allows EOP the same rate of growth at a cost of \$382,800.

III. COMMUNITY COLLEGE APPORTIONMENTS

The major issues in community college apportionments in 1976-77 appear to be: (1) consideration of continuance of the budget cap and (2) discussion of alternative methods for financing community colleges.

Current Method of Apportionment of State Aid

The system of community college apportionments is controlled by constitutional and statutory provisions. These provisions guarantee each of the state's 70 community college districts a minimum amount of state support per ADA (Average Daily Attendance) of \$125. This is referred to as "basic aid." An additional amount of state aid is granted to nearly 95 percent of the state ADA in the form of "equalization aid." To receive equalization aid a district must display an inability to raise sufficient local revenue from a specified property tax rate to meet a given level of expenditure determined annually by the state. This expenditure level is referred to as the "foundation program."

Both the foundation program level and the technique for determination of equalization aid are dependent on the classification of the student. Two classifications are used: defined adult and other than defined adult.

Defined adults are students who are past the age of 21 and who attend classes for less than 10 hours per week. The foundation program for defined adults was \$637 per ADA in 1975-76. The foundation program for other than defined adults, into which all other students fall, totals \$1,143. Because of the required local property tax effort, the average amount of state aid per ADA is much lower than the foundation levels. However, no district receives less than \$125 per ADA.

The 1976-77 Apportionment

In 1976-77 community college apportionments are expected to rise by \$79.7 million or 20.9 percent over the 1975-76 level. This net increase is due to several factors, some of which cause apportionment increases while others cause decreases. Table 7 presents a capsule look at the offsetting

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factors that result in the \$79.7 million increase.

Table 7
Explanation of the \$79.7 million Increase in
Community College Apportionments for 1976-77

	<i>Figures in Millions of dollars</i>
Foundation Program Increase	\$+45.3
Assessed Value Increases	-26.7
Changes in ADA	+43.7
Assistance to new Community Colleges	+15.4
Special Education and Transportation	+ 1.5
State Teachers' Retirement Fund	+ .9
Other	- .4
Total Change in 1976-77 over 1975-76	\$79.7

The substantial increase of \$15.4 million in assistance to new community colleges is the result of voter approved plans to bring nondistrict territories into existing community college districts. By September 1976, this process should be almost completed. It is estimated that this item will drop to less than \$1 million in 1977-78.

Shown in Table 8 are the number of regular ADA that the apportionments support for each of the years.

Table 8
Summary of Apportionment ADA for Community Colleges^a

	<i>Actual</i>	<i>Estimated</i>	<i>Estimated</i>	<i>Change</i>	
	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Amount</i>	<i>%</i>
Other than Defined Adult	552,963	572,200	607,500	32,300	5.6%
Defined Adult	142,411	148,300	159,000	10,700	7.2
Totals	695,374	723,500	766,500 ^b	43,000	5.9%

^a No estimate is available on the number of ADA served by the special education apportionment.

^b Apportionment ADA differs from enrollment ADA shown in Table 1.

The planned foundation program increase of \$66 for other than defined adults and \$45 for defined adults, plus the increases in ADA and assistance to new community colleges is offset by projected growth in assessed property values. Property assessments are estimated to increase by 9.0 percent statewide in 1976-77 compared to the 11.3 percent increase in 1975-76.

Table 9 summarizes community college apportionments for the period 1974-75 through 1976-77.

The Budget Cap

In order to meet other expenditure priorities, the Legislature and the Governor added language to the 1975 Budget Bill to curb state expenditures for secondary adult education and the community colleges. The proposed 1976-77 budget continues the cap.

Under the cap regular community college apportionments will grow by \$62.2 million or by 16.8 percent over the 1975-76 level.

Absence of the budget cap in 1976-77 would result in an estimated increase in community college apportionments of 43.1 percent or \$159.7 million over 1975-76 levels. Thus, the difference between the capped and

Table 9
Summary of Community Colleges Apportionments
From State General Fund

	<i>Actual</i> 1974-75	<i>Estimated</i> 1975-76	<i>Estimated</i> 1976-77	<i>Change</i>
Apportionments—Regular:				
Grades 13-14 basic aid	\$68,062,000	\$71,900,000	\$75,937,500	\$4,037,500
Grades 13-14 equalization aid	229,799,605	256,082,200	304,958,500	48,876,300
Defined adult basic aid	17,255,875	18,537,500	19,875,000	1,337,500
Defined adult equalization aid	21,984,399	23,704,000	31,691,000	7,987,000
Totals, Regular Apportionments	\$337,101,879	\$370,223,700	\$432,462,000	\$62,238,300
Apportionments—Special Education:				
Physically handicapped	1,938,453	2,900,000	4,123,578	1,223,578
Mentally retarded	11,760	15,000	18,000	3,000
Special transportation	10,188	100,000	200,000	100,000
Educationally handicapped	63,300	150,000	165,000	15,000
Handicapped adults	1,718,673	1,960,954	2,092,863	131,909
Totals, Special Education Apportionments	\$3,742,374	\$5,125,954	\$6,599,441	\$1,473,487
Regular transportation	—	75,000	150,000	75,000
Adjustments (prior year ADA)	-507,161	-2,000,000	-2,400,000	-400,000
Totals, Per Education Code 17303.1, 17303.6, 17668	\$340,337,092	\$373,424,654	\$436,811,441	\$63,386,787
Special Apportionments:				
State Teacher's Retirement	5,330,485	5,616,000	6,519,900	903,900
Assistance to new community colleges	398,472	2,121,145	17,549,072	15,427,927
Totals, Special Apportionments	\$5,728,957	\$7,737,145	\$24,068,972	\$16,331,827
TOTALS, APPORTIONMENTS	\$346,066,049	\$381,161,799	\$460,880,413	\$79,718,614

COMMUNITY COLLEGES—Continued

uncapped amounts for 1976-77 is \$97.5 million. In practice, the state pays for a 5.9 percent enrollment growth under the cap compared to a 16.1 percent growth if the cap were eliminated.

Table 10 shows the resultant ADA and apportionment levels with and without the budget cap. We believe that continuation of the cap is prudent fiscal management. The one extension of the cap will allow adequate time to complete study of alternative funding strategies for adult education.

Evaluation of Community College Financing Alternatives

We recommend that the Legislature direct the Postsecondary Education Commission to include in its ongoing study of community college financing, the merits of the foundation approach versus the merits and feasibility of a method similar to state support for the University of California and the California State University and Colleges.

In our 1975-76 Analysis we recommended that the California Postsecondary Education Commission (CPEC) undertake a study of alternative methods for financing community colleges. That study is underway and the findings and recommendations will be reported to the Legislature by December 1, 1976.

Historically, the community colleges have been financed in the same manner as elementary and secondary education. However, the goals of the community colleges are generally agreed to be different from those of the K-12 section. Thus, while a foundation program may meet the needs of elementary and secondary education, it may not be best suited for the community colleges.

A number of proposed funding methods for community college respond to the K-12 *Serrano* issue. These proposals assume the continuance of some type of foundation program. It is our understanding that the current CPEC study is also focusing primarily on alterations within a foundation framework. We recommend that the CPEC study examine the merits of foundation support versus the merits and feasibility of a method similar to state support for the University of California and the California State University and Colleges.

Table 10
Community College Budget Cap

	1975-76	With Cap 1976-77	Without Cap 1976-77	Change from 1975-76			
				With Cap		Without Cap	
				Amount	Percent	Amount	Percent
<i>1. Comparison of ADA</i>							
Other than Defined Adults.....	575,200	607,500	671,700	32,300	5.6%	96,500	16.8%
Defined Adults.....	148,300	159,000	168,000	10,700	7.2	19,700	13.3
	<u>723,500</u>	<u>766,500</u>	<u>839,700</u>	<u>43,000</u>	<u>5.9%</u>	<u>116,200</u>	<u>16.1%</u>
<i>2. Apportionment Comparison</i>							
Other than Defined Adults.....	\$327,982,200	\$380,896,000	\$469,329,700	\$52,913,800	16.1%	\$141,347,500	43.1%
Defined Adults.....	42,241,500	51,566,000	60,580,800	9,324,500	22.1	18,339,300	43.4
	<u>\$370,223,700</u>	<u>\$432,462,000</u>	<u>\$529,910,500</u>	<u>\$62,238,300</u>	<u>16.8%</u>	<u>\$159,686,800</u>	<u>43.1%</u>

STUDENT AID COMMISSION

Items 367–369 from the General
Fund and Item 370 from the
Guaranteed Loan Fund

Budget p. 1002

Requested 1976–77	\$62,659,212
Estimated 1975–76.....	53,914,321
Actual 1974–75	42,483,456
Requested increase \$8,744,891 (16.2 percent)	
Total recommended reduction	\$1,058,349

1976–77 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	Analysis page
367	Commission administration	General	\$2,328,832	925
368	Scholarship program awards	General	43,450,833	926
369	Other programs	General	14,747,765	926
—	Continuing appropriations	General	2,131,782	926
		Total	\$62,659,212	
370	Guaranteed Loan program	Guaranteed Loan	37,372	934

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

	Analysis page
1. <i>Administration positions. Reduce Item 367 by \$20,149. Recommend new positions be budgeted at the entry step.</i>	925
2. <i>Administration. Augment Item 367 by \$40,000. Recommend development of a master plan for further automation of the administration of student aid programs.</i>	925
3. <i>Graduate Fellowships. Recommend legislation to limit awards to first two years of graduate study.</i>	930
4. <i>College Opportunity Grants. Reduce Item 369 by \$1,096,400. Recommend statutory number of awards not be exceeded and that some savings be applied for inflation allowances.</i>	932
5. <i>Occupational Training Grant Program. Augment Item 369 by \$90,700. Recommend augmentation for inflation increases.</i>	934
6. <i>Medical Contracts. Recommend \$5,969,382 from a continuing appropriation be (1) reappropriated for other purposes or (2) added to the General Fund surplus.</i>	935
7. <i>Research. Recommend the commission process the data for specified reports under the new management information system to be established by the California Postsecondary Education Commission.</i>	936
8. <i>Research and Reports. Reduce Item 367 by \$72,500. Recommend elimination of double-funding.</i>	937
9. <i>Information Dissemination. Recommend an information dissemination plan be developed prior to funding.</i>	937

GENERAL PROGRAM STATEMENT

Formerly, statewide student financial assistance was provided through the State Scholarship and Loan Commission. Chapter 1270, Statutes of 1975, renamed the commission, changed its composition and expanded its responsibilities.

The former commission consisted of nine members appointed by the Governor to represent public and private higher education institutions as well as the general public. The new commission will consist of 13 members at the outset, subsequently decreasing to 11. The eleven commissioners will consist of (1) one representative each from (a) a public, proprietary, or nonprofit postsecondary school, (b) an independent college or university and (c) the three public segments; (2) two students; (3) three public members; and (4) one representative of a secondary school. Vacancies on the commission will be filled on a rotating basis by the Governor, Speaker of the Assembly, and the Senate Rules Committee. The Director has indicated that legislation clarifying the appointing process is necessary before the new commission can be convened.

The former commission was first established in 1955 to administer the State Scholarship program. Since then eight more aid programs have been implemented and would be assigned to the new commission. Several additional aid programs have been enacted but have never received funding.

ANALYSIS AND RECOMMENDATIONS

The commission's total proposed General Fund budget for 1976-77 is \$62,659,212. This includes \$2,328,832 (Item 367) for administrative and support expenses, \$43,450,833 (Item 368) for the state scholarship program, \$14,747,765 (Item 369) for all other award-type programs, and \$2,131,782 from a continuing appropriation for the medical contract program.

In addition to these General Fund monies, \$37,372 (Item 370) would be transferred from interest earned on federal deposits to offset administrative costs of the Guaranteed Loan Program and \$10,000 from interest earned by an endowment would be provided to support the Real Estate Scholarship program. The combination of all of these funding sources plus \$6,887,231 in federal funds would provide the commission with a total of \$69,593,815 for expenditure and awards in 1976-77.

A summary of expenditures by program, funding sources, personnel positions and proposed changes is set forth in Table 1.

Table 1 reflects major increases in several programs plus related administrative workload increases. Because 7.8 positions administratively established by the Department of Finance during the current year are proposed for continuation on a permanent basis, a total of 26.9 positions are subject to legislative review for the first time.

The proposed \$12.5 million increase shown in Table 1 is the largest in the history of the commission and amounts to \$40 million above expenditures five years ago (1971-72). During this same period major increases in direct federal aid to students have occurred also. The tables beginning on page 1013 of the Governor's Budget attempt to provide a summary of all financial assistance available to California's students. Such information

STUDENT AID COMMISSION—Continued

Table 1
State Scholarship and Loan Commission Budget Summary

<i>Programs</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Amount</i>	<i>Percent</i>
1. State scholarship	\$34,975,925	\$41,906,787	\$48,439,777	\$6,532,990	15.6%
2. Graduate fellowship	1,079,640	2,132,540	2,125,905	-6,635	-0.3
3. College opportunity grant	7,330,468	9,784,264	14,677,847	4,893,583	50.0
4. Occupational training	1,084,092	1,289,396	1,644,690	355,294	27.6
5. Guaranteed loan	21,771	24,197	37,372	13,175	54.5
6. Peace officers	11,781	17,744	21,827	4,083	23.0
7. Medical contract	947,244	1,535,237	2,138,259	603,022	39.3
8. Clinical training	200,000	300,640	300,640	0	0
9. Research	70,192	85,013	82,252	-2,761	-3.3
10. Real estate scholarship	1,125	10,000	10,000	0	0
11. Information	0	0	115,246	115,246	100.0
Total Expenditures	\$45,722,238	\$57,085,818	\$69,593,815	\$12,507,997	21.9%
General Fund	\$42,483,456	\$53,914,321	\$62,659,212	\$8,744,891	16.2%
Real Estate/Special Fund	1,125	10,000	10,000	0	0
Guaranteed Fund	21,771	24,197	37,372	13,175	54.5
Federal State Student Incentive Grant funds	3,215,886	3,137,300	6,887,231	3,749,931	119.5
Positions	103.4	117.3	136.4	19.1	16.3

should be considered when assessing unmet need in state-funded programs.

Award Budget Summary

Table 1 and the Governor's Budget program summary combine administrative costs with award costs. This confusion is further compounded by the "administration distributed" element in the Governor's Budget which shows the total amount of executive and central staff costs that has been distributed among and added to the administrative costs directly related to each award program.

Table 2 provides a summary of (1) all administrative costs and (2) award expenditures. We believe this table is more informative for assessing the

Table 2
Summary of Administrative and Award Expenditures

<i>Programs</i>	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>Changes</i>	
	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Amount</i>	<i>Percent</i>
I. Administration	\$1,723,484	\$2,178,121	\$2,366,204	\$188,083	8.6%
II. Awards:					
State scholarship	\$34,002,985	\$40,741,546	\$47,228,304	\$6,486,758	15.9
Graduate fellowship	973,080	2,000,000	2,000,000	0	0
College opportunity grant	6,906,266	9,176,367	14,036,261	4,859,894	53.0
Occupational training	981,100	1,155,184	1,506,264	351,080	30.4
Peace officers	9,300	15,000	15,000	0	0
Medical contract	924,898	1,509,600	2,131,782	622,182	41.2
Clinical training	200,000	300,000	300,000	0	0
Real estate scholarship	1,125	10,000	10,000	0	0
Total awards	\$43,998,754	\$54,907,697	\$67,227,611	\$12,219,914	22.4%
GRAND TOTALS, administration and awards	\$45,722,238	\$57,085,818	\$69,593,815	\$12,507,997	21.9%

amount of money going to students and it more nearly corresponds to the Budget Bill appropriations.

Table 2 indicates total administrative costs would increase 8.6 percent and four student aid award programs would receive substantial increases. These increases and our recommendations are discussed in the individual program analyses which follow.

Federal SSIG Allocations

The budget year will be the third year that federal funds are received by the commission under the State Student Incentive Grant (SSIG) program. This federal program provides matching money for new or expanded state student aid programs. The Governor's Budget indicates SSIG funds will increase from \$3.1 million in the current year to about \$6.8 million in the budget year.

It should be noted that when major student aid program increases were proposed under AB 1969 and AB 1031 during the current session, we pointed out in our bill analyses that the projected 1976-77 increase of \$3.7 million could either (1) be used to offset the costs of the increased new award proposals in the bills or (2) be used to offset renewal costs of awards previously mandated and funded from SSIG funds. By enacting AB 1031 (Chapter 1270) additional new awards were established but with the expressed intention that *future* SSIG monies be used for renewals of these new awards.

Table 3 sets forth the proposed allocation of federal SSIG funds for 1976-77.

Table 3
Allocation of Federal SSIG Funds

	1975-76	1976-77	Change	
	Allocation	Allocation	Amount	Percent
State Programs				
State scholarships	\$1,179,000	\$3,777,471	\$2,598,471	220.4%
College opportunity grants (COG)	1,788,700	2,802,500	1,013,800	56.7
Occupational training grants	169,600	307,260	137,660	81.2
Totals	\$3,137,300	\$6,887,231	\$3,749,931	119.5%

The proposed allocations reflected in Table 3 will offset first-year costs of new award increases enacted by Chapter 1270. This is an important factor when we discuss proposals in the Governor's Budget for new COG award increases beyond those legislated by Chapter 1270.

Master Plan

In 1974 the Legislature directed the commission, in coordination with the staff of the Postsecondary Education Commission, to prepare a master plan for the administration and coordination of all publicly funded student aid. Plan components presented in our 1974-75 Analysis and supported during the hearings were: (1) specified and integrated objectives for all state student aid programs; (2) coordinating guidelines for federal, state, segmental and institutional programs; (3) recommendations for combin-

STUDENT AID COMMISSION—Continued

ing, eliminating or strengthening existing programs and for new programs to fill unmet need; (4) development of and recommendations for standardized reporting and need analysis procedures; and (5) recommendations for the appropriate levels of administration, staffing, and training for all state-funded programs. We also stated that inherent in such a plan would be (6) considerations concerning appropriate levels of state assistance to students at independent institutions.

The master plan was received June 30, 1975. Its focus was primarily on standardized reporting and need analysis systems and relied heavily on recommendations developed by a national task force on student aid. The commission reported that time and money constraints caused the limited focus. However, included in the plan was a proposal for funding a second phase to address some of the remaining problems.

We supported the commission's full request of \$57,300 which was subsequently provided by Chapter 983, Statutes of 1975. We will continue to evaluate the commission's master planning output in relation to the six components previously approved by the Legislature.

Master Plan Accomplishments

Although the first phase of the master plan fell short of expectations in some components, its 25 recommendations warrant serious consideration by the Legislature in those areas where legislation is required. The commission already has implemented those recommendations which were within its administrative authority.

Of particular note is the highly successful use during the current year of a single student information and application form and a single financial summary form for all state student aid programs. Institutions are encouraged to adapt these forms to their own use. We anticipate a standardized financial need and information system will be contracted to provide the commission with increased need analysis capabilities and eliminate any potential bias toward either of the two national need analysis organizations.

For legislative consideration we have requested cost estimates from the commission to (1) provide a competitively bid financial need analysis system at student expense or (2) provide and fund such a system at state expense. There is a possibility that federal funds may be available in the future for the second consideration. Based on information to be provided by the commission we may have a recommendation during subcommittee hearings.

Additional Study Efforts

In addition to the comprehensive six-component master plan effort which began in 1974, other student aid related studies are in progress. These include the following studies by the California Postsecondary Education Commission: (1) development, coordination, implementation, and funding of a proposed community service fellowship program (Chapter 1471, Statutes of 1974), (2) a study and report on the financial conditions of independent institutions (Chapter 462, Statutes of 1975), and (3) a comprehensive study of all EOP-type programs (Chapter 801, Statutes of 1975).

Some of our later recommendations will be based, in part, upon the belief that major policy changes and proposed program augmentations without benefit of these studies, coordinated planning, and clear assessments of need would be premature.

I. ADMINISTRATION (Item 367)

Position Overbudgeting

We recommend (1) new temporary help positions be budgeted at the entry level salary of position classifications corresponding to the duties to be performed and (2) all new positions be budgeted at the entry step for a General Fund savings of \$20,149 (Item 367).

Part (1) of this recommendation is based on the correct, historical method for budgeting temporary help positions. If the dollars actually budgeted for temporary positions are inflated they can then be (1) used to employ more temporary help positions than reviewed and approved by the Legislature or (2) directed to other unbudgeted purposes with Department of Finance approval. For example, we found a new .4 temporary help position budgeted at \$10,000. This is the equivalent of an annual salary of \$25,000. Our recommended savings were calculated, in part, by rebudgeting this position at \$2,630 and other similar cases of overbudgeting on the basis of clerical assistance salary schedules. These salaries should not be exceeded without special justification (savings of \$14,982).

Part (2) of this recommendation is based on our review of the 21.3 new permanent positions requested for 1976-77. Normally, new positions are budgeted at the entry step unless there is a special need that would warrant otherwise. We found several proposed new positions were budgeted above the entry step. Savings of \$5,167 will result from rebudgeting these new positions at the entry level.

Automation Master Plan Recommended

We recommend the commission budget be augmented by \$40,000 to provide for the development of a master plan for further automating the administration of state student aid programs (Item 367).

Since our 1973-74 Analysis we have argued that increased automation of routine administrative processing of applications, awards, payments and reports would result in substantial administrative cost savings. Efforts to automate have been frustrated repeatedly by various circumstances generally beyond the control of the commission. As a result, we believe the proposed augmentation of 22.5 clerical and financial needs analysis positions with related space and equipment costs exacerbates the problem.

In addition, the seventh annual survey conducted by the National Association of State Scholarship Programs during 1975-76 supported our earlier conclusions about the potential for administrative cost savings. We are unable to verify the accuracy or comparability of the reported statistics although we are convinced that California's relatively high administrative costs per award resulted from this state's lag in automated processing.

The piecemeal approach to automation thus far has been exceedingly slow and has not been based on a comprehensive systems approach. We

STUDENT AID COMMISSION—Continued

recommend that a master plan be developed under the following conditions: (1) be performed under contract (approved and reviewed by both the Department of Finance and Office of Legislative Analyst) by an organization that has played an active role in the development and implementation of automated student aid administration in other states, (2) analyze hardware and software requirements, (3) recommend a time line for phased implementation and (4) provide cost estimates on a commercial contract for implementation. Comparable state costs would be considered once the system outlines were established.

We believe the small investment in the development of this plan would be offset by substantial savings in future administrative costs. Our recommendation of \$40,000 is based on an estimate provided by a company with experience in performing such studies.

II. STUDENT AWARD PROGRAMS (Items 368—370)**Recent Deficits Corrected by Administrative Action**

Last year we reported that a substantial funding deficit for 1974-75 was anticipated for the second time during the history of the State Scholarship program. The deficit was eventually offset by reallocations from savings in other student aid programs and by an emergency allocation from the General Fund. Our office and the Department of Finance agreed that deficits should be avoided in the future.

Deficits result because the commission overawards its budget authorization based on historical attrition rates and estimated impacts of other factors such as the ratio of students attending public and independent institutions and the amount of offsetting federal aid available to award recipients. Variations from these projections historically cause some minor overages and shortages.

However, the commission anticipates a substantial deficit in the scholarship program again this year. But for the first time, students were administratively forewarned that a minor adjustment (less than \$25) in their final payment could occur if a deficit occurred. Thus, flexibility is maintained to either offset the deficit from other budgeted sources or reduce the final award payment by a small amount to insure budgeted resources are not exceeded. In summary, we believe continuation of the policy of forewarning all award recipients of a possible small reduction is reasonable and adequate insurance for those rare occasions when deficits may occur.

The Budget Bill includes new control language calling for the development of a plan to control deficits. We are reviewing the need for this language with the Department of Finance and will make a recommendation for retention or elimination during the hearings.

1. State Scholarship Program (Item 368)

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 generally at four-year institutions. The commission historically determines the award levels for each student based on nationally used

standardized need assessment formulas and procedures. 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 if they are attending a community college.

Some technical changes in the testing and competitive procedures were mandated by Chapter 983, Statutes of 1975. More important for budget analysis purposes were changes from (1) Chapter 1034, Statutes of 1973, which increased the number of new state scholarships from 3.5 percent to 4.25 percent of the previous year's high school graduates and raised the maximum award on January 1, 1974 from \$2,200 to \$2,500 and (2) Chapter 1270, Statutes of 1975, which further increased the number of scholarships from 4.25 percent to 4.625 percent and raised the maximum award to \$2,700 in 1976-77.

The latter act sets the number of scholarships at 14,900 for 1977-78 and conditions its increases with a requirement that future federal funding offset the cost of new awards and renewals above the 4.25 percent level.

Table 4 summarizes the program since 1971-72 and provides estimates of costs through 1979-80 when increases already mandated under Chapter 1270 are fully reflected. The projections beyond 1976-77 assume federal funds are available to offset the increases. No inflation factors are included in the average award after 1975-76.

Table 4
State Scholarship Program Summary

<i>Year</i>	<i>New Awards</i>	<i>Total Awards</i>	<i>Average Award</i>	<i>Expenditures^a</i>
1971-72	9,214	20,201	\$829	\$16,770,866
1972-73	9,526	23,090	940	22,010,918
1973-74	11,193	27,403	972	27,496,037
1974-75	13,221	32,185	1,056	34,975,925
1975-76 (est.)	13,228	36,180	1,129	41,906,787
1976-77 (est.)	14,395	40,312	1,172	48,439,777
1977-78 (est.)	14,900	43,889	1,179	53,066,352
1978-79 (est.)	14,900	46,500	1,184	56,461,707
1979-80 (est.)	14,900	48,380	1,187	58,906,894

^a Program expenditures include administrative costs.

It should be noted that the 14,900 new awards specified to begin in 1977-78 would represent 4.73 percent of the previous year's high school graduates (i.e., higher than the budgeted program) and this percentage will increase further if the number of high school graduates declines. More important for budget analysis purposes is the proposed change in the method of computing the average award as reflected by the \$43 increase between the current (1975-76) and budget year (1976-77).

No Inflation Allowances

The \$43 average award increase proposed by the Governor's Budget is based on (1) an increased percentage of award recipients attending higher cost independent institutions and (2) the increase in the maximum authorized award level by \$200. There are no inflation allowances. The budget is built upon a policy of maintaining the current award dollar level (plus the \$200 maximum award increase which only benefits some stu-

STUDENT AID COMMISSION—Continued

dents attending independent colleges).

The Governor's Budget was introduced last year with this "same dollar level" proposal. As finally enacted, however, the budget provided funds to meet the commission's projected average award which included allowances for inflation. In the past the Legislature supported the commission's estimate of the average award and, with few exceptions, this policy has been supported also by the Department of Finance and the Governor.

Although the number of awards is a result of legislation and renewal experience, the average award level has depended historically upon certain criteria used in the administrative process employed by the commission in its calculation. That is, by estimating and adjusting for such factors as tuition and fee increases, student living and personal expenses, student self-help expectations, and the amount and type of deductions against family and student income that will be allowed in determining unmet financial need, the commission administratively calculates an average award level.

Using these historical procedures the commission calculated the average award for 1976-77 at \$1,263. To fund this average award level would require \$50.9 million or \$3,686,000 more than provided by the Governor's Budget.

Budget hearings last year also included a consideration of restricting the inflationary increase to projected tuition and fee increases at those institutions attended by award recipients. The rationale was that although a student's total need for financial assistance unquestionably relates to inflationary pressures, the State Scholarship program is limited to offsetting only tuition and fees.

Based on information provided by the commission, we estimate that the weighted tuition and fee increase for scholarship recipients at independent institutions will approximate \$246 or 8.5 percent in 1976-77. If this increase is applied to the percentage of students affected by these tuition and fee increases, the funding level in the Governor's Budget would require an increase of \$1,871,000.

Augmentation Not Recommended

We have identified the traditional inflation funding policies and an alternative discussed last year. We have not recommended either because of recent increases in award recipients from higher income families. This increase has occurred because (1) substantial increases in the number of awards have changed the characteristics of the pool of students eligible to compete and (2) changes made by the commission in its needs analysis criteria have increased the income levels of qualifying families. Our concerns are reflected in the changes shown by Table 5.

It also should be noted that in 1975, 12.9 percent of new winners attending independent colleges, 9.7 percent attending UC and 4.7 percent attending CSUC came from families with incomes above \$22,000. Comparable statistics for 1974 are not readily available.

We believe the trend toward students from higher income families, as shown by Table 5, will continue under existing award levels and commission policies. Before the Legislature continues its historical policy of pro-

TABLE 5
Changes in New State Scholarship Recipients*
(Fall 1974 to Fall 1975)

<i>Recipients</i>	<i>1974</i>	<i>1975</i>	<i>Percent Change</i>
Median family income of recipients	\$11,667	\$14,241	+22.1%
Percent recipients from families with incomes less than \$9,000	29.1	19.4	-9.7
Percent recipients from families with incomes over \$18,000	11.0	26.8	+15.8
Average grant independent colleges	\$1,949	\$2,174	+11.5
Average grant UC	554	577	+4.2
Average grant CSUC	187	189	+1.1

* Based on commission sample.

viding inflationary augmentations of this program, we believe the recent changes in the overall composition of recipients should be carefully reviewed to insure that there are not higher priorities for the additional funds that would be required.

2. Graduate Fellowship Program (Item 369)

Financial assistance to graduate students began in 1965 with the establishment of the Graduate Fellowship program. Chapter 1597, Statutes of 1971, redesigned the program to parallel the objectives of the State Scholarship program and to consider critical manpower needs in making student awards. This program was changed further by Chapter 451, Statutes of 1974, which requires consideration of (1) parent's income in determining financial need and (2) a student's "disadvantaged" characteristics in making awards.

Table 6 provides a program summary since 1973-74.

Table 6
Graduate Fellowship Program Summary

<i>Year</i>	<i>Applicants</i>	<i>Total Awards</i>	<i>Average Award</i>	<i>Award Expenditures</i>
1973-74.....	4,072	638	\$1,507	\$961,525
1974-75.....	4,253	578	1,730	1,000,000
1975-76 (est.)	5,636	1,080	1,852	2,000,000
1976-77 (est.)	6,500	1,080	1,852	2,000,000

Chapter 451 provided \$1 million for awards above the 1974-75 funding base as shown in Table 6. We have noted in the past that the Graduate Fellowship program was never funded at the authorized level of 2 percent of baccalaureate degrees awarded by California institutions, but was historically budgeted at \$1 million. When the \$1 million augmentation appeared in the Governor's Budget last year we again noted the Legislature historically had supported full funding of undergraduate programs before considering increases in graduate programs and we presented a table showing a greater number of graduate students drawing a greater level of financial aid in 1973-74 when compared with undergraduate student aid programs.

STUDENT AID COMMISSION—Continued

The increased funding was approved based on the argument that changes in the program would provide increased graduate education opportunities for disadvantaged minority students. Table 7 may be interpreted to support this argument.

Table 7
Minority Participation in the Graduate Fellowship Program

<i>Ethnic Background</i>	<i>1974-75*</i>	<i>1975-76</i>
American Indian	0.0%	1.0%
Afro-American	1.1	7.6
Caucasian	89.1	60.6
Mexican-American	0.0	11.5
Filipino-American	1.1	1.0
Asian-American	5.4	12.8
Other	3.3	5.5
Totals	100.0%	100.0%

* Based on Commission sample

Table 7 indicates about 30 percent more minorities received awards under the new guidelines. Whether these minorities would have been assisted by other programs or whether the increased funding level for this program is justified compared with unmet undergraduate student aid needs or other state needs are questions which remain unanswered.

Limit Ph.D. Graduate Support

We recommend legislation to limit Graduate Fellowship awards to the first two years of graduate study.

Table 8, extracted from the Governor's Budget, indicates the number of students supported by the fellowship program beyond the first two years of graduate study.

Table 8
Fellowship Recipients Beyond Two Years of Graduate Study

<i>Year of Graduate Study</i>	<i>1974-75</i>	<i>1975-76</i>
Third	154	69
Fourth	43	58
Fifth or more	26	15
Totals	223	142

Although Table 8 shows a substantial reduction in fellowship recipients beyond the second year of graduate studies during 1975-76, we question the need for any state fellowship support at all. A table published last year (1975-76 Analysis, page 818) showed that for every \$1.00 awarded undergraduate student aid recipients at U.C. there was \$3.00 awarded each graduate aid recipient. We believe the difference results from the University counting as student aid teaching and research assistantships available to many Ph.D. students (i.e., students beyond a normal two-year Master's degree program). Therefore, on a relative basis, we believe the need for graduate financial assistance is greatest in the first two years of training.

Current commission guidelines restrict all *initial* awards to the first two years of graduate studies. However, the statute provides for renewal up

to three additional years. Had our recommendation for limiting awards and renewals to the first two years of graduate studies been in effect during 1975-76 an additional 142 students would have received assistance. In addition, we believe more minorities may be assisted by restricting state support to the first two years of graduate study. We have requested the commission to provide additional information on this potential during the hearings.

3. College Opportunity Grant Program (Item 369)

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 judgments as well as more conventional academic methods. Unlike the State Scholarship program, which only funds tuition and fees, COG grants include support for living expenses as well as tuition and fees.

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. Chapter 451, Statutes of 1974, increased the authorization of 2,000 new awards to 3,100 for 1974-75 through 1976-77 and provided for use of the award during a summer term. Chapter 1270, Statutes of 1975, further increased the number of new awards in 1976-77 to 4,500 and each year thereafter.

The Governor's Budget proposes to add an additional 2,275 new awards for a total of 6,825 in 1976-77.

Table 9 summarizes COG participation since the program began in 1969 and provides estimates of costs through 1979-80 when costs mandated by Chapter 1270 are fully reflected. Additional grants proposed by the Governor's Budget and their related costs are presented in Table 10 for comparison purposes.

Table 9
College Opportunity Grant Program Summary
(Without Governor's Augmentation)

<i>Year</i>	<i>Number of new grants</i>	<i>Total grants</i>	<i>Average grant</i>	<i>Expenditures^a</i>
1969-70	1,000	1,000	\$883	899,181
1970-71	1,000	1,720	869	1,601,912
1971-72	1,000	2,293	941	2,282,534
1972-73	2,000	3,811	1,043	4,193,912
1973-74	2,000	4,757	1,116	5,642,620
1974-75	3,100	6,695	1,032	7,330,468
1975-76 (est.)	3,100	8,162	1,118	9,784,264
1976-77 (est.)	4,550	10,508	1,164	12,793,367
1977-78 (est.)	4,550	12,663	1,213	16,061,259
1978-79 (est.)	4,550	13,739	1,232	17,691,635
1979-80 (est.)	4,550	14,716	1,246	19,172,004

^a Program expenditures include administrative costs.

An inflation factor has not been included in the projections beyond 1976-77. It also should be recalled from our earlier discussion that Chapter 1270 conditioned the number of increased awards in 1976-77 (those above

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3,100) and subsequent year renewals on the availability of offsetting federal funds under the SSIG program.

Recommend Controlled Program Growth

We recommend that (1) the statutory limitation on the number of COG grants not be exceeded and (2) General Fund savings of \$1,884,500 be applied to fund the commission's estimated average award workload level for a net General Fund savings of \$1,096,400 (Item 369).

Table 10 shows the COG program with the 50 percent increase in new COG awards proposed by the Governor. It should be noted that the number of awards exceed those specified in law and are not related to current or future federal matching monies.

Table 10
College Opportunity Grant Program Summary
(Governor's Proposal)

<i>Year</i>	<i>Number of new grants</i>	<i>Total grants</i>	<i>Average grant^a</i>	<i>Expenditures^a</i>
1975-76	3,100	8,162	\$1,118	\$9,784,264
1976-77	6,825	12,783	1,098	14,677,847
1977-78	6,825	16,841	1,183	20,828,863
1978-79	6,825	19,433	1,218	24,756,311
1979-80	6,825	21,741	1,243	18,253,437

^a Program expenditures include administrative costs.

Comparing Table 9 with Table 10 shows the following increased costs directly related to the Governor's proposal: (1) budget year increased costs of \$1,884,480, (2) cumulative increased costs between 1976-77 and 1979-80 of \$22,788,193, and (3) increased annual costs of \$9,081,433 each year after 1979-80. The decline in the average award between 1975-76 and 1976-77 is noteworthy. The new budget proposal reflects a policy to significantly expand the number of grants but not to fund any inflationary increases.

This dramatic and arbitrary increase in the number of new COG awards raises substantive questions. First, the impact on the applicant pool has not been assessed. For example, how much higher will the income level of the recipients be? Will the expanded program be able to sustain the same percentage of minorities? What deterioration in scholastic potential will occur?

Second, to what extent should this program receive extraordinary enrichment over other student aid programs (e.g., work-study or tutorial programs) and is any enrichment necessary in the face of major student aid increases already mandated at the state and federal levels? Such questions have been raised previously and the Legislature has mandated several studies, including the development of a comprehensive student aid master plan, to supply some answers and provide future policy guidelines.

Third, this program has a statutory objective of supporting students whose destination is community colleges. However, we express elsewhere our findings and concerns about the increasing number of disadvantaged students who are encouraged to enter community colleges through new and expanded grant aid programs without being provided the supplemental educational services essential for their success.

An additional consideration is that of funding for inflation. This program is specifically designed to meet the full needs of disadvantaged students by funding tuition and fees up to \$2,700 and living expenses up to \$1,100. Although three-quarters of the recipients come from families with incomes below \$9,000 per year, not all will receive the maximum \$3,800 award. Indeed, the average award proposed by the Governor's Budget is \$1,098. The commission's projected average award for this program by contrast is \$1,239. In the past the Legislature and Governor have always supported the commission's estimate of the average award.

The commission's annual calculation of the average award results from estimating and adjusting for such factors as tuition and fee increases, student living and personal expenses, student self-help expectations and the amount and type of deductions against family and student income that will be allowed in determining the students unmet financial need. We believe these inflationary adjustments based on nationally recognized need assessment criteria make sense in this particular program for low-income disadvantaged students. Our recommendation would continue the traditional legislative policy of funding the commission's estimated average award (\$1,239 for 1976-77).

As a consequence of these concerns we have recommended the statutory increased level of 4,550 COG awards not be exceeded, while on the other hand we believe the program should receive increased funding to provide an average award level of \$1,239 (i.e., increase of \$788,100 over the total shown for 1976-77 in Table 9). The recommended savings is the net difference between our increase and the larger increase proposed by the Governor for 1976-77 as shown in Table 10.

4. Occupational Education Training Grant Program (OETG) (Item 369)

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 awarded.

During 1973-74, the first year of the program, 500 grants were awarded at an average award level of \$870. Chapter 451, Statutes of 1974, increased the number of new grants from 500 to 700 beginning with 1974-75. Chapter 1270, Statutes of 1975, increased the number of awards from 700 to 975 beginning in 1976-77 and each year thereafter. These increases, like those previously discussed in the scholarship and COG programs, are conditioned by the future availability of offsetting federal funds under the SSIG program.

Table 11 provides a program summary since 1973-74 and shows proposed changes.

Table 11
Occupational Education Training Grant Program Summary

<i>Year</i>	<i>Applicants</i>	<i>New Awards</i>	<i>Total Awards</i>	<i>Average Award</i>	<i>Expenditures*</i>
1973-74.....	2,081	500	500	\$870	\$526,983
1974-75.....	2,953	700	977	867	1,084,092
1975-76 (est.).....	5,177	700	1,054	1,096	1,289,396
1976-77 (est.).....	7,000	975	1,374	1,096	1,644,690

* Program expenditures include administrative costs.

STUDENT AID COMMISSION—Continued**Inflation Allowance Recommended**

We recommend the Occupational Education Training Grant (OETG) program be augmented by \$90,700 from the General Fund to provide for projected increases in tuition and related training costs thereby continuing the current funding policy (Item 369).

As with the other commission programs the Governor's Budget does not recognize the inflationary increases reflected in the commission's calculation of an average award for 1976-77 (i.e., \$1,162). Our recommendation would provide increased dollars to match projected increases in tuition and related training costs as determined by the commission. Our justification follows that previously discussed under the COG program.

5. Guaranteed Loan Program (Item 370)

This program was authorized in 1966 to provide 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 collecting outstanding loans. The federal government has directly administered its subsequent loan programs.

6. Dependents of Deceased or Disabled Peace Officers (Item 369)

This program was authorized by Chapter 1616, Statutes of 1969. 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 1973-74, eight in 1974-75 and 12 in 1975-76.

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. Chapter 1112, Statutes of 1973, provided \$12,863,400 to the commission to fund scheduled program growth through 1977-78.

The budget indicates 148 students were contracted for in 1975-76 at \$10,200 each (\$12,000 less \$1,800 federal capitation grant) for a total expenditure of \$1,509,600. The budget also indicates funding for Loma Linda University has been reverted to the General Fund as directed by the Legislature last year.

Table 12 is summary of the program as originally funded by Chapter 1112.

Table 12
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	120	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

Program is Unconstitutional

We recommend \$5,969,382 from the appropriation made by Chapter 1112, Statutes of 1973, be (1) reappropriated for other purposes or (2) added to the General Fund surplus.

Last year we called attention to the fact that previous allocations for Loma Linda University had not been paid because of a failure to meet the legislative mandate that participating schools "have an affirmative action program approved by the State Fair Employment Practices Commission (FEPC) for the equitable recruitment of instructors and medical students."

The FEPC had not been able to approve the school's program because of preferential employment practices toward members of the Seventh-Day Adventist Church. Special legislation (Chapter 1282, Statutes of 1974) noted that Loma Linda did take the increased numbers of students in anticipation of reimbursement and it authorized the commission retroactively to make payments for 1972-73 and 1973-74 (\$918,000). The legislation also provided that the affirmative action program provisions would "not apply to the recruitment of instructors at sectarian medical schools and colleges."

On April 14, 1975 the commission received an Attorney General's opinion stating that although Chapter 1282 was intended to retroactively qualify Loma Linda Medical School for payments under the medical contract program, such payments would violate the California Constitution (Article XVI, Sections 3 and 5; Article IX, Section 8).

Because the unconstitutional argument seemed much broader than just the Loma Linda problem, we addressed several questions to the Legislative Counsel for clarification. The reply, received June 27, 1975, indicated all state payments to all medical schools under this program are unconstitutional.

No payments have been made under the medical contract program during the current year and none should be authorized in future years. As a result, we have recommended the funds be reappropriated for other purposes or returned to the General Fund surplus.

8. Supervised Clinical Training Program (Item 369)

This is a follow-up program to an earlier one which was restricted to students who had attended a medical school in Mexico. This new program is designed to provide additional clinical training for graduates of any foreign medical school by giving \$10,000 to California public medical schools for each special student trained for one academic year in an approved clinical internship program. The enabling legislation (Chapter 196, Statutes of 1975) sets forth a number of administrative requirements

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for the commission including a report to the Legislature on the operation of the program.

During the current year, funding under this program has been provided for 20 students at UC Irvine with an expected increase of three during the spring semester. There is a possibility that UC Davis will also participate in the program this year. The budget provides for 30 grants in 1976-77.

9. and 10. Real Estate Scholarship and Research Programs (Item 367)

The Real Estate Scholarship program was established by Chapter 2171, Statutes of 1973. It provides that interest earned from an endowment of \$200,000 from the Real Estate Fund be placed in a special deposit account and 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 \$10,000 will be available for award during 1976-77.

The Research program consists of approximately three positions, \$80,000, and provides the Governor and Legislature with special reports. The two most important reports requested by the Legislature on alternate years are the student resources survey and student financial aid inventory. Both reports are capable of adaptation to matrix sampling techniques and automated analysis.

Coordinated EDP Storage and Analysis Recommended

We recommend that the commission, in cooperation with the California Postsecondary Education Commission (CPEC), incorporate the information for specified reports into the postsecondary education management information system to be funded through CPEC.

We support elsewhere the establishment of a CPEC management information system which would receive a special augmentation in the Governor's Budget of \$70,000 to provide increased data storage, collection and retrieval capabilities. In addition to its mandate to act as a clearinghouse and primary source of information for postsecondary education, CPEC has a specific responsibility to include student aid needs in meeting its planning mission.

We encourage the immediate establishment of a joint advisory research committee between the student aid commission and CPEC. The formation of this committee has remained at the discussion stage since budget hearings last year.

Our recommendation would require cooperation between the two commissions to produce the two primary reports. Some minor savings should result. We also believe the research program should be combined with the report program discussed next.

II. Student Aid Information and Report Program (Item 367)**a. Information Element**

Chapter 1270, Statutes of 1975, assigns two new functions to the commission. The first calls for an expenditure of \$6 for each authorized Cal Grant (the new name assigned to the state scholarship, COG and OETG programs beginning in 1977-78) for the purpose of "disseminating informa-

tion about all institutional, state, and federal student aid programs to potential applicants."

The Governor's Budget would provide 2.4 new positions and \$85,246 for this function. If six dollars were allowed for the total number of grants authorized in 1976-77 by statute, expenditures of \$122,550 would be required. To be consistent with the additional 2,275 COG grants proposed by the Governor, a total of \$136,200 would be required. A funding recommendation related to this element will follow.

b. Report Element

The report element would provide \$30,000 for contract services to accommodate the reports set forth in Chapter 1270. However, the nature and frequency of these mandated reports virtually duplicates the two historical reports noted in our analysis of the research program on page 936.

Programs Without Plans

We recommend the research report activities be funded at a combined total of \$125,000 with 4.4 positions for a General Fund saving of \$72,500 (Item 367).

We recommend a plan for disseminating information about all institutional, state, and federal student aid programs to potential applicants be developed in cooperation with the California Postsecondary Education Commission and submitted to the Joint Legislative Budget Committee by December 1, 1976.

Our first recommendation would allow the addition of an information officer and .4 temporary help position as requested in the Governor's Budget. It would not include a requested clerical position because one already exists in the research element. In addition to these augmentations, our recommendation includes about \$22,000 to develop a plan for meeting the information dissemination mandate summarized in our second recommendation.

Our recommendation would not include the proposed \$30,000 enrichment for producing the traditional reports we previously discussed under the research program. We believe these reports can continue to be funded from the existing budget base and data processing costs can be met from increased funds provided the new automated CPEC system.

We are concerned that a plan for implementing the information dissemination mandate is not available for legislative review at this time. As a result, the manner in which the budgeted \$85,246 would be expended is unclear. Further, the dissemination mandate is tied to Cal Grants which technically will not be awarded until 1977-78.

A last concern centers on the apparent lack of required coordination with various other similar efforts to improve dissemination and counseling about all postsecondary education programs. Therefore, our second recommendation would meet these concerns by providing for (1) the development of a plan for an improved and coordinated approach to information dissemination and (2) a basis for evaluating the need for and future level of funding for this activity.