

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 which are eligible for state fiscal support or which 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 section presents data which relate 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, and student charges follows.

Organization

California's system of public postsecondary education is the largest in the nation and consists of 136 campuses serving over one million students. This system is separated into three distinct public segments—the University of California (UC), the California State University and Colleges (CSUC) and the California Community Colleges (CCC).

In addition to the public system, the California Postsecondary Education Commission (CPEC) reports that there are approximately 265 independent colleges and universities. Of these, private, accredited four-year and graduate institutions constitute a major resource in California's total higher education effort. There are approximately 70 such institutions, 58 of which collectively form the Association of Independent California Colleges and Universities (AICCU).

1. ENROLLMENT**A. California Enrollment Compared Nationally**

In Fall, 1977 1.8 million students, or 20.7 percent of the adult population (aged 18 to 45) were enrolled in accredited public or private California postsecondary institutions. No other state enrolled a higher percentage than did California. By comparison, the nationwide figure was 13.7 percent.

In California, the three public segments account for 90 percent of the state's total postsecondary enrollment; this is considerably above the national figure of 79 percent enrolled in publicly supported institutions.

Approximately 18.5 percent of California's 18 to 45 year old population was enrolled in public postsecondary education in the Fall, 1977, while the national figure was 10.8 percent. Only Arizona had a higher percentage of its 18-45 year old population enrolled in public institutions.

Another way of illustrating the magnitude of California's enrollment in higher education is to point out that with 10.5 percent of the national population between 18 and 45 years old, California accounts for 15.8 percent of the total postsecondary education enrollment and 18 percent of all enrollment in publicly supported institutions.

B. Actual 1977

Table 1 provides the distribution of enrollment among the three public segments based on Fall, 1977 data. Two things stand out when reviewing the data. First, it is the CCC, with 72 percent of the total public enrollment, which is most responsible for the wide access to postsecondary education in California. Second, it is the great number of part-time students which puts California in the forefront of access to postsecondary education. In Fall, 1977, 14 states had a higher percentage of the 18-45 year old population enrolled full-time in public institutions, although California, with 7.3 percent, was above the national average of 6.1 percent. Nationally, 44 percent of those enrolled in public institutions in the Fall, 1977 attended part-time, while the comparable figure for California was 60 percent. The greatest percentage of part-time students is in the CCC. This is reflected in the average student load carried by CCC students, which is 7.8 units, compared to 12.4 units for CSUC undergraduates and 14.1 for UC undergraduates.

Table 1
California Public Postsecondary Education Enrollment (headcount)
Fall, 1977

Segment	Full-time		Part-time		Total	
	Number	Percent	Number	Percent	Number	Percent
University of California						
Undergraduate.....	83,519	93%	6,389	7%	89,908	100%
Graduate	34,774	95	1,823	5	36,597	100
					126,505	(8%)
California State University and Colleges						
Undergraduate.....	169,931	71	69,964	29	239,895	100
Graduate	16,473	23	56,012	77	72,485	100
					312,380	(20%)
California Community Colleges	321,524	29	798,996	71	1,120,520	100
					1,120,520	(72%)
	<u>626,221</u>	<u>40%</u>	<u>933,184</u>	<u>60%</u>	<u>1,559,405^a</u>	<u>100%</u>
						(100%)

Source: CPEC, *Postsecondary Education in California Information Digest 1978*.

^a Total enrollment differs from that in Table 2. This table annualized Fall 1977 data while Table 2 reports actual year-end totals.

POSTSECONDARY EDUCATION—Continued**C. Public Higher Education Enrollments in 1979-80**

As table 2 indicates, full-time equivalent (FTE) enrollment in each of the three public segments is projected to remain virtually unchanged in 1979-80 over the estimated 1978-79 level. Headcount enrollment is expected to increase by 30,510 (2.4%) in the CCC, but growth of less than 1% is anticipated for the UC and CSUC.

Total student FTE enrollment in 1979-80 will be 8.6% below that of 1975-76, California's peak enrollment year. Most of this decline has occurred in the CCC (-11.8%), but the CSUC (-2.2%) and the UC (-0.8%) have dropped as well.

While FTE enrollment has declined since 1975-76, headcount enrollment has remained constant. Two factors account for this variation: (1) the tendency for all students both full and part-time to take fewer units per year and (2) the growth in the percentage of total students who are enrolled part-time. The variation in headcount and FTE enrollment growth is much greater in the CCC and the CSUC than in the UC. The UC has always tended to enroll primarily full-time students and has done much less than the other two segments to attract a larger part-time clientele.

D. Future Public Higher Education Enrollments

What are higher education enrollments likely to be in the future, barring policy changes in the current master plan? Two factors determine higher education enrollments: 1.) the total college-aged population and 2.) the participation rate of this group in higher education. For short and medium range projections, the college-aged population is readily available. It is the second factor which makes predictions hazardous.

Table 2
California Enrollment in Public Higher Education

	<i>Community College</i>		<i>CSUC</i>		<i>UC</i>		<i>TOTAL</i>	
	<i>head count</i>	<i>ADA</i> #	<i>head count</i>	<i>FTE</i> #	<i>head count</i>	<i>FTE</i> #	<i>head count</i>	<i>FTE & ADA</i> #
1975-76.....	1,284,407	768,902	332,108	235,727	124,028	120,540	1,740,543	1,125,169
1976-77.....	1,255,676	721,884	326,860	231,251	123,056	119,369	1,705,592	1,072,504
1977-78.....	1,321,708	718,303	333,348	234,089	121,719	117,940	1,776,775	1,070,332
1978-79 est.....	1,255,930	678,200	329,424	229,958	123,716	119,949	1,709,070	1,028,107
1979-80.....	1,286,440	678,200	329,602	230,510	124,468	119,541	1,740,510	1,028,251
Percent Change								
1975-76 to								
1979-80.....	0.2%	-11.8%	-0.8%	-2.2%	0.4%	-0.8%	0.0%	-8.6%

POSTSECONDARY EDUCATION—Continued

We do know that beginning in the early 1980s the number of 18-24 year olds will begin to decline, and it will not return to the current level until the late 1990s (See table 3). From 1978 to 1995 the decline will be approximately 12 percent, both for California and the U.S. However, two additional factors need to be considered in projecting enrollments: the attempt to improve the access of minorities to higher education and the increasing tendency for persons beyond the traditional 18-24 age group to return to school.

California has not made significant progress in increasing the representation of minority students in public higher education. The problem is most severe in UC and CSUC. A recent UC study found that:

"Low-income and minority high school graduates appear in the highest achievement group (UC eligibles) with only $\frac{1}{3}$ the frequency of their more advantaged counterparts and in the second highest achievement group (CSUC eligibles) with less than $\frac{1}{2}$ the frequency."

The Governor, the Legislature and all three segments of public higher education are committed to improving the representation of minorities in higher education. Together, the three segments will spend over \$18 million in 1978-79 specifically for the recruitment and retention of minority and low income students. In addition, the UC will spend over \$4 million in 1978-79 for a program designed to increase the number of minority high school students eligible to attend UC and CSUC. With Black and Spanish surname, the state's two largest minority groups, accounting for 25 percent of the state population, these programs, if successful, could compensate for some of the overall drop in the 18-24 year old population.

Table 3
Trends in the Age Distribution of California
Population, Aged 18 to 64

	<u>18-19</u>		<u>20-24</u>		<u>25-29</u>		<u>30-34</u>		<u>35-64</u>	
	<i>Number</i>	<i>Percent of</i>	<i>Number</i>	<i>Percent of</i>	<i>Number</i>	<i>Percent of</i>	<i>Number</i>	<i>Percent of</i>	<i>Number</i>	<i>Percent of</i>
	<i>(000)</i>	<i>18-64 Pop.</i>	<i>(000)</i>	<i>18-64 Pop.</i>	<i>(000)</i>	<i>18-64 Pop.</i>	<i>(000)</i>	<i>18-64 Pop.</i>	<i>(000)</i>	<i>18-64 Pop.</i>
1978 Population	822	6%	1,972	14%	1,966	14%	1,861	14%	7,091	52%
	<i>Projected Change</i>		<i>Projected Change</i>		<i>Projected Change</i>		<i>Projected Change</i>		<i>Projected Change</i>	
	<i>in 18-19 Population</i>		<i>in 20-24 Population</i>		<i>in 25-29 Population</i>		<i>in 30-34 Population</i>		<i>in 35-64 Population</i>	
	<i>from 1978 Actual</i>		<i>from 1978 Actual</i>		<i>from 1978 Actual</i>		<i>from 1978 Actual</i>		<i>from 1978 Actual</i>	
1980.....	1%		3%		1%		7%		5%	
1985.....	-7		6		6		14		20	
1990.....	-17		-5		9		18		34	
1995.....	-11		-10		-3		21		50	
2000.....	5		-1		-11		8		67	
	<i>Current Rate of</i>		<i>Current Rate of</i>		<i>Current Rate of</i>		<i>Current Rate of</i>		<i>Current Rate of</i>	
	<i>Participation in</i>		<i>Participation in</i>		<i>Participation in</i>		<i>Participation in</i>		<i>Participation in</i>	
	<i>Public Higher</i>		<i>Public Higher</i>		<i>Public Higher</i>		<i>Public Higher</i>		<i>Public Higher</i>	
	<i>Education by 18-19</i>		<i>Education by 20-24</i>		<i>Education by 25-29</i>		<i>Education by 30-34</i>		<i>Education by 35-64</i>	
	<i>Year Olds</i>		<i>Year Olds</i>		<i>Year Olds</i>		<i>Year Olds</i>		<i>Year Olds</i>	
	44%		26%		13%		9%		5%	

Source: Population Research Unit, California Department of Finance.

POSTSECONDARY EDUCATION—Continued

The importance of the 18-19 year olds to the stability of higher education enrollments is obvious from Table 3. Their rate of participation in public postsecondary education (44 percent) is over three times greater than that of 25-29 year olds and almost nine times greater than that of 35 to 64 year olds. The rate of participation of 20-24 year olds is also significantly greater than the rate for older students.

What must not be overlooked, however, is the far greater number of individuals who are in these older age groups, and that the population of these groups will expand rapidly, just as the reduced number of 18 year olds is working its way through the higher education system. Today, for example, there are over eight times as many 35-64 year olds as there are 18-19 year olds. By 1990 when the number of 18-19 year olds is near its projected bottom, there will be 14 times as many persons in this older group. Also to be considered is that while the participation rate of the 18-19 year olds has remained fairly constant, that of older students is on the rise. According to the California Department of Finance, the participation rate of 35-64 year olds has increased from three percent in 1972 to five percent in 1977. Further, while the 18-19 year old rate is projected by the Department of Finance to decline slightly through 1985, the rate for the older group is projected to increase moderately.

Although the probable increase in older students could cancel out part of the decline in the number of 18-24 year olds, two factors should be considered in projecting the impact on the three segments. First, older students tend to take fewer courses per year than 18 year olds. Thus, on average they require fewer resources than younger students. Second, growth in older students would benefit CCC the most and UC least, since CCC (and to a lesser degree, CSUC) have made a significant effort to encourage part-time attendance.

2. EXPENDITURES**A. Proposed 1979-80**

A summary of proposed expenditures for 1979-80, including capital outlay, is presented in Table 4. This table shows that total support for all higher education will amount to \$5.2 million in the budget year, not including student assistance. Of the total support budget, the state General Fund will provide \$2.4 billion or almost 50 percent. The community college system will receive the greatest share of this amount—almost 35 percent. This is an increase of 15 percent over its share of state dollars for higher education prior to Proposition 13 which eliminated over \$400 million in local revenues for the community college system. However, the only local funds used for the support of higher education are still in the community college system—an estimated \$360 million from property tax revenues.

The second largest support source for higher education is federal funds (25.1 percent)—primarily as a result of \$1.2 billion going to UC for support of U.S. Department of Energy laboratories and federally sponsored research.

The relatively minor contribution of student fees reflects California's policy of no tuition. Expenditures for capital outlay have been greatly reduced due to enrollment declines and Proposition 13. Because of the latter, local colleges no longer have the matching funds to qualify for capital outlay (COPHE) funds.

POSTSECONDARY EDUCATION—Continued

Table 4
Summary of Proposed 1979-80
Budget for Higher Education

Agency	Federal	State					Total
		General Fund	COPHE	Local	Fees	Other	
California Postsecondary Education Commission	\$1,679	\$1,664	—	—	—	—	\$3,343
University of California	1,151,541	797,147	\$15,547	—	\$171,489	\$596,561	2,732,285
Hastings College of Law	897	4,521	99	—	1,766	—	7,283
California State University and Colleges	53,241	714,280	10,769	—	95,127	171,945	1,045,362
California Maritime Academy	518	2,341	130	—	1,307	—	4,296
Community Colleges	90,000	852,364	4,814	\$360,000	22,000	517	1,329,695
Student Aid Commission	12,399	78,388	—	—	—	53	90,840
TOTAL	\$1,310,275	\$2,450,705	\$31,359	\$360,000	\$291,689	\$769,076	\$5,213,104
Percent of TOTAL	25.1%	47.0%	.7%	6.9%	5.6%	14.7%	100%

B. State and Local Support for Higher Education

For 1977-78 to 1979-80, Table 5 shows state and local support for public higher education, exclusive of capital outlay. State level expenditures are budgeted to increase by 3.9 percent, while state and local expenditures combined will increase by 3.3 percent. The state and local percentage is lower because local expenditures are not expected to increase in 1979-80.

The Governor's Budget assumes a continuation of \$260 million in state "bail-out" funds for the community colleges in 1979-80. The inclusion of these funds will provide the community colleges with a 4.5 percent increase in state support. Total support for the community colleges, however, will increase by 3.1 percent because local support is not expected to increase in 1979-80. While this level of support represents an increase over 1978-79, it is 2.7 percent less than actual state and local support in 1977-78, the last year prior to passage of Proposition 13.

State support for UC and CSUC is budgeted to increase by 3.9 percent and 3.2 percent, respectively. Each of these figures will go up substantially, however, if salary increase funds are provided. For instance, a 6 percent salary increase augmentation would raise the total UC budget 9.2 percent above the level of 1978-79.

Table 5
State and Local Funds Budgeted for Higher Education Operating Expenses^a
 (millions)

Year	University of California	California State University and Colleges	California Community Colleges		Other Higher Education Agencies ^b		Totals	
	State General Fund	State General Fund	State General Fund	Local	Total State and Local	State General Fund	State General Fund	State and Local
1974-75	\$515	\$482	\$410	\$334	\$744	\$47	\$1,454	\$1,788
1975-76	586	538	485	367	852	58	1,667	2,034
1976-77	684	605	508	481	989	65	1,862	2,343
1977-78	737	666	570	667	1,237	76	2,049	2,716
1978-79 (est.)	767	691	861 ^c	316	1,177	83	2,402	2,718
1979-80 Governor's Budget	797 ^d	570 ^d	900 ^c	313	1,213	85	2,496	2,809
1979-80 increase over 1978-79	3.9%	3.3%	4.5%	.9%	3.1%	2.4%	3.9%	3.3%

^a Excludes all capital outlay.

^b Includes Hastings School of Law, California Maritime Academy and the Student Aid Commission.

^c Includes \$260 million in "bail-out" funds:

^d Excludes salary increase funds.

C. California Expenditures Compared Nationally

In 1975-76 California's state and local public expenditures for higher education were 1.60 percent of state personal income, ranking it sixth among the 50 states. The national average for that year was 1.11 percent.

According to a Carnegie Council study, in 1973-74 12 states had expenditures per pupil (full-time equivalent) from state and local sources in public institutions which were higher than California (\$1,642). However, of the 12, only Alaska had a higher percentage of its 18-45 year old population enrolled in public higher education, and in seven of these states, the percentage was less than one-half of that in California. Thus, these states were able to "target" their state support on a much smaller proportion of their total population.

In California, no funds go directly to the support of private higher education institutions. However, approximately 40 percent of the state student aid grants and 70 percent of total aid is received by students who attend private institutions. In 1974-75 California ranked eighth in appropriations per full-time equivalent student enrolled in private institutions. Although comparison data are not available for more recent years, student aid funds have more than doubled since that time.

3. TUITION AND FEES

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

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.

Table 6 illustrates the budgeted levels of tuition and fees at the various segments. Where these vary from campus to campus, a range is indicated.

Table 6
Basic Academic Year Student Charges 1979-80
(estimated)

<i>Fee</i>	<i>UC</i>	<i>CSUC</i>	<i>CCC</i>	<i>CMA</i>
Tuition-nonresident/foreign	\$2,400	\$1,800	\$1,540	\$1,110
Tuition-educational fee:				
Undergraduate	300	—	—	525
Graduate	360	—	—	—
Registration fee	375	144	—	—
Application fee	20	20	—	—
Campus mandatory fee	27-94	0-50	—	145
Auxiliary service fees:				
Room and board	1,890	1,200-1,890	—	2,100
Parking	30-108	40	0-40	—
Health	—	—	1-10	96

POSTSECONDARY EDUCATION—Continued

As a basis of comparison, Table 7 lists the 1978-79 average cost of tuition and fees nationally as well as the average for the three California higher education segments. The figures do not include the costs of nonresident tuition or auxiliary service fees.

Table 7
Tuition and Fees, 1978-79

California:	
Community Colleges.....	—
CSUC.....	\$195
UC.....	700
National:	
Public 2-year.....	408
Private 2-year.....	1,930
Public 4-year.....	651
Private 4-year.....	2,647
Proprietary.....	2,038

Source: *Student Expenses at Postsecondary Institutions, 1978-79*, CEEB.

The Carnegie study mentioned previously reported that California relies less on student tuition and fees to finance public higher education than any other state. In 1973-74, California ranked last in average student charges (\$133). It is likely that California's student charges are still lowest in the 50 states because they have increased very little since that time.

4. AFFIRMATIVE ACTION**A. Student Affirmative Action**

Since the 1960's, the Legislature has supported a variety of efforts in all segments of higher education to: (a) increase the enrollment of qualified students from underrepresented ethnic and economic groups and (b) provide such students with the support necessary to complete a college education successfully. One of the major actions taken by the Legislature was ACR 151 (Resolution Chapter 209, Statutes of 1974) which requested all three segments of higher education to prepare a plan for overcoming by 1980 the ethnic, economic and sexual underrepresentation in higher education student bodies as compared to that of recent high school graduates.

Progress toward meeting this objective is monitored by the California Postsecondary Education Commission (CPEC). CPEC has issued two reports on the segments' efforts to comply with ACR 151 (an update should be completed by April 1979). Both reports were critical of the progress made in attempting to increase the proportion of ethnic-minority enrollment.

Table 8 summarizes the latest available data on ethnic distributions in all segments. Two comparison groups are shown: (1) the entire K-12 population and (2) the high school population. Neither of these groups adequately reflects the actual ethnic distribution of graduating seniors—the comparison group designated by ACR 151—because minority students exhibit a disproportionately high drop-out rate in the late high school

grades. To provide a more appropriate comparison group, we have requested the Department of Education to include a racial and ethnic breakdown for high school seniors in its next student survey (Fall, 1979).

Table 8
Racial and Ethnic Distribution of Students

	<i>Native American</i>	<i>Asian</i>	<i>Filipino</i>	<i>Black</i>	<i>Chicano/ Hispanic</i>	<i>White</i>	<i>Total</i>
Public K-12 Schools							
Number	38,799	149,132	51,899	430,367	892,113	2,722,995	4,285,305
Percent	0.9	3.5	1.2	10.0	20.8	63.5	100.0
Public High Schools							
Number	N/A ^a	N/A ^a	N/A ^a	109,845	201,575	839,338	1,215,154
Percent	N/A	N/A	N/A	9.0	16.6	69.1	100.0
Community Colleges							
Number	13,027	45,138	—	88,000	87,621	633,870	867,656
Percent	1.5	5.2	—	10.1	10.1	73.1	100.0
California State University and Colleges (Undergraduate Only)							
Number	2,121	11,391	1,536	12,007	13,542	124,881	165,478
Percent	1.3	6.9	0.9	7.3	8.2	75.5	100.0
University of California (Undergraduate Only)							
Number	448	8,480	742	3,343	4,468	62,765	80,246
Percent	0.6	10.6	0.9	4.2	5.6	78.2	100.0
Independent Colleges (Undergraduate Only)							
Number	573	4,716 ^b	—	5,755	5,950	58,253	75,247
Percent	0.8	6.3	—	7.6	7.9	77.4	100.0

^a 64,396 students not broken down.

^b Includes Filipino students.

State Support

The Legislature has provided General Fund support to help meet the goal of ACR 151. Over \$18 M is budgeted annually for such activities as outreach programs in the secondary schools, and counseling and tutorial services at the college level. Table 9 summarizes the support available for these services (excluding financial aid) from 1976-77 through 1979-80.

Table 9
Student Affirmative Action Services ^a
(millions)

	<i>Actual 1976-77</i>	<i>Actual 1977-78</i>	<i>Estimated 1978-79</i>	<i>Budgeted 1979-80</i>
UC-General Fund/ (Nonstate) ^{b, c}				
Outreach	\$0.0 (0.7)	\$1.1 (0.8)	\$1.3 (0.7)	\$2.3 (0.0)
Support Services	0.3 (0.3)	0.8 (0.3)	1.0 (0.2)	1.2 (0.0)
Total UC Support	\$0.3 (1.0)	\$1.9 (1.1)	\$2.3 (0.9)	\$3.5 (0.0)
CSUC				
Outreach	—	—	0.1	0.3
Support Services (EOP)	3.6	4.3	5.0	5.1
Total CSUC Support	3.6	4.3	5.1	5.4
Community College				
EOPS (Outreach and Support Services)	4.6	6.2	7.7	9.3
Total General Fund Support	\$8.5	\$12.4	\$15.1	\$18.2

^a Excludes Financial Aid.

^b Amounts in parentheses represent nonstate support.

^c Excludes UC support for EOP.

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As the table indicates, total General Fund support for student affirmative action has increased dramatically from 1976-77 through 1979-80. As program support increases within each segment, so too does the opportunity for program duplication between segments. The need for greater intersegmental program coordination is more thoroughly discussed in the CSUC Analysis (Item 359).

B. Employee Affirmative Action

The 1979-80 Governor's Budget continues support for the UC and CSUC employee affirmative action programs which were first funded in 1978-79 (community colleges have no separate state support for employee affirmative action). Table 10 displays the funding level for 1978-79 and 1979-80.

Table 10
Employee Affirmative Action
General Fund Support

	<i>(Estimated)</i> 1978-79	<i>(Budgeted)</i> 1979-80
California State University and Colleges		
Employee Affirmative Action (Administrative Intern)	\$345,120	\$415,569
Faculty Development Program	505,426	592,281
Total CSUC.....	\$850,546	\$1,007,850
University of California ^a		
Employee Program Development	\$253,000	\$253,000 ^b
Faculty Program Development	352,000	352,000 ^b
Total UC	\$605,000	\$605,000 ^b

^a In addition to General Fund support, UC has allocated University Funds as follows: \$213,000 for 1977-78, and \$300,000 for 1978-79 and 1979-80.

^b Does not include price increase adjustment.

The funds included in Table 10 are aimed at expanding and broadening access to promotional opportunities through specific faculty management and staff personnel development efforts. Affirmative action costs associated with recruitment, advertising, meeting federal reporting requirements, etc., have not been included as they are subsumed as part of the operating costs of the entire administration.

5. SERVICES FOR DISABLED STUDENTS

Programs for disabled students in institutions of higher education are directed by federal regulations promulgated pursuant to Section 504 of the federal Rehabilitation Act of 1973, ACR 201 of 1976 and Chapter 275, Statutes of 1976 (AB 77).

504 Regulations

Compliance with the federal 504 regulations would require that:

1. Qualified handicapped students or participants in college programs or activities not be excluded from any course, course of study, or other program or activity on the basis of handicap.

2. Qualified handicapped students or participants in college programs or activities not be excluded on the basis of handicap from participation in, be denied the benefits of, or otherwise be subjected to discrimination under any academic, research, occupational training, housing, health insurance, counseling, financial aid, physical education, athletics, recreation, transportation, other extracurricular activity, or other educational programs or activities offered by the college.

3. In providing any aid, benefit, or service, a college not take any discriminatory action on the basis of handicap to:

- a. Deny a qualified handicapped person the opportunity to participate in, or benefit from, the services it provides.
- b. Afford any qualified handicapped person an opportunity to participate in or benefit from any aid, benefits, or services, that are not equal to those afforded to others.
- c. Provide a qualified handicapped person with any aid, benefits, or services, that are not as effective as those provided to others. To be "equally effective" an aid, benefit, or service need not produce an identical result or level of achievement for handicapped and non-handicapped persons. However, the college must afford handicapped persons with an equal opportunity to obtain the same result or level of achievement in the most integrated setting appropriate to the person's needs.
- d. Provide any different or separate aid, benefits, or services to handicapped persons unless such action is necessary to provide qualified handicapped persons with aid, benefits, or services that are as effective as those provided to others. Qualified handicapped persons shall not be denied the opportunity to participate in programs or activities that are not separate or different, if they can qualify for such programs or activities.
- e. Aid or perpetuate discrimination against a qualified handicapped person by providing any significant assistance to any agency, organization, or person that discriminates on the basis of handicap against beneficiaries of the college's programs.
- f. Deny a qualified handicapped person the opportunity to participate as a member of planning or advisory boards.
- g. Otherwise limit a qualified handicapped person in the enjoyment of any right, privilege, advantage or opportunity enjoyed by others.
- h. Regionalize services.

While these federal regulations appear to provide comprehensive coverage of services, the state gave additional program support by adopting ACR 201 in 1976.

ACR 201

Significant features of ACR 201 include:

"The Legislature recognizes that handicapped persons are also underrepresented in our institutions of public higher education and should be treated in the same manner as other underrepresented groups; and

It is the intent of the Legislature that such underrepresentation be addressed and overcome by 1980; and

POSTSECONDARY EDUCATION—Continued

It is the intent of the Legislature that this underrepresentation be eliminated by providing necessary auxiliary services and procedures to ensure entrance and retention rather than by rejecting any qualified student; and

"It is the intent of the Legislature to commit the resources to implement this policy; and

It is the intent of the Legislature that institutions of public higher education shall consider the following methods for fulfilling this policy:

(a) Affirmative efforts to search out and contact out and contact qualified handicapped students.

(b) Experimentation to discover alternate means of evaluating the student potential of handicapped students.

(c) Augmented handicapped student financial assistance programs.

(d) Improved counseling for handicapped students."

Students to be Served

The actual number of disabled students in California has not been precisely determined. However a student survey estimates a current total of 36,000 consisting of 30,000 in the CCC, 5,000 in the CSUC and 900 in the UC. It is also expected that a program of full service to meet the requirements of Section 504 and and ACR 201 could expand such enrollments to upwards of 80,000 in the next decade. Of this group it is likely that half will require services of a significant nature.

1979-80 Budget Requests

A student coalition estimates that potential costs of this program could exceed \$40 million. In 1978-79, resources available to meet the above requirements include: \$670,402 at UC; \$591,936 at CSUC and \$8.7 million apportionment to the CCC. All segments concur that the existing budgets are inadequate and have made 1979-80 General Fund budget requests totaling \$18 million as follows:

<i>Segment</i>	<i>Estimated 1978-79</i>	<i>Requested 1979-80</i>	<i>Requested Change</i>
UC.....	\$670,402 ^a	\$1,750,953	\$1,080,551
CSUC	591,936	1,395,777	803,841
CCC	8,700,000	15,000,000	6,300,000
Totals	\$9,962,338	\$18,146,730	\$8,184,392

^a Non general fund.

^b Does not include approximately \$200,000 for special deaf program at Northridge.

The components of UC and CSUC requests include:

<i>UC</i>		<i>CSUC</i>	
<i>Service</i>	<i>Requested Augmentation</i>	<i>Service</i>	<i>Requested Augmentation</i>
Students:			
Information and Awareness ..	\$47,950	Interpretative Services	\$485,344
Outreach and Admission	43,737	Readers, Notetakers.....	268,116
Counseling and Placement	102,700		32,757
Auxiliary Aids	530,037		50,961
Transportation	53,675		—
Administrative Staff.....	422,521		250,514

Subtotal.....	\$1,200,953	\$1,087,692
Employees:		
Miscellaneous Services	550,000	308,085
Total	\$1,750,953 ^a	\$1,395,777 ^b

^a Requested to augment \$670,402 in 1978-79 base.

^b Requested to augment \$591,936 in 1978-79 base.

Of the additional amount requested, the Governor's 1979-80 budget provides (a) \$309,467 from the General Fund to UC, (b) \$49,092 to CSUC and (c) an additional \$500,000 to CCC, as follows:

Segment	Estimated 1978-79	Budgeted 1979-80	Requested 1979-80	Difference Between Budget and Request
UC	\$670,402	\$979,689	\$1,750,953	\$771,084
CSUC	591,936 ^a	641,028 ^a	1,395,777	754,749
CCC	8,700,000	9,200,000	15,000,000	5,800,000
Totals	\$9,962,338	\$10,820,897	\$18,146,730	\$7,325,833

^a Does not include approximately \$200,000 for special deaf program at Northridge.

Plan Needed

We recommend that the Department of Finance a.) coordinate a review of services to disabled students in institutions of higher education and b.) report to the legislative fiscal committees by April 15, 1979 on appropriate responsibilities, service levels and funding.

The Governor's Budget is inconsistent in its approach to services for the disabled. Administrative coordinator staff positions are currently provided CSUC, but not UC; new employee services are provided UC but not CSUC; and finally neither segment is augmented for essential services such as interpreters, readers, and auxilliary aids.

To complicate the matter further, there appears to be some confusion between the State Department of Rehabilitation the Department of Finance and the segments of higher education as to which agency has the primary responsibility for services. Rehabilitation believes that it will no longer be responsible for higher education services and will pull back in this area; higher education believes that Rehabilitation should maintain its service level; and finally, the Finance staff believes that Rehabilitation should expand its services in order to take advantage of federal funds. In all of this confusion, no one has determined whether the state can fiscally support the "open access to every institution" level of service mandated by the state and federal policy guidelines.

We believe that the responsibility for clarifying this matter lies with the administration. A plan which addresses responsibilities and appropriate services at specified funding levels should be presented by the Department of Finance to the Legislative fiscal committees by April 15, 1979.

CALIFORNIA POSTSECONDARY EDUCATION COMMISSIONItem 345 from the General
Fund

Budget p. 936

Requested 1979-80	\$1,664,935
Estimated 1978-79.....	1,739,933
Actual 1977-78	1,491,456
Requested decrease \$74,998 (4.3 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. Costs of Instruction. Recommend CPEC determine comparable costs of instruction and support services for higher education segments. 1011
2. Community College Salaries. Recommend that community college salaries and benefits be included in annual salary report. 1012

GENERAL PROGRAM STATEMENT

The California Postsecondary Education Commission (CPEC), comprised of 23 members, was created by Chapter 1187, Statutes of 1973. It is an advisory body to the Legislature and Governor. The functions assigned to CPEC include planning, evaluation, and coordination. No person who is regularly employed in any administrative, faculty or professional position by an institution of public or private postsecondary education may be appointed to the Commission.

Postsecondary institutions advise the Commission through a special committee, consisting of the chief executive officer of each public segment, 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 presents a summary of expenditures and funding sources for the commission.

Table 1
CPEC Expenditures and Funding Sources

	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>Amount</i>	<i>Percent</i>
I. Information Systems	\$290,664	\$300,518	\$318,827	\$18,309	6.1%
II. Coordination and Review	278,110	265,338	279,704	14,336	5.4
III. Planning and Special Projects	301,017	462,160	367,698	-94,462	-20.4
IV. Federal Programs....	1,076,952	1,739,399	1,749,451	10,052	.1
V. Executive	295,085	290,755	306,450	15,695	5.4
VI. Staff Services	222,443	257,395	221,502	-35,893	-13.9

VII. Commission Activities	44,800	78,331	61,324	-17,007	-21.7
VIII. WICHE	39,000	39,000	39,000	—	—
TOTAL PROGRAMS	\$2,548,071	\$3,432,896	\$3,343,956	\$-88,940	-2.6%
<i>General Fund:</i>					
1. Regular Support	\$1,491,456	\$1,618,558	\$1,664,935	\$46,377	2.9%
2. Special Study	—	121,375	—	-121,375	-100%
TOTAL, GENERAL FUND ..	\$1,491,456	\$1,739,933	\$1,664,935	\$-74,998	-4.3%
Federal Funds	\$1,056,615	\$1,692,963	\$1,679,021	\$-13,942	-.1%
Positions	50.2	57.1	59.1	2.0	3.5%

As the table shows, CPEC will experience a 2.6 percent decrease in total support in 1979-80. This is primarily the result of a one-time \$121,375 increase in the current year for a study of student financial aid (Item 321.1 in the Budget Act of 1978). When these funds are removed from the calculations, the regular General Fund support for CPEC increases by \$46,377 or 2.9 percent and total support increases by \$32,435 or 1.0 percent.

The budget proposes a net increase of two positions in CPEC, both of which are clerical. *We recommend approval.*

Intersegmental Comparisons

We recommend that the California Postsecondary Education Commission (CPEC) be directed to develop comparable costs of a) instruction, by major disciplines and level of instruction, and b) support services, in the three public higher education segments, and submit a preliminary report to the Legislature by March 1, 1980.

There have been a variety of attempts in recent years to secure comparative data on the cost of higher education programs:

(1) In 1965, SCR 51 directed CPEC's predecessor, the Coordinating Council on Higher Education, to develop an annual report comparing salary levels and benefits of California institutions with those in other states. This indirectly facilitated comparisons between the two California segments then in existence.

(2) In 1971, SCR 105 directed the Council to report uniform data on costs of instruction for the three segments of higher education. This was only partially complied with and eventually suspended due to methodological problems.

(3) In 1978, supplemental language to the Budget Bill directed CPEC to develop common definitions for reporting graduate FTE. A preliminary report has been distributed.

In spite of these efforts, the Legislature still lacks the data necessary to make intersegmental program cost comparisons.

In addition to the historical concern, the emergence of the community colleges as the single largest item of state support for higher education raises new questions about the equity of funding between the segments. In the next section of this analysis we are recommending the inclusion of community colleges in the annual CPEC report on salaries and benefits. The inclusion of salaries paid at community colleges will provide one important source of comparative data. However, much additional information is necessary to assist the Legislature in evaluating the allocation of state support between the three segments of higher education, the distri-

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION —Continued

bution of support within each segment, and the merit of requests for program increases.

Because of the variability found between programs, levels of instruction, and support services, we recommend that separate cost and staffing factors be developed for each of these elements. This task logically falls to CPEC, the agency created specifically to foster an intersegmental approach to higher education. The development of comparable cost and staffing factors is basic to any attempt to interrelate the segments, and thus should be given top priority by the agency. A deadline of March 1, 1980, would provide sufficient time for the agency to develop preliminary factors that could be reviewed in hearings on the 1980-81 budget.

Salary Comparisons

We recommend that the California Postsecondary Education Commission (CPEC) be directed to include community college salaries and benefits in its annual report on faculty salaries.

As a result of Senate Concurrent Resolution No. 51 of the 1965 Legislative Session, CPEC is required to submit an analysis of faculty salaries, and the cost of fringe benefits, in the UC and CSUC systems each year to the Governor and Legislature. These reports are based on a comparison of the salaries and benefits of the California faculty with comparable faculty throughout the United States, and assist the Governor and the Legislature in determining appropriate salary levels.

Now that the state has assumed primary responsibility for support of the community colleges, this system should also be covered by the annual report. We note that a recent study by the American Association of University Professors indicates that salaries in the California community colleges are 27 percent above the average for two-year public institutions in the United States. This situation needs to be analyzed. Including community colleges in the annual CPEC report would permit a more accurate and systematic comparison of the community college faculty with faculty in other states as well as with the UC and CSUC faculty.

UNIVERSITY OF CALIFORNIA

Items 346-356 from the General
Fund and Item 357 from the
California Water Fund

Budget p. 941

Requested 1979-80	\$797,246,631 ^a
Estimated 1978-79	767,673,491
Actual 1977-78	740,098,960
Requested increase \$29,573,140 (3.9 percent)	
Total recommended reduction	\$7,664,396

^a Salary increase funds are not included in this total. They are discussed elsewhere in the Analysis under Item 435.

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
346	Support	General	\$786,744,448
347	Institute of Appropriate Technology	General	102,900
348	State Data Program	General	119,500
349	Undergraduate Teaching Excellence	General	1,381,700
350	Fresno-San Joaquin Medical Education Program	General	77,400
351	Berkeley-San Francisco Medical Education Program	General	745,210
352	Riverside-UCLA Biomedical Program	General	623,913
353	Teaching Hospital Loan	General	3,919,600
354	Drew Postgraduate Medical Program	General	2,165,860
355	California College of Podiatric Medicine	General	726,800
356	Institute of Transportation Studies	General	539,300
357	Mosquito Control Research	California Water	100,000
	Total		\$797,246,631

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Instructional Computing. Reduce Item 346 by \$500,000.* 1028
Recommend deletion of augmentation as an unnecessary enrichment in light of other funding sources.
2. *Teaching Assistants. Augment Item 346 by \$990,288.* 1030
Recommend that 92 FTE Teaching Assistants be added subject to UC providing TA training for all TAs.
3. *Health Science Tuition. Reduce Item 346 by \$635,000.* 1036
Recommend that a \$1,000/year health science tuition fee for medicine, veterinary medicine and dentistry students be phased in over two years beginning with a \$500 fee in 1979-80.

UNIVERSITY OF CALIFORNIA—Continued

4. *Affiliated Residents. Reduce Item 346 by \$231,000. Recommend that state support for 52 additional affiliated residents be deleted.* 1039
5. *Graduate Academic Students. Recommend supplemental language stating that the increase of 41 health science graduate academic students for 1979-80 is one-time only.* 1040
6. *Medical Residents. Recommend supplemental language directing that in 1980-81 the number of residents trained by UC will be no greater than the number in 1978-79 and that the reduction from the 1979-80 level must be in non-primary care specialties.* 1043
7. *Malpractice Insurance. Reduce Item 346 by \$686,000. Recommend that state support for malpractice insurance be reduced to reflect (1) the savings from partial UC self insurance and (2) a lower estimate of the probable price increase.* 1047
8. *Institute of Transportation Studies. Delete General Fund Appropriation of \$539,300 and increase Driver Penalty Assessment Fund support by \$539,300 in Item 356. Recommend that support for the Institute of Transportation Studies be provided by the Driver Penalty Assessment Fund rather than the General Fund.* 1051
9. *California Writing Project. Augment Item 346 by \$300,000. Recommend that a \$300,000 augmentation for core support of the California Writing Project be provided. Also that supplemental language be adopted requiring that a formal advisory panel be established to evaluate individual proposals for funding.* 1055
10. *Patient Discharge Data. Recommend that supplemental language be adopted requiring the UC to submit patient abstract and billing information to the California Health Facilities Commission.* 1064
11. *Student Affirmative Action Program. Reduce Item 346 by \$1,877,000. Recommend that the General Fund augmentation for the replacement of Education Fee funds be eliminated.* 1069
12. *Collective Bargaining. Reduce Item 346 by \$298,000. Recommend elimination of state support for (1) collective bargaining negotiations and (2) the collection of employee salary data because they are unnecessary in 1979-80.* 1072
13. *Application Fee. Reduce General Fund and increase reimbursements to Item 346 by \$610,000. Recommend that the application for admission fee be raised from \$20 to \$25 and that the percentage of fee waivers be maintained at 6 percent of applicants.* 1080
14. *General Reimbursements. Reduce General Fund and increase reimbursements to Item 346 by \$356,157. Recom-* 1081

mend general reimbursements be increased to reflect anticipated income more accurately.

15. *Utilities Support. Reduce Item 346 by \$3,647,527.* 1084
Recommend that utility support be reduced on certain campuses as a result of (1) overestimated electricity rate increases and (2) excess energy consumption per square foot of space.
16. *Social Security Coordination. Reduce Item 346 by \$114,000.* 1086
Recommend that General Fund support for social security coordination be reduced based on a revised estimate of UC employee turnover.
17. *Price and Salary Increase Funds.* 1086
Recommend that price and merit salary increase funds be allocated to the separate UC Budget Act items for which they were intended prior to passage of the Budget Bill.
18. *Office Copiers.* 1087
Recommend that UC report to the Joint Legislative Budget Committee by December 1, 1979, on its use of office copiers.

**Summary of Legislative Analyst's Recommended Fiscal Changes
to the 1979-80 Budget**

Activity	Program Changes		Funding Impact	
	Reductions	Augmen- tations	General Fund	Reimburse- ments
Instructional Computing.....	\$-500,000		\$-500,000	
Teaching Assistants.....		\$+900,288	+990,288	
Health Science Tuition			-635,000	\$+635,000
Affiliated Residents.....	\$-231,000		-231,000	
Malpractice Insurance	-686,000		-686,000	
California Writing Project		+300,000	+300,000	
Student Affirmative Action Program.....	-1,877,000		-1,877,000	
Collective Bargaining Activi- ties	-298,000		-298,000	
Application Fee.....			-610,000	+610,000
General Reimbursements			-356,157	+356,157
Utilities Support	-3,647,527		-3,647,527	
Social Security Coordination	-114,000		-114,000	
Total	\$-7,353,527	\$1,290,288	\$-7,664,396	\$1,601,157

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 26 member governing board—the Regents of the University of California.

A broadly based curriculum leading to the baccalaureate degree is offered by the university. In addition, the Donahoe Higher Education Act of 1960 (Master Plan) gave the university exclusive jurisdiction in public higher education over instruction in the professions of law, medicine, dentistry and veterinary medicine. The university has sole authority to award doctoral degrees in all disciplines, although it may award joint doctoral degrees with the California State University and Colleges. The

UNIVERSITY OF CALIFORNIA—Continued

Donahoe Act also designated the university as the primary state-supported academic agency for research.

Administrative Structure

The university encompasses eight general campuses and one health science campus. Overall responsibility for policy development, planning and resource allocations rests with the President of the University, who is directly responsible to the Regents. Primary responsibility for individual campus management has been delegated to the Chancellor of each campus. 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) and degree requirements, and to approve courses and curricula. Responsibility for administering research activities rests in three organizations: (1) academic departments, (2) agricultural research stations and (3) organized research units.

Admissions

The Board of Regents has the authority to establish its own admission standards (which it has delegated to the academic senate) subject to the guidelines established in the Master Plan of 1960. These guidelines are intended to limit admission as first time freshmen to the top one-eighth (12½ percent) of California's high school graduates. Nonresident freshmen applicants must be in the upper one-sixteenth of their state's high school graduates to be admitted. The university is permitted to waive the admission standards for up to 6 percent of the incoming freshman enrollment.

California transfer students are required to have at least a 2.4 average in prior academic work to be eligible for admission to advance standing. The minimum requirement for admission to a graduate program is possession of a valid 4-year degree from an accredited institution.

1979-80 Budget Overview

Table 1 shows the total UC budget for the 1978-79 and 1979-80 fiscal years. The 1979-80 budget, which totals \$2.7 billion, has two components: (1) the support budget for continuing operations (\$1.6 billion) and (2) sponsored research and the three Department of Energy laboratories (\$1.1 billion). Revenues for the support budget are shown in Table 2. The proposed increase in the UC support budget for 1979-80 is \$95,180,713, or 6.3 percent of 1978-79 expenditures. State appropriations increase \$30,096,740, university general funds increase by \$8,938,601 and other university revenue sources increase \$56,145,372. Detail on the source of funds for all programs is provided in Table 3. The state General Fund increase of \$30,096,740 is detailed in Table 4.

Funding Considerations

The 1979-80 Governor's Budget provides UC with a 3.9 percent increase in General Fund support before making allowances for salary increases. If all UC employees, both academic and nonacademic, receive a 6 percent salary increase, the total UC General Fund budget will increase by 9.2 percent. While this would be significantly greater than the 3.9 percent increase obtained in 1978-79 (no salary increase funds were provided), it would be below the average 12.8 percent increase for the three budget years preceding passage of Proposition 13.

Looking only at the percentage increases in the UC General Fund budgets for 1978-79 and 1979-80 can give one a faulty impression of what is being proposed. Despite the relatively small increase, a number of new or enriched programs are included in the budget. In 1978-79 these programs totaled \$17.5 million. These new or enriched programs, however, have been partially funded by unspecified savings in existing programs. In the current fiscal year, savings totaling \$15.4 million were made pursuant to Sections 27.1 and 27.2 of the 1978 Budget Act. (The \$15.4 million was partially offset by a one-time \$5.7 million allocation of education fee reserves and \$3.8 million in malpractice insurance and utility savings.)

The 1979-80 Governor's Budget continues the Section 27.1 and 27.2 reductions and requires further "unspecified" reductions of \$7.67 million. This amount represents 1 percent of the actual 1978-79 budget. UC has been directed by the Department of Finance to determine how the \$7.67 million reduction will be achieved. We will comment on UC's proposals as they are developed.

Table 1
University of California
Proposed UC Expenditure Budget for 1979-80

	<i>Personnel</i>			<i>Expenditures</i>			
	<i>1978-79</i>	<i>1979-80</i>	<i>Change</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Change</i>	
						<i>Amount</i>	<i>Percent</i>
I. Instruction							
A. General Campuses	12,375.58	12,281.29	-94.29	\$304,445,793	\$307,215,352	\$2,769,559	0.9%
B. Health Sciences	4,514.71	4,654.26	139.55	138,672,124	141,938,275	3,266,151	2.4
C. Summer Sessions	419.26	419.26	—	5,442,245	5,499,905	57,660	1.1
D. University Extension	1,383.54	1,383.54	—	36,561,096	36,967,455	406,359	1.1
II. Research	2,608.86	2,608.86	—	71,594,115	71,944,177	350,062	0.5
III. Public Service	1,061.56	1,065.56	4.00	33,645,912	34,182,989	537,077	1.6
IV. Academic Support							
A. Libraries	2,214.07	2,210.62	-3.45	56,964,883	58,483,915	1,519,032	2.7
B. Organized Activities—Other	2,461.18	2,476.18	15.00	58,626,502	59,999,478	1,372,976	2.3
C. Teaching Hospitals & Clinics	17,207.04	17,207.04	—	385,455,242	433,894,242	48,439,000	12.6
V. Student Services							
A. Activities	2,773.90	2,773.90	—	61,303,353	62,336,795	1,033,442	1.7
B. Financial Aid	—	—	—	30,478,055	31,394,480	916,425	3.0
VI. Institutional Support							
A. General Administration & Services	6,014.44	6,014.44	—	100,294,150	100,784,182	490,032	0.5
B. Operation & Maintenance of Plant	3,214.65	3,232.65	18.00	89,396,261	89,985,278	589,017	0.7
VII. Independent Operations (Auxiliary Enterprises)	1,650.00	1,650.00	—	81,071,542	84,638,302	3,566,760	4.4
VIII. Special Regents' Programs	—	—	—	22,474,325	24,325,000	1,850,675	8.2
IX. Unallocated Adjustments							
A. Provisions for Allocation	—	—	—	39,694,897	40,193,383	498,486	1.3
B. Fixed Costs & Economic Factors	—	—	—	—	35,188,000	35,188,000	—
X. Reductions Related to Proposition 13							
A. Sections 27.1 & 27.2, 1978 Budget Act	-409.00	-409.00	—	-15,430,000	-15,430,000	—	—
B. Additional Reductions in 1979-80	—	—	—	—	-7,670,000	-7,670,000	—
Totals Support Budget	57,489.79	57,568.60	78.81	\$1,500,690,495	\$1,595,871,208	\$95,180,713	6.3%
Sponsored Research Activities	—	—	—	440,292,000	464,388,000	24,096,000	5.5
Major Department of Energy Laboratories	—	—	—	672,026,000	672,026,000	—	—
GRAND TOTAL	57,489.79	57,568.60	78.81	\$2,613,008,495	\$2,732,285,208	\$119,276,713	4.6%

Table 2
UC Revenues—Total Support Budget

	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
General Funds:				
State Appropriation	\$767,049,891	\$797,146,631	\$30,096,740	3.9%
University General Funds:				
Nonresident Tuition	14,004,189	19,000,189	4,996,000	35.7
Other Student Fees	3,661,453	3,661,453	—	—
Other Current Funds	1,730,690	1,730,690	—	—
Funds Used as Income:				
Federal Overhead	24,325,496	26,323,500	1,998,004	8.2
Department of Energy—Overhead & Management	1,500,000	1,500,000	—	—
Prior Year Balances	2,679,009	4,623,606	1,944,597	72.6
Other	712,326	712,326	—	—
Total General Fund	\$815,663,054	\$854,698,395	\$39,035,341	4.8%
Restricted Funds:				
State Appropriations:				
Transportation Research	\$523,600	—	\$-523,600	—%
Mosquito Research	100,000	\$100,000	—	—
Federal Appropriations	9,101,181	9,101,181	—	—
United States Grants	6,026,410	6,026,410	—	—
University Sources:				
Student Fees	123,375,209	124,627,423	1,252,214	1.0
Sales & Services	27,413,805	27,413,805	—	—
Teaching Hospitals	347,766,639	396,205,639	48,439,000	13.9
Organized Activities	27,888,652	28,750,628	861,976	3.1
Endowments	16,094,871	16,094,871	—	—
Auxiliary Enterprises	80,163,640	83,730,400	3,566,760	4.4
Other	12,803,728	12,612,796	-190,932	-1.5
Prior Year Balances	7,757,660	8,531,660	774,000	10.0
Special Regents' Programs	26,012,046	27,978,000	1,965,954	7.6
Total Restricted Funds	\$685,027,441	\$741,172,813	\$56,145,372	8.2%
Total Revenue (Support Budget)	\$1,500,690,495	\$1,595,871,208	\$95,180,713	6.3%

Table 3
Source of Funds by Subprogram
(1979-80 Governor's Budget)

	<i>State of California and Other General Funds</i>	<i>United States of America</i>	<i>Student Fees and Tuition</i>	<i>Sales and Services</i>			<i>Endowments</i>	<i>Other Sources</i>	<i>Total</i>
				<i>Teaching Hospitals</i>	<i>Educational Activities</i>	<i>Auxiliary Enterprises</i>			
Instruction:									
General Campuses	\$303,220,938	\$335,799	\$279,205	—	\$138,085	—	\$1,493,576	\$1,747,749	\$307,215,352
Health Sciences	114,149,169	6,026,410	—	—	19,563,242	—	866,923	1,332,531	141,938,275
Summer Session	—	—	5,499,905	—	—	—	—	—	5,499,905
University Extension	—	—	36,967,455	—	—	—	—	—	36,967,455
Total Instruction	417,370,107	6,362,209	42,746,565	—	19,701,327	—	2,360,499	3,080,280	491,620,987
Research	63,123,986	2,419,495	—	—	738,344	—	4,334,309	1,328,043	71,944,177
Public Service:									
Community Service	119,163	—	2,351,303	—	3,708,597	—	592,721	778,564	7,550,348
Cooperative Extension	17,174,365	6,345,887	—	—	215,000	—	4,729	—	23,739,981
Drew Postgraduate Medical School	2,165,860	—	—	—	—	—	—	—	2,165,860
Calif. College of Podiatric Med.	726,800	—	—	—	—	—	—	—	726,800
Total Public Service	20,186,188	6,345,887	2,351,303	—	3,923,597	—	597,450	778,564	34,182,989
Academic Support:									
Libraries	57,325,481	—	—	—	25,500	—	948,157	184,777	58,483,915
Museums and Galleries	1,055,654	—	—	—	36,959	—	157,438	—	1,200,051
Intercollegiate Athletics	—	—	795,380	—	89,591	—	—	—	884,971
Ancillary Support—General Campuses	1,759,648	—	179,684	—	1,867,245	—	—	14,000	3,820,577
Ancillary Support—Health Sciences	26,956,437	—	13,000	—	27,118,321	—	6,121	—	54,093,879
Total Academic Support	87,047,220	—	988,064	—	29,137,616	—	1,111,716	198,777	118,483,393
Teaching Hospitals	37,583,266	—	—	\$396,205,639	—	—	105,337	—	433,894,242
Student Services:									
Social and Cultural Activities	1,264,638	—	9,873,364	—	79,056	—	30,705	317,651	11,565,414
Supplemental Educational Serv- ices	300,881	—	1,795,012	—	—	—	—	18,630	2,114,523

Counseling and Career Guidance	1,427,186	—	9,866,232	—	200	—	—	1,515,768	12,809,386
Financial Aid Administration	729,782	—	6,179,089	—	—	—	—	250,900	7,159,771
Student Admissions and Records	8,097,223	—	—	—	—	—	—	1,004,513	9,101,736
Student Health Services	—	—	12,201,035	—	—	—	—	2,732,850	14,933,885
Employee Benefits	2,710,384	—	1,941,696	—	—	—	—	—	4,652,080
Total Student Services	14,530,094	—	41,856,428	—	79,256	—	30,705	5,840,312	62,336,795
Institutional Support:									
Executive Management	24,486,115	—	—	—	—	—	198,249	469,341	25,153,705
Fiscal Operations	11,040,478	—	—	—	718,968	—	—	2,491,428	14,250,874
General Administrative Services	18,417,480	—	228,127	—	1,865,325	—	15,500	6,379,688	26,906,120
Logistical Services	14,249,401	—	—	—	—	—	—	1,812,279	16,061,680
Community Relations	4,378,071	—	—	—	—	—	614,423	81,016	5,073,510
Employee Benefits	13,197,505	—	—	—	—	—	55,346	85,442	13,338,293
Total Institutional Support	85,769,050	—	228,127	—	2,584,293	—	883,518	11,319,194	100,784,182
Operation & Maintenance of Plant	89,625,294	—	—	—	—	—	310,980	49,004	89,985,278
Student Financial Aid	—	—	28,704,580	—	—	\$2,000	2,671,614	16,286	31,394,480
Auxiliary Enterprises	—	—	808,023	—	—	83,728,400	3,101	98,778	84,638,302
Unallocated Adjustments:									
Provisions for Allocation	27,375,190	—	6,944,333	—	—	—	3,685,642	2,188,218	40,193,383
Program Maintenance: Fixed Costs & Economic Factors	35,188,000	—	—	—	—	—	—	—	35,188,000
Total Unallo. Adjustments ..	62,563,190	—	6,944,333	—	—	—	3,685,642	2,188,218	75,381,383
Special Regents' Programs	—	—	—	—	—	—	—	24,325,000	24,325,000
Reductions Per Control Sections 27.1 and 27.2	-15,430,000	—	—	—	—	—	—	—	-15,430,000
Unident. Savings & Low Priority Act	-7,670,000	—	—	—	—	—	—	—	-7,670,000
TOTALS, BUDGETED PROGRAMS	\$854,698,395	\$15,127,591	\$124,627,423	\$396,205,639	\$56,164,433	\$83,730,400	\$16,094,871	\$49,222,456	\$1,595,871,208
Sponsored Research and Other Activities	—	\$324,122,000	—	—	—	—	\$53,200,000	\$87,066,000	\$464,388,000
Department of Energy Laboratories	—	672,026,000	—	—	—	—	—	—	672,026,000
Totals (Budgeted and Extramural) Programs	\$854,698,395	\$1,011,275,591	\$124,627,423	\$396,205,639	\$56,164,433	\$83,730,400	\$69,294,871	\$136,288,456	\$2,732,285,208

UNIVERSITY OF CALIFORNIA—Continued

Table 4
UC General Fund Support
Summary of Changes from 1978-79 Budget

1978-79 Base Budget		\$767,049,891
I. Program Changes		
A. To maintain existing budget		35,188,000
a. Price increases	\$11,175,000	
b. Merit increases and promotions	12,430,000	
c. Malpractice Insurance	-856,000	
d. General risk/liability insurance	856,000	
e. State Compensation Insurance	1,702,000	
f. University of California Retirement System	7,000,000	
g. Public Employees Retirement System	800,000	
h. Social Security	1,510,000	
i. Collective Bargaining	571,000	
B. Workload and other changes to existing programs		3,847,341
a. General Campus instruction	2,721,289	
b. Health Science instruction	3,266,147	
c. Organized Research	789,300	
d. Public Service	238,000	
e. Libraries	1,476,805	
f. Academic Support	511,000	
g. Institutional Support	-234,000	
h. Operation and Maintenance of Plant	586,100	
i. Services for handicapped	309,000	
j. Student Affirmative Action	1,903,700	
k. Drew one-time capital planning	-50,000	
l. Additional reductions related to Proposition 13	-7,670,000	
Subtotal Program Changes		(\$39,035,341)
II. Funding Changes and offsets to State appropriations		
a. Nonresident tuition	\$4,996,000	
b. Overhead receipts	1,998,004	
c. Prior year balances	1,944,597	
Subtotal Funding Changes		\$-8,938,601
Total Change		(\$30,096,740)
Total 1979-80 Support		\$797,146,631

Increased Salary Flexibility Proposed for UC

The 1979-80 Governor's Budget proposes to give the Regents increased flexibility in making salary adjustments. The budget states that:

"The University will be given the authority to use, at its discretion, any savings in its normal operating budget resulting from economies of consolidation or elimination of activities in order to provide flexibility for salary increases beyond that specifically provided. Allowing the University to exercise this option at its discretion will permit the Regents to deter-

mine the relative priority of ongoing activities of the University in relation to the need for special salary adjustments for faculty and staff."

This additional flexibility is to be provided through a separate provision in the budget bill that will be proposed as an amendment to the bill as introduced. Until the text of that amendment is available to the Legislature, we cannot evaluate its potential effect. Legally, UC already has the fiscal flexibility that the budget intends to give it. Because UC is a constitutional rather than a statutory agency, it is exempt from many of the fiscal constraints imposed on other state agencies. One of those constraints is Section 31 of the Budget Act which prohibits agencies from (1) permanently establishing new positions or (2) expending funds for salaries which are not specifically appropriated for that purpose without the approval of the Department of Finance.

While UC has broad expenditure discretion, it also recognizes that the Governor and the Legislature have the authority and the responsibility to determine the level of state support for state services. Consequently, UC allocates for salary increases only that amount of funds specifically appropriated by the Legislature for this purpose.

What the statement in the Governor's budget apparently means is that in the future, UC will have the Governor's approval, as well as the legal authority, to reduce or eliminate activities and use the released funds to supplement the salary increase appropriation. What is not clear is the extent of the flexibility being offered. For example, will the amendment permit UC to retain the unplanned savings at the close of the fiscal year, or only the planned savings resulting from specific policy decisions? Most agencies typically have unspent funds at the end of the fiscal year. Prudent managers must allow for a margin of error because there is no way to predict precisely total expenses in a large complex organization.

Regardless of the specific fiscal flexibility offered UC, the Governor's proposal raises two questions which the Legislature should consider when the Governor's Budget amendment is submitted: (1) why single out UC for this added flexibility?; and (2) how should this flexibility, if granted, be monitored by the Legislature.

Why UC Only

UC could not have been singled out for special treatment because it is the only state-supported institution in which personnel salaries are lagging behind those paid to comparable employees. Many state employee classifications also have salary ranges below those of similar workers elsewhere.

It may be that UC was singled out because it is a constitutionally established institution which already enjoys considerable independence from both the Governor and the Legislature. However, if current state practice is to be altered, it should be done on the merits of the matter. If the concept of added flexibility has merit for UC, it would appear to have merit for other state agencies as well. Was UC chosen to test the concept?

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Reports Necessary

If the Legislature permits UC this added flexibility, it is essential that UC annually report all funds expended on salaries which were originally appropriated for other purposes. Where the funds for salary supplements were obtained might influence future legislative decisions on the UC budget. For example, a particular program identified by UC as a low priority might have a high priority to the Legislature. If such a program were eliminated after the budget was enacted, the Legislature might consider budgeting funds for this program in the future with the stipulation that they be used for this program, or not at all. Similarly, the Legislature might view a particular UC program augmentation request in a different light if it were known that UC had voluntarily reduced this program earlier to provide additional salary increase funds.

Of course, a more workable approach might be for UC to report to the Department of Finance during the budget planning process where it would like to reduce or eliminate programs and use the funds for salary purposes. If concurred in by the Department of Finance, such a change would be included in the Governor's proposed Budget and reviewed by the Legislature during the budget hearings, *before any action is taken*.

The flexibility proposed in the budget must be kept in mind as the following recommendations are reviewed.

ANALYSIS AND RECOMMENDATIONS**Budget Presentation**

The university budget 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 include special resource allocations and budget reporting procedures which affect all of the other seven programs.

I. INSTRUCTION

The Instruction program includes (1) enrollment, (2) general campuses instruction, (3) health science instruction, (4) summer session, and (5) university extension.

1. ENROLLMENT

General campus and health science enrollments are the primary indicators of workload. As Table 5 indicates, the 1979-80 Governor's Budget assumes a drop of 773 FTE general campus students, which is a reduction of .7 percent. Health science enrollments are budgeted to increase by 365 FTE students, or 3 percent.

Table 5
University of California
Full-Time Equivalent Students (FTE)
(Three-Quarter Average)

	<i>Actual</i> <i>1977-78</i>	<i>Budgeted</i> <i>1978-79</i>	<i>Proposed</i> <i>1979-80</i>	<i>Governor's Budget</i>	
				<i>Change</i> <i>From 78-79</i> <i>Budgeted</i>	<i>Percent</i> <i>Change</i>
Berkeley					
General Campus:					
Undergraduate	18,106	18,422	18,690	268	1.5%
Graduate	7,597	7,620	7,567	-53	-0.7
Health Sciences	621	769	788	19	2.5
Subtotal	26,324	26,811	27,045	234	0.9
Davis					
General Campus					
Undergraduate	11,985	12,042	12,200	158	1.3
Graduate	2,888	2,869	2,927	58	2.0
Health Sciences	1,752	1,843	1,915	72	3.9
Subtotal	16,625	16,754	17,042	288	1.8
Irvine					
General Campus					
Undergraduate	7,037	7,300	7,500	200	2.7
Graduate	1,210	1,266	1,223	-43	-3.4
Health Sciences	926	982	1,032	50	5.1
Subtotal	9,173	9,548	9,755	207	2.2
Los Angeles					
General Campus					
Undergraduate	17,141	17,525	17,224	-301	-1.7
Graduate	7,280	7,529	7,136	-393	-5.2
Health Sciences	3,631	3,721	3,813	92	2.5
Subtotal	28,052	28,775	28,173	-602	-2.1
Riverside					
General Campus					
Undergraduate	3,314	3,409	3,010	-399	-11.7
Graduate	1,226	1,260	1,239	-21	-1.7
Health Sciences	16	40	44	4	10.0
Subtotal	4,556	4,709	4,293	-416	-8.9
San Diego					
General Campus					
Undergraduate	7,928	8,036	8,187	151	1.9
Graduate	1,228	1,265	1,225	-40	-3.2
Health Sciences	909	999	1,035	36	3.6
Subtotal	10,065	10,300	10,447	147	1.5
San Francisco					
Health Sciences	3,542	3,686	3,778	92	2.5
Subtotal	3,542	3,686	3,778	92	2.5
Santa Barbara					
General Campus					
Undergraduate	11,973	11,941	11,901	-40	-0.3
Graduate	1,796	1,862	1,741	-121	-6.5
Subtotal	13,769	13,803	13,642	-161	-1.2

UNIVERSITY OF CALIFORNIA—Continued

Santa Cruz

General Campus					
Undergraduate	5,504	5,569	5,019	-640	-11.3
Graduate	330	369	457	-22	-6.0
Subtotal	5,834	6,028	5,366	-662	-11.0
Reduction by State					
General Campus					
Graduate	—	-465	—	—	—
Total University					
Undergraduate	82,988	84,334	83,371	-603	-0.7
Graduate	23,555	23,575	23,405	-170	-0.7
General Campus	106,543	107,909	106,776	-773	-0.7
Health Sciences	11,397	12,040	12,405	365	3.0
TOTAL	117,940	119,949	119,541	-408	-0.4%

2. GENERAL CAMPUS INSTRUCTION

Included under this subprogram is the cost of faculty (other than 1979-80 pay increases), teaching assistants and related instructional support for the eight general campus programs.

Table 6 presents the general campus instruction budget by program element. The 1979-80 budgeted General Fund increase of \$2,721,000 results from:

- (1) a 773 FTE student enrollment decrease (\$-1,779,000),
- (2) an increase in support for the replacement of instructional equipment (\$4,000,000),
- (3) additional support for instructional use of computers (\$500,000).

The 773 student FTE decrease results in a reduction of 45 faculty positions, 13 TA positions and 36 other staff positions.

Table 6
Program I
Instruction—General Campus
Summary of Expenditures and Personnel
(in thousands)

	<i>1978-79 Budget</i>			<i>1979-80 Governor's Budget</i>			<i>1979-80 Increase</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>
PROGRAM ELEMENTS:									
1. Faculty	\$150,648	—	\$150,648	\$149,914	—	\$149,914	\$-734	—	\$-734
2. TA's	19,555	—	19,555	19,415	—	19,415	-140	—	-140
3. Instructional Support	86,649	\$2,766	89,415	86,531	\$2,814	89,345	-118	\$48	-70
4. Other	141	1,180	1,321	141	1,180	1,321	—	—	—
5. Equipment Replacement Program*	3,381	—	3,381	7,381	—	7,381	4,000	—	4,000
6. Employee Benefits	40,126	—	40,126	39,839	—	39,839	-287	—	-287
PROGRAM TOTAL	\$300,500	\$3,946	\$304,446	\$303,221	\$3,994	\$307,215	\$2,721	\$48	\$2,769
PERSONNEL REQUIREMENTS									
(FTE)									
Academic									
Faculty			6,173			6,128			-45
TA's			1,815			1,802			-13
Other Academic			370			370			—
Staff			4,017			3,981			-36
TOTAL			12,375			12,281			-94

* Includes funds allocated to the health sciences.

UNIVERSITY OF CALIFORNIA—Continued

A. Faculty Time Use Study

In the 1977-78 Analysis, we presented internal UC data which indicated that the amount of time UC faculty were spending in classroom instruction had been declining in recent years. A UC faculty committee was formed to review the accuracy of the data. It determined that there were substantial variations in the quality of the data from campus to campus and that no valid conclusion could be drawn from this information.

The Legislature agreed to forego action based on these data if UC would conduct a comprehensive annual survey of faculty workload. (The discarded data had been collected by UC each year since 1972 in response to a similar state request.) UC agreed and contracted with a private survey research firm for the survey.

The survey results indicate that the average full-time regular faculty member spent over 62 hours a week in University-related activities during the 30 instructional weeks of the 1977-78 academic year. This total includes:

	<i>Hours</i>
• instructional activities	27.1
• research/creative activities	22.9
• university service	7.5
• professional activities/public service	4.9

The average full-time faculty member paid entirely from "Instruction and Research" funds spent 28 hours a week in instructional activities. Approximately 13 hours of that time involved direct student contact in the following activities:

	<i>Hours</i>
• teaching regularly scheduled courses	5.9
• student advising	3.5
• supervising independent/special study.....	2.4
• noncredit instruction	0.8
• participating in oral examinations	0.3

Of the 5.9 hours spent in regularly scheduled courses, 2.7 hours were in upper division courses, 1.9 hours in graduate courses, and 1.2 hours in lower division courses.

UC intends to conduct this survey annually and publicly report the findings.

B. Instructional Computing

We recommend that the augmentation for instructional computing be deleted for a General Fund savings of \$500,000 (Item 346).

The 1978-79 Governor's Budget provided a \$500,000 augmentation for instructional computing, which would have brought to approximately \$3.4 million the annual appropriation specifically budgeted for this function. Following passage of Proposition 13, however, the \$500,000 increase was eliminated by the Legislature.

The 1979-80 Governor's Budget again includes this \$500,000 increase, which is half of the increase requested by UC. We believe, however, that

funding for instructional computing should come through (1) existing support formulas and (2) the Instructional Equipment Replacement Fund.

(1) *Existing Support Formulas.* For each budgeted faculty member, UC receives a lump-sum of unrestricted "instructional support". This permits UC maximum flexibility to meet its academic needs. Given the increasing importance of instructional computing for the academic program, some portion of the funds should be available for this function. This is acknowledged in the recently completed *UC Computing Plan 1977-1982* which states, "Such increased funding can derive from a variety of sources including a reorientation of university and campus priorities." However, this will occur only if UC recognizes that special augmentations are unlikely.

(2) *Instructional Equipment Replacement Program.* This program was established to enable UC to replace obsolete instructional equipment. To date, UC has not authorized campuses to purchase computing equipment with these funds, primarily because of the lack of a computing master plan which would monitor and control such expenditures. As soon as the recently completed computing master plan is integrated into the annual budget process, the purchase of instructional computing equipment should be permitted.

Use of these funds to purchase computing equipment is unlikely, however, unless the Legislature restores the \$4 million cut from the Instructional Equipment Replacement program in 1978-79. After passage of Proposition 13, the Legislature reduced this program from the \$7.4 million contained in the Governor's Budget to \$3.4 million, or by more than 50 percent. The 1979-80 Governor's Budget restores the program to \$7.4 million (see Table 7). We believe this augmentation is justified. UC has an equipment inventory in excess of \$90 million, and a planned program for the replacement of equipment, including computers, is essential to the instructional program.

Table 7
Instructional Equipment Replacement Program
(millions)

<i>Year</i>	<i>Support</i>
1976-77	\$4,425
1977-78	6,905
1978-79	3,381
1979-80	7,382 (budgeted)

C. Undergraduate Teaching Excellence Program (Item 349)

The Governor's Budget continues a special appropriation to support a universitywide program begun in 1973-74 for the improvement of undergraduate education. Since 1973-74 the General Fund support has supplemented ongoing instructional improvement projects financed from Regent's funds. For 1978-79, a special \$300,000 augmentation was provided to improve undergraduate education by expanding teaching assistant (TA) training programs. The various funding sources and programs are summarized in Table 8.

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General Fund support for the Undergraduate Teaching Excellence Fund in 1979-80 is \$1,381,700. This is less than the \$1,410,000 provided in 1978-79 because a share of the UC Control Sections 27.1 and 27.2 reductions was taken from this item. The actual level of support for 1979-80 will be higher than \$1,381,700, however, because price and merit increase funds for this item are contained in the main support item (346). (Elsewhere in the Analysis, we have recommended that these funds be transferred to this item prior to final passage of the Budget Bill.) We recommend approval.

Table 8
Undergraduate Teaching Excellence Program

	<i>Act</i> 1975-76	<i>Act</i> 1976-77	<i>Act</i> 1977-78	<i>Est.</i> 1978-79	<i>Proposed</i> 1979-80
A. General Fund:					
Undergraduate Teaching Excellence	\$999,999	\$1,000,000	\$1,290,000	\$1,410,000	\$1,381,700
TA Training Program				300,000	300,000
B. Regents Funds:					
Innovative projects in University instruction ..	400,000	—	—	—	—
Regents undergraduate instructional improvement grants	300,000	—	—	—	—
Instructional Improvement Program	—	1,000,000	1,000,000	1,000,000	1,000,000
C. Educational Fee Funds:					
Regents TA Training Fund	150,000	—	—	—	—
Multi-campus projects	150,000	—	—	—	—
TOTAL	\$1,999,999	\$2,000,000	\$2,290,000	\$2,710,000	\$2,681,700

D. Teaching Assistant Increase

We recommend a General Fund augmentation of \$990,288 for 92 FTE teaching assistants subject to a UC commitment that within two years at least 95 percent of all teaching assistants will receive training prior to or concurrent with their first teaching assignment.

The 1979-80 UC Regent's budget requested \$990,288 for an additional 92 FTE Teaching Assistants (TAs). The Governor's budget did not fund this request which would have lowered the undergraduate/TA ratio from 46.46/1 to 44.2/1, a 5 percent enrichment.

The UC undergraduate/TA ratio is the second highest among the eight UC faculty comparison institutions. Since 1968-69 the undergraduate/TA ratio has increased from 40.82/1 to 46.46/1. In addition, from 1971-72 to 1977-78 undergraduate enrollments have increased by 25 percent in laboratory disciplines and only 5 percent in non-laboratory disciplines. This differential growth is significant because laboratory courses are more TA-intensive. Thus, over the past 10 years the relative need for TAs has increased while the undergraduate/TA ratio has declined.

It should also be noted that the CSUC has experienced a shift of student enrollment toward the laboratory disciplines which has generated increased state support. Over the last three years, 147 FTE faculty, in addition to those generated by the accepted student/faculty ratio, have been provided to assist the CSUC with the workload increase. The additional

\$990,288 sought by UC is less than one-third the total augmentation received by the CSUC for the same purposes.

TA Training

The quality of instruction provided by teaching assistants (TAs) is crucial to the educational process within UC. During the first two years of college, most UC students have more direct contact with TAs than with regular faculty. In recognition of this, UC has been developing programs to help train TAs in the art of teaching. Although some progress has been made using existing funds, UC has indicated that state support for TA training is required. To help fund these programs UC requested and obtained \$300,000 in the 1978-79 budget.

In a report to the Legislature last year, UC indicated that the goal "should be" to insure that all TAs are trained in basic skills and properly supervised and that they are "committed to moving towards this objective over the next two years." We believe, however, that a more positive commitment is necessary. Specifically, we believe that within two years at least 95 percent of all TAs should receive training, either prior to or concurrent with their first teaching assignment, with all additional training expenses to be met using existing UC resources. If UC is willing to make this commitment, which we understand it is, we recommend that the augmentation for 92 FTE teaching assistants be provided. UC, however, should be required to report on the details and extent of the TA training to be provided. Moreover, we recommend that the Legislature indicate in supplemental language that if the required TA training is not provided, the augmentation will be deleted from future budgets.

3. HEALTH SCIENCE INSTRUCTION

Included under this subprogram is the cost of faculty, teaching assistants and related instructional support for the five health science centers. The budgeted General Fund increase of \$3.3 million includes:

- \$2.9 million for workload related to enrollment growth of 402 FTE students (an additional 61.39 FTE faculty and the related support), and
- \$.4 million for additional instructional funds for the schools of public health.

Table 9 presents the health science instruction budget by program element.

Student/Faculty Ratios

The proposed budget increase is based on maintaining the current year level of state support for the anticipated 1979-80 enrollments. Consequently, the number of additional faculty was determined by applying university approved student/faculty ratios for each health science school to the planned total enrollment.

These approved ratios are shown in Table 10.

Table 9
Program I
Instruction—Health Sciences
Summary of Expenditures and Personnel
(in thousands)

	<i>1978-79 Budget</i>			<i>1979-80 Governor's Budget</i>			<i>1979-80 Increase</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>
PROGRAM ELEMENTS									
1. Faculty	\$52,037	\$21,064	\$73,101	\$53,394	\$21,064	\$74,458	\$1,357	—	\$1,357
2. Instructional Support	44,036	4,603	48,639	45,335	4,603	49,938	1,299	—	1,299
3. Employee Benefits	14,810	2,122 *	16,932	15,416	2,126 *	17,542	606	\$4	610
Program total	\$110,883	\$27,789	\$138,672	\$114,145	\$27,793	\$141,938	\$3,262	\$4	\$3,266
PERSONNEL REQUIREMENT									
FTE									
Academic									
Faculty			1,951			2,023			72
Other Academic			112			112			0
Staff			2,452			2,520			68
Total			4,515			4,655			140

* Includes Capitation Grants employee benefits which were included in various program elements in the Governor's Budget.

Table 10
University Approved Student/Faculty Ratios
Medical and Health Sciences

Schools of Medicine:	
M.D. curriculum	3.5:1
Interns and residents	
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

The overall student/faculty ratios budgeted for each school are shown in Table 11.

Table 11
Overall Student/Faculty Ratios
Medical and Health Sciences Schools

<i>Program</i>	<i>Budgeted 1976-77</i>	<i>Budgeted 1977-78</i>	<i>Budgeted 1978-79</i>	<i>Proposed 1979-80</i>
Medicine	5.70:1	5.78:1	5.76:1	5.76:1
Dentistry	4.60:1	4.73:1	4.74:1	4.74:1
Nursing	7.75:1	7.77:1	7.78:1	7.78:1
Optometry	12.50:1	12.68:1	12.67:1	12.59:1
Pharmacy	10.30:1	10.30:1	10.27:1	10.29:1
Public Health	9.60:1	9.60:1	9.60:1	8.71:1
Veterinary Medicine	5.97:1	5.98:1	5.97:1	5.97:1
Overall	6.11:1	6.18:1	6.17:1	6.15:1

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Table 12 gives the allocation of the proposed increases by campus and program.

Table 12
FTE Faculty Medical and Health Sciences

	<i>Budgeted 1976-77</i>	<i>Budgeted 1977-78</i>	<i>Budgeted 1978-79</i>	<i>1979-80 Governor's Budget</i>	
				<i>Total</i>	<i>Increase</i>
Berkeley					
Health and Medical Sciences	6.86 ^a	6.86 ^a	13.74	13.86	.12
Optometry	21.04	22.00	23.28	23.28	—
Public Health	40.10	40.10	41.14	43.22	2.08
Total Berkeley	68.00	68.96	78.16	80.36	2.20
Davis					
Medicine	205.02	213.72	215.15	217.64	2.49
Veterinary Medicine	91.95	92.57	100.46	108.97	8.51
Total Davis	296.97	306.29	315.61	326.61	11.00
Irvin					
Medicine	155.47	162.17	167.31	177.36	10.05
Los Angeles					
Dentistry	100.74	100.74	99.70	101.70	2.00
Medicine	398.47 ^b	407.17 ^b	418.54 ^b	427.09	8.55
Nursing	34.58	36.46	38.96	41.09	2.13
Public Health	49.49	51.05	52.09	54.17	2.08
Total Los Angeles	583.28	595.42	609.29	624.05	14.76
Riverside					
Medicine	4.00	9.00	11.71	12.85	1.14
San Diego					
Medicine	166.01	180.36	190.37	201.02	10.65
San Francisco					
Dentistry	104.15	104.15	109.48	114.54	5.06
Medicine	324.82	331.28	341.70	347.10	5.40
Nursing	75.23	75.23	75.48	75.61	.13
Pharmacy	47.94	50.48	52.46	53.46	1.00
Total San Francisco	552.14	561.14	579.12	590.71	11.59
Total Health Sciences	1,825.87	1,883.34	1,951.57	2,012.96	61.39 ^c

^a 6.86 FTE faculty related to the instruction of 12 M.D. students in each of the first two years of the combined San Francisco-Berkeley Medical Education Program were budgeted under the School of Medicine at San Francisco in 1976-77 and 1977-78. Beginning in 1978-79, these students and faculty positions are reflected in the budget for Berkeley.

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

^c In addition to the 61.39 FTE new faculty provided for workload, 10 FTE new faculty are provided for additional instructional support for the schools of public health.

A. New Medical Education Programs (Items 350-352)

The Budget Act of 1974 provided three new UC medical education programs with state support for the first time. They were: the Berkeley-San Francisco Joint Medical Education program, the Riverside-UCLA Biomedical Program, and the Fresno-San Joaquin Medical Education Program. In subsequent years these programs have continued to receive state support. The funding history of each program is summarized in Table 13.

Table 13
New Medical Education Programs

<i>Item</i>	<i>Program</i>	<i>Actual 1976-77</i>	<i>Estimated 1977-78</i>	<i>Budgeted 1978-79^a</i>	<i>Proposed 1979-80^b</i>
350	Fresno-San Joaquin programs	\$323,000	\$351,000	\$745,210	\$750,878
351	Berkeley-San Francisco program	251,500	396,000	623,913	674,677
352	Riverside-UCLA program	70,000	79,000	77,400	77,400

^a Includes Control Sections 27.1 and 27.2 reductions.

^b Includes programmatic increases for faculty and related support but does not include funds for merit, price increase, or range adjustment costs.

The Legislature supported these programs after UC provided assurance that the program would emphasize:

- 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.
- d. The decentralization of the clinical training program into existing public and community hospitals and clinics in order to maximize the beneficial impact of the health care services provided pursuant to the teaching program.
- e. Periodic evaluation of each program to determine the extent to which it is meeting these objectives.

The 1978-79 budgets reflect the Control Sections 27.1 and 27.2 reductions. The 1979-80 Governor's Budget includes the programmatic increases for faculty and related support, but does not include funds for price increases or merit salary increases. Elsewhere in the Analysis we have recommended that the funds be transferred to these items prior to final passage of the Budget Bill.

B. Health Sciences Tuition Eliminated in 1971-72

Until 1970-71 a special resident tuition was charged to students in medicine (\$250) and students in dentistry and pharmacy (\$200). This income was deposited in the UC General Fund and used as an offset to required state General Fund support. When the regents imposed the educational fee in 1970-71 they terminated these charges effective with the 1971-72 academic year so that health science students would pay the same fees as all other graduate students. Because the effect of this decision was to eliminate over \$500,000 in annual revenue to the State General Fund, the Legislature has required the regents to allocate annually to the General Fund an amount of Regents' funds equal to the lost revenue (currently \$732,000).

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Reinstatement of Health Science Tuition Proposed

We recommend that a \$1,000/year health science tuition fee for medicine, veterinary medicine and dentistry students be phased in over two years beginning with a \$500 fee in 1979-80. This will produce a General Fund savings of approximately \$635,000 in 1979-80 and approximately \$3.2 million annually once fully established.

Currently, all UC students, both graduate and undergraduate, pay two major fees: the registration fee and the education fee. The registration fee varies by campus from \$372/year to \$393/year and supports a variety of services which include: health care, recreational activities, counseling and financial aid administration. The education fee, which supports student financial aid, is \$300/year for undergraduates and \$360/year for graduate students. Depending on the particular campus, a number of small incidental fees also exist, but total annual fees do not exceed \$825 on any campus.

Based on our review of the UC student fee structure, we recommend establishing a \$1,000/year health science tuition fee for students in medicine, veterinary medicine and dentistry. Our recommendation is based on three considerations: (1) the extremely high General Fund cost per student of these disciplines relative to other disciplines, (2) the high incomes earned by students who graduate in these disciplines, and (3) the current fees charged in other universities for these three programs.

High Per Student Costs

One way to illustrate the high cost of these three programs is to compare their state-funded student/faculty ratios with that for the general campuses. As shown below, these three programs have ratios over three times richer than the average of all general campus programs, both undergraduate and graduate. But just looking at student/faculty ratios understates the true cost difference.

	<i>Student/Faculty Ratio</i>
Medicine.....	3.5 to 1
Dentistry	4.0 to 1
Veterinary Medicine	5.4 to 1
General Campus.....	17.45 to 1

A better way to illustrate the high cost of these programs is to compare the incremental General Fund cost of additional students. Table 14 shows that in 1979-80, the incremental cost of each additional Veterinary Medicine and Dentistry student is over \$10,000, more than four times the incremental cost of a general campus student. The cost of each additional Medicine student is over \$12,000, more than five times greater than the incremental cost of a general campus student. These figures also understate the true cost differential because these three programs have other support costs which are much higher than the average in other programs. The most prominent example is Clinical Teaching Support (CTS) funds, which help subsidize the hospital and clinic operations that are essential to all three programs. In 1979-80, \$45.5 million is budgeted for this pur-

pose. CTS funds alone are equal to 5.7 percent of the entire 1979-80 General Fund budget for UC. According to the Governor's Budget, over \$13,000 in CTS funds are budgeted for each UC clinical student in medicine.

Table 14
Incremental Cost of Additional
Students in 1979-80

	<i>Incremental Cost per Student</i>
Medicine.....	\$12,629
Dentistry	10,081
Veterinary Medicine	10,772
General Campus.....	2,400

High Incomes for Medicine, Veterinary Medicine and Dentistry Practitioners

According to the American Medical Association, the average net income of physicians in the Pacific Region in 1976 was \$58,584. The American Dental Association (ADA) reports that the average net income of dentists in the Pacific Region in 1977 was \$44,706. Comprehensive information on the average income of veterinarians was not available, but a recent sample survey conducted by the American Association of Veterinary Medicine Colleges (AAVMC) indicated that in 1977 the average nationwide was approximately \$30,000.

Because these figures are simple averages, they can obscure significant variations in income within each profession. But these figures nevertheless indicate that upon graduation, students entering any of these professions are going to begin to earn annual incomes well in excess of most other individuals with or without college degrees.

Health Science Tuition and Fees in Other States

Unlike the UC, many other institutions already charge higher fees for medicine, dentistry and veterinary medicine students than for undergraduates. Table 15 shows the student tuition and fees for the eight institutions UC relies on for faculty salary comparisons. All but one of the eight have higher fees for undergraduates. This is true of the public as well as the private institutions in this group.

Table 16 lists the average student tuition and fees for all medicine, dentistry and veterinary medicine schools. The table shows that a \$1,000/year increase in UC medicine and dentistry fees would bring UC up to the average level of fees in public medicine and dentistry schools. UC fees would still be far below the average of private medicine and dentistry schools.

A \$1,000/year increase in UC veterinary medicine student fees would place UC fees approximately \$700 higher than the 1977-78 average fee in public veterinary medicine schools, but still below the average in the two private veterinary schools.

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Table 15
Health Science Tuition and Fees
at UC Comparison Institutions
1978-79

	<i>Undergraduate</i>		<i>Medicine</i>		<i>Dentistry</i>		<i>Veterinary Medicine</i>	
	<i>Non-Resident</i>	<i>Resident</i>	<i>Non-Resident</i>	<i>Resident</i>	<i>Non-Resident</i>	<i>Resident</i>	<i>Non-Resident</i>	<i>Resident</i>
Stanford	\$5,130	\$5,130	\$5,388	\$5,388	—	—	—	—
Yale	5,150	5,150	5,480	5,480	—	—	—	—
Harvard	4,850	4,850	6,060	6,060	\$5,000	\$5,000	—	—
SUNY, Buffalo	930	1,380	3,167	4,367	3,000	4,000	—	—
Cornell	4,850	4,850	5,500	5,500	—	—	\$2,800	\$4,500
Michigan	1,020 ^a	3,244 ^a	2,790	5,390	2,080	4,160	—	—
Wisconsin, Madison	705 ^a	2,565 ^a	2,425	4,117	—	—	—	—
Illinois	814 ^a	1,986 ^a	2,256	5,840	1,317	2,907	—	—
Average	\$2,931	\$3,644	\$4,133	\$5,268	\$2,849	\$4,017	\$2,800	\$4,500
UC	825	2,730	825	2,730	825	2,730	825	2,730

^a Data are for 1977-78.

Table 16
Health Science Tuition and Fees

	<i>Average Tuition and Student Fees</i>	
	<i>Resident</i>	<i>Nonresident</i>
<i>Medical Schools^a</i>		
All—121 schools	\$3,603	\$4,722
Public (72)	1,772	3,653
Private (49)	6,293	6,293
<i>Dental Schools^b</i>		
All—59 schools	3,020	4,078
Public (36)	1,773	3,348
Private (23)	4,972	5,220
<i>Veterinary Medical Schools^b</i>		
All—21 schools	1,363	2,507
Public (19)	1,146	2,331
Private (2)	3,425	4,175
UC Medical, Veterinary and Dental Schools ^a	825	2,730

^a 1978-79 tuition and fees.^b 1977-78 tuition and fees.**Tuition Deferrals Needed for Low-Income Students**

If a \$500 tuition were charged in 1979-80 to all medicine, dentistry and veterinary students, it would raise approximately \$1.9 million. (Based on a total of 3,808 students: 2,548 in five medical schools, 816 in two dentistry schools, and 444 in one veterinary medicine school.) Under our recommendation, however, the actual revenue flowing into the General Fund would be less than this amount. This is because we also recommend that a tuition deferral option be provided.

Part of our rationale for a health science tuition is the high incomes of those graduating from the three programs. Many of the students in those programs, however, are from low income families, and the added fee would create a financial hardship which in some instances might preclude attendance. Therefore, we propose that a tuition deferral option similar

to the one already in effect for the UC education fee be available to low income students.

Under this program, students defer fee payment until 9 months after graduation. The program, modeled after the federal National Direct Student Loan Program, charges a nominal 3 percent annual interest on the outstanding balance. UC estimates that up to 65 percent of the enrolled students in the three programs might be eligible for and elect to defer payment. This would reduce the General Fund reimbursement in 1979-80 to approximately \$665,000, with the remaining \$1.2 million to be repaid in latter years. (According to the legal office of the American Council on Education (ACE), the tuition increases we have proposed would be permitted under the current federal wage and price guidelines.

With a \$1,000/year tuition beginning in 1980-81, the annual savings to the General Fund would be approximately \$3.9 million. The actual cash flow in the early years of the program, however, would depend on the number of students who elected to defer payment.

Elimination of Health Science Tuition Offset

Once the \$1,000/year tuition fee is established for medicine, dentistry and veterinary students, we believe that UC should no longer be required to reimburse the General Fund for the previous health science tuition which the regents abolished in 1971-72 (see previous discussion). Elimination of this health science tuition offset would release \$730,000 annually in Special Regents funds, and reduce the annual General Fund savings from \$3.9 million to \$3.2 million.

C. Affiliated Residency Programs

We recommend the elimination of state support for the 52 additional affiliated residents, for a General Fund savings of \$231,000.

Most General Fund support for the health sciences is distributed on the basis of the number of students enrolled. The definition of student includes medical residents, who are medical school graduates in specialty training. In UC there are two major types of residents: (1) those who receive most of their training in UC owned or controlled hospitals and (2) those who received most of their training in community or federally run hospitals which have affiliation agreements with UC. The support formulas provide UC with more support for the former than for the latter. This is because UC is totally responsible for the training of residents in its hospitals but only assists in the training of affiliated residents. In 1979-80, \$4,450 in General Fund support is budgeted for each additional affiliated resident.

Support Not Reaching Affiliated Programs

In many instances the support for affiliated residency programs is not reaching the affiliated hospitals, either as dollar grants or in-kind services. We are aware of one instance in which an affiliated hospital receives no support but is billed for the consulting services of medical faculty. In another case, the hospital receives no state support for its affiliated residents and provides instruction at hospital expense for first, second, third, and fourth year medical students. Initially, we believed this occurred only

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in affiliated family practice residency programs. After making more inquiries, we now believe this situation to be fairly common among affiliated residency programs, regardless of specialty.

Rationale

UC maintains that most affiliated residency programs receive substantial state support. However, UC acknowledges that the budget formula generates more total funds than are needed and spent on these programs. This was done purposely when the formulas were developed in 1970 because UC wanted to provide the medical schools with an incentive to develop affiliated residency programs. Also, UC maintains that this did not result in excess resources flowing to the health sciences because the student/faculty ratios for the other programs were less than needed. Overall resources were in balance because some of the resources generated by affiliated residents would be directed towards these other programs.

Incentives

Even if UC's arguments were valid in 1970 when the formulas were established, they are no longer. In 1970, affiliated residents represented only 16 percent of health science students. The current 10:1 student/faculty ratio for affiliated residents was chosen based on this percentage of affiliated residents to total health science students. The incentive system developed by UC has worked so effectively that for 1979-80 affiliated residents will represent 26 percent of all health science students. Consequently, the overall student/faculty ratio has been unintentionally enriched beyond workload needs as a result of the disproportionately rapid growth in the number of affiliated residents.

For this reason, we recommend that the 1979-80 Governor's Budget augmentation of \$231,000 to support 52 additional affiliated residents be deleted. This reduction would not eliminate all of the unintended support which the growth in affiliated residents has generated but without an extensive reevaluation of workload needs, it is not possible to do so with any precision. Because it is very unlikely that any future growth in resident positions, either on campus or in affiliated hospitals, will occur, we believe the benefits of an extensive restudy of workload formulas would not justify the time or the expense required. However, future support for affiliated residents should not be provided without specific justification.

D. Graduate Academic Students

We recommend supplemental language stating that the increase of 41 health science graduate academic students in 1979-80 is one-time only.

The 1979-80 Governor's budget provides \$235,000 for an additional 41 graduate academic students in the UC health science programs. This represents a 4 percent increase over the 1,055 graduate academics currently enrolled. The distribution of the current and proposed students by campus and by program is provided in Table 17.

Graduate academics are masters degree and PhD students. They obtain

degrees in a wide variety of disciplines—from Scientific Nutrition to Biochemistry—but the largest percentage of students are in basic physical and biological sciences.

We recommend that no additional graduate academic students be supported by the state. We do not make this recommendation because of any doubts about the quality of these programs. At a time when the state is striving to restrain budget growth, however, it is appropriate to ask whether these program increases are essential, either to serve the public generally or to meet the state's obligation to provide educational access. We believe the answer is no in both instances.

UC maintains that most of these students will be in disciplines where future employment possibilities are good. This may be true, but it is not a compelling reason for supporting them at taxpayers' expense. Because of the high quality of UC graduate programs, most UC graduate students (other than those who are in the humanities) find employment related to their training. If general campus graduate enrollment were increased, most of the additional students would find work as well.

UC also makes the point that these 41 students and the additional 66 budgeted over the next five years are necessary to help "balance" the student body of the newer schools. If "balance" at the newer schools is essential, it can be achieved by relatively minor reallocations of existing students. Table 17 shows that almost one-half of the increase is in the San Francisco Medical School which currently has more graduate academics than any other campus or program.

Table 17
Health Sciences
1979-80 Budgeted Increase in Graduate Academics

	<i>Optometry</i>		<i>Public Health</i>		<i>Medicine</i>		<i>Veterinary Medicine</i>		<i>Dentistry</i>		<i>Totals</i>	
	<i>1978-79 Budgeted</i>	<i>1979-80 Increase</i>	<i>1978-79 Budgeted</i>	<i>1979-80 Increase</i>	<i>1978-79 Budgeted</i>	<i>1979-80 Increase</i>	<i>1978-79 Budgeted</i>	<i>1979-80 Increase</i>	<i>1978-79 Budgeted</i>	<i>1979-80 Increase</i>	<i>1978-79 Budgeted</i>	<i>1979-80 Increase</i>
Berkeley.....	23	2	65	5	—	—	—	—	—	—	—	—
Davis.....	—	—	—	—	85	—	105	10	—	—	—	—
Irvine	—	—	—	—	52	8	—	—	—	—	—	—
Los Angeles.....	—	—	125	—	220	—	—	—	8	—	—	—
Riverside	—	—	—	—	—	—	—	—	—	—	—	—
San Diego	—	—	—	—	120	—	—	—	—	—	—	—
San Francisco	—	—	—	—	240	20	—	—	12	-4	—	—
TOTAL.....	23	2	190	5	717	28	105	10	20	-4	1,055	41
Additional growth planned past 1979-80	—	8	—	—	—	48	—	—	—	10	—	66

Finally, we do not believe that this reduction in any way changes state policy regarding student access to higher education. State policy has never been to accept for graduate study all qualified applicants. In fact, most UC graduate programs are highly selective, turning away each year a large number of students who could almost certainly succeed if admitted.

Because the 41 additional students will have been accepted by UC for 1979-80 prior to final legislative action on the budget, we recommend that this policy be implemented for 1980-81 rather than in the budget year. We propose that the legislature adopt supplemental language which clearly states that the 41 student increase is one-time only, and that in 1980-81 UC will be budgeted at 1,055 students, the current year enrollment. This provides sufficient planning time to insure that all currently enrolled or accepted students can be retained.

E. UC Medical residents

We recommend that the Legislature adopt supplemental language directing that in 1980-81 the number of residents trained by UC will be no greater than the number in 1978-79 and that the reduction from the 1979-80 level must come in nonprimary care specialties.

Table 18 shows the proposed total number of medical residents, distributed by specialty, for the five UC medical schools in 1979-80. Of the proposed increase, 72 are in primary care specialties (includes 12 in Obstetrics and Gynecology which is not considered primary care by the federal government) and 26 are in nonprimary care specialties. The General Fund cost of these 98 residents is \$543,000. These funds will provide additional faculty positions, the related general support allocation and a portion of the stipend for residents in UC controlled hospitals.

California's Health Care Needs

UC has persuasively argued that increases in the number of interns and residents trained by the UC is one of the best investments California can make. Because most residents tend to settle in the state in which they do their residency training, increasing the number of residents is a very cost-effective way of obtaining additional physicians because the state avoids the great expense of putting these physicians through medical school. It now appears, however, that California has no shortage of physicians (although there is a geographic distribution problem and a specialty distribution problem: that is, we have more doctors than we need in some locations and too few in others, and we have too many of some types of doctors and not enough of others).

Table 18
UC Medical Students

	<i>Actual 1977-78</i>	<i>Budgeted 1978-79</i>	<i>Proposed 1979-80</i>	<i>Increase over 1978-79</i>
PRIMARY CARE				
Family Practice	406	484	514	30
Internal Medicine	843	868	875	7
Obstetrics and Gynecology	199	203	215	12
Pediatrics	282	301	323	22
Flexible	62	64	65	1
Total, Primary Care	1,792	1,920	1,992	72

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NON-PRIMARY CARE

Allergy and Immunology	13	13	12	-1
Anesthesiology	153	160	162	2
Dermatology	54	56	56	-
Emergency Medicine ^a	6	32	52	20
Internal Medical Specialties	376	370	370	-
Neurological Surgery	31	31	29	-2
Nuclear Medicine	17	23	24	1
Occupational Medicine ^a	0	0	4	4
Ophthalmology	74	74	73	-1
Orthopedic Surgery	129	119	120	1
Otolaryngology	61	65	65	-
Pathology	153	158	157	-1
Pediatric Specialties	94	94	94	-
Physical Medicine and Rehabilitation ^a	31	31	34	3
Plastic Surgery	16	18	18	-
Psychiatry & Neurology				
Psychiatry	305	301	302	1
Child Psychiatry	61	60	60	-
Neurology	86	88	88	-
Radiology				
Diagnostic Radiology	176	184	184	-
Therapeutic Radiology	21	27	28	1
Surgery—General	382	403	402	-2
Thoracic Surgery	11	12	12	-
Urology	53	50	50	-
Vascular Surgery	1	1	1	-
Total, Non-Primary Care	2,304	2,370	2,396	26
TOTALS	4,096	4,290	4,388	98

^a Areas which the University considers as shortage specialties.

According to a study recently completed by the California Department of Health, Office of Health Professions Development (OHPD), the overall supply of physicians in California is well above the average for the entire U.S. More importantly, the study reports that in California the "present estimated future supplies of *overall* physician manpower are well in excess of even the highest requirement standards so far developed for use as planning yardsticks."

There is much debate among the experts over what the proper physician to population ratio should be. The significance of the Department of Health's findings is that by any generally accepted standard, California has a more than adequate supply and "there is not anticipated to be (in the next five to ten years) an overall shortage of physicians in California."

Distribution of Residents by Specialty

Most health care experts acknowledge that California and the U.S. should be training more primary care residents and fewer residents in some other specialties. Federal legislation stipulates that by 1979, 50 percent of all first-year residencies must be in primary care. And a recent health care report by the Institute of Medicine of the National Academy

of Sciences recommended a substantial increase in this goal. The report said "that a figure significantly greater than 50 percent, perhaps in the range of 60 percent to 70 percent should be chosen."

According to the OHPD report, "graduate medical education in California is contributing to present and future surpluses of some categories of physician specialists. At the same time there are not enough graduate medical residencies producing sufficient numbers of physicians to meet California's needs for comprehensive primary care."

With the above information in mind, we had originally planned to recommend that (1) the General Fund increase of \$543,000 to support 98 additional interns and residents in 1979-80 be deleted and that (2) the UC planned increase of 60 primary care residents (30 in Family Practice, 7 in internal medicine, 22 in pediatrics and 1 in Flexible) be funded by a reallocation of positions within UC from specialties judged to be in oversupply by the Department of Health.

We have been informed by UC, however, that because the annual national resident match program concludes in March, UC will have made 1979-80 resident assignments, based on the Governor's budget, prior to final legislative action. Consequently, if the Legislature deleted the funds to support these 98 positions, it would create financial difficulties for the UC medical schools.

Instead, we propose that the Legislature adopt supplemental language which clearly states that the increase of 98 positions is for 1979-80 only and that for 1980-81 the number of residents trained by UC will return to the 1978-79 level. Moreover, the reduction from the 1979-80 level must come in nonprimary care specialties. Our rationale for these recommendations is given below.

No net increase for residents

Because California has more than an adequate supply of physicians using *any* generally accepted standard it does not make sense to increase state expenditures in order to further increase the supply even though the cost of training residents is far less than the cost of putting a student through medical school. The price may be cheap, but it is not a bargain if the state does not need the product. Moreover, an increasing number of people are questioning whether the price in this case is in fact cheap. They argue that the training of more physicians than needed increases health costs by promoting unnecessary health care services.

It is true that California is a large net importer of physicians and consequently we are at the mercy of other states which at any time might take steps to stem the outflow of their medical graduates. We believe, however, that the importation will continue because California is a desirable place to live. Also, if at some time in the future other states begin taking steps to reduce their loss of medical students, California can begin increasing its supply of residents reasonably quickly. Unlike medical students, resident output can be increased within 4 to 5 years.

UNIVERSITY OF CALIFORNIA—Continued**Reallocation to Primary Care**

UC has often argued against reductions in any of its residency programs because of their excellence. According to this argument, if reductions are necessary they should be made in lower quality community hospital programs.

We agree that, on average, UC programs are better than those in unaffiliated community hospitals. Moreover, once the absolute magnitude of the current overproduction of physicians is known, it would be desirable to enact legislation to reduce the community hospital residency programs. In the interim, however, we believe our recommendation is warranted. The reduction in UC nonprimary care residencies we are proposing (98) is very minor relative to the overall number of residents trained annually in California (8,058). When one considers that over 70 percent of California's physicians migrate from other states, many after completing their residency, the impact on the quality of California's health care of refusing to permanently increase the number of UC residents by 98 is small indeed.

If UC is required to maintain the number of nonprimary care residents trained at the current year level, it is quite likely that much of the reduction will be accomplished by eliminating or reducing existing affiliation agreements with community hospitals. To the extent that some of the disaffiliated positions are continued, the state would realize whatever benefits result from the residencies without having to subsidize their training.

Finally, we do not believe that the very modest reallocations we are recommending would have a significant impact on either the health care or teaching provided by UC. A reallocation of 98 nonprimary care residencies to primary care represents less than a 4 percent reduction in nonprimary care specialties.

In conclusion, we cannot justify increasing state costs to train needed primary care residents when they can be funded from reductions in nonprimary care specialties which are in over supply.

F. Malpractice Insurance

UC is currently insured for medical malpractice liability through the California Hospital Association (CHA). The cost of malpractice insurance for UC's five teaching hospitals and associated clinics has increased dramatically since 1975-76 (Table 19). Despite this increase the cost is still low relative to the insurance costs of other health-care providers. This is primarily a result of two factors: the relative actuarial stability of UC's health care activities and the magnitude of the health care provided. The combination of these two factors permits UC to negotiate directly with insurance providers for policies covering health science faculty, clinical staff, other licensed staff, and regularly matriculated medical, dental, pharmacy, optometry, veterinary medical, and nursing students.

Table 19
Malpractice Insurance Cost
(Thousands)

	<i>General Fund Component</i>	<i>Hospital Component</i>	<i>Total</i>
1975-76	\$5,618	\$4,982	\$10,600
1976-77	8,496	7,534	16,030
1977-78	8,226	7,294	15,520
1978-79 (budgeted)	9,915	8,792	18,707
1978-79 (estimated)	7,612 ^a	7,050	15,000
1979-80 (budgeted)	9,059	8,033	17,092

^a Cost estimate reduced from \$7,950 as a result of partial self insurance.

The General Fund cost shown in Table 19 represents only 53 percent of the total annual malpractice insurance cost. This percentage is based on a 1971 study conducted by UC and the Department of Finance which indicated that approximately 53 percent of the malpractice risk was associated with the clinical instruction of students, interns and residents and other faculty duties. The remaining 47 percent was associated with regular hospital and clinic services. This latter portion is considered a cost of hospital care. Therefore, it is recouped through hospital charges collected from patients and third party providers, such as Blue Cross and Blue Shield.

Budgeted Malpractice Cost for 1979-80 Too High

We recommend that budgeted support for malpractice insurance be reduced by \$686,000: \$382,000 to reflect the continued saving from partial self-insurance, and \$304,000 to reflect a reduction in the expected price increase.

We believe the \$9.1 million in General Fund support budgeted for malpractice insurance in 1979-80 overstates the actual need by \$686,000 because: (1) the 1978-79 base (from which the 1979-80 increase was calculated) was not adjusted to reflect the savings from partial self insurance and (2) the anticipated cost increase for 1979-80 appears unrealistically high.

(1) *Partial Self-Insurance.* Because of the high cost of malpractice insurance, UC periodically reviews whether self-insurance or partial self-insurance would be more economical than a purchased policy. The Legislature has also been interested in these alternatives. In adopting the 1977-78 budget, the Legislature requested UC to determine "whether self-insurance offers a viable, cost-effective alternative to the high and increasing cost of University malpractice insurance." The UC response briefly summarized the increasing cost of malpractice insurance and the reasons for it, the variety of available self-insurance options and the key factors to consider before embarking on self-insurance.

As a result of the study, UC began a partial self-insurance program for 1978-79. UC estimates that partial self insurance will reduce the 1978-79 General Fund premium by \$338,000. The released funds are being used to partially offset the reductions resulting from control Sections 27.1 and 27.2. Although UC intends to continue the partial self-insurance program in 1979-80, the ongoing savings were not considered in the calculation of 1979-80 costs. UC applied a 14 percent price increase to the original 1978-

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79 cost estimate (\$7,950,000), rather than to the 1978-79 figure adjusted for the anticipated savings (\$7,612,000). Therefore, the 1979-80 premium should be reduced by \$382,000.

(2) *The 1979-80 Malpractice Price Increase.* The 1979-80 Governor's Budget assumes a 14 percent price increase for malpractice insurance. Based on the experience of the past few years, we see no reason to assume an increase of this magnitude. Malpractice insurance costs did increase dramatically through 1976-77, but the experience of the last few years indicates that some price stability has returned. In fact, malpractice costs for UC actually decreased in 1977-78 and again in 1978-79. It is unlikely that malpractice costs will continue to decline, but allowing for a 10 percent increase for 1979-80 should adequately protect UC from the malpractice shortfalls experienced in the mid-1970's. (The possibility of greater UC self-insurance, and the subsequent loss of business by the malpractice carrier, is one of the reasons for the stabilization of UC malpractice costs.) Reducing the anticipated price increase from 14 percent to 10 percent produces a General Fund savings of \$304,000 (after adjustment for continued partial self insurance as discussed previously).

Our total reduction in the malpractice insurance is \$686,000 calculated as follows:

	(Thousands)		
	Governor's Budget	UC Revised	Legislative Analyst's Projection
1978-79 (est)	\$7,950 114%	\$7,612 114%	\$7,612 110%
1979-80 (projected)	\$9,059	\$8,677	\$8,373
	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> $\underbrace{\hspace{10em}}_{\\$382}$ </div> <div style="text-align: center;"> $\underbrace{\hspace{10em}}_{\\$304}$ </div> </div>		
	\$686		

4. SUMMER SESSION AND EXTENSION INSTRUCTION

Summer sessions are operated on all of the university campuses and offer regular degree credit courses to all qualified applicants. The program was initiated in response to the master plan for higher education, which recommended 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. No General Fund support, however, is provided. Student fees and extramural funds pay the incremental costs associated with the summer programs.

In 1978 the actual headcount enrollment was 25,782, a 2.2 percent increase over enrollment in 1977.

Like summer sessions, University Extension is self-supporting, primarily through student fees. The goals of Extension are: (1) to provide educational opportunities for adults, (2) to promote participation in public affairs, and (3) to provide solutions to community and statewide problems.

Extension programs are open to everyone and are offered throughout the state. They have proven to be very popular. In 1979-80, an estimated 334,483 people will enroll in one or more extension offerings, an increase of 2,813 over the 1978-79 budgeted level.

TABLE 20
Program II
Research
Summary of Expenditures and Personnel
(in Thousands)

	<i>1978-79 Budget</i>			<i>1979-80 Governor's Budget</i>			<i>1979-80 Increase</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>
PROGRAM ELEMENTS									
1. Organized Research Units and Research Support									
General Campuses	\$12,703	\$2,488	\$15,191	\$13,492	\$2,036	\$15,528	\$789	\$ - 452	\$337
Health Sciences	1,845	2,609	4,454	1,845	2,622	4,467	—	13	13
2. Agricultural Sciences	32,125	3,191	35,316	32,125	3,191	35,316	—	—	—
3. Marine Sciences	3,917	229	4,146	3,917	229	4,146	—	—	—
4. Individual Faculty Grants and Travel	3,129	200	3,329	3,129	200	3,329	—	—	—
5. Employee Benefits	8,388	815	9,203	8,388	815	9,203	—	—	—
PROGRAM TOTAL	\$62,107	\$9,532	\$71,639	\$62,896	\$9,093	\$71,989^a	\$789	\$ - 439	\$350
PERSONNEL REQUIREMENTS (FTE)									
Academic			897			897			
Staff			1,712			1,712			
TOTAL			2,609			2,609			

^a Does not include \$464 million in direct research support.

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II. RESEARCH

The 1960 Master Plan for Higher Education designated UC as the "primary state-supported agency for research". Table 20 lists the major research activities supported by the state and the budget for each. Although direct state support for research is budgeted at \$62 million in 1979-80, the largest portion of the research budget (\$464 million) is received from the federal government, private individuals, and foundations. These funds are not included in the support budget.

Approximately half of the General Fund support is spent on research in the agricultural sciences. The next highest expenditure is for the Organized Research Units (ORUs), with the remaining funds used for research in Marine Sciences, faculty research grants, and travel to professional meetings.

ORUs are formal agencies established by action of the Regents to promote and coordinate research in specified interdisciplinary areas. Currently, there are approximately 130 ORUs. Each unit is reviewed at intervals of five years or less by a special committee of the Academic Senate. Such reviews are intended to provide the information necessary to allocate funds properly among the ORUs. Occasionally, reviews result in the elimination of particular ORUs and the establishment of others with different research emphases.

The budgeted General Fund increase for 1979-80 of \$789,300 is composed of two items: (1) \$250,000 for the California Policy Seminar and (2) \$539,300 for support of the Institute of Transportation Studies, which was previously funded by the State Transportation Fund.

UC also requested a General Fund augmentation for research in the following areas: (1) conservation and management of land, air and water resources (\$200,000), (2) energy (\$200,000), (3) predictive techniques in climatology and seismology (\$200,000) and (4) the humanities and an interdisciplinary program on aging (\$150,000). The 1978-79 Governor's Budget included funds for these items (plus, \$500,000 for "space" research), but the funds were deleted by the Legislature. The 1979-80 Governor's Budget does not contain an augmentation for these research programs.

1. CALIFORNIA POLICY SEMINAR

The California Policy Seminar, established in 1977, is a cooperative effort between UC and state government officials to define significant policy issues facing California and to commission research on these issues. Each year 11 research papers are commissioned and later four are funded for further research. The four projects selected in 1977-78 were on the following subjects: (1) environmental chemicals that cause cancer and genetic birth defects; (2) computerized models to determine the impact on California of fundamental state policy changes; (3) social and ecological questions related to agricultural policy in California; (4) and potential savings from energy consumption in buildings and appliances. The research results will be published by the seminar.

When the seminar was established, UC agreed to cover all costs through

1978-79 with the understanding that, if judged successful, the state would provide continued funding. The 1979-80 Governor's Budget includes \$250,000 for the seminar. While it is too early to evaluate the program, it is an important effort and the participants judge it successful to date. We recommend approval.

2. INSTITUTE OF TRANSPORTATION STUDIES (ITEM 356)

We recommend that state support for the Institute of Transportation Studies be provided from the Driver Training Penalty Assessment Fund rather than from the General Fund (Item 356), for a General Fund saving in 1979-80 of \$539,300.

The Institute of Transportation Studies (ITS) was established by the Regents in 1947 in response to a legislative request. It was chartered 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 to enable it to cooperate in research and training with the State Business and Transportation Agency and other agencies with public transportation responsibilities.

Since 1975-76 the major state support for this institute has come from the Transportation Planning and Research Account, which was created by the Legislature in 1972. Account revenues are determined by a formula which compares taxable sales of gasoline with all other taxable sales. As a result of the decline in the value of gasoline sales, relative to other taxable sales, the Department of Finance determined that there are not sufficient funds to support the ITS in 1979-80. Consequently the Governor's Budget includes \$539,300 from the General Fund to continue support of ITS at the 1978-79 level plus 3% for price increase. The additional \$107,000 in General Fund support for 1979-80 is a continuation of existing funding from within the regular UC lump sum appropriation (Item 346). Table 21 summarizes all sources of funding for the ITS.

Table 21
Institute of Transportation Studies Research

	<i>Actual</i> 1977-78	<i>Budgeted</i> 1978-79	<i>Projected</i> 1979-80
General Fund	\$106,664	\$106,696	\$646,300
State Transportation Fund	451,627	523,600	—
Federal	257,903	354,121	380,000
Other	67,889	162,282	170,000
Total	\$884,083	\$1,146,699	\$1,196,300

We are in agreement with the Department of Finance that another source of revenue for the ITS must be found. However, we recommend that the ITS be supported by the Driver Training Penalty Assessment Fund rather than the General Fund. According to the Governor's Budget, this fund, which derives its revenue from the state share of motor vehicle related fines, has uncommitted reserves of approximately \$13 million in 1979-80 after full funding of those programs it typically supports. We

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believe that our approach has merit because (a) the Penalty Assessment Fund is a more appropriate source of support for ITS than the General Fund and (b) it would release \$539,300 in State General Funds for other priorities.

3. INSTITUTE OF APPROPRIATE TECHNOLOGY (ITEM 347)

In 1977-78 the Legislature provided UC with a \$190,000 augmentation to establish a new Institute of Appropriate Technology. The goal of this Institute is to promote the development of technologies "which are less harmful to people and the environment than our present technologies, which reduce dependence on nonrenewable resources, which are economically sound and which offer small-scale, practical alternatives to our current level of resource consumption." The Institute is awarding small research grants for projects which meet these criteria.

The 1978-79 Governor's Budget proposed \$208,000 for the Institute. The Legislature reduced this to \$105,900. For 1979-80 the Governor's Budget provides \$102,900, which is the current year level minus this item's share of Control Section 27.1 and 27.2 reductions. Price and merit salary increase funds for this item are budgeted in the main UC support item (346). Elsewhere in the Analysis we have recommended that these funds be transferred to this item prior to final passage of the Budget Bill.

We recommend approval.

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 anticipated funding from other sources. All General Fund support (\$619,900 in 1979-80) for the program is within the University's main lump-sum support appropriation (Item 346).

Table 22 summarizes the funding for the program. We recommend approval.

Table 22
U. C. Mosquito Research

	<i>Actual 1977-78</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>
State			
Water Fund	\$100,000	\$100,000	\$100,000
Special Fund	353,500	373,750	377,100
General Fund	594,400	592,500	619,900
Federal	522,800	514,300	514,700
Mosquito Abatement Districts	8,150	200	—
Other Sources			
Industry	2,500	1,450	1,850
International	1,000	7,000	9,700
TOTAL	\$1,582,350	\$1,589,200	\$1,623,250

III. PUBLIC SERVICE

The Public Service Program includes four subprograms: campus public service, cooperative extension, the Drew Postgraduate Medical School and the California College of Podiatric Medicine. The budgets for each of these subprograms are provided in Table 23.

1. CAMPUS PUBLIC SERVICE

The public service subprogram supports cultural and educational activities on the campuses and in nearby communities. Opportunity is provided for additional experience in the fine arts, humanities, social and natural sciences and related studies. Programs such as concerts, dramas, lectures and exhibits are designed to be of interest to the campuses as well as surrounding communities. This program is supported primarily with restricted funds. No General Fund increase is budgeted for 1979-80 (\$119,000).

2. COOPERATIVE (AGRICULTURE) EXTENSION

Cooperative Extension applies the technology derived from agriculture research to solve specific, often local, problems. It is a cooperative endeavor between the University, county boards of supervisors 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.

The 1979-80 budget includes a \$100,000 increase in this program to support four additional small farm advisors for Monterey, Yolo, Tulare-Kern and Glenn-Colusa counties. According to UC, "these advisors would serve predominantly Mexican-American farmers and they would be bilingual as well as trained in special communication skills."

3. CHARLES R. DREW POSTGRADUATE MEDICAL SCHOOL (ITEM 354)

The 1979-80 Budget Bill continues state support for a special program of clinical health sciences education, research and public service operated in conjunction with the Drew Postgraduate Medical School.

The Charles R. Drew Postgraduate School, founded in 1966, is a private nonprofit corporation which conducts educational and research programs in south central Los Angeles in collaboration with the Martin Luther King, Jr. County Hospital located in Watts. In addition to the state appropriation, programs are funded through county appropriations to the hospital, and federal and private grants.

Currently, the UCLA medical school has an "affiliation agreement" with Drew. In brief, this agreement provides that some UCLA medical students, interns and residents receive a portion of their clinical training at Drew and a number of Drew faculty have nonsalaried faculty appointments at UCLA.

Last year Drew completed negotiations with UC for (1) greater program autonomy over the instruction offered at Drew and (2) a staged increase in the number of 3rd and 4th year medical students to be trained at Drew. These changes are not expected to have any major impact on

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TABLE 23
Program III
Public Service
Summary of Expenditures and Personnel
(in thousands)

PROGRAM ELEMENTS	1978-79 Budget			1979-80 Governor's Budget			1979-80 Increase		
	General Funds	Restricted Funds	Total	General Funds	Restricted Funds	Total	General Funds	Restricted Funds	Total
1. Campus Public Service	\$119	\$7,132	\$7,251	\$119	\$7,431	\$7,550	—	\$299	\$299
2. Cooperative Agriculture Extension	17,074	6,566	23,640	17,174	6,566	23,740	\$100	—	100
3. Drew Medical School	2,063	—	2,063	2,166	—	2,166	103	—	103
4. California College of Podiatry Program	692	—	692	727	—	727	35	—	35
PROGRAM TOTAL	\$19,948	\$13,698	\$33,646	\$20,186	\$13,997	\$34,183	\$238	\$299	\$537
PROGRAM REQUIREMENTS (FTE)									
Academic			495			495			
Staff			567			571			
TOTAL			1,062			1,066			

state costs in 1979-80, but they could have major fiscal consequences in the future.

Budgeted state support for 1979-80 is \$2,165,860, an increase of \$103,000 (5 percent) over the 1978-79 budget. The additional funds are for price increases and merit salary adjustments. No program expansion is included.

We recommend approval.

4. CALIFORNIA COLLEGE OF PODIATRY MEDICINE (ITEM 355)

The Budget Bill continues state support for a cooperative program in basic and clinical health sciences education and primary health care delivery research in podiatry. State support began in 1974-75 to assure the instruction provided by the only college of podiatric medicine in California would continue to be of high quality. The program is operated in conjunction with the University's San Francisco campus.

Budgeted state support for 1979-80 is \$727,000. This is an increase of \$35,000 (5 percent) over the amount provided for 1978-79. The additional funds are for price increases and merit salary adjustments. No program expansion is included.

We recommend approval.

5. STATE DATA PROGRAM (ITEM 348)

The state data program began in 1968. Organized in the Institute for Governmental Studies on the Berkeley campus, the program collects, coordinates and disseminates data of value to scholars, students, researchers and policy planners who are concerned with the problems of state and local government.

Budgeted state support for 1979-80 is \$119,500, unchanged from the 1978-79 level except for a \$2,500 reduction related to Control Sections 27.1 and 27.2. The 1979-80 price and merit salary increase funds for this item are contained in the main UC support item (346). Elsewhere in the Analysis we have recommended that these funds be transferred to this item prior to final passage of the Budget Bill.

6. CALIFORNIA WRITING PROJECT

We recommend a \$300,000 General Fund augmentation in order to provide UC with a permanent base level of support for the California Writing Project.

We also recommend that supplemental language be adopted requiring that a formal advisory panel be established to review, rank and award the funds annually for individual projects.

The California Writing Project (CWP) is an outgrowth of the Bay Area Writing Project (BAWP) which originated on the UC Berkeley campus in 1975 in an effort to improve the writing skills of students in California. The assumptions underlying the BAWP are as follows:

1. The writing problem is shared by both the universities and the schools; it can best be addressed by cooperatively planned and cooperatively funded university/school efforts.
2. Most teachers have not been adequately prepared as teachers of writing.

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3. Although much is known about the teaching of writing, most teachers are unaware of that knowledge.
4. The best teacher of teachers is usually another teacher who has had success in a similar situation.
5. Successful teachers of writing can be identified; the best practices of successful teachers can be effectively demonstrated to others.
6. Teachers of writing must themselves write.

The program began in the summer of 1974 with a Summer Institute for the instruction of 25 teachers from 21 Bay Area School Districts. The BAWP now offers a number of Berkeley campus programs for teachers, in-service training programs for school districts and several institutes and workshops outside the state.

The original support for the BAWP came from the Berkeley campus and local Bay Area public schools. Since 1976, the project has attracted national attention and considerable additional support from the following sources: the National Endowment for the Humanities, \$1,564,000; the Carnegie Corporation of New York, \$217,000; UC's James Sutton Endowment Fund, \$186,000; and California Title IV-C project funds, \$380,000. In addition, the 1978-79 Budget Act provided BAWP with \$140,000 in General Funds to help train teachers from junior and senior high schools identified as having large low-income or minority enrollments.

The California Writing Project is the umbrella title for the new writing projects developed at other sites throughout California. Each project, modeled after, but not identical to BAWP, was selected through a competitive grant process. Presently, there are 13 programs in operation, each centered within a UC, CSUC, or CCC campus. Eight of the programs receive \$10,000 each plus added funds or in-kind services from the participating public school districts and the host campus. The remaining programs are funded from a variety of other sources. To date, it is estimated that 407 teachers have been through one of the writing project programs. These teachers have gone on to provide in-service training for 3,000 other teachers in 76 school districts.

Core Support Requested

For 1979-80 UC requested \$300,000 to provide core support for the California Writing Project central coordinating, planning and consulting office (\$95,000), and 10 writing project sites within California (\$20,500 each). The core support is needed, according to UC, because the foundation support on which the program has primarily relied cannot be depended upon in the future. Funding from the National Endowment for the Humanities, the major source of support to date, will lapse on June 30, 1979.

The core support requested by UC would provide approximately 60 percent of the support needed for each site. School districts participating in in-service training programs and the host campus would continue to donate funds or in-kind services. The program would also continue actively to solicit foundation support to supplement state support and hopefully establish additional sites.

The 1979-80 Governor's Budget did not provide the \$300,000 requested. We recommend that the UC budget be augmented to provide these funds. The writing problem these programs seek to correct is a serious one. Moreover, while the formal evaluation of the program has not been completed, the perceived success of the program by virtually all who have observed it, including CPEC, has convinced us that it is a worthwhile investment of state resources.

Need for Formal Advisory Board

Normally we would be opposed to one educational segment having responsibility for a program involving the allocation of funds to all three higher education segments. However, after reviewing the program, meeting with the program administrators and evaluator and talking with CSUC personnel, we believe nothing would be gained by establishing a new administrative structure. In fact, something might be lost. Often new programs are successful in large part because of the vision, drive and commitment of the program developers.

We believe, however, that the Legislature should adopt supplemental language to require that a formal advisory panel be established to review, rank and award the funds for the individual projects annually. This panel should be broadly representative of all groups concerned with the success of the program. We recommend that the group have a representative from the following organizations, with each selecting its own participant:

- California Community Colleges

- California State University and Colleges

- University of California

- Association of Independent California Colleges and Universities

- State Department of Education

- California Postsecondary Education Commission

In addition, it should be made clear that additional state support in future years must be justified on merit, not just as replacement of lost external federal or foundation support.

IV. ACADEMIC SUPPORT

The academic support program includes: (1) libraries, (2) organized activities and (3) teaching hospitals, as shown in Table 24.

1. LIBRARIES

Support for the university's nine campus libraries as well as for the college and school libraries is included in this subprogram. The principle objective is to support the instructional and research programs of the university by providing access to scholarly books and other documents.

Budgeted state support for libraries is presented in Table 25. The General Fund increase of \$1,476,000 is primarily for a 32,000 increase in library volume acquisitions and the transportation of library materials between the nine campuses.

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Table 24
Program IV
Academic Support
(in Thousands)

	1978-79			1979-80 Governor's Budget			1979-80 Increase		
	General Funds	Restricted Funds	Total	General Funds	Restricted Funds	Total	General Funds	Restricted Funds	Total
PROGRAM									
1. Libraries	\$55,849	\$1,116	\$56,965	\$57,325	\$1,159	\$58,484	\$1,476	\$43	\$1,519
2. Organized Activities.....	29,211	29,415	58,626	29,722	30,277	59,999	511	862	1,373
3. Teaching Hospitals	37,583	347,872	385,455	37,583	396,311	433,894	—	48,439	48,439
Totals.....	\$122,643	\$378,403	\$501,046	\$124,630	\$427,747	\$552,377	\$1,987	\$49,344	\$51,331
PERSONNEL									
Libraries			2,214.07			2,210.62			-3.45
Organized Activities			2,461.18			2,476.18			15
Teaching Hospitals			17,207.04			17,207.04			—
Totals.....			21,882.29			21,893.84			11.55

Table 25
Academic Support—Libraries
(in Thousands)

<i>Program Elements</i>	<i>1978-79 Budget</i>			<i>1979-80 Governor's Budget</i>			<i>1979-80 Increase</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>
1. Books and Binding	\$14,846	\$477	\$15,323	\$15,835	\$520	\$16,355	\$989	\$43	\$1,032
2. Acquisitions Processing	21,107	459	21,566	21,239	459	21,698	132	—	132
3. Reference Circulation	17,701	175	17,876	17,643	175	17,818	-58	—	—
4. Automation	2,195	5	2,200	2,195	5	2,200	—	—	—
5. Intercampus Movement of Materials	—	—	—	413	—	413	413	—	413
PROGRAM TOTAL	\$55,849	\$1,116	\$56,965	\$57,325	\$1,159	\$58,484	\$1,476	\$43	\$1,519

UNIVERSITY OF CALIFORNIA—Continued**A. Library Development Plan**

In 1978-79 UC presented to the Legislature a comprehensive 10 year library development plan. The plan explicitly recognizes that the library collection of all nine campuses must be thought of as a single university-wide resource. Much of the plan is devoted to a practical outline of how the resources of each campus library will be made available to users at any UC location.

The additional operating costs resulting from the plan fall into three categories: (1) volume acquisitions, (2) automation and (3) transportation of materials. For acquisitions, UC requested that the annual book acquisition rate be increased 86,000 volumes a year: from 523,000 to 609,000. The annual cost of the requested increase was \$2.7 million. Under automation, which had a number of components, UC requested \$1.4 million. For the transportation of materials between campuses, UC requested \$413,000.

The 1978-79 Governor's Budget fully funded UC's request for the first two components, but did not provide funds for the transportation of materials. In initial budget hearings the Legislature supported the Governor's Budget. After passage of Proposition 13, however, the Legislature reduced support for the acquisition component by \$1 million. This reduced the annual book acquisition rate increase from 86,000 volumes to 54,000.

1979-80 Governor's Budget Fully Funds Library Request

Besides continuing the automation component of the library development plan, the 1979-80 Governor's Budget provides the full support requested by UC for the other two components. An augmentation of \$1,122,000 (\$1 million and price increase) is provided to bring the annual book acquisition rate up to the 609,000 level called for in the UC plan. In addition, \$413,000 is included to support the transportation of materials component as requested by UC.

We recommend approval.

2. ORGANIZED ACTIVITIES

This subprogram includes partially self-supporting activities organized and operated primarily as necessary adjuncts to the work of various departments. General Fund support is primarily used in six areas: (1) art, music, and drama, (2) the UCLA elementary school, (3) vivariums which provide maintenance and care of animals necessary for teaching and research in the biological and health sciences, (4) the dental clinic subsidy, (5) support for two neuropsychiatric institutes which provide mental health care and training and (6) clinical teaching support for the veterinary medical teaching facility at Davis.

As indicated in Table 26, budgeted state support for these activities increases by \$511,000 in 1979-80. These funds are needed for (1) the partial support of two new dental clinics associated with UC, San Francisco (\$391,000) and (2) the increased clinical costs at the UC Davis Veterinary Medicine School (\$120,000).

Table 26
ACADEMIC SUPPORT
Organized Activities
Summary of Expenditures and Personnel
(in Thousands)

	<i>1978-79 Budget</i>			<i>1979-80 Governor's Budget</i>			<i>1979-80 Increase</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>
PROGRAM ELEMENTS									
1. Other Academic Support—General Campuses									
Museums and Galleries	\$1,006	\$194	\$1,200	\$1,006	\$194	\$1,200	\$—	\$—	\$—
Intercollegiate Athletics	—	867	867	—	885	885	—	18	18
Ancillary Support—General Campuses									
Demonstration Schools	583	140	723	583	140	723	—	—	—
Vivaria and Other	752	1,590	2,342	752	1,866	2,618	—	276	276
Employee Benefits	425	55	480	425	55	480	—	—	—
2. Ancillary Support—Health Sciences									
Dental Clinics	1,994	2,206	4,200	2,385	2,522	4,907	391	316	707
Neuropsychiatric Institutes	18,435	8,420	26,855	18,435	8,600	27,035	—	180	180
Optometry Clinic	—	500	500	—	500	500	—	—	—
Veterinary Medicine Teaching Facility	1,441	1,361	2,802	1,561	1,433	2,994	120	72	192
Vivaria and Other	676	14,082	14,758	676	14,082	14,758	—	—	—
Employee Benefits	3,899	—	3,899	3,899	—	3,899	—	—	—
PROGRAM TOTAL	\$29,211	\$29,415	\$58,626	\$29,722	\$30,277	\$59,999	\$511	\$862	\$1,373
PERSONNEL REQUIREMENTS (FTE)									
Academic			270			270			—
Staff			2,191			2,206			15

UNIVERSITY OF CALIFORNIA—Continued

3. TEACHING HOSPITALS

Included within this subprogram is funding for the teaching hospitals and clinics for which the university has major operational responsibilities. The hospitals include the Los Angeles Center for Health Sciences, the San Francisco campus hospitals, the San Diego County University Hospital, the Sacramento Medical Center, and the Orange County Medical Center.

In addition to their role in the university's clinical instruction program, the university teaching hospitals serve as a community resource for highly specialized (tertiary) care through major research efforts. The teaching hospitals also engage in cooperative educational programs with local community and state colleges by providing the clinical setting for students in allied health science areas.

Budgeted state support for the teaching hospitals is shown in Table 27. Direct General Fund support represents approximately 9 percent of hospital revenue. The remaining funds are received through patient fees and third party providers which include state and federal Medicare/Medi-Cal programs.

Table 27
Academic Support
Teaching Hospitals

<i>Fund</i>	<i>Estimated</i>	<i>Budgeted</i>	<i>Change</i>	
	<i>1978-79</i>	<i>1979-80</i>	<i>Amount</i>	<i>Percent</i>
General Funds ^a	\$37,583,266	\$37,583,266	—	—
Restricted Funds	347,871,976	396,310,976	\$48,439,000	13.9%
Total	\$385,455,242	\$433,894,242	\$48,439,000	12.6%

^a Includes appropriations of \$4 million in 1978-79 and 1979-80 for estimated Medicare/Medi-Cal inpatient reimbursement shortfalls.

A. Clinical Teaching Support (CTS)

UC teaching hospitals are intended to be self-supporting through patient fees. A state subsidy, however, called Clinical Teaching Support (CTS) is provided for UC owned hospitals and clinics. The traditional justification for CTS funds has been that these funds permit UC to accept patients who are useful to the teaching program but unable to pay the cost of hospitalization. In fact, CTS funds serve at least in part as an offset to the reimbursement limitations of the Medicare/Medi-Cal programs (see below).

The proposed distribution of CTS funds for 1979-80 is shown in Table 28. No General Fund increase over 1978-79 is provided.

Table 28
Clinical Teaching Support Allocations^a
1977-78 through 1979-80
(in thousands)

	<i>Actual 1977-78</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>
University Hospitals:			
Irvine Medical Center & Clinics	\$5,558	\$5,561	\$5,561
Los Angeles	8,262	8,517	8,517
Sacramento Medical Center	5,615	5,987	5,987
San Diego	5,026	5,381	5,381
San Francisco	7,290	8,137	8,137
Total	\$31,751	\$33,583	\$33,583

^a Does not include State funds provided for Medicare/Medi-Cal Inpatient Reimbursement shortfalls.

B. Medicare/Medi-Cal Underfunding (Item 353)

In an effort to curb the inflation of health care costs, state and federal controls have been imposed on Medicare/Medi-Cal payments. The impact of these controls upon university teaching hospitals has been significant because the routine cost of providing care is greater than the maximum charge allowed. In part this reimbursement gap results from educational costs and the unique range of care these hospitals offer.

The university has appealed the application of these reimbursement limitations to teaching hospitals. To help finance the teaching hospitals until the appeals process has been completed (to date none of the UC appeals has been decided), the 1976-77 Budget Act (Section 28.11) authorized UC to request a loan of up to \$5 million to be repaid with the proceeds from successful appeals. The actual loan, appropriated through Chapter 214, Statutes of 1977 (SB 335), was for \$4.1 million. Only \$3.2 million of this amount was actually expended with the remainder reverting to the General Fund. Section 28.92 of the Budget Act of 1977 authorized UC to request a similar loan for 1977-78. The loan amount was \$3.3 million.

The 1978-79 Governor's Budget included a separate Budget Act item authorizing the Director of Finance to loan up to \$4 million, if necessary, to cover hospital operating costs. This loan requires 30 days prior written notification to the Joint Legislative Budget Committee. The final loan amount needed by UC for 1978-79 is not yet known. Table 29 provides the history of state support for this purpose.

The 1979-80 budget again includes a separate budget act item (353) authorizing a loan of up to \$3,919,600. The loan is less than the current year because a portion of the Control Section 27.1 and 27.2 reductions were allocated to this item.

We recommend approval.

UNIVERSITY OF CALIFORNIA—Continued

Table 29
Teaching Hospital Loan
 (in millions)

<i>Year</i>	<i>Maximum Authorized Loan</i>	<i>Actual Loan</i>
1976-77	\$5.0 (Section 28.11)	\$3.2
1977-78	5.0 (Section 28.92)	3.3
1978-79	4.0 (Item 329)	—
1979-80	4.0 (Item 353)	—

C. Patient Discharge Data Necessary

We recommend that the Legislature adopt supplemental language requiring UC to submit patient abstract and billing data (Uniform Hospital Discharge Data Set for California) to the California Health Facilities Commission.

Health care costs in the nation, particularly in California, have been increasing dramatically. Data presented in the California Health Facilities Commission's (CHFC) 1978 Annual Report demonstrate that:

- (1) Increases in hospital expenditures in California have averaged over 18 percent per year from 1972 to 1977.
- (2) During 1977 alone, hospital costs in California rose from \$4.5 billion to \$5.3 billion even though the level of services provided did not change.
- (3) Between 1972-76 Californians experienced a 93 percent increase in hospital costs while the Consumer Price Index rose only by approximately 36 percent.
- (4) If the inflation rate continues at 18 percent per year, expenses of California hospitals will rise from the present \$5.3 billion to \$23 billion by 1985.

The rapid rise in health care costs should be a major concern of the state. In addition to the direct impact of rising costs on individuals and families, this trend has a significant impact on the cost of government. This is because government pays for approximately 60 percent of hospital costs in California. The Commission estimates that 7.2 percent of hospital revenues come from county governments, 14.7 percent from Medi-Cal, 33.3 percent from Medicare, and approximately 5 percent from government paid employee health benefits and income tax deductions for health care.

CHFC collects financial data from health facilities and discloses financial information to the public. One of the tools critical to the analysis of hospital costs is the capacity to review patient discharge and billing data. Access to this information permits the Commission to 1) assess the complexity of individual hospital's patient load, 2) group and compare hospitals by difficulty of patient load, and 3) compare the charge structures of hospitals for delivery of similar services. Patient discharge and billing data are collected in abstracts, without patient or physician name, so providing the data to the Commission does not violate confidentiality requirements. The data format used, the Uniform Hospital Discharge Data Set For California, is endorsed by the California Hospitals Association, and is used by

many hospitals in California. The Commission presently collects these data from hospitals on a volunteer basis.

We have recommended in our analysis of Item 291 that all hospitals be required to provide these data to the Commission. The information is critical to the evaluation of the hospital's cost effectiveness. UC should also be required to provide these data.

V. STUDENT SERVICES

The Student Services program includes student services and student financial aid.

1. STUDENT SERVICES

This subprogram includes a number of services which are usually classified into two groups according to the source of support. Services directly related to the functioning of the instructional program are financed by the General Fund. These include admission, student registration, class scheduling, grade recording, and compilation of student statistical information. The services that are related to the maintenance of the student's well-being are financed largely from student registration fees. These include medical care, housing, employment placement, counseling, cultural, recreational and athletic activities.

As shown in Table 30, except for price and merit salary increase funds which are provided elsewhere in the budget, no increase in General Fund support is included for 1979-80.

A. Disabled Students

The 1979-80 budget proposes an expenditure of \$309,467 from the General Fund for services to disabled students and employees. This augments existing nonstate funding of \$670,402, but is less than the \$1,750,953 plan submitted by UC and approved by CPEC.

At the beginning of the postsecondary education section of this Analysis (p. 1006), we discuss the complex problems associated with this matter and recommend that a plan for resolving these problems be submitted by the Department of Finance prior to April 15, 1979.

Table 30
Program V
Student Services
Summary of Expenditures and Personnel
(in thousands)

	<i>1978-79</i>			<i>1979-80 Governor's Budget</i>			<i>1979-80 Increase</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>
PROGRAM ELEMENTS									
1. Cultural and Recreational Activities.....	\$1,265	\$10,109	\$11,374	\$1,265	\$10,300	\$11,565	—	\$191	\$191
2. Supplementary Educational Services.....	301	1,778	2,079	301	1,814	2,115	—	36	36
3. Counseling and Career Guidance.....	1,427	11,170	12,597	1,427	11,382	12,809	—	212	212
4. Financial Aid Administration.....	730	6,311	7,041	730	6,430	7,160	—	119	119
5. Student Admissions and Records.....	8,097	854	8,951	8,097	1,005	9,102	—	151	151
6. Student Health Services.....	—	14,666	14,666	—	14,934	14,934	—	268	268
7. Employee Benefits.....	2,710	1,885	4,595	2,710	1,942	4,652	—	57	57
PROGRAM TOTAL.....	\$14,530	\$46,773	\$61,303	\$14,530	\$47,807	\$62,337	—	\$1,034	\$1,034
PERSONNEL (FTE)									
Academic.....			3			3			
Staff.....			2,771			2,771			

Table 31
Student Affirmative Action Program

PROGRAM ELEMENTS	<i>Act</i> 1975-76	<i>Act</i> 1976-77	<i>Act</i> 1977-78	<i>Est.</i> 1978-79	<i>UC</i> <i>Request</i> 1979-80	<i>Governor's</i> <i>Budget</i> 1979-80
1. Early Outreach (Junior High Level).....	\$54,000 (U)	\$462,000 (U)	\$1,162,000	\$1,010,000	\$1,280,000	\$1,280,000
2. High School and Community College Outreach	292,000 (U)	292,000 (U)	657,000	994,000	1,002,000	922,000
3. Academic Support Services	—	550,000 (½ U)	1,028,000	991,000	1,110,000	1,110,000
4. Graduate Student Services	—	—	—	100,000	600,000	—
5. Financial Aid	—	440,000 (S) ^a	582,000	1,000,000	800,000	800,000
6. Central Coordination	62,000 (U)	69,000 (U)	119,000	75,000	85,000	85,000
	<u>\$408,000</u>	<u>\$1,813,000</u>	<u>\$3,548,000</u>	<u>\$4,170,000</u>	<u>\$4,877,000</u>	<u>\$4,197,000</u>
Funding						
State (S)	—	\$715,000	\$1,916,700	\$2,293,000	\$4,877,000	\$4,197,000
University (U)	<u>\$408,000</u>	<u>\$1,098,000</u>	<u>\$1,631,300</u>	<u>\$1,877,000</u>	—	—

^a Original appropriation was \$1.1 million.

UNIVERSITY OF CALIFORNIA—Continued**B. Student Affirmative Action Program**

The Student Affirmative Action Program is an effort by UC to increase the enrollment of qualified students from underrepresented ethnic and economic groups, and provide these students with the support they need to complete a college education successfully.

The program was initiated in 1975-76 and the first class of students was enrolled in 1976-77. Program expenditures in 1975-76 were \$408,000, all from UC funds. Since that time program expenditures have been shared between the University (45 percent) and the state (55 percent).

For 1979-80 UC proposed a program budget of \$4,877,000, an increase of \$707,000 over the level in 1978-79. The Governor's Budget contains an increase of \$27,000 with full General Fund support, as shown in Table 31.

Under the Early Outreach component of the program, UC is working with 250 of the 500 junior high schools identified as having a high population of low-income or minority students. The budget proposes a \$270,000 increase for this component to provide program services to an additional 100 target schools beginning in 1979-80.

A \$160,000 increase is proposed for the High School and Community College Outreach component. The added funds will not be used to expand the number of schools served. Instead, UC will use the additional funds to assist students in the early years of high school as well as in their senior year. In particular, UC plans to follow through with those high school students who were earlier served through the junior high program.

The California State University and Colleges (CSUC) has also received state support for junior and senior high school outreach programs. Because of the potential for duplication in this area, we have recommended elsewhere in our analysis that the California Postsecondary Education Commission monitor both the UC and CSUC programs.

The 1978-79 budget provides funding for the Mathematics, Engineering, Science, Achievement Program—MESA. UC also requested \$80,000 to add two additional MESA-model programs (now called Academic Enrichment Programs). The budget does not include these funds on the grounds that an augmentation is premature prior to obtaining some experience with the two MESA-model programs which are to be established with \$180,000 appropriated in the 1978-79 Budget Act.

The Academic Support Services component is proposed for a \$119,000 increase principally to provide tutorial, counseling and academic advising services to the increasing number of needy students enrolled at UC. A portion of the funds are being used for an evaluation project to determine the effectiveness of the support services offered.

The Financial Aid component is proposed for a reduction of \$532,000. UC requested the reduction because "there have been more than ample resources available to students from underrepresented groups through federal sources and regular University financial aid funds."

A new Graduate and Professional School component, at \$600,000, was requested by UC but not funded. Information is not yet available on the specific strategies for improving low income and minority representation

in graduate school. A UC task force report on this subject is due in the Spring. Depending on the report's findings, UC may renew its funding request during legislative budget hearings.

The Coordination component is proposed for a \$10,000 increase. These funds cover the costs of evaluation, advisory meetings and 50 percent of the salaries of the three systemwide persons who coordinate the campus programs.

Governor's Budget Proposes Full-State Support of Program

We recommend that the \$1,877,000 General Fund augmentation (Item 346) for the replacement of UC Education Fee funds be deleted because it is simply a funding shift which produces an augmentation for unspecified purposes.

As mentioned above, the costs of the Student Affirmative Action Program have been shared between the state (55 percent) and UC (45 percent, primarily from Education Fee revenues). Since the program began UC has proposed that the state assume the full cost.

The 1979-80 budget provides for the first time a \$1,877,000 augmentation to provide for total state support of the program. We recommend against this augmentation. The UC case for full state support has rested on the argument that student affirmative action programs are the responsibility of the state and UC was the only higher education segment required to partially support its program. While it is true that similar programs in CSUC and CCC are supported entirely by the state, only UC has an Education Fee devoted to financial aid with annual revenue in excess of \$36 million.

More importantly, the Legislature would buy nothing new with this \$1.9 million augmentation. It is a simple fund transfer. An additional \$1.9 million in state General Funds releases \$1.9 million in Education Fee funds which could be used for a wide variety of other purposes. In the current year, for example, UC used \$5.7 million in Education Fee reserves to offset a portion of the reductions required by the Legislature in Control Sections 27.1 and 27.2. Rather than provide UC with a \$1.9 million augmentation for unspecified purposes, we recommend that the additional General Fund support be deleted and that specific UC requests for augmentation be considered on their merits.

2. STUDENT FINANCIAL AID

This subprogram contains (1) the university supported student aid programs, (2) student aid from private grants, gifts and endowments, and (3) state support for the Student Affirmative Action program.

The university supported programs are financed entirely from the Educational Fee. Prior to 1977-78, funding was provided from two sources: the Educational Fee and Regents Opportunity Funds.

Table 32 shows budgeted student financial aid for 1979-80. This amount, however, is only a small portion of the total. UC estimates that total student financial aid, including state and federal grants and loans which are received directly by students, will exceed \$117 million in 1979-80.

UNIVERSITY OF CALIFORNIA—Continued

Table 32
Financial Aid
(in Thousands)

<i>Fund</i>	<i>Actual 1976-77</i>	<i>Actual 1977-78</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Increase 1979-80</i>
General Funds	\$471	—	—	—	—
Restricted Funds	30,210	\$30,432	\$30,478	\$31,394	\$916
Totals	\$30,681	\$30,432	\$30,478	\$31,394	\$916

VI. INSTITUTIONAL SUPPORT

Institutional Support includes (1) general administration and services and (2) operation and maintenance of plant.

1. GENERAL ADMINISTRATION AND SERVICES

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

Also included 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.

As Table 33 indicates, the budgeted General Fund support for this subprogram will decline by \$234,000 in 1979-80. This occurs because of the deletion of one-time startup costs for implementation of Chapter 709, Statutes of 1977 (SB 170, privacy legislation).

Table 33
Program VI
Institutional Support
General Administrative Services
Summary of Expenditures and Personnel
(in thousands)

	<i>1978-79 Budget</i>			<i>1979-80 Governor's Budget</i>			<i>1979-80 Increase</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>
PROGRAM ELEMENTS									
1. Executive Management	\$24,486	\$611	\$25,097	\$24,486	\$668	\$25,154	—	\$-57	—
2. Fiscal Operations	11,041	3,031	14,072	11,041	3,210	14,251	—	179	—
3. General Administrative Services ..	18,651	8,010	26,661	18,417	8,488	26,905	\$-234	478	\$-234
4. Logistical Services	14,249	1,803	16,052	14,249	1,813	16,062	—	10	—
5. Community Relations	4,378	696	5,074	4,378	696	5,074	—	—	—
6. Employee Benefits.....	13,198	140	13,338	13,198	140	13,338	—	—	—
PROGRAM TOTAL	\$86,003	\$14,291	\$100,294	\$85,769	\$15,015	\$100,784	\$-234	\$724	\$490
PERSONNEL (FTE)									
Academic.....			5			5			
Staff.....			6,009			6,009			

UNIVERSITY OF CALIFORNIA—Continued

A. Collective Bargaining Implementation Funding

Last year, the Legislature enacted Chapter 744, Statutes of 1978 (AB 1091), which contained comprehensive provisions governing public employer-employee relations in UC (including Hastings College of Law) and the California State University and Colleges (CSUC). This act:

1. Requires UC and CSUC to meet and confer in good faith with employee groups in an effort to execute written memorandums of understanding.

2. Establishes election procedures, administered by the Public Employment Relations Board (PERB) for recognizing, certifying and decertifying employee organizations as the exclusive representatives of employees in negotiating units.

3. Specifies employer and employee illegal unfair labor practices.

4. Gives PERB responsibility for the adjudication of disputes involving (1) the determination of appropriate negotiating units, (2) the scope of representation elections and (3) unfair labor practices.

5. Prescribes mediation and a three-member panel factfinding procedure to enable the parties to resolve impasses. Costs of the mediator and chairman of a factfinding panel will be borne by PERB. Costs of the two remaining members of the factfinding panel will be shared by the parties.

6. Allows the parties to agree to a "maintenance of membership" arrangement, under which an employee is not required to join an employee organization, but those who do are required to maintain membership for the duration of the agreement.

7. Provides for UC and CSUC to deduct specified employee organization fees upon the authorization of the employee.

8. Specifies procedures for submission of a memorandum of understanding to the Governor and Legislature for appropriate review and action. If action is not taken, the memoranda shall be referred back to the parties. The parties may agree that provisions of the memoranda which are nonbudgetary and do not require funding shall take effect whether or not the aggregate funding requests submitted to the Legislature are approved.

9. Provides for representatives of the Governor, Legislature and students at meet and confer sessions.

The effective date of the legislation is July 1, 1979. Administrative costs were recognized during the fiscal committee hearings, but an appropriation was not made in the bill.

Governor's Budget Proposes \$570,600 for UC

We recommend that 1978-79 collective bargaining negotiation costs be deleted because such activity is premature at this time, for a General Fund savings of \$121,000.

In addition, we recommend that funds for surveys, cost estimates and data be deleted because the State Personnel Board will be providing this information for a General Fund savings of \$177,000.

In accordance with the Regents' request, the Governor's Budget contains \$570,600 for UC implementation costs related to AB 1091. These funds are proposed to be used for:

- (1) the development and implementation of communication and training programs regarding collective bargaining responsibilities and rights (\$139,000);
- (2) the analysis and revision of personnel policies in light of AB 1091 (\$14,000);
- (3) the University's involvement in PERB proceedings and organizing activities (\$119,000);
- (4) negotiations (\$121,000);
- (5) surveys, cost estimates, and the maintenance of data on wages and terms and conditions of employment for organized employees (\$177,000).

We agree that certain administration costs will be incurred by the university in order for it to administer its new responsibilities. Some costs are one-time only while others will continue.

The first three cost items listed above are primarily one-time with the PERB proceedings (#3) involving the initial certification activity.

Negotiations (#4) will be a continuing cost and may eventually exceed the \$121,000 cost shown in the Governor's Budget. However, budgeting these funds in 1979-80 is premature. Judging by the experience to date under comparable legislation covering regular state employees, it will take a full year (1979-80) for the organization activities and certification process to be completed. Negotiations on any significant scale consequently will not occur until 1980-81. It is at that time that funds should be provided for negotiations. (Some of the one-time funding in items 1-3 could be rolled forward into 1980-81 to cover this expense.)

Surveys, cost estimates and data maintenance activities (#5) are duplicative of activities traditionally carried on by the State Personnel Board. Last year there was some question as to the continuation of this function by SPB. The Legislature, however, subsequently directed that the function be continued once in the budget act and once in cleanup legislation. While UC is concerned that it may not be privileged to the information, this should not be the case. While we recognize the need for data on comparability, an independent survey by UC would be duplicative and unnecessary. The \$177,000 budgeted for this purpose should be deleted.

2. OPERATION AND MAINTENANCE OF PLANT (OMP)

Operation and maintenance of plant is a supporting service to the University's primary teaching, research and public service programs. The 1979-80 Governor's Budget provides an increase of \$586,000 for workload associated with new building. Table 34 shows the distribution of General Fund support by program element.

UNIVERSITY OF CALIFORNIA—Continued**A. Study of OMP Recently Completed**

In last year's Analysis we pointed out the need to reevaluate the level of support provided to UC for OMP. This followed from the fact that, although we, the Department of Finance and UC all agree that building square footage is the best indicator of workload, we do not agree on a method for determining which square footage should be supported from the General Fund. UC is concerned that the budgeted level of support for its square footage is too low and that some facilities are arbitrarily excluded from state support. We and the Department of Finance staff are concerned that the state is providing UC with support for space which should not be supported by the General Fund.

Last year all parties agreed that before any changes were made, UC would undertake a detailed survey of all existing space by program use. This information would permit the determination of the fiscal implications of any proposed policy changes.

We have received the square footage data from UC and we are in the process of developing a supplemental analysis of this issue which will be presented to the Legislature in time for discussion during hearings on the 1979-80 UC budget.

Table 34
Operation and Maintenance of Plant
Summary of Expenditures and Personnel
(In Thousands)

PROGRAM ELEMENTS	1978-79 Budget			1979-80 Governor's Budget			1979-80 Increase		
	General Funds	Restricted Funds	Total	General Funds	Restricted Funds	Total	General Funds	Restricted Funds	Total
1. Administration	\$3,658	—	\$3,658	\$3,673	—	\$3,673	\$15	—	\$15
2. Building Maintenance	15,583	\$311	15,894	15,703	\$311	16,014	120	—	120
3. Grounds Maintenance	6,019	—	6,019	6,019	—	6,019	—	—	—
4. Janitorial Services	17,526	—	17,526	17,661	—	17,661	135	—	135
5. Fire Protection	1,039	—	1,039	1,044	—	1,044	5	—	5
6. Utilities	43,726	46	43,772	44,026	49	44,075	300	\$3	303
7. Refuse Disposal	1,488	—	1,488	1,499	—	1,499	11	—	11
8. Employee Benefits ^a	(4,512)	—	(4,512)	(4,568)	—	(4,568)	(56)	—	(56)
PROGRAM TOTAL	\$89,039	\$357	\$89,396	\$89,625	\$360	\$89,985	\$586	\$3	\$589
PERSONNEL REQUIREMENTS (FTE)									
Staff and General Assistance ^b			3,215			3,233			18

^a Employee benefits are distributed to operating accounts where related salaries are budgeted.

^b Includes 11.00 FTE for Field Station maintenance from Organized Research.

UNIVERSITY OF CALIFORNIA—Continued

VII. INDEPENDENT OPERATIONS (Auxiliary Enterprises)

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

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 spaces. Table 35 shows that the proposed budget for 1979-80 is \$3.6 million higher than the 1978-79 budget.

Table 35
Program VII
INDEPENDENT OPERATIONS
(Auxiliary Enterprises)
(in thousands)

	1978-79 Budget			1979-80 Governor's Budget			1979-80 Increase		
	General Fund	Restricted Funds	Total	General Fund	Restricted Funds	Total	General Fund	Restricted Funds	Total
Auxiliary Enterprises	—	\$81,072	\$81,072	—	\$84,639	\$84,639	—	\$3,567	\$3,567

VIII. SPECIAL REGENTS' PROGRAMS

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 resolution continued the policy of equal division of overhead funds between the University and the state. The state's portion is assigned as operating income and the University's portion is budgeted as restricted funds to finance special Regents' programs.

The budget for 1979-80 is shown in Table 36.

Table 36
Program VIII
SPECIAL REGENTS' PROGRAMS
(in thousands)

Programs	Actual 1977-78	Estimated 1978-79	Proposed 1979-80	Increase
1. Extension of Research Opportunities	\$4,915	\$6,547	\$6,503	\$-44
2. Instructional Innovations and Improvements....	6,104	7,650	8,649	999
3. Sound Administrative Planning	2,976	3,908	3,633	-275
4. Mandated and Other Recognized University Responsibilities	2,793	4,083	4,083	—
5. Interim Funding	7,363	3,538	3,653	115
6. Provision for Increases	—	286	1,457	1,171
7. Other Needs	1,039	—	—	—
PROGRAM TOTALS	\$25,190	\$26,012	\$27,978	\$1,966
Less funds budgeted in other functions	\$-7,363	\$-3,538	\$-3,653	\$-115

IX. UNALLOCATED ADJUSTMENTS

This program serves as a temporary holding account for appropriations which eventually will be allocated by the system to the campuses and from the campuses to the operating programs. Two subprograms are included: 1) Provisions for Allocation and 2) Fixed Cost and Economic Factors.

Provisions for Allocation include 1978-79 base budget items which were unallocated as of July 1, 1978. Included are funds for merit and promotional increases, salary range adjustments, academic and staff position reclassifications, price increases, deferred maintenance and unallocated endowment income. Also included are incremental provisions for new programs related to more than one campus which have not been allocated.

Fixed costs and economic factors include salary adjustment funds and the funds needed in 1979-80 to maintain the university's purchasing power at 1978-79 levels for such items as utilities, library volumes, general supplies and equipment.

Table 37 provides a detailed account of the items budgeted under Unallocated Adjustments.

Table 37
Unallocated Adjustments

	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Change</i>
A. Provisions for Allocation			
General Fund:			
Price Increases	\$7,837,303	\$7,837,303	—
1978-79 Salary Funds	11,736,158	11,736,158	—
Employee Benefits	18,573,922	18,573,922	—
Student Affirmative Action	985,275	2,888,975	\$1,903,700
Handicapped Services	—	309,000	309,000
Drew One-time Capital Planning	50,000	—	-50,000
Budgetary Savings Target	-15,776,000	-15,776,000	—
Other Provisions	1,805,832	1,805,832	—
Subtotal	\$25,212,490	\$27,375,190	\$2,162,700
Restricted Funds:			
Educational Fee	4,091,109	519,725	-3,571,384
Registration Fee	5,411,392	6,424,608	1,013,216
Endowments	3,690,967	3,685,642	- 5,325
University Opportunity Fund	1,037,462	1,152,741	115,279
Contracts and Grants Administration	—	774,000	774,000
Other Provisions	251,477	261,477	10,000
Subtotal	\$14,482,407	\$12,818,193	\$1,664,214

UNIVERSITY OF CALIFORNIA—Continued**B. Fixed Costs and Economic Factors****General Fund:**

General Price Increase	—	\$6,810,400	\$6,810,400
Library Price Increase	—	2,648,700	2,648,700
Utilities Price Increase	—	1,715,900	1,715,900
Merit Salary Adjustments	—	12,430,000	12,430,000
Malpractice Insurance	—	-856,000	-856,000
General Risk Liability Insurance	—	856,000	856,000
State Compensation Insurance	—	1,702,000	1,702,000
University of California Retirement System	—	7,000,000	7,000,000
Public Employees Retirement System	—	800,000	800,000
Social Security	—	1,510,000	1,510,000
Collective Bargaining	—	571,000	571,000
Subtotal	—	\$35,188,000	\$35,188,000

Restricted Funds:	—	—	—
TOTALS			
General Funds	\$25,212,490	\$62,563,190	\$37,350,700
Restricted Funds	14,482,407	12,818,193	-1,664,214
GRAND TOTAL	\$39,694,897	\$75,381,383	\$35,686,486

1. NONRESIDENT TUITION

UC has increased the nonresident tuition fee charged all out-of-state and foreign students, both undergraduate and graduate, to \$2,400 beginning in 1979-80. This fee was last raised in 1976-77 when it was increased from \$1,500 to \$1,905. According to UC, this 26 percent increase "is related directly to the inflationary effects of salaries and price increases on instructional costs since the fee level of \$1,905 was established." The new fee is expected to increase reimbursements in 1979-80 by approximately \$3.5 million and reduce General Fund support by an equal amount.

UC Nonresident Enrollment Growing

As Table 38 indicates, since 1972 the percentage of UC nonresident students has increased slightly (from 11 percent to 12 percent). But at the undergraduate level the 49 percent growth in nonresident students over the last four years has been much greater than the 12 percent growth for all undergraduates. This is also true of the CSUC, both at the undergraduate and the graduate level (see Table 39). Moreover, with the exception of UC graduate students, the percentage growth in foreign nonresident students has been higher than that for other U.S. nonresident students. The growth in nonresident enrollment is probably the result of two factors: (1) California remains a popular place to live and (2) both the UC and CSUC are considered quality institutions, worth the added nonresident tuition charge.

Table 38
UC Student Residency at Time of Admission

	<i>Undergraduate</i>				<i>Graduate</i>				<i>Total</i>			
	<i>Nonresident</i>			<i>Percent</i> <i>Nonresi-</i> <i>dent</i>	<i>Nonresident</i>			<i>Percent</i> <i>Nonresi-</i> <i>dent</i>	<i>Nonresident</i>			<i>Percent</i> <i>Nonresi-</i> <i>dent</i>
	<i>Other</i>	<i>U.S.</i>	<i>Foreign</i>		<i>Other</i>	<i>U.S.</i>	<i>Foreign</i>		<i>Other</i>	<i>U.S.</i>	<i>Foreign</i>	
	<i>Total</i>				<i>Total</i>				<i>Total</i>			
1972-73	77,385	2,346	747	4%	21,655	6,147	2,994	42%	111,274	8,493	3,741	11%
Change ^a	12%	45%	64%	—	9%	7%	4%	—	12%	18%	16%	—
1976-77	86,427	3,393	1,225	5%	23,644	6,594	3,106	41%	124,389	9,987	4,331	12%

Table 39
CSUC Student Residency at Time of Admission

	<i>Undergraduate</i>				<i>Graduate</i>				<i>Total</i>			
	<i>Nonresident</i>			<i>Percent</i> <i>Nonresi-</i> <i>dent</i>	<i>Nonresident</i>			<i>Percent</i> <i>Nonresi-</i> <i>dent</i>	<i>Nonresident</i>			<i>Percent</i> <i>Nonresi-</i> <i>dent</i>
	<i>Other</i>	<i>U.S.</i>	<i>Foreign</i>		<i>Other</i>	<i>U.S.</i>	<i>Foreign</i>		<i>Other</i>	<i>U.S.</i>	<i>Foreign</i>	
	<i>Total</i>				<i>Total</i>				<i>Total</i>			
1972-73	216,422	1,657	3,283	2%	60,315	995	1,198	4%	276,737	2,652	4,481	3%
Change ^a	8%	65%	77%	—	16%	19%	83%	—	10%	47%	78%	—
1976-77	233,862	2,733	5,805	4%	69,872	1,173	2,187	5%	1,303,734	3,904	7,992	4%

^a Percentage change over 4 years from 1972-73 to 1976-77.

UNIVERSITY OF CALIFORNIA—Continued

The Determination of Residency

Most foreign students pay nonresident tuition each year they are in attendance at UC or CSUC. However, given the current statutory definition of residency, virtually all nonresident students from other states are eligible for residency status after one year. All a student need do to obtain residency is live in the state one year (the first year of academic attendance plus the summer months) and show intention to remain in California through such actions as registering to vote in California, obtaining a California driver's license, joining local organizations, etc. Thus, many of the out-of-state students included in Tables 38 and 39 do not pay nonresident tuition after their first year of attendance. (The tables report residency at the time of admission.)

A number of other states apply an additional criteria: financial independence. Oregon, for instance, stipulates that to obtain residency status, students must verify that they are not being significantly supported or claimed as a federal or state tax deduction by their parents or guardian if their parents or guardian reside out-of-state.

We do not have the data to determine the precise savings which would result from adoption of a financial independence test for residency status. However, in the UC and the CSUC there are currently over 6,000 undergraduates and 7,500 graduate students who were from other states at the time of admission. If 2,000 of these students were not financially independent and continued in attendance, the annual revenue to the General Fund would exceed \$3.5 million. Legislation in this area appears reasonable.

2. APPLICATION FEE

We recommend that the application for admission fee be increased from \$20 to \$25 for a reimbursement increase of \$610,000 and a savings to the General Fund (Item 346) of an equal amount.

All applicants to UC are required to pay a nonrefundable application fee which has been \$20 since 1972. According to UC policy, the fee level is set "to provide income so that the Offices of Admissions are essentially self-supporting."

Given price and salary increases since 1972, the income from this fee is well below that necessary to cover the cost of the application process. UC estimates that to be self-supporting a fee of approximately \$62 would be necessary. A fee increase of this magnitude, however, might begin to have an adverse effect on the number of students who apply. We believe, however, that, if accompanied by a proportionate increase in fee waivers, a \$5 increase in the fee (to \$25) could move the Office of Admissions closer to self-support without adversely affecting student access.

The UC has the authority to grant a waiver of the application fee for all low-income students. In recent years between 5-6 percent of the approximately 130,000 applicants have received a fee waiver. If fee waivers were maintained at the budgeted amount of 6 percent of total fee income, the net impact of a \$5 application fee increase would be a reimbursement increase of \$610,000 and a General Fund savings of an equal amount.

3. GENERAL FUND REIMBURSEMENT

We recommend that (1) budgeted income from Student Fees—All Other be increased by \$238,547 and (2) budgeted income from Other Sources be increased by \$117,610 for a combined General Fund savings of \$356,157 and an increase in reimbursement of an equal amount (Item 346).

There are four sources of reimbursements to the General Fund in the UC budget. One of them—nonresident tuition—was discussed above. The remaining three are: Student Fees—All Other, Sales and Service—Educational Departments and Other Sources.

Our review of budgeted and actual levels of reimbursement for these three categories has shown that in every year since 1971-72 the actual reimbursement figure has exceeded the amount budgeted (Table 40). The annual amount of underbudgeting has averaged in excess of \$900,000 during this seven-year period.

Because reimbursements reduce the required amount of state support, consistent underbudgeting of this type overstates the need for General Fund support. Therefore, we recommend that the budgeted level of reimbursement for 1979-80 be adjusted upwards to reflect more accurately the probable level of reimbursement. The budgeted level of Student Fees—All Other should be increased from \$3,661,453 to \$3,900,000 (+\$238,547). This is a realistic estimate, given that the actual amount of reimbursements has been less than \$3,900,000 only once since 1971-72.

For the category "Other Sources", we recommend that the budgeted level of reimbursement be increased from \$1,507,390 to \$1,625,000 (+\$117,610). This also is a reasonable estimate, given that the actual amount of reimbursement has been greater than \$1.6 million in each of the last two years and in three of the last four years.

Although each of these increases is warranted, what is most important is that the *total* level of budgeted reimbursements be realized. We think this will occur. Our combined estimate of \$5.5 million for the two categories discussed above is less than the average for the past seven years. In addition, we have not recommended an increase for the category Sales and Services—Educational Departments even though a moderate upward adjustment probably is justified.

4. UTILITY USAGE

As a result of the "energy crisis" of 1973-74, UC has embarked on a program to reduce significantly its consumption of electricity and fuels. This may be seen in Table 41. For each campus the first two columns in Table 41 show the percentage of electricity and fuel used per square foot in 1977-78 relative to usage in 1972-73, the last year before the energy crisis. While the table demonstrates that progress has been made, it also shows that some campuses have been much more successful than others. Irvine, Santa Barbara and Santa Cruz have done an excellent job of reducing energy consumption.

Berkeley and San Francisco, in particular, have not made sufficient progress in reducing energy consumption. The potential energy reduction at San Francisco may be less than on other campuses because the hospital represents such a significant percentage of total space. Even so, savings are possible.

In 1975-76, San Francisco's electricity usage was down to 92 percent of the 1972-73 level; in 1977-78 it was back to 100 percent. Table 41 indicates that San Francisco is projecting virtually no change in fuel consumption in 1979-80 over actual consumption in 1977-78. Berkeley is projecting some increased conservation. We believe both of these campuses can do much better. We intend to review their projections for the 1980-81 budget year carefully.

We have requested the UC to review all of the conservation goals set for the campuses in 1974. Many of the campus goals are not sufficiently stringent. For example, five of the nine campuses have already reduced their current fuel usage below the 1980 targeted level. In some instances campuses are using less than 75 percent of their long-term targeted amount.

UNIVERSITY OF CALIFORNIA—Continued

Table 41
Campus Energy Conservation Efforts

	Usage Per Square Foot			
	1977-78		1979-80 Projected	
	Usage as Percent of 1972-73 Actual		Usage as Percent of 1977-78 Actual Usage	
	Electricity	Fuels	Electricity	Fuels
Berkeley	96%	86%	90%	95%
Davis	88	59	104	108
Irvine	75	66	102	101
Los Angeles	88	76	99	100
Riverside	91	71	95	102
San Diego	80	50	100	100
San Francisco	100	88	100	98
Santa Barbara	76	58	100	119
Santa Cruz	65	37	100	116
Total System	87	69	99	101

Electricity Rate Increases Overestimated

We recommend that General Fund support for utilities be reduced by \$569,655 because of overestimated electricity rate increases on three campuses (Item 346).

Three UC campuses—Los Angeles, Santa Barbara and Davis—have overestimated the probable rate increases for electricity in 1979–80.

(1) Los Angeles. The UC budget includes funds for an 18 percent increase in electricity rates for the Los Angeles campus in 1979–80. The Department of Water and Power, which provides electricity to the Los Angeles campus, indicated to us that a 7–8 percent increase is more likely. Because these rates must be estimated one year or more in advance we believe a margin for error should be provided. Therefore, we have recalculated the Los Angeles campus electricity budget assuming a 10 percent increase in 1979–80. This should provide a reasonable safety margin. The savings to the General Fund of reducing the projected rate increase from 18 percent to 10 percent are \$300,914.

(2) Santa Barbara. The Santa Barbara utility budget projects a 20 percent increase in the electricity rate for 1979–80. However, a 5 percent increase is projected by the state Public Utilities Commission, which must approve all rate increases. We recommend that the utility budget be recalculated based on an 8 percent increase for 1979–80. This will provide a sizable margin for error and yet reduce the general budget by \$219,388.

(3) Davis. The Davis electricity budget for 1979–80 assumes a 22 percent increase in Pacific Gas and Electric Company electricity rates. The state Public Utilities Commission (PUC) estimates the increase at approximately 14 percent. We recommend that a 17 percent rate be budgeted. This will provide a hedge if the increase is somewhat higher than the PUC estimate. The savings to the General Fund are \$49,353.

Energy Consumption Increasing on Some Campuses

We recommend that utility cost increases resulting from higher energy usage per square foot be eliminated for a General Fund savings of \$911,752.

As remembrance of the energy crisis recedes, energy consumption on some campuses appears to be increasing. For 1979-80 two of the nine campuses are projecting increases in electricity consumption per square foot. Five of the nine campuses are projecting increases in fuel consumption per square foot (shown in columns 3 and 4 of Table 41). While this is a natural tendency, we believe it is important to maintain the savings of past years. Consumption per square foot should not be budgeted to increase unless a base year's actual consumption was abnormally low (for example, as a result of extremely mild weather throughout the year). Because we are not aware of any special circumstances affecting the campuses which are projecting increases, we recommend that consumption per square foot not be budgeted above the lowest actual usage for 1976-77 and later. As Table 42 indicates, this recommendation affects six campuses and results in a General Fund savings of \$911,752.

Savings from Energy Conservation Projects Not Being Realized

We recommend that General Fund expenditures for utilities be reduced by \$2,166,120 to obtain the energy savings predicted by UC as justification for state-funded energy conservation projects which are now on-line.

Table 42
Recommended Savings in the UC Utility Budget

Campus	Overestimates of Rate Increases		Unjustified Increases in Energy Usage/Sq. Ft.		Reductions from Energy Conservation Projects		Total
	Electricity	Fuels	Electricity	Fuels	Electricity	Fuels	
Berkeley	—	—	—	—	—	—	—
Davis	\$49,353	—	\$196,986	\$153,886	\$488,571	\$139,278	\$1,028,074
Irvine	—	—	41,874	—	—	—	41,874
Los Angeles ..	300,914	—	—	—	—	—	300,914
Riverside	—	—	—	70,126	—	—	70,126
San Diego	—	—	119,114	—	175,000	1,138,687	1,432,801
San Francisco	—	—	—	—	—	—	—
Santa Barbara	219,388	—	56,907	215,472	47,500	177,084	716,351
Santa Cruz	—	—	—	57,387	—	—	57,387
Total Sys- tem	\$569,655	—	\$414,881	\$496,871	\$711,071	\$1,455,049	\$3,647,527
	\$569,655		\$911,752		\$2,166,120		

To help reduce energy consumption on the campuses, over \$10 million in state capital outlay funds have been appropriated for "energy conservation" projects since 1975-76. Each of these projects has been justified by UC on the basis that it will reduce energy consumption. However, on a number of campuses with completed projects, consumption per square foot is projected to remain constant or increase, rather than decrease as indicated in the UC documents justifying the capital expenditures. In order to insure that the will to economize is present along with the technology, we recommend that the total UC utility budget be reduced by

UNIVERSITY OF CALIFORNIA—Continued

\$2,166,120 to reflect the savings used to justify the projects (see columns 5 and 6 in Table 42).

Three additional major energy conservation projects, costing \$1.4 million at Berkeley and Davis and \$2.8 million at Los Angeles, will soon be completed. We intend to utilize UC's estimates of savings in calculating energy needs for those campuses in 1980-81. After the Davis electrical generator is in operation, there should be a substantial reduction in natural gas usage and this too must be taken into account in the 1980-81 budget.

Based on the energy savings forecast by UC from state-funded projects, we urge UC to expedite future projects.

5. SOCIAL SECURITY COORDINATION

We recommend that General Fund support for social security coordination be reduced by \$114,000 based on a revised estimate of UC employee turnover (Item 346).

Since April 1976, all new UC employees eligible for the UC retirement system must join social security. To determine the probable General Fund cost of social security for these new employees, UC estimated the annual employee turnover rate at 8 percent. This produced a cost estimate of \$800,000, which has been carried forward into the 1979-80 Governor's Budget.

UC has now revised downward to 6 percent the probable employee turnover rate for 1979-80. As a result of this reduction, the required General Fund support drops from \$800,000 to \$686,000. This results in a General Fund savings of \$114,000, with which UC concurs.

6. PRICE AND SALARY INCREASE FUNDS

We recommend that before final legislative approval of the Budget Bill, price and merit salary increase funds now contained in Item 346 be added to the separate UC budget act items for which they are intended.

The following budget act items contain neither price increase funds nor salary increase funds:

- 347—Institute of Appropriate Technology
- 348—State Data Program
- 349—Undergraduate Teaching Excellence
- 350—Fresno-San Joaquin Medical Education Program
- 351—Berkeley Medical Education Program
- 352—Riverside Biomedical Program

The price and merit salary increase funds for each of these items are contained within the main UC support item (346). The Department of Finance did not allocate these funds to these items, preferring to wait until the level of salary increase support was known as well. The salary increase amount could not be determined because the Governor chose not to include a specific figure in the budget.

We recommend that price and merit salary increase funds be added to each of the above items before passage of the Budget Bill in order to make the costs of programs readily apparent.

7. OFFICE COPIER REPORT NEEDED

We recommend that supplemental language be adopted requiring that UC report to the Joint Legislative Budget Committee by December 1, 1979, on its use of office copiers.

Our 1976-77 Analysis reported that in almost every instance it is more economical to purchase rather than lease office copiers, even after adjustment for the cost of maintenance contracts on purchased machines. As a result, the Department of General Services is phasing out the leasing of office copiers by state departments, thereby producing substantial savings to the state.

Since 1976-77 the CSUC also has been implementing this policy. As of January 1979, 455 (84 percent) of the system's 543 copiers have been purchased. Most of the remainder are scheduled for purchase in the current year with the program due for completion in 1979-80. The CSUC conservatively estimates that in 1979-80, a net savings of \$320,393 will be realized from the copiers already purchased.

Currently, the UC has a mixture of purchased and leased machines. Given the savings possible from purchase versus leasing arrangements, we believe that UC should institute a systemwide policy requiring purchase of all copiers except where leasing clearly is justified. Therefore, we recommend that UC provide a report to the Joint Legislative Budget Committee by December 1, 1979, which details:

- (1) the total number of state-supported copiers in use by UC;
- (2) the total number of state-supported copiers leased by UC and the total annual cost of these leases;
- (3) a plan for the phasing out of leased copiers, except where leasing clearing is justified; and
- (4) the annual savings to be realized from the phase-out of leased copiers.

HASTINGS COLLEGE OF LAW

Item 358 from the General
Fund

Budget p. 977

Requested 1979-80	\$4,521,173
Estimated 1978-79	4,207,234
Actual 1977-78	4,149,613
Requested increase \$313,939 (7.5 percent)	
Total recommended reduction	\$292,886

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Faculty Increase. Reduce Item 358 by \$109,455.* Recommend deletion of two new faculty positions and related clerical staff as unnecessary enrichment. 1089
2. *Scholarly Publications. Reduce by \$163,431.* Recommend reduction of support for law publications as unnecessary enrichment. 1089
3. *Sabbatical Leave. Delete \$20,000.* Recommend deletion of new sabbatical leave program as unnecessary enrichment. 1090

GENERAL PROGRAM STATEMENT

Hastings College of Law was founded in 1878. It is designated by statute as the law school of the University of California, and is governed by its own board of directors (the university operates three other law schools which are governed by the regents). 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 plans to enroll 1,500 students in 1979-80, the same as in the current academic year.

ANALYSIS AND RECOMMENDATIONS

Table 1 presents expenditures and funding sources for Hastings College of Law.

Table 1
Expenditures and Funding for Hastings College

Program	Actual 1977-78	Estimated 1978-79	Proposed 1979-80	Change	
				Amount	Percent
I. Instruction program	\$2,267,875	\$2,223,893	\$2,482,203	\$258,310	11.6%
II. Public service program	166,860	178,750	178,750	—	—
III. Instructional support program	676,687	687,330	790,730	103,400	15.0
IV. Student service program	1,636,279	1,664,796	1,693,897	29,101	1.7
V. Institutional support program	1,885,831	1,895,469	2,038,597	143,128	7.6
TOTAL	\$6,633,532	\$6,650,238	\$7,184,177	\$533,939	8.0%
General Fund	\$4,149,613	\$4,207,234	\$4,521,173	\$313,939	7.5%
Federal funds	938,212	897,170	897,170	—	—
Reimbursements	1,545,707	1,545,834	1,765,834	220,000	14.2
Positions	173.5	182.6	193.6	11.0	6.0%
Gross Cost per Student	\$4,422	\$4,433	\$4,789	\$356	8.0%

As table 1 shows, the Governor's Budget proposes a total program increase for Hastings of \$533,939 or 8 percent for the 1979-80 fiscal year. The principal components of this increase are for (1) two new faculty members, (2) a new faculty sabbatical leave program, (3) a new federally funded program on Air and Space Law and (4) additional state funding for two scholarly publications.

Faculty Increase

We recommend the deletion of two new faculty positions and related clerical staff for a General Fund savings of \$109,455.

The 1979-80 Governor's Budget proposes to increase the present classroom faculty at Hastings from 57.1 positions to 60.1 positions, an increase of three professors. One of these faculty positions is proposed for the new Air and Space law program supported by NASA. The other two positions are proposed in response to a general enrichment request by Hastings for an additional 18.4 FTE faculty to achieve parity with the other University of California law schools.

We believe that proposals for enriched staffing levels must be justified by either (a) new workload, (b) a demonstrated need for a new program or (c) a demonstrated need to improve quality.

The position for the new Air and Space law program meets these criteria. The other two positions, however, do not. Hastings enrollment is not expected to increase, no new programs (other than the NASA program) have been proposed, and there is no apparent need to increase quality at an institution which is already cited for its excellence.

Finally, the comparison with other UC law schools cited by Hastings is inappropriate in this context. The other schools presently have different purposes. They provide extensive research and graduate opportunities while Hastings provides a basic law education. Hence staffing ratios at these schools cannot be used to justify an increase at Hastings.

Scholarly Publications

We recommend that the state support for scholarly law publications be reduced from \$205,129 to \$41,698 for a General Fund savings of \$163,431.

The state currently provides General Fund support for scholarly law publications at each UC law school. This support covers the cost of administrative and clerical staff, plus printing expenses. Revenue is also derived from fees, advertising, and subscriptions. At Hastings, two publications have traditionally received state support. Table 2 shows existing and proposed support levels for publications at Hastings, including local revenues.

HASTINGS COLLEGE OF LAW—Continued

Table 2
Scholarly Publications

	<i>Actual</i> <i>1977-78</i>	<i>Estimated</i> <i>1978-79</i>	<i>Proposed</i> <i>1979-80</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
<i>Support</i>					
General Fund	\$106,853	\$118,562	\$169,729	\$51,167	43.2%
Fees, subscriptions	20,400	20,400	35,400	15,000	73.5
TOTALS	\$127,253	\$138,962	\$205,129	\$66,167	47.6%
Number of publications	2	2	4	2	100.0

As the table shows, proposed state support for law publications has increased by almost 50 percent. This is to provide support for two additional law publications—Comment, and International and Comparative Law Review.

These two publications were originally funded in the 1977-78 Governor's Budget at a support level of \$10,000. The 1978-79 Governor's Budget proposed an augmentation of \$61,000 to provide ongoing support. These additional funds were denied by the Legislature. The 1979-80 Governor's Budget again proposes a General Fund augmentation (\$75,936) to fully fund the new journals.

We do not believe the proposed state support level is justified. We note that less than 15 percent of the enrolled students are able to participate in law journal activities. Even for this limited group, it is not clear how participation in journal activities benefits the state or differs from assignments that could be required as part of the regular curriculum. We therefore recommend against General Fund support for an activity whose purpose appears to benefit only a limited number of students and faculty. This would appear to be an activity more appropriately funded by subscriptions or the students.

While we have some reservations about any General Fund support for journals, we also note that the proposed level of General Fund support greatly exceeds support at other law schools. For example, UC provides only \$27,433 in state support for one general law publication at Boalt Law School. All other journals are supported by subscription.

For these reasons, we recommend that the current publication budget at Hastings be reduced to the amount needed for the support of one general law journal. Based on the current support level at Boalt, adjusted for inflation and the greater enrollment at Hastings, we recommend a support level of \$41,698 in 1979-80, for a reduction of approximately \$163,431 in the budget year.

Sabbatical Leave

We recommend the deletion of one sabbatical leave position for a General Fund savings of \$20,000 per year.

Last year, the Governor's Budget proposed an augmentation of \$20,000 to initiate a sabbatical leave program at Hastings. This augmentation was deleted by the Legislature as an unnecessary enrichment. The 1979-80 Governor's Budget again proposes funding for the program at the same

level. The request is based on the premise that "it is a usual expectation of regular tenured faculty members to have an opportunity to qualify for sabbatical leaves."

We do not believe this proposal satisfies the criteria set forth above for acceptable budget augmentations. For example, it has not been demonstrated that sabbaticals improve the quality of the academic teaching program. We also believe that the amount requested understates the future cost of a sabbatical leave program. The sabbatical leave program at UC Boalt law school, for example, will cost more than \$300,000 for replacement faculty in the current year.

For these reasons, we recommend that the augmentation for this program be deleted.

Legal Education Opportunity Program (LEOP)

The Legal Education Opportunity program, initiated at Hastings in 1969, permits the admission of a limited number of disadvantaged students who would not be admitted under normal selection processes. This program was instituted on the assumption that it is desirable to educate persons from low economic and minority families for a career in the legal profession. Of 1,500 students, approximately 300 students or 20 percent are minorities, and approximately 80 of these minorities are admitted as LEOP students.

In addition to special admission status, LEOP provides student grants, tuition waivers, special tutorials and administrative support for disadvantaged students. Table 3 presents estimated expenditures for the program.

Table 3
General Fund Support for Legal Education Opportunity Program (LEOP)

	<i>Actual 1977-78</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>
1. Grants:			
Tuition waivers	\$53,400	\$51,650	\$51,650
Regular grant	186,140	204,861	217,153
Bar preparation	6,750	16,216	17,027
2. Educational Support	12,000	12,000	12,000
3. Financial Aid Staff	35,000	35,000	35,000
TOTALS	\$293,290	\$319,637	\$332,830

Performance of LEOP Students on State Bar

Students in LEOP have not proven very successful on the bar examination. In the past five years, of those who take the bar, regular students have shown a success rate of 80 percent, while LEOP students have averaged only 33 percent.

Notwithstanding this fact, 86 percent of LEOP expenditures consists of direct grants to students as shown in Table 3. Only 4 percent of the funds are used for student services, such as tutorials and study groups. This funding split does not appear to respond to the needs of LEOP. Moreover, it appears to contradict state policy in other EOP programs, where a 50/50 split between grants and services is sought.

As a result of this low success rate, last year the Legislature adopted

HASTINGS COLLEGE OF LAW—Continued

supplementary language to the Budget Bill directing Hastings to develop a plan for increasing the effectiveness of the program. Using \$50,000 from a trust, Hastings contracted with the African Technical Educational Consultant Service (ATECS) for a two-phase study of LEOP.

Results of the first phase of the study were published by ATECS in August 1978, and conclude that LEOP needs more staff, more funds, and a continuation of the study. Both our office and Hastings staff have found the report to be disappointing for the following reasons: (1) the general presentation of the report was disorganized; (2) very little original data was presented; (3) findings and conclusions were vague and unquantified; and (4) no creative alternatives for use of funds within existing budgets were proposed. We suggest that the final phase of the study be discontinued.

Internal Proposal

More recently, the LEOP study Group Board, composed of LEOP students and staff, has developed its own proposal for short- and long-term program reform. This report indicates that a long-term solution for the LEOP program must recognize the difficulty of remediating learning deficiencies of disadvantaged students. For many students, this cannot be done under pressure of a full-time law school schedule. It is therefore apparent that any real change in LEOP should involve a better (and earlier) recruitment process, and a pre-law preparatory period of at least a full summer and possibly a full year. It may also include a redirection of existing state support which now goes almost exclusively for direct aid.

We believe that the students and faculty involved in LEOP are best able to develop major program revisions, and we suggest that their proposal be formalized and presented to the Legislature for review. Proposed changes should contain several alternatives, with funding and staff levels clearly indicated for each.

CALIFORNIA STATE UNIVERSITY AND COLLEGES

Items 359-360 from the General

Fund	Budget p. 987
Requested 1979-80	\$714,280,222 ^a
Estimated 1978-79	691,934,302
Actual 1977-78	666,072,072
Requested increase \$22,345,920 (3.2 percent)	
Total recommended reduction	\$13,550,549

^a Salary increase funds are not included in the total. Provisions for salary increase are discussed in the Analysis under Item 435.

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
359	Support	General	\$713,551,380
360	Computer replacement	General	728,842
Total			\$714,280,222

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *English Placement Test. Reduce by \$206,762 from General Fund.* Recommend students scoring above 50th percentile on Scholastic Aptitude Test be exempted from taking English Placement Test. 1119
2. *Writing Skills Program.* Recommend Chancellor's Office provide to legislative fiscal committees a campus by campus breakdown of enrollment and student-faculty ratios in classes which provide instruction in basic writing skills. 1120
3. *Writing Skills Credit.* Recommend Budget Bill language making the allocation of the \$1,383,083 for differential costs in the Writing Skills program contingent upon Chancellor's Office approval of campus plans which grant student credit units (within existing degree requirements). 1121
4. *New Program Development and Evaluation. Augment by \$271,837 from General Fund.* Recommend partial restoration of support for Innovative Programs. 1122
5. *Library Resource Utilization.* Recommend Chancellor's Office develop a cooperative acquisition plan and a systematic policy on deacquisition. 1127
6. *Library Book Acquisition. Reduce by \$1,336,200 from General Fund.* Recommend deletion of 52,400 volume augmentation in the library book acquisition rate. Recommend that Chancellor's Office report on effectiveness of book theft detection system and action necessary to reduce theft rate. 1128
7. *Joint Doctoral Report.* Recommend that the California Postsecondary Education Commission conduct a comprehensive examination of the Joint Doctoral program. 1131
8. *Joint Doctoral Program. Reduce by \$193,015 from General Fund.* Recommend reduction in budgeted number of joint doctoral faculty positions by 50 percent. 1133
9. *Student Services.* Recommend that Chancellor's Office submit a report on the alternatives available to make the student services program self-supporting. 1137
10. *Nonresident Students. Reduce by \$583,200 from General Fund.* Recommend budget reflect an increase in the budgeted number of nonresident students. 1138
11. *Nonresident Tuition.* Recommend Budget Bill language 1139

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

- to control expenditure of excess nonresident tuition reimbursements.
12. *Application Fee. Reduce by \$1,354,175 from General Fund.* Recommend increase in application fee from \$20 to \$25. 1140
 13. *Unnecessary Budget Language.* Recommend the elimination of budget language waiving enrollment and reporting requirements. 1140
 14. *Student Affirmative Action. Reduce by \$97,760 from General Fund.* Recommend elimination of support for counselor in-service training. 1143
 15. *Student Affirmative Action.* Recommend that prior to legislative review of the 1980-81 Budget Bill, the California Postsecondary Education Commission review and approve proposals for outreach programs. 1144
 16. *Collective Bargaining. Reduce by \$60,000 from General Fund.* Recommend elimination of two EDP systems analyst positions. 1149
 17. *Utility Consumption. Reduce by \$3,562,175 from General Fund.* Recommend basing 1979-80 systemwide utilities budget upon the actual 1977-78 rate of consumption. 1155
 18. *Office Copier Savings. Reduce by \$320,393 from General Fund.* Recommend reflection of savings resulting from the office copier acquisition program. 1156
 19. *Special Repairs.* Recommend Chancellor's Office develop a systematic preventive maintenance proposal. 1158
 20. *Public Safety. Reduce by \$62,627 from General Fund.* Recommend elimination of four public safety positions. 1158
 21. *Salary Savings. Reduce by \$6,046,079 from General Fund.* Recommend elimination of proposed revision in salary savings requirement. 1159

**Summary of Legislative Analyst Recommended Fiscal Changes
to the 1979-80 Budget**

<i>Activity</i>	<i>Program Changes</i>		<i>Funding Impact</i>	
	<i>Reductions</i>	<i>Augmentations</i>	<i>General Fund</i>	<i>Reimbursements</i>
English Placement Test	-\$206,762		-\$206,762	
Innovative Programs		+\$271,837	+271,837	
Library Books	-1,336,200		-1,336,200	
Joint Doctoral	-193,015		-193,015	
Nonresident Students	-583,200		-583,200	\$583,200
Application Fee	-1,354,175		-1,354,175	1,354,175
Student Affirmative Action	-97,760		-97,760	
Collective Bargaining	-60,000		-60,000	
Utility Consumption	-3,562,175		-3,562,175	
Office Copier Savings	-320,393		-320,393	
Public Safety	-62,627		-62,627	
Salary Savings	-6,046,079		-6,046,079	
Totals	-\$13,822,386	+\$271,837	-\$13,550,549	\$1,937,375

GENERAL PROGRAM STATEMENT

In accordance with the 1960 Master Plan for Higher Education, the California State University and Colleges (CSUC) provide instruction in the liberal arts and sciences, and in applied fields which require more than two years of collegiate education. Instruction in teacher education is also mandated. In addition, the doctoral degree may be awarded jointly with the University of California or private institutions, and faculty research is authorized.

Governance

The California State University and Colleges system is governed by a 23-member board of trustees.

The trustees appoint the Chancellor. 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 administration of the system.

The system presently includes 19 campuses with an estimated 1979-80 full-time equivalent (FTE) enrollment of 230,510.

Admission

To be admitted to the freshmen class, a student generally must graduate in the highest academic third of his or her high school class. An exception, however, permits admission of certain students who do not meet this requirement, provided the number of such students does not exceed 8 percent of the previous year's undergraduate enrollment.

Transfer students may be admitted from other four-year institutions or from community 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. To be admitted to a graduate program, the minimum requirement is a bachelor's degree from an accredited four-year institution, although individual programs may impose more restrictive standards.

ANALYSIS AND RECOMMENDATIONS**Support Budget History**

Table 1 summarizes the CSUC General Fund support from 1970-71 through 1977-78. During this seven-year period the amount appropriated from the General Fund increased by 117 percent while the budgeted FTE enrollment increased by 17 percent.

At the end of each fiscal year, any unexpended General Fund support reverts to the General Fund unless specifically authorized for reappropriation through legislation. As the table indicates, over the past eight years CSUC has reverted an average of 1.1 percent of the total General Fund support available, with reversion ranging from 0.1 percent in 1971-72 to 2.5 percent in 1973-74.

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

Table 2
Source of Funds by Subprogram
(1979-80 Governor's Budget)

	<i>General Fund</i>			<i>Special Funds</i>	
	<i>Net General Fund</i>	<i>Reimbursement</i>	<i>Total General Fund</i>	<i>Continuing Education</i>	<i>Dormitory</i>
I. Instruction					
Regular Instruction.....	\$454,757,935	\$13,701,600	\$468,459,535	—	—
Special Session Instruction	—	—	—	\$5,105,899	—
Extension Instruction	—	—	—	3,252,414	—
Totals, Instruction.....	\$454,757,935	\$13,701,600	\$468,459,535	\$8,358,313	—
II. Research					
Individual or Project Research	—	99,630	99,630	—	—
III. Public Service					
Campus Community Service	—	407,014	407,014	—	—
IV. Academic Support					
Libraries	45,308,093	455,717	45,763,810	18,817	—
Audio-Visual Services	9,355,401	—	9,355,401	30,578	—
Computing Support	20,984,578	—	20,984,578	32,232	—
Ancillary Support	12,547,072	—	12,547,072	—	—
Totals, Academic Support.....	\$88,195,144	\$455,717	\$88,650,861	\$81,627	—
V. Student Service					
Social and Cultural Development	—	3,318,221	3,318,221	—	—
Supplemental Educational Services—EOP	11,921,457	—	11,921,457	—	—
Counseling and Career Guidance.....	641,028	15,129,708	15,770,736	30,810	—
Financial Aid	2,733,525	57,149,906	59,883,431	—	—
Student Support	111,984	16,558,696	16,670,680	38,050	\$2,281,321
Totals, Student Service	\$15,407,994	\$92,156,531	\$107,564,525	\$68,860	\$2,281,321
VI. Institutional Support					
Executive Management.....	19,400,213	1,348,678	20,748,891	3,537,281	—
Financial Operations	11,066,657	2,721,783	13,788,440	349,633	469,820
General Administrative Services.....	20,114,670	6,075,738	26,190,408	177,056	—
Logistical Services	31,692,493	—	31,692,493	559,504	1,077,569
Physical Plant Operation	82,403,316	40,800	82,444,116	26,561	6,953,851
Faculty and Staff Services	9,492,682	—	9,492,682	—	—
Community Relations	2,718,461	282,217	3,000,678	375,435	—
Totals, Institutional Support.....	\$176,888,492	\$10,469,216	\$187,357,708	\$5,025,470	\$8,501,240
VII. Independent Operations					
Institutional Operations.....	—	16,153,900	16,153,900	—	—
Outside Agencies	—	14,925,254	14,925,254	—	—
Totals, Independent Operations	—	\$31,079,154	\$31,079,154	—	—
Grand Totals	\$735,249,565	\$148,368,862	\$883,618,427	\$13,534,270	\$10,782,561
Undistributed Sections 27.1 and 27.2					
Budget Reductions	-14,050,000	—	-14,050,000	—	—
Unidentified Proposition 13 Savings	-6,919,343	—	-6,919,343	—	—
NET TOTALS.....	\$714,280,222	\$148,368,862	\$862,649,084	\$13,534,270	\$10,782,561

<i>Special Funds</i>		<i>Auxiliary Organizations</i>				<i>Founda- tions</i>	<i>Grand Totals</i>
<i>Parking</i>	<i>Total Special Funds</i>	<i>(Activity)</i>	<i>(Activity)</i>	<i>(Activity)</i>	<i>Total</i>		
—	—	—	—	—	—	—	\$468,459,535
—	\$5,105,899	—	—	—	—	—	5,105,899
—	3,252,414	—	—	—	—	—	3,252,414
—	\$8,358,313	—	—	—	—	—	\$476,817,848
—	—	—	—	—	—	—	99,630
—	—	—	—	—	—	—	407,014
—	18,817	—	—	—	—	—	45,782,627
—	30,578	—	—	—	—	—	9,385,979
—	32,232	(Agriculture)	—	—	—	—	21,016,810
—	—	\$4,120,000	—	—	\$4,120,000	—	16,667,072
—	\$8127	\$4,120,000	—	—	\$4,120,000	—	\$92,852,488
—	—	—	(Student Activities)	—	—	—	14,318,221
—	—	—	\$11,000,000	—	11,000,000	—	11,921,457
—	30,810	—	—	—	—	—	15,801,546
—	—	(Bookstore)	(Food Service)	(Student Union)	—	—	59,883,431
—	2,319,371	47,430,000	25,780,000	\$8,400,000	81,610,000	—	100,600,051
—	\$2,350,181	\$47,430,000	\$36,780,000	\$8,400,000	\$92,610,000	—	\$202,524,706
—	—	(Special Projects Admin.)	—	—	—	—	24,286,172
—	3,537,281	—	—	—	—	—	17,569,979
\$418,086	1,237,539	2,544,000	—	—	2,544,000	—	26,367,464
—	177,056	—	—	—	—	—	37,361,631
2,336,065	3,973,138	1,696,000	—	—	1,696,000	—	90,447,002
1,022,474	8,002,886	—	—	—	—	—	9,492,682
—	—	—	—	—	—	—	3,376,113
—	375,435	—	—	—	—	—	\$208,901,043
\$3,776,625	\$17,303,335	\$4,240,000	—	—	\$4,240,000	—	19,078,923
—	—	—	—	—	—	—	54,881,254
225,023	225,023	2,700,000	—	—	2,700,000	—	\$73,960,177
—	—	—	—	—	—	\$39,956,000	\$1,055,562,906
\$225,023	\$225,023	\$2,700,000	—	—	\$2,700,000	\$39,956,000	—14,050,000
\$4,001,648	\$28,318,479	\$58,490,000	\$36,780,000	\$8,400,000	\$103,670,000	\$39,956,000	—6,919,343
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
\$4,001,648	\$28,318,479	\$58,490,000	\$36,780,000	\$8,400,000	\$103,670,000	\$39,956,000	\$1,034,593,563

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

Table 1
The CSUC General Fund
Support Budget History
1970-71 through 1977-78

<i>Fiscal Year</i>	<i>Total Available</i>	<i>Total Expended</i>	<i>Reappropriated</i>	<i>Percent of Total</i>	
				<i>Savings Reverted to General Fund</i>	<i>Available Funds Reverted</i>
1970-71	\$310,570,445	\$305,131,971	\$2,000,000	\$3,438,474	1.1%
1971-72	318,692,616	316,250,107	2,000,000	442,509	0.1
1972-73	378,250,119	373,180,600	3,000,000	2,069,519	0.5
1973-74	439,952,645	428,919,019	—	11,033,626	2.5
1974-75	488,320,620	481,546,141	—	6,774,479	1.4
1975-76	541,255,016	537,990,163	280,000	2,984,853	0.6
1976-77	614,104,941	604,833,224	208,247	9,063,470	1.5
1977-78	673,315,656	666,072,072	83,000	7,160,584	1.1
	<u>\$3,764,462,058</u>	<u>\$3,713,923,297</u>	<u>\$7,571,247</u>	<u>\$42,967,514</u>	<u>1.1%</u>

1979-80 Budget Overview

The 1979-80 Governor's Budget (Items 359 and 360) proposes a General Fund appropriation of \$714,280,222 for support of the CSUC system. The budget does not include salary increase funds. These are to be proposed during legislative consideration of the Budget Bill. A more detailed discussion of salary related issues appears under Item 435.

Table 2 shows the total 1979-80 Governor's Budget by program and source of funds. It indicates that, while General Fund support will amount to \$714.3 million, total funds available to CSUC will exceed \$1 billion. Table 3 provides a budget summary by program for the past, current and budget years.

Table 3
The California State University and Colleges Budget Summary

Summary of Programs	Actual	Estimated	Proposed	Change	
	1977-78	1978-79	1979-80	Amount	Percent
I. Instruction	\$446,371,999	\$468,728,791	\$476,817,848	\$8,089,057	1.7%
II. Research	85,126	97,712	99,630	1,918	2.0
III. Public Service	482,615	394,909	407,014	12,105	3.1
IV. Academic Support	78,987,631	83,879,778	92,852,488	8,972,710	10.7
V. Student Service	177,131,002	188,019,423	202,524,706	14,505,283	7.7
VI. Institutional Support	190,078,688	199,338,056	208,901,043	9,562,987	4.8
VII. Independent Operations	76,034,345	68,612,923	73,960,177	5,347,254	7.8
VIII. Undistributed Section 27.1 and 27.2 Budget Reductions	—	-14,050,000	-14,050,000	—	—
IX. Unidentified Savings, Low Priority Activities	—	—	-6,919,343	-6,919,343	n/a
TOTALS, Programs	\$969,171,406	\$995,021,592	\$1,034,593,563	\$39,571,971	4.0%
Reimbursements	-98,092,898	-89,771,119	-95,127,734	-5,356,615	6.0
NET TOTALS, PROGRAMS	\$871,078,508	\$905,250,473	\$939,465,829	\$34,215,356	3.8%
General Fund	\$666,072,072	\$691,934,302	\$714,280,222	\$22,345,920	3.2%
Federal funds	45,629,443	46,458,850	53,241,128	6,782,278	14.6
Continuing Education Revenue Fund	16,551,417	15,448,155	13,534,270	-1,913,885	-12.4
Dormitory Revenue Fund	9,827,310	10,185,485	10,782,561	597,076	5.9
Parking Account, Dormitory Revenue Fund	3,698,266	3,773,681	4,001,648	227,967	6.0
Foundations—federal	26,182,000	27,360,000	27,360,000	—	—
Foundations—other	12,053,000	12,596,000	12,596,000	—	—
Auxiliary organizations—federal	3,246,400	3,392,000	3,392,000	—	—
Auxiliary organizations—other	87,818,600	94,102,000	100,278,000	6,176,000	6.6
Personnel-Years	33,604.7	32,762.8	32,354.3	-408	-1.2%

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

The 1979-80 General Fund budget increase (exclusive of salary increases) over the 1978-79 budgeted support level is \$22,345,920 or 3.2 percent.

As detailed in Table 4, CSUC's 1979-80 budget contains several offsetting budget increases and decreases. Included in the \$33 million increase for base line adjustments are \$10.1 million for additional retirement costs, \$6 million for a revision in the salary savings requirement, \$6 million for inflation and \$0.4 million for the implementation of collective bargaining. Program maintenance proposals decrease by a net \$5.9 million, primarily because of a projected enrollment drop of 6,570 FTE (\$8.5 million) from the enrollment budgeted for the current year. The third major category, program change proposals (new programs), shows increases of \$2.1 million with the major increase being \$1.3 million for additional library volumes. In addition to these three categories of funding changes, the budget includes unidentified savings equal to one percent of the 1978-79 expenditure base, or \$6.9 million.

Two significant budget changes are not covered in Table 4. First, the Governor's Budget is proposing to make permanent the \$14 million reduction implemented in 1978-79. The effects of this reduction in either the current or budget year have not been identified (see discussion, page 1101).

Second, the Governor's Budget proposes \$0.7 million for replacement of computer systems but indicates that the complete proposal is still being reviewed and a budget augmentation will be forthcoming. Based upon the CSUC proposal, the 1979-80 augmentation could be as high as \$2.4 million with a total four year increased cost of \$19 million.

Table 4
Proposed 1979-80 General Fund Budget Changes

	<i>Cost</i>	<i>Total</i>
1978-79 Current Year Revised.....		\$691,934,302
I. Base Line Adjustments		
A. Increase in Existing Personnel Costs		
1. Salary Adjustments	\$6,248,942	
2. Full-Year Funding.....	1,111,708	
3. Faculty Promotions	901,561	
4. Retirement	10,125,595	
5. OASDI	1,783,866	
6. Workers Compensation, Industrial Disability and Nonindustrial Disability Leaves		
7. Unemployment Compensation	400,000	
8. Salary Savings Reduction	6,046,079	
TOTAL, Increase of Existing Personnel Costs.....		\$27,036,788
B. Nonrecurring Items		
1. Office Equipment.....	\$-319,909	
2. Unallocated Health and Welfare (Budget Act Item 416.1)	-122,608	
3. Unallocated OASDI (Budget Act Item 427)	-1,325	
TOTAL, Nonrecurring Items		\$-433,842
C. Price Increase		\$6,047,316
D. Cost of Special Legislation		
1. Collective Bargaining (AB 1091, Chapter 744)		\$400,000
TOTAL, Base Line Adjustments		(\$33,040,262)

II. Program Maintenance Proposals		
A. Enrollment Reduction (-6,570 FTE)		\$-8,459,436
B. Special Cost Increases		
Instruction		
1. Administration	\$145,892	
2. Instructional Faculty	410,023	
3. Sabbatical Leaves	-52,823	
4. Master Teacher Contracts	-146,720	
Academic Support		
5. Television Services	122,697	
6. Computing Support	1,026,236	
7. Ancillary Support	262,433	
8. Library Support (OCLC)	88,284	
Student Services		
9. Educational Opportunity Program.....	-145,898	
10. Financial Aid	7,212,879	
11. Health Services	55,818	
Instructional Services		
12. Accreditation	67,165	
13. Financial Aids Accounting	104,266	
14. Admissions Staffing.....	284,153	
15. General Services Charges.....	119,317	
16. Communications	34,868	
17. Plant Operations	118,123	
18. Other Campus Items	43,478	
Reimbursements		
19. General	-1,212,425	
20. Systemwide Student Financial Aid.....	-6,942,373	
21. Systemwide Offices	423,178	
22. Systemwide Provisions.....	540,034	
TOTAL, Special Cost Increases		\$2,558,605
TOTAL, Program Maintenance Proposals		(\$-5,900,831)
III. Program Change Proposals		
1. Student Affirmative Action	\$157,232	
2. Public Safety.....	632,400	
3. Library Support.....	1,336,200	
TOTAL, Program Change Proposals		\$2,125,832
IV. One Percent Unidentified Savings Reduction		\$-6,919,343
TOTAL, Support Budget Change		(\$22,345,920)
TOTAL, 1979-80 Support Budget		\$714,280,222

Control Sections 27.1 and 27.2

The 1978 Budget Act contained two Control Sections (27.1 and 27.2) that the Legislature imposed as a direct result of Proposition 13's passage. These sections require the Director of Finance to reduce General Fund appropriations statewide to achieve a General Fund savings of \$96.4 million: (a) \$42.4 million in operating expenses and equipment (Section 27.1) and (b) \$54.0 million in personal services (Section 27.2).

Although the total reduction required by Control Sections 27.1 and 27.2

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was known prior to passage of the 1978 Budget Act, there was not sufficient time to identify the specific reduction required in each agency. Subsequent to the budget's enactment, CSUC's share of the \$96.4 million statewide reduction was established at \$14.05 million (\$5.6 million for Section 27.1 and \$8.45 million for Section 27.2). This in effect reduced the 1978-79 General Fund amount available for use by CSUC from the budgeted level of \$695.3 million (Item 337) to \$681.3 million.

The implementation of the Proposition 13 reduction was left to the discretion of the Chancellor's Office. Table 5 summarizes the action taken and the amount required to implement the two control sections.

Table 5
CSUC Proposition 13 Systemwide Reductions

	<i>Reduction</i>
Section 27.1 (Operating Expenses and Equipment)	
Eliminate 1978-79 Inflationary Price Increases	\$5,600,000
Section 27.2 (Personnel Services)	
1. One Percent Increase in Salary Savings	\$6,727,502
2. Systemwide Program Reductions	
Public Safety Augmentation	\$181,556
Employee Affirmative Action	37,762
Innovative Programs	500,000
Grievance/Disciplinary Procedures	61,510
Privacy Regulations	100,000
Computing Support	295,083
Teacher's Retirement	278,221
Chancellor's Office Salary Savings	107,293
Library Development	150,000
Unallocated	11,073
Total Systemwide Program Reductions	<u>\$1,722,498</u>
Total Proposition 13 Reductions	<u>\$14,050,000</u>

The \$5.6 million reduction in the Operating Expense and Equipment category (OE&E) was accomplished by eliminating funding for the estimated costs of inflation for 1978-79. In effect, this reduced the OE&E campus allotments to the support level budgeted for the previous year (1977-78). Campuses were given the flexibility to implement this reduction according to their own budgetary circumstances.

The \$8.45 million reduction in personal services was accomplished by two actions: (1) a 1 percent increase in the salary savings requirement which, in effect, reduced available funds for Personal Services by \$6,727,502 and (2) a \$1,722,498 reduction in certain systemwide programs (see Table 5). In order to meet the additional salary savings requirement, authority was given to each campus president to: (a) impose a freeze on the filling of vacant positions, and (b) defer planned expenditures for operating expenses and/or equipment purchases. The Chancellor's Office indicates that the actual impact of these reductions will not be identified until February.

1979-80 Impact

The Chancellor's Office has emphasized that actions taken as a result of the \$14.05 million reduction "were on the basis of expediency as temporary measures intended to minimize the impact of specific programs None of the actions were intended as permanent reductions since prior to making them neither the Legislature nor the Administration had indicated that reductions pursuant to the control sections were of a permanent nature." Consequently, CSUC took no action to permanently reduce any program level. Rather, the 1979-80 Trustees' support budget requested restoration of the full amount. However, the 1979-80 Governor's Budget proposes to make this a permanent reduction with the detail to be provided during legislative hearings.

One Percent Unidentified Savings for Low Priority Activities

1979-80 Governor's Budget also contains an unidentified reduction of \$6,919,343 for low priority activities. This figure represents a reduction equal to 1 percent of the final General Fund appropriation for 1978-79. The identification of the specific reductions that will be made to achieve this savings has been withheld pending a series of CSUC Task Forces which are scheduled to examine such issues as regionalization of academic programs, existing administrative support levels and a revision in calendaring academic programs. Completion of these studies is not anticipated earlier than May 1979.

Policy Towards Unidentified Reductions

As discussed above, the 1979-80 Governor's Budget contains \$20.9 million in unidentified reductions. There is no information available with which to assess the merit of such action at this time. Rather, the impact will have to be identified and considered during legislative hearings.

Lacking detail on the specific cuts that will occur, we have had to analyze the Governor's Budget without reference to the proposed \$20.9 million reduction. We will comment on the specific reductions proposed by CSUC when details on them are available.

Noncompliance with Supplemental Language

The following reports required by 1978-79 supplemental language had not been received in mid-January 1979.

- (1) Program Review of Services to the Indian Community at Humboldt State University (due November 1, 1978)
- (2) Impact of Redirection program (due December 1, 1978)
- (3) Report on Layoffs (due December 1, 1978)
- (4) Report on Faculty Assistance in Increasing the Admission and Retention of Students (due December 1, 1978)

On December 4, 1978, Chancellor Dumke wrote to the Chairman of the Joint Legislative Budget Committee indicating that because of "Proposition 13 and subsequent requests by Governor Brown to reduce state expenditures, it has been necessary to devote an inordinate amount of time to developing budgetary modifications and devising alternate budget requests." Consequently, the Chancellor stated that the reports could not be completed by the due date but would be submitted at "the earliest possi-

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ble date." If the reports are submitted prior to budget hearings, we will review them and make comments to the Legislature as appropriate.

Budget Presentation

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 support services to the three primary programs (see Table 2 for an overall outline.)

I. INSTRUCTION

The instruction program includes all major instructional activities in which students earn academic credit towards a degree. The program is composed of (1) enrollment, (2) regular instruction, (3) summer session instruction, and (4) extension instruction.

Proposed expenditures for the 1979-80 instruction program are shown in Table 6.

Table 6
Program I
Instruction Program Costs

	<i>Personnel</i>			<i>Expenditures</i>			<i>Change</i>	
	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>Amount</i>	<i>Percent</i>
Program Elements								
1. Regular Instruction	18,476.9	17,889.2	17,383.1 ^a	\$435,876,979	\$459,015,835	\$468,459,535	\$9,443,700	2.1%
2. Summer Session Instruction.....	427	393.3	374.7	5,643,119	5,407,016	5,105,899	-301,117	-5.6
3. Extension Instruction.....	279.5	250.7	183.4	4,851,901	4,305,940	3,252,414	-1,053,526	-24.5
Program	19,183.4	18,533.2	17,941.2	\$446,371,999	\$468,728,791	\$476,817,848	\$8,089,057	1.7%
<i>General Fund</i>	18,476.9	17,889.2	17,383.1	\$421,997,997	\$446,874,835	\$454,757,935	\$7,883,100	1.8%
<i>Reimbursements—other</i>	—	—	—	13,878,982	12,141,000	13,701,600	1,560,600	12.8
<i>Continuing Education Revenue Fund</i>	706.5	644	558.1	10,495,020	9,712,956	8,358,313	-1,354,643	-13.9

^a Faculty and support staff.

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued**1. ENROLLMENT****A. Regular Enrollment**

Enrollment in the CSUC is measured in full-time equivalent (FTE) students. One FTE equals the enrollment in 15 course units. Thus, one FTE could represent one student carrying 15 course units, three students each carrying five course units, or any other student course unit combination the product of which equals 15 course units.

As shown in Table 7, current year enrollment in the CSUC (1978-79) is now estimated to be 229,958 FTE students, which is (a) a decrease of 7,122 FTE (3.0%) from the amount budgeted for 1978-79 and (b) a decrease of 4,131 FTE (1.8%) from the actual 1977-78 enrollment. With this decrease, CSUC's enrollment is at the lowest level since 1974-75 (227,328 FTE).

Shortfall

The Governor's Budget projects a 1979-80 enrollment of 230,510 FTE, an increase of 552 (0.2%) FTE over the revised enrollment estimate for 1978-79, but a decrease of 6,570 (2.7%) from the amount budgeted for 1978-79.

In previous years, the projection contained in the Governor's Budget as introduced has been accepted by the Legislature and the Department of Finance as the basis for funding, and the projection generally remained unchanged through the budget hearings. However, as state support becomes tighter, accurate enrollment figures become more important to the budget process. Consequently, the Chancellor's Office has indicated that it will review the Spring 1979 enrollment experience and review the 1979-80 enrollment projections (and budget) as appropriate. The Chancellor's Office estimates that the data will be reviewed and recommendations will be made by early May. The funding impact of the Fall 1978 short fall is discussed next.

Table 7
Annual Full-Time Equivalent Students (FTE)
Academic Years 1975-76 through 1979-80

Campus	Actual			1978-79		1979-80 ^a
	1975-76	1976-77	1977-78	Budget	Revised ^a	
Bakersfield.....	2,295	2,338	2,322	2,480	2,256	2,260
Chico.....	11,875	11,761	11,785	11,850	11,719	11,800
Dominguez Hills.....	5,018	4,786	4,808	5,000	4,664	4,600
Fresno.....	12,814	12,394	12,405	12,600	11,874	11,800
Fullerton.....	14,687	14,610	14,438	14,800	14,306	14,300
Hayward.....	8,250	7,938	7,588	7,600	7,262	7,200
Humboldt.....	6,590	6,422	6,573	6,700	6,418	6,500
Long Beach.....	21,729	21,706	22,018	21,900	21,388	21,400
Los Angeles.....	15,625	15,229	15,277	15,300	14,717	14,700
Northridge.....	18,995	18,730	19,106	19,200	18,958	19,100
Pomona.....	10,228	10,793	11,147	11,700	11,347	11,550
Sacramento.....	15,848	15,611	15,919	16,400	15,683	15,800
San Bernardino.....	3,148	3,086	3,222	3,350	3,047	3,050
San Diego.....	23,782	22,715	22,697	23,100	22,533	22,700
San Francisco.....	17,343	16,727	17,385	17,200	17,448	17,400
San Jose.....	19,683	19,113	19,623	19,800	18,953	18,900
San Luis Obispo.....	14,230	14,066	14,248	14,200	14,269	14,200
Sonoma.....	5,055	4,903	4,605	4,800	4,267	4,400
Stanislaus.....	2,447	2,430	2,513	2,600	2,460	2,500
Totals, Academic Year.....	229,642	225,358	227,679	230,580	223,569	224,160
Summer Quarter						
Hayward.....	1,015	961	931	900	972	950
Los Angeles.....	2,913	2,711	2,681	2,700	2,597	2,550
Pomona.....	956	980	1,059	1,140	1,043	1,050
San Luis Obispo.....	1,201	1,241	1,349	1,350	1,327	1,350
Totals, Summer Quarter.....	6,085	5,893	6,020	6,090	5,939	5,900
College Year, Totals.....	235,727	231,251	233,699	236,670	229,508	230,060
International Programs.....	340	353	390	410	450	450
Grand Total.....	236,067	231,604	234,089	237,080	229,958	230,510
Change						
FTE.....	8,739	-4,463	2,485	2,991	-4,131	552
Percent.....	3.84	-1.89	1.07	1.28	-1.76	0.24

^a Revision is based upon the fall 1978 preliminary reports and reflects the latest enrollment reduction.

B. Enrollment Payback

Control Section 28.9 of the Budget Act of 1978 permits a systemwide deviation of plus or minus 2 percent between budgeted FTE and actual FTE. Any deviation beyond 2 percent requires either a General Fund augmentation (for actual enrollment in excess of budgeted enrollment) or a "payback" (for actual enrollment below budgeted enrollment). As mentioned, this year's (1978-79) revised systemwide enrollment is 7,122 FTE, or 3.0 percent below budgeted enrollment. Based upon a marginal cost of \$1,319 for each FTE below the 2 percent limit, CSUC must return \$3,139,220 to the General Fund.

Included in Section 28.9 is a provision authorizing the Director of Finance to reallocate such funds to preclude layoffs. Pursuant to this provision, the Chancellor's Office requested that the entire \$3.1 million be reallocated "to minimize potential personnel dislocations and related financial difficulties experienced on the campuses in the current year." The

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Director of Finance determined that \$1,002,713 was necessary to preclude layoffs and authorized the reallocation of that amount, resulting in a net payback of \$2,136,507.

C. Long-Range Enrollment Projections

From 1970 through 1975, CSUC has continually revised downward its estimate of future enrollment growth. In 1970, CSUC was projecting 354,630 academic year FTE students for 1980-81, but by 1975 this estimate had been reduced by 33 percent to 238,000. The one-time enrollment surge of 1975-76 interrupted the downward trend and caused CSUC to revise the 1980-81 enrollment upwards to 249,660 FTE. However, this was an anomaly because both the 1977 and 1978 projections returned to the downward trend. The 1980-81 enrollment is now projected at 233,200 FTE.

Table 8 shows the current long-range estimate of enrollment growth, by campus, through 1986-87. It is important to note that this estimate is based on March 1978 data and has not been revised to reflect the fall 1978 decline in enrollment. Table 8 shows that enrollment will be essentially level through 1986-87. This has significant implications for a system whose primary source of funding is based upon FTE. During the 1950's and 1960's, when enrollment grew rapidly and eight new campuses were added to the system, the annual enrollment growth was sufficient to permit the addition of new programs and faculty. As enrollment has leveled off, the percent of tenured faculty has increased, and consequently the percent of new faculty positions has declined. This, in turn, has reduced the system's flexibility to offer new academic programs and to hire new faculty.

Table 8
Final Allocation of Annual Full-Time Equivalent Students ^a
Academic Years 1976-77 Through 1986-87

<i>Campus</i>	<i>Reported</i>		<i>Allocated</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>	<i>1985-86</i>	<i>1986-87</i>
Academic Year											
Bakersfield	2,338	2,322	2,256	2,260	2,600	2,650	2,700	2,700	2,700	2,650	2,550
Chico	11,761	11,785	11,719	11,800	12,050	12,100	12,150	12,100	12,050	11,900	11,700
Dominguez Hills ..	4,786	4,808	4,664	4,600	5,200	5,300	5,300	5,300	5,300	5,200	5,150
Fresno	12,394	12,405	11,874	11,800	12,800	12,900	13,000	13,000	12,950	12,800	12,600
Fullerton	14,610	14,438	14,306	14,300	14,900	14,900	15,000	15,000	14,900	14,900	14,800
Hayward	7,938	7,588	7,262	7,200	7,500	7,500	7,500	7,500	7,500	7,450	7,350
Humboldt	6,422	6,573	6,418	6,500	6,800	6,900	7,000	7,000	6,950	6,900	6,800
Long Beach	21,706	22,018	21,388	21,400	21,900	21,900	21,900	21,900	21,850	21,700	21,500
Los Angeles	15,229	15,277	14,717	14,700	15,300	15,300	15,300	15,300	15,250	15,100	14,900
Northridge	18,730	19,106	18,958	19,100	19,200	19,200	19,200	19,200	19,150	19,000	18,800
Pomona	10,793	11,147	11,347	11,550	12,300	12,500	12,600	12,600	12,600	12,600	12,600
Sacramento	15,611	15,919	15,683	15,800	16,400	16,400	16,400	16,400	16,350	16,200	16,000
San Bernardino	3,086	3,222	3,047	3,050	3,450	3,500	3,550	3,500	3,500	3,450	3,350
San Diego ^b	22,715	22,697	22,533	22,700	23,700	23,900	24,000	24,200	24,500	24,700	25,000
San Francisco	16,727	17,385	17,448	17,400	17,500	17,500	17,500	17,500	17,450	17,300	17,100
San Jose	19,113	19,623	18,953	18,900	19,800	19,800	19,800	19,800	19,700	19,600	19,500
San Luis Obispo ..	14,066	14,248	14,269	14,200	14,200	14,200	14,200	14,200	14,200	14,200	14,200
Sonoma	4,903	4,605	4,267	4,400	4,900	4,950	5,000	5,000	5,000	4,950	4,850
Stanislaus	2,430	2,513	2,460	2,500	2,700	2,750	2,800	2,800	2,750	2,700	2,600
Totals	225,358	227,679	223,569	224,160	233,200	234,150	234,900	235,000	234,650	233,300	231,350

^a Summer Quarter and International Programs are not included.

^b Includes Calexico Center.

NOTE: Long range allocations were last revised in March 1978 and will be revised again to reflect the enrollment experience of 1978-79. Does not include the downward enrollment projections based on the reported enrollment for the Fall of 1978.

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This change in enrollment, in combination with the reductions made as a result of Proposition 13, has had a significant impact on the 1979-80 CSUC budget, both in the number of positions allocated and in the funds available for operating expenses and equipment. The impact on particular programs will be discussed at greater length throughout this analysis.

D. Student Composition

Not only has the trend of constantly increasing enrollments changed during the 1970's but the composition of the student enrollment has changed as well. No longer is the student body composed primarily of full-time students between the ages of 18-24. In the fall of 1977, for example, the average age of a CSUC full-time student was 25.5, while for part-time students it was 29. More specifically, Table 9 demonstrates that during the 1970's there has been a gradual shift in student enrollment reducing the proportion of full-time, young students and increasing the proportion of older, part-time students.

Table 9
CSUC Comparative Student Data
1970 and 1976

	1970	1976
Students age 25 and over as a percent of all <i>undergraduates</i>	19.4%	29.2%
Students age 25 and over as a percent of all <i>graduate</i> students	69.0%	79.3%
Students age 25 and over as a percent of <i>all students</i>	34.2%	40.7%
Participation rates (Rate per 1,000 population) of undergraduate students 25 and over	11.99	13.86
Participation rates of all students 25 and over	21.5	25.1
Ratio of full-time to part-time students, all levels	2.23 to 1	1.52 to 1

SOURCE: Academic Program and Resource Planning in the California State University and Colleges, April 1978.

This shift reflects a number of factors including (a) a decline in the participation rate of the 18-24 year old age group and (b) a change in social, cultural and vocational attitudes toward "lifelong learning." Together with an anticipated decline in the total population of the 18-24 year old age group, these factors are compelling a review of the types of courses offered, the hours courses are offered and the basis upon which funds are allocated.

E. Self-Support Enrollment

Additional enrollment occur in extension and summer session as shown in Table 10. These programs are entirely self-supporting.

Table 10
Summer Session and Extension Program Enrollment

Year	<u>Net Enrollment</u>		<u>Annual FTE</u>	
	<i>Extension</i>	<i>Summer Session</i>	<i>Extension</i>	<i>Summer Session</i>
1974-75	85,824	56,305	7,558	8,232
1975-76	93,757	57,235	8,330	8,003
1976-77	101,609	54,866	9,068	8,398
1977-78	85,972	56,616	7,577	7,464
1978-79	86,713	53,219	8,154	7,397
1979-80 est.	69,300	51,700	6,181	6,784

A review of the enrollment experience in these programs since 1976-77 indicates a significant decline, particularly as projected in the budget year. Although these figures are more difficult to estimate than regular FTE, being subject to an even greater number of variables, the CSUC anticipates a continuing downward trend. The Chancellor's Office attributes at least part of this trend to increasing competition, both with private programs and with the system's own regular campus programs (some of the campuses, when faced with declining enrollment, prefer to offer their courses on campus rather than through an extension program).

2. REGULAR INSTRUCTION

The regular instruction subprogram includes all state-funded expenditures for the normal classroom, laboratory and independent study activities. Also, 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, (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.

A. Student Workload

The average student workload in the CSUC system has been slowly declining. This simply means that students are taking less course units per academic year than in the past. Table 11 provides an estimate of the decline as a systemwide average for all CSUC students.

Table 11
Average Student Workload
1970-71 to 1977-78

Academic Year	Annual FTE	Average Term Enrollment	Average Student Workload	
			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
1975-76	229,642	303,429	22.70	11.35
1976-77	225,358	298,604	22.64	11.32
1977-78	227,679	303,946	22.47	11.24

^a Expressed in semester units. Annual FTE \times 30 \div average enrollments.

The precise reasons for the decline are not known, but they appear to relate in part to the increase in the average age of the CSUC student enrollment. Older students are more likely to be employed than those in the 18-24 year age group and therefore are more likely to be taking only a part-time load.

A continuation of this trend could have a significant impact upon the

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CSUC budget as headcount students and full-time equivalent (FTE) students are crucial determinants of the level of General Fund support. The Chancellor's Office indicates that it is reviewing the relationship between these variables to determine if changes should be proposed in budget formulas.

B. Faculty Staffing

Most faculty positions are budgeted on the basis of a single systemwide student-faculty ratio. Resources thus generated are then distributed to campuses where in turn they are allocated to the various academic disciplines.

As Table 12 indicates, in each of the last six years CSUC faculty have been budgeted on a student-faculty ratio of 17.8:1. For the past two years, this ratio has been adjusted downward to reflect a shift in student enrollment (discussed later in this analysis). Continuation of this policy in 1979-80 results in a budgeted student-faculty ratio of 17.6:1.

Table 12
CSUC Student Faculty Ratios

<i>Year</i>	<i>Faculty Positions</i>		<i>Student-Faculty Ratio</i>	
	<i>Budgeted</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
1967-68	8,842.9	8,545.8	16.38	17.21
1968-69	10,001.3	9,592.7	16.21	17.35
1969-70	11,333.1	11,176.1	15.98	16.67
1970-71	12,343.5	11,749.0	16.26	17.34
1971-72	12,081.3	11,783.3	18.25	17.91
1972-73	12,698.8	12,415.7	17.94	17.74
1973-74	13,068.1	12,846.0	17.82	17.45
1974-75	12,973.3	12,770.8	17.80	17.78
1975-76	12,900.6	12,902.3	17.80	18.27
1976-77	13,427.0	13,157.9	17.80	17.58
1977-78	13,364.5	13,211.2	17.66 ^a	17.23
1978-79	13,431.0	-	17.63 ^a	-
1979-80 (proposed)	13,073.9	-	17.60 ^a	-

^a The basic budgets were prepared on a basis of a 17.8:1 student-faculty ratio. This ratio was then adjusted to reflect the additional positions added for the shift in student demand.

Faculty Staffing Workload Data

One of the basic factors in the determination of faculty workload is the number of student credit units generated. Table 13 summarizes the systemwide calculation of student credit units per full time equivalent faculty position, by discipline category, for 1975-76 through 1977-78. Table 14 outlines basic faculty characteristics and workload indices from 1975 through 1977.

Table 13
Student Credit Units Per Full-Time Equivalent Faculty Positions by
Discipline Category and Academic Year

<i>Discipline</i>	<i>1975-76</i>		<i>1976-77</i>		<i>1977-78</i>	
	<i>SCU/FTEF</i>	<i>Percent Distribution</i>	<i>SCU/FTEF</i>	<i>Percent Distribution</i>	<i>SCU/FTEF</i>	<i>Percent Distribution</i>
Agriculture and Natural Resources	259	1.91	253	2.02	251	2.00
Architecture and Environmental Design	182	0.59	185	0.60	182	0.58
Area Studies	331	0.38	323	0.38	356	0.39
Biological Sciences.....	261	5.00	248	4.87	243	4.63
Business Management	344	10.84	333	11.48	333	12.03
Communications	313	1.96	299	2.03	300	2.07
Computer and Information Sciences	241	0.39	260	0.50	276	0.61
Education.....	221	7.18	221	6.98	228	7.01
Physical Education	230	3.88	221	4.02	225	4.07
Industrial Education	226	1.30	216	1.29	221	1.29
Engineering.....	190	3.04	194	3.28	207	3.61
Fine and Applied Arts	226	7.43	219	7.43	224	7.47
Foreign Languages	243	2.75	241	2.79	236	2.75
Health Professions	312	2.06	296	2.11	294	2.20
Nursing.....	120	0.89	122	0.95	128	1.00
Home Economics.....	292	1.66	283	1.70	278	1.67
Letters	284	9.88	276	9.69	278	9.61
Library Science	225	0.14	195	0.12	170	0.09
Mathematics	285	4.61	279	4.71	284	4.77
Physical Sciences	252	5.72	241	5.69	243	5.65
Psychology.....	340	5.49	320	5.31	321	5.04
Public Affairs and Services	306	3.59	294	3.62	275	3.63
Social Sciences	338	17.80	316	16.97	315	16.41
Interdisciplinary Studies	297	1.47	275	1.41	281	1.40
ALL CATEGORIES	274		264		266	

Table 14
Faculty Workload Indicators *

<i>Indicator</i>	<i>Fall 1975</i>	<i>Fall 1976</i>	<i>Fall 1977</i>	<i>Change</i>
Faculty FTE ^b	12,528.3	12,802.0	12,813.8	11.8%
Percent of regular faculty with Ph.D.	68.1%	69.9%	69.6%	-0.3
Enrollment FTE.....	235,811.0	229,988.0	234,704.0	4.716
Regular instruction section load per FTE faculty	3.8	3.8	3.9	0.1
Lecture and lab contact hours per faculty FTE	12.9	12.9	12.9	0.0
Independent study contact hours per fac- ulty FTE	4.7	4.2	4.3	0.1
Total contact hours per faculty FTE	17.6	17.1	17.2	0.1
Average class size.....	28.6	27.0	26.3	-0.7
Lecture and lab WTU per faculty FTE	11.1	11.2	11.2	0.0
Independent study WTU per faculty FTE	1.8	1.7	1.7	-0.1
Total WTU per faculty FTE	13.0	12.9	12.9	0.0
SCU per WTU ^c	21.74	20.90	21.18	0.28
SCU per faculty FTE	282.0	269.4	275.0	5.6

* Based on data reported in the Academic Planning Data Base.

^b Full-time-equivalent (FTE) faculty, the sum of instructional positions reported used.

^c Student credits units per reported weighted teaching units.

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued**Faculty Promotions and Tenure**

The 1979-80 Governor's Budget proposes \$901,561 for 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 1973-74 to 1977-78

<i>Campus</i>	<i>1973-74</i>	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>
Bakersfield	21.8%	34.7%	46.5%	51.2%	64.8%
Chico	52.8	53.6	58.1	61.2	61.7
Dominguez Hills	25.5	46.1	43.5	47.4	59.2
Fresno	58.2	66.6	70.1	69.8	71.7
Fullerton	40.9	50.0	49.9	50.2	57.4
Hayward	44.6	50.6	69.5	77.0	78.3
Humboldt	58.4	62.3	64.8	70.3	71.5
Long Beach	63.1	66.7	66.6	66.2	67.0
Los Angeles	50.3	55.7	61.0	59.0	58.2
Northridge	51.4	62.6	63.3	63.7	61.2
Pomona	43.9	63.3	63.9	56.7	54.8
Sacramento	63.1	67.0	69.6	67.6	70.2
San Bernardino	34.5	38.3	39.6	37.0	44.9
San Diego	62.8	65.4	64.3	64.5	63.1
San Francisco	64.9	63.0	61.9	61.6	60.5
San Jose	61.6	64.8	68.8	63.0	67.1
San Luis Obispo	49.3	57.0	56.7	58.7	55.9
Sonoma	55.7	69.0	67.9	71.7	82.3
Stanislaus	48.3	66.0	70.1	72.4	77.6
CSUC Average	54.2%	60.7%	62.6%	62.3%	63.7%

Part-time and Temporary Faculty

Within CSUC, there are four basic types of appointments: tenured, probationary (leading to tenure), full-time temporary and part-time. Tenured and probationary appointments are the permanent appointments comprising the majority of faculty positions, while full-time temporary and part-time appointments are used to meet limited, short-term needs.

Since the early 1970's, the mix of these four types of appointments has changed dramatically as shown in Table 16.

Table 16
Composition of CSUC Faculty
By Type of Appointment, Fall 1972 to Fall 1977

<i>Year</i>	<i>Tenured</i>	<i>Probationary</i>	<i>Subtotal Tenured (and Probationary)</i>	<i>Full-Time Temporary</i>	<i>Part- Time</i>	<i>Subtotal Full-Time Temporary and Part-Time</i>
1972.....	52.1%	30.1%	(82.2%)	5.8%	11.9%	(17.8%)
1973.....	55.4	24.3	(79.7)	7.0	13.3	(20.3)
1974.....	60.8	17.9	(78.7)	7.1	14.2	(21.3)
1975.....	61.5	14.7	(76.2)	9.4	14.4	(23.8)
1976.....	62.5	12.7	(75.2)	9.1	15.6	(24.8)
1977.....	62.5	13.0	(75.5)	7.8	16.7	(24.5)

In the fall 1972, 17.8 percent of the positions were filled by either full-time temporary or part-time faculty appointments. By the fall, 1976 this percentage had increased to 24.8 percent. The total percentages for full-time temporary and part-time appointments declined only slightly to 24.5 in 1977.

The reasons for, and implications of, the increased hiring of temporary and part-time faculty are numerous and interrelated. They include:

1) **Budgetary**—A faculty position is budgeted on the basis of 15-unit equivalents, 12-unit equivalents for teaching and 3 units for nonteaching assignments (committee work, administrative duties, etc.) Part-time faculty are not assumed to have nonteaching assignments. Faced with the budgetary constraints of level enrollment, administrators may attempt to maximize budgeted positions by converting them to part-time, thereby deriving 15 unit equivalents for teaching from a 12 unit position.

2) **Program Disruption**—New or expanding disciplines will likely have a concentration of temporary and part-time faculty. Because these faculty are also the first not to be rehired when there is a decline in campus enrollment, the new disciplines suffer a disproportionate disruption.

3) **Working Conditions**—There are a number of issues related to working conditions for part-time and temporary faculty, including job security, availability of medical insurance, pay equity and participation in governance. Many of these also have direct budget implications.

Because of these and similar issues, the Legislature adopted supplemental language to the 1977 Budget Act directing CSUC to report by March 1, 1978, on its policy toward and utilization of temporary and part-time faculty. The report identified a number of additional issues for review. Consequently, a new Committee on Faculty Appointments was established to review the following seven issues.

1. What proportion of the faculty should be tenured?
2. What is the nature of the probationary appointment?
3. What are the staffing needs of the academic programs?
4. Should temporary faculty appointments be limited in the number of successive years permitted?
5. What is meant by the terms "lack of funds, lack of work"?
6. What affirmative action policies are involved in the appointment or reappointment of faculty?
7. What personnel policies are appropriate for part-time faculty with regard to the issues of tenure, advancement through merit salary steps, and other such issues?

The Chancellor's Office indicates that a final report will be available prior to legislative budget hearings.

C. Shift in Student Enrollment

The Budget Act of 1977 provided \$2.1 million for 107.2 faculty positions in addition to those generated by the regular budget staffing formula (17.8:1). These positions were added to meet the shift in student interest from the liberal arts and social science areas to the more technically and

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occupationally oriented disciplines. Because the latter disciplines require more faculty to teach a given number of students and the budgeted student-faculty ratio has remained unchanged, the impact of the program shift had resulted in a de facto drop in faculty resources relative to need.

The 1978 Budget Act continued this policy by providing an additional 21.9 faculty positions. The 1979-80 Governor's Budget proposes that 18.1 faculty (\$355,773) be added to compensate further for the shift in student interest (for a total increase of 147.2 faculty positions above the faculty needs generated by the regular faculty staffing budget ratio). Table 17 displays the additional faculty positions generated by this policy since 1977-78.

Table 17
CSUC Shift in Student Demand

	<i>Budgeted 1977-78</i>	<i>Budgeted 1978-79</i>	<i>Proposed 1979-80</i>
Cumulative New Faculty Positions	107.2	129.1	147.2
(annual increment)	-	(+21.9)	(+18.1)

The existing CSUC formula uses 1972-73 as the base year in determining the extent of the shift. Workload data for that year are compared with data from the latest year for which actual figures are available. Thus, the 1979-80 proposal is based upon the shift from 1972-73 through 1977-78.

We support the continuation of this policy. At the same time, however, we are concerned that application of this policy in its present form for the 1980-81 budget could have adverse consequences. In determining the extent of the shift for purposes of that budget, the comparison year will be the current year (1978-79). This is the first year that the differential cost positions for basic writing skills have been allocated (discussed later). The 30.5 current year positions in this category were intentionally established to lower the student, faculty ratio for basic writing skills courses to 12:1. If these same courses are included as a factor in determining the shift in student enrollment, the effect would be to count these courses twice for the same purpose. Accordingly, we recommend that in determining the impact of shifts in student enrollment for future budgets, the Chancellor's Office exclude the workload generated by the differential cost positions added for basic writing skills.

D. State Support of Off-Campus Instruction

Prior to 1976, CSUC policy provided that off-campus instructional degree programs must be (a) separate and apart from the regular instructional programs and (b) self-supporting, to the degree that instructional costs were supported from student fees rather than from the General Fund. In May 1976, the Board of Trustees revised the policy on the basis that, when enrolled in regular degree programs, matriculated students should not be forced to pay instructional fees solely on the basis of where they take their instruction. If implemented, the effect of this policy revision would be to shift the financing of off-campus instruction from the student to the state.

The 1978-79 Governor's Budget, as introduced, proposed to implement this funding shift by providing for a phase-in of General Fund support of off-campus degree programs so that fees for off-campus students would be no higher than those for comparable students in regular, on-campus instruction programs. However, after lengthy debate the Legislature directed: (a) CPEC to study various kinds of extended education in all three higher education segments, with an interim report due March 1, 1979, and a final report due January 1, 1980 and (b) CSUC to limit the 1978-79 General Fund support of off-campus instruction to the number of full-time equivalent students supported in the 1977 Budget Act.

Table 18 displays the total off-campus FTE for 1977-78 through 1979-80. The only General Fund support provided to the FTE is for individual courses. The other two categories, campus and consortium based external degree programs, were scheduled to be phased-in under General Fund support but will remain self-supporting in 1978-79 and 1979-80 because of the FTE limit on General Fund support.

Table 18
Off-Campus Instruction FTE
CSUC

	<i>Individual Courses</i>			<i>Campus External^a</i>			<i>Consortium External^a</i>		
	<i>FTE (General Fund)</i>			<i>Degree Programs FTE</i>			<i>Degree Programs FTE</i>		
	1977-78	1978-79	1979-80	1977-78	1978-79	1979-80	1977-78	1978-79	1979-80
Bakersfield	-	None	-	79	86	77	16	7	7
Chico	10	9	9	86	95	33	-	None	-
Dominguez Hills	102	60	60	311	325	341	5	None	-
Fresno	25	22	22	12	12	12	22	21	21
Fullerton	-	None	-	40	30	None	-	None	-
Hayward	16	16	16	7	None	None	49	49	43
Humboldt	-	None	-	-	None	-	1	7	8
Long Beach ..	58	65	65	6	6	7	10	3	5
Los Angeles ..	171	65	65	24	28	56	34	41	41
Northridge	80	80	80	None	8	8	50	35	37
Pomona	-	None	-	15	15	18	7	14	20
Sacramento ..	59	80	80	354	146	129	76	88	82
San Bernardino	-	None	-	38	54	54	None	-	-
San Diego	205	120	120	49	51	54	99	120	126
San Francisco	45	35	35	3	None	-	29	28	29
San Jose	53	70	70	52	52	12	25	25	7
San Luis Obispo	-	None	-	None	-	-	None	None	None
Sonoma	18	22	22	46	60	73	None	None	None
Stanislaus	160	175	175	None	-	-	None	None	None
Totals	1,002	819	819	1,122	968	874	423	438	426

^a These programs are entirely self-supporting.

Consortium

The consortium is an administrative structure, based at the Chancellor's Office, that coordinates the resources of several campuses to enable the system to offer upper division and/or graduate degree programs in locations where single campus resources are inadequate.

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The primary funding source for administering the consortium has been the systemwide reserve of the Continuing Education Revenue Fund. However, as the enrollment in extension programs has declined (see Table 10), so has the systemwide reserve. Consequently, the Chancellor's Office is reviewing various alternatives to the present funding system including greater campus support and reductions in the operating level. The Chancellor's Office indicates that an alternative funding proposal should be identified by March 1979.

E. Writing Skills Background

By almost any measure, student writing skills, both nationally and within California, have shown a marked decline over the past decade. In the 1978 Budget Act, the Legislature took the following steps directed at reversing this trend:

- (a) Appropriated \$254,000 for the administrative costs of the English Placement Test (EPT).
- (b) Adopted supplemental language indicating legislative intent "that the CSUC authorize the granting of student credit units for remedial writing coursework within existing degree requirements."
- (c) Provided \$605,442 to support the differential cost of a reduced student-faculty ratio for the remedial writing program.

These issues are again before the Legislature for 1979-80.

English Placement Test (EPT)

The EPT was developed in 1976 by CSUC faculty and the Educational Testing Service to diagnose and identify entering freshmen who lack college-level writing ability. The EPT exam consists of three multiple choice sections totaling two hours in testing time and a written essay section requiring approximately 45 minutes.

The 1977 Budget Act provided \$270,000 to administer the exam to all entering freshmen. The 1978-79 Governor's Budget proposed \$552,200 for test administration including expansion of the exam coverage to include lower division transfer students. After lengthy debate, the Legislature rejected the proposed expansion on the basis that the EPT had not been proven superior to existing, less expensive test alternatives.

The Legislature approved the continuation of the EPT for freshmen only (\$254,000) and adopted supplemental language directing the Chancellor's Office to report to "the Joint Legislative Budget Committee and the respective legislative fiscal committees by September 1, 1978, on the results of its study comparing the EPT with the Test of Standard Written English . . ." The Test of Standard Written English (TSWE) is a 30 minute objective test included with the Scholastic Aptitude Test (admission test).

Study Results

Pursuant to this language, the Chancellor's Office submitted a report entitled, *A Preliminary Validation Study—The English Placement Test*. The study is "preliminary" in that it is based on only four campuses (Hayward, Sonoma, San Luis Obispo, and Pomona). The Chancellor's

Office is currently completing a more comprehensive systemwide review, which should be available by the time of legislative hearings.

The study found that "the significant difference between the placement predictability of the EPT and TSWE indicates that the EPT appears to be a more valid instrument for the prediction of appropriate placement in lower division English classes." While data from this study, and other studies internal to the system, appear to question the value of the essay portion of the EPT as a predictive measure, English faculty emphasize its importance as a diagnostic tool for remediation after placement is indicated.

Cost Savings

We recommend that students scoring above the 50th percentile of the SAT/TSWE be exempted from taking the English Placement Test for a General Fund savings of \$206,762.

The 1979-80 Governor's Budget provides \$486,500 to (a) continue to test first-time freshmen and (b) expand the test to include lower-division transfers. The cost estimate is based on the testing of 28,030 first-time freshmen and 27,570 lower division transfer students at a cost per test of \$8.75. We believe the EPT test can be administered at a substantial savings in dollars to the state and in time to the student by exempting those students scoring above the 50th percentile on the SAT/TSWE. This is in accord with recommendations included in the CSUC study on the EPT.

CSUC estimates that 85 to 90 percent of entering freshmen take the SAT and TSWE as part of the regular admissions process. (Although similar data is not available on lower division transfer students, we assume the same proportion is appropriate as they must meet the same admission criteria as entering freshmen.) Based upon cross-tabulation studies between the EPT and the SAT/TSWE, the CSUC study found that 90-95 percent of the EPT scores in the lowest quartile are also found in the lower half of the SAT and TSWE respectively.

Because the EPT is administered to identify and serve only those students who are most deficient in writing skills, the study acknowledged that approximately 50 percent of those students taking the SAT/TSWE (those scoring above the 50th percentile) were being unnecessarily tested by having to take the EPT. Accordingly, the study recommended that *only* those scoring in the lower 50 percentile of the SAT or TSWE be required to take the English Placement Test.

Based upon the data in that study, we believe this is a reasonable recommendation. Not only would it substantially reduce the testing burden for incoming students but would also result in a General Fund savings of \$206,762 (85 percent of 27,800 students \times \$8.75). It should also be noted that this recommendation does not preclude faculty from referring any student, whether exempted or not, for remedial help.

Writing Skills Program

Although the need to improve basic writing skills is widely acknowledged, the best means to achieve that goal remains controversial. Since 1977-78, CSUC has sought a \$3.8 million augmentation annually to establish a basic writing skills program. In 1977-78 the Legislature approved a

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\$500,000 augmentation, which was subsequently vetoed by the Governor. In 1978-79 the Legislature specifically rejected the augmentation request for a separate program but (a) adopted supplemental language "authorizing" student credit units to be awarded for remedial writing coursework and (b) provided \$605,442 to support the differential cost of a reduced student-faculty ratio for the remedial program.

The differential cost was based on the assumptions that (a) students will be granted graduation credit for basic writing skills instruction deemed necessary by the results of the EPT and (b) the writing skills program will be staffed at a student-faculty ratio of 12:1. Because these credit units generate faculty positions at the normal budgeted student-faculty ratio of 17.6:1, the differential cost represents the cost of the additional staff required to fund a basic writing skills program at a student-faculty ratio of 12:1.

Campus Implementation

We recommend that the Chancellor's Office provide to the legislative fiscal committees prior to budget hearings a campus-by-campus breakdown of both enrollment and the student-faculty ratios in classes which provide instruction in basic writing skills.

The 1979-80 Governor's Budget continues the program authorized in the 1978 Budget Act by providing \$1,383,038 for differential staffing, an increase of approximately \$777,000 over the current year. The majority of the increase, \$670,000, is to meet the writing skills requirements for the new lower division transfer students and the remainder is for baseline adjustments (primarily full-year funding of new positions established in 1978).

While preparing the 1979-80 Analysis, we sought to assess the system's present efforts and the impact of actions taken in the 1978 Budget Act in meeting the needs for basic writing skills instruction. In a December 11, 1978 memorandum to the Chancellor's Office we requested a campus by campus breakdown of the following information:

- (1) Campuses offering credit for remedial writing coursework and whether credit is to be counted toward graduation.
- (2) Campuses offering remedial writing assistance but not counting it for credit.
- (3) Campuses offering remedial math work for credit.
- (4) The number of students identified by the EPT (or any other locally used alternative, as needing writing assistance).
- (5) The enrollment in remedial classes, both credit generating and otherwise.
- (6) The student-faculty ratio in the remedial writing classes.
- (7) Allocation of the differential cost funds (\$605,442) and the purposes for which it was expended.

We received a partial response to our request, but information on enrollment and student-faculty ratios will not be available until mid-February. Because such information is necessary in determining both present campus efforts and future systemwide needs, we believe the Chancellor's

Office should detail campus responses on enrollment and student-faculty ratios prior to the beginning of budget hearings.

Budget Act Language

We recommend that language be added to the Budget Bill making the allocation to the campuses of the \$1,383,038 for differential costs in the writing skills program contingent upon the Chancellor's Office approving campus plans which grant student credit units within existing degree requirements.

In reviewing the partial data provided by the Chancellor's Office and gathered in numerous campus visits, it is apparent to us that there is considerable controversy over the implementation of the supplemental language authorizing student credit units. Although all campuses accepted the differential cost funds, not all campuses are awarding credit for basic writing skill courses.

In some cases this is because the campus chose to provide instruction through tutorial modules rather than as a full term course; in other cases campuses (a) resisted the language as legislative intrusion on academic freedom or (b) interpreted the language to be permissive rather than mandatory. The full extent of these actions will not be known until the enrollment data mentioned above are correlated with the number of students identified as needing instruction. However, from the preliminary data it is clear that not all students are receiving adequate help.

We believe that the granting of student credit units for instruction in basic writing skills is reasonable and necessary, both fiscally and academically. The 1978-79 proposal of \$3.8 million is unrealistic given the present demand for state support. Granting student credit units toward graduation simply means that students would substitute this course for an elective and existing faculty resources would be shifted accordingly. This is, in fact, the way several campuses offered basic writing instruction prior to the 1978 legislative action.

Currently, students are being identified as in need of additional instruction and are not receiving it. The granting of student credit units for this type of instruction has been done within the system before and is a reasonable compromise that would reduce the cost to the state of improving student writing skills. Consequently, we recommend that language be added to the Budget Bill making allocation to the campuses of the \$1,383,038 for differential costs contingent upon the Chancellor's Office approving campus plans which grant student credit units (within existing degree requirements) for instruction in basic writing skills.

Possible Overestimation

The \$1,383,038 proposed for differential staffing costs assumes that 43 percent of the students will need some type of additional assistance. Preliminary information indicates that this estimate may be too high and that the actual support level should be reduced.

The 43 percent figure is based on an early estimate of the number of students scoring at 150 or below on the EPT (this cutoff score was established by the testmakers *before* the test was administered). While recent experience indicates that from 45-50 percent of the students fall below

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150, additional data indicate that the cutoff score may be set too high, thereby identifying too many students as being in need of additional assistance. This appears to be one of the conclusions of CSUC's own study.

A major objective of that study was to have English faculty rate student performance based upon classroom observations without any information on the student's EPT scores. The English faculty recommended that only 20 percent of the students were in need of developmental (basic writing skill) instruction, which was less than half the estimate contained in the Governor's Budget. However, this study was limited to four campuses and did not include any major urban campus. Accordingly, we will withhold comment on the proposed funding level pending information from (a) the systemwide report (due prior to budget hearings) and (b) the campus enrollment data covering actual program participation.

Graduation Requirements

In May 1976 the Board of Trustees adopted a resolution endorsing "the principle that all students entering CSUC after implementation of the proficiency/diagnostic examination be required to demonstrate their competency with regard to writing skills as a requirement for graduation." In practice, this means that students who entered as freshmen in 1977-78 must pass the new writing skills requirement prior to graduation. The substance of this requirement and how it can be satisfied have not yet been resolved by the campuses.

F. New Program Development and Evaluation (Innovative Programs)

We recommend a General Fund augmentation of \$271,837 for partial restoration of support for Innovative Programs.

New Program Development and Evaluation, often referred to as innovative programs, was established to test new approaches to teaching and learning. Almost all of the funds are distributed by the Chancellor's Office on a competitive basis as grants for specific projects (3.5 administrative positions were funded in the current year). The Chancellor's Office estimates that 85 percent of all projects funded over that period have been continued by the host institution after this special support was terminated.

The 1978 Budget Act provided \$1,851,598 for support of innovative programs. The Chancellor's Office subsequently withheld \$500,000 to meet the provisions of Section 27.2, thereby reducing the actual level of support to \$1,351,598 for the current year.

The Governor's Budget provides \$561,163 for innovative programs in 1979-80, a reduction of approximately \$1.3 million from the current year budgeted level and \$0.8 million from the actual support level. We understand that this reduction was not based upon any negative findings concerning the program but rather was justified as necessary to make funds available for an entirely unrelated increase in the library volume acquisition rate.

We agree that it is difficult to justify full funding of the Innovative Program in a year when existing positions are being eliminated and other programs are cut. At the same time, we believe that the elements of declining enrollments and reduced support require an emphasis on innovative study and development of alternatives.

Accordingly, we requested that the Chancellor's Office identify an alternative level of funding. The Office replied that "an effective though necessarily limited program can be carried on with an appropriation of \$833,000." We recommend that the Innovative Program be augmented by \$275,000 from the General Fund. Table 19 displays the current year changes and budget year alternatives in the support level. Our recommended \$271,837 augmentation would provide for a total program of \$833,000 in the budget year. In recommending this augmentation, we also suggest that it be focused upon the problems associated with a declining enrollment.

Table 19
New Program Development and Evaluation (Innovative Programs)

	<i>1978-79 Budget Act Appropriation</i>	<i>1978-79 Actual Support^a</i>	<i>1979-80 Trustee's Request</i>	<i>1979-80 Governor's Recommended Budget</i>	<i>1979-80 Recommended Level</i>
General Fund Support.....	\$1,851,598	\$1,351,598	\$1,918,307	\$561,163	\$833,000

^a Reflects \$500,000 in program reserve withheld by Chancellor's Office to meet mandated reductions of control Section 27.2.

II. RESEARCH

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

Table 20 shows the estimated research expenditures for 1979-80. This table covers only those projects awarded directly to individual campuses. Research projects awarded to foundations (estimated to be \$9.1 million in 1979-80) are not included.

Table 20
Program II
Organized Research Expenditures^a

	<i>Actual 1977-78</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Expenditures	\$85,126	\$97,712	\$99,630	\$1,918	2.0%
Personnel.....	4.4	6	6	—	—
Funding:					
<i>General Fund</i>	<i>\$-14,608</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>
<i>Reimbursements</i>	<i>99,734</i>	<i>\$97,712</i>	<i>\$99,630</i>	<i>\$1,918</i>	<i>2.0%</i>

^a Does not include approximately \$9.1 million for research administered through foundation programs.

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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 are 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 are conferences and institutes on subjects such as urban and international affairs, general advisory services, and reference bureaus. 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 of this. No General Fund support is provided to the public service program.

Table 21 shows the estimated public service expenditures for 1979-80.

Table 21
Program III
Public Service Expenditures

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Expenditures	\$482,615	\$394,909	\$407,014	\$12,105	3.1%
Personnel.....	—	16	16	—	—
Funding:					
<i>Reimbursements</i>	<i>\$482,615</i>	<i>\$394,909</i>	<i>\$407,014</i>	<i>\$12,105</i>	<i>3.1%</i>

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 22.

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) libraries, one on each campus.

A. Library Development

The 1979-80 Governor's Budget provides \$1,894,808 for the continuation of a library improvement plan begun in 1973-74. The plan, entitled the Library Development Project, seeks to improve campus library utilization through interlibrary cooperation and automation.

The implementation plan for library development was significantly revised during 1978-79 resulting in a less complex approach at a reduced cost to the state. The core of the existing plan focuses on the installation of minicomputers, called circulation transactors. These transactors will improve service to patrons by automating many routine library functions such as the logging in and out of books and the placing of holds. More importantly from a system viewpoint, the circulation transactors will provide a readily accessible accounting of the libraries' complete inventory, including the status of each book. This will greatly enhance interlibrary loans and provide a basis for more effective book purchasing.

The first circulation transactor was installed on the Sacramento campus as a pilot project during 1977-78. The pilot having proved successful, a second system is scheduled for implementation at Los Angeles in 1978-79. The 1979-80 Governor's Budget provides support for installation at five additional campuses (Long Beach, San Francisco, San Jose, San Luis Obispo and San Diego) for a total of seven campuses. Plans for installation beyond the initial seven campuses are uncertain.

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Table 22
Program III
Academic Support Program Expenditures

Program Elements	<i>Personnel</i>			<i>Expenditures</i>			<i>Change</i>	
	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>Amount</i>	<i>Percent</i>
1. Libraries	1,742.9	1,703.2	1,673.5	\$39,746,279	\$41,972,626	\$45,782,627	\$3,810,001	9.1%
2. Audiovisual services	409	397	392.7	8,780,909	8,989,529	9,385,979	396,450	4.4
3. Computing support	532.9	542.9	547.9	17,368,613	18,144,737	21,016,810	2,872,073	15.8
4. Ancillary support	397.8	450.6	505.2	13,091,830	14,772,886	16,667,072	1,894,186	12.8
Program	3,082.6	3,093.7	3,119.3	\$78,987,631	\$83,879,778	\$92,852,488	\$8,972,710	10.7%
General Fund	3,073.8	3,086.6	3,112.9	\$74,476,911	\$79,317,006	\$88,195,144	\$8,878,138	11.2%
Reimbursements—other	—	—	—	476,048	416,650	455,717	39,067	9.4
Continuing Education:								
Revenue Fund	8.8	7.1	6.4	79,672	111,122	81,627	-29,495	-26.5
Auxiliary organizations—other	—	—	—	3,955,000	4,035,000	4,120,000	85,000	2.1

While all campuses are scheduled to be served by an automated system, the actual hardware configuration has not been determined. Alternatives include a transactor on each campus and a regional approach with an enhanced transactor system on the large campuses to serve more than one campus. Because of the lead time required to convert manual records to an automated format prior to installation, it is important that the issue be resolved quickly. We will be working with staff from the Chancellor's Office and the Department of Finance on selection of the most cost effective alternative prior to budget hearings.

Increase Resource Utilization

We recommend that the Chancellor's Office develop (a) a cooperative acquisition plan and (b) a systematic policy on deacquisition. Interim reports should be submitted to the Joint Legislative Budget Committee by November 30, 1979, and final reports should be submitted by December 1, 1980.

The fiscal constraints presented by (1) a declining enrollment and (2) Proposition 13, mandate that CSUC attempt to maximize the use of its existing resources rather than plan on continued expansion. We have identified at least two areas in library resources where planning should be under way now to accomplish that end.

A. Cooperative Collection Planning. One of the stated advantages of connecting campuses together via circulation control transactors is that the resultant data base can provide the basis for cooperative collection planning. In so doing, not only can the value of the existing volume collection be enhanced (through improved interlibrary loan) but the limited funds available for *future* acquisitions can be used more effectively. By implementing a cooperative collection acquisition program, campuses can eliminate duplication of low-use books and perhaps even concentrate acquisitions by discipline on a regional basis.

With expansion of the circulation transactors to seven campuses in 1979-80, 50 percent of the required data base (by number of volumes) will be completed. It is hoped that the remainder will be completed by 1980-81. Developing a cooperative acquisition plan will not be simple, and with the consultative process of higher education, it is likely to be time-consuming. Consequently, we believe the Chancellor's Office should begin to plan now for the development and implementation of a cooperative acquisition plan. An interim report should be submitted to the Joint Legislative Budget Committee and the legislative fiscal committees by November 30, 1979, and a final report should be submitted by December 1, 1980.

B. Deacquisition. The total CSUC library collection will reach approximately 9.3 million volumes in 1979-80, with 439,000 volumes budgeted for addition annually thereafter. Although there are no funds for new library construction requested in the 1979-80 Governor's Budget, it is only a matter of time before space requirements become acute. One alternative for reducing additional space requirements is a program for systematic deacquisition, or weeding out of little used multiple copies, out of date texts, or works in superseded academic programs.

Deacquisition need not mean the disposal of books, but could include

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the removal to a central storage facility, at least initially. (See our capital outlay recommendation on UC storage facility.) Such weeding must of course, be done carefully and under strict guidelines. At present there is no systemwide policy on deacquisition and the weeding function is of low priority. Accordingly, we recommend that the Chancellor's Office develop a systematic policy on deacquisition, provide an interim report on its efforts to the Joint Legislative Budget Committee and the legislative fiscal committees by November 30, 1979, and provide a final report by December 1, 1980.

B. Library Acquisitions

The 1972-73 Legislature took the following two interrelated actions affecting the CSUC library system: (a) it approved a modified form of the Trustee's Library Development Plan (described above), and (b) it established a total holding goal equal to 40 volumes per FTE student by 1985. Whether this objective is realized depends on the annual number of volumes acquired and the total number of FTE students in 1984-85.

In 1972-73 it was estimated that CSUC should acquire 500,000 volumes annually to reach the 40 volume goal. This was the rate provided for in the budget until 1975-76 when it was reduced by the Legislature to 439,000. This reduction reflected the drastic downward revision in enrollment projections for the 1980's.

Table 23 displays the current systemwide holdings by campus. The reductions imposed as a result of Section 27.1 eliminated the inflation adjustment for 1978-79 book purchases. This resulted in an effective decrease of \$673,426 in the amount allocated for book purchases and a subsequent reduction of 28,728 volumes in the 1978-79 acquisition rate.

Unnecessary Augmentation for Library Books

We recommend that the proposed 52,400 volume augmentation in the library book acquisition rate be denied for a General Fund savings of \$1,336,200. We further recommend that the Chancellor's Office report to the Joint Legislative Budget Committee and the Legislative fiscal committees by November 30, 1979, on (a) the effectiveness of the book theft detection system and (b) additional action taken (or necessary) to reduce the theft rate.

The 1979-80 Governor's Budget provides \$1,336,200 to increase the annual library volume acquisition rate by 52,400 volumes, from 439,000 to 491,400. The Governor's Budget indicates that funds for this increase were provided by reducing the Program for Innovation and Improvement by an equal amount. We believe this increase is unjustified for the following three reasons:

Table 23
CSUC Library Countable Holdings

<i>State University, College</i>	<i>Countable Holdings as of 6/30/78</i>	<i>Volumes Budgeted to be Purchased 1978/79</i>	<i>Estimated Countable Holdings 6/30/79</i>	<i>Estimated FTE 1978/79</i>	<i>Estimated Holdings per FET 1978/79</i>
Bakersfield.....	182,476	12,094	194,570	2,256	86.2
Chico.....	498,620	22,199	520,819	11,719	44.4
Dominguez Hills	207,157	15,026	222,183	4,664	47.6
Fresno.....	549,790	23,551	573,341	11,874	48.3
Fullerton	462,004	26,212	488,216	14,306	34.1
Hayward	560,873	17,979	578,852	8,234	70.3
Humboldt	245,548	16,573	262,121	6,418	40.8
Long Beach.....	668,398	34,207	702,605	21,388	32.9
Los Angeles.....	710,007	26,764	736,771	17,314	42.6
Northridge.....	669,322	31,124	700,446	18,958	36.9
Pomona	320,607	22,090	342,697	12,390	27.7
Sacramento	609,954	28,928	638,882	15,683	40.7
San Bernardino	274,741	13,165	287,906	3,047	94.5
San Diego	688,530	35,906	724,436	22,533	32.2
San Francisco	566,667	29,610	596,277	17,448	34.2
San Jose	763,413	32,347	795,760	18,953	42.0
San Luis Obispo.....	493,106	24,655	517,761	15,596	33.2
Sonoma.....	247,063	14,572	261,635	4,267	61.3
Stanislaus.....	181,648	11,998	193,646	2,460	78.7
TOTAL.....	8,899,924	439,000 ^a	9,338,924	229,508	40.7

^a CSUC estimates that reductions made pursuant to Section 27.1 of the 1978 Budget Act will reduce the 1978-79 volume acquisition rate (439,000) by 28,728.

1. *Major increase in available volumes.* CSUC maintains that from 1975-76 to the present the system has been experiencing a regular decline in the number of new volumes allocated annually. However, the most important measure of support is not volumes budgeted or allocated, but rather the number of volumes actually available. In the last two years, the number of additional volumes annually *available* to students has increased by over 33 percent, due primarily to impact of a newly installed theft detection system.

One of the problems for all public libraries is book theft. If significant, the loss in books as a result of theft can seriously erode library resources no matter what the annual acquisition rate is. Heavy theft losses had been occurring during the 1970's on most CSUC campuses. In 1976-77, CSUC began implementation of a book theft detection system (at a total cost of approximately \$550,000). While not yet completed, it appears to have had a significant impact on the number of volumes lost through theft. According to the Chancellor's Office, "without the theft detection systems, CSUC would have lost 159,259 volumes in 1977-78 while instead it lost 53,517." Thus, in the past two years, CSUC has had an actual increase in volumes available of more than 105,000 annually (80,000 for 1978-79 after adjusting for the Section 27.1 reductions). We believe that this in itself is a major improvement in the library resource base and that further increases are not justified at this time.

Of course, the estimated loss of 53,517 volumes in 1977-78, even though

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considerably lower than losses in prior years, is still unsatisfactory. This is equal to 12.2 percent of the total new volumes budgeted annually, and exceeds the 52,400 volume increase (\$1.3 million) proposed in the Governor's Budget. Before further augmentation is considered, CSUC should take additional steps to further reduce the loss rate. We recommend that CSUC report to the Legislature by November 30, 1979, on (a) the effectiveness of the book theft detection system (a study is already underway) and (b) additional action taken (or necessary) to reduce the theft rate.

(2) *Declining Enrollment.* Because CSUC is concurrently experiencing a declining enrollment with a steady volume acquisition rate, the system will continue to experience significant volume enrichment. For example, with the existing annual acquisition rate of 439,000 volumes, CSUC has already exceeded the goal of 40 volumes per FTE, six years in advance of the target date.

(3) *Library Development.* The above computations do not take into account the substantial benefits that should accrue from implementation of the library development plan and greater cooperation among the 19 campus libraries. A CSUC document describes one of the major benefits as follows:

"Library automation will permit the total California State University and Colleges collection to be used at each of the 19 libraries. Making the systemwide collection available to users on all campuses may be equated to increasing each library's holdings by a potential 400 percent. With such a potential collection readily available to even the smallest library, the 20 percent to 30 percent increase in service experienced by others may, in fact, turn out to be an underestimate. However, an increase of only 20 percent to 30 percent equates to expanding the total library holdings by approximately 1.7 million items, which would otherwise cost about \$35 million, including processing."

Because of these three factors, CSUC has experienced a significant increase in the number of volumes actually available to students. With the completion of the library development project, further expansions should occur. Therefore, we recommend that the \$1,336,200 augmentation for an additional 52,400 volumes be denied.

2. COMPUTING SUPPORT

The Governor's Budget proposes an expenditure of approximately \$22.1 million for computing support in the budget year. Table 24 indicates that \$7.5 million (33.9 percent) of this amount is for direct instructional computing, with the remainder budgeted for the support of administrative services.

The \$22.1 million is an increase of \$2.7 million over estimated current year expenditures. Of this amount, \$1.1 million is related to campus equipment rental and maintenance costs, and \$0.7 million is to replace obsolete batch computers.

Table 24
1979/80 Cost of Computing Support in the CSUC^a
(In Thousands)

<i>Function</i>	<i>Personnel- Years</i>	<i>Personnel Costs</i>	<i>Equipment Rental</i>	<i>Other</i>	<i>Total</i>	<i>Percent</i>
Instructional Computing.....	165.7	\$2,438	\$3,586	\$1,475 ^b	\$7,499	33.9%
Administrative Computing.....	384.2	8,405	2,157	3,283 ^b	13,845	62.7%
Batch Rebid	4.6	91	220	418	729	3.4%
Total	554.5	\$10,934	\$5,963	\$5,176	\$22,073	
Percent		49.5%	27%	23.5%		100%

^a As current cost accounting practice does not distinguish between administrative and instructional computing costs, estimated 1979-80 expenditures were prorated, based upon computer utilization percentages when the items encompassed both areas.

^b A breakdown between administrative and instructional costs for the category "Other" was not available.

The percentage breakdown for last year (32% instructional, 68% administrative) was used.

Replacement of Obsolete Computers

The Governor's budget includes \$728,842 (Item 360) for the initial costs in a four year program to replace obsolete batch computer systems within CSUC. The details of the replacement program are still being discussed between the Department of Finance and CSUC. The final resolution, expected in March 1979, will have major cost implications both in 1979-80 and for the next four years. For example, the \$0.7 million included in the Governor's Budget is \$2.4 million less than the amount requested by CSUC for 1979-80. If the entire CSUC four year proposal were funded as requested, an additional \$19.7 million would be required above the current requirements. We will provide a supplemental analysis of the issue after a final decision on the replacement program is made.

3. JOINT DOCTORAL PROGRAM

Joint doctoral programs between CSUC and UC were established pursuant to recommendations included in *A Master Plan for Higher Education in California, 1960-75* and authorized by the Legislature in the Donahue Higher Education Act. This authorization was expanded in 1969 to allow for joint doctoral programs with private institutions. CSUC presently has five separate joint doctoral programs with UC campuses and one program with a private institution. Five of the six joint doctoral programs were established between 1965 and 1971. Since that time only one new program has been established, the San Diego State multicultural education project with Claremont Graduate School which was added by the 1978 Budget Act.

This year we visited all of the participating CSUC campuses and spoke with program personnel. As a result of those visits we have identified issues in two major areas: (a) program effectiveness and operation and (b) the overbudgeting of General Fund support.

Program Effectiveness and Operation—Examination Needed

We recommend that the California Postsecondary Education Commission (CPEC) conduct a comprehensive examination of the joint doctoral program and submit its results to the Joint Legislative Budget Committee and the legislative fiscal committees by November 30, 1979. The report should include, but not be limited to, a needs analysis for each of the six programs, available educational alternatives, retention and employment

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of students, program coordination between the joint institutions and staffing requirements.

Program effectiveness in any area of education is difficult to determine. One measure is the number of degrees awarded. As Table 25 indicates, over the twelve years since the first degree was conferred (San Diego, 1966-67), a total of only 60 degrees have been awarded, 46 of which (77 percent) have resulted from two programs.

Such data should be used with caution because, according to campus program directors, many students receive their training and leave for jobs in their field prior to completing their degree requirements. Thus, while they may not have the formal degree, they may be using the skills for which they are trained. This observation, however, leads to other related questions. What is the retention rate for participating students? What type of employment do they enter upon leaving the program (either before or after completion of degree requirements)? Is the employment located in California?

In addition to these questions, we have several concerns related to program need and operation:

(1) Program Need. As Table 25 indicates, most of these programs were established eight to ten years ago to meet a certain need. Does that same need exist today? Has an alternative to meeting that need been developed in the interim?

(2) Program Operation. As noted, these programs are intended to be joint programs operated with coordination between faculty and students on both campuses. We question how this can be accomplished in the CSU, San Diego—UC Davis and CSU, San Diego—UC Berkeley programs. We also believe the cooperation between the joint institutions should be reexamined in terms of funding and educational support.

Table 25
Joint Doctoral Degrees Awarded

	Year Established	Degrees Awarded						Total
		1966-67 through 1972-73	1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	
CSUC Campus—(Cooperating University)								
Los Angeles								
Special education (UCLA)	1968	4	1	0	2	2	2	11
San Diego								
Chemistry (UC San Diego)	1965	9	4	2	4	2	1	22
Genetics (UC Davis)* ..	1968	0	1	1	0	0	0	2
Ecology (UC Berkeley)	1970	0	0	0	0	0	1	1
Multicultural Education (Claremont)	1978	0	0	0	0	0	0	0
San Francisco								
Special education (UC Berkeley)	1967	7	0	3	3	6	5	24
Total		20	6	6	9	10	9	60

* Program was first established with UC Riverside but transferred to UC Davis in 1977-78

(3) Staffing. General Fund support for CSUC faculty positions in five of the six programs is based upon a student-faculty ratio of 4:1. (Students in this case are not FTE but only enrolled students, regardless of the number of units carried.) In approving the establishment of the new multicultural education program between CSU, San Diego and Claremont Graduate School, CPEC specifically recommended an increase in the ratio to 6:1. Although UC does not assign student-faculty ratios in their regular graduate programs, they use a ratio of 8:1 in the graduate academic area of health sciences instruction. Because of these variations, examination of the workload staffing in the joint doctoral program is necessary.

We believe a comprehensive examination of the joint doctoral program by CPEC is necessary to resolve these issues. Such a review should include, but not be limited to, an analysis of the need for each of the six programs, any available alternative established since 1970, retention and employment of students, program coordination between the joint institutions and staffing requirements. The report should be submitted to the Joint Legislative Budget Committee and the fiscal committees no later than November 30, 1979.

Overbudgeted

We recommend that the budgeted number of joint doctoral faculty positions be reduced by fifty percent for a General Fund savings of \$193,015.

As mentioned, CSUC faculty positions in the joint doctoral programs are based on the number of students enrolled in the program (regardless of courseload). Table 26 displays the student enrollment, budgeted faculty positions and General Fund support for 1975-76 through 1979-80. Based on the presently authorized staffing formula of one faculty position for every four students, at least two of the programs (chemistry and genetics) have been overbudgeted in recent years. However, the revised data for 1978-79 indicate that all of the programs are presently close to the authorized staffing ratio.

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Table 26
Joint Doctoral Enrollment
1975-76 through 1979-80

	<i>Actual</i>			<i>1978-79</i>		<i>1979-80</i>
	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>Budgeted</i>	<i>Revised</i>	<i>Budgeted</i>
CSU, San Diego						
1. Chemistry						
a. Enrollment	13	8	9	8	8	10
b. Faculty Positions	4.0	4.0	4.0	2.0	2.0	2.5
2. Genetics						
a. Enrollment	3	3	3	11	6	8
b. Faculty Positions	3.0	3.0	3.0	2.75	2.75	2.0
3. Ecology						
a. Enrollment	7	4	7	7	8	8
b. Faculty Positions	1.8	1.3	2.5	1.75	1.75	2.0
4. Multicultural Education						
a. Enrollment	—	—	—	12	12	24
b. Faculty Positions	—	—	—	3.0	3.0	5.0
San Diego General Fund						
Support	\$268,721	\$248,031	\$272,768	\$369,044	\$369,044	\$371,845
CSU, Los Angeles						
Special Education						
a. Enrollment	22	22	24	26	27	26
b. Faculty Positions	5.5	6.5	6.5	6.5	6.5	6.5
General Fund Support	\$104,502	\$120,129	\$139,820	\$137,401	\$137,410	\$141,184
San Francisco State University						
Special Education						
a. Enrollment	26	26	24	27	23	27
b. Faculty Positions	6.3	5.8	6.8	6.75	6.75	6.8
General Fund Support	\$158,105	\$172,273	\$194,049	\$200,703	\$200,703	\$205,456
Total General Fund Support	\$531,328	\$540,433	\$606,637	\$707,148	\$707,148	\$718,485

Even with this adjustment, however, all of the programs are still over-budgeted. The existing staffing ratio is based upon the total number of students enrolled, regardless of whether they are taking courses at the CSUC campus or at the other institution. Thus, CSUC is receiving support for students who are not even receiving instruction on their campus. In meeting with program personnel this fall, we were informed that students typically take one year of instruction on the CSUC campus and one year at the other institution. This suggests the programs are overbudgeted by a factor of two. Accordingly, we recommend that the number of budgeted faculty positions be reduced by fifty percent to reflect the joint nature of the program. This action would result in a 1979-80 General Fund savings of \$193,015 and is not inconsistent with the CPEC study.

V. STUDENT SERVICES

The Student Services program is funded partially from revenues generated by the Student Services Fee (formerly 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

Table 27
Program V
Student Services Program Expenditures

	<i>Personnel</i>			<i>Expenditures</i>			<i>Change</i>	
	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>Amount</i>	<i>Percent</i>
Program Elements								
1. Social and cultural development.....	175.5	150.4	148.7	\$14,148,513	\$14,068,824	\$14,318,221	\$249,397	1.8%
2. Supplemental educational services—EOP.....	320.5	360.3	352.6	11,156,888	11,965,859	11,921,457	-44,402	-0.4
3. Counseling and career guidance.....	722.9	715.7	700.5	14,631,982	15,374,680	15,801,546	426,866	2.8
4. Financial aid.....	283.5	309.8	320.3	50,994,729	52,465,666	59,883,431	7,417,765	14.1
5. Student support.....	773.7	856.9	887.7	86,198,890	94,144,394	100,600,051	6,455,657	6.9
Program.....	2,276.1	2,393.1	2,409.8	\$177,131,002	\$188,019,423	\$202,524,706	\$14,505,283	7.7%
<i>General Fund</i>	2,086.7	2,175.6	2,151.0	\$12,502,669	\$13,616,775	\$15,407,994	\$1,791,219	13.1%
<i>Reimbursements—other</i>	—	—	—	37,466,251	39,099,092	38,915,403	-183,689	-0.5
<i>Reimbursements—federal</i> ..	—	—	—	44,671,862	46,458,850	53,241,128	6,782,278	14.6
<i>Dormitory Revenue Fund</i> ..	184.3	212.8	254.3	1,748,281	2,078,321	2,281,321	203,000	9.8
<i>Auxiliary organizations—other</i>	—	—	—	80,665,000	86,689,000	92,610,000	5,921,000	6.8
<i>Continuing Education Revenue Fund</i>	5.1	4.7	4.5	76,939	77,385	68,860	-8,525	-11.0

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produced by those funds. Program services include social and cultural development, supplementary educational services, counseling and career guidance, financial aid and student support. Table 27 displays the estimated expenditures for 1979-80. In addition to the student services fee, there are a limited number of other fees which will also be discussed in this section.

1. STUDENT SERVICES FEE

The Student Services Fee is assessed against all students for the support of such student services as counseling, testing, placement, financial aid administration, the Office of the Dean of Students and health services. Prior to 1975-76 the fee also included support of certain instructional supply items. Beginning in that year, a four year program was begun to gradually phase out student service fee support for the cost of instructional supplies and replace it with General Fund support. This phase-out has now been completed.

The maximum student services fee remained constant at \$144 from 1973-74 through 1977-78 (during the phase-out of support for instructional supplies and services). The fee was increased to \$146 for 1978-79 to provide additional pharmacy services on CSUC campuses.

With the completion of the phase-out, the proposed fee will be derived from a new procedure which bases the fee level on a comparison of revenue and expenditures for the past and current years, as shown in the budget. The 1979-80 fee level, however, will be based on the current year (1978-79) column only.

The Chancellor's Office estimates that the new procedure will result in a current year surplus of revenues over expenditures, and therefore it is proposing to reduce the fee level to \$144 for 1979-80 only (fee increases are projected for future years). This decrease does not take into account the effect of Section 27.2 reductions in the current year which were applied to the student services programs by the Chancellor's Office and which may create an even larger surplus.

Actual Cost of Student Services

We recommend that the Chancellor's Office submit a report to the Joint Legislative Budget Committee and the legislative fiscal committees by November 1, 1979, describing the alternatives available to make the student services program self-supporting. The report should include (a) a detailed breakdown of the amount and basis for the General Fund support of indirect costs and (b) a program review of student services identifying alternative staffing levels or program reductions necessary to balance program expenditures with fee revenues.

In proposing that student service fee support for instructional supplies be phased out, the trustees indicated that in future years the fee level would be based upon "the total cost of providing certain student services, i.e., counseling, testing, placement, housing, financial aid administration, the Office of the Dean of Students and health services." At present students do not pay the total cost of student services because two significant cost components, indirect costs and salary increases, are charged to the General Fund.

(a) Indirect Costs. Currently, students pay only the direct personnel costs associated with the delivery of student services, with the General Fund supporting indirect costs. Although the direct personnel expense is the largest component of total cost, the General Fund expense for such other items as utilities, postage, telephone and custodial maintenance is substantial (an estimated \$5.3 million for the budget year).

(b) Salary Increase for Student Services Personnel. The major cost component of the student services program is personnel. While in theory the Student Services Fee is supposed to cover this expense, the existing procedure provides that the annual costs of salary increases are to be subsidized by the General Fund. Assuming a 6 percent salary increase for 1979-80, this will result in a General Fund subsidy of approximately \$1.8 million.

We believe that the Trustees should bring current practices in line with their policy that student services fee should support the full cost of the student services program. One alternative would be to increase the fee level to cover the full program cost. However, at this time it might not be possible to determine accurately what the fee should be. The Chancellor's Office estimate of indirect costs was based on a proration of student fee

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

positions to total positions and does not represent an analysis of actual indirect costs supported by the General Fund.

A second alternative to accomplish total support is to reduce program expenditures. This has been an issue of continuing discussion within the Chancellor's Office and among student groups. Perhaps some of the programs are no longer as necessary as they once were and could be eliminated or reduced, or the staffing ratios could be adjusted. Additional information may also be provided through the Chancellor's task forces on Proposition 13 reductions.

We believe the Legislature should be provided with sufficient data and alternatives so that it can make a decision and resolve the issue. Consequently, we recommend that the Chancellor's Office submit a report to the Joint Legislative Budget Committee and the legislative fiscal committees by November 1, 1979, on the alternatives available to make the Student Services program self-supporting. The report should include (a) a detailed breakdown of the amount and basis for the General Fund support of indirect costs and (b) a program review of student services identifying alternative staffing levels or program reductions necessary to balance program expenditures with fee revenues. The report should be prepared with student participation.

2. NONRESIDENT STUDENTS

We recommend that the budgeted number of nonresident FTE students be adjusted upward for a General Fund savings of \$583,200 and a reimbursement increase of an equal amount.

Nonresident tuition is charged to CSUC students who are legal residents of foreign countries or states other than California. The nonresident tuition for 1979-80 is \$1,800 per year.

Nonresident tuition is budgeted as a reimbursement to the General Fund. The Department of Finance first computes the amount of General Fund support CSUC is expected to need in the budget year. From this total, the estimated amount of reimbursements CSUC is expected to receive is subtracted, and the difference is provided from the General Fund.

It is not possible to predict precisely the amount of reimbursements from nonresident tuition. However, inaccurate estimates can lead to problems. If the estimate of nonresident tuition is too high and the expected funds do not materialize, CSUC might be unable to provide required educational programs and services. Alternatively, if the estimate is too low, CSUC will receive funds in excess of its needs. The "unused" funds are eventually returned to the General Fund, but in the interim the CSUC budget is overstated and funds are tied-up which could be allocated to other state programs.

Nonresident Reimbursement Underbudgeted

We have reviewed the budgeted and actual level of reimbursements for recent years. Table 28 indicates that the actual amount of nonresident tuition received has continually exceeded the estimated amount (budget as enacted). In each of the last four years, the amount of nonresident tuition received exceeded the budgeted figure by more than \$1 million,

and in two of those years the amount was in excess of \$2 million. Furthermore, in the years since 1974-75, the budgeted figures have been substantially higher than the projected number of nonresident FTE in the Governor's Budget as introduced.

Table 28
Nonresident Student Data

	Nonresident Fee	Nonresident FTE			Excess Reimbursements (Actual Over Budget as Enacted)	
		Governor's Budget As Introduced	Budget As Enacted	Actual	Dollars	Percent
1974-75	\$1,300	4,118	4,106	5,796	\$+2,198,041	+41.2%
1975-76	1,300	4,464	5,097	6,254	+1,492,400	22.5
1976-77	1,440	5,090	5,771	6,517	+1,073,128	12.9
1977-78	1,575	5,431	5,870	7,554	+2,653,330	28.7
1978-79	1,710	6,542	7,100	N/A	N/A	N/A
1979-80	1,800	7,612	N/A	N/A	N/A	N/A

Reimbursements from nonresident tuition in the 1979-80 Governor's Budget are based upon 7,612 FTE, an increase of only 58 FTE (0.7%) over the actual level of 1977-78. Based upon a review of the actual growth in nonresident FTE for the last three years for which data is available, the 1979-80 projection again appears to be low. During the period of 1974-75 through 1977-78, the actual number of nonresident FTE grew by an average of 9.3 percent annually. Even during 1976-77, when total FTE declined by 1.89 percent from the previous year, nonresident FTE *increased* by 4.4 percent.

Consequently, we believe that the budgeted estimate of nonresident FTE should be again revised upward by the Legislature. Using a conservative increase of 2.5 percent annually for 1978-79 and 1979-80, we recommend an increase in the budgeted nonresident FTE of 324 FTE, resulting in a General Fund savings of \$583,200. The Chancellor's Office has indicated that an updated estimate of nonresident FTE for 1978-79 will be available prior to legislative hearings. Based upon that data, we may revise our estimate.

Control Excess Savings

We recommend that budget act language be enacted to control the expenditure of reimbursements received in excess of the amount budgeted for nonresident tuition.

As was noted in Table 28, the actual amount of nonresident tuition received in each of the last four years has exceeded the amount budgeted by more than \$1 million annually. Prior to 1976-77, this unbudgeted savings was available for the Chancellor's Office to use at its discretion. Beginning in 1976-77 and annually thereafter, the Legislature adopted supplemental language as follows: "As of June 30, 197__, reimbursements in excess of the amount budgeted for nonresident tuition revert to the General Fund unless previously authorized for expenditure by the Department of Finance with written notification to the Legislature."

This language simply ensures that the use of these excess savings undergoes budgetary review, as the use of other funds in the CSUC support

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

budget does. We believe the system has worked well in the past and should be continued in the future. However, rather than raising the issue annually at legislative hearings for inclusion in the supplemental report, we recommend that the language be adopted in the budget act. It should thereafter be continued in the Budget Bill as introduced by the Governor and thus require less legislative time and deliberation.

3. APPLICATION FEE

We recommend that the CSUC application fee be increased from \$20 to \$25 for a reimbursement increase and General Fund savings of \$1,354,175.

Most applicants to a CSUC campus are required to pay a \$20 nonrefundable application fee. The application fee may be waived for those below a certain income level.

According to the Chancellor's Office, a \$5 fee was instituted in 1963 "to offset the cost of processing applications and to discourage casual applications." The fee was subsequently increased to \$10 in 1967 and \$20 in 1971 "to offset increased application for admission processing and eligibility determination costs."

The income from this fee is well below that necessary to cover the present cost of the application process. Based upon data provided by the Chancellor's Office, a fee *increase* of approximately \$23 would be required for the process to be self-supporting. An increase of this magnitude, however, could have an adverse effect on the number of students who apply. A moderate fee increase of \$5 should not affect student access especially if the application fee waiver program is continued. Accordingly, we recommend that the fee be increased by \$5. Based upon current admission projections, a \$5 fee increase would result in an \$1,354,175 increase in reimbursements and a General Fund savings of an equal amount.

Unnecessary Budget Bill Language

We recommend the elimination of budget language waiving the enrollment and reporting requirements of Section 66204 of the Education Code.

Item 359 of the 1979-80 Budget Bill contains language waiving the enrollment and reporting requirements of Section 66204 of the Education Code. This language is no longer necessary. Section 66204 was repealed by Chapter 773, Statutes of 1978 (SB 1452).

4. INSTRUCTIONALLY RELATED ACTIVITIES FEE

In January 1978, the Board of Trustees adopted a proposal of the Task Force on Student Body Fees to establish a new student fee specifically for the support of instructionally related activities (IRA). IRA includes a variety of academically related programs such as radio and television, music, drama, forensics and newspaper publication.

The new fee was effective in the 1978 fall term. The guidelines provided for the establishment of a separate fee on each campus. Initially the fee could not exceed \$10 per academic year, and it could not be increased beyond that level before the 1981 fall term. Fourteen campuses have established the fee at the full \$10 maximum, four campuses have \$8 fees

and one campus has a \$6 fee. Supplemental language to the 1978 Budget Act requires a report by March 1, 1979, providing a campus breakdown of (a) the fee level established, (b) the amount derived and (c) the activities supported by the new IRA fee.

5. EDUCATIONAL OPPORTUNITY PROGRAM

The 1979-80 Governor's Budget provides a total of \$11,921,457 for the Educational Opportunity Program (EOP). The major change is a decrease of 7.7 positions from the current year, representing a reduction of \$145,898 (partially offset by a minor workload increase resulting in the net budget decrease of \$44,402). Staffing in the EOP program is based upon the projected number of first year students. The Chancellor's Office indicates that this 7.7 position drop in staff support is not due to a drop in the actual student enrollment but results from an over-projection of first year students in the current year budget. Table 29 provides a detailed display of EOP grants and support costs for 1977-78 through 1979-80.

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Table 29
EOP Data

	<i>Actual 1977-78</i>				<i>Budgeted 1978-79</i>				<i>Budgeted 1979-80</i>			
	<i>Number of Grants</i>	<i>Average Dollar Grant</i>	<i>Total Grant Dollars</i>	<i>Students Served</i>	<i>Number of Grants</i>	<i>Average Dollar Grant</i>	<i>Total Grant Dollars</i>	<i>Students Served</i>	<i>Number of Grants</i>	<i>Average Dollar Grant</i>	<i>Total Grant Dollars</i>	<i>Students Served</i>
1st Year	3,977	\$740	\$2,942,778	6,084	4,817	\$740	\$3,564,580	6,589	4,673	\$740	\$3,458,020	6,388
2nd Year	2,426	740	1,794,943	3,289	2,191	740	1,621,340	4,094	2,127	740	1,573,980	3,977
3rd Year	1,813	640	1,160,213	2,053	1,713	640	1,096,320	2,133	1,664	640	1,064,960	2,072
4th Year	1,082	530	573,339	1,316	935	530	495,550	739	945	530	500,850	784
5th Year	587	530	310,857	803	381	530	201,930	—	430	530	227,900	—
Totals	<u>9,885</u>	<u>—</u>	<u>\$6,782,130</u>	<u>13,545</u>	<u>10,037</u>	<u>—</u>	<u>\$6,979,720</u>	<u>13,555</u>	<u>9,839</u>	<u>—</u>	<u>\$6,825,710</u>	<u>13,221</u>
Totals, Administration and Counseling	<u>—</u>	<u>—</u>	<u>\$4,374,758</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>\$4,986,139</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>\$5,095,747</u>	<u>—</u>
Totals, Program Costs			\$11,156,888				\$11,965,859				\$11,921,457	

6. STUDENT AFFIRMATIVE ACTION

The 1979-80 Governor's Budget proposes \$289,546 for student affirmative action outreach projects aimed at increasing the percentage of minority students at CSUC campuses. These funds include \$131,250 for the continuation of three pilot projects first funded in the 1978 Budget Act and a \$158,296 augmentation for two new outreach programs proposed for 1979-80.

Continuation of Pilot Programs

The 1978-79 Budget Act provided support for two pilot outreach projects designed to overcome ethnic underrepresentation at CSUC campuses. Specific proposals were not available during budget hearings, and consequently budget act language was included making the final appropriation contingent upon review and approval of a detailed plan by the Director of Finance. Initially two projects were funded, Dominguez Hills and Fresno. Recently a third project was funded at San Jose. According to the Chancellor's Office, each of these programs is designed to supplement the traditional outreach programs conducted by campus offices of school relations, educational opportunity, admissions and financial aid by experimenting with nontraditional outreach approaches.

(a) Dominguez Hills—The focus is upon increasing the enrollment of Hispanic and Pacific Island students through extensive involvement in "other than school settings."

(b) Fresno—The primary objective is to increase the participation of Chicano students by emphasizing in-depth involvement of parents in the outreach effort.

(c) San Jose—The focus is upon increasing the enrollment of Hispanic and Black students by a team approach which will concentrate the resources of a variety of campus and community services on three target high schools in the San Jose area.

All three programs are in their first year of operation. The budget provides for continuation of the current level of support.

New Pilots

We recommend that the request for a counselor in-service training program be denied for a General Fund savings of \$97,760.

As mentioned, the Governor's Budget proposes two new outreach programs at a cost of \$158,296. The first of these is a joint program involving CSUC and the Los Angeles Unified School District (LAUSD). The program will involve the matching of 49 LAUSD high schools with five CSUC campuses (Dominguez Hills, Long Beach, Los Angeles, Northridge and Pomona) for a major early identification pilot program focusing upon Mexican-American students. CSUC and LAUSD will jointly provide counseling and support services, including the use of peer group counsellors, to encourage minority students to enroll at CSUC campuses in programs leading to teaching and counseling careers in the public schools. A long term goal of the program is to increase the number of qualified bilingual/crosscultural personnel in the public schools. The Governor's Budget provides \$60,536 to support CSUC's participation. The extent of the LAUSD financial commitment has not been identified. We support this pilot

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project.

The Budget also provides \$97,760 for a counselor in-service training program. Under this proposal, four CSUC campuses would "collaborate with school district administrative and counselor personnel to design, develop, deliver and evaluate special in-service programs for high school counselors designed to acquaint them with the goals, philosophy and methods of student affirmative action."

CPEC has reviewed this proposal and found it to be inappropriate, suggesting that support for high school counselors should be provided through in-service programs in the secondary schools. Based upon this and other information available to us, we also recommend against the program. In addition to the issue, raised by CPEC, there is a lack of information on program implementation and a failure to use existing resources adequately.

A. Program Implementation. Information is lacking on how the proposal is to be implemented. There is no indication as to the campuses involved, areas to be served, staffing justification or program content.

B. Inadequate Use of Existing Resources. Currently, 18 of the 19 campuses are budgeted for a "relations with schools" position. The function of these positions was described in CSUC's *Report on Community Relations* (December 8, 1977).

"When School and College Relations positions were initially developed, emphases was placed on information dissemination, education of high school and community college counselors pertaining to CSUC programs, and articulation. Since these areas represented activities of particular concern to Admissions Officers, School and College Relations Officers are generally assigned to the Admissions Office.

As the function has evolved, the responsibilities have changed from that of solely informational efforts for the feeder schools to a more extensive *outreach effort* to prospective students."

Also included in the statement of responsibilities is "conducting counselor conferences." Accordingly, we recommended that CSUC utilize its existing budgeted positions as intended and that the request for a separate counselor in-service training program be denied.

Continued Lack of Coordination

We recommend that prior to legislative review of the 1980-81 Budget, CPEC review and approve any future outreach proposal submitted by any higher education segment to ensure that (a) the proposal does not duplicate an existing program and (b) existing resources are being adequately utilized.

As all three segments of higher education become more involved in outreach programs, the possibility of duplication increases. Recognizing this, the Legislature took two actions through supplemental language to the 1978 Budget Act to improve intersegmental coordination: (1) it directed CPEC to report on the extent of regional interinstitutional coordination with recommendations for improvement (report due March 1, 1979) and (2) it expressed legislative intent that in determining future augmen-

tation for affirmative action and early outreach programs, the thoroughness of program planning and interinstitutional coordination shall be evaluated.

Although the CPEC report was not available during our analysis, it is apparent that the "interinstitutional coordination" was only cursory during 1978-79. This fall we visited the new outreach pilot program at CSU, Fresno. We were informed that a representative from UC Santa Cruz had been on campus the previous day to begin implementation of their program.

The two new proposals in the Governor's Budget were planned without coordination with UC, contrary to the intent of the supplemental language. In attempting to evaluate these programs, and others requested in the Trustee's support budget, we requested information from UC on the schools served in its outreach and follow-up programs. This information, requested in November, was not received in time for inclusion in our Analysis.

As CSUC seeks to expand its outreach programs beyond pilot status, the opportunity for duplication also expands. Such duplication wastes the limited resources available for student affirmative action. Because CPEC is already involved in reviewing existing efforts at coordination, we believe that expertise should be continued. Consequently, we recommend that prior to legislative review of the 1980-81 Governor's Budget, CPEC review any future outreach proposals to ensure that the proposals do not duplicate existing programs and that existing resources are being adequately utilized.

7. DISABLED STUDENTS

The 1979-80 budget proposes an expenditure of \$641,028 (this excludes \$272,335 for the Northridge Center for Deafness) from the General Fund for services to disabled students and employees. This is an ongoing appropriation supplemented by minor amounts of nonstate funding. It is less than the \$2,036,805 plan submitted by CSUC and approved by CPEC.

At the beginning of the postsecondary section of this Analysis, we discuss the complex problems associated with this matter and recommend that a plan be submitted by the administration no later than April 15, 1979 (see page 1006).

8. CAMPUS CHILD CARE

Child care services have been available within the CSUC since the late 1960's. With the establishment of a center at the Stanislaus campus in September 1977, child care is now available at all 19 CSUC campuses.

Funding for these centers comes from a variety of sources including Associated Student Body funds, parent fees and grants from the State Department of Education. In order to receive state grants, campus programs must provide a 25 percent match. These are the only child care programs required to match state funds. In our discussion of child care programs elsewhere in this Analysis, we recommend deletion of match requirements. This recommendation is also in accord with the CSUC Report of the Child Care Study Committee.

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Table 30
Program VI
Institutional Support Program Expenditures

Program Element	Personnel			Expenditures			Change	
	1977-78	1978-79	1979-80	1977-78	1978-79	1979-80	Amount	Percent
1. Executive management	825.9	786.6	770.9	\$23,382,395	\$23,560,745	\$24,286,172	\$725,427	3.1%
2. Financial operations.....	803.9	802.5	793	16,738,480	16,668,909	17,569,979	901,070	5.4
3. General administrative services	1,296.9	1,383.7	1,393.6	24,067,572	25,535,822	26,706,664	1,170,842	4.6
4. Logistical services.....	1,036.8	1,065.7	1,097.8	34,141,820	34,906,969	37,022,431	2,115,462	6.1
5. Physical plant operations	3,321.5	3,626.8	3,627.1	82,059,982	86,658,062	90,447,002	3,788,940	4.3
6. Faculty and staff services.....	—	—	—	6,493,363	8,730,573	9,492,682	762,109	8.7
7. Community relations.....	94.7	81.7	81.4	3,195,076	3,276,976	3,376,113	99,137	3.0
Program	7,379.7	7,747	7,763.8	\$190,078,688	\$199,338,056	\$208,901,043	\$9,562,990	4.8%
General Fund.....	6,664.8	7,026.4	7,067.6	\$157,674,922	\$166,175,686	\$176,888,492	\$10,712,806	6.4%
Reimbursements—other	—	—	—	10,999,469	11,752,876	10,469,216	-1,283,660	-10.9
Parking Account, Dormitory Revenue Fund	190.8	197.7	197.5	3,527,868	3,515,638	3,776,625	260,987	7.4
Dormitory Revenue Fund.....	296.6	318	322.3	8,079,029	8,107,164	8,501,240	394,076	4.9
Auxiliary organizations—other.....	—	—	—	811,600	848,000	848,000	—	—
Auxiliary organizations—federal	—	—	—	3,246,400	3,392,000	3,392,000	—	—
Continuing Education Revenue Fund....	227.5	204.9	176.4	5,739,400	5,546,692	5,025,470	-521,222	-9.4

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.

Table 30 shows the estimated expenditures for 1979-80.

1. ACADEMIC SENATE

The Academic Senate is the official organization representing the CSUC faculty. The 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 1979-80 Budget provides \$442,030 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 participate actively in CSUC administrative affairs and attend numerous Academic Senate committee meetings each year.

2. CHANCELLOR'S OFFICE

The Chancellor is the chief executive officer of the CSUC Board of Trustees. He is responsible for the implementation of all policies enacted by the board. Table 31 lists the major divisions in the Chancellor's Office and shows a proposed decrease of two General Fund positions for 1979-80.

In preparing this Analysis, we asked the Chancellor's Office for an organization chart covering the entire office (General Fund positions) and information on the salary range for each professional employee. We did not receive the response in time to permit inclusion of our analysis in this document. We will be reviewing the data, as well as recommendations from the Chancellor's Proposition 13 task forces, prior to budget hearings.

Table 31
Chancellor's Office Expenditures—Governor's Budget

General Fund Chancellor's Office	<i>Estimated</i> 1978-79		<i>Proposed</i> 1979-80		<i>Change</i>	
Personnel	<i>Positions</i>	<i>Dollars</i>	<i>Positions</i>	<i>Dollars</i>	<i>Positions</i>	<i>Dollars</i>
Executive Office	17.0	\$548,157	17.0	\$560,974	—	\$12,817
Legal Services	18.5	541,614	18.5	554,953	—	13,339
Academic Affairs	54.6	1,648,107	54.6	1,687,525	—	39,418
Faculty and Staff	30.0	875,307	30.0	896,726	—	21,419
Business Affairs	55.4	1,468,539	53.4	1,457,279	-2.0	-11,260
Physical Planning	13.0	433,292	13.0	444,028	—	10,736
Government Affairs	9.0	236,275	9.0	242,036	—	5,761
Institutional Research	12.0	351,868	12.0	360,395	—	8,527
Public Affairs	6.0	176,661	6.0	180,860	—	4,199
Administrative Office	57.6	990,173	57.6	1,013,772	—	23,599
Subtotal, Personnel	273.1	\$7,29,993	271.1	\$7,398,548	-2.0	\$128,555
Operating Expense and Equipment	—	2,306,410	—	2,463,145	—	156,735
Total, Chancellors Office	273.1	\$9,576,403	271.1	\$9,861,693	-2.0	\$285,290
Audit Staff						
Personnel	11.0	332,905	11.0	322,640	—	-10,265
Operating Expenses and Equipment	—	105,195	—	112,348	—	7,153
Total, Audit Staff	11.0	\$438,100	11.0	\$434,988	—	\$-3,112
Information Systems						
Personnel	126.0	2,792,782	126.0	2,862,024	—	69,242
Operating Expense and Equipment	—	4,579,369	—	4,816,886	—	237,517
Total, Information Systems	126.0	\$7,372,151	126.0	\$7,678,910	—	\$306,759
Total General Fund	410.1	\$17,386,654	408.1	\$17,975,591	-2.0	\$588,937
Special Funds						
Parking						
Personnel	0.4	5,256	0.4	5,768	—	512
Operating Expense and Equipment	—	3,276	—	3,440	—	164
Total, Parking	0.4	\$8,532	0.4	\$9,208	—	\$676
Continuing Education						
Personnel	10.0	238,196	—	—	-10.0	-238,196
Operating Expense and Equipment	—	211,534	—	—	—	-211,534
Total, Continuing Education	10.0	\$449,730	—	—	-10.0	\$-449,730
Total Special Funds	10.4	\$458,262	0.4	\$9,208	-10.0	\$-449,054
Grand Total	420.5	\$17,844,916	408.5	\$17,984,799	-12.0	\$139,883
Funding Sources						
General Fund	360.1	\$15,875,155	360.1	\$16,446,514	—	\$571,359
Reimbursements	50.0	1,511,499	48.0	1,529,077	-2.0	17,578
Parking Revenue Fund	0.4	8,532	0.4	9,208	—	676
Continuing Education Revenue Fund	10.0	449,730	—	—	-10.0	-449,730

3. COLLECTIVE BARGAINING IMPLEMENTATION FUNDING

The 1978 Legislature enacted Chapter 744, Statutes of 1978 (AB 1091), which provides comprehensive provisions governing public employer-employee relations applicable to the University of California (UC), including Hastings College of Law, and the California State University and Colleges (CSUC). Among other provisions, it:

1. Requires UC and CSUC to meet and confer in good faith with employee groups in an effort to execute a written memorandum of understanding.

2. Establishes election procedures which would be administered by the Public Employment Relations Board (PERB) for recognizing, certifying and decertifying employee organizations, which would become the exclusive representatives of employees in units.

3. Specifies illegal unfair labor practices on the part of the employer as well as the employee organizations.

4. Gives PERB the responsibility to administer the program, including the adjudication of disputes involving the determination of appropriate units and scope of representation elections and unfair labor practices.

5. Prescribes mediation and a three-member panel factfinding procedure to enable parties to resolve impasses. Costs of the mediator and chairman of a factfinding panel would be borne by PERB. Costs of the two remaining members of the factfinding panel would be shared by the parties.

6. Allows the parties to agree to a "maintenance of membership" arrangement, under which an employee is not required to join an employee organization, but those who do are required to maintain membership for the duration of the agreement.

7. Provides for UC and CSUC to deduct specified employee organization fees upon the authorization of the employee.

8. Specifies procedures for submission of memoranda of understanding to the Governor and the Legislature for appropriate review and action. If such action is not taken, the memoranda shall be referred back to the parties; provided, however, that the parties may agree that provisions of the memoranda which are nonbudgetary and do not require funding shall take effect whether or not the aggregate funding requests submitted to the Legislature are approved.

9. Provides for representatives of the Governor, Legislature and students at meet and confer sessions.

The effective date of the legislation is July 1, 1979. Administration costs were recognized during the fiscal committee hearings, but an appropriation was not made in the bill.

Governor's Budget Proposes \$403,266 for CSUC

We recommend that two EDP systems analyst positions be eliminated for a General Fund savings of \$60,000.

The CSUC Trustees requested 71 positions funded at a level of \$2,181,551 to administer the new bargaining law. The Governor's Budget contains 14 of these positions at \$403,266. These funds are proposed to be used for:

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- (1) one legal counsel (\$30,773);
- (2) two employee relations teams, one beginning January 1, 1980, for the Chancellor's Office (\$111,380);
- (3) one supervising systems analyst and one programmer to generate needed data in the Information System Office (\$56,015);
- (4) five personnel specialists to assist the campuses (\$153,675);
- (5) related expenses and equipment (\$51,423).

We agree that certain administrative costs will result from CSUC's new responsibilities. Employee relations teams are needed to assist the Chancellor and campuses in training personnel, advising on grievance proceedings, aiding in factfinding and participating in PERB proceedings. For a system as large as CSUC—19 campuses, 30,000 employees and perhaps fifteen bargaining units—ten professionals (including the attorney) working in this area appears to be reasonable.

We disagree, however, with the need for two EDP systems personnel. CSUC maintains that their teams will need timely data in many formats. This need is understandable. However, the current central information system (the administrative systems development group) consists of 32 positions and a budget of approximately \$1 million. The current system already contains a multitude of data on personnel—salary, age, sex, race, etc. While these data may not exist in the exact format desired, some reprogramming by existing staff could provide it. Consequently, we recommend deletion of the new EDP positions. It should also be noted that one of the two positions is a supervisor which appears to be excessive when adding only one programmer.

4. FACULTY DEVELOPMENT PROGRAM

The 1978 Budget Act provided \$500,000 for a new faculty development program. This level was subsequently increased to \$505,426 to reflect health and welfare increases. The 1979-80 Governor's Budget proposes a 17.2 percent increase of \$86,855 for a total of \$592,281. The increase is not due to a change in the program level but rather reflects the full-year funding costs associated with replacement positions for the released time component.

The Legislature added this program to the 1978-79 Governor's Budget in order to provide funding to assist "women, minorities and other qualified probationary and tenured faculty in the lower academic ranks in meeting the qualifications for retention, tenure or promotion." The proposed program included three major components:

- (1) Released Time (\$348,672). This component provides release time of up to six units per term for selected faculty members to (a) undertake (or complete) publication of instructional studies (b) do research or (c) prepare to teach a greater variety of courses.
- (2) Mini-Grants (\$101,328). This component allocates grants of up to \$3,000 (a) to help support the purchase of equipment and materials needed for research projects or (b) for support as a summer stipend.
- (3) Support for Presentation of Papers at Professional Meetings (\$50,000). This component provides funds for travel, per diem, registration

expenses and clerical expenses for the preparation of papers at professional meetings.

It should be noted that, although this program was proposed to the Legislature as described above, campuses were notified that the use of funds was discretionary and that they need not adhere to the distribution of funds among those three categories.

Incomplete Information

In attempting to evaluate the impact of the program, we requested information from the Chancellor's Office including a breakdown of program recipients by faculty rank, number of years on faculty, salary, ethnicity and sex, amount of released time granted, and objective to be completed during released time. The Chancellor's Office indicated that such data were not readily available and would have to be gathered through a campus survey. We believe that such information is relevant and have requested the Chancellor's Office to complete such a survey prior to the legislative hearings on the Budget Bill.

5. EMPLOYEE AFFIRMATIVE ACTION REPORT

The 1978 Budget Act provided \$345,120 to establish an employee affirmative action program "aimed at ensuring that women and minorities are given equal opportunity for placement and advancement in administrative and managerial positions in the CSUC." Concurrently, the Legislature included supplemental language providing that "The Legislative Analyst, with the cooperation of the Chancellor's Office, shall submit a report to the respective fiscal committees of each house by March 1, 1979, on the development and operation of the employee affirmative action program. The report shall contain an assessment of the impact and value of the program and make a recommendation for program support in 1979-80."

The most essential criterion for assessing "the impact and value" of the program would be the success of the interns in achieving and adequately performing in the administrative and managerial positions for which they are trained. Because 1978-79 is the first year of the program and most interns have only been working for a maximum of four months, such an assessment is impossible. Thus, all we can do at this time is review the background and development of the program and make observations as appropriate.

Background

The 1978-79 Governor's Budget proposed \$510,510 for a new Employee Affirmative Action program. Underlying this proposal was the assumption that traditional career ladders leading to top administrative positions in higher education have not been equally available to women and minorities. The following table summarizes a 1977 CSUC survey of female, male and minority participation in administrative and managerial positions.

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

Table 32
1977 Participation Rates in CSUC Administration

	<i>Number</i>	<i>Percent</i>
Caucasian Males	352	88.7%
Caucasian Females.....	19	4.8
Minority Males	24	6.1
Minority Females.....	2	0.4
Total	397	100.0%

The proposed General Fund support level of \$510,510 for 1978-79 would have provided one intern position and 0.5 clerical support positions on each campus plus one systemwide coordinator and one clerical position at the Chancellor's Office for a total of 30.5 positions. The intern positions were to be filled by candidates selected from among lower level faculty or administrative candidates who would be assigned a variety of administrative responsibilities as well as participate in a structural in-service training program.

During legislative hearings this proposal was revised to \$345,120 by (a) removing support for administrative overhead (primarily campus clerical and central office positions) and (b) augmenting for training activities. However, subsequent to the enactment of the 1978 Budget Act, this appropriation was further reduced to \$297,441 as a result of actions taken by the Chancellor's Office pursuant to Control Sections 27.1 and 27.2.

Implementation

In reviewing the CSUC proposal prior to the 1978-79 legislative hearings, we noted that the crucial element in any such program is the selection of outstanding interns, people who would both learn from the experience and be in demand at the completion of their internship. At the time of our initial review, CSUC had not established specific selection criteria or a selection process. Consequently, the following criteria were approved during legislative review:

Selection Criteria for Interns

1. Previous administrative experience is not required.
2. There is no age requirement or limitation.
3. The candidate must show evidence of leadership potential such as by having:
 - a. Served as chair of campus committees;
 - b. Initiated projects which needed support from others and which required leadership and coordination provided by the candidate;
 - c. Participated in off-campus leadership activities.
4. The candidate must possess whatever academic credentials are needed for the jobs to which he/she aspires.
5. The candidate must be willing to experience a wide spectrum of assignments during the internships.
6. The candidate must have a permanent/tenured or probationary appointment on his/her own campus.
7. The candidate must be willing to accept an internship on a campus other than his/her own.

Criteria for Mentors

Program guidelines adopted by the Chancellor's Office emphasize that mentors are the key to a successful internship program. Accordingly, all mentors must hold positions in the Offices of Presidents, Vice Presidents or Deans. The guidelines also specify, in some detail, the responsibility of the mentors in involving the intern in all aspects of the decisional processes of the office.

Selection Process

The selection process began in April 1978 with notification to campuses that internships would be available for 1978-79.

1. All but one campus then established an Administrative Intern Review Committee (AIRC) involving representatives of the faculty and nonacademic staff, an administrator and the campus Affirmative Action Office. The campus AIRCs reviewed all applications and forwarded seven applications to the campus President (one campus had only three applicants and did not convene a committee but forwarded all three applicants to the President).

2. Each campus President reviewed the seven packets, selected and ranked three of those and forwarded them to the Chancellor's Office.

3. The Chancellor then appointed an Administrative Intern Selection Committee (AISC) comprised of a representative from the Statewide Academic Senate, the Staff Council Advisory Group, the Council of Presidents, the Acting Affirmative Action Officer and a Faculty and Staff Affairs Specialist. The AISC reviewed 54 candidates and forwarded 24 names to the Chancellor. Nineteen offers of appointment were made by the Chancellor. One was rejected for personal reasons (could not relocate), one was deferred until the Spring term for one-half of the academic year. Subsequently, one additional intern was appointed for the Spring term only.

4. After final selection, the responsibility for matching interns with mentors was assigned to the Associate Dean in the Office of Faculty and Staff Affairs. The major criterion was the match between the mentor's description of what work, training and project leadership opportunities existed in his/her office and the statement of the intern's objectives and career goals, the background and level of experience of each and such pragmatic factors as location.

Program Profile

Based upon information from the Chancellor's Office, we have developed the following program profile of participating interns:

A. Interns

1. Applicants—54.
2. Offers of appointments made—19.
3. Number accepted—17.

One refused because personal plans changed and the second (a Caucasian male) will begin a one semester internship in January 1979.

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

4. Sex: Of the 17 who accepted, 15 are women and two are men.
 5. Ethnicity:
 - (a) Of the 15 women, six are minorities and nine are Caucasian.
 - (b) Both males are ethnic minority members.
 6. Previous position: 12 interns are faculty (11 of whom are tenured), three are academic-related (Student Affairs) and two are support staff.
- B. Campuses
1. The initial 17 interns are from 13 campuses.
 2. There are 13 campuses hosting interns.
 - (a) Six campuses have no intern (Bakersfield, Fresno, Humboldt, San Diego, San Luis Obispo, and Humboldt).
 - (b) Four of the 13 campuses are hosting two interns (Dominguez Hills, Long Beach, Northridge and San Francisco).
 - (c) Three of 13 campuses are hosting interns from their own campuses (Chico, Dominguez Hills and Long Beach).

While no conclusive evaluation can or should be made on the basis of four months of operation, certain observations are appropriate.

1. Lead Time. The uncertainty of funding was a significant problem during the first year. Initial applications were distributed in April 1978. However, due to concerns over the final appropriation level, selections were not made and announced until late July. This late notice limited the pool of initial applicants and available alternates. The Chancellor's Office indicates that the timing will be significantly advanced for 1979-80 with applications distributed in January and offers of appointment made in May.

2. Availability of Administrative Vacancies. Because of pressure applied both by the declining enrollment and the Proposition 13 reductions, we anticipate both an absolute drop in administrative positions and a decrease in the turnover rate of the present incumbents. Consequently, a pool of 19 interns per year may be excessive relative to the limited likelihood of employment in high level administrative and managerial positions.

3. Availability of Data. In compiling this information CSUC did not have information readily available on the turnover rate of mid and high level administrators nor on the ethnicity and sex of the replacements. We believe such information is necessary in providing a benchmark against which to measure the success of their overall affirmative action effort and to assessing the size of "an intern pool." We have requested that CSUC maintain such information in the future.

4. Intern Mobility. The Chancellor's Office indicates that intern mobility and relocation was a major problem. The initial proposal as approved by the Legislature provided for 19 interns at 19 campuses. The proposal also stated that interns were not to be placed on their own campus. However, because the program does not provide relocation funds, it is difficult to place interns at (or select interns from) outlying campuses (Humboldt, Bakersfield, Fresno, etc.). Consequently, three of the campuses are hosting interns from their own campuses. Depending upon the

success of this year's experience, that alternative may be expanded for 1979-80. The Chancellor's Office has also indicated that it will not necessarily seek a one to one ratio between campuses and interns for 1979-80.

5. Intern Replacement. At the time of our evaluation, the Chancellor's Office had no definitive data on the status of the positions vacated by the interns. Because we believe information by ethnicity and sex of the replacements is relevant to an affirmative action program, we have requested a campus-by-campus survey for such information.

6. Program Evaluation. The Chancellor's Office indicates that a formative evaluation will be compiled at the conclusion on the 1978-79 experience. The criteria are still being formulated.

1979-80 Funding

The Governor's Budget provides \$415,569 to support the Employee Affirmative Action program in 1979-80. This is an increase of \$118,128 or 39.7 percent over the actual current year level of \$297,441. (The final 1978-79 appropriation of \$345,120 was reduced by the Chancellor's Office to meet the requirements of Section 27.2.) In effect, the Governor's Budget returns the program to the legislatively authorized level. Of the increase, \$43,191 is intended to restore the program reserve cuts made as a result of Section 27.2 and \$70,466 is to provide the full year costs of the budgeted positions (when new positions are budgeted, they begin September 1, in the initial year thus providing only 10 months of support).

We believe that contingent upon the overall condition of the state General Fund, the program should be permitted to continue at the authorized level for 1979-80. During that time we will continue to review the operation of the program and attempt to make a determination on the size of the intern pool relative to the availability of new positions.

6. CSUC UTILITY CONSUMPTION

We recommend that the 1979-80 CSUC systemwide utilities budget be based upon the actual 1977-78 rate of consumption, resulting in a General Fund savings of \$3,562,175.

Expenditures for utilities are a major expense in the CSUC budget, which requests \$23.2 million for gas, oil and electricity in 1979-80. While most other items are budgeted by formula, utility costs are budgeted separately based upon a variety of factors including campus projections for the rate of consumption, cost increases, new buildings completed, etc. The most controllable of these variables is the rate of consumption, an important factor both fiscally and environmentally.

Table 33 summarizes the systemwide gas, oil and electricity consumption both in total and in units per square foot.

The table shows a significant increase in the projected 1979-80 consumption of electricity, oil and gas as compared to 1977-78, the last year for which actual data were available. For example, the total consumption of electricity is budgeted to increase by 10.5 percent and gas (including oil) by 31.8 percent.

More importantly, the consumption per square foot, which has been adjusted for the addition of new facility space, is increasing at a rate almost

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

Table 33
CSUC Systemwide Utility Usage^a

	<i>Actual</i> 1976-77	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Percent</i> <i>Increase</i> <i>from</i> <i>1977-78</i>
Electricity Usage					
Total Kilowatt consumption (000)	426,604	415,484	457,197	459,160	10.5%
Kilowatts per square foot	17.758	17.140	18.825	18.872	10.1
Gas and Oil Usage					
Total Therm consumption (000)	22,572	22,641	30,403	29,852	31.8%
Therms per square foot940	.934	1.25	1.23	31.3

^a Excludes Chancellor's Office

equal to the total consumption. We are not aware of any justification for an increase in the rate of consumption per square foot. With the increasing emphasis placed on conservation, the consumption per square foot should decline rather than increase. The trend in CSUC appears to be just the opposite.

We recommend a reduction in the utilities budget of \$3,562,175 (\$1,474,-239 for electricity and \$2,087,936 for gas and oil). We believe this reduction is moderate in that it assumes that the consumption per square foot should remain at the 1977-78 level and not decrease further as a result of conservation practices. The recommendation also does not affect rate increases imposed by utility companies (over which CSUC has no control).

In our judgment this area needs special attention by the Chancellor's Office. In mid-December we requested actual data back to 1972-73 to provide a trend analysis of energy consumption. The information was still not available when our analysis was completed. In addition, there were numerous inconsistencies in data between campuses, and a lack of consumption data for the Chancellor's Office itself. The Chancellor's Office should review this matter.

7. OFFICE COPIER SAVINGS

We recommend that Item 359 be reduced by \$320,393 to reflect savings resulting from the office copier acquisition program.

Prior to 1976-77, the state was leasing almost all of its 2,500 office copiers, despite the fact that in practically every instance it was to the state's economic advantage to purchase rather than lease them. To initiate the purchase of office copiers and eliminate continued leasing costs, the Legislature augmented the 1976-77 Budget Bill to establish a \$3 million General Fund loan to General Services. Although this augmentation was reduced to \$1 million by the Governor, it served to revise state policy on copier acquisition—copiers should be purchased rather than leased.

Since 1976-77 CSUC has been implementing this policy. As of January 1979, 455 (84 percent) of their 543 copiers have been purchased. The majority of the remainder are scheduled for purchase in the current year with the program due for completion in 1979-80.

The copier acquisition program was initiated as an economy measure recognizing that: (a) over the average useful life of a copier, the cumula-

tive cost of leasing is more than twice the purchase price and (b) the monthly costs for time purchase payments (under vendor purchase plans) are typically lower than the monthly lease cost.

CSUC conservatively estimates that in 1979-80 it will realize actual savings of \$320,393 as a result of copiers already purchased. This estimate includes an offset for the purchase of additional copiers in 1979-80.

The 1979-80 Governor's Budget has not been adjusted to reflect this savings factor, and we recommend that the \$320,393 be returned to the General Fund. If CSUC has specific needs for the funds, the needs should be identified and justified.

8. EMPLOYEE BENEFITS

Unemployment Compensation

Under provisions of the California Unemployment Insurance Code, CSUC must make unemployment compensation payments to eligible former employees. Table 34 compares the amount budgeted with the actual program cost.

Table 34
Unemployment Compensation

<i>Fiscal Year</i>	<i>Budgeted</i>	<i>Actual Cost</i>	<i>Deficit (-) or Surplus (+)</i>
1973-74	\$750,000	\$619,000	\$+131,000
1974-75	750,000	1,200,000	-450,000
1975-76	825,000	1,802,000	-977,000
1976-77	1,300,000	2,439,000	-1,139,000
1977-78	2,800,000	2,125,000	+675,000
1978-79	3,200,000	—	—
1979-80	3,600,000 (proposed)	—	—

Table 34 indicates that the actual systemwide cost for unemployment compensation increased consistently each year from 1973-74 through 1976-77. During the last three of these years there was also a steadily increasing deficit.

This trend was broken in 1977-78 when systemwide expenditures actually declined from the previous year, leaving a surplus of \$675,000 from the budgeted support level. The reduction in unemployment costs resulted from a decline in both the number of claims paid and the average cost per claim. According to the Chancellor's Office, this is attributable in part to two factors: (a) starting in 1977-78 the federal government absorbed the cost of benefits paid to former CETA participants employed by CSUC, and (b) in Spring 1978, because of reduced unemployment throughout California, the number of weeks of benefit eligibility was reduced from 52 weeks to 26 weeks.

The Governor's Budget proposes \$3.6 million to cover the cost of unemployment compensation, an increase of \$400,000 (12.5 percent) over the amount budgeted for the current year and \$1,475,000 (69 percent) over the actual 1977-78 experience. The cost estimates in the Governor's Budget were made prior to the availability of the final 1977-78 experience. Under normal circumstances, we would recommend a reduction in the

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

1979-80 proposed expenditure. However, due to the projected enrollment decline, and the unidentified Proposition 13 reductions, normal estimating assumptions may not be appropriate. We will review the projections again after the spring enrollment experience and the identification of the proposed systemwide Proposition 13 cost reductions.

9. SPECIAL REPAIRS

We recommend that the Chancellor's Office develop a systematic preventive maintenance proposal for submission to the Department of Finance and the Joint Legislative Budget Committee by September 15, 1979.

The Governor's Budget proposes \$500,000 for special repairs in 1979-80. This is an increase of \$250,000 (100 percent) over the current year funding level but \$2,125,000 under the amount requested by CSUC. We recommend approval of the request.

The \$2.6 million Trustee's request is a summary of numerous campus proposals for maintenance and repair projects. However, the Chancellor's Office indicates that because of the "reduced amount" proposed in the Governor's Budget, the \$500,000 will not be allocated to campuses for these projects but rather applied only in emergency situations.

We acknowledge the necessity to protect the substantial public investment represented by the existing CSUC facilities. However, we believe this should be accomplished within the context of a systemwide policy of preventive maintenance. CSUC has no such policy. Accordingly, campus physical plant managers are forced to repair facilities as emergencies occur rather than anticipate them through a systematic preventive maintenance program. We recognize that if such a program were established, additional General Fund support may be required. However, this cost could be anticipated and evaluated if a consistent and systematic preventive maintenance program were implemented. Therefore, we recommend that the Chancellor's Office develop a preventive maintenance proposal and submit it to the Department of Finance and the Joint Legislative Budget Committee by September 15, 1979.

10. PUBLIC SAFETY

We recommend that four public safety positions be eliminated (one Supervising Public Safety officer and three dispatchers) for a General Fund savings of \$62,627.

The 1978 Budget Act provided \$731,498 for an additional 43.0 campus public safety positions (19.0 prevention/investigation officers, 18.0 dispatchers and 6.0 peace officers.) This action provided partial implementation of a five phase public safety proposal recommended by CSUC. The 1979-80 Governor's Budget continues the phase-in of the CSUC proposal by providing \$637,686 for an additional 35.0 positions, divided between dispatchers (18.0 positions) and prevention/investigation officers (17.0 positions). With the addition of these positions, the Chancellor's Office estimates the total public safety staffing at 357 positions and a total budget of approximately \$12 million.

In reviewing the proposal, we discovered that the Governor's Budget apparently does not take into account an offset of positions that are avail-

able for reallocation from the California Law Enforcement Telecommunication System (CLETS) center at Pomona. CLETS is a highspeed message switching system for the sharing of law enforcement information between the California Department of Justice and local law enforcement agencies.

For the past two years Pomona has served as the regional center for the CSUC CLETS system and as such has had a special allocation of six positions (five dispatcher positions and one supervising Public Safety Officer position). Over that same period, CSUC has gradually been installing CLETS terminals on individual campuses, and it estimates that the phase-in will be completed during the current year. Consequently, the special allowance for Pomona is no longer necessary and the surplus positions can be reallocated within the system. This will result in a reduction of four positions for a General Fund savings of \$62,627. (Two dispatch positions will remain for the Pomona dispatch function.)

11. SALARY SAVINGS

In theory, each agency could receive full support for every budgeted position. In practice, this is not necessary or appropriate. Because 100 percent of all positions are not filled 100 percent of the time, an adjustment factor for "salary savings" is subtracted out of the budgets by the Department of Finance before the final recommended appropriation is determined. Salary savings occurs due to vacancies in positions, delays in filling authorized positions and employee turnover (where an employee leaves and is replaced by another employee at a lower salary).

Since 1971-72, the amount of salary savings subtracted from the CSUC budget has been based on 2 percent of gross salaries and wages for faculty positions and 4 percent for nonfaculty positions. In the current year, the Chancellor's Office chose to meet the Section 27.2 mandated reduction by increasing the system's salary savings by an additional one percent for each category. We understand that this was a one time adjustment for 1978-79 only and that implementation of the Section 27.2 reductions in the budget year will not be done in this manner.

Lack of Data

We recommend that the proposed augmentation for a revision in the salary savings requirement be eliminated for a General Fund savings of \$6,046,079.

The Governor's Budget proposes an augmentation of \$6,046,079 to reduce the required salary savings amount for 1979-80 from \$19.6 million to \$13.6 million. In effect, this reduces the salary savings requirement for faculty and nonfaculty positions to 1.1 percent and 3.1 percent respectively. We have reviewed the proposal, and do not believe that existing data supports a revision in the salary savings requirement.

CSUC maintains that the adjustment is necessary due to a change in enrollment patterns. According to the Chancellor's Office, the existing rates were established during a period of escalating enrollment, which annually generated many new positions. The consequent recruiting delays made salary savings achievable. As the enrollment trend flattened out, so did the faculty and staff turnover rate, thereby making the salary savings "target" more difficult to attain.

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

To provide some perspective, we have summarized the enrollment experience since 1971-72 in Table 35. Fiscal Year 1971-72 was selected as the base year because that was the last year for which the salary savings requirement was revised from 2.5 to 2.0 percent for faculty positions.

As Table 35 indicates, CSUC is correct in asserting that the enrollment trend (both actual and budgeted) has flattened out. Table 35 also shows that this is not a recent phenomenon but has been the case for the past six years during which time CSUC has had the same 2 percent and 4 percent salary savings requirement. In each of these years, CSUC has exceeded the salary savings requirement. For example, in 1976-77 the campuses were budgeted to make salary savings of \$13.9 million and actually achieved \$16.0 million an excess of 14.9 percent. In 1977-78, the campuses were budgeted at \$15.1 million and actually achieved \$17.3 million, an excess of 14.1 percent.

CSUC maintains that these comparisons do not accurately portray the salary savings experience because campuses intentionally hold positions open to ensure that they achieve their salary savings target. Accordingly, we requested the Chancellor's Office to provide us with the detailed information on actual turnover, vacancies and positions withheld to justify a reduction in the salary savings requirement. The Chancellor's Office indicated that such data were not available because existing recordkeeping requirements do not include the sources from which salary savings are generated. Without such information any analysis is hypothetical. Consequently, we can not support the proposed salary savings revision and recommend that the \$6,046,079 augmentation be deleted.

Alternative Proposal

CSUC had requested a full one percent reduction in the salary savings rates for faculty and nonfaculty for a total cost of \$10.3 million. The Department of Finance agreed to \$6 million or 0.9 percent. Because neither CSUC nor the Department of Finance has supporting data to justify the revision in the salary savings requirement, the only other basis for the \$6 million augmentation would be as an offset to the proposed 1979-80 Proposition 13 reductions. However, the detailed impact of these reductions has not been identified for either the current year or the budget year and therefore the actual effect on the program cannot be evaluated.

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 36 shows the estimated expenditures for 1979-80.

Table 35
CSUC Enrollment Trends

	<i>1971-72</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>Est.</i> <i>1978-79</i>
Actual Enrollment (FTE).....	211,365	220,579	224,460	227,328	236,067	231,064	234,089	229,958
Percent Change.....	—	+4.4%	+1.8%	+1.3%	+3.8%	-2.1%	+1.3%	-1.8%
Budgeted Enrollment (FTE)	221,020	228,170	233,290	231,295	230,005	239,410	236,370	237,080
Percent Change.....	—	+3.2%	+2.2%	-0.9%	-0.5%	+4.1%	-1.3%	+0.3%

CALIFORNIA STATE UNIVERSITY AND COLLEGES — Continued

Table 36
Program VII
Independent Operations Expenditures

	<i>Personnel</i>			<i>Expenditure</i>			<i>Change</i>	
	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>Amount</i>	<i>Percent</i>
Program Elements								
1. Institutional operations.....	719.9	722	792.4	\$18,650,346	\$17,107,508	\$19,078,923	\$1,971,415	11.5%
2. Outside agencies	958.6	736.9	860.9	57,383,999	51,505,415	54,881,254	3,375,839	6.5
Continuing Program	1,678.5	1,458.9	1,653.3	\$76,034,345	\$68,612,923	\$73,960,177	\$5,347,254	7.8%
<i>General Fund</i>	—	—	—	\$—565,819	—	—	—	—
<i>Reimbursements—other</i>	1,668.9	1,454.1	1,649.6	34,689,799	\$25,868,880	\$31,079,154	\$5,210,274	20.1%
<i>Reimbursements—federal</i>	—	—	—	957,581	—	—	—	—
<i>Parking Account, Dormitory Revenue Fund</i>	7.4	4.8	3.7	170,398	258,043	255,023	33,020	-12.8
<i>Foundations—federal</i>	—	—	—	26,182,000	27,360,000	27,360,000	—	—
<i>Foundations—other</i>	—	—	—	12,053,000	12,596,000	12,596,000	—	—
<i>Auxiliary organizations—other</i>	—	—	—	2,387,000	2,530,000	2,700,000	170,000	6.7
<i>Continuing Education Revenue Fund</i>	2.2	—	—	160,386	—	—	—	—

CALIFORNIA MARITIME ACADEMY

Item 361 from the General
Fund

Budget p. 1022

Requested 1979-80	\$2,341,156
Estimated 1978-79.....	2,236,679
Actual 1977-78	2,187,100
Requested increase \$104,477 (4.7 percent)	
Total recommended reduction	None

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 four-year academic program includes three 10-week sea-training periods, a two-week internship and a final seminar to prepare for license board examinations. Students major in either Marine Engineering Technology or Nautical Industrial Technology.

Sea-training periods are conducted each year aboard a merchant-type ship loaned to California by the Federal Maritime Administration (MARAD). Upon successful completion of the entire program, students 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 for four-year terms. Two members are educators, three represent the public and two represent the maritime industry. The board sets admission standards and appoints a superintendent, who is the chief administrative officer of the academy.

CALIFORNIA MARITIME ACADEMY—Continued**ANALYSIS AND RECOMMENDATIONS**

We recommend approval.

Table 1 presents a summary of expenditure and funding sources for the Academy.

Table 1
Maritime Academy Budget Summary

<i>Programs</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>Amount</i>	<i>Percent</i>
1. Instruction.....	\$898,241	\$944,312	\$1,055,327	\$111,015	11.7%
2. Academic support.....	514,716	533,729	553,875	20,146	3.8
3. Student services.....	1,169,274	1,209,294	1,303,671	94,377	7.8
4. Institutional support.....	1,254,833	1,382,763	1,252,944	-129,819	-9.4
TOTALS.....	\$3,837,064	\$4,070,098	\$4,165,817	\$95,719	2.3%
General Fund.....	\$2,187,100	\$2,236,679	\$2,341,156	\$104,477	4.7%
Reimbursements.....	977,275	1,326,267	1,306,982	-19,285	-1.4
Federal funds.....	672,689	507,152	517,679	10,527	2.1

As shown in Table 1, an 11.7 percent increase is budgeted for the Instruction element due to an expansion of the adult education program. Fees charged to adult students will offset all costs of this expansion. The 7.8 percent increase in student services is the result of increased food costs for the residential program. The General Fund support is \$104,477, or 4.7 percent more than is estimated to be expended during the current year. The increase is warranted in light of the higher costs being incurred by the Academy.

Student Fees

The Academy enrolls an average of 456 full-time students, 10 percent of whom are out-of-state or from the Trust territories. Table 2 presents a summary of annual fees charged to these students.

Table 2
California Maritime Academy
Annual Student Fees

<i>Tuition</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>Amount</i>	<i>Percent</i>
In-state.....	\$405	\$405	\$525	\$120	29.6%
Out-of-state.....	(903)	(930)	(1,110)	(180)	(19.3)
Fees					
Room.....	450	675	705	30	4.4
Board.....	1,200	1,245	1,395	150	12.0
Medical.....	75	90	96	6	6.7
Activity.....	40	40	40	-	-
Athletic.....	-	30	30	-	-
Linen, insurance, cruise.....	75	75	75	-	-
	\$2,245	\$2,560	\$2,866	\$306	11.9%

As Table 2 shows, there will be a substantial increase (\$306) in total fees charged to in-state students beginning in 1979-80. This includes a 29.6 percent increase in tuition, and a 12 percent increase in room charges. To

assist cadets in meeting higher tuition costs, the federal Maritime Administration increased its cadet subsidy in the current year from \$600 per year to \$1,200 per year. This subsidy increase of \$600 per year offsets a \$621 increase in tuition and fees from 1977-78 to 1979-80.

BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES

Items 362, 364-366 from the
General Fund and Item 363
from the Community Colleges
Credentials Fund

Budget p. 1027

Requested 1979-80	\$592,363,760
Estimated 1978-79.....	557,182,280
Actual 1977-78	489,373,846
Requested increase \$35,181,480 (6.3 percent)	
Total recommended reduction	\$1,248,074

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
362	Board of Governors Support	General	\$2,800,874
364	Local District Apportionments	General	567,380,794
365	Extended Opportunity Program	General	20,472,092
366	Special Appropriation (Chapter 714, Statutes of 1977)	General	1,710,000
	Total, General Fund		\$592,363,760
363	Community Colleges Credentials	Community Colleges Credentials	\$411,181

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Transfer students. Recommend Chancellor's Office prepare study on the number and progress of CCC transfer students. 1168
2. *Innovative Program. Reduce Item 366 by \$955,000.* Recommend deletion of funds for unutilized loan program. 1170
3. *Administration of Innovative Program. Reduce Item 362 by \$93,074.* Recommend reduction of professional staff from three positions to one position. 1171
4. EOPS formula. Recommend revision of EOPS distribution formula so that funds are distributed on the basis of students served. 1172
5. *School facilities staff. Reduce Item 362 by \$200,000.* Recommend reduction of staff in school facilities unit by four professional positions. 1173
6. Support Appropriation. Recommend annual budget bill support for community colleges rather than statutory apportionment. 1179

CALIFORNIA COMMUNITY COLLEGES—Continued**GENERAL PROGRAM STATEMENT**

The Board of Governors of the California Community Colleges, composed of 15 members appointed by the Governor for four-year terms, was created by Chapter 1549, Statutes of 1967.

The board serves primarily as a planning, coordinating, reporting, advising and regulating agency. It directly administers a credentialing program, the state-funded Extended Opportunity Programs and Services (EOPS), certain aspects of federally funded occupational programs, and state apportionments to the 70 local community college districts. 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.

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.

ANALYSIS AND RECOMMENDATIONS**Overview**

Table 1 presents total expenditures, funding sources, and proposed changes for all programs administered by the Board.

Table 1
Board of Governor's Support
and Funding Sources

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Administration	\$762,887	\$924,510	\$1,028,233	\$103,723	11.2%
2. Categorical Programs ..	17,733,578	22,678,393	25,454,660	2,776,267	12.2
3. Apportionments	472,907,097	535,264,900	567,380,794 ^a	32,115,894	6.0
Total	\$491,403,562	\$558,867,803	\$593,863,687	\$34,995,884	6.3%
Reimbursements.....	-1,499,777	-1,062,696	-982,410	-80,286	-7.8
Net Total	\$489,903,785	\$557,805,107	\$592,881,277	\$35,076,170	6.3%
General Fund	\$489,373,846	\$557,182,280	\$592,363,760	\$35,181,480	6.3%
Credentials Fund	389,242	522,827	411,181	-111,646	-21.4
Instructional Improve- ment.....	-6,336	—	6,336	+6,336	10
Transfer for Instruc- tional Improvement.....	(50,000)	(2,000,000)	(1,800,000)	-200,000	-10.0%
Real Estate Endow- ment.....	147,033	100,000	100,000	—	—
Personnel	140.8	131.3	122	-9.2	-7%

^a Does not include \$260 million in proposed 1979-80 local fiscal relief or state property tax subventions.

The Governor's Budget proposes a General Fund increase of \$35.2 million, or 6.3 percent, over estimated expenditures in the current year. This

is primarily due to a \$32.1 million increase (6.0 percent) in apportionments and a \$2.8 million increase (12.2 percent) for categorical programs.

The administration budget shows a \$103,723 or 11.2 percent increase in the budget year due to a variety of minor increases, including one specialist position to coordinate bilingual programs, one data processing technician in the analytical studies unit, and \$18,000 for \$50 stipends to members of the board in accordance with Chapter 94, Statutes of 1978.

Table 1 does not include several other important sources of revenue for the community colleges. Table 2 shows total support for the system from all sources.

Table 2
Summary of Total Support for
Community Colleges
(millions)

<i>Source</i>	<i>Actual 1977-78</i>	<i>Estimated 1978-79</i>	<i>Proposed 1979-80</i>	<i>% of 1979-80 Total</i>
Federal	\$90.0	\$95.0	\$95.0	7.2%
State				
Administration and Special Programs	18.5	23.6	26.4	
Apportionments	472.9	535.3	567.4	
SB 154	—	260.0	260.0 ^a	
Tax Relief Subventions	78.1	42.4	46.6	
Subtotal (state)	\$569.5	\$861.3	\$900.4	68.8
Local				
Property Tax (not including tax relief subvention) ..	667.2	284.9	313.4	
Reserves	—	20.6	—	
Subtotal (local)	\$667.2	\$315.5	\$313.4	24.0
Total	\$1,326.7	\$1,271.8	\$1,308.8	100%

^a Proposed in Local Government Fiscal Relief Section of 1979-80 Governor's Budget.

Total support in 1979-80 will be approximately \$1.3 billion, a 3-percent increase over total support in the current year. Of this total, the state will provide 69 percent (if property tax subventions are included). Local revenue sources will provide only 24 percent of the total, primarily due to the property tax limitations imposed by Proposition 13. Prior to Proposition 13's passage, local support provided more than 50 percent of the total budget.

It is important to note that the 1979-80 state support level for community colleges of approximately \$900 million exceeds the state's support to either UC (\$797.1 million) or CSUC (\$714.3 million).

Enrollment

Community colleges traditionally enroll large numbers of part-time students. In Fall 1976, slightly over 1 million people were enrolled, of which only 327,289 were full-time students. Because of this mix of full-time and part-time students and the traditional funding system of community colleges, average daily attendance (ADA) is utilized as a basis for providing state support (rather than full-time equivalent students which are used in UC and CSUC). ADA for the past, current and budget year is:

CALIFORNIA COMMUNITY COLLEGES—Continued

1977-78—718,303

1978-79—678,200 and

1979-80—678,200.

The decline in the current year was caused by colleges controlling their enrollments in response to revenue decreases. Reductions occurred primarily in summer session programs.

Disabled Students

The 1979-80 CCC budget proposes an expenditure of \$9.2 million from the General Fund for services to disabled students and employees. This is an increase of \$500,000 over 1978-79 but is less than the \$15 million proposal submitted by the Board of Governors.

At the beginning of the postsecondary section of the Analysis, we discuss the complex problems associated with serving the disabled, and recommend that a plan for addressing these problems be submitted by the administration by April 15, 1979 (see page 1006).

CCC Transfer Students

We recommend that the Chancellor's Office of the California Community Colleges (CCC), in cooperation with the University of California (UC) and the California State University and Colleges (CSUC), be directed to identify (1) the number of eligible transfer students in the CCC system, (2) the number who actually transfer, and (3) their subsequent progress in the UC and CSUC systems in comparison to regular students.

A review of the 1960 Master Plan for Higher Education shows that community colleges (then junior colleges) were conceived primarily as lower division institutions to be used as an open door access point to upper division work at four-year institutions. Little reference was made to their function in community service, noncredit courses, skill training or terminal training programs.

Our review of community college enrollment shows that as few as one third of the students actually are transfer eligible and that only a limited number of these students actually transfer to four-year institutions. In addition, data from a recent CPEC report on access reflects that perhaps only 40,000 students transferred in Fall 1977 into UC or CSUC from California community colleges.

We believe that formal analysis of the actual transfer rate is needed particularly in light of the facts that (1) 77 percent of high school graduates who enroll in public institutions as freshmen are in the community colleges, (2) the state General Fund will now be providing 70 percent of the revenues to community colleges, thereby making it even more important that the Legislature have information on the output of the system that can be used in determining proper funding levels, and (3) the potential for better access of minority students to UC and CSUC depends extensively on outreach to the community colleges.

A formal study by the Chancellor's Office should (1) determine rates of transfer, by district, (2) analyze the appropriateness of these rates and (3) identify actions necessary to improve transfer rates if they appear to be below potential. In addition, a review of performance would be appropriate.

Performance

One of the basic premises of the higher education system in California is that community college students can transfer freely to upper division programs at UC or CSUC if they meet the admission requirements. Presumably the lower division training provided at the 106 local community colleges is of comparable quality to instruction in lower division courses at UC or CSUC. While the number of students who actually transfer to UC or CSUC colleges deserves to be studied as mentioned above, the actual upper division performance of these students also deserves more formal review.

We asked UC for information on the performance of transfer students, and they responded as follows:

"Some departments on some campuses have done comparative studies, but the University has no systemwide or total campus data comparing transfer students with on-going students. It is our impression, however, (not based on any data) that Community College transfer students tend to do less well than continuing students during the first one or two quarters after they transfer to the university. Once they become adjusted to the new educational environment, we suspect they do about as well as other students."

CSUC's informal response was much the same as UC's.

We believe that the study suggested above should also include a formal analysis of student performance after transferring from community colleges to one of the other two segments. This study is necessary to determine if one of the basic assumptions of the system—that the community colleges provide adequate training to students to allow them to complete an educational program successfully at a four-year institution—is accurate. Community college transfer students would be compared with students who had spent their first two years in UC or CSUC.

I. CATEGORICAL PROGRAMS**1. INSTRUCTIONAL IMPROVEMENT**

Chapter 714, Statutes of 1977 (AB 1173), established the Community College Fund for Instructional Improvement to promote alternative education and innovative teaching in the community colleges. The program consists of a direct grant and a loan element, both of which became operational in the current year (1979-80).

According to regulations adopted by the Board of Governors, a special advisory council has been appointed to review, rank, and approve applications for both the grant and loan elements. For the 1979-80 fiscal year, the council approved 105 grants out of 350 applications. Most grant awards were for less than 75 percent of the total budget requested, and all included an "in-kind" contribution by the district of at least 10 percent of the budget.

Program evaluation consists of a mid-year assessment based on an on-site review by staff members, and a year-end report. Results of these reports will be summarized and disseminated in October of each year.

CALIFORNIA COMMUNITY COLLEGES—Continued

Support for the program is provided by an initial appropriation of \$244,000 from the General Fund, plus an annual transfer from community college apportionments of (1) \$800,000 for direct grants, and (2) up to \$1,000,000 for loans, provided that not more than \$3,000,000 in loans will be outstanding at any one time. Administrative expenditures are limited to 5 percent of the Fund.

Table 3 presents funding and expenditures for the program since its inception.

Table 3
Funding and Expenditures for
Instructional Improvement

	<i>Actual</i> <i>1977-78</i>	<i>Estimated</i> <i>1978-79</i>	<i>Proposed</i> <i>1979-80</i>
Administration			
Chapter 714.....	\$43,664	\$100,000	\$90,000
CCC Staff.....	—	37,550	48,074
Local Assistance			
Grants.....	—	950,000	755,000
Loans.....	—	950,000	955,000
TOTAL.....	\$43,664	\$2,037,550	\$1,848,074
General Fund.....	—	37,550	48,074
Chapter 714.....	43,664	200,000	—
Apportionments.....	—	1,800,000	1,800,000

Loan Program

We recommend deletion of \$955,000 proposed for the Instructional Improvement program, for a General Fund savings of \$955,000.

The Instructional Improvement program consists of two elements—a direct grant and a loan program. In the first year of operation, the grant program received applications requesting almost six times the available funds. However, the loan program has been nearly inactive because community colleges are unwilling to borrow funds for special projects when faced with budget uncertainties. For 1978-79, it appears that less than \$100,000 in loans will be distributed, leaving a fund balance of \$851,421. The Governor's Budget proposes that an additional \$955,000 be provided to the loan fund. In view of the lack of interest in loans, we recommend that this amount be deleted from the budget (Item 366).

We propose that the funds be returned to the General Fund, rather than placed in either regular apportionments or innovative grants. Although funds appropriated for Innovative Programs were once subtracted from apportionments, this procedure has been discontinued under the block grant formula used to determine the 1979-80 apportionment level. Support for the budget year, therefore, comes directly from the General Fund with no offset in the apportionment level.

We do not recommend transferring loan funds to the grant program because (1) enabling legislation limits the funding level for grants and (2) the grant program has not been adequately evaluated to justify expansion.

Program Staffing

We recommend that the professional staff for the Innovative Program be reduced from three positions to one for a General Fund savings of \$93,074 per year.

The Innovative Program is administered by a staff of three professionals within the Chancellor's Office. This staff is required to provide staff support to the Advisory Council, review grant projects, prepare a year-end report, and organize two statewide conferences. Two staff members are supported by funds transferred from CCC apportionments and one is funded from the Chancellor's Office budget. When clerical staff and operating expenses are included, the cost of administering the innovative program is \$137,550 in 1978-79, or 6.7 percent of the program. If the unutilized loan portion of the program is deleted (\$955,000), then administration will increase to 12.6 percent of local assistance. Table 4 compares the staffing pattern for the innovative program with staffing patterns in other education programs.

Table 4
Comparison of Staff in Selected
Education Programs 1978-79

<i>Program</i>	<i>Segment</i>	<i>Total Allocation</i>	<i>Number of Consultants</i>	<i>Amount per consultant</i>
Innovative Programs	CCC	\$1.0 million	3	\$333,000
Innovative Programs	CSUC	1.4	2	700,000
Bilingual Teacher	K-12	1.5	1	1,500,000
Bilingual-bicultural	K-12	25.9	11	2,400,000
EOPS	CCC	16.1	4.5	3,600,000
Mentally Gifted	K-12	12.5	2	6,200,000

This table clearly shows that a community college consultant for the Innovative Program is responsible for a relatively small amount of grant funds. This would still be true even if the loan program were activated. While the initial year of operation of this program may have justified a relatively high level of administrative staffing, we do not believe such a level will be needed or is justified in the budget year. We therefore recommend that staff be reduced from three to one professional position. This would require a reduction in the Chancellor's Office Budget (Item 362) for a General Fund savings of approximately \$93,074.

2. EXTENDED OPPORTUNITY PROGRAMS AND SERVICES (EOPS)

EOPS provides small financial grants, as well as tutoring and counseling services, to disadvantaged students in community colleges. State support is split evenly between grants and services. Since its inception in 1969, EOPS has grown from a \$2.9 million program serving 13,950 students to a \$17.4 million program in 1978-79, serving 57,392 students.

The Governor's Budget proposes to increase the EOPS budget by \$3 million—\$900,000 for inflation and \$2.1 million for services to 7,000 second-year students that were admitted to the program during the current year as a result of budget augmentations in 1978-79. Table 5 presents a summary of program costs and characteristics over a three-year period.

CALIFORNIA COMMUNITY COLLEGES—Continued

Table 5
Funding and Characteristics of EOPS

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Total Students	48,679	57,392	64,391	6,999	12.2%
Total Support	\$13,983,157	\$17,389,919	\$20,472,092	\$3,082,173	17.7
Average Expenditures	287	303	318	15	5.0
Program Element:					
1. Administration	1,258,484	1,388,920	1,562,642	173,722	12.5
2. Grants	6,390,303	7,912,449	9,297,300	1,384,851	17.5
3. Services	6,250,471	7,738,550	9,221,489	1,482,939	19.2
4. Special Projects	83,899	350,000	390,661	40,661	11.6
TOTAL	\$13,983,157	\$17,389,919	\$20,472,092	\$3,082,173	17.7%

EOPS Formula

We recommend the Chancellor's Office be directed to (1) revise the current EOPS allocation formula so that 50 percent or more of state support is distributed on a basis of the number of students actually served and (2) phase-in the new formula over a two year period beginning in 1979-80.

The current EOPS allocation formula contained in state regulations distributes state support as follows:

(1) 65 percent on the basis of need—including (a) documented need, (b) potential need, (c) ethnic enrollment on the campus and in K-12 feeder schools, and (d) unemployment;

(2) 30 percent on the basis of program evaluation, including administrative effectiveness, support services and student performance, and

(3) 5 percent on the basis of the quality of the annual proposal.

These factors give little weight to the *actual* number of students served. As a result, large disparities now exist between districts in state support per student. The difference depends on what proportion of the total eligible population a given college decides to serve and the type of service provided (grant, counseling, tutoring). In general, the higher the average grant awarded by the college, the costlier the program and consequently fewer students are served. Table 6 presents service and expenditure data for EOPS programs at selected colleges, arranged in order of state support per student.

Table 6
EOPS Expenditures and
Service Levels
1977-78

<i>Community College</i>	<i>Identified</i> <i>Eligible</i> <i>Students</i>	<i>Students</i> <i>Actually</i> <i>Served</i>	<i>Percent</i> <i>Served</i>	<i>State</i> <i>Support</i> <i>per Student</i>
San Francisco	5,375	1,475	27.4%	\$1,050
Reedley	368	301	81.7	431
Sacramento	4,088	1,850	45.2	246
Santa Barbara	666	406	60.9	200
Allan Hancock	400	400	100.0	130
Los Angeles City	5,200	3,500	67.3	113
State Average				222

This table shows that great variation exists between the percent of students served and state per-student expenditures. For example, San Francisco City College serves only 27.4 percent of its total eligible population but expends over \$1,000 of state support on each participating student. Los Angeles City College serves 67.3 percent of the eligible population using a state support level below the state average of \$222 per student.

These data reveal the range of service levels and state per-student expenditures in 1977-78. The data suggest that the current formula may not encourage districts to meet the original intent of the program—to “stimulate” the development of programs for disadvantaged students. They also suggest that certain districts may not be in compliance with the legislative directive that funds must be used for services “over, above and in addition to” regular services. In any case, some colleges serve a smaller proportion of eligible students than might be expected from the level of state support they receive.

For this reason, we recommend that the present state formula be amended so that at least 50 percent of the funds are distributed on the basis of actual students served. This change would create an incentive for increasing service levels. It may be necessary to put limits on program growth within each college in order to prevent undue hardship on any single district. We recommend that this formula be phased in over a two-year period.

3. SCHOOL FACILITIES

We recommend that the facilities planning unit staff be reduced from 6 to 2 professional positions (plus related clerical staff) for a General Fund savings of \$200,000.

The facilities planning unit is responsible for reviewing all community college construction for compliance with state construction and education standards. Colleges are charged a fee based on the total estimated cost of the project. This unit also maintains a five-year capital outlay plan and a facility inventory for all community colleges.

Table 7 compares staffing and expenditures of the unit with recent trends in community college construction.

Table 7
Expenditures and Workload of School Facilities Unit

	Actual 1977-78	Estimated 1978-79	Proposed 1979-80	Change	
				Amount	Percent
State unit funding					
General Fund.....	\$272,021	\$331,638	\$237,448	\$-94,190	-24.3%
Fees.....	187,847	55,031	55,031	0	0
Totals	\$459,868	\$386,669	\$292,479	\$-94,190	-24.3%
Staff (professional)	7.2	8.0	6.0	-2	25%
Local Capital Outlay Construction.....	\$75.3 million	\$22.2 million	\$8.2 million	\$14 million	63.1
Community college ADA	718,303	678,200	678,200	—	—

As this table shows, statewide construction is expected to decline by \$67.1 million (90 percent) between 1977-78 and 1979-80 for two reasons:

CALIFORNIA COMMUNITY COLLEGES—Continued

(1) Proposition 13 eliminated the possibility of raising local taxes for new construction, and (2) statewide ADA has declined. Over this same period, state staff to review construction projects has declined only 1.2 positions.

Failure to Respond

In light of this precipitous decline in workload, we requested in December 1978 that the Chancellor's Office provide a justification of staff in the school facilities unit. We have not received a reply as of this writing. Therefore, our staffing recommendation must be based primarily on the most obvious measure of workload—statewide construction—which has declined by 70 percent in 1978-79 and 63 percent in 1979-80, for a two-year decline of 89.3 percent. Because it does not appear likely that construction will increase, we recommend that staff be reduced proportionately.

This would result in a decrease in staff from the 1978-79 level of 8 professional positions to 2. As mentioned, two positions have already been eliminated in the 1979-80 Governor's Budget. Thus, an additional reduction of only 4 professional positions (plus clerical staff) would be required. This would result in a General Fund savings of approximately \$200,000. Fees will continue to support one of the two positions.

II. COMMUNITY COLLEGE APPORTIONMENTS**Impact of Proposition 13**

The limitation on property taxes enacted by Proposition 13 has caused major changes to the funding level and support sources of the community college system beginning in the current year (1978-79). Prior to Proposition 13's passage, community colleges received total state and local revenues of \$1,218 million, 61 percent of which came from the local property tax and state property tax subventions (\$78.1 million). Following the passage of Proposition 13, the total apportionment budget was reduced to \$1,145 million, a decrease of \$73.2 million, or 6.0 percent below 1977-78 budget. In addition, the proportion of total support coming from local

Table 8
Apportionment Funding for Community Colleges
Before and After Proposition 13

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Change</i>	
			(millions)	Percent
State				
Apportionments	\$472,907,097	\$537,064,900	\$64.2	13.6%
SB 154	—	260,000,000	260.0	n/a
Local				
Property Tax	745,270,400 ^a	327,300,000 ^a	-417.9	-56.1
Reserves	—	20,607,100	20.6	100.0%
TOTAL	\$1,218,177,497	\$1,144,972,000	\$-73.2	-6%
TOTAL ADA	718,303	678,200	-40,103	-5.6%
Revenues per ADA	\$1,696	\$1,688	\$-8	-.5%

^a Includes property tax relief subventions.

sources declined from 61 percent to 30 percent (including \$42.2 million in state subventions). The state made up most of the difference in the general "bail-out" bill, Chapter 292, Statutes of 1978 (SB 154). Table 8 presents state—local apportionment funding levels for these transition years, not including federal support, state support for categorical programs, or capital outlay.

As the table shows, the loss of \$417.9 million in local property taxes in 1978-79 was substantially offset by (1) an increase in regular apportionments of \$64.2 million, (2) a special SB 154 "bail-out" appropriation of \$260 million, and (3) the requirement that colleges, in order to qualify for the bail-out money, spend a certain portion of unrestricted reserves which amounted to \$20.6 million.

The total of these three amounts actually brought total system revenues to a level above the original amount provided by the Legislature. This is because local property tax revenues are now estimated to be \$327.3 million in 1978-79, rather than the \$273 million estimated originally. Unlike the situation with K-12 districts, the unanticipated increase in property tax revenues did not reduce the amount of state aid provided to community colleges.

As a result of these factors, community colleges were funded at 94 percent of their 1977-78 budget. A concurrent decline in ADA, however, maintained the per unit support at approximately the 1977-78 level.

Distribution of the Surplus

SB 154 allocated the special \$260 million appropriation on the basis of a "target" budget developed by each district. This budget consisted of all state and local revenues received the previous year (1977-78), increased by 6.8 percent. Each district was to receive a minimum of 85 percent of their target budget. This was the lowest level of support anticipated by the Legislature. In fact, property tax revenues were expected to increase enough to raise this level to nearly 90 percent of the target budget.

Because the higher spending districts lost the greatest proportion of local support with the passage of Proposition 13, they received the largest portion of the surplus. Table 9 compares the amount of surplus distributed to districts with expenditures per student above and below the statewide average.

Table 9
Allocation of \$260 Million Surplus to Community Colleges

<i>Relation to State Average Expenditure Per ADA (\$1,540)</i>	<i>No. of Districts</i>	<i>Total ADA 1977-78</i>	<i>Total Surplus Allocation</i>	<i>Allocation Per ADA</i>
Districts above \$1,540	32	285,934	\$160.5 million	\$561.32
Districts below \$1,540	38	446,335	99.5 million	222.93
	70	732,269	\$260.0 million	

This table shows that districts with expenditures per ADA above the state average received about 2.5 times as much support per ADA as those below. This, of course, works in the opposite direction from the state apportionment formulas which rely on "equalizing" mechanisms.

CALIFORNIA COMMUNITY COLLEGES—Continued

Future Funding Levels

Prior to the passage of Proposition 13, Chapter 323, Statutes of 1976 (SB 1641), governed the funding level and allocation of state support for the community colleges. Support levels were based on the previous year's allocation, plus an amount for inflation and enrollment growth adjusted to reflect district wealth. SB 154 waived the provisions of this law for the current year, and substituted a block grant based on 1977-78 attendance levels. It is not clear what formula will be used for the budget year. Chapter 323 is no longer appropriate.

In anticipation of this, the Chancellor appointed a finance task force to advise on a comprehensive funding plan. This task force has recently recommended that a short-term solution be adopted for 1979-80, and it is currently working on a long-term funding model for 1980-81 and the years thereafter. We agree that the problem should be dealt with in two phases: (1) a short-term solution that provides colleges with an indication of the support levels they can expect for 1979-80 (prior to the March 15 deadline for dismissing certificated personnel, if possible), and (2) a long-term solution which repeals existing statutory formulas and provides state support through the annual budget process.

Short-term Funding Level

The 1979-80 proposed support levels requested by the Governor's Budget and the Board of Governors are presented in Table 10.

Table 10
Alternative Funding Levels for
Community Colleges
1979-80

	Estimated 1978-79	1979-80	
		Governor's Budget	Board of Governors Proposal
State			
Apportionments	\$537,064,900	\$567,380,794	\$567,380,794
Surplus	260,000,000	260,000,000 ^a	401,619,206
Subtotal	\$797,064,900	\$760,380,794	\$969,000,000
Local			
Property tax	327,300,000 ^b	360,000,000 ^b	354,000,000 ^b
Reserves	20,607,100	-	-
Total	\$1,144,972,000	\$1,187,380,794	\$1,323,000,000
Change from 1978-79			
Amount (millions)	-	\$42.4	\$178.0
Percent	-	4%	16%
Revenue per ADA	\$1,688	\$1,751	\$1,951
Percent	-	3.7%	15.5%

^a Proposed in Local Government Relief Section of 1979-80 Governor's Budget.

^b Includes property tax relief subventions.

Explanation

Governor's Budget: As the table shows, the Governor's Budget proposes to increase apportionments by 6 percent, to \$567.4 million. We assume that these funds will be distributed according to the existing allocation formula in Chapter 323, Statutes of 1976 (SB 1641). In addition, the Local Governmental Fiscal Relief section of the Governor's Budget anticipates that \$260 million will again be appropriated to community colleges by a special bill, for a total support level of \$1.2 billion. This represents an increase of 4 percent over 1978-79.

Board of Governor's Proposal: The total proposed support level of \$1.3 billion is \$178.1 million, or 16 percent, higher than support in 1978-79, and would require that \$402 million be allocated from the surplus as part of the fiscal relief program. This augmentation includes price increases in non-salary items (2 percent), merit salary adjustments (2.5 percent) and a cost-of-living adjustment (6 percent) for 1979-80, *plus* an inflation adjustment for 1978-79 (6 percent).

The Board proposes to allocate funds in the same way as provided for in the current year, using the mechanism in SB 154 modified so that no district reserves are used. The total funding level for each district would be fixed beforehand, so that it would not vary with unanticipated changes in local property values.

Issues**1. Distribution of Funds**

Once the total support level for 1979-80 is determined, there still remains the question of how these funds should be distributed. The Governor's Budget does not propose a new formula, and thus state funds would apparently be provided by the existing allocation formula in SB 1641 and by whatever mechanism is proposed in a "bail-out" bill. The Chancellor's Office proposes that state funds be distributed in 1979-80 according to a modified block grant mechanism similar to SB 154 without regard to ADA.

While the block grant mechanism is obviously the most expedient, it would result in certain funding inequities due to different rates of change in enrollment and assessed valuation within each district. It would also make no adjustment for the wide disparities in expenditures per student. We believe these factors should be included in the distribution formula for the budget year, if at all possible. They should also play a central role included in any long-range solution to the problem of how to distribute state aid.

2. Changes in Enrollment

Both apportionment and surplus funds are being distributed this year (1978-79) on the basis of enrollment and property wealth data reported in 1977-78. If this mechanism is extended into 1979-80, each district would be allocated about the same proportion of funds relative to other districts that it is currently receiving. However, recent data indicate that important enrollment changes have occurred in most districts, although there has been a total statewide decline in ADA of over 10.1 percent, this decline has not affected all districts equally. A few districts have shown enrollment

CALIFORNIA COMMUNITY COLLEGES—Continued

increases of 10 percent, while others have experienced reduced enrollments of up to 25 percent. Therefore, to continue to apportion state funds on the basis of 1977-78 enrollment data would result in significant funding inequities.

3. Changes in Assessed Valuation

Like enrollments, increasing assessed values within community college boundaries have affected individual districts differently. Reports indicate that changes in county assessed valuation in 1978-79 range from small declines to increases of up to 30 percent. Therefore, a formula that used 1977-78 assessed values to apportion funds (such as the one in SB 154) would also create obvious funding inequities.

4. Disparities in Expenditures

Before the passage of Proposition 13, decisions regarding expenditures within each community college district were largely shaped by the local school boards on the basis of district wealth, size, educational philosophy, and the willingness of local voters to approve tax overrides. This has led to marked disparities in expenditures per student, student/teacher ratios, teacher salaries, the size of administrative staff, the expansion of new courses and programs, and the type of school facilities.

Table 11 presents a survey of selected colleges in various size categories to indicate the ranges of expenditures and staffing found in the commu-

Table 11
Expenditures and Staffing of
Selected Community Colleges—1977-78
(Excludes Capital Outlay)

	<i>Total ADA</i>	<i>Expenditure per ADA</i>	<i>Student : Teacher Ratio (FTE)</i>	<i>Student : Administrator Ratio (FTE)</i>	<i>Average Teacher Salary</i>
<i>Rural Colleges</i>					
West Kern	637	\$3,355	26 : 1	58 : 1	\$21,631
West Hills	1,428	2,340	17 : 1	130 : 1	22,623
Mendocino	1,133	2,002	38 : 1	162 : 1	20,850
Lassen	2,231	1,486	25 : 1	186 : 1	22,592
Antelope ^a	3,627	1,249	22 : 1	227 : 1	19,905
<i>Suburban</i>					
San Jose ^a	10,825	1,712	46 : 1	135 : 1	21,997
Sierra ^a	5,581	1,698	45 : 1	429 : 1	20,722
Rio Hondo	8,167	1,456	29 : 1	227 : 1	21,126
Santa Barbara	8,711	1,350	28 : 1	581 : 1	22,617
Santa Monica ^a	11,760	1,228	26 : 1	340 : 1	22,623
<i>Urban</i>					
Los Angeles ^a	73,531	1,784	34 : 1	204 : 1	22,695
North Orange	27,196	1,522	59 : 1	486 : 1	23,763
Coast	31,214	1,518	28 : 1	156 : 1	22,615
San Francisco ^a	29,718	1,462	53 : 1	457 : 1	22,252
San Diego	33,539	1,273	35 : 1	192 : 1	21,696
State average	-	\$1,540	35 : 1	229 : 1	\$21,474

^a Districts which reduced 1978 summer session by 90 percent or more.

nity college system in 1977-78. (It should be noted that Proposition 13 has undoubtedly had an impact on these factors in the current year. For example, the statewide ratio of administrative staff to students has increased by 7 percent, and expenditures per ADA have been artificially increased for districts which elected to reduce or eliminate summer school programs.)

For some of the colleges in this table, the data show a direct relationship between expenditures per ADA and those factors normally associated with unit costs, such as district size, the number of teachers and administrators, and salaries. For example, San Jose shows a high expenditure per ADA and a low student/administrator ratio—that is, a relatively “rich” administrative staff. However, it also shows a fairly high student/teacher ratio, something one might expect would result in a low expenditure per ADA, rather than the \$1,712 reported. San Diego, on the other hand, shows staff ratios near the state average, yet its expenditure per ADA is far below average. These apparent contradictions suggest that caution must be used in interpreting the data. However, certain generalities can be made on the basis of expenditure and staffing data reported by all districts:

1. *District Size.* Diseconomies of scale affect districts of small size, producing high expenditures per ADA, such as in the case of West Kern and West Hills colleges. The converse is also true: nine of the 13 colleges with ADA over 15,000 have expenditures per ADA at or below the state average. Los Angeles is the notable exception, suggesting that very large size may also produce diseconomies.

2. *Faculty and Administrator Ratios.* There is a direct relationship between staffing “richness” and expenditures per ADA. Colleges above the state expenditure average show approximately 11 percent more teachers and 18 percent more administrators (for the same number of students) than colleges below the average.

3. *Teacher Salaries.* The level of teacher salaries does not play an important part in determining variations in expenditure levels. Colleges below the average expenditure per ADA show salaries approximately 3 percent above the average salaries reported by high spending districts. Decisions governing staff size have a much greater impact on budgets than salary determinations. For example, a variation of \$1,000 in the average salaries of 50 teachers could easily be offset by a variation of only two teaching positions.

This discussion indicates that the state is now supporting an unequalized system that provides varying levels of support, and presumably, varying levels of program, to students, depending on their district of residence. As already mentioned, the allocation mechanism of SB 154 perpetuated these disparities in the current year. An equalizing factor is thus of primary importance, if not in the budget year, certainly in any long-term formula enacted by the Legislature.

5. Budget Act Apportionments

We recommend that the annual support for California Community Colleges be provided through the budget bill process, not statutory law.

The funding mechanism used in SB 154 is generally considered a tempo-

CALIFORNIA COMMUNITY COLLEGES—Continued

rary measure until new statutory formulas can be developed and enacted into law. However, we do not believe that a new *statutory* apportionment formula is the most equitable or economical method for providing state funds to community colleges. Continuing to apportion funds by statute tends to isolate the entire community college program from budgetary review by the Legislature. As a result, any in-depth review of community colleges has usually been limited to categorical programs, such as EOPS, which are appropriated each year in the budget act. In addition, apportionment formulas enacted by statute are not easily modified to reflect significant changes in inflation rates, enrollment, community needs or legislative intent.

We believe the Budget Act should be the instrument for providing all state support for community college districts, in lieu of a statutory formula. In proposing this budgetary process, we are agreeing with a recommendation made by the California Postsecondary Education Commission (Report 77-3, June 1977) in a study completed prior to the passage of Proposition 13.

A budgetary appropriation, with an annual review, is all the more reasonable now that the state provides almost 70 percent of total community college support. In addition, the use of a budgetary system would put community colleges on a more equal footing with the two segments of higher education—UC and CSUC. As the CPEC report notes:

“The Department of Finance and the Legislature’s fiscal committees would be able to consider support for postsecondary education as a whole and as part of the state’s entire General Fund budget rather than treating community college support as something apart, more closely related to continuing appropriations for the public schools.”

STUDENT AID COMMISSION

Items 367-371 from the General
Fund

Budget p. 1040

Requested 1979-80	\$78,388,781
Estimated 1978-79	76,571,722
Actual 1977-78	67,674,578
Requested increase \$1,817,059 (2.4 percent)	
Total recommended reduction	None

1979-80 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
367	Commission Administration	General	\$3,165,531
368	Cal Grant Awards	General	71,078,280
369	Other Programs	General	3,528,000
—	Chapter 113, Statutes of 1978	General	(30,781)
	Total—General fund		\$78,388,781
370	Guaranteed Loan Program	Guaranteed Loan	\$51,204
371	Chapter 1201, Statutes of 1977	Guaranteed Loan	586,189
	Total—Guaranteed Loan Fund		\$637,393

GENERAL PROGRAM STATEMENT

The Student Aid Commission, consisting of 12 members, was created by Chapter 1270, Statutes of 1975, to administer various student financial aid programs and to:

- (a) Report on the impact and effectiveness of state-funded programs.
- (b) Collect and disseminate data concerning the financial resources and needs of students and potential students, and the scope and impact of existing state, federal, and institutional student aid programs.
- (c) Report on the aggregate financial need of individuals seeking access to postsecondary education and the degree to which current student aid programs meet this legitimate financial need.
- (d) Develop and report the criteria utilized in distributing available student aid funds.
- (e) Disseminate information about all institutional, state, and federal student aid programs to potential applicants.

ANALYSIS AND RECOMMENDATIONS

Table 1 presents a summary of student aid programs administered by the commission.

Table 1
Summary of Student Aid
Administered by Student Aid Commission

	<i>Actual</i> 1977-78	<i>Estimated</i> 1978-79	<i>Proposed</i> 1979-80	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
I. Cal Grant Program:					
a. Scholarships	\$53,068,428	\$57,026,523	\$58,187,184	\$1,160,661	2.0%
b. College Opportunity Grants	18,213,487	21,050,975	24,383,323	3,332,348	15.8
c. Occupational Education and Training Grants	2,849,169	3,414,508	3,504,139	89,631	2.6
II. Graduate Fellowship Program	2,519,767	2,833,309	2,827,265	-6,044	-0.2
III. Bilingual Teacher Development Grant Program	344,787	360,070	349,250	10,820	3.0
IV. Law Enforcement Personnel Dependent Scholarship Program	17,535	23,062	20,914	-2,148	-9.3
V. Supervised Clinical Training Grant Program	457,211	502,039	502,578	539	0.1
VI. a. Guaranteed Loan Program	58,327	60,382	61,833	1,451	2.4
b. Guaranteed Loan Program, Chapter 1201	50,000	442,834	662,407	219,573	49.5
VII. Student Financial Aid Information Program	81,431	187,176	193,853	6,677	3.5
VIII. Research and Report Program	50,468	136,904	147,139	10,235	7.5
IX. Administration-distributed	(599,965)	(603,185)	(549,100)	-54,085	-9.0
TOTALS, PROGRAMS	\$77,711,610	\$86,037,782	\$90,839,885	\$4,802,103	5.6%
<i>General Fund</i>	<i>\$67,674,578</i>	<i>\$76,571,722</i>	<i>\$78,388,781</i>	<i>\$1,817,059</i>	<i>2.4%</i>
<i>State Guaranteed Loan Reserve Fund</i>	<i>-3,311</i>	<i>-829,311</i>	<i>51,204</i>	<i>920,515</i>	<i>-</i>
<i>Federal funds</i>	<i>10,040,343</i>	<i>10,266,372</i>	<i>12,399,900</i>	<i>2,133,528</i>	<i>20.1</i>
<i>Reimbursements</i>	<i>-</i>	<i>68,999</i>	<i>-</i>	<i>-68,999</i>	<i>-100</i>

Table 1 shows an overall proposed increase in state administered programs of 5.6 percent in 1979-80. Major changes include (1) a 15.8 percent increase in college Opportunity Grants to provide 1,816 new grants in accordance with statute and (2) a 49.5 percent increase in the administra-

STUDENT AID COMMISSION —Continued

tion of the new Guaranteed Loan Program to make the program fully operational. *We recommend approval.*

Total Aid to California Students

Although the Commission administers programs providing \$86 million in student aid, a far greater volume of student aid funds go directly to postsecondary institutions and to students. Table 2 presents total student aid distributed to California students in public and private schools.

Table 2
Total State and Federal Student Aid in California
Estimated 1978-79

	<i>State Funds</i>	<i>Federal Funds</i>	<i>Total</i>
State Administered Programs:			
1. Cal Grants, Graduate, Bilingual, Law (see Table 1)	\$71,485,760	\$10,236,372	\$81,722,132
2. EOP—EOPS	14,844,720	—	14,844,720
Subtotal	\$86,330,480	\$10,236,372	\$96,566,852
Federal Programs:			
1. Basic Educational Opportunity Grant (BEOG)	—	\$184,896,000	\$184,896,000
2. Supplemental Educational Opportunity Grant (SEOG)	—	28,969,000	28,969,000
3. National Direct Student Loan (NDSL)	—	36,474,000	36,474,000
4. College Work Study (CWS)	—	36,754,000	36,754,000
5. Federally Insured-Guaranteed Student Loans (FISL/GSL)	—	79,477,000	79,477,000
Subtotal	\$86,330,480	\$366,570,000	\$366,570,000
TOTAL	\$86,330,480	\$376,806,372	\$463,136,852^a

^a Does not include an estimated \$500 million in veteran and OASDI benefits.

Source: Student Aid Commission

The table shows that public and private students received approximately \$463 million in student aid in 1978-79, of which only 21 percent was directly administered by the Student Aid Commission. The proportion financed with state funds was even less (19 percent).

The total amount of student aid—\$463 million—is more than double the amount received by California students five years ago. In addition, the total in the budget year may be as much as 15 percent greater than the 1978-79 amount as a result of the federal Middle Income Student Aid Act passed in 1978. If funded, this act will increase the maximum allowable family income able to qualify for assistance from \$15,000 to \$25,000, and will increase the amount of basic grant awards. It may also provide California with over \$50 million in new funds. This would nearly double the number of students receiving BEOG assistance in the state.

Student Financial Aid Policy Study Group

As a result of the confusion surrounding policies, administering agencies, and funding of current student aid programs, the Legislature, in supplemental language to the 1978 Budget Act, directed the California Student Aid Commission and the California Postsecondary Education

Commission to appoint a student financial aid policy group to review all aspects of student aid.

The 13 member task force acquired staff and began meeting in Nov. 1978. A report is due no later than December 30, 1979.

POLITICAL REFORM ACT OF 1974

Item 372 from the General
Fund

Budget p. 1057

Requested 1979-80	\$3,134,096
Estimated 1978-79.....	3,187,290
Actual 1977-78	2,572,518
Requested decrease \$53,194 (1.7 percent)	
Total recommended reduction	\$39,237

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Electronic Data Processing System. Reduce by \$39,237.* 1186
Recommend reduction of data processing funds until the commission can better estimate system participants, costs, savings and implementation schedule.

GENERAL PROGRAM STATEMENT

The Political Reform Act of 1974, an omnibus elections measure, includes provisions relating to (1) campaign expenditure reporting and contribution limitations, (2) conflict-of-interest codes and related disclosure statements required of public officials, (3) the state ballot pamphlet, (4) regulation of lobbyist activity, and (5) establishment of the Fair Political Practices Commission (FPPC).

Funds to implement these provisions are budgeted for four state agencies. Support for one of these agencies, the Fair Political Practices Commission, is provided directly by the Political Reform Act of 1974. Funds for the other state agencies and any additional funds for the commission are provided by the Legislature through the normal budget process.

Chapter 1075, Statutes of 1976, requires a separate budget item indicating (1) the amounts to be appropriated to agencies other than the commission, (2) any additional amounts required to be appropriated to the commission, and (3) for information purposes, the continuing appropriation provided the commission by the Political Reform Act of 1974.

The departments which will expend funds in support of the act, the general functions performed by each, and the estimated expenditures during the prior current and budget years are displayed in Table 1. The sub-total represents that amount appropriated through the Budget Act for support of the Political Reform Act. The total represents that amount