

**COMMISSION FOR TEACHER PREPARATION AND LICENSING—Continued**

registration fee. To the extent that the benefits of commission activities accrue to experienced teachers and administrators as well as new ones, these credential-holders could be charged a registration fee at regular intervals.

Each of these alternatives has merit. Our analysis indicates, however, that the current policy of funding CTPL costs from the application fee should be continued. We conclude that teachers have an interest in maintaining the standards of their profession and are the primary beneficiaries of the CTPL's regulatory program. It is therefore reasonable to rely on credential fees to support this activity. Moreover, most of the CTPL activities primarily benefit *new* credential holders (credential processing, program approval and evaluation, development of new credential standards and programs).

**FBI Fingerprint Clearance Fee**

As part of the credential application process, the commission submits fingerprint cards to the Department of Justice for investigation and clearance. The Department of Justice then submits the fingerprints to the FBI for investigation on a nationwide level. In the past, the federal government has processed these fingerprints at no charge to the state. On October 1, 1981, however, the FBI put into effect a one-year moratorium on fingerprint processing, and the CTPL anticipates that when this service is resumed, a \$12 processing charge will be instituted.

The CTPL currently is reviewing the impact of this change in policy on its budget. It is also reviewing policy options for adjusting its revenues and expenditures to compensate for this change. One of the options it is considering is the imposition of an additional fee on first-time credential applicants. The commission will be prepared to discuss this issue during the budget hearings.

**CALIFORNIA POSTSECONDARY EDUCATION COMMISSION**

Item 6420 from the General

Fund and Federal Trust Fund

Budget p. E 102

Requested 1982-83 .....	\$2,475,000
Estimated 1981-82.....	2,496,000
Actual 1980-81 .....	3,123,000
Requested decrease (excluding amount for salary increases) \$21,000 (-0.8 percent)	
Total recommended reduction .....	None

**1982-83 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
6420-001-001—Support		General	\$2,472,000
6420-001-890—Support		Federal Trust	3,000
Total			\$2,475,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis*  
*page*  
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1. Student Charges Study. Recommend adoption of supplemental report language requiring CPEC to undertake a study on student charges within the segments in public higher education.

**GENERAL PROGRAM STATEMENT**

The California Postsecondary Education Commission (CPEC) is composed of 15 members. It is an advisory body to the Legislature and the Governor with responsibility for postsecondary 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 provide advice to the commission through a special committee.

The commission has 57.1 full-time equivalent positions in the current year.

**ANALYSIS AND RECOMMENDATIONS**

The budget proposes two appropriations totaling \$2,475,000 for support of CPEC. This is \$21,000, or 0.8 percent less than estimated current year expenditures. This, however, makes no allowance for any salary or staff benefit increase that may be approved for the budget year.

Table 1 presents a summary of expenditures and funding sources for the commission. The table shows that the budget proposes an appropriation of \$2,472,000 from the General Fund for support of the commission in 1982-83. This is \$73,000 (3 percent) more than estimated current year expenditures from the General Fund. In addition, the table shows federal support declining to \$3,000, which is \$94,000 (96.9 percent) less than the current year amount. The decrease in federal funds is due to the phase-out of funding for Title I-B projects during the current federal fiscal year.

**Table 1**  
**California Postsecondary Education Commission**  
(in thousands)

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Academic affairs .....	\$1,887	\$1,134	\$926	-\$208	18.3%
2. Analytical studies .....	509	479	605	126	26.3
3. Administration .....	765	892	950	58	6.5
4. Reimbursements .....	-38	-9	-6	3	33.3
Totals .....	\$3,123	\$2,496	\$2,475	-\$21	-0.8%
General Fund .....	\$2,154	\$2,399	\$2,472	\$73	3.0%
Contingent Fund of the Board of Medical Quality Assurance ....	4	—	—	—	—
Federal Trust Fund .....	965	97	3	-94	-96.9
Personnel-Years .....	55.3	57.1	53.1	-4.0	-7.0%

**1. 1982-83 Budget (Item 6420-001-001)**

*We recommend approval.*

Table 2 shows the changes in General Fund support proposed for the budget year. The General Fund budget changes consist of:

**CALIFORNIA POSTSECONDARY EDUCATION COMMISSION—Continued**

- A \$71,000 increase for additional personnel costs.
- A \$43,000 increase to offset the effects of inflation on operating expenses.
- A \$124,000 decrease to achieve the 5 percent reduction required by the administration of many General Fund agencies.
- An \$83,000 increase to conduct a study on the admission standards of the University of California (UC) and the California State University systems.

Our review indicates that the proposed changes are reasonable and consequently, we recommend that the request be approved.

Table 2

**California Postsecondary Education Commission General Fund Support  
Summary of Changes from 1981-82 Budget  
(in thousands)**

1981-82 Current Year Revised .....		\$2,399
A. Baseline Adjustments .....		114
1. Increase in personnel costs		
a. Salary adjustments .....	\$71	
2. Price increase		
a. Price increase for operating expenses .....	40	
b. Postage .....	3	
B. Reductions .....		-124
1. Federal matching funds .....	-64	
2. Health science education program .....	-60	
C. Budget Change Proposal .....		83
1. Eligibility study .....	83	
Total Change (amount/percent) .....		\$73 (3%)
Total, 1982-83 Support Budget .....		\$2,472

**Details on Five Percent Reductions**

As noted above, the budget provides for a decrease of \$124,000 in order to achieve the 5 percent reduction in General Fund support required by the administration. The commission proposes to achieve this reduction by (1) giving up \$64,000 used during the current year to match federal funds under the federal Title I-B program and (2) eliminating \$60,000 in staff support for its health science education planning program.

**Title I-B Reductions (\$64,000 reduction).** The commission is the state's administrative agency for federal Title I-B funds. This program provides matching grants to postsecondary education agencies which sponsor pilot projects in promoting continuing education and education information services. Because federal support for this program is being eliminated, the commission can forego the \$64,000 used as the state's share of program costs.

**Health Science Education Plan (\$60,000 reduction).** Under current law, the commission is required to issue biannually a health science education plan. The commission currently has one staff person assigned to develop this plan. It intends to eliminate this position.

## 2. Eligibility Study

The budget proposes a one-time \$83,000 increase to conduct a study of UC and CSU admission standards. The study is intended to compare current admission standards to the admission guidelines established in the Master Plan for Higher Education.

Our analysis indicates that:

- The proposed study is in response to a directive in the *Supplemental Report of the 1980 Budget Act* which requires CPEC to examine the feasibility of conducting such a study.
- The augmentation does not represent a corresponding increase in support to CPEC. This is because \$40,000 of the \$83,000 would flow through CPEC to UC and CSU to process transcripts and other information needed for the study.
- The request may not provide sufficient funds to produce a quality product. CPEC had requested \$133,000 to conduct the study, but only \$83,000 was included in the budget. We believe that the CPEC should be asked to explain during budget hearings how the reduced funding level would affect its ability to provide the information sought by the Legislature.

## 3. Current Policy on Student Charges

Student charges in the four-year public segments currently are restricted to the support of specified programs such as health services, student activities, admission/registration services, and other noninstructional activities. Charges for the costs of *instruction* (that is tuition), have never been levied on California residents attending the public segments; support for instruction traditionally has been funded by the state so as to provide tuition-free public higher education to California residents. Table 3 shows student charges in the UC and CSU systems for the past, current and budget years.

**Table 3**  
**Annual Student Charges for Full-Time Undergraduate Students**  
**UC and CSU<sup>a</sup>**

	University of California		California State University	
	Amount	Percent Change	Amount	Percent Change
1977-78 .....	\$664	—	\$144	—
1978-79 .....	664	—	146	1.4%
1979-80 .....	675	1.6%	144	-1.4
1980-81 .....	730	8.1	160	11.1
1981-82 .....	917	25.6	205	28.1
1982-83 (proposed) .....	1,135	23.8	271	32.1

<sup>a</sup> Excludes campus-based charges.

## Reassessment of How Student Charges are Used

*We recommend the Legislature adopt supplemental language requiring CPEC to study the use of student charges by UC and CSU and submit its findings to the Legislature by December 1, 1982.*

Our analysis indicates that a review of California's policy toward student fees and charges is needed because:

- There is no clear agreement on what student fees should be used for.

**CALIFORNIA POSTSECONDARY EDUCATION COMMISSION—Continued**

In fact, the two segments use different definitions of the "services" that are eligible for support with fee revenue. For example, UC uses fee revenue to fund its student affirmative action programs, while CSU funds its programs using direct support provided by the state.

- There is no consistency between the two segments in terms of how fees are set. For example, the budget anticipates a \$100 fee increase for UC students and a \$55 fee increase for CSU students. We know of no analytical basis for raising these fees by different amounts.
- The fee increases are made by each segment without considering how the increase would affect the other segments. Segments do not consider, nor do they adjust their programs to reflect the enrollments shifts that may result from changes in relative fee levels.
- The current fee policy, in effect, has created a protected categorical aid program for student services in both segments. This policy causes the segments to look to their instructional activities for necessary budget reductions whenever such reductions must be made.

For these reasons, we recommend that CPEC undertake a study of the segments' current policy towards student fees and the use of fee revenue, and provide the Legislature with the results of this study and its recommendations for legislative action.

In conducting the study, the commission should consider:

- The activities that should be funded with revenues from student charges.
- The impact that student charges at one segment have on other segments.
- The appropriate level of student charges for each segment.
- The level of additional financial aid required to maintain student access at various levels of student charges.

We also recommend that the CPEC establish an advisory committee representing all segments of higher education, the Department of Finance, and the legislative budget committees to provide it with advice and any technical assistance needed for this project. We recommend that the CPEC submit its report to the Legislature by December 1, 1982.

**4. Study on Outreach Programs**

Last year, the Legislature adopted supplemental report language requiring CPEC to review and to make recommendations on state-funded outreach and support service programs at all levels of postsecondary education. The purpose of this review was to assess the impact of these programs on ethnic minority, low-income and women students. The CPEC will be prepared to comment on their study during the hearings on its budget.

**5. Remedial Education Study**

During the hearings on the 1981-82 Budget Bill, legislative attention was focused on improving student performance and on the nature, extent, and costs of the higher education efforts to provide remedial instruction. In response to this interest, CPEC agreed to conduct a review of segmental activities in this area. A technical advisory committee of segmental representatives met and agreed on the data necessary to support the study. This data is currently being gathered by the segments. CPEC will be prepared to comment on the status of the study during the hearings on its budget.

**6. Federal Trust Fund (Item 6420-001-890)**

*We recommend approval.*

The budget proposes \$3,000 in funding from the Federal Trust Fund. These funds are to be used for the acquisition of materials for the commission's library. Our review indicates that the proposed use of funds is reasonable and we recommend that the request be approved.

**CALIFORNIA POSTSECONDARY EDUCATION  
COMMISSION—REVERSION**

Items 6420-495 to the Contingent Fund of the Board of Medical Quality Assurance

Budget p. E 102

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

Chapter 1212, Statutes of 1980, appropriates \$10,000 from the Contingent Fund of the Board of Medical Quality Assurance to the California Postsecondary Education Commission, these funds were to be used to evaluate a loan program for medical students administered by the Division of Licensing of the Board of Medical Quality Assurance. The budget proposes to revert any 1981-82 unexpended balance to the Board of Medical Quality Assurance. The budget estimates a potential 1981-82 reversion of \$6,000. Funds that are not needed to complete this study should be reverted.

**UNIVERSITY OF CALIFORNIA**

Item 6440 from the General Fund and various funds

Budget p. E 107

Requested 1982-83 .....	\$1,150,880,000
Estimated 1981-82.....	1,098,986,000
Actual 1980-81 .....	1,074,584,000
Requested increase (excluding amount for salary increases) \$51,894,000 (+4.7 percent)	
Total recommended reduction .....	\$19,864,000

**1982-83 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
6440-001-001—Support		General	\$1,150,880,000
6440-001-046—Institute of Transportation Studies		Transportation	873,000
6440-001-144—Research in Mosquito Control		California Water	100,000
6440-001-146—Equipment Replacement and Deferred Maintenance		COPPHE	16,729,000
6440-001-189—Energy Institute, Utilities Conservation, and Appropriate Technology		Energy Resources	694,000
Total			\$1,169,276,000

## UNIVERSITY OF CALIFORNIA—Continued

<b>SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS</b>	<i>Analysis page</i>
1. Two and one-half percent reduction. Recommend the Legislature request UC to prepare a contingency plan for an additional \$4.9 million reduction in the event that increased federal funds do not materialize.	1399
2. Enrollment underfunded. Recommend that Department of Finance be asked to justify and provide an impact analysis of its decision to increase the budgetary savings target above the normal level.	1403
3. <i>Technical Education. Reduce Item 6440-001-001 by \$4,000,000.</i> Recommend deletion of proposed "Investment in People" program because information on how the funds would be spent has not been provided and consequently, it is not clear that an augmentation is needed to achieve the goals of the program.	1404
4. Engineering Enrollment Policy. Recommend the Legislature request UC to develop a policy on the enrollment of foreign students in engineering graduate programs because of the growing shortage of graduate-trained engineers in California and the nation.	1404
5. <i>Drew/UCLA Medical Education Program. Reduce Item 6440-001-001 (i) by \$100,000.</i> Recommend deletion of proposed augmentation because adequate faculty to support 1982-83 and 1983-84 program level is already available based on agreed-upon faculty-student ratios.	1410
6. <i>Organized Research. Reduce Item 6440-001-001 by \$3,330,000.</i> Recommend deletion of proposed augmentations for research in microelectronics, space, energy, and global security because no justification has been presented to demonstrate that these projects could not be funded within the base allocation for organized research. Further recommend that if the Legislature wishes to insure that these projects are funded, it approve the proposed increases and reduce the university's base research budget by a corresponding amount.	1415
7. <i>Individual Faculty Research. Reduce Item 6440-001-001 by \$1,000,000.</i> Recommend deletion of augmentation to reflect declines in enrollment and previous increases.	1416
8. Use of state research funds. Recommend that all state funds provided for individual faculty research be used for that purpose exclusively.	1416
9. <i>EQUALS Program. Reduce Item 6440-001-001 by \$155,000 and reappropriate \$155,000 from Item 644-001-001 of the 1981 Budget Act.</i> Recommend deletion of \$155,000 because the EQUALS program can be fully funded using savings available from the 1981-82 appropriation for EQUALS.	1419
10. Cooperative Extension. Recommend the Legislature request the Regents to submit a plan for increasing nonstate	1420

- revenue for Cooperative Extension so that nonstate support is more reflective of the benefits derived by private firms and individuals.
11. **Student Fee Revenue and Expenditures.** Recommend that, beginning in 1983-84, the Legislature direct UC to submit as part of its annual budget, information that is adequate to permit a review of fee-funded programs and the allocation of fee revenues, so that the General Fund appropriation can be considered in light of fee revenues and expenditures. 1429
  12. **Graduate Student Charges.** Reduce Item 6440-001-001 by \$5,408,000. Recommend increased annual graduate student charge of \$400 in 1982-83 for resident general campus students, so that contributions of graduate students toward the cost of their education better reflect the cost to the state and the direct benefit they derive from this education. Further recommend that \$1.8 million of the fee revenue generated be used to augment available student financial aid so that low-income students continue to have access to UC. 1430
  13. **Health Science Tuition.** Reduce Item 6440-001-001 by \$4,433,000. Recommend an annual tuition in 1982-83 of \$1,667 for medical students, \$1,333 for dental students, and \$400 for all other health science graduate students so that contributions of health science students toward the cost of their education better reflect the cost to the state and the direct benefits they derive from this education. Further recommend that \$1.8 million of the fee revenue generated be used to augment available student financial aid so that low-income students continue to have access to UC. 1431
  14. **Nonresident Tuition.** Reduce Item 6440-001-001 by \$154,000. Recommend increase in nonresident tuition for medical and dental students so that their contributions toward their education better reflect the cost to the state and the direct benefits they derive from this education. Further recommend that \$51,000 of the fee revenue generated be used to augment available student financial aid so that low-income students continue to have access to UC. 1433
  15. **Retirement.** Recommend Legislature request UC to conduct a study of UC Retirement System funding and examine the impact of different benefit levels and actuarial assumptions. 1435
  16. **Nonresident Tuition.** Reduce Item 6440-001-001 by \$1,150,000. Recommend increase in estimate of nonresident tuition income to correct for a technical budgeting error. 1438
  17. **Disabled Student Funding.** Reduce Item 6440-001-001 by \$134,000 and increase reimbursements to Item 6440-001-001 by \$134,000. Recommend deletion of funds to support services to Department of Rehabilitation clients because excess federal funds are available to the Department of Rehabilitation for this purpose. 1440

**UNIVERSITY OF CALIFORNIA—Continued****Summary of Legislative Analyst's Recommended Fiscal Changes**

<i>Activity</i>	<i>Program Changes</i>	<i>Impact on General Fund</i>
Technical Education .....	-\$4,000,000	-\$4,000,000
Drew/UCLA .....	-100,000	-100,000
Organized Research .....	-3,330,000	-3,330,000
Individual faculty research .....	-1,000,000	-1,000,000
Graduate student charges .....		-5,408,000
Health Sciences tuition.....		-4,433,000
Nonresident tuition .....		-154,000
EQUALS.....		-155,000
Nonresident tuition (technical) .....		-1,150,000
Disabled student funding (technical) .....		-134,000
Totals.....	-\$8,430,000	-\$19,864,000

**Recommendation Overview**

We are recommending reductions to the UC budget totaling \$19.9 million. Of this amount, however, \$11.4 million can be achieved without cutting programs or reducing services. Specifically, we have identified the following funds that could be used in place of General Fund support to support the University's programs during 1982-83: (1) \$10 million in increased student fee and tuition revenue resulting from increased student charges, (2) \$1.15 million of revenue from existing nonresident tuition charges that is not reflected in the Governor's Budget estimate of revenue, (3) \$0.15 million of savings from 1981-82 that can be reappropriated for 1982-83, and (4) \$0.13 million in excess funds from the Department of Rehabilitation's budget. The remaining \$8.4 million in recommended reductions relates to proposed program increases above the current-year level.

**GENERAL PROGRAM STATEMENT**

The University of California (UC) is California's land grant university. Established in 1868, it has constitutional status as a public trust to be administered under the authority of an independent 26-member Board of Regents.

The university encompasses eight general campuses and one health science campus. A broadly based undergraduate curriculum leading to the baccalaureate degree is offered at each general campus. Admission as a first-year student is limited to the top one-eighth (12.5 percent) of California's high school graduates. Nonresident freshman applicants must be in the upper one-sixteenth of their state's high school graduates in order to be admitted. The university is permitted to waive the admission standards for up to 6 percent of the newly admitted undergraduates.

The UC is the primary state-supported academic agency for research, and has sole authority to award doctoral degrees in all disciplines, although it may award joint doctoral degrees with the California State University (CSU). In addition, the Donahoe Higher Education Act of 1960 (Master Plan) gave UC exclusive jurisdiction in public higher education over instruction in the professions of law, medicine, dentistry, and veterinary medicine. Within the university, there are three law schools, five medical schools, two dental schools, and one school of veterinary medicine.

During the current year, the university has 57,684 full-time equivalent (FTE) academic and non-academic employees, and is providing instruction to 134,481 students.

### Administrative Structure

Overall responsibility for policy development, planning, and resource allocation within the university rests with the president, who is directly responsible to the Regents. Primary responsibility for individual campus management has been delegated to the chancellor of each campus. This responsibility includes the management of campus resource allocations as well as campus administrative activities. The academic senate has the delegated authority to determine admission and degree requirements, and to approve courses and curricula.

### Faculty and Staff

The Legislature does not exercise position control over UC. Rather, the state appropriates funds to UC based on various workload formulas, such as one faculty member for every 17.48 undergraduate and graduate students. The UC determines how many faculty and other staff will actually be employed. Thus, review of actual and budgeted position totals is not as meaningful for UC as it is for the Department of Education or other state agencies.

## ANALYSIS AND RECOMMENDATIONS

### 1982-83 Budget Overview

Table 1 shows the total UC budget for 1980-81 (actual), 1981-82 (estimated), and 1982-83 (proposed). The budget, which totals \$4.3 billion in 1982-83, has three components: (1) the support budget (\$2.44 billion), (2) sponsored research and other activities (\$756 million), and (3) the three Department of Energy (DOE) Laboratories (\$1.15 billion). No state funds are provided for sponsored research and the DOE laboratories.

Table 1  
UC Expenditure Budget  
(dollars in thousands)

	Actual 1980-81	Estimated 1981-82	Proposed 1982-83 <sup>b</sup>	Changes	
				Amount	Percent
<b>Support Budget</b>					
1. Instruction					
A. General campus .....	\$434,231	\$465,269	\$473,774	\$8,505	1.8%
B. Health sciences .....	198,537	215,705	220,823	5,118	2.4
C. Summer sessions .....	6,263	7,503	7,796	293	3.9
D. University extension .....	50,617	58,615	59,019	404	0.7
2. Research .....	109,235	106,111	110,711	4,600	4.3
3. Public Service .....	46,558	49,013	49,013	—	—
4. Academic Support					
A. Libraries .....	79,693	83,863	85,319	1,456	1.7
B. Organized activities—other .....	83,473	81,428	83,183	1,755	2.2
C. Teaching hospitals .....	508,514	598,906	673,602	74,696	12.5
5. Student Services and Financial Aid					
A. Activities .....	92,052	89,512	90,850	1,338	1.5
B. Financial aid .....	37,958	43,697	47,023	3,326	7.6
6. Institutional Support					
A. General administration and services .....	156,712	146,808	146,808	—	—
B. Operation and maintenance of plant .....	132,048	145,844	146,947	1,103	0.8
7. Independent Operations (Auxiliary Enterprises) .....	132,588	129,706	138,730	9,024	7.0

## UNIVERSITY OF CALIFORNIA—Continued

8. Special Regents' Programs .....	29,878	31,585	37,730	6,145	19.5
9. Unallocated Adjustments					
A. Provisions for allocation .....	—	25,902	36,357	10,455	40.4
B. Fixed costs and economic factors .....	—	—	43,492	43,492	(N/A)
10. Two and One-Half Percent Budget Reduction					
A. General funds .....	—	—	-29,334	-29,334	(N/A)
B. Unspecified programs (university funds) .....	—	—	17,091	17,091	(N/A)
11. Two Percent Budget Reduction					
A. General funds .....	—	-22,265	—	22,265	+100
B. Unspecified programs (university funds) .....	—	5,000	—	-5,000	-100
Totals, Support Budget .....	\$2,098,357	\$2,262,202	\$2,438,934	\$176,732	7.8%
Sponsored Research and Other Activities .....	646,445	698,986	755,797	56,811	8.1
Department of Energy Labs .....	1,088,953	1,079,000	1,155,000	76,000	7.0
Grand Totals .....	\$3,753,755	\$4,040,188	\$4,349,731	\$309,543	7.7%
Personnel <sup>a</sup> .....	57,227	57,684	57,568	-116	-0.2%

<sup>a</sup> All of the personnel are associated with the support budget; none are with Sponsored Research or the Department of Energy Labs.

<sup>b</sup> Does not include salary and benefit increases.

The sources of funding for the support budget are shown in Table 2. The Governor's Budget proposes a total support budget of \$2.44 billion, which is an increase of \$176.7 million (7.8 percent) over estimated current-year expenditures. The proposed increase is budgeted from the following sources:

- State General Fund appropriation: \$51.9 million (4.7 percent).
- University general funds: \$2.2 million (5.4 percent).
- Other funds used as income; \$1.7 million (3.4 percent).
- State restricted appropriations: \$1.2 million (6.8 percent).
- University restricted sources: \$122.8 million (11.8 percent).

Federal appropriations and grants are projected to decrease by \$2.9 million (20.6 percent).

**"General Fund" versus "general funds".** One source of *revenue* to UC is the state General Fund. There are other revenue sources, however, that are combined with the state General Fund for purposes of *expenditure*. These sources include nonresident tuition revenue, the state's share of federal overhead receipts, and some minor student fees. Because these various sources of revenue are combined for expenditures, it is not possible to identify expenditures by revenue source. Consequently, the term "general funds" is used to refer to the combined total of the state General Fund and the other general purpose revenue sources. It should be noted that the state General Fund appropriation accounts for 92.5 percent of budgeted "general funds" for 1982-83.

Table 2 shows that the state General Fund support of UC is proposed to increase by \$51.9 million (4.7 percent) above estimated current-year expenditures. The actual increase proposed for the university would be larger in both dollar and percentage terms if allowance were made for salary or staff benefit increases that will be approved for the budget year. The university estimates that each 1 percent increase in UC salaries will cost \$5.2 million for academic employees and \$4.6 million for nonacademics. (See the discussion of faculty salaries under Item 9800-001-001.)

**Table 2**  
**Expenditures by Revenue Source**  
**UC Support Budget**  
**(in thousands)**

	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
<b>I. General Funds:</b>				
A. State Appropriations .....	\$1,098,986	\$1,150,880	\$51,894	4.7%
B. University General Funds:				
1. Nonresident Tuition .....	30,840	34,270	3,430	11.1
2. Other Student Fees .....	4,955	4,600	-355	-7.2
3. Other Current Funds .....	3,723	2,800	-923	-24.8
Subtotals .....	\$39,518	\$41,670	\$2,152	5.4%
C. Funds Used as Income:				
1. Federal Overhead .....	\$42,722	\$44,347	\$1,625	3.8%
2. Department of Energy Overhead and Management .....	2,041	2,371	330	16.2
3. Prior Year Balances .....	4,364	4,109	-255	-5.8
4. Other .....	1,342	1,342	—	—
Subtotals .....	\$50,469	\$52,169	\$1,700	3.4%
General Fund Totals .....	\$1,188,973	\$1,244,719	\$55,746	4.7%
<b>2. Restricted Funds:</b>				
A. State Appropriations:				
1. Transportation Research .....	\$842	\$873	\$31	3.7%
2. Mosquito Research .....	100	100	—	—
3. Deferred Maintenance .....	4,750	5,082	332	7.0
4. Instructional Equipment .....	10,885	11,647	762	7.0
5. Energy Research .....	652	694	42	6.4
Subtotals .....	\$17,229	\$18,396	\$1,167	6.8%
B. Federal Appropriations .....	\$10,154	\$10,154	—	—
C. Federal Grants .....	3,851	968	-\$2,883	-74.9%
D. University Sources				
1. Student Fees .....	188,359	207,577	19,218	10.2
2. Sales and Services .....	81,365	88,445	7,080	8.7
3. Teaching Hospitals .....	546,760	621,456	74,696	13.7
4. Endowments .....	19,718	21,098	1,380	7.0
5. Auxiliary Enterprises .....	128,915	137,939	9,024	7.0
6. Other .....	25,654	27,212	1,558	6.1
7. Prior Year Balances .....	19,639	23,240	3,601	18.3
8. Special Regents' Programs .....	31,585	37,730	6,145	19.5
Subtotals .....	\$1,041,995	\$1,164,697	\$122,702	11.8%
Restricted Funds Totals .....	\$1,073,229	\$1,194,215	\$120,986	11.3%
Totals (Support Budget) .....	\$2,262,202	\$2,438,934	\$176,732	7.8%

Table 2 also shows that total expenditures from *general funds* (state General Fund plus other general purpose revenue) are proposed to increase by 4.7 percent. Table 3 shows, however, that the real increase in the university's general funds expenditures is proposed to be 5.7 percent. In both 1981-82 and 1982-83 UC will use revenue from increased student fees to offset reductions in state General Fund support. In 1982-83, federal funds are proposed to offset General Fund reductions. Consequently, excluding these revenues from the comparison of expenditures between these two years gives a misleading impression of the amount of funds available for general purpose expenditures.

## UNIVERSITY OF CALIFORNIA—Continued

Table 3  
Adjusted Change in UC's Total  
General Funds Expenditures  
(in thousands)

	1981-82	1982-83	Change	
			Amount	Percent
State General Fund appropriation .....	\$1,098,986	\$1,150,880	\$51,894	4.7%
Other general purpose revenue .....	89,987	93,839	3,852	4.3
Subtotals, general funds.....	\$1,188,973	\$1,244,719	\$55,746	4.7%
Adjustments: <sup>a</sup>				
Student fees .....	\$5,000	\$12,200	\$7,200	144.0%
Federal overhead .....	—	4,891	4,891	100.0
Adjusted expenditure level.....	\$1,193,973	\$1,261,810	\$67,837	5.7%

<sup>a</sup> Adjustments for other revenue sources which are used as *direct offsets* to reductions in the state General Fund appropriation.

The UC maintains that the proposed increase in expenditures is somewhat less than 5.7 percent because part of the additional funds would be used to restore the 2 percent funding cut made in the current year on a one-time basis. Nevertheless, if the *actual* program level for 1981-82 is compared to the program level *proposed* for 1982-83 the increase is 5.7 percent.

Table 4 shows the source of funding for individual programs. For example, the table shows that \$456.8 million of the general campus instruction budget of \$473.8 million is provided by general funds. Similarly, general funds account for \$45.4 million of the \$673.6 million budget for teaching hospitals. Patient charges for services will provide \$623.2 million of the hospitals' budgets, and endowments will contribute another \$114,000.

**Table 4**  
**Source of Funds by Program**  
**(1982-83 Governor's Budget)**  
**(in thousands)**

	General Funds <sup>a</sup>	Federal Funds	Student	Sales and Services			Endow- ments	Other Sources	Totals
			Fees and Tuition	Teaching Hospitals	Educational Activities	Auxiliary Enterprises			
<b>Instruction:</b>									
General Campuses .....	\$456,828	\$327	\$469	—	\$598	—	\$1,693	\$13,859	\$473,774
Health Sciences .....	173,638	968	—	—	43,595	—	806	1,816	220,823
Summer Session .....	—	—	7,796	—	—	—	—	—	7,796
University Extension .....	—	—	59,019	—	—	—	—	—	59,019
<b>Total Instruction .....</b>	<b>\$630,466</b>	<b>\$1,295</b>	<b>\$67,284</b>	<b>—</b>	<b>\$44,193</b>	<b>—</b>	<b>\$2,499</b>	<b>\$15,675</b>	<b>\$761,412</b>
Research .....	\$96,430	\$2,520	—	—	\$2,409	—	\$5,561	\$3,791	\$110,711
<b>Public Service:</b>									
Community Service .....	\$1,195	—	\$4,142	—	\$3,909	—	\$676	\$1,699	\$11,621
Cooperative Extension .....	26,685	\$7,307	—	—	136	—	5	—	34,133
Drew Postgraduate Medical School .....	2,480	—	—	—	—	—	—	—	2,480
California College of Podiatric Medicine .....	779	—	—	—	—	—	—	—	779
<b>Total Public Service .....</b>	<b>\$31,139</b>	<b>\$7,307</b>	<b>\$4,142</b>	<b>—</b>	<b>\$4,045</b>	<b>—</b>	<b>\$681</b>	<b>\$1,699</b>	<b>\$49,013</b>
<b>Academic Support:</b>									
Libraries .....	\$83,908	—	—	—	\$66	—	\$1,022	\$323	\$85,319
Museums and Galleries .....	1,391	—	—	—	16	—	178	135	1,720
Intercollegiate Athletics .....	—	—	\$1,100	—	120	—	—	68	1,288
Ancillary Support—General Campus .....	1,914	—	814	—	668	—	—	2,757	6,153
Ancillary Support—Health Sciences .....	42,881	—	—	—	21,609	—	5	9,527	74,022
<b>Total Academic Support .....</b>	<b>\$130,094</b>	<b>—</b>	<b>\$1,914</b>	<b>—</b>	<b>\$22,479</b>	<b>—</b>	<b>\$1,205</b>	<b>\$12,810</b>	<b>\$168,502</b>
Teaching Hospitals .....	\$45,383	—	—	\$623,180	\$4,925	—	\$114	—	\$673,602
<b>Student Services:</b>									
Social and Cultural Activities .....	—	—	\$14,450	—	—	—	—	\$1,554	\$16,004
Supplemental Educational Services .....	—	—	6,139	—	—	—	—	124	6,263
Counseling and Career Guidance .....	—	—	18,337	—	—	—	—	988	19,325
Financial Aid Administration .....	—	—	9,383	—	—	—	—	500	9,883
Student Admissions and Records .....	\$12,919	—	450	—	—	—	—	519	13,888
Student Health Services .....	—	—	21,103	—	—	—	—	4,384	25,487
<b>Total Student Services .....</b>	<b>\$12,919</b>	<b>—</b>	<b>\$69,862</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>\$8,069</b>	<b>\$90,850</b>

Table 4—Continued  
Source of Funds by Program  
(1982-83 Governor's Budget)  
(in thousands)

Institutional Support:										
Executive Management.....	\$35,635	—	—	—	—	—	\$234	\$833	\$36,702	
Fiscal Operations.....	15,486	—	—	—	\$2,450	\$271	—	2,346	20,553	
General Administrative Services.....	25,653	\$1,930	—	—	6,367	—	18	5,082	39,050	
Logistical Services.....	20,550	—	20	—	—	—	—	2,919	23,489	
Community Relations.....	6,368	—	—	—	—	145	726	248	7,487	
Employee Benefits.....	19,293	—	—	—	—	11	66	157	19,527	
<b>Total Institutional Support.....</b>	<b>\$122,985</b>	<b>\$1,950</b>	<b>—</b>	<b>—</b>	<b>\$8,817</b>	<b>\$427</b>	<b>\$1,044</b>	<b>\$11,585</b>	<b>\$146,808</b>	
Operation and Maintenance of Plant.....	\$141,250	—	—	—	—	—	\$382	\$5,315	\$146,947	
Student Financial Aid.....	—	—	\$40,283	—	—	\$50	\$4,433	\$2,257	\$47,023	
Auxiliary Enterprises.....	—	—	\$1,697	—	—	\$137,030	\$3	—	\$138,730	
Unallocated Adjustments:										
Provisions for Allocation.....	\$16,171	—	\$8,245	-\$1,724	\$1,577	\$432	\$5,176	\$6,480	\$36,357	
Program Maintenance: Fixed Costs and Economic Factors.....	42,325	—	—	—	—	—	—	1,167	43,492	
<b>Total Unallocated Adjustments.....</b>	<b>\$58,496</b>	<b>—</b>	<b>\$8,245</b>	<b>-\$1,724</b>	<b>\$1,577</b>	<b>\$432</b>	<b>\$5,176</b>	<b>\$7,647</b>	<b>\$79,849</b>	
Special Regents' Programs.....	—	—	—	—	—	—	—	\$37,730	\$37,730	
Two and One-Half Percent Reduction (General Funds).....	-\$29,334	—	—	—	—	—	—	—	-\$29,334	
Unspecified Programs (University Funds).....	\$4,891	—	\$12,200	—	—	—	—	—	\$17,091	
<b>Totals, Budgeted Programs.....</b>	<b>\$1,244,719</b>	<b>\$11,122</b>	<b>\$207,577</b>	<b>\$621,456</b>	<b>\$88,445</b>	<b>\$137,939</b>	<b>\$21,098</b>	<b>\$106,578</b>	<b>\$2,438,934</b>	
Sponsored and Other Restricted Activities.....	—	\$491,706	—	—	—	—	\$96,237	\$167,854	\$755,797	
Department of Energy Laboratories.....	—	\$1,155,000	—	—	—	—	—	—	\$1,155,000	
<b>Totals, Budgeted and Extramural Programs.....</b>	<b>\$1,244,719</b>	<b>\$1,657,828</b>	<b>\$207,577</b>	<b>\$621,456</b>	<b>\$88,445</b>	<b>\$137,939</b>	<b>\$117,335</b>	<b>\$274,432</b>	<b>\$4,349,731</b>	

\* Consists of \$1,150,880,000 in state General Funds and \$93,839,000 in other general purpose revenue.

Table 5 shows the individual components of the proposed \$51.9 million state General Fund increase. The largest component is a proposed \$45.8 million increase requested to maintain the existing level of services. These funds would be used to fund merit and price increases. In addition, the cost in 1982-83 of restoring all one-time adjustments which were made during the current year is \$19.9 million. The budget also proposes \$8.3 million for new or expanded programs, and \$7.2 million to adjust existing programs for changes in workload. Finally, a reduction of \$29.3 million is proposed in order to achieve a 2.5 percent reduction in the normal 1982-83 baseline state General Fund appropriation.

**Table 5**  
**UC General Fund Support**  
**Summary of Changes from 1981-82 Budget**  
**(excluding salary and benefit increases)**  
**(in thousands)**

1981-82 Base Budget.....		\$1,098,986
A. To Maintain Existing Budget .....		45,812
1. Merit increases and promotions .....	\$17,252	
2. Price increases.....	20,911	
3. Social security .....	482	
4. Dental insurance.....	3,681	
5. Federal capitation funds replacement .....	886	
6. UCSF/Fresno program .....	1,560	
7. UC income adjustment .....	1,040	
B. Restoration of 1981-82 One-Time Adjustments .....		19,924
1. Travel reduction .....	1,655	
2. Two percent reduction .....	22,265	
3. Appropriation for over-enrollment .....	-3,996	
C. Workload Changes .....		7,162
1. General campus instruction .....	7,758	
2. Health sciences instruction .....	800	
3. Operation and maintenance of plant .....	1,103	
4. Northern regional storage facility .....	1,219	
5. San Joaquin Vet. Med.—CTS .....	310	
6. Disabled student support .....	57	
7. UCLA/Drew program .....	100	
8. Budgetary savings .....	-4,185	
D. Budget Change Proposals.....		8,330
1. Microelectronics research .....	1,000	
2. Space sciences research .....	500	
3. Energy Institute .....	1,500	
4. Faculty basic research.....	1,000	
5. Technical education .....	4,000	
6. Global peace .....	330	
E. Two and One-Half Percent Reduction .....		-29,334
Total Change (Amount/Percent) .....	\$51,894 (4.7%)	
Total 1982-83 Support .....		\$1,150,880

### Two and One-Half Percent Reduction

The Governor's Budget proposes a 2.5 percent, or \$29,334,000, reduction from that portion of the university's normal 1982-83 baseline budget supported by the state General Fund. This reduction is part of the administration's overall efforts to reduce General Fund expenditures in 1982-83. The 2.5 percent reduction proposed for the university (as well as for the California State University) is in lieu of the 5 percent reduction proposed for most other state agencies that are supported from the General Fund. Table 6 shows how UC proposes to achieve the required reduction of \$29.3 million.

**Table 6**  
**UC 2.5 Percent Reduction**  
**(in thousands)**

	<i>Dollars</i>	<i>Percent of Total Reduction</i>
Total General Fund Reduction .....	-\$29,334	100.0%
UC's Proposal for Achieving Reduction:		
A. Income Offsets.....	-17,091	58.3
1. Student fee revenue .....	-\$12,200	
2. Increase in state share of federal overhead receipts <sup>a</sup> .....	-4,891	
B. Cost Savings in Self-Insurance Program .....	-3,500	11.9
C. Program Reductions.....	-8,743	29.8
1. General campus, health sciences, and organ- ized activities .....	-4,743	
2. Public service .....	-1,500	
3. Institutional support .....	-2,500	
Totals .....	-\$29,334	100.0%

<sup>a</sup>The Governor's Budget projects an increase in the overhead rate received for federal grants and contracts from 31 percent to 35 percent.

Our review of the UC proposal leads us to the following conclusions:

- Reduction in baseline budget is only 2.1 percent
- Reduction in expenditures is only 0.7 percent

**Reduction in Baseline Budget is only 2.1 percent**

Table 6 shows that the UC proposes to use increased federal overhead receipts to offset \$4.9 million of the required General Fund reduction. Since 1967, the disposition of federal funds received as overhead on federal contracts and grants to the university has been governed by a memorandum of understanding between UC and the state. This agreement provides that, after deductions for direct administration of contract and grant activity and other designated expenses, 45 percent of the remaining overhead shall go to the university and 55 percent shall go to the state.

The university's share is deposited in the Regents' Special Program Fund, and is used at the discretion of the Regents. The state's share is deemed general purpose income, and is used to offset part of the state General Fund appropriation that otherwise would be needed to support the university.

The Governor's Budget reflects an increase in the percentage overhead charge paid by the federal government, from 31 percent to 35 percent for 1982-83. Normally, the state's share of the projected overhead—\$4,891,000—would be recognized in the budget, and a corresponding reduction in the General Fund appropriation would be made. The Governor's Budget, however, reflects the additional overhead collections as a special adjustment intended to help achieve the required 2.5 percent General Fund reduction. Since this money would have been used to offset the appropriation in any case, pursuant to a policy established in 1967, it is misleading to treat this as a special adjustment. In fact, the proposed reduction in UC's baseline budget amounts to only 2.1 percent.

**Reduction in Expenditures is Only 0.7 Percent**

As the table shows, most of the reduction—58 percent—will be offset by increases in other revenue sources. An additional 12 percent will be offset by savings from UC's self-insurance program. Various program reductions are proposed to achieve the remainder of the required \$8.7 million reduction. Thus, the effect of the reduction on program expenditures amounts to a 0.7 percent decrease from the normal baseline budget for 1982-83, rather than 2.5 percent. The budgeted increase in state General Fund support after the 2.5 percent reduction, is 4.7 percent.

The UC has not as yet allocated the \$8.7 million program cut to specific activities. UC officials indicate that details on these cuts will be provided to the Legislature prior to budget hearings.

#### Uncertainty of Federal Funds Increase

*We recommend that the Legislature request UC to prepare a contingency plan for allocating an additional \$4.9 million in reductions in the likely event that the projected increase in federal funds does not materialize.*

The proposed increase in the overhead rate from 31 percent to 35 percent is an estimate of what UC might obtain after negotiations with the federal government. The UC has not begun negotiations with the federal government to adjust the percentage. Moreover, past efforts to increase the overhead rate have not been successful. Given the considerable uncertainty surrounding the proposed increase in federal overhead receipts, it is premature to include such funds in the 1982-83 Governor's Budget. If the funds did not materialize, UC would have to reduce its state General Fund expenditures by an additional \$4.9 million. Because the possibility of such further reductions is real, these reductions should be included for legislative review.

#### Budget Presentation

The university's budget is separated into nine programs. The first three—Instruction, Research, and Public Service—encompass the primary higher education functions. The next four—Academic Support, Student Services-Financial Aid, Institutional Support, and Independent Operations—provide supporting services to the three primary functions. The remaining functions—Special Regents' Program and Unallocated Adjustments—include special resource allocations and budget reporting procedures which affect all of the other seven programs.

### 1. INSTRUCTION

The Instruction program includes (1) enrollment, (2) general campus instruction, (3) health science instruction, (4) summer session, and (5) university extension. Table 7 displays the Instruction budget. A total of \$761.4 million is proposed for Instruction of which \$630.5 is from general funds. The proposed budget for instruction is \$14.3 million, or 1.9 percent, higher than the current year budget.

Table 7  
UC Instruction Budget  
Summary of Expenditures and Personnel  
(dollars in thousands)

Elements	Actual	Estimated	Proposed	Change	
	1980-81	1981-82	1982-83	Amount	Percent
General campus .....	\$434,231	\$465,269	\$473,774	\$8,505	1.8%
Health sciences .....	198,537	215,705	220,823	5,118	2.4
Summer sessions .....	6,263	7,503	7,796	293	3.9
University extension .....	50,617	58,615	59,019	404	0.7
Totals .....	\$689,648	\$747,092	\$761,412	\$14,320	1.9%
General Funds .....	\$579,627	\$619,595	\$630,466	\$10,871	1.8%
Restricted funds .....	110,021	127,497	130,946	3,449	2.7
Personnel (FTE) .....	19,037	19,998	20,129	131	0.7%

## UNIVERSITY OF CALIFORNIA—Continued

## ENROLLMENT

## Overview

Table 7 shows the recent trends in UC enrollment, expressed in full-time equivalent (FTE) students. A full-time undergraduate student at UC takes an average of 15 units during each of three quarters. Thus, one FTE equals one student attending full-time, two students each attending one-half time, etc. In practice, most UC students attend full-time, although their average course load has decreased slightly in recent years.

## Enrollment Up in Current Year

Each fall, UC surveys the nine campuses to determine how actual enrollment compares to enrollment estimates on which the current-year budget is based. Table 8 shows that UC general campus enrollment for 1981-82 was budgeted at 110,916. The revised estimate indicates that actual enrollment will be 115,170 or 3.8 percent (4,254 students) above the budgeted level. (The CSU enrollments are also up an estimated 2.3 percent above the budgeted level.)

Control Section 28.90 of the annual Budget Act permits the Director of Finance to authorize the accelerated expenditure of budget funds by UC and CSU (not to exceed \$5 million total) when actual systemwide enrollments exceed budgeted enrollments by at least 2 percent. This may be done in anticipation of a General Fund deficiency appropriation. The Department of Finance has notified the Legislature it will seek a deficiency appropriation of \$5 million to cover the marginal costs related to the additional students in UC and CSU, pursuant to Control Section 28.90. Of this amount, \$4.0 million will go to UC and \$1.0 million will go to CSU. If there were no \$5 million limit on accelerated expenditures, the UC would qualify for \$11.4 million to cover the cost of the 3,205 undergraduates in excess of the budgeted number. UC will absorb the unfunded cost of instructing the additional undergraduates (\$7.4 million) and graduates (\$3.4 million).

## 1982-83 Budgeted Enrollment

Table 8 shows that budgeted enrollment for 1982-83 is above *budgeted* enrollment in 1981-82 but below estimated *actual* enrollment for 1981-82. This means that although a budget augmentation is proposed to fund the increase over 1981-82 budgeted levels, UC expects its enrollment in 1982-83 to be less than the actual (as opposed to budgeted) current-year level.

Table 8  
Full-time Equivalent Students (FTE)  
(Three-Quarter Average)

	Actual 1980-81	Budgeted 1981-82	(Revised) 1981-82	Proposed 1982-83	Governor's Budget	
					Change from Budgeted 1981-82	Number Percent
Berkeley						
General Campus						
Undergraduate .....	19,572	18,826	(18,834)	18,826	—	—
Graduate .....	7,880	7,498	(7,604)	7,498	—	—
Health Sciences .....	773	814	(814)	814	—	—
Subtotals .....	28,225	27,138	(27,252)	27,138	—	0.0%

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## POSTSECONDARY EDUCATION / 1401

## Davis

General Campus						
Undergraduate .....	13,259	12,700	(13,198)	12,700	—	—
Graduate .....	3,035	2,955	(3,265)	2,955	—	—
Health Sciences .....	1,920	1,987	(1,987)	1,989	2	0.1
Subtotals .....	18,214	17,642	(18,450)	17,644	2	0.0%

## Irvine

General Campus						
Undergraduate .....	7,458	7,511	(8,103)	8,048	537	7.1
Graduate .....	1,341	1,236	(1,353)	1,236	—	—
Health Sciences .....	1,048	1,057	(1,057)	1,057	—	—
Subtotals .....	9,847	9,804	(10,513)	10,341	537	5.0%

## Los Angeles

General Campus						
Undergraduate .....	18,567	18,097	(18,945)	18,529	432	2.4
Graduate .....	7,486	7,369	(7,547)	7,369	—	—
Health Sciences .....	3,903	3,924	(3,924)	3,976	52	1.3
Subtotals .....	29,956	29,390	(30,416)	29,874	484	1.6%

## Riverside

General Campus						
Undergraduate .....	3,043	3,028	(3,036)	3,016	-12	-0.4
Graduate .....	1,327	1,298	(1,365)	1,298	—	—
Health Sciences .....	56	48	(48)	48	—	—
Subtotals .....	4,426	4,374	(4,449)	4,362	-12	-0.3%

## San Diego

General Campus						
Undergraduate .....	8,786	8,667	(9,461)	9,497	830	9.6
Graduate .....	1,224	1,248	(1,282)	1,248	—	—
Health Sciences .....	1,032	1,092	(1,092)	1,092	—	—
Subtotals .....	11,042	11,007	(11,835)	11,837	830	7.5%

## San Francisco

Health Sciences .....	3,720	3,828	(3,828)	3,855	27	0.7
Subtotal .....	3,720	3,828	(3,828)	3,855	27	0.7%

## Santa Barbara

General Campus						
Undergraduate .....	12,489	12,428	(12,479)	12,576	148	1.2
Graduate .....	1,956	1,886	(2,032)	1,886	—	—
Subtotal .....	14,445	14,314	(14,511)	14,462	148	1.0%

## Santa Cruz

General Campus						
Undergraduate .....	5,789	5,750	(6,156)	5,986	236	4.1
Graduate .....	455	419	(510)	419	—	—
Subtotals .....	6,244	6,169	(6,666)	6,405	236	3.8%

## Total University

Undergraduate .....	88,963	87,007	(90,212)	89,178	2,171	2.5
Graduate .....	24,704	23,909	(24,958)	23,909	—	—
General Campus .....	113,667	110,916	(115,170)	113,087	2,171	1.9%
Health Sciences .....	12,452	12,750	(12,750)	12,831 <sup>a</sup>	81	0.6%
Totals .....	127,119	123,666	(127,920)	125,918	2,252	1.8%

<sup>a</sup> Does not include enrollment reductions which the UC maintains are necessary due to a \$2 million reduction in federal capitation funds which was not funded by the state. The UC estimates that a reduction of 130 FTE over the next four years will be necessary.

**UNIVERSITY OF CALIFORNIA—Continued**

Enrollment changes, by category, are as follows:

- General campus undergraduate—up 2,171 (1.9 percent) over the current-year budgeted level, but down 1,034 (1.1 percent) from the current-year revised level.
- General campus graduate—no change from the current-year budgeted level, but down 1,049 (4.2 percent) from the current-year revised level.
- Health sciences—up 81 (0.6 percent) over the current-year budgeted and estimated levels.

**GENERAL CAMPUS INSTRUCTION****Overview**

General campus instruction includes the cost of faculty, teaching assistants, and related instructional support for the eight general campus programs. Table 9 shows the general campus instruction budget. An increase in general funds of \$7.5 million (1.7 percent) is proposed, in addition to any increase needed to cover salary and benefit increases approved for the budget year. The proposed increase consists of (1) \$3.5 million cost for additional undergraduates and (2) \$4 million for a new technical education program, which is part of the Governor's "Investment in People" initiative.

**Table 9**  
**Instruction—General Campus**  
**Summary of Expenditures and Personnel**  
**(dollars in thousands)**

<i>Elements</i>	<i>Actual</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>	<i>Proposed</i> <i>1982-83</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Faculty .....	\$202,665	\$219,346	\$220,653	\$1,307	0.6%
2. Teaching assistants .....	24,663	29,101	29,449	348	1.2
3. Instructional support .....	108,383	129,928	132,102	2,174	1.7
4. Other .....	3,808	2,319	2,319	—	—
5. Equipment replacement .....	9,240	10,165	10,165	—	—
6. Instructional computing .....	4,056	4,066	4,066	—	—
7. Technical education .....	—	—	4,000	4,000	N/A
8. Employee benefits .....	81,416	70,034	71,020	676	1.0
Totals .....	\$434,231	\$465,269	\$473,774	\$8,505	1.8%
<i>General funds</i> .....	<i>\$420,624</i>	<i>\$449,286</i>	<i>\$456,828</i>	<i>\$7,542</i>	<i>1.7%</i>
<i>Restricted funds</i> .....	<i>13,607</i>	<i>15,983</i>	<i>16,946</i>	<i>963</i>	<i>6.0</i>
Personnel (FTE)					
Faculty .....	6,570	6,409	6,469	60	0.9%
Teaching Assistants .....	1,754	1,994	2,018	24	1.2
Other .....	4,716	4,798	4,840	42	0.9
Totals .....	13,040	13,201	13,327	126	1.0%

**1. Cost of Increased Enrollment**

In 1981-82, \$3.8 million has been added to UC's budget by the Department of Finance, pursuant to Control Section 28.90, to partially cover the cost of unanticipated enrollment. Consequently, the \$3.5 million augmentation in 1982-83 for increased enrollment in 1982-83 understates the cost of the budgeted enrollment increase. Adjusting for the one-time increase in 1981-82 support, the true increased cost associated with the budgeted increase of 2,171 undergraduates is \$7.3 million. This amount would fund 124 additional faculty FTE and 49 FTE teaching assistants.

### Enrollment Underfunded through Budgetary Savings Increase

*We recommend that, prior to budget hearings, the Department of Finance report on its rationale for underfunding general campus enrollment through an increase in the budgetary savings target.*

Each year, UC's state General Fund appropriation is less than the full cost of its authorized programs. This is because of "budgetary savings" that will result during the year, making full funding unnecessary. Budgetary savings are subtracted from the authorized General Fund appropriation level in recognition of the fact that, due to vacancies and staff turnover, UC's actual costs will be less than its authorized expenditures.

During preparation of the Governor's Budget, the Regents requested increased funding to support a projected 1,171 FTE increase in undergraduate enrollment, over the 1,000 FTE increase that had already been projected. The cost of an additional 1,171 FTE is \$4,185,000. In response, the Department of Finance (1) added \$4,185,000 from the state General Fund to the general campus instruction budget and (2) increased UC's budgetary savings target by \$4,185,000. As a result, no increase in the General Fund appropriation was needed to "fund" the 1,171 FTE increase.

Table 10 compares the Governor's Budget calculation of budgetary savings to our calculation. As the table shows, our estimate of the "normal" budgetary savings level is \$39,936,000, which is \$3,041,000 less than the amount budgeted. The difference reflects (1) the \$4,185,000 added to budgetary savings by the Department of Finance to offset the cost of the enrollment increase and (2) a \$1,144,000 adjustment needed to correct an error in the calculation of the budgetary savings *base* (prior to the addition of the \$4.2 million.)

**Table 10**  
**UC Budgetary Savings**  
**(in thousands)**

	<i>Governor's Budget</i>		<i>Legislative Analyst</i>	<i>Difference</i>
	<i>1981-82</i>	<i>1982-83</i>	<i>1982-83</i>	
Budgeted General Fund .....	\$1,117,255 <sup>a</sup>	\$1,150,880	\$1,150,880	—
Savings target .....	3.47%	3.37%	3.47%	0.10%
Budgeted savings .....	\$38,792	\$38,792	\$39,936	\$1,144
Special adjustment .....	—	4,185 <sup>b</sup>	—	-4,185
Total Savings Budgeted .....	\$38,792	\$42,977	\$39,936	-\$3,041

<sup>a</sup> Amount shown is appropriation before one-time 2 percent reduction.

<sup>b</sup> The Governor's Budget funds a portion of the cost of enrollment growth by increasing budgetary savings by \$4,185,000, rather than increasing the state General Fund appropriation by the same amount.

In 1981-82, UC's budgetary savings target was 3.47 percent of its General Fund appropriation (before the one-time 2 percent reduction). The Governor's Budget for 1982-83, however, uses a target of 3.37 percent. By reducing the base savings target, the Governor's Budget unintentionally augmented the UC base budget.

The net result is an increase in UC's budgetary savings target of \$3,041,000. It is not clear what the justification is for the increase in budgetary savings, or whether it can be achieved without having an adverse impact on the instructional program. Consequently, we recommend that the Department of Finance report on its rationale for the increase.

**UNIVERSITY OF CALIFORNIA—Continued****2. Technical Education Program—"Investment in People"**

*We recommend that the \$4,000,000 requested for a new Technical Education program be deleted, because sufficient information on the proposed use of funds has not been provided to document the need for additional resources. (Reduce Item 6440-001-001 by \$4,000,000.)*

The budget proposes a \$4 million augmentation to the university's budget to "promote research and education in the areas of engineering, computer science, and related basic sciences." This augmentation is part of the Governor's "Investment in People" initiative. Information provided by the administration indicates that the funds would be matched by industry, and would be used "to produce additional engineers, computer scientists, and related professional workers."

This new program addresses an important problem facing the state: the shortage of graduates in the high technology industries, relative to the number of jobs that are anticipated in these industries. The Governor's office states that over the next five years, California's electronics industry will create jobs for 62,000 electrical and computer engineers, yet California's universities will graduate only 14,000 skilled professionals in these fields. According to the Governor's office, such a gap between demand and supply "severely hampers growth in high technology industries—those firms which provide real growth for the state's economy." The \$4 million program is presented as a first step in broadening the partnership between business and public education for responding to the problem.

Our analysis indicates that efforts to increase the number of engineers and other high-technology professionals are needed. Consequently, the goal of this program appears to be worthwhile. At the time this analysis was prepared, however, few details were available on the proposed use of the funds. For example, it is not clear whether the funds would be used for additional faculty, research, equipment, or other purposes. Without a detailed expenditure plan, we are unable to judge whether an augmentation is, in fact, needed to accomplish the goals of the program, or whether the program's purposes could be accomplished by a reallocation of existing resources within the university. Reallocation of existing resources from those fields in which enrollments are declining to the engineering area might increase the number of engineering graduates without the need for all or part of the \$4 million request.

In the absence of an expenditure plan or information documenting the need for additional state funds, we are unable to recommend approval of the proposed \$4 million augmentation. We note, however, that the UC administration and faculty are currently working with business representatives to prepare an expenditure plan for the program. Should additional information become available before hearings on UC's budget, we will review it and advise the budget committees of our findings and make any revision in our recommendation at that time.

**3. Engineering Enrollment Policy**

*We recommend that the Legislature request UC to develop a policy on the enrollment of nonresident alien students in engineering graduate programs.*

Private industry, government, and higher education in California and the United States are all experiencing a severe shortage of well-educated

engineers at all degree levels. The problem is particularly acute in the university community, where the number of engineering faculty is failing to keep up with growing enrollments. In spite of this shortage of engineers with advance degrees, many of UC's available graduate positions in engineering are filled by foreign students, who are less likely than U.S. citizens to take engineering jobs in California or other states.

Table 11 shows the number and percentage of graduate students in engineering who are nonresident aliens. Systemwide, over 11 percent of engineering graduate students are nonresident aliens. The percentage ranges from 1 percent at San Diego to 21 percent at Berkeley.

Our review indicates that there is no university-wide policy on the admission of nonresident alien students to engineering programs. Given the unmet state and national need for engineers with graduate degrees, it is not clear why UC should devote such a large portion of its resources to the education of students who are nonresidents of the United States. We recommend that UC be asked to develop a policy regarding the admission of nonresident alien students to engineering programs.

**Table 11**  
**Enrollment of Nonresident Aliens**  
**in UC Engineering Programs**

	<i>Total Engineering Graduate Students</i>	<i>Nonresident Alien Engineering Graduate Students</i>	<i>Percent of Total</i>
Berkeley.....	2,651	560	21%
Davis.....	1,598	51	3
Irvine.....	828	32	4
Los Angeles.....	1,680	218	13
San Diego.....	1,311	9	1
Santa Barbara.....	994	140	14
Totals.....	<u>9,062</u>	<u>1,010</u>	<u>11%</u>

Source: UC Systemwide, Fall, 1980 discipline code.

#### 4. Faculty Workload

The UC has contracted with a private research firm since 1977-78 for an annual survey of faculty workload. Four surveys have been completed to date.

Table 12 compares the findings for all years with respect to instructional activities.

**Table 12**  
**Summary of Instructional Activities Among Regular Faculty<sup>a</sup>**  
**1977-78 to 1980-81**  
**(average hours per week)**

	<i>Academic Year</i>			
	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>1980-81</i>
Total, All Instructional Activities.....	28.4	27.6	27.5	28.9
Regularly scheduled course instruction.....	5.8	5.5	5.3	5.6
Supervising independent special study.....	2.4	2.3	2.7	2.6
Course preparation.....	10.8	10.7	10.1	11.6
Other instructional activities.....	9.5	9.3	9.4	9.0

<sup>a</sup> Source: Faculty Time-Use Study Report for 1980-81 Academic Year, page 33. These data are for full-time regular faculty members paid only from "Instruction and Research" funds.

**UNIVERSITY OF CALIFORNIA—Continued**

Table 12 shows a 5 percent increase in the average number of hours per week spent on all instructional activities between 1979-80 and 1980-81. The overall increase in time spent on instructional activities reflects:

- a 15 percent increase in course preparation time,
- a 6 percent increase in time spent on regularly scheduled course instruction, and
- a 4 percent decrease in "other instructional activities."

We know of no analytical basis for determining the appropriate level of faculty workload. The UC maintains that its student faculty ratio (17.48:1) is already above the average of its public comparison institutions (16.88:1). Any increases in the teaching loads required of its faculty, the university believes, would make UC less competitive in attracting faculty. The extent to which workload increases would affect the quality of UC's faculty or programs cannot be determined.

Table 13 shows the relationship between faculty workload increases, enrollment, and cost. The table shows that each 1 percent increase in faculty workload could, in theory, support an enrollment increase of 1,119 students and avoid salary and benefit costs of \$1.8 million that otherwise would have to be spent to hire additional faculty.

**Table 13**  
**Effect of Faculty Workload Increases on Budgeted Enrollments and Cost**

	<i>One Percent</i>	<i>Five Percent</i>
Budgeted faculty FTE .....	6,408	6,408
FTE equivalent of workload increase .....	64	320
Enrollment increase supported by workload increase <sup>a</sup> .....	1,119	5,594
Faculty-related costs avoided by workload increase <sup>b</sup> .....	\$1.8 million	\$9.1 million

<sup>a</sup> Based on student/faculty ratio of 17.48:1.

<sup>b</sup> Based on 1982-83 budgeted salary and benefit costs per faculty of \$28,572.

**5. Instructional Equipment Replacement (Item 6440-001-146a)***We recommend approval.*

In the 1980 Budget Act, the Legislature switched support for the Instructional Equipment Replacement Program from the General Fund to the Capital Outlay Fund for Public Higher Education (COFPE). These funds are used by UC to replace obsolete instructional equipment. The UC's current equipment inventory is valued at \$270 million. The UC has determined an annual need for \$12.9 million (in 1981-82 dollars) to replace instructional equipment. The Governor's Budget proposes a 6 percent price increase in this program for 1982-83, from the current-year level of \$10.9 million to \$11.6 million.

**HEALTH SCIENCES INSTRUCTION****Overview**

This subprogram includes the cost of faculty and instructional support for the five health science programs. Table 14 shows the health science instruction budget, by program element.

The budget for 1982-83 proposes a General Fund increase of \$3.3 million, or 2 percent, above the budget for the current year. The proposed increase would be used to:

- support an increase in enrollment of 81 FTE students, in accordance with UC's health science plan (\$0.8 million),
- replace federal funds now going to the San Francisco-Fresno Medical Education program upon termination of a Federal Veterans Administration grant (\$1.5 million),
- replace federal capitation funds eliminated by Congress in 1981-82 (\$0.9 million), and
- augment the Drew/UCLA medical education program (\$100,000).

**Table 14**  
**Instruction—Health Sciences**  
**Summary of Expenditures and Personnel**  
**(dollars in thousands)**

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Faculty .....	\$121,505	\$115,800	\$119,387	\$3,587	3.1%
2. Instructional support .....	77,032	73,465	74,573	1,108	1.5
3. Employee benefits .....	—	26,440	26,863	423	1.6
Totals .....	\$198,537	\$215,705	\$220,823	\$5,118	2.4%
<i>General funds</i> .....	<i>\$159,003</i>	<i>\$170,309</i>	<i>\$173,638</i>	<i>\$3,329</i>	<i>2.0%</i>
<i>Restricted funds</i> .....	<i>39,534</i>	<i>45,396</i>	<i>47,185</i>	<i>1,789</i>	<i>3.9</i>
Personnel (FTE)					
Faculty .....	2,079	2,115	2,119	4	0.2%
Other .....	2,174	2,755	2,756	1	—
Totals .....	4,253	4,870	4,875	5	—

### 1. Health Sciences Enrollment Increase

The budget proposes an enrollment increase of 81 FTE students. This increase is consistent with the health sciences plan submitted to the Legislature in 1975 and modified in subsequent years by legislative action on the budget. The major increases are in dentistry (38 FTE) and public health (22 FTE).

The budget indicates that health sciences enrollment will have to be reduced from the level proposed for 1982-83 by 130 FTE during the next four years, as a result of a \$2 million reduction in federal capitation funds.

### 2. Federal Funds Replacement—Fresno Program and Capitation Funds

A total of \$2.4 million in state funds is requested to replace federal funds which are being withdrawn from two UC programs.

**San Francisco-Fresno Medical Education Program.** A seven-year grant provided by the U.S. Veterans Administration, to partially support the San Francisco-Fresno Medical Education Program, terminates in June 1982. The budget requests \$1.5 million to replace the federal funds that will be lost when the grant expires. The funds would be used to support 17.43 faculty FTE and related costs, and would enable the program to continue its present enrollment level of 24 undergraduate medical students and 130

**UNIVERSITY OF CALIFORNIA—Continued**

residents.

**Capitation funds.** The Governor's Budget requests an augmentation of \$0.9 million to compensate for the phase-out of all federal capitation funds for health science enrollments other than public health. Federal capitation funds have been used since 1972-73 to offset state support for health science enrollments. In 1979-80, the federal government began a phased reduction of funding for the capitation program. In the last 3 budget acts, state funds were provided to replace most of the lost federal funds. The proposed augmentation is requested to replace the additional federal funds to be withdrawn in 1982-83.

The total amount proposed to replace federal funds is equal to support for 212 existing health science students. The Legislature may wish to request that UC discuss the proposed increase in state-funded health science enrollments in the context of the findings contained in the GMENAC report on the supply of and need for health science professionals.

**3. Graduate Medical Education National Advisory Committee (GMENAC) Report**

In April 1976, the U.S. Department of Health, Education, and Welfare (HEW) established the Graduate Medical Education National Advisory Committee (GMENAC). The committee consists of doctors and other health professionals from throughout the nation. The committee was charged with advising HEW on the following issues:

- What number of physicians is required to meet the health care needs of the nation?
- What is the appropriate specialty distribution of these physicians?
- How can a favorable geographic distribution of physicians be achieved?
- What are the appropriate ways to finance the graduate medical education of physicians?

In September 1980, GMENAC released its final seven-volume report. This report contains 107 recommendations. The committee found that the United States will have 536,000 physicians in 1990—70,000 more than needed—and a surplus of 145,000 medical doctors by the year 2000. The chairman of the committee cited three major reasons for the transformation of a doctor shortage in the 1970s to a surplus of doctors in 1990s:

- the increase from 8,000 to 19,000 in the number of students entering U.S. medical schools during the last 12 years,
- the annual influx into the U.S. of thousands of foreign doctors and U.S. graduates of overseas medical schools, and
- the growing role of nonphysician health providers, such as nurse-practitioners, physician assistants, and midwives.

The GMENAC report cited a number of ways to avert the surplus, including:

- not building additional medical schools in the U.S.,
- making prompt adjustments in the number of residency positions to bring supply into balance with the medical requirements projected for each specialty in the 1990s, and
- holding the number of physician assistants and nurse-practitioners in training to the current levels.

### Pending Reports on GMENAC

The Supplemental Report to the 1981 Budget Act required the UC, the California Postsecondary Education Commission (CPEC), and the Division of Health Professions Development of the Office of Statewide Health Planning to review the GMENAC findings and submit reports to the legislative budget committees by February 15, 1982. These reports are to address the significance of the GMENAC report with respect to UC's health science enrollments. At the time this *Analysis* was prepared, we had not received all of the reports. We will be prepared to discuss them during budget hearings.

### 4. Charles R. 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 nearby Martin Luther King, Jr. County Hospital. State General Fund support is provided to Drew under two separate contracts, each administered by UC.

As shown in Table 15, the Governor's Budget proposes \$3,935,000 for Drew programs in 1982-83—\$1,455,000 for the Drew/UCLA medical education program, and \$2,480,000 for a separate public service program. No increase is proposed for the public service program above the current-year level. A \$100,000 increase is proposed for the Drew/UCLA medical education program.

**Table 15**  
**Funding for UC/Drew Program**  
**(in thousands)**

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Drew/UCLA medical education .....	\$1,267	\$1,355	\$1,455	\$100	7.4%
2. Public Service.....	\$2,317	\$2,480	\$2,480	—	—
Totals.....	\$3,584	\$3,835	\$3,935	\$100	2.5%

### Drew/UCLA Medical Education Program

In 1979, Drew and UCLA agreed to establish a new medical education program. The program calls for an expansion of UCLA's third and fourth year medical school enrollment by 48 (24 in each class) and the provision of clinical training for 48 medical students at the Drew school. In addition, a number of the residency (house staff) positions previously funded by Drew will be transferred to the Drew/UCLA program. Under the UC/Drew agreement, the state will provide support for the faculty needed to teach and supervise 48 medical students and 170 medical residents.

Under the prevailing formulas for funding UC medical programs, the state will fund 38 FTE faculty when the program becomes fully operational. Of the 38 FTE, 13.7 are associated with the 48 medical students, and 24.3 are associated with the 170 residents.

The state is currently funding 20 FTE for this program. Funding was provided for the first 10 FTE in 1979-80 and for the additional 10 FTE in 1980-81. Thus, there have been 20 state-funded faculty FTE at Drew since July 1980. These faculty were funded in order to plan the curriculum in preparation for the first class of 24 in 1982-83.

**UNIVERSITY OF CALIFORNIA—Continued****Augmentation Proposed for 1982-83**

*We recommend that the \$100,000 augmentation requested for additional faculty at the Drew Medical program be deleted because the state is already supporting more than the number of faculty needed in 1983-84 based on agreed-upon staffing ratios. (Reduce Item 6440-001-001 (i) by \$100,000).*

The Regents' Budget requested a \$1 million augmentation to finance salary and support costs for an additional 10 faculty in 1982-83. These faculty were proposed to accommodate the first class of 24 medical students.

After the Regents' Budget was submitted, Drew announced that the enrollment of the first class would be delayed one year. The delay was caused by problems related to faculty recruitment and facility completion. Plans now call for the first 24 students to enroll in 1983-84, and the next 24 to enroll in 1984-85.

The Governor's Budget proposes an increase of \$100,000 for 1982-83 for additional faculty. UC/Drew maintain that, even though there will be no students in 1982-83, they need authority to recruit additional faculty so that they can be on board by 1983-84. The \$100,000 would provide sufficient funds to pay the salaries of eight faculty FTE for six months of 1982-83.

Our analysis fails to support the need for the augmentation in 1982-83. Specifically, we find that:

- the state is already funding sufficient faculty to accommodate the 1983-84 program level, based on current budgeting standards,
- Drew has not been able to fill the 20 currently authorized positions, and
- there is no need to fund so many faculty so far in advance of full program operation.

***Sufficient faculty for the 1983-84 program is already being funded.*** As noted above, the state is currently funding 20 faculty FTE. In 1983-84, there will be 24 medical students attending Drew. Based on the UC/Drew agreement that 170 residents are needed for 48 medical students, only 85 residents should be needed to supervise the 24 students in 1983-84. Based on current funding formulas which provide (1) one faculty for every 3.5 medical students and (2) one faculty for every seven residents, the 1983-84 program level would require 19 faculty in 1983-84. That is one less than the state is currently funding.

***Recruitment problems.*** As mentioned, Drew has had authorization to recruit and fund 20 faculty FTE since July 1980. As of December, 1981, only 16 of the 20 positions were filled. Judging from the rate at which faculty has been recruited to date, it is unlikely that 12 new faculty (the four unfilled positions plus eight proposed new positions) could be hired by January 1983, even if the additional faculty were needed.

***Hiring in advance of program operation.*** Because the state is already funding the faculty needed in 1983-84, no additional faculty should be needed until September, 1984 when the program becomes fully operational. Our analysis indicates that there is no need to authorize such additional positions more than two years before they would need to be filled.

For these reasons, we recommend that the augmentation be deleted. In making this recommendation, we note that before the enrollment of the

first class was delayed one year, UC/Drew requested new faculty for 1982-83 to help accommodate the students who would begin in the *same year*. There was no mention of a need to secure advanced authorization for faculty until the delay occurred.

## II. RESEARCH

### Overview

The UC is California's primary state-supported agency for conducting research. Research at UC is supported from various sources, as indicated in Table 16. The table shows a proposed research program of \$725 million in 1982-83, with 32 percent of the support expected to come from general funds. The proposed amount is \$46,116,000 (6.8 percent) above estimated expenditures for research in the current year.

**Table 16**  
**Total Funding for Research**  
**(in thousands)**

	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Amount	Percent
General funds					
Organized research.....	\$89,925	\$92,100	\$96,430	\$4,330	4.7%
Instruction <sup>a</sup> .....	126,554	136,195	138,919	2,724	2.0
Subtotals.....	\$216,479	\$228,295	\$235,349	\$7,054	3.1%
Restricted funds <sup>b</sup> .....	\$19,310	\$14,011	\$14,281	270	1.9
Regents' funds.....	6,854	8,653	12,654	4,001	46.2
Extramural funds <sup>c</sup> .....	395,869	428,059	462,850	34,791	8.1
Totals.....	\$638,512	\$679,018	\$725,134	\$46,116	6.8%

<sup>a</sup> This is the estimated portion of the instruction budget (general campus and health sciences) that supports faculty research, based on the annual time use study findings that approximately 23 percent of faculty time is spent on research. The percentage of the instruction budget attributed to faculty research has been reduced to 20 percent to adjust for the fact that a portion of the instruction budget is not financed from the state General Fund.

<sup>b</sup> Consists of state special funds and private endowments.

<sup>c</sup> Primarily federal funds.

### 1. State Funding for Research

The state funds research through the appropriations for the Instruction and Research programs. Within the Instruction budget, research is not budgeted separately, but is supported by that portion of faculty salaries which corresponds to the time spent on research activities. Research which is budgeted separately is called organized research. Most organized research is conducted under the auspices of the university's organized research units (ORUs), which are formal agencies established by the Regents to promote and coordinate research in specified areas. Table 17 shows the state budget for organized research; it does not include funds for faculty research provided through the instruction budget.

The Governor's Budget proposes a total of \$110.7 million for organized research in 1982-83, excluding any funds for salary or benefit increases that may become effective in the budget year. Of the total, \$96.4 million is requested from general funds; the balance (\$14.3 million) would come from restricted funds. The proposed general funds component is \$4.3 million (4.7 percent) above the current-year level. The increase is composed of five separate items:

## UNIVERSITY OF CALIFORNIA—Continued

Table 17

**Organized Research Program**  
**Summary of Expenditures and Personnel**  
 (dollars in thousands)

<i>Element</i>	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
General campus .....	\$26,446	\$21,635	\$25,235	\$3,600	16.6%
Health sciences.....	7,635	5,708	5,708	—	—
Agriculture .....	66,033	52,979	52,979	—	—
Marine science .....	9,121	6,603	6,603	—	—
Individual faculty grants and travel ..	—	2,988	3,988	1,000	33.5
Employee benefits.....	—	16,198	16,198	—	—
<b>Totals.....</b>	<b>\$109,235</b>	<b>\$106,111</b>	<b>\$110,711</b>	<b>\$4,600</b>	<b>4.3%</b>
<i>General funds.....</i>	<i>89,925</i>	<i>92,100</i>	<i>96,430</i>	<i>4,330</i>	<i>4.7</i>
<i>Restricted funds.....</i>	<i>19,310</i>	<i>14,011</i>	<i>14,281</i>	<i>270</i>	<i>1.9</i>
Personnel (FTE) .....	2,998	2,854	2,854	—	—

1. **Microelectronics Research (\$1 million).** The budget proposes to double the amount of state funding for microelectronics research, from \$1 million in the current year to \$2 million for 1982-83. Under the program, state funds, matched by industry funds, are used to support individual research projects and graduate fellowships. In 1981-82, the first year of the program, approximately 31 proposals will be funded. The UC maintains that an additional \$1 million is needed to fund projects submitted by faculty members that could not be supported within the existing funding level.

2. **Energy Institute (\$1.5 million).** The budget proposes an increase in state support for the Energy Institute. This program, which has been funded for two years at a level of about \$150,000, is budgeted for an increase of \$1.5 million in 1982-83. Funds are currently used to support small-scale research projects and to provide seed money to assist researchers in obtaining extramural funds. The purpose of the augmentation is to (1) establish institute branches on six campuses to integrate UC energy research activity, (2) increase the number and size of individual research projects, and (3) initiate a major research effort to study some key problems relating to future energy supplies of California and the west.

3. **Space Institute (\$0.5 million).** A \$0.5 million increase is requested for California Space Institute, which is a university-wide organized research unit that has been receiving state funding for three years. Its purpose is to help support and unify space-related research within UC. The augmentation is proposed to (1) establish two or three new campus branches of the institute, (2) add core staff at the newly-expanded San Diego headquarters, and (3) expand the program of research mini-grants.

4. **Global Security and Cooperation (\$330,000).** The budget proposes a total augmentation of \$600,000 (\$270,000 from Regents' funds) for a University Center for Global Security and Cooperation. A special UC committee is considering several proposals for ongoing research in this area. This augmentation, which was not included in the Regents' Budget, is proposed in the Governor's Budget, in anticipation that one of the proposals will be selected for funding. It should be noted that the \$330,000 of state General Funds to support this research project are identified in the budget as the state's share of the proposed increase in the federal

overhead received for management of the federal Department of Energy laboratories. As noted earlier, the federal overhead rate is not certain to increase. Thus, funds budgeted as support for this program may not materialize.

**5. Individual Faculty Research (\$1 million).** A \$1 million augmentation is proposed to help meet the needs of individual faculty members for equipment, supplies, research assistants, and travel in connection with their research. The UC maintains that this augmentation is needed (1) for faculty in fields where there is little or no extramural funding, (2) to enable more rapid progress on projects than would otherwise be possible, and (3) to serve as seed money for attracting extramural research grants.

### **Difficulties in Budgeting for Research**

Determining the "appropriate" level of funding for organized research presents problems that go far beyond those we encounter in budgeting for other programs, such as instruction. In the instruction program, for example, there are workload measures (enrollment) and standardized unit costs (faculty, teaching assistants, library) that can be used to determine the cost of a stated program level. In contrast, research is not easy to define in terms of either workload or service level. Consequently, it is difficult to determine analytically whether the state is buying "enough" research or the right kind of research, using "hard" data.

Our analysis of the \$3.3 million increase in funding requested for microelectronics, energy, space, and global security considers separately two dimensions of the request:

- How much funding for research is enough?
- How should state funding for research be provided?

### **How Much is Enough?**

We know no analytical basis on which to recommend to the Legislature an increase or a decrease in the baseline budget for research. No information is available to indicate what additional funds would buy or what would be sacrificed if funding for research were reduced from the existing baseline level. Thus we offer no recommendation to alter the baseline budget for research.

### **How Should Research Funding be Provided—Block Grants Versus Categorical?**

**Block Grant Funding of Research.** The proposals for augmentation of specific research activities represents a significant departure from the traditional means of budgeting state funds for university research. Historically, the state has provided UC with a "block grant" appropriation for organized research, with the amount adjusted annually for inflation. The UC has been permitted to allocate the funds provided by this block grant to meet its own research priorities.

The block grant approach to budgeting for research is premised on two assumptions:

- a stable appropriation, adjusted for inflation, is sufficient to provide core research support, and
- the UC faculty and administration, rather than the state, should determine the priorities for research within the block grant research appropriation.

**Categorical Funding of Research.** In recent years, the Governor's

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Budget has proposed a departure from the traditional block grant approach by requesting augmentations for specific research projects. The Legislature has generally granted these requests for categorical research funding.

Table 18 shows the trend in categorical funding for research during the last five years. General Fund support for categorical research is proposed to increase by 81.2 percent. Categorical research has grown from less than 1 percent of the organized research budget in 1978-79 to 8 percent in 1982-83.

**Table 18**  
**Trend in Categorical State Funding for Research**  
**1978-79 through 1982-83**  
**(in thousands)**

	1978-79	1979-80	1980-81	Estimated 1981-82	Proposed 1982-83	Percent Increase
Institute of Appropriate Technology .....	\$105	\$103	\$259	\$277	\$296	6.9%
Integrated pest management.....	—	1,125	1,617	1,730	1,834	6.0
Space-related .....	—	455	1,026	1,102	1,602	45.4
Energy Institute .....	—	—	150	155	1,665	974.2
Microelectronics .....	—	—	—	1,000	2,000	100.0
Global security.....	—	—	—	—	330	N/A
Totals .....	\$105	\$1,683	\$3,052	\$4,264	\$7,727	81.2%
General Fund.....	\$105	\$1,683	\$2,686	\$3,878	\$7,316	37.1%
Special funds.....	—	—	366	386	411	6.5

Funding research on a categorical basis poses a difficult problem for the Legislature. Under the block grant approach, the Legislature, in effect, relies on the UC to allocate available funding to accommodate high priority research endeavors. Consequently, the Legislature does not need to review specific research expenditures. Furthermore, as new research priorities are identified, the Legislature need not consider the new priorities individually because the university has sufficient flexibility to reallocate resources to meet these priorities.

When funds are requested on a categorical basis, however, the assumptions underlying that block grant approach no longer hold. By requesting augmentations for specific new research projects, the Governor's Budget implies that these new projects cannot be funded through a reallocation of funds from lower-to-higher priorities within the base budget. Under these circumstances, for the Legislature to determine whether there is a need for additional funds, it would have to review how research funds are used within the base. The budget, however, neither provides justification for the claim that the proposed augmentations cannot be funded by reallocating research funds from lower priority projects, nor does it provide a means for reviewing research allocations within the base.

**McElroy Report.** In May 1980, the university published the results of a systemwide study of organized research within UC, known as the McElroy report. The study focused on the management and allocation of resources available for organized research. Two findings of the study committee are most pertinent to the issues facing the university in 1982-83:

- An undue reliance on historical allocations of available research funding restricts the amount available for new research initiatives.

- The Regents' budget for organized research is prepared without adequate information on (a) current research activities and (b) financial needs of the projects included for funding.

The study committee offered many specific recommendations for addressing these problems. A number of the recommendations were aimed at devising a new approach to funding organized research. These recommendations called for:

- a means of insuring that the mix of organized research units would keep up with the changing priorities for research, and
- development of a capacity for funding new areas of research.

While the university administration rejected some of the specific recommendations contained in the report, it has not rejected the overriding concept of improving UC's capability to reallocate resources and otherwise accommodate new research initiatives. No action, however, by the administration has been taken to change the existing system so as to better serve this objective.

#### **Deletion of Categorical Augmentations Recommended**

*We recommend that the proposed augmentations for categorical research be deleted. We further recommend that if the Legislature wishes to insure that the specific research programs proposed in the budget are funded, the Legislature approve the proposed increases and reduce the General Fund research base by the amount of the approved increase. (Reduce Item 6440-001-001 by \$3,330,000.)*

The augmentations for categorical research requested in the budget for microelectronics, the California Space Institute, the California Energy Institute, and the new initiative for global security total \$3,330,000. (The augmentation for individual faculty research is discussed separately.) The UC maintains that additional research in microelectronics, space, and energy is (1) vital to the economy of the state and (2) a subject of great faculty interest, judging from UC's experience with these programs to date. The funds are requested primarily to expand the number of projects that can be funded. A specific proposal for the new global peace initiative has not been submitted.

We recommend that the augmentations for these four categorical research efforts be deleted because we have no analytical basis for concluding that additional funds are needed to support these specific research programs. UC has not demonstrated that expansion of these programs could not be funded by reallocating funds within the university's base budget for research. If the projects have a high priority, they should warrant funding within the base research allocation. Given that UC has not taken action to address the findings of the McElroy report, we conclude that the possibilities for reallocation have not been exhausted.

We recognize, however, that UC has been reluctant to reallocate resources to support research projects which are high priorities of the Legislature and the Governor. Thus, it is not clear that these research programs will receive funding if the Legislature does not provide funds explicitly for that purpose. If the Legislature wishes to insure that the proposed research programs are funded, we recommend that it approve the increases proposed for these programs and reduce UC's base research budget by a corresponding amount. This action would insure that these projects receive funding without providing any overall increase to UC's research budget.

**UNIVERSITY OF CALIFORNIA—Continued****2. Individual Faculty Research**

In the current year, the state is providing \$3.7 million from the General Fund for individual faculty research. In addition, the Regents are providing \$3 million from the Regents' Special Program Fund for individual faculty research, making a total of \$6.7 million available for this purpose.

In their 1982-83 budget request, the Regents asked the state to provide a \$3 million augmentation to match the \$3 million that the Regents allocate from Regents' Special Program Funds. In support of this request, the Regents stated that:

- "Grants funded from this source represent the major or only support for a large number of faculty members in fields for which there is little or no extramural funding, most notably the humanities, fine arts, and some social sciences."
- "Adequate funding for faculty research is essential to the recruitment and retention of outstanding teachers and scholars."
- "With the impending federal cutbacks in research support, the availability of faculty research grants will be even more critical for junior faculty and faculty conducting research in the humanities, fine arts, and social sciences."

The Governor's Budget proposes a \$1 million General Fund augmentation for individual faculty research.

**\$1 Million Research Request Not Justified**

*We recommend that the \$1 million requested to support additional individual faculty research be deleted. (Reduce Item 6440-001-001 by \$1 million.)*

Our analysis of the UC research budget failed to document a need for the proposed \$1 million augmentation.

The Regent's budget stresses the need for the 15 percent increase in funding for individual faculty research by junior faculty in humanities, fine arts, and social sciences. The Governor's Budget, however, shows that enrollment in those fields declined by 14.4 percent between 1977-78 and 1980-81. Consequently, it would appear that an increase in the amount available per new (junior) faculty could be achieved without an augmentation in General Fund support. We also note that funding for individual faculty research in 1982-83 *without the augmentation* would be 100 percent above the level provided in 1979-80.

In the absence of a documented need for this increase, we conclude that an augmentation is not necessary, and recommend that these funds be deleted.

**Use of State Research Funds for Other Purposes**

*We recommend that state funds which have been provided for individual faculty research be used only for that purpose.*

Table 17 shows that the state General Fund contribution for individual faculty research in 1981-82 is \$2.9 million. The actual amount provided by the state, however, is \$3.7 million. The UC explains the discrepancy by advising us that one of the campuses used its *state* funds for another purpose, and used *other* funds to support individual faculty research.

While the funding transfer does not alter total support for any program, it results in a misleading picture of state support for individual faculty

research. Consequently, we recommend that all funds which have been provided by the state in support of individual faculty research be allocated for that purpose and displayed in the budget accordingly.

### **3. Report on Valley Fever Research**

Chapter 1293, Statutes of 1980, appropriated \$300,000 from the state General Fund to the University of California in support of a three-year study to develop a vaccine for valley fever. The legislation required that a report be submitted to the Legislature by January 1, 1982, and that our office summarize the report in the *Analysis* of the 1982-83 Governor's Budget.

**Background.** Valley fever is a serious disease caused by a fungus prevalent in the dusty environment of the southwestern United States. An estimated 85,000 cases arise in the U.S. each year. A vaccine to prevent valley fever has been developed and proven effective in animal studies. Human *safety* trials of the vaccine have recently been completed and the vaccine has been certified by the U.S. Food and Drug Administration for human *effectiveness* studies.

**Research Study.** The original study proposal called for a minimum of 3,000 participants, in order to provide for a statistically valid test. Half of the participants would receive the vaccine, and half would receive a placebo (an inert substance). Testing of the vaccine began in Bakersfield, but due to a shortage of participants, has expanded to Tucson, Arizona, as well. A further expansion to Lemoore Naval Air Station in Kings County is planned. The specific sites chosen for the expansion are in areas where research activity was already underway. To date, 987 people have enrolled in the study. There have been four confirmed cases of valley fever among the enrollees but the numbers involved to date are too small to permit a conclusion as to the efficacy of the vaccine.

**State Funding.** During the first year (January 1981 to December 1981), approximately \$100,000 of the \$300,000 state appropriation was spent. The study team expects to spend an additional \$100,000 in each of the two succeeding years.

### **4. Energy Institute (Item 6440-001-188(a))**

*We recommend approval.*

In addition to the proposed \$1.5 million General Fund augmentation for the Energy Institute, the budget requests an increase of \$10,000 in Energy and Resources Fund (ERF) support for the institute in 1982-83. This would raise ERF support of the institute from \$155,000 to \$165,000. In addition, \$107,000 from the Regents' Special Program Fund would be made available to the institute.

It should be noted that Chapter 899, which created the ERF, expresses the Legislature's intent that funds from the ERF be used only for short-term projects and not for any ongoing program. The budget proposes that a third year of support for this program be provided from the ERF.

### **5. Institute of Transportation Studies (Item 6440-001-046)**

*We recommend approval.*

The Institute of Transportation Studies was established by the Regents in 1947. It was chartered to provide instruction and research related to design, construction, operation, and maintenance of highways, airports, and related public transportation facilities.

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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 with other agencies having public transportation responsibilities.

A total of \$873,000 from the State Transportation Fund is requested for support of this program in 1982-83, 8 percent above the 1981-82 level.

**6. Institute of Appropriate Technology (Items 6440-001-001(k) and 6440-001-189(c))**

*We recommend approval.*

The UC Appropriate Technology Institute is a university-wide organization established in 1977. Its purposes are to generate, assemble, and disseminate research on energy production from renewable resources, efficiency in energy usage, climatically responsive architecture, resource conservation and recycling, environmental pollution abatement, and small-scale food production and food preservation.

State support for 1982-83 is proposed at \$296,000, which is \$18,705 (7 percent) more than the current year. It should be noted that this institute is supported in part from the General Fund (\$50,000) and in part from the Energy and Resources Fund (ERF) (\$246,000). The ERF was created by the Legislature in Ch 899/80. Chapter 899 expresses the Legislature's intent that funds from the ERF be used only for short-term projects and not for any ongoing programs. The budget proposes that a third year of support for this program be provided from the ERF.

**7. Mosquito Control Research (Item 6440-001-144)**

*We recommend approval.*

The Governor's Budget proposes to continue 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. State General Fund support for this program is proposed at a level of \$645,000 in 1981-82. The General Fund portion is included within the university's main appropriation.

**III. PUBLIC SERVICE**

The public service program includes campus public service, Cooperative Extension, the Drew Postgraduate Medical School, and the California College of Podiatric Medicine. The budget for each of these subprograms is shown in Table 19. No changes are proposed for any of these programs in the budget year. The amounts shown in Table 19 are exclusive of any increases for salary and benefits or inflation adjustments, which will be allocated at a later date.

**CAMPUS PUBLIC SERVICE**

The Campus Public Service subprogram supports cultural and educational activities on and off the campuses, primarily with restricted funds. State General Fund support is provided for the following ongoing programs:

- EQUALS program (\$230,000)
- California Writing Project (\$451,860)
- MESA and Mesa-like programs (\$233,507)
- UC San Diego Teratogen Registry (\$110,000)

- An aquarium-museum at Scripps Institution of Oceanography (\$169,233)

**Table 19**  
**Public Service Program**  
**Summary of Expenditures and Personnel**  
**(dollars in thousands)**

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83
1. Campus Public Service .....	\$11,005	\$11,621	\$11,621
General funds .....	(1,222)	(1,195)	(1,195)
Restricted funds .....	(9,783)	(10,426)	(10,426)
2. Cooperative Extension.....	32,489	34,133	34,133
General funds .....	(24,739)	(26,685)	(26,685)
Restricted funds .....	(7,750)	(7,448)	(7,448)
3. Drew Medical School <sup>a</sup> .....	2,317	2,480	2,480
4. California College of Podiatry <sup>a</sup> .....	747	779	779
Totals.....	\$46,558	\$49,013	\$49,013
General funds .....	\$29,025	\$31,139	\$31,139
Restricted funds .....	17,533	17,874	17,874
Personnel (FTE)			
Academic .....	N/A	511	511
Staff .....	N/A	745	745
Totals.....	1,196	1,256	1,256

<sup>a</sup> All general funds

### **EQUALS Program**

*We recommend that \$155,000 requested for the EQUALS Program be deleted and that the program be partially funded by reappropriating savings from the 1981-82 appropriation. (Reduce Item 6440-001-001 by \$155,000 and reappropriate \$155,000 from Item 644-001-001 of the 1981 Budget Act.)*

The Governor's Budget includes \$230,000 to fund EQUALS, a training program to provide K-12 classroom teachers, counselors, and administrators with the skills needed to promote the participation of women students in mathematic courses. Last year, UC requested \$230,000 for the EQUALS program, on the grounds that federal support for the program would be withdrawn. The 1981 Budget Act included state funds for the program, but provided that these funds would be made available only to the extent that federal funds actually declined.

Only \$75,000 of the \$230,000 appropriated in 1982-82 has been used, because only \$75,000 of federal funds were withdrawn. For 1982-83, UC anticipates full withdrawal of federal funds, and requests \$230,000 of state funds. Because \$155,000 is available from the current year appropriation, however, only \$75,000 additional money from the state General Fund is needed to fully fund the program in 1982-83. Accordingly, we recommend that \$75,000 be appropriated for EQUALS in the budget year, and that the remaining \$155,000 needed to fund the program be reappropriated from the 1981 Budget Act.

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## COOPERATIVE EXTENSION

## Overview

Cooperative Extension is one of two subdivisions of the University of California's Division of Agricultural Services. The other subdivision is the Agricultural Experiment Station, which is budgeted under Organized Research. The purpose of Cooperative Extension is to communicate the results of research and new knowledge to the general public and, in turn, to bring problems and issues identified by individuals and communities back to UC's campuses for research. The program areas in which cooperative extension is active include agronomy and vegetable crops, horticulture, pest management, economics and community resource development, and food, nutrition, family, and consumer sciences. Cooperative Extension operates from three UC campuses and 54 county offices.

Funding for Cooperative Extension is provided from the state General Fund, federal funds, counties and private endowments. A small portion of the revenue (less than 2 percent) is raised through the sales of publications and services. Table 19 shows the amount proposed in the Governor's Budget for Cooperative Extension in 1982-83. Of the \$34.1 million requested, \$26.7 million (78 percent) would come from the General Fund.

Table 20 shows all revenues for Cooperative Extension, including extramural funds not displayed in the Governor's Budget.

**Table 20**  
**Cooperative Extension Revenues**  
**All Sources**  
**(in thousands)**

	1977-78		1980-81	
	Dollars	Percent	Dollars	Percent
State .....	\$16,095	55.4%	\$24,356	59.4%
Federal .....	6,915	23.8	9,569	23.3
Counties .....	5,008	17.2	5,469	13.3
Other .....	1,024	3.5	1,631	4.0
Totals .....	\$29,042	100.0%	\$41,025	100.0%

This table shows that the state's share of support for Cooperative Extension has increased over a four-year period, from 55.4 percent in 1977-78 to 59.4 percent in 1980-81. During the same period, the counties' share has declined from 17.2 percent to 13.3 percent. The federal and "other" shares have stayed about the same. State support for the program in 1980-81 was about \$1.6 million more than it would have been had the county share remained at the 1977-78 level.

**Need to Diversify Revenue Sources**

*We recommend that the Legislature request the Regents to submit a plan for increasing nonstate revenues for Cooperative Extension. The plan should specifically provide for increased contributions from private industry and those individuals who benefit from Cooperative Extension services.*

Many, if not all, of Cooperative Extension's programs provide services that directly benefit private industry and individuals. Most of these services are provided free of charge. In some cases, the consumers enjoy direct

economic benefits for which they should be willing to contribute a portion of the cost incurred in providing the service. Examples of such direct benefit services are shown in a brochure advertising Cooperative Extension:

- In one year, an energy conservation program aimed at fruit and nut driers, greenhouses, and dairy and poultry operations saved producers \$1.7 million, mostly in natural gas conservation.
- Cooperative Extension has operated a farm safety program for several years. The California Farm Bureau's group workers compensation plan, which represents about one-third of the farm operators in California, shows dividends through reduced premiums of more than \$23 million from 1976 through 1978.

The university has recognized the need to obtain more support for cooperative extension activities from the beneficiaries of the program. In a 1980 report on the Division of Agricultural Sciences, UC stated that its goal was:

“ . . . to encourage private support of research and extension programs in a way that contributes to the public benefit. Potential sources of expanded private funding include gift and endowment funds and self-taxing systems by which members of the private sector, including producers and processors of food, fiber, forestry, and ornamental commodities, contribute systematically and regularly to support research and extension activities of mutual benefit to themselves and the public.”

Our review indicates that no action has been taken by the university to accomplish this goal. Consequently, we recommend that the Legislature request the Regents to submit a plan for increasing non-state revenues for Cooperative Extension.

#### IV. ACADEMIC SUPPORT

##### Overview

The academic support program includes (1) libraries, (2) organized activities (activities which provide academic support to health sciences and general campus programs, such as clinics and demonstration schools), and (3) teaching hospitals. Table 21 shows the budget for this program. The Governor's Budget proposes General Fund support for this program totaling \$175.5 million. This is an increase of \$1.8 million (1.0 percent) over current-year expenditures. This increase makes no allowance for any salary or benefit increases that may be approved for the budget year.

The \$1.8 million increase consists of:

- a \$1,219,000 increase to cover the costs of moving library materials into the new Northern Regional Library Facility,
- a \$472,000 increase for library workload, resulting from the increased enrollment of 2,171 general campus and 81 health science students in 1982-83,
- a \$235,000 decrease to delete the one-time library workload increase funded in 1981-82 due to over-enrollment, and
- a \$310,000 increase to fund start-up costs at the San Joaquin veterinary facility, in accordance with the previously approved plan.

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**Table 21**  
**Academic Support Program**  
**Summary of Expenditures and Personnel**  
 (dollars in thousands)

<i>Element</i>	<i>Actual 1980-81</i>	<i>Estimated 1981-82</i>	<i>Proposed 1982-83</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Libraries .....	\$79,693	\$83,863	\$85,319	\$1,456	1.7%
General funds .....	(78,163)	(82,452)	(83,908)	(1,456)	1.8
Restricted funds .....	(1,530)	(1,411)	(1,411)	—	—
2. Organized activities.....	83,473	81,428	83,183	1,755	2.2
General funds .....	(42,797)	(45,876)	(46,186)	(310)	0.7
Restricted funds .....	(40,676)	(35,552)	(36,997)	(1,445)	4.1
3. Teaching Hospitals.....	508,514	598,906	673,602	74,696	12.5
General funds .....	(43,533)	(45,383)	(45,383)	—	—
Restricted funds .....	(464,981)	(553,523)	(628,219)	(74,696)	13.5
Totals.....	\$671,680	\$764,197	\$842,104	\$77,907	10.2%
General funds .....	\$164,493	\$173,711	\$175,477	\$1,766	1.0%
Restricted funds .....	507,187	590,486	666,627	76,141	12.9
Personnel (FTE)					
1. Libraries .....	2,325	2,264	2,274	10	0.4%
2. Organized Activities .....	2,191	2,657	2,657	—	—
3. Teaching hospitals .....	14,201	14,475	14,475	—	—
Totals.....	18,717	19,396	19,406	10	0.1%

**1. Clinical Teaching Support (CTS)***We recommend approval.*

The Governor's Budget proposes \$49.2 million of clinical teaching support (CTS) in 1982-83—the same amount as in the current year.

CTS is a state appropriation to UC's hospitals and clinics. The purpose of CTS is to allow the clinical programs to obtain an appropriate number and diversity of patients to support the clinical teaching programs. CTS is used primarily to finance the cost of treating patients who are needed for the teaching program but are unable to pay the full cost of treatment, either privately or through insurance coverage. Because (1) three of UC's five hospitals are former county hospitals serving a large number of Medi-Cal patients, and (2) Medi-Cal funding has not kept pace with rising health care costs, CTS has increasingly been used to finance the difference between charges to, and reimbursement from, the Medi-Cal program.

**Allocation of CTS**

CTS is provided to each of UC's five teaching hospitals and two dental schools. There is no formula governing the allocation of CTS, although UC states that clinical enrollment is the primary allocation criterion. The specific allocation to each of the five recipients is based on prior-year levels, inflation, enrollment, and other factors specific to each program. Table 22 shows the CTS allocations for 1981-82 and the allocations per clinical student.

In 1978 UC published a study of CTS. One of the questions addressed by the study was: "On what basis can the university best establish and quantify the need for CTS?" The study committee did not recommend a means for quantifying CTS allocations. Instead, the report recommended that allocations be based on clinical student enrollment and "factors that influence the fiscal operation of the clinical teaching facility," such as patient mix and county reimbursement contracts. Because a means to quantify the allocation of CTS has not been developed, allocations continue to be based on historical funding patterns and negotiated increases.

**Table 22**  
**Clinical Teaching Support (CTS) Allocations**  
**Per Clinical Student, 1981-82**  
**(dollars in thousands)**

	<i>CTS</i>	<i>Clinical Enrollment<sup>a</sup></i>	<i>CTS per Clinical Student</i>
<b>Medicine</b>			
Davis .....	\$8,080	514	\$15.7
Los Angeles .....	7,354	469	15.7
Irvine .....	11,292	842	13.4
San Diego .....	7,782	501	15.5
San Francisco .....	11,107	606	18.3
<b>Dentistry</b>			
Los Angeles:			
On-campus clinic .....	1,489	237	6.3
Venice .....	—	5	—
San Francisco:			
On-campus clinic .....	1,327	206	6.4
General Hospital .....	454	24	18.9
Buchanan .....	289	16	18.1

<sup>a</sup> For medicine, includes third- and fourth-year students and residents; for dentistry, includes third- and fourth-year students and graduate professionals.

### Requests for Dental and Optometry CTS

The Regents' budget requested (1) an increase of \$685,000 in CTS allocated to the dental clinics and (2) \$200,000 in additional CTS for the School of Optometry clinic at Berkeley, which currently receives no CTS. The increases were requested on the basis that (1) both programs continue to experience major operating deficits which can no longer be covered from other sources, and (2) patient fees cannot be raised to generate additional income.

The Governor's Budget does not include funds to provide additional CTS for the dental and optometry programs.

Our review of the Regents' requests indicates that:

- there appears to be a need for increased CTS at the dental and optometry programs, but
- there is no analytical basis for determining the amount of the increase that is needed.

**Need for CTS.** CTS has never been provided to the optometry program. This program has been self-supporting through patient fees until recently. Patient fees, at their present level, are no longer able to support the program, and officials at the school maintain that fees cannot be raised because of competition from local, low-cost optometrists. To the extent that a state subsidy (CTS) would prevent the loss of patients necessary for the teaching program, it appears that the optometry program faces the same need for CTS as the hospitals and other clinical programs which already receive CTS.

The dental programs currently receive an average of \$6,700 of CTS per student. The Regents requested additional funds to provide CTS for the first time to one of the community clinics, and to increase the CTS allocation to the on-campus clinics. UC indicates that the dental clinics face a

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serious problem of attracting enough patients to support the teaching program. Even though fees are discounted for all patients, the dental clinics are losing patients to other providers and suffering deficits as a result.

Table 23 shows the sources of revenue for clinical programs in medicine, dentistry, and optometry. The table shows that revenue from patient charges provides only a small portion of operating revenue for optometry and dental clinics, but a large portion for the medical hospitals. As a result, the dental and optometry programs show major deficits, while the hospitals show virtually none. The dental clinic deficits are in spite of state CTS allocations.

**Table 23**  
**Comparison of Revenue Sources for**  
**Medical, Dental, and Optometry Clinics, 1980-81**

	<i>Percent of Operating Income by Source</i>		
	<i>CTS</i>	<i>Patient Fees<sup>a</sup></i>	<i>Deficit</i>
<b>Hospitals</b>			
Davis .....	8.3%	91.7%	—
Irvine.....	7.3	91.7	1.0%
Los Angeles .....	7.0	93.0	—
San Diego.....	9.2	90.8	—
San Francisco .....	10.4	89.6	—
<b>Dental Clinics</b>			
Los Angeles:			
On-campus.....	39.4	45.6	15.0
Venice.....	—	29.3	70.7
San Francisco:			
On-campus.....	40.6	29.4	30.0
General hospital .....	76.7	18.8	4.5
Buchanan .....	49.8	25.2	25.0
<b>Optometry Clinic</b>			
Berkeley .....	—	76.2	23.8

<sup>a</sup> Includes Medi-Cal, Medicare, and other third-party sponsors.

**Unknown Level of Need.** CTS is basically a state subsidy to bridge the gap between the cost of providing clinical services in a teaching setting and the revenue that can be recovered through charges to patients. The level of CTS needed thus depends on how much revenue can be generated from patients. Dental and optometry programs differ greatly from the hospitals in their ability to generate patient revenue.

Teaching hospitals are able to set their patient rates roughly equal to their costs without risking a loss of patients. They can do so for two reasons. First, care at a teaching hospital is generally perceived to be as good as care provided at any other hospital. Second, there is extensive third-party coverage for medical care which, to a large extent, removes cost as a factor in patient decision-making.

By contrast, it is difficult for dental and optometry clinics to attract patients if they set their rates equal to their costs. First, services are not always provided by licensed practitioners (as they are at teaching hospitals), and typically take longer than at a private clinic. Second, third-party coverage is not extensive for these services. Consequently the clinics are

at a disadvantage in competing for patients with private clinics.

Rates at the UC dental and optometry clinics are set below competitive market rates. Clinic officials maintain that the rates cannot be raised without losing patients. The size of the discount from market rates needed to attract patients, however, is simply a matter of judgment. If rates were raised, and the level of patients did not decline, then additional CTS would not be needed to maintain clinic revenues.

Our analysis indicates that the dental clinics are somewhat more limited in their ability to raise rates than is the optometry clinic. One of the two dental schools has tried setting rates at prevailing market levels, and the patient load declined dramatically. In contrast, the other optometry school in California (private) charges market rates and still is able to sustain a patient load sufficient for its teaching program. Because there is no way to determine the maximum rates that could be charged, there is no analytical basis for determining the amount of CTS that is needed.

### **Alternative to CTS**

One alternative to increasing the state allocation for CTS is to reallocate CTS from the hospitals to the dental and optometry clinics. Because the present method for allocating CTS is not based on workload factors or formulas, however, we cannot determine whether such a reallocation is feasible. The UC maintains that the need for CTS at the hospitals will increase as limits on the budgets of Medi-Cal and Medicare cause reimbursement shortfalls to widen. The Governor's Budget proposes changes in policies governing the Medi-Cal program, which could reduce Medi-Cal payment for hospital inpatients by over \$200 million. Based on 1978-79 data showing that the five UC hospitals received 9 percent of the state-wide Medi-Cal hospital expenditures, these policy changes could reduce UC hospital revenues by approximately \$20 million.

Officials at the optometry school maintain that they would close some on-campus specialty clinics if CTS is not forthcoming. Our review shows that the specialty clinics with the greatest operating losses in 1980-81 were low vision, pathology, and binocular vision. We are unable to judge the educational impact of closing these or any other clinics.

The UC is currently considering reducing dentistry enrollments to relieve the operating deficits at the dental clinics. The reductions would be made at the on-campus clinics. The Legislature may wish to ask UC to discuss these issues further during budget hearings.

## **2. Control Section 19.70—Hospital Loan**

### *We recommend approval.*

This control section permits the Director of Finance to authorize the accelerated expenditure of budget funds by the University of California (UC), following the adoption of a resolution by the Regents of the University declaring a teaching hospital fiscal emergency. This would be done in anticipation of a supplementary General Fund appropriation for a loan to the university. The increased expenditure, however, may not exceed \$2,450,000.

The purpose of the control section is to provide funding for any shortfall which may arise as a result of differences in the reimbursement rates allowed by the Medicare and Medi-Cal programs and the reimbursements claimed by the UC. The control section provides that the UC will appeal for exceptions to such reimbursement limits and repay the loan using funds collected as a result of the appeals.

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This control section was first added to the budget act in 1981, per our recommendation. Prior to 1981-82, the UC's budget each year contained an appropriation for a loan to UC to help finance Medicare/Medi-Cal inpatient reimbursement shortfalls. The appropriation was contingent upon proof of demonstrated need. Because no loan had been needed since 1977-78, we recommended, in the *Analysis of the 1981-82 Budget Bill*, that rather than appropriate funds each year, a control section be added to provide for the availability of funds if needed. The 1982-83 budget bill merely carries forward the control section, at an amount adjusted for inflation.

**V. STUDENT SERVICES AND FINANCIAL AID**

This program includes (1) Student Services, (2) Financial Aid, and (3) Student Affirmative Action, and is funded primarily from student fees.

**STUDENT SERVICES****Overview**

The Student Services subprogram includes services such as counseling and health services that are complementary to, but not part of, the instructional program. The major source of support for this subprogram is the registration fee.

Table 24 shows the proposed budget for the student services subprogram. The amount proposed for 1982-83—\$90.85 million—is \$1.3 million, or 1.5 percent, above the current-year level. No changes are proposed in the level of General Fund support, although any increases in employee salaries and benefits approved for the budget year will increase General Fund costs above the level shown in the table. Table 24 shows that \$12.9 million (14.2 percent) of the total proposed for student services would come from the state General Fund. The remaining \$77.9 million will come from restricted funds, primarily the registration fee and the educational fee.

**Table 24**  
**Student Services**  
**Summary of Expenditures and Personnel**  
(dollars in thousands)

Element	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Amount	Percent
1. Cultural and recreational activities .....	\$15,526	\$12,103	\$12,001	-\$102	-0.8%
2. Supplementary educational services .....	4,311	4,297	4,597	300	7.0
3. Counseling.....	23,152	18,001	18,001	—	—
4. Financial aid administration.....	10,152	9,712	9,980	268	2.8
5. Student admissions and records .....	16,916	12,997	13,700	703	5.4
6. Student health services .....	21,995	18,403	18,497	94	0.5
7. Employee benefits .....	—	13,999	14,074	75	0.5
Totals.....	\$92,052	\$89,512	\$90,850	\$1,338	1.5%
General Fund .....	\$23,884	\$12,862	\$12,919	\$57	0.4%
Restricted funds .....	68,168	76,650	77,931	1,281	1.7
Personnel (FTE) .....	2,967	2,971	2,971	—	—

## STUDENT FINANCIAL AID AND AFFIRMATIVE ACTION

### Overview

This subprogram includes (1) university-supported student aid programs and (2) state support for the Student Affirmative Action program. The major source of support for this subprogram is the educational fee.

Table 25 displays the proposed budget for Student Financial Aid and Affirmative Action. *The table does not show the financial aid that UC students receive from other sources, such as the federal government and other state aid programs.* The budget proposes \$52.5 million for this subprogram in 1982-83, an increase of 6.8 percent above the current-year level. No General Fund support is budgeted.

**Table 25**  
**Student Financial Aid and Affirmative Action**  
 (in thousands)

	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Amount	Percent
University financial aid .....	\$37,958	\$43,697	\$47,023	\$3,326	7.6%
Student affirmative action .....	5,225	5,434	5,434	—	—
Totals .....	\$43,183	\$49,131	\$52,457	\$3,326	6.8%
General funds .....	\$4,228	—	—	—	—
Restricted funds .....	38,955	\$49,131	\$52,457	\$3,326	6.8%

### 1. Student Affirmative Action Funding

The student affirmative action program began in 1975-76, supported with UC funds. For the next four years, through 1979-80, funding was shared on a 55 percent state/45 percent UC basis. In 1980-81, UC requested that the state provide 100 percent of the funding, on the basis that student affirmative action was a state responsibility. The Legislature agreed to increase the state's share to 75 percent and the 1981-82 budget maintained the state share at 75 percent.

In acting on the 1981-82 budget, the Legislature reduced UC's overall budget by \$10.5 million, but did not designate where the reductions would be made. In response, UC raised student fees and used the added fee revenue to offset the entire \$10.5 million reduction. As part of this action, UC used student fee revenue to eliminate all state funding for student affirmative action. UC maintains that it had no choice but to allocate the student fee revenue to the affirmative action program. Any other allocation, UC claims, would have meant using fee revenue for instructional programs, thereby violating control language in the 1981 Budget Act.

The 1982-83 Governor's Budget proposes that student affirmative action be funded entirely with student fees.

Our analysis indicates that UC did, in fact, have other options for using additional student fee revenue to supplant state General Fund support, and thus did not have to eliminate the General Fund contribution for student affirmative action. Several months after deciding to use fee revenues to replace General Fund support for affirmative action, UC was able to allocate an additional \$5 million in student fee revenue to fund student service programs that had been funded by the General Fund. These funds were raised through a surcharge imposed as an offset to the one-time 2 percent reduction of state General Funds during the current year.

In supplanting General Fund support for student affirmative action, the

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university has given a misleading picture of the state's commitment to the program.

**TUITION AND FEES****Overview**

The UC imposes two types of student charges—tuition and fees. 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.” The UC charges tuition only to students who are not legal residents of California, including foreign students. Fees are charged to all students.

The two major fees are the educational fee and the registration fee. The educational fee is centrally administered and is the same at all campuses. Graduate students pay \$60 more per year than undergraduates. Educational fee revenues are used for student affirmative action, financial aid, and other student services. The registration fee is administered by the campuses. Rates are allowed to vary, up to a maximum set by the Regents. Registration fee revenues are used primarily to support the activities of the Student Services program.

Table 26 displays the tuition and fee levels for the past, current, and budget years.

**Table 26**  
**UC Tuition and Fees<sup>a</sup>**

	1980-81	1981-82	Proposed 1982-83	Change	
				Amount	Percent
Tuition (nonresident and foreign only) .....	\$2,400	\$2,880	\$3,150	\$270	9.4%
Educational Fee:					
Undergraduate .....	300	475 <sup>b</sup>	625 <sup>c</sup>	150	31.6
Graduate (including Health Sciences) .....	360	535 <sup>b</sup>	685 <sup>c</sup>	150	28.0
Registration Fee <sup>d</sup> .....	430	442	510	68	15.4
Total Undergraduate Fees .....	730	917	1,135	218	23.8

<sup>a</sup> Does not include one-time application fee or miscellaneous campus fees.

<sup>b</sup> Change from 1980-81 is due to (1) fee increase of \$75 per quarter for two quarters (winter and spring) and (2) \$25 one-time surcharge for spring quarter imposed by the Regents as part of 2 percent General Fund budget reduction.

<sup>c</sup> Change from 1981-82 is due to (1) fee increase of \$75 per quarter for fall quarter, (2) elimination of \$25 surcharge, and (3) proposed annual increase of \$100.

<sup>d</sup> Increases reflect the plan approved by the Regents in 1979.

**1. Student Fees**

The revenue from the registration (reg) fee (\$64 million) and the education (ed) fee (\$76 million) is “restricted,” in that it is not combined with state General Fund revenue and other general purpose funds, but is accounted for and budgeted separately. The allocation of student fee revenue is not reviewed by the Legislature as part of the annual budget process.

### Change in Budgeting Procedures Recommended

*We recommend that, beginning in 1983-84, UC submit as part of the annual budget review process, materials to permit a full annual review of fee-funded programs and the allocation of fee revenues.*

Our analysis indicates that it is no longer appropriate for the Legislature to review the university's General Fund budget request without considering the amount and allocation of revenue from the ed fee and reg fee, for two reasons:

- Currently, ed fee and reg fee income is used more like general purpose revenue than like restricted revenue.
- Decisions on the use of fee revenue can affect the funding obligations of the state General Fund.

**Use of Fee Income.** Table 27 lists selected restricted and general purpose funds. All restricted funds, with the exception of ed fee and reg fee revenue, share two characteristics. First, the fund revenue can only be used in certain program areas. For example, fee revenue from UC extension programs can only be used to pay the costs of operating UC extension. Second, restricted fund revenues are spent for purposes for which other funds, including state General Funds, are *not* spent. For example, auxiliary enterprises funds are used to support student housing and parking, expenditures which receive no state General Fund support. Restricted funds with these characteristics can be looked upon as independent, self-supporting operations which must limit their expenditures to the amount of revenue generated.

**Table 27**  
**Selected Fund Sources by Category**

<i>Restricted</i>	<i>General Purpose</i>
Ed fee	Nonresident tuition
Reg fee	Overhead on federal contracts—
UC extension fee	state share
Endowments	State General Fund
Auxiliary Enterprises	
Hospital Patient Charges	

Ed fee and reg fee funds meet only one of the two restricted fund characteristics. While use of these revenues is restricted to non-instructional programs, these revenues frequently are supplemented by revenues from other sources, notably the state General Fund, in supporting various non-instructional activities. In this regard, student fee revenue is used like general purpose, rather than restricted, revenue.

The university's recent policy toward the use of student fee revenue has all but eliminated any meaningful restrictions on the use of student fees. This is particularly evident in the Regents' decision to use income from increased student fees as a direct offset to state General Fund reductions in both the current and budget years. Thus, student fee revenue has become just another source of general purpose funds.

**Impact of higher fees on the General Fund.** Increases in student fee revenue have typically been used to adjust fee-supported programs for inflation. When fee revenue increases in excess of inflation, however, funds become available to UC for new or expanded program efforts. Such expenditures are not reviewed as part of the budget process. Because student fee revenue and state General Funds can be used interchangeably

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bly, UC's decisions on raising and spending fee revenue can affect the funding obligations of the General Fund.

Budgetary treatment of fee revenue does *not* reflect its use as general purpose revenue. While fee revenue is considered general purpose revenue for purposes of offsetting state General Fund reductions, it is *not* considered general purpose revenue when the university presents its General Fund request to the Legislature.

Because fee revenue can be used like general purpose funds and can be allocated in ways that directly affect the state General Fund, we recommend that the Legislature direct UC to submit detailed information on projected fee revenue and expenditures as part of its annual budget.

**2. Tuition and Fees**

"Tuition" has never been clearly defined for purposes of state higher education policy. The definition of tuition is important because it determines how student fee revenue may be spent. The broader the definition of tuition, the smaller the domain in which student fee revenue may be spent. Conversely, the narrower the definition of tuition, the greater the number of programs that can be paid for with fee revenue without calling it a "tuition".

In our analysis of the budget for the California Postsecondary Education Commission (CPEC), we recommend that CPEC undertake a review of how revenue from student charges is used, and develop a policy regarding the use of these funds.

**Increase in Graduate Charges Recommended**

*We recommend that the Legislature request the Regents to increase charges in 1983-84 by \$600 for all general campus resident graduate students. For 1982-83, we recommend that the increase be prorated over two quarters, for an increased charge of \$400. We further recommend that \$1,803,000 (25 percent) of the revenue raised from this charge be reserved for increased student financial aid so as to maintain access to UC for low income students. (Reduce Item 6440-001-001 by \$5,408,000.)*

Last year in the *Analysis*, we recommended that the Legislature request the Regents to increase charges to all graduate students, including health science students. Our recommendation was based on the three following considerations that we believe warranted such an increase:

- Graduate programs cost more per student than undergraduate programs, due to the specialized nature of the instruction and the typically low student-faculty ratios.
- A greater portion of the benefits from graduate education accrues to the individual directly, because specialized knowledge is more likely to translate into a higher income than is the general knowledge acquired as an undergraduate.
- Low student charges at the graduate level create incentives for the over-investment in graduate education.

In our *Analysis*, we also pointed out that:

- public universities typically charge more for graduate programs than for undergraduate programs, in recognition of the cost differential noted above, and
- the UC's charges for graduate instruction are considerably lower than student charges imposed by comparable public universities.

We continue to believe that the three reasons listed above justify the imposition of increased graduate charges. In fact, *the Governor's Budget shows graduate instruction to be four times more costly than undergraduate instruction*. Furthermore, as Table 28 shows, UC graduate student charges have fallen even *further* behind the fees/tuition charged by its four *public* comparison institutions during the past 12 months.

**Table 28**  
**UC Resident Charges Falling Further Behind Comparison Universities<sup>a</sup>**

	Comparison Group Average	UC	Difference
Graduate			
1979-80 .....	\$1,393	\$795	\$598
1981-82 .....	1,720	1,018	702
Dollar Increase .....	327	223	104
Medicine			
1979-80 .....	2,764	781	1,983
1981-82 .....	3,888	1,015	2,873
Dollar Increase .....	1,124	234	890
Dentistry			
1979-80 .....	2,545	773	1,772
1981-82 .....	3,359	1,024	2,335
Dollar Increase .....	814	251	563

<sup>a</sup> UC public university comparison group includes the University of Michigan (Ann Arbor), University of Wisconsin (Madison), State University of New York (Buffalo), and University of Illinois (Champaign-Urbana). The comparison group average for dentistry is the average of three universities, because the University of Wisconsin does not have a dentistry program.

Table 28 shows that in 1981-82, UC charges for resident graduate students are \$700 less than the average charge imposed by the four public comparison institutions. Assuming no change in the charges imposed by these four institutions, the Governor's Budget would reduce the differential to \$600 by raising fees \$100.

We recommend that the Legislature request that the Regents raise student charges for 1983-84 by \$600, or \$200 per quarter. This would set UC's 1983-84 charges at a level equal to the average comparison school charge for 1981-82. Assuming that the four comparison schools will continue to raise their charges during the next two years, as seems likely, our recommendation would still leave UC charges *below* the average for the comparison group.

For 1982-83 we recommend that the \$600 increase be prorated over two quarters, for an increase of \$400. The increase we recommend would raise a total of about \$7,211,000.

We further recommend that \$1,803,000 (25 percent) of this amount be reserved for increased financial aid so as to maintain access to UC for low-income students. Consequently, the recommended General Fund reduction, to be offset by student fee revenue, is \$5,408,000.

#### Health Science Tuition

*We recommend that the Legislature request the Regents to charge an annual health science resident tuition in 1983-84 of \$2,500 for medicine, \$2,000 for dentistry, and \$600 for all other health science graduate students. For 1982-83, we recommend that the annual tuition be prorated over two quarters, for an annual charge of \$1,667 for medicine, \$1,333 for*

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*dentistry, and \$400 for other health science students. We further recommend that \$1,761,000 (25 percent of the tuition revenue) be reserved for increased student financial aid to maintain access to UC for low income students. (Reduce Item 6440-001-001 by \$4,433,000).*

We believe that the same three reasons cited to justify an increase in graduate student charges *also* justify even higher charges for students enrolled in medicine (M.D. curriculum) and dentistry (D.D.S. curriculum). Medicine and dentistry are the two most expensive degree programs funded by the state, and private benefits from these programs, as measured by prospective incomes, are high.

Table 29 displays the cost to the General Fund of additional students in various disciplines. For all disciplines, the table includes the cost of faculty and support budgeted for additional students. For medicine and dentistry, the table also includes clinical teaching support (CTS), which is not required for other programs. In 1982-83, \$15,600 of CTS is budgeted per medical student, and \$7,300 is budgeted per dental student. The table shows that in 1982-83, the incremental cost of each additional medical student is 4.4 times the cost of other health science graduate programs, and the incremental cost of dentistry is 3 times more costly.

**Table 29**  
**Comparison of Marginal Cost Per Student**  
**in Selected Disciplines**

Medical curriculum .....	\$32,936
Dentistry curriculum .....	22,494
Health science graduate academic .....	7,552
Health science graduate professional .....	7,552
General campus undergraduate.....	3,573

The UC's public comparison institutions all charge considerably more for medical and dental students than they charge for other graduate students, while UC charges roughly the same fees for all graduate students. Consequently, as can be seen in Table 28, UC's charges for medicine and dentistry students are much further below the comparison school average than are its charges for other graduate students. For medicine, UC charges \$2,873 less than the average for the comparison schools. For dentistry, UC charges \$2,335 less.

We recommend that the Legislature increase charges for certain health science students as follows: \$2,500 for medicine, \$2,000 for dentistry, and \$600 for all other health science resident graduate students. These increases would become fully effective in 1983-84. Our recommendation would set UC charges for 1983-84 roughly equal to the comparison school average for 1981-82. Assuming that the four comparison schools will also raise their charges during the next two years, as seems likely, our recommendation would still leave UC charges *below* the average of its comparison schools.

For 1982-83, we recommend that the increase be prorated over two quarters, for an increase of \$1,667 for medicine, \$1,333 for dentistry, and \$400 for all other health science graduate students. The recommended increase in student charges would raise about \$7,042,000 in tuition revenue. We further recommend that, of the total, \$1,716,000 (25 percent) be reserved for financial aid so as to maintain access to UC for low-income students. In addition, the Regents would no longer be required to pay

\$848,000 in the health sciences tuition offset. (The Regents have been reimbursing the General Fund for the tuition revenue lost as a result of their 1970-71 decision to eliminate a health science tuition). Consequently, the net General Fund reduction, to be offset with student fees, would be \$4,433,000.

### Nonresident Tuition for Medical Students

*We recommend that the Legislature request the Regents to raise non-resident tuition by \$2,500 for medical students and by \$2,000 for dentistry by 1983-84. For 1982-83 we recommend increases of \$1,667 for medicine and \$1,333 for dentistry. We further recommend that \$51,000 (25 percent) of tuition revenue be reserved for increased student financial aid to maintain access to UC for low income students. (Reduce Item 6440-001-001 by \$154,000).*

Table 30 shows UC charges for nonresidents compared to the average charged by its four public comparison institutions:

**Table 30**  
**1981-82 Nonresident Tuition and Fees**  
**UC and Comparison Institution Average**

	<i>Comparison Group Average</i>	<i>UC</i>	<i>Difference</i>
General Campus			
Graduate .....	\$3,734	\$3,897	-\$163
Health Sciences			
Medicine .....	6,846	3,895	2,951
Dentistry .....	6,035	3,904	2,131

Table 30 shows that UC tuition and fees for nonresident general campus graduate students are greater than those charged by the comparison group, on average. Consequently, we recommend no increase in general campus nonresident tuition.

UC's nonresident charges for medicine and dentistry, however, are well below the comparison group average. Our recommended increase for resident students of \$2,500 for medicine and \$2,000 for dentistry, by 1983-84, if applied as well to nonresident tuition, would bring the nonresident charges closer to the comparison group charges. Consequently, we recommend the same phased-in increase in medicine and dentistry tuition for nonresidents as we recommended for residents. This would raise the charges by \$1,667 for medicine and \$1,333 for dentistry in 1982-83. We further recommend that \$51,000 (25 percent) of the increased tuition revenue be reserved for increased student financial aid so as to maintain access to UC by low-income students.

Table 31 summarizes our recommendations for increases in student charges. As the table shows, no increases in student charges are recommended for undergraduates.

## VI. INSTITUTIONAL SUPPORT

The Institutional Support program includes (1) general administrative services and (2) operation and maintenance of plant. Table 32 shows the budget for this program in 1982-83. The Governor's Budget proposes a total General Fund support level of \$264.2 million for the Institutional Support program, which is \$1.1 million (0.4 percent) above the current year level. The proposed increase does not make any allowance for salary or benefit increases, which if approved by the Legislature, will be provided in another budget item.

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Table 31  
Summary of Legislative Analyst's Recommended  
Increases in Student Charges

	Residents		Nonresidents	
	1982-83	1983-84 <sup>a</sup>	1982-83	1983-84 <sup>a</sup>
General Campus				
Undergraduates.....	—	—	—	—
Graduates.....	\$400	\$600	—	—
Health Sciences				
Medicine (M.D.).....	1,667	2,500	\$1,667	\$2,500
Dentistry (D.D.S.).....	1,333	2,000	1,333	2,000
Other.....	400	600	—	—

<sup>a</sup> Amounts shown are *total* increases recommended by 1983-84. They are *not* in addition to increases recommended for 1982-83.

The general administrative services subprogram includes the planning and policy making functions of the office of the president, the chancellors, and officers of the Regents, as well as supporting activities such as computing, police, accounting, personnel, purchasing, and publications. No increases are proposed for this subprogram.

Operation and maintenance of plant includes activities such as building maintenance, janitorial services, and utilities purchase and operation. The budget proposes a General Fund increase of \$1.1 million to fund the increased workload related to 304,000 square feet of new building space. Our review indicates that this expenditure is warranted.

Table 32  
Institutional Support  
Summary of Expenditures and Personnel  
(dollars in thousands)

Element	Actual	Estimated	Proposed	Change	
	1980-81	1981-82	1982-83	Amount	Percent
1. General administrative services.....	\$156,712	\$146,808	\$146,808	—	—
General funds.....	(127,685)	(122,985)	(122,985)	—	—
Restricted funds.....	(29,027)	(23,823)	(23,823)	—	—
2. Operation and Maintenance of Plant.....	132,048	145,844	146,947	\$1,103	0.8%
General funds.....	(125,823)	(140,147)	(141,250)	1,103	0.8
Restricted funds.....	(6,225)	(5,697)	(5,697)	—	—
Totals.....	\$288,760	\$292,652	\$293,755	\$1,103	0.4%
General funds.....	\$253,508	\$263,132	\$264,235	\$1,103	0.4%
Restricted funds.....	35,252	29,520	29,520	—	—
Personnel (FTE)					
General Administrative Services.....	6,439	6,608	6,608	—	—
Operation and Maintenance of Plant.....	2,989	3,400	3,419	19	0.6%
Totals.....	9,428	10,008	10,027	19	—

**1. Utilities Conservation (Item 6440-001-189(b))**

*We recommend approval.*

In the 1980 Budget Act, the Legislature augmented UC's budget by \$250,000 from the Energy and Resources Fund to provide additional staff for utilities conservation efforts. The 1981 Budget Act provided \$260,750 for continuation of this function in 1981-82. The Governor's Budget proposes \$283,000 for utilities conservation in 1982-83.

The Energy and Resources Fund (ERF) was created by the Legislature in Ch. 899/80. Chapter 899 expresses the Legislature's intent that funds from the ERF be used only for short-term projects and not for any ongoing program. The budget proposes a third year of support for this program from the ERF.

**2. Deferred Maintenance (Item 6440-001-146(b))**

*We recommend approval.*

In the 1980 Budget Act, the Legislature provided UC with \$5 million from the Capital Outlay Fund for Public Higher Education (COFPH) to help cover a portion of UC's deferred maintenance backlog. The 1981 Budget Act provided \$4.75 million for this purpose. The Governor's Budget proposes \$5,082,000 for 1982-83, which is an increase of 7 percent.

## RETIREMENT

**Overview**

UC employees are members of the University of California Retirement System (UCRS). The State of California, however, provides the employer contribution to the UCRS fund by allocating the necessary funds to the Regents, who contribute them to UCRS. UC employees also contribute a portion of their salaries to the fund. Benefit payments to annuitants are made from the UCRS fund.

The state contribution to the UCRS in 1982-83 will be approximately \$100 million. This is equal to 14.97 percent of the proposed General Fund salary base of \$668 million.

**1. Study Needed**

*We recommend that the Legislature request UC to conduct a study of UCRS funding to examine the impact of different benefit levels and actuarial assumptions on the fund status, employee costs, and state costs. We further recommend that representatives from the Public Employee Retirement System (PERS) participate in the study, and that a study design be submitted to the Joint Legislative Budget Committee for review prior to the start of the study.*

Two major factors which determine the level of the state contribution to UCRS are (1) the actuarial assumptions employed in the calculation of costs and (2) the level of benefits paid.

**Actuarial assumptions.** An actuarial valuation calculates costs and liabilities by predicting (1) the level of benefits payable in the future and (2) the investment yield on assets. These predictions are based on assumptions about the economy and the workforce of the university. According to the UCRS actuary, UCRS "is using the most conservative actuarial funding method and has achieved one of the strongest funded ratios of accrued benefits of any public system." While this may be commendable, we note that to the extent the funding method is "too conservative", the

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state General Fund bears an unnecessary cost, in that its contributions to the UCRS are larger than they need be.

**Benefits.** The UC maintains that UCRS benefits are lower than the benefits provided by the Public Employee Retirement System (PERS), which is also funded by the state. If the benefits were comparable, according to UC, the state funding obligation would be greater, other things being equal. Without additional information, we are unable to verify this assertion.

Because there are variations among state-funded systems in both actuarial assumptions and retirement benefits, we recommend a study which examines the impact on state costs of using different benefit levels and different actuarial assumptions. The study should address how such costs should be shared among the state, UC employees, and the UCRS fund. We further recommend that in order to insure objectivity, the study be conducted with the participation of a PERS representative, and that the study design be submitted to the Joint Legislative Budget Committee for review.

**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, which covers over 20,500 residence hall spaces and approximately 4,000 apartments. The second major element is the parking program, which includes more than 60,000 spaces. The UC budget provides for a program level of \$138.7 million in 1982-83.

**VIII. SPECIAL REGENTS' PROGRAMS**

The state has historically allowed the Regents to retain a portion of overhead charges received from federal contracts and grants. The Regents use these funds to support special programs and projects. Table 33 shows the use of Special Regents' Program funds, by broad category, in the past, current, and budget years.

The Governor's Budget reflects an increase in the federal overhead rate from 31 percent to 35 percent. The Regents' share of the increase is \$4 million, which the Regents propose to use for research, as shown in Table 33. The state's share of the increase is being proposed as an offset to part of the required 2.5 percent reduction. As noted earlier, the state would receive these funds in any event, pursuant to an agreement with UC reached in 1967. Thus, the Governor's proposal does not offset any General Fund appropriations that would not be offset anyway.

**Health Sciences Tuition Offset**

The Governor's Budget proposes that \$848,000 from the Regents' Special Program Fund be paid to the General Fund as an offset for the revenue lost as a result of the Regents' 1970-71 decision to eliminate a special resident tuition charge imposed on students in medicine, dentistry, and pharmacy. We note that if a health sciences tuition is reinstated, as we recommend elsewhere in this *Analysis*, the offset will not be required, giving the Regents an additional \$848,000 to allocate to other programs.

**Table 33**  
**Special Regents' Programs**  
 (in thousands)

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>
<b>Programs</b>				
1. Extension of research opportunities .....	\$6,854	\$8,653	\$12,654	\$4,001
2. Instructional innovations and improvements ....	6,787	9,030	9,030	—
3. Administrative planning .....	5,227	5,886	5,886	—
4. Mandated and other recognized university responsibilities.....	5,175	5,489	5,339	-150
5. Interim funding.....	2,417	2,342	2,342	—
6. Provisions for increases .....	—	185	2,479	2,294
7. Seven percent Retroactive salary payment .....	3,219	—	—	—
8. Other—urgent needs.....	199	—	—	—
Totals.....	\$29,878	\$31,585	\$37,730	\$6,145

We note that given the uncertainty regarding the increase in federal overhead funds, Table 33 may overstate the Regents' Special Program Fund by \$4 million.

## IX. UNALLOCATED ADJUSTMENTS

### Overview

The Unallocated Adjustment 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. This program includes two subprograms—(1) Provision for Allocation and (2) Fixed Cost and Economic Factors.

The Provisions for Allocation subprogram includes 1981-82 base budget items which were unallocated as of July 1, 1981. Among these items 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.

The Fixed Costs and Economic Factors subprogram includes salary adjustment funds and the funds needed in 1982-83 to maintain the university's purchasing power at 1981-82 levels for such items as utilities, library volumes, general supplies, and equipment.

Table 34 shows the proposed budget for Unallocated Adjustments. The Provisions for Allocation subprogram reflects two General Fund adjustments proposed in the budget: (1) restoration of the one-time travel reduction in 1981-82, and (2) an increase in UC's budgetary savings target of \$4,185,000. The budget proposes \$42.3 million of general funds for price and fixed cost increases.

### 1. Nonresident Tuition

UC students who are not residents of California pay an annual tuition. Table 35 shows the tuition charge and the 1980-81 nonresident enrollment as a percent of total enrollment.

## UNIVERSITY OF CALIFORNIA—Continued

Table 34  
Unallocated Adjustments  
(dollars in thousands)

	Estimated 1981-82	Proposed 1982-83	Change
<b>A. Provisions for Allocation</b>			
General Funds:			
Price Increases .....	\$10,983	\$10,983	—
1981-82 Salary Funds .....	24,107	24,107	—
Employee Benefits .....	14,974	14,974	—
Budgetary Savings Target .....	-38,792	-42,977	-\$4,185
Travel Restoration .....	—	1,655	1,655
Other Provisions .....	7,427	7,429	2
Subtotals .....	\$18,699	\$16,171	-\$2,528
Restricted Funds:			
Educational Fee .....	-\$829	\$5,571	\$6,400
Registration Fee .....	2,359	2,674	315
Endowments .....	3,796	5,176	1,380
Contract and Grant Administration .....	2,738	6,068	3,330
Other Provisions .....	-861	697	1,558
Subtotals .....	\$7,203	\$20,186	\$12,983
<b>B. Fixed Costs and Economic Factors</b>			
General Funds:			
General Price Increase .....	—	\$10,310	\$10,310
Library Price Increase .....	—	2,100	2,100
Utilities Price Increase .....	—	8,500	8,500
Merit Salary Increases .....	—	17,252	17,252
Dental Insurance .....	—	3,681	3,681
Social Security .....	—	482	482
Subtotals .....	—	\$42,325	\$42,325
Restricted Funds:			
General Price Increases .....	—	\$1,167	\$1,167
<b>Totals .....</b>	<b>\$25,902</b>	<b>\$79,849</b>	<b>\$53,947</b>
<i>General Funds .....</i>	<i>\$18,699</i>	<i>\$58,496</i>	<i>\$39,797</i>
<i>Restricted Funds .....</i>	<i>7,203</i>	<i>21,353</i>	<i>14,150</i>

Table 35  
Nonresident Tuition and Enrollment

	1980-81	1981-82	1982-83
Annual tuition charge .....	\$2,400	\$2,880	\$3,150
Nonresident enrollment as percent of total enrollment:			
Undergraduate .....	4.9%	N/A	N/A
Graduate .....	19.0%	N/A	N/A
Combined .....	8.6%	8.9% <sup>a</sup>	9.4% <sup>b</sup>

<sup>a</sup> Estimate based on 400 additional nonresidents, due to change in residency criteria.

<sup>b</sup> Estimate based on 1,000 additional nonresidents, due to change in residency criteria.

### Technical Adjustment—Nonresident Tuition Underestimated

*We recommend that the estimates of nonresident tuition income in the Governor's Budget be increased to accurately reflect the actual income that will be generated. (Reduce Item 6440-001-001 by \$1,150,000).*

Income from nonresident tuition is general purpose revenue which offsets state General Fund appropriations. The amount of the state General Fund appropriation proposed each year reflects estimates of nonresident tuition for both the *current year* and the *budget year*, as follows:

- Nonresident tuition income is estimated for the budget year and is credited towards general purpose revenues, in order to determine the state General Fund appropriation.
- Any nonresident tuition income in excess of the amount budgeted for the *current year* is budgeted as a "balance available" for the *budget year*, and consequently allows the state appropriation to be reduced.

Because income estimates for 1981-82 and 1982-83 were based on 1980-81 figures which were lower than the actual 1980-81 income received, the Governor's Budget underestimates income from nonresident tuition. As a result, the state General Fund appropriation is overbudgeted by \$1,150,000.

Table 36 shows the revenue estimates in the Governor's Budget and our estimates. Using the correct 1980-81 income total, we estimate that (1) the balance of nonresident tuition income generated in 1981-82 but available in 1982-83 is underestimated by \$150,000 and (2) the 1982-83 income is underestimated by \$1,000,000. Consequently, we recommend that support from the state General Fund be reduced by \$1,150,000.

**Table 36**  
**Estimates of Nonresident Tuition Income**  
**(in thousands)**

	<i>Governor's Budget</i>	<i>Legislative Analyst's Estimate</i>	<i>Difference</i>
1981-82 .....	\$30,840	\$30,990	\$150
1982-83 .....	34,270	35,270	1,000
Total .....			\$1,150

### **Change in Residency Requirement**

Prior to 1981-82, a student could be classified a California resident after one year of residing in the state. Beginning in 1981-82, the residency requirement was changed, making it more difficult to obtain resident status. In addition to one year of residency, a student also must show financial independence from parental support for three prior years in order to be designated a California resident. As a result of the change, it was expected that, relative to prior years, more students would be classified as nonresidents beginning 1981-82 and consequently more nonresident tuition revenue would be collected. During hearings on the 1981-82 Budget Bill, the Legislature reduced UC's general fund budget by \$2,880,000 in anticipation of an increase of 1,000 nonresidents resulting from the change. (Because 1981-82 tuition was \$2,880, nonresident tuition revenues were expected to increase by \$2,880,000.)

**Impact on Number of Nonresidents.** It is too soon to know for certain the effect of the stricter requirements for residency on the number of nonresidents. A survey conducted by UC between September 1981 and mid-December 1981 identified 312 students who were denied reclassification as residents. Under prior law, these students would have been eligible for reclassification simply on the basis that they had resided in the state for one year. The survey underestimates the impact of the change, however, because it does not identify those students who did not apply for reclassification due to the new criteria.

The UC estimates that fewer than 1,000 students will be affected by the stricter criteria in 1981-82. The decision to change the criteria was made

**UNIVERSITY OF CALIFORNIA—Continued**

after the resident status for the majority of UC's students in the current year had been determined. The UC did not apply the decision retroactively and thus did not deny resident status to students already awarded the status under the prior criteria. Consequently, the full effect of the change will not be realized until 1982-83. The UC continues to consider the estimate of 1,000 additional nonresidents as reasonable for 1982-83.

**Impact on Nonresident Tuition Revenue.** Even though fewer than 1,000 students will be affected in 1981-82, the \$2.8 million reduction will not adversely affect UC's budget. This is because nonresident enrollment is higher than anticipated due to general overenrollment. The current estimate of 1981-82 tuition revenue is \$31 million, which is \$3.1 million greater than the estimate used by the Legislature in reducing the budget by \$2.8 million.

**Consideration of Higher Nonresident Tuition for Graduates**

Earlier in our analysis, we recommend that graduate students pay higher student charges than undergraduates because of the higher costs and greater private benefits associated with graduate education. We based our recommendation on the average charges imposed by UC's comparison institutions. The same logic applies to nonresident graduate students. The UC's charges for nonresidents, however, exceed the average charges imposed by the comparison institutions. Consequently, we did not recommend an increase in nonresident graduate charges.

Consideration should be given to charging differential nonresident tuition, with graduates paying more than undergraduates. Differential rates could be accomplished in the future as nonresident tuition is increased to keep pace with inflationary increases in costs.

**2. Disabled Student Funding—Technical Adjustment**

*We recommend that \$134,000 in General Fund support for services to Department of Rehabilitation clients at UC be deleted because federal funds are available for this purpose. Reduce Item 6440-001-001 by \$134,000 and increase reimbursements to Item 6440-001-001 by \$134,000.*

The Governor's Budget includes \$806,000 in General Fund support for services to disabled UC students. Of the total, \$134,000 is included to fund services that are provided to students who are clients of the Department of Rehabilitation. In our analysis of the budget for the Department of Rehabilitation (Item 5160), we note that excess federal funds are available for this purpose, and we recommend that such funds be transferred to the UC budget to replace state General Fund support. Accordingly, we recommend that \$134,000 of General Fund support be deleted from the UC budget.

## UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY AND REVERSION

Items 6440-301 and 6440-495  
from various funds

Budget p. E 139

Requested 1982-83 .....	\$39,123,000
Recommended approval .....	23,798,000
Recommended reduction .....	5,163,000
Recommendation pending .....	\$10,162,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. Transfer to General Fund. Recommend that savings resulting from our recommendations on projects to be funded from tidelands oil revenues be transferred to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide. 1443
2. Rebudgeting of 1981 Projects. Recommend that prior to legislative hearings on the budget, the Department of Finance identify the amount of additional funds that may be needed to finance these projects because of delays resulting from the capital outlay freeze in the current year. 1445
3. Southern Regional Library Facility—Universitywide. Withhold recommendation on working drawings and partial construction funds for the southern regional library facility, pending receipt of additional information. 1446
4. *Food and Agricultural Sciences Building I—Davis. Reduce by \$1,415,000.* Recommend that working drawing funds for the food and agricultural sciences building at Davis be deleted, because preliminary plans for the proposed facility have not begun, and it is unlikely that working drawing funds will be needed in the budget year. 1447
5. *Clinical Sciences Third Floor Completion—Los Angeles. Reduce by \$251,000.* Recommend that proposed equipment funds for alterations to the clinical sciences facility be reduced, because the amount of funds proposed for equipment exceeds university cost guidelines for space of this type. 1447
6. *Animal Quarters Addition—Santa Cruz. Reduce by \$7,000.* Recommend that equipment for the animal quarters addition at Santa Cruz be reduced by deleting equipment unrelated to the project. 1450
7. *Life Sciences Addition—Berkeley. Reduce by \$750,000.* Recommend that partial preliminary planning funds for a life science building addition be deleted, because the project would provide instructional and research space in excess of the existing space needs, based on state-approved guidelines. 1450
8. *Engineering Unit II—Santa Barbara. Reduce by \$426,000.* Recommend that preliminary planning funds for engineering unit II be deleted, because the project would replace existing engineering space at a high cost, and less expensive alternatives are available. 1453

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY  
AND REVERSION—Continued**

9. *Thimann Laboratory Alterations—Santa Cruz. Reduce by \$170,000.* 1455  
Recommend that working drawings and construction funds for the chemistry laboratories portion of Thimann Laboratory building alterations be deleted, because these research laboratories are not justified, based on state-approved space guidelines. Further, withhold recommendation on the balance of the requested funds, pending receipt of additional information.
10. *Completion of Applied Science Building Basement—Santa Cruz.* 1456  
Withhold recommendation on \$401,000 for working drawings and construction funds to complete the applied science building basement, pending receipt of additional information.
11. *CAC Deficiencies, Fire/Life Safety (High-Rise Buildings)—Berkeley.* 1457  
Withhold recommendation on working drawing funds, pending receipt of additional information.
12. *Royce Hall Auditorium Code Corrections—Los Angeles. Reduce by \$1,142,000.* 1458  
Recommend proposed working drawings and construction funds be deleted, because as a nonstate funded project, this building is not a state funding responsibility.
13. *Cogeneration Facility—San Francisco. Reduce by \$60,000.* 1459  
Recommend funds for steam line be deleted, because this project should be accomplished using utility budget savings. Further, withhold recommendation on \$350,000 for working drawings and construction of a cogeneration system, pending receipt of additional information.
14. *Energy Conservation (Air Recirculation System)—Berkeley. Reduce by \$269,000.* 1461  
Recommend working drawings and construction funds be deleted, because the university has not provided adequate information to substantiate the energy savings claimed by implementing this project.
15. *Energy Conservation (Variable Speed Fans)—Berkeley. Reduce by \$95,000.* 1461  
Recommend preliminary plans and working drawings for variable speed fans be deleted, because the university has not provided adequate information to substantiate the energy savings claimed by implementing this project.
16. *Energy Conservation—Riverside. Reduce by \$542,000.* 1462  
Recommend deletion of working drawing and construction funds, because (1) the university has not provided adequate information on the energy savings to be developed by this project and (2) the campus' central monitoring system should provide adequate control of energy consumption in campus buildings.
17. *Sacramento Medical Center, North/South Wing Reconstruction—Davis. Reduce by \$36,000.* 1463  
Recommend working drawing funds for reconstruction and remodeling of the Sacramento Medical Center North/South Wing be deleted, because seismic upgrading of this nonpatient-occupied space should be considered in priority with other statewide seismic rehabilitation needs.

**ANALYSIS AND RECOMMENDATIONS**

The budget includes \$39,123,000 for capital outlay for the University of California. The proposed funds, by source of funding, are summarized in Table 1.

**Table 1**  
**University of California**  
**Summary of Capital Improvement Program for 1982-83**  
**(in thousands)**

<i>Item</i>	<i>Fund</i>	<i>Budget Bill Amount</i>
6440-301-146—Capital Outlay Fund for Public Higher Education .....		\$36,402
6440-301-189—Energy and Resources Fund, Energy Account .....		2,179
6440-301-718—Health Sciences Facilities Program Fund .....		542
Total .....		\$39,123

Of the \$36,402,000 proposed from the Capital Outlay Fund for Public Higher Education (COFPHE), \$17,732,000 is proposed to replace funds which the administration proposes for reversion in the current year (Item 6440-495). The reversions are proposed in order to allow these funds to be transferred to the General Fund so as to avoid a deficit in the General Fund during the current year. Similarly, \$863,000 of the \$2,179,000 proposed from the Energy and Resources Fund (ERF) is for replacement of reverted funds.

For discussion purposes we have divided the university's program into two parts (1) funds requested for projects which the Legislature has previously reviewed and approved, but which are proposed for reversion in the current year, and (2) new funding requests. We have further subdivided our discussion of new project requests into four categories—(a) general improvements, (b) code corrections, (c) energy conservation, and (d) health sciences projects.

**Transfer to General Fund**

*We recommend that the savings resulting from our recommendations on Items 6440-301-146 (\$4,161,000) and Item 6440-301-189 (\$966,000) be transferred from the Capital Outlay Fund for Public Higher Education and the Energy and Resources Fund to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide.*

We recommend reductions amounting to \$5,127,000 in the University of California's capital outlay program funded from the Capital Outlay Fund for Public Higher Education (\$4,161,000) and from the Energy and Resources Fund (\$966,000). Approval of these reductions, which are discussed individually below, would leave unappropriated balances of tideland oil revenues in these special funds which would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special purpose accounts limits the Legislature's options in allocating funds to meet high-priority needs. So that the Legislature may have additional flexibility in meeting these needs, we recommend that any savings resulting from approval of our recommendations on Item 6440-301-146 and Item 6440-301-189 be transferred to the General Fund.

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY  
AND REVERSION—Continued**
**FUNDS PROPOSED FOR REVERSION IN THE CURRENT YEAR AND  
REBUDGETED FUNDS**

The administration proposes reversion of \$17,732,000 appropriated in the Budget Act of 1981 for capital outlay for the University of California. The reversions are proposed in Item 6440-495. Table 2 shows the amount appropriated in the 1981 Budget Act for these projects, the amounts expended in the current year, and the amounts proposed for reversion. The table also indicates the amounts proposed in the Budget Bill to replace the reverted funds and the estimated future cost to complete the projects.

**Table 2**  
**University of California**  
**1982-83 Project Funds to Replace Funds**  
**Proposed for Reversion**  
**(in thousands)**

<i>Fund Project Title/Location</i>	<i>1981-82 Reversion Item 6440-495</i>			<i>1982-83 Item 6440-301</i>		<i>Estimated Future Cost<sup>b</sup></i>
	<i>Amount Appropriated<sup>a</sup></i>	<i>Amount Expended</i>	<i>Amount Reverting</i>	<i>Budget Bill Amount<sup>a</sup></i>	<i>Analyst's Proposal</i>	
<i>PART A—Project Funds Proposed to Replace Reverted Funds With No Change in Amounts for 1982-83</i>						
<i>Capital Outlay Fund for Public Higher Edu- cation</i>						
Social ecology building—Irvine .....	\$3,515 c	—	\$3,515	\$3,515 c	\$3,515	\$522
Cory Hall alterations for micro-electronics laboratory fabrications—Berkeley .....	1,118 wc	\$74	1,044	1,044 c	1,044	—
Equip Cory Hall—Berkeley .....	1,239 e	—	1,239	1,239 e	1,239	—
Cory Hall, utilities systems and hand- icapped improvements—Berkeley .....	917 c	—	917	917 c	917	—
Nematode isolation and quarantine facility —Riverside .....	612 pwce	17	595	595 ce	595	—
Organic chemistry laboratory conversion— Irvine .....	202 wc	10	192	192 c	192	—
CAC <sup>c</sup> deficiencies (handicapped), step 2— Berkeley .....	110 c	—	110	110 c	110	—
CAC deficiencies (handicapped), step 1— San Diego .....	153 c	—	153	153 c	153	—
CAC deficiencies (handicapped), step 2— Davis .....	410 wc	25	385	385 c	385	—
Handicapped access alterations, step 1— Riverside .....	253 wc	13	240	240 c	240	—
CAC deficiencies (handicapped), step 2— Santa Cruz .....	242 wc	14	228	228 c	228	—
CAC deficiencies, elevators, step 2—Berke- ley .....	692 wc	48	644	644 c	644	—
Natural gas service, electrical cogeneration facility—Davis .....	413 wc	33	380	380 c	380	—
SIO (Scripps) seawall extension, step 2— San Diego .....	331 wc	11	320	320 c	320	—
Medical Education Center—Drew/UCLA	4,340 c	—	4,340	4,340 c	4,340	769
Subtotal .....	\$14,547	\$245	\$14,302	\$14,302	\$14,302	\$1,291

<i>Energy Account, Energy and Resources Fund</i>						
Gas turbine generator—Berkeley .....	323 p	—	323	323 p	323	10,487
Preliminary plans for energy cogeneration facility—Los Angeles .....	348 p	—	348	348 p	348	11,653
Preliminary plans for combustion turbine cogeneration system—San Diego .....	192 p	—	192	192 p	192	7,038
Subtotal .....	\$863	—	\$863	\$863	\$863	\$29,178
<i>PART B—Project Funds to Replace Reverted Funds With Additional Funds Proposed for 1982-83</i>						
<i>Capital Outlay Fund for Public Higher Education</i>						
Southern regional library compact shelving facility—Universitywide .....	\$512 pw	—	\$512	\$9,241 wc	pending	\$3,720
Food and agriculture sciences building I—Davis .....	972 p	—	972	2,387 pw	972	35,097
Drew/UCLA undergraduate medical education program facilities, completion of (psychiatric and clinical science) building, Martin Luther King, Jr., County Hospital—Los Angeles .....	1,946 c	—	1,946	3,254 ce	3,254	—
Subtotal .....	\$3,430	—	\$3,430	\$14,882	pending	\$38,817
Total .....	\$18,840	\$245	\$18,595	\$30,047	pending	\$69,286

<sup>a</sup> Phase symbols indicate: c—construction; e—equipment; p—preliminary plans; and w—working drawings.

<sup>b</sup> UC estimate.

<sup>c</sup> CAC—California Administrative Code.

### Funds Rebudgeted At 1981 Level

*We recommend that prior to legislative hearings on the budget, the Department of Finance identify the amount of additional funds needed for these projects because of delays in the current year.*

Part A of Table 2 shows the project funds requested in the Budget Bill to replace funds proposed for reversion in the current year. In each case, the amount proposed in the Budget Bill is identical to the amount approved in 1981-82. Thus, approval of the proposed amounts would essentially restore project funds to the level originally approved by the Legislature in the 1981 Budget Act, less any expenditures during the current year.

Given the Legislature's previous action on these projects, we recommend approval of the proposed amounts. The amounts requested, however, do not include any additional funds which may be needed because of the delay in undertaking these projects. Accordingly, we recommend that prior to legislative hearings on the budget, the Department of Finance identify any additional amounts needed so that the projects may proceed in the budget year.

### Replacement Funds Proposed at an Increased Amount

Part B of Table 2 shows that, of the projects for which funds were reverted in the current year, three are rebudgeted in 1982-83 at an increased amount. These three projects, the southern regional library compact shelving facility, the food and agricultural services building at Davis, and the Drew/UCLA clinical science project, are discussed below.

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY  
AND REVERSION—Continued****Southern Regional Library**

*We withhold recommendation on Item 6440-301-146(3), working drawings and construction of the southern regional library compact shelving facility, pending receipt of preliminary plans for this project.*

The Budget Bill includes \$9,241,000 for working drawings and construction of a library compact shelving facility to be located on the UCLA campus. The facility will house 3.67 million volumes of seldom-used library volumes, with a capability of being expanded to a capacity of 11 million volumes. The purpose of the compact shelving facility is to provide a regional depository for seldom-used volumes which can be removed from general campus library space in Southern California. By transferring the seldom-used volumes to this facility, the general campus libraries will have additional capacity for more frequently used volumes. Compared to general campus library space, the storage facilities should be less costly to construct and operate, and should eliminate any need to construct additional library space on the various campuses.

The Budget Acts of 1980 and 1981 included a total of \$767,000 for initial planning and development of preliminary plans and working drawings for this project. The proposed 1982-83 funds would restore \$348,000 in working drawing funds—proposed for reversion (under Item 6440-495) in the current year—and provide \$8,893,000 for partial construction of the new facility.

*Preliminary Plans Currently Being Prepared.* The administration has proposed reversion of the preliminary planning and working drawing funds for this project. Normally, this reversion would delay construction of the project by approximately one year. To avoid this delay, the university has allocated nonstate funds to complete the needed preliminary plans. According to the university, the plans are to be completed in February 1982. Until this information is available, we withhold recommendation on this item.

*Proposed Phasing for Construction Funds.* The amount included in the budget for construction of this project is \$3,000,000 less than the amount requested by the university. The reduction in construction funds is based on the Department of Finance's decision to phase the construction portion of this project. The budget amount is sufficient to complete only the structural portion of the project. As a result, an additional \$3,000,000 will be needed in 1983-84 for the compact shelving. Our analysis indicates that phasing of this project may not be economical. The one year delay in obtaining the shelving could result in an added cost of 10 percent because of inflation. This factor, coupled with the current favorable construction bidding market, may make it more advantageous to include the shelving portion with the structural component and solicit bids for both in the budget year.

We recommend that prior to legislative hearings on the budget, the Department of Finance detail the economic advantages of proceeding with this project in two phases.

**Davis—Food and Agricultural Sciences Building I**

*We recommend that Item 6440-301-146(9), preliminary plans and working drawings for the food and agricultural sciences building at Davis, be reduced by \$1,415,000 by deleting funds for working drawings, because preliminary planning has not begun, and it is unlikely that working drawing funds would be needed in 1982-83.*

The budget requests \$2,387,000 for preliminary plans and working drawings for the food and agricultural sciences building at Davis. This building would provide additional space for research, teaching and extension activities for the Departments of Animal Sciences, Avian Sciences, Environmental Toxicology, and Nutrition, plus space for the Food Protection and Toxicology Center. Included in the 129,800 assignable square foot building will be areas shared by the respective building occupants. The estimated total cost of the building and related equipment is \$37.5 million.

The university plans to undertake major remodeling of existing space scheduled to be vacated upon completion of the new building. The remodeling will involve approximately 110,000 assignable square feet in six buildings. We estimate that this work will cost an additional \$15 million, excluding allowances for inflation. Thus, the project contemplates the ultimate expenditure of \$52.5 million.

The Budget Act of 1981 appropriated \$972,000 for preparation of preliminary plans for the new building. These funds are proposed for reversion in the current year (Item 6440-495), and rebudgeted for development of preliminary plans in 1982-83. An additional \$1,415,000 is requested for development of working drawings.

Architectural/engineering drawings and specifications have not been developed for this building because of the administrative freeze on capital outlay funds in the current year. Accordingly, the Legislature does not have any information beyond that which was presented last year in support of the preliminary planning request. Due to the size and complexity of the proposed facility, development of preliminary plans will consume approximately nine months.

Our analysis indicates that the working drawing request is premature because it is unlikely that working drawing funds could be used in 1982-83. For this reason, and because no additional project information has been developed since the Legislature approved planning funds for this project, we recommend that this item be reduced by \$1,415,000 by deleting funds for working drawings. The remaining \$972,000 would restore the preliminary planning funds previously approved by the Legislature. Given the Legislature's prior action to provide these funds, we recommend approval in the reduced amount of \$972,000.

**Drew/UCLA Program, Clinical Sciences**

*We recommend Item 6440-301-146(27), construction and equipment of the Drew/UCLA program, clinical sciences third floor completion, be reduced by \$251,000 because the proposed amount for equipment exceeds the guidelines for equipping space of the type provided in this project.*

The budget includes \$3,254,000 for construction and equipment related to alterations to the third floor of the Psychiatric and Clinic Sciences building of Martin Luther King, Jr., County General Hospital for use by the Charles R. Drew/UCLA Undergraduate Medical Education Program.

Since 1972, the UCLA Medical School has had an "affiliated agreement" with Drew. Under this agreement some UCLA medical students and

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residents receive a portion of their clinical training at Drew and a number of Drew faculty have nonsalaried faculty appointments at UCLA. Prior budget acts have provided funds to expand the Drew/UCLA program and to allow for the enrollment of up to 24 third-year and 24 fourth-year UCLA students at the Drew School. The proposed alterations to the third-floor clinical sciences space would provide multi- and special-purpose laboratories, offices, support and service areas for the Drew/UCLA Undergraduate Medical Education Program.

The 1981 Budget Act included \$1,946,000 for construction of the proposed alterations at Drew. The funds, however, have not been expended and the Governor's Budget proposes that these funds revert in the current year. The 1982-83 budget includes (1) \$1,946,000 to replace the funds proposed for reversion in the current year and (2) \$1,308,000 for equipment needed to make the remodeled facilities operable.

*Adequacy of Construction Amount Uncertain.* The construction amount included in the 1982-83 budget is identical to the amount approved in the 1981 Budget Act. Consequently, there has been no revision in the budgeted funds to account for any inflationary cost increases which may have occurred since the time the Legislature initially approved this project. Accordingly, we recommend that prior to budget hearings, the Department of Finance verify the adequacy of the amount requested for construction.

*Proposed Equipment Budget Excessive.* Equipment which is needed to make newly completed facilities operable is included in the capital outlay portion of the budget so that support budget resources are not burdened with equipment expenditures needed to initially occupy a new building. In order to provide a consistent funding base for equipping new facilities, the university has adopted cost guidelines. These guidelines identify all spaces, by category of use, and establish the amount of equipment needed to complete facilities.

Our review of the equipment funds proposed for the Drew alteration project indicates that the request substantially exceeds the university guidelines. For example, the university guidelines for equipping office and administrative type space is \$10.21 per assignable square foot. The Drew funding request, however, requests equipment funds for a conference room indicating a cost per square foot of \$103.90, or over 10 times the applicable guideline. Using the university's equipment cost guideline for the type of program to be housed in the altered space, our analysis indicates that \$1,057,000 would provide adequate resources to equip this space. Accordingly, we recommend that Item 6440-301-146(27) be reduced by \$251,000 to provide equipment funds at a level consistent with university guidelines.

**NEW PROJECT REQUESTS****A. General Campus Improvement Projects**

This category contains four projects at three campuses plus three universitywide proposals. Table 3 summarizes the projects and our recommendations for each.

**Table 3**  
**University of California**  
**General Campus Improvement Projects**  
**1982-83**  
**(in thousands)**

<i>Item</i>	<i>Project Title</i>	<i>Phase<sup>a</sup></i>	<i>Campus</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Cost<sup>b</sup></i>
(1)	Project planning—1982-83 .....	p	Systemwide	\$150	\$150	—
(2)	Minor capital outlay .....	pwc	Systemwide	3,610	3,610	—
(8)	Animal quarters addition .....	e	Santa Cruz	75	68	—
(12)	Life science building .....	p	Berkeley	750	—	\$80,263
(13)	Engineering unit 2 .....	p	Santa Barbara	426	—	20,117
(14)	Thimann Hall alterations .....	wc	Santa Cruz	340	pending	67
(15)	Applied sciences basement .....	wc	Santa Cruz	401	pending	98
Totals .....				\$3,752	pending	\$100,545

<sup>a</sup> Phase symbols indicate: c—construction; e—equipment; p—preliminary planning; and w—working drawings.

<sup>b</sup> UC estimate.

### Universitywide—Project Planning

*We recommend approval of Item 6440-301-146(1), project programming and preliminary plans.*

The budget includes \$150,000 for project programming and preliminary plans for proposed major capital outlay projects. Budget Act language specifies that these funds shall be released for planning of projects which are anticipated to be included in the 1983-84 Governor's Budget for working drawings and construction, for development of Environmental Impact Reports, or benefit/cost analysis for proposed 1984-85 capital outlay projects.

These funds will provide for development of scope and cost information on projects to be included in the Governor's Budget. The amount has been reduced from the historical level of \$250,000 because a substantial number of university projects have been deferred during the current year. These deferrals will delay other projects in the planning phases, and accordingly, a reduced planning program is anticipated for 1983-84 and 1984-85. Under the circumstances, the requested amount is reasonable and we recommend approval.

### Universitywide—Minor Capital Outlay Program

*We recommend approval of Item 6440-301-146(2), minor capital outlay, universitywide.*

This \$3,610,000 request would fund minor capital outlay projects (\$150,000 or less per project) at the campuses. The requested amount would be appropriated on a lump-sum basis, and would be allocated to the various campuses by the systemwide administration. The university has established procedures consistent with legislative direction contained in the Supplemental Report of the 1980 Budget Act specifying that the allocation of funds to the campuses be on a priority basis.

The university has provided an informational copy of the minor capital improvement program. Based on our review of the information provided by the university, and the procedures established to ensure allocation of funds on a priority basis, the requested funds are reasonable and we recommend approval of the proposed amount of \$3,610,000.

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**Santa Cruz—Animal Quarters Addition**

*We recommend Item 6440-301-146(8), equipment for the animal quarters addition at Santa Cruz, be reduced by \$7,000 by deleting equipment items which are unrelated to this project.*

This \$75,000 would provide funds for movable equipment related to an alteration project at the Santa Cruz campus. In order to provide adequate code complying animal quarters, this project altered vacant space in the Thimann laboratory building and adjacent Thimann shop building. The project also included relocation of shop and storage facilities to the basement of the applied sciences building. The Budget Act of 1981 included \$359,000 for working drawings and construction of the alterations.

Our review of the university's equipment list indicates that several items are unrelated to the alterations and relocation of functions included in this project. For example, the request includes office equipment, a computer terminal, and electric-powered delivery carts. The need for these equipment items, estimated to cost \$7,000, is not related to the alterations completed under this project. The items should be considered for funding from the support budget, in priority order with other equipment needs. Accordingly, we recommend that Items 6440-301-146(8) be reduced by \$7,000.

**Berkeley—Life Science Building Addition**

*We recommend deletion of Item 6440-301-146(12), partial preliminary planning for a life sciences building addition, because the project would provide space in excess of existing space guidelines for biological sciences, for a savings of \$750,000.*

The budget includes \$750,000 to fund a portion of the preliminary planning for a life science building addition at the Berkeley Campus. This project, estimated to cost \$35,830,000, would be the first step in a series of projects to provide new and remodeled space for the biological sciences. The university envisions a six-phase program consisting of two new buildings and renovation of the existing life sciences building. As shown in Table 4, the total program involves 480,235 assignable square feet (asf) at a total estimated cost of \$112 million.

**Table 4**  
**University of California—Berkeley Campus**  
**Biological Sciences and Alterations**  
**(in thousands)**

Program Element, Area	Year of Completion	Estimated Cost (1982 Cost Base)	
		State Funds	Non-State
1. Life science building, addition (120,258 asf).....	1986	\$35,800	—
2. Biochemistry annex (105,190 asf) .....	1987	800	\$31,000
3. Life science renovation, step 1 (42,500 asf) .....	1987	7,400	—
4. Life science renovation, step 2 (84,900 asf) .....	1988	14,800	—
5. Life science renovation, step 3 (84,900 asf) .....	1989	14,800	—
6. Life science renovation, step 4 (42,500 asf) .....	1990	7,400	—
Total Program (480,248 asf) .....		\$81,000	\$31,000

The university indicates that the phased program would be funded from

a combination of state and non-state funds, with the state contributing \$81 million.

This first phase—Life Science Building Addition—includes construction of a 105,190 asf building to house several disciplines within the biological sciences relating to organismal biology. The disciplines include ethnology, endocrinology, immunology, neurobiology, and cell and developmental biology. Instructional, research, and support space for 46 faculty members would be located in this building.

The university intends to remedy two problems through the implementation of the total program. First, the new facilities would provide additional space which the university believes is needed to accommodate the related instructional and research activities. Second, the project would upgrade the existing life sciences building, constructed in 1930, to meet current life safety, plumbing, electrical and seismic codes.

**Need for Additional Space.** Construction of the proposed facilities would consolidate the location of several program areas within biological sciences. More importantly, the additional space will allow for a significant increase in the amount of research and office space assigned to the biological sciences. Under state space guidelines, approximately 900 asf per faculty member would be justified for these activities. The university indicates that at the Berkeley campus, the amount of research and office space assigned to a faculty member and associated research group averages approximately 1,430 asf per faculty member. The university believes that facilities such as biochemistry and cell biology laboratories have special needs which require a minimum of 2,050 asf, and that more sophisticated laboratories with requirements for control of dust particles and infectious agents require 2,300 assignable square feet. Using these and other proposed space allocations (class laboratories, administration and collections), the university has constructed a proposed space allocation program for the biological sciences which totals 480,235 asf. *Of this total, 34,737 would be unassigned and the use of this space would be determined at a later date.*

The overall program proposed by the university would increase the amount of space available in the biological sciences to a level significantly in excess of the state-approved guidelines developed for evaluating space needs in higher education. Using the approved guidelines for existing and projected enrollment, instructional and research activities in the biological sciences would require 192,200 asf. The actual assignable square feet allocated to the biological sciences currently is 245,886 assignable square feet—28 percent more than the amount of space justified under the state guidelines. Construction of the proposed additional space would increase this differential to 49 percent over the guidelines. For comparative purposes, Table 5 shows the amount of (1) assigned space and (2) justified space, based on the space guideline, for biological sciences at the eight university general campuses.

Except for the Santa Cruz campus, all of the UC campuses have excess space assigned to the biological sciences area in comparison to the guideline amount. Overall, the university has 152,137 asf more in the biological sciences than the guideline would indicate is necessary.

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**Table 5**  
**University of California**  
**Biological Sciences, Instruction and Research Space**  
**Comparison of Assigned Space and Guidelines**  
**1982-83**  
**(assignable square feet)**

<i>Campus</i>	<i>Assigned Space</i>	<i>Guideline</i>	<i>Difference</i>	<i>Percent Over (+) or Under (-) standard guideline</i>
Berkeley .....	245,886	192,202	+53,684	+28%
Davis .....	110,909	97,056	+13,853	+14
Irvine .....	108,883	108,428	+455	—
Los Angeles .....	199,044	154,839	+44,205	+29
Riverside .....	44,836	29,712	+15,124	+51
San Diego .....	85,087	78,768	+6,319	+8
Santa Barbara .....	114,147	85,962	+28,185	+33
Santa Cruz .....	47,689	57,377	-9,688	-17
Totals .....	956,481	804,344	152,137	+19%

Based on the state-approved guidelines, the amount of space currently available for biological sciences at Berkeley should be sufficient for the campus' program. If the university believes that some research activities require additional space—beyond the guideline—the university has the administrative authority to assign space on a priority basis to meet that need. Given the current 53,684 asf surplus on the Berkeley campus, however, we see no justification for constructing additional space.

**Existing Life Science Building.** The university has conducted an engineering study of the existing life science building. The study concluded that many of the building systems (mechanical/electrical) and space configuration are inadequate to support properly the instructional program.

The deficiencies noted in the university's study of the life science building are not surprising, given the fact that this building was constructed over 50 years ago. The building's space efficiency and utility systems are certainly not as useful as what could be provided in a new building constructed to meet modern standards.

The adaptation of older facilities to meet changing programmatic needs in higher education is a concern on many older campuses, and over time will be a concern on the newer campuses. The easiest and possibly the optimum way to meet these needs is to construct new space. This solution, however, must be evaluated in light of (1) the limited funds available for capital outlay funds and (2) other statewide needs. An alternative solution, of course, is to upgrade or alter the existing facilities to a level which provides a balance between the optimum program needs and what the limited funds available can finance. Taking these factors into consideration, the university should reevaluate alterations which would upgrade the life science building to a level that serves the program requirements, and thereby avoids the need to construct new space. This may involve some compromises in space quality compared to a new building.

In addition, the university should evaluate its present and projected utilization of space available on the campus. As the enrollment distribution changes, space allocations to specific programs must change. Reassignment of underutilized space to meet higher priority space needs provides a less-costly solution to construction of new space. Currently,

enrollments in higher education in California are at a steady state, and significant additions of new capacity for increased enrollments will not be required for many years. Consequently, the inventory of existing physical facilities must be considered the primary source of space needed to accommodate changes in the academic programs.

Because of this, there will be a continuing need—throughout higher education—to modify physical facilities to meet changing enrollment and academic program requirements. The university should evaluate means of achieving maximum utilization of available space, and propose solutions which are more cost-efficient than constructing new space.

In summary, we recommend deletion of the proposed planning funds for this project because (1) the proposal would provide additional space beyond that justified by state guidelines and (2) the university can and should evaluate upgrading and alteration of existing space to meet high-priority needs.

### Engineering Unit 2—Santa Barbara

*We recommend deletion of Item 6440-301-146 (13), preliminary plans for engineering unit 2, for a savings of \$426,000 because there appear to be less expensive alternatives to this project.*

The budget includes \$426,000 to develop preliminary plans for the engineering unit 2 building at the Santa Barbara campus. This project, with an estimated total project cost of \$20,543,000, would provide 80,000 additional assignable square feet (asf) for the College of Engineering, which includes computer sciences. The additional space plus existing space to be retained would provide a total of 138,900 asf for engineering and 7,425 asf for computer science.

**Computer Science Space.** The proposed project would provide 4,700 asf additional space in computer sciences. The existing space allocated to computer sciences totals 2,725 asf while space guidelines indicate a need of 14,400 asf. Thus, the project provides space for computer sciences that is justified by the guideline. Even after completion of the project, however, a substantial need for space will still exist, based on the guidelines for computer sciences.

**Engineering Space.** The majority of the new space proposed in this project is for engineering. Table 6 summarizes the proposed changes in space allocations for engineering as a result of this project.

**Table 6**  
**University of California—Santa Barbara**  
**Engineering Unit 2**  
**Proposed Changes in Space Allocations**  
**(assignable square feet)**

Existing engineering space .....	84,837
Engineering 2 .....	80,000
Subtotal .....	164,837
Less existing space to be reassigned to art and physics .....	23,213
Existing space to be demolished .....	2,724
Total available.....	138,900
1980-81 existing space needs.....	139,600
1985-86 projected space needs.....	159,559

Based on current and projected engineering enrollment at this campus,

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there is a significant space deficiency for the engineering program. The proposed project would reduce this deficiency by constructing 25,000 asf for chemical and nuclear engineering, 25,000 asf for mechanical and environmental engineering, and 30,000 asf for faculty/administrative offices and shared support space.

*Existing Space to be Replaced at High Cost.* While the university proposed construction of 80,000 asf for engineering, the net gain in available space will be only 54,000 square feet. As shown in Table 6, this net gain is less than the amount constructed because 23,213 asf of existing engineering space is assigned to art and physics.

*Costly Solution for Art Space Deficiency.* Based on existing space guidelines, there is a need for additional space for art on the Santa Barbara campus. Reassignments as a result of the engineering unit 2 project would provide 18,243 asf for art, increasing the amount of space available to 124,000 asf. This compares to a projected need of 128,000 asf.

Our analysis indicates, however, that the proposed reassignment of engineering space to art is an expensive solution to this space deficiency. Engineering space is relatively expensive to construct compared to space for other disciplines such as art. Consequently, the cost of providing the additional space for art actually amounts to the cost of constructing new engineering space to replace the areas to be assigned to art. In view of the high unit cost for engineering space, the university should evaluate more cost efficient means of meeting the deficiency in art.

*Other Campus Space Available.* Under the university's proposal, 4,970 asf of existing engineering space will be reassigned to physics. The amount of space allocated to physical sciences on the Santa Barbara campus, however, totals 152,000 asf while the space needs according to state guidelines is only 124,000 asf. The space need is projected to increase to approximately 129,000 asf in 1985-86. Thus, there is a projected continuing surplus of approximately 25,000 asf in physical sciences, and the need to assign an additional 4,970 asf to these disciplines is not apparent. Furthermore, the university should evaluate the feasibility of modifying a portion (up to 25,000 asf) of the space currently assigned to physical science to either engineering or art.

*Major Space Deficiency in Graduate Research.* The School of Engineering has a space deficiency of about 56,000 asf, based on 1980-81 enrollment and space guidelines. Table 7 compares existing space needs (based on guidelines) to actual space allocated to the School of Engineering. This data shows that the major space deficiency is in academic staff and graduate research labs, for which 76,047 asf is justified but only 19,058 asf is allocated. The proposed project, however, would construct not only new research labs but also offices, class laboratories, and additional support spaces in engineering. Thus, our analysis indicates that the university has not addressed the specific space deficiencies within the School of Engineering, but rather proposed an overall plan for construction of new and replacement space in all categories.

In view of the fact that a substantial portion of the space proposed in the project would not be needed to satisfy existing space needs—but to replace existing space—we suggest that the university revise its plan in order to maintain maximum use of existing space. Based on the data contained in Table 7, the additional space is needed for research labs and

support spaces, not for class laboratories and offices.

**Table 7**  
**University of California—Santa Barbara**  
**Engineering Space Based on Guidelines**  
**(assignable square feet)**

<i>Space Category</i>	<i>Space Guidelines</i>	<i>Fall 1980 Actual</i>	<i>Difference</i>
<b>A. Engineering</b>			
Research Labs:			
Academic staff.....	21,102	14,581	-6,521
Graduate students.....	54,945	4,477	-50,468
Subtotal.....	76,047	19,058	-56,989
Offices			
Academic staff.....	11,254	9,841	-1,413
Graduate students.....	4,455	2,671	-1,784
Administrative.....	4,220	629	+4,409
Subtotal.....	19,929	21,141	+1,209
Class Laboratories			
Undergraduate.....	—	—	—
Subtotal.....	25,415	36,913	+11,498
Support Spaces			
Shops, storage, etc.....	18,209	7,722	-11,908
Total, Engineering.....	139,600	84,837	-56,187
<b>B. Computer Science</b>			
Total Computer Science.....	14,400	2,725	-11,675
Grand total.....	154,000	87,562	-66,438

Clearly, there is a need for additional space to support the engineering and computer science programs at Santa Barbara. In view of this need, a project which addresses the *specific* space deficiencies would warrant legislative support. The project proposed by the university however, does not address specific space needs, and consequently, we cannot recommend that the project be approved.

In summary, although the Santa Barbara campus needs additional engineering space, the proposed project would provide this space in an expensive manner and does not address the marginal needs. The university should reevaluate its plan and reduce the programs involved and cost of the project. Consequently, we recommend deletion of the requested planning funds.

#### **Santa Cruz—Thimann Laboratory Alterations**

*We recommend Item 6440-301-146 (14), working drawings and construction for Thimann Laboratory building alterations, be reduced by \$170,000 because a portion of the project would provide additional research laboratories which are not justified. Further, we withhold recommendation on the balance of requested funds, pending receipt of additional information.*

This \$340,000 project would alter 1,990 assignable square feet (asf) in the Thimann Laboratory building on the Santa Cruz campus. The altered space—currently a stock room—would provide five biology undergraduate teaching laboratories and two chemistry research laboratories. The estimated future cost for equipment related to the alterations is \$67,000.

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***Chemistry Research Space Not Justified.*** The two proposed chemistry research laboratories (995 asf) are not justified. Based on projected requirements for 1983, research activities in chemistry will require 17,550 asf. This compares to a current inventory of 17,412 asf. Clearly, sufficient space is available for research activities in chemistry. Consequently, we recommend deletion of \$170,000 proposed to provide alterations for additional chemistry laboratories.

***Biology Space Needs.*** The Santa Cruz campus has experienced a significant enrollment shift from liberal arts to the natural sciences. Compared to 1978 data, the 1981 enrollment for the sciences has increased by 33 percent and declared majors in the sciences have increased 41 percent. Based on this enrollment shift, the 1983 need in undergraduate biology laboratories will be 16,600 asf, while approximately 9,200 asf is currently available for undergraduate biology laboratories. The 995 asf proposed in this project, for five undergraduate biology laboratories, will partially offset this shortage.

In view of the significant deficiency in undergraduate biology laboratory facilities, our analysis indicates that the proposal to modify a portion of the Thimann Laboratory building for biology is justified. Preliminary plans however, for the proposed remodeling have not been completed. This information, which is needed to substantiate the construction request, should be available prior to budget hearings. Accordingly, we withhold recommendation on that portion of the requested funds related to biology, pending receipt of this information.

**Santa Cruz—Completion of Applied Science Building Basement**

***We withhold recommendation on Item 6440-301-146(15), \$401,000 for working drawings and construction to complete remaining areas of applied sciences building basement, pending receipt of additional information.***

This \$401,000 project involves completion of 4,630 asf in the basement of the applied science building on the Santa Cruz campus. The basement area would be altered to accommodate shop and service functions in the natural sciences division—3,270 asf for machine, electronics, paint and marine shops, 1,130 asf for storage, and 230 asf for a conference room. Upon completion of this project, the existing shop areas would be altered for research laboratories and support facilities for physics.

This project provides two benefits. First, it will consolidate and expand support facilities which currently are located in two buildings. Consolidation will allow for better supervision of students using these facilities. Second, the project will provide 2,235 asf of additional space for physics. Currently, only 5,300 asf is assigned for physics research laboratories, while space guidelines indicate a need of 8,700 asf. Thus, this project will offset the deficiency in space needs.

While our analysis indicates that the proposed project is justified, we have not received adequate information to substantiate the requested construction funds. Moreover, the university does not indicate the costs associated with altering the space proposed to be assigned to physics. Pending receipt of the preliminary plans and cost estimates, including the cost of space to be assigned to physics, we withhold recommendation on the \$401,000 requested in Item 6610-301-146(15).

### B. Projects to Correct Code Deficiencies

This category includes three projects to correct building code deficiencies at three campuses. A summary of the projects in this category and our recommendations for each is provided in Table 8.

**Table 8**  
**University of California**  
**Projects to Convert California Administrative Code Deficiencies**  
**1982-83**  
**(in thousands)**

Item 6440-301-146	Project Title	Phase <sup>a</sup>	Campus	Budget	Analyst's Proposal	Estimated
				Bill Amount		Future Cost <sup>b</sup>
(22)	CAC <sup>c</sup> deficiencies—high-rise fire/life safety .....	w	Berkeley	\$39	pending	\$704
(23)	CAC deficiencies—Royce Hall—fire/life safety .....	w,c	Los Angeles	1,142	—	—
(24)	CAC deficiencies—elevators .....	w	San Francisco	85	85	1,079
TOTALS .....				\$1,266	pending	\$1,783

<sup>a</sup> Phase symbols indicate: c—construction; w—working drawings.

<sup>b</sup> UC estimate.

<sup>c</sup> CAC—California Administrative Code.

#### Berkeley Campus

*We withhold recommendation on \$39,000 in Item 6440-301-146 (22), for correction of fire and life safety deficiencies in high-rise buildings on the Berkeley campus, pending receipt of additional information.*

This \$39,000 request would provide for development of working drawings to modify high-rise buildings (over 75 feet in height) to meet California Administrative Code regulations. The majority of the work involves modifications to establish adequate exiting corridors and doorways, emergency operation of air circulating system, and the installation of various fire alarm/protection items. The estimated future cost for construction of the proposed modifications is \$704,000.

The university has allocated current year planning funds to develop detailed information on the specific work to be accomplished. In discussions with representatives of the university, we have indicated three concerns relative to the scope of work under this project.

- In some instances, the university proposes construction of a second exit from a room which—according to fire code—has a capacity which does not require two exits.
- A substantial portion of the project (over \$200,000) would be for installation of rechargeable battery-powered emergency lighting systems in the corridors and stairwells. In view of the high cost of these items, the university should evaluate the use of an emergency generator and auxiliary lighting system in lieu of the battery system.
- Many of the existing doors and doorframes to be replaced may provide adequate fire protection. The doors, however, do not contain a label specifying a fire rating. These doors should be inspected by the State Fire Marshal and, if necessary, tested to determine if replacement is warranted.

The university is replying to these concerns during development of preliminary plans. This may result in significant cost savings to the project. We therefore withhold recommendation on the requested amount, pend-

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ing receipt of this information.

Furthermore, completed preliminary plans should provide adequate information for appropriation of construction funds which would expedite completion of this project. The Legislature may wish to consider appropriation of additional funds, based on preliminary plans, particularly in view of the fact that the university's project schedule indicates that working drawings for the modifications could be completed four months from the time funds are made available.

**Los Angeles Campus**

*We recommend deletion of Item 6440-301-146(23), working drawings and construction for code corrections to the Royce Hall Auditorium at Los Angeles, because as a nonstate funded project, university funds should be used for any necessary code corrections, for a savings of \$1,142,000.*

This \$1,142,000 request provides for work related to a nonstate funded project—Royce Hall Auditorium on the Los Angeles campus. The Governor's Budget indicates that \$8,480,000 in nonstate funds will be spent for renovations to the auditorium. This project would provide remodeling of building systems, offices, classrooms, and support areas. The proposed state participation (\$1,142,000) would fund the estimated cost associated with building code requirements. The total amount proposed from state and nonstate sources is \$9,622,000.

*State Fund Request Overstated.* As previously indicated, this state funding request relates to the code corrective portion of the proposed alteration project. Our review of the items to be funded from state funds, however, indicates that not all the items are code-required. For example, the request includes \$400,000 for fire sprinklers in this facility. The State Fire Marshal indicates that fire sprinklers are not routinely required in auditoriums. In addition, proposed modifications for access for the physically handicapped may not be needed. For example, the project includes an elevator and modifications to make the balcony of the auditorium accessible. These modifications may not be needed if the university provides a means of accommodating wheelchairs on the main level of the facility. Finally, we note that the state fund request is not based on architectural plans, and thus the construction fund request has not been substantiated.

*Proposed Work Is Not a State Responsibility.* A substantial portion of the code corrections proposed to be funded by the state would not be required if the university were not undertaking a major alteration project using nonstate funds. Consequently, this places the state in a position of being asked to fund alterations which—on a statewide basis—may be a low priority relative to other needs and given the limited funds available for capital outlay. The university has made the decision to proceed with major upgrading of this facility using nonstate funds. This decision was made without legislative review or approval. Under these circumstances, we believe the university should assume responsibility for the full cost of this project, including modifications which may be needed to bring the facility into compliance with the codes. Accordingly, we recommend that the proposed funds included in Item 6440-301-146(23) be deleted, for a savings of \$1,142,000.

**San Francisco Campus**

*We recommend approval of \$85,000 in Item 6440-301-146(24), working drawings for CAC deficiencies, elevators (fire, seismic and handicapped), San Francisco.*

This request is for \$85,000 to develop working drawings to modify 40 elevators in nine buildings on the San Francisco campus. The proposed work would (1) improve the seismic resistance of the elevator shaft and equipment, (2) install smoke detectors and modify car controls to allow operation by fire personnel, and (3) provide handicapped accessibility modifications by installing braille symbols on controls and lowering controls to the emergency telephones. We recommend approval of the requested working drawing funds.

According to the university's schedule, working drawings should be completed within five months after funds are available. Thus, construction funds could be used in the budget year. We recommend that prior to budget hearings, the Department of Finance indicate why construction funds are not included in the budget, and identify any additional costs relative to deferral of construction.

**C. Energy Conservation Proposals**

This category contains four projects related to energy conservation at three campuses. A summary of this category and our recommendations for each project are shown in Table 9.

**Table 9**  
**University of California**  
**Energy Conservation Projects**  
**1982-83**  
**(in thousands)**

<i>Item</i>	<i>Project Title</i>	<i>Phase<sup>a</sup></i>	<i>Campus</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Cost<sup>b</sup></i>
(4)	Cogeneration system .....	wc	San Francisco	\$410	Pending	-
(5)	Air recirculating system.....	wc	Berkeley	269	-	-
(6)	Variable speed fans.....	pw	Berkeley	95	-	\$848
(7)	Energy retrofits .....	we	Riverside	542	-	-
Totals .....				\$1,316	Pending	\$848

<sup>a</sup> Phase symbols indicate: c—construction; p—preliminary planning; and w—working drawings.

<sup>b</sup> UC estimate.

**Cogeneration Project—San Francisco**

*We recommend Item 6640-301-146(4), working drawings and construction of a campus cogeneration plant, be reduced by \$60,000, by deleting a portion of the project which can be accomplished by redirection of utility funds in the university support/operations budget. Further, we withhold recommendation on the balance of \$350,000, pending receipt of additional information.*

This \$410,000 proposal would provide two modifications to the existing energy system on the San Francisco campus—(1) the existing steam distribution system would be modified to allow for better utilization of steam produced at the central power plant and (2) electrical distribution equipment would be modified to provide for cogeneration.

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY  
AND REVERSION—Continued**

At the present time, electricity and steam heating for all the major buildings on the San Francisco campus are provided via the centrally located power plant. At the present time, however, steam is vented to the atmosphere during periods of low steam demand even though the equipment is operating at its lowest practical load. The university proposes construction of a low-pressure steam line so that this wasted steam energy can be utilized. A feasibility study prepared by a consulting engineer indicates that the cost of installing the low pressure steam line would be approximately \$60,000 and result in annual savings of approximately \$119,000.

Based on the information contained in the consulting engineer's feasibility report, the steam line portion of this project is very cost effective. Although the report was completed in 1979, the university has not yet implemented this recommendation. In view of the fact that the *annual* utility cost savings generated from implementing the project is substantially more than the cost of the project, we do not understand why utility funds have not been redirected to accomplish this project. Our analysis indicates that energy conservation projects for which the annual utility savings will more than compensate for the cost of the project should be undertaken utilizing funds budgeted for utilities. Accordingly, we recommend that the steam line portion of this project be deleted from the capital outlay request, for a reduction of \$60,000 to Item 6640-301-146(4), and that the university redirect utility funds to accomplish the needed modifications.

**Cost/Benefit of Cogeneration.** In our analysis of the Department of Developmental Services' budget (Item 4330-301-189), we indicate that the economic feasibility of cogeneration is dependent upon (1) the initial cost of the proposed system, (2) the estimated cost of fuel, (3) the estimated revenue from sale of electrical power or reduced electrical purchases from the serving utility, and (4) the steam requirement at the facility. We further indicate that initial feasibility studies for cogeneration proposals do not provide adequate information to justify construction fund requests. Only after preliminary plans are completed is adequate information available to substantiate construction requests. Moreover, during this phase of the project, the entity proposing the project should validate the conclusions contained in the initial feasibility study as to the *most* economical cogeneration proposal from the standpoint of the state.

The university has allocated preliminary planning funds in the current year for this project. According to the university's schedule, these plans should be available prior to legislative hearings on the budget. Pending receipt of the completed preliminary plans, we withhold recommendation on the requested working drawings and construction funds for the cogeneration portion of this request.

**Alternative Uses of Electricity Produced by Cogeneration.** According to the information provided by the university, the electricity to be generated by the cogeneration facility could be used on campus or could be sold to the utility district. The university indicates that the use of electricity on campus would save approximately \$5.7 million in utility costs over the life of the system. On the other hand, if the university sells the power to the utility district, the net revenue generated would be \$7.2 million over the life of the system. Consequently, sale of the power to the serving utility

is the best economic alternative identified by the university. We recommend that prior to budget hearings, the university verify that sale of power is feasible at this facility. At a minimum, the university should provide a tentative contract with the utility district specifying the terms and condition for sale of this electrical power.

#### **Berkeley—Energy Conservation**

*We recommend deletion of Item 6440-301-189(5), working drawings and construct campus energy conservation, air recirculation, for a savings of \$269,000.*

*We further recommend deletion of Item 6440-301-189(6), preliminary plans and working drawings for campus energy conservation, variable speed fans, step 1, \$95,000. The university has not provided adequate information to substantiate the energy savings claimed on behalf of these projects.*

The budget proposes funds for two projects at Berkeley which would modify the ventilation system in eleven buildings to reduce energy requirements. One project, proposed for working drawings and construction, would modify air circulation systems in six buildings to reduce operating hours of the equipment. The other project, proposed for preliminary plans and working drawings, would provide for installation of variable speed fans in one of these buildings and five other buildings at the campus. The variable speed fans would reduce the ventilation rate in the facilities, and thus reduce electrical and steam heating requirements.

The university claims that implementation of these energy conservation measures would generate sufficient savings to payback the initial investment in under four years. The university, however, has not provided adequate information to substantiate this claim. Specifically, the documentation is deficient in the following areas:

- The proposals do not consider the impact of the newly installed computer control system on the Berkeley campus. This system was partially justified on the basis of reducing the operating time of installed ventilation equipment.
- The campus does not indicate if installation of time clocks to reduce the time during which ventilation equipment operates (24-hours per day in the case of the Wheeler Hall Auditorium) would be less costly than the system proposed by the university.
- The university has not indicated if the claimed energy saved and related cost have been evaluated on the basis of providing that energy through the cogeneration system proposed for this campus.
- There is no information to indicate the basis of the estimated cost of the projects.

In view of the fact that the university has not evaluated adequately energy conserving alternatives at the Berkeley campus, funding of the proposed conservation measures would not be appropriate at this time. Accordingly, we recommend deletion of the working drawings and construction funds for the air recirculation system, for a savings of \$269,000, and deletion of the preliminary plans and working drawings for the variable speed fan systems, for a savings of \$95,000.

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY AND REVERSION—Continued**

**Riverside—Energy Conservation, Building Retrofit**

*We recommend deletion of Item 6440-301-189 (7), working drawings and construct energy conservation—building retrofit, phase I, for a savings of \$542,000, because the Riverside campus already has a central control system for energy conservation measures and this project should not be needed.*

This project would modify the heating, ventilating and air conditioning systems in an attempt to reduce energy consumption in 14 campus buildings. The proposed modification consists primarily of installing controls so that no heating or cooling will take place when the outside air temperature is between 65°-78° F.

Turning off heating/cooling equipment in these temperature ranges should save energy. The university, however, has not developed adequate information regarding the basis of the claimed energy savings. Consequently, the cost-benefit of this proposal cannot be determined. Moreover, the Riverside campus has a central control system that is capable of automatically controlling the heating/cooling equipment in each of the subject buildings. The university should maximize the utilization of this automated system—which was installed for the purpose of energy conservation—rather than undertake the proposed modifications.

In view of the lack of cost/benefit information for the proposed project, and the availability of the central control system, we recommend deletion of the funds requested for working drawing and construction.

**D. Health Sciences Projects**

This category contains four projects related to health sciences at three campuses. A summary of the projects and our recommendations for each are contained in Table 10.

**Table 10**  
**University of California**  
**Health Sciences Projects**  
**1982-83**  
**(in thousands)**

<i>Fund/Item/Project Title</i>	<i>Phase<sup>a</sup></i>	<i>Campus</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Cost<sup>b</sup></i>
<i>COFPHE, 6640-301-146</i>					
(4) Purchase Sacramento Medical Center.....	a	Davis	\$200	\$200	\$1,000
<i>Health Science Bond Funds, 6440-301-718</i>					
(1) Library module; Irvine Medical Center .....	e	Irvine	79	79	—
(2) Veterinary medicine expansion San Joaquin Valley .....	e	Davis	427	427	—
(3) North/South wing reconstruction and remodeling—Sacramento Medical Center .....	w	Davis	36	—	6,583
<b>TOTALS .....</b>			<b>\$742</b>	<b>\$706</b>	<b>\$7,583</b>

<sup>a</sup> Phase symbols indicate: a—acquisition, e—equipment, w—working drawings.

<sup>b</sup> UC estimate.

**Davis Campus**

*We recommend approval of \$427,000 in Item 6440-301-718(2), equipment for the veterinary medicine expansion, San Joaquin Valley Clinic Facility. We recommend approval of \$200,000 in Item 6440-301-146(4), purchase of the Sacramento Medical Center.*

*We recommend that Item 6440-301-718(3), working drawings for the Sacramento Medical Center North/South Wing reconstruction and remodeling be deleted, for a reduction of \$36,000, because seismic upgrading of this nonpatient-occupied space should be considered in priority order with other statewide seismic rehabilitation needs.*

The proposal for the Davis campus health sciences consists of three projects totaling \$663,000. The first proposal represents equipment funds for the new veterinary expansion, San Joaquin Valley Clinic facility. The second proposal represents the fifth of 10 installments to purchase the Sacramento Medical Center. The third proposal is for working drawings related to a major project to alter and structurally upgrade the north/south wing of the Sacramento Medical Center.

***Veterinary Medicine Expansion—San Joaquin Valley Clinic Facility.***

This \$427,000 request would provide funds for purchase of moveable equipment needed to operate the new veterinary clinic in the San Joaquin Valley. This facility would serve as the main clinical teaching resource for the food animal health programs at the Davis School of Veterinary Medicine. The university estimates that with the San Joaquin Valley facility, the number of graduates entering food animal practice will increase from the current 8 or 9 to 20 or more per year. The \$3,838,000 facility is scheduled to be completed in January 1983.

Our review of the information provided in support of the equipment request indicates that the amount requested is within accepted guidelines and that the items of equipment to be purchased are consistent with the program to be housed at this new facility. Accordingly, we recommend approval of the requested funds for this project.

***Purchase—Sacramento Medical Center.*** Item 6440-301-146(4) includes \$200,000 to provide the fifth installment to purchase the county's interest in the Sacramento Medical Center (SMC) land and buildings. The requested amount is in accordance with the agreement between the County of Sacramento and the university, providing for the university's continued operation, ownership and control of the SMC. Upon completion of 10 annual payments totaling \$2 million, the university may purchase the county's remaining interest in the hospital land and buildings for \$6,687,942. This amount compares to the current base value of \$10 million. Consequently, the requested funds are needed to preserve the terms of the present agreement between the county and the state for ultimate purchase by the university of the existing land and buildings.

We recommend approval of the fifth prepayment amount of \$200,000.

***North/South Wing Reconstruction and Remodeling—Medical Center.*** This \$36,000 request represents the university's state funding request for preparation of working drawings for reconstruction and remodeling of the north/south wing of the SMC.

Structural analysis of the SMC has revealed that the north/south wing of the main hospital does not meet the seismic code requirements of Title 24. A new structure is under construction to house the acute-care patient beds currently located in the north-south wing. Upon completion of the replacement facility, the university proposes to undertake major recon-

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY  
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struction in the north/south wing for support facilities. In addition to structural modification of the existing building (proposed from state funds), the project includes alterations to meet programmatic requirements. This portion of the alterations would be funded from hospital reserves and nonstate sources. According to the university's capital improvement program, the estimated total cost of the proposed remodeling is \$24 million, with \$6.6 million requested from state funds other than hospital reserves, and \$17.7 million coming from hospital reserves and nonstate sources.

*Seismic Rehabilitation Not Required for Functions to be Housed in North/South Wing.* Upon completion of the Replacement Facility, all acute-care patient beds will be removed from the north/south wing. This will allow allocation of additional space for clinical and support facilities. In addition, the School of Medicine will occupy approximately 25,000 asf of the space to be vacated. The university's proposal to alter the building for the expanded and new functions includes state funding for seismic rehabilitation of the structure. Existing code, however, does not require that this facility be upgraded structurally. The proposal to do this work, instead, is based on the university's policy that the facilities be upgraded to meet seismic code.

The need for seismic rehabilitation of state facilities has been addressed by the state Seismic Safety Commission. The commission has established a method to evaluate the relative seismic risk of buildings, and has evaluated most state buildings. As a result, it has established a priority listing for potential rehabilitation of deficient buildings. Using the results of this evaluation, the Legislature can determine the relative needs for seismic upgrading on a statewide basis. The need to rehabilitate the north/south wing should be assessed using the commission's methodology, and the need should then be evaluated in priority with other state buildings. If, however, the university wishes to proceed with major upgrading of the north/south wing, then the proposed alterations should be accomplished within available hospital reserves and nonstate funds.

Accordingly, we recommend deletion of the \$36,000 for working drawings included in Item 6440-301-718(3).

*Status Report on Accreditation Needed.* In July 1981, the California Department of Health Services identified 66 wide-ranging licensing and certification deficiencies at the Sacramento Medical Center facility. These deficiencies focused on the cardiovascular surgery and kidney services at the hospital. The Joint Commission on the Accreditation of Hospitals (JCAH) moved to deny accreditation of the SMC. A new survey by the JCAH has recently been completed, and the university is preparing plans of corrections for deficiencies noted in the survey. The Legislature should be apprised of the progress which the university has made towards resolving licensing and certification deficiencies at the Sacramento Medical Center.

Accordingly, we recommend that prior to legislative hearings on the budget, the university provided the Legislature with a status report on its efforts to maintain accreditation at the SMC facility.

**Irvine Campus**

*We recommend approval of Item 6440-301-718(1), equipment for the library module, UCIMC, Irvine.*

This \$79,000 request is for equipment related to the UC Irvine Medical Center, library module. This building is the initial component of a modular facility which has been planned to accommodate future construction at the Center on a project-by-project basis. Funds in the amount of \$666,000 were appropriated in the 1981 Budget Act for construction of this initial module, and the university allocated an additional \$1,880,000 in hospital reserve and nonstate funds to the project.

The state fund request for equipping of the new library module is consistent with state cost guidelines for the state-funded portion of the project. We recommend approval of the requested funds.

**Projects by Descriptive Category**

In the A—pages for our *Analysis*, we discuss the capital outlay funding problems resulting from the distribution of tidelands oil revenue in 1982–83. To aid the Legislature in resolving these problems, we have divided those projects which our analysis indicates are justified into the following categories:

1. Critical fire/life safety and security projects—includes projects to correct life threatening conditions.
2. Projects needed to meet code requirements—includes projects that do *not* involve life threatening conditions.
3. Essential utility, site development and equipment—includes projects needed to make new buildings usable or continue usability of existing buildings.
4. Meet existing instructional capacity needs in higher education—includes projects that are critical, and for which no alternatives are available other than reducing enrollments.
5. Improve program efficiency or cost effectiveness—includes new office buildings, alterations, etc.
6. Energy conservation projects—includes projects with a payback period of less than five years.
7. Energy conservation projects—includes projects with a payback period greater than five years.

Table 11 shows how we categorize the projects funded from tideland oil revenues that our analysis indicates are warranted.

**Table 11**  
**University of California**  
**Projects by Descriptive Categories**  
**(in thousands)**

<i>Category/Item/Campus/Project Title</i>	<i>Analyst's Proposal<sup>a</sup></i>	<i>Estimated Future Cost<sup>b</sup></i>
1. None		
6440-301-146		
2. (16) Berkeley—CAC deficiencies, handicapped, step 2 .....	\$110 c	—
(17) Davis—CAC deficiencies, handicapped, step 2.....	385 c	—
(18) Riverside—handicapped access alterations, step 1.....	240 c	—
(19) San Diego—CAC deficiencies, handicapped, step 1 .....	153 c	—
(20) Santa Cruz—CAC deficiencies, handicapped, step 2 .....	228 c	—
(21) Berkeley—CAC deficiencies, elevators .....	644 c	—

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY  
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(22) Berkeley—CAC deficiencies, high-rise fire and life safety .....	39 w	\$704
(24) San Francisco—CAC deficiencies, elevators (fire, seismic and handicapped) .....		
	85 w	1,079
Subtotal .....	\$1,884	\$1,783
<i>6440-301-146</i>		
3. (8) Santa Cruz—animal quarters addition .....	\$68 e	—
<i>6440-301-146</i>		
4. (4) Davis—purchase of Sacramento Medical Center .....	\$200 a	\$1,000
(5) Berkeley—Cory Hall, alterations for microelectronics fabrication laboratory .....	2,283 ce	—
(6) Berkeley—Cory Hall, utilities systems and handicapped improvements .....	917 c	—
(7) Irvine—social ecology building .....	3,515 c	522
(9) Davis—Food and agricultural sciences building .....	972 p	36,512
(10) Riverside—nematode isolation and quarantine facility .....	595 ce	—
(11) Irvine—organic chemistry lab conversion .....	192 c	—
(27) Los Angeles—construct and equip Drew/UCLA program, clinical sciences third floor completion .....	3,003 ce	—
(28) Los Angeles—Drew/UCLA program, medical education center .....	4,340 c	769
Subtotal .....	\$16,017	\$38,803
<i>6440-301-146</i>		
5. (1) Systemwide—project programming and preliminary plans .....	\$150	—
(26) San Diego—SIO seawall extension .....	320 c	—
Subtotal .....	\$470	—
<i>6440-301-146</i>		
6. (25) Davis—natural gas service, electrical cogeneration facility .....	\$380 c	—
<i>6440-301-189</i>		
(1) Berkeley—heating plant, alterations and addition for power cogeneration .....	\$323 p	\$10,487
(2) Los Angeles—cogeneration facility .....	348 p	11,653
(3) San Diego—cogeneration facility .....	192 p	7,038
Subtotal .....	\$1,243	\$29,178
7. None		
Totals .....	\$19,682	\$69,764

<sup>a</sup> Phase symbols indicate: a—acquisition; c—construction; e—equipment; p—preliminary planning; and w—working drawings.

<sup>b</sup> UC estimate.

**HASTINGS COLLEGE OF LAW**

Item 6600 from the General  
Fund

Budget p. E 153

Requested 1982-83 .....	\$7,175,000
Estimated 1981-82.....	7,405,000
Actual 1980-81 .....	6,923,000
Requested decrease (excluding amount for salary increases) \$230,000 (-3.1 percent)	
Total recommended reduction .....	\$781,000

**1982-83 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
6600-001-001	Hastings College of Law	General	\$7,175,000
6600-001-890	Hastings College of Law	Federal	(802,000)
			\$7,175,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

- |  | <i>Analysis<br/>page</i> |
|--|--------------------------|
| 1. <b>Educational Fee Increase. Reduce Item 6600-001-001 by \$150,000.</b> Recommend Hastings set educational fee equal to the University of California's educational fee.   | 1469                     |
| 2. <b>Student Charges. Reduce Item 6600-001-001 by \$338,000.</b> Recommend an increase in student charges of \$300 in 1982-83 and an additional \$300 in 1983-84 so that the contributions of graduate students toward the cost of their education are more reflective of the benefits they derive. | 1470                     |
| 3. <b>Technical Budgeting Error. Reduce Item 6600-001-001 by \$120,000.</b> Recommend correction of technical budgeting error in OEE.  | 1470                     |
| 4. <b>Salary Savings. Reduce Item 6600-001-001 by \$173,000.</b> Recommend that budget reflect actual salary savings experience in the past.   | 1472                     |

**GENERAL PROGRAM STATEMENT**

Hastings College of Law was founded in 1878. It is designated by statute as a law school of the University of California, although it is governed by its own board of directors. Hastings is budgeted for 1,500 law students during the regular year and 300 students during the summer session. The college has approximately 223.5 full-time equivalent positions in the current year.

**ANALYSIS AND RECOMMENDATIONS**

The budget proposes a total of \$10.4 million for support of Hastings College of Law in 1982-83. Of this amount, \$7.2 million is requested from the General Fund. This is \$230,000, or 3.1 percent, less than estimated expenditures from the General Fund in 1981-82. The proposed decrease, however, makes no allowance for any salary or staff benefit increases that may be approved for the budget year. Hastings estimates that each 1 percent increase in salaries would cost an additional \$71,170 beyond what is requested in the budget.

**HASTINGS COLLEGE OF LAW—Continued**

Funds received from the federal government (\$0.8 million) help support the student services program, primarily student financial aid. Reimbursements (\$2.4 million) are received primarily from student fees and nonresident tuition, and are used to offset part of the cost to the General Fund of supporting the college.

Table 1 shows proposed expenditures and funding sources for Hastings.

**Table 1**  
**Hastings Proposed Expenditures and Funding**  
(in thousands)

Program	Actual	Estimated	Proposed	Change	
	1980-81	1981-82	1982-83	Amount	Percent
1. Instruction.....	\$2,972	\$3,759	\$3,791	\$32	0.8%
2. Public and Professional Services.....	187	176	180	4	2.3
3. Academic Support.....	1,545	1,941	1,688	-253	-13.0
4. Student Services.....	1,744	1,679	1,730	51	3.0
5. Institutional Support.....	2,954	2,891	2,985	94	3.3
6. Provision for Allocation.....	283	30	39	9	30.0
Totals.....	\$9,685	\$10,476	\$10,413	-\$63	-0.6%
General Fund.....	\$6,923	\$7,405	\$7,175	-\$230	-3.1%
Federal funds.....	878	802	802	—	—
Reimbursements.....	1,884	2,269	2,436	167	7.4

**Changes Proposed for the Budget Year**

Table 2 shows the proposed changes in General Fund support between 1981-82 and 1982-83. The major changes include:

**Table 2**  
**Hastings Proposed 1982-83**  
**General Fund Budget Changes**  
(in thousands)

1981-82 base budget.....		\$7,405
Program changes.....		-8
A. To Maintain Existing Budget		
1. Merit and promotions.....	\$88	
2. Price increases.....	222	
3. OASDI.....	3	
4. Reduction for one-time expenses.....	-321	
B. Restoration of One-Time Reductions.....		156
1. 2 percent reduction.....	151	
2. Travel.....	5	
C. Five Percent Reduction.....		-378
Total Changes.....	-\$230	
Total, 1982-83 Support.....		\$7,175

- A \$310,000 increase for merit, promotion, and price increases to maintain the current-year budget at the same level in 1982-83.
- A \$156,000 increase to restore the reductions made on a one-time basis in 1981-82.
- A \$378,000 decrease in baseline expenditures to reflect the 5 percent reduction called for by the Governor.

- A \$321,000 reduction to delete the one-time expenses associated with opening the new law library.

There are no program increases proposed for 1982-83.

### The Five Percent Reduction

The Governor's Budget reflects a reduction of \$378,000 to comply with the Governor's directive that the baseline budgets for many General Fund agencies be reduced 5 percent. Hastings proposes to achieve this reduction as follows:

• Reduce existing programs.....	\$82,000	(22%)
• Increase educational fee revenues .....	\$125,000	(33%)
• Increase other reimbursements .....	\$171,000	(45%)

**Program Cuts—\$82,000.** Hastings proposes to make small reductions in several programs, including facilities operation, operation of the law library, student health services, and admissions. In addition, Hastings proposes to increase its salary savings by \$40,000. This means that an additional \$40,000 of authorized salary and benefit costs will be saved through vacancies and turnover.

**Increased Educational Fee Revenue—\$125,000.** The educational fee at Hastings typically has been set at a level equal to the educational fee charged to graduate students at the University of California (UC). Until 1981-82, the fee was \$360 per year, or \$180 per semester at Hastings.

The 1981 Budget Act provided for reductions in the budgets of both UC and Hastings. The Legislature, however, did not allocate these reductions, and instead allowed UC and Hastings to implement them. The UC achieved its reduction by raising the educational fee by \$75 per quarter for the winter and spring quarters. For 1982-83, the \$75 increase will apply to all three quarters, raising the annual fee for graduate students to \$585—\$225 above the fee charged in 1980-81.

In order to match UC's annual increase of \$225, Hastings raised its fee by \$112.50 per semester, beginning with the second semester of 1981-82. In 1982-83, Hastings' 1,500 graduate students will pay the increased fee in both semesters, increasing total revenues by \$168,750. Of this amount, \$43,750 (26 percent) will be used to increase student financial aid payments, resulting in net revenue increase of \$125,000. The budget does not contemplate any increase in the fee during 1982-83.

**Increased Reimbursements—\$171,000.** Hastings will achieve a portion of the 5 percent reduction by increasing reimbursements. Most of the revenue would come from increases in nonresident tuition and registration fees.

### Increase in Educational Fee Needed to Maintain Parity With UC

*We recommend that the educational fee at Hastings be increased by \$100 per year. (Reduce Item 6600-001-001 by \$150,000).*

Because Hastings is part of the University of California, fees at Hastings traditionally have been set so as to equal the fees charged to other UC graduate students. The budget for 1982-83 proposes to abandon the policy of fee parity at the two institutions. The budget reflects a \$100 increase in the educational fee charged graduate students at the University, bringing it to an annual level of \$685. Hastings' educational fee, however, would continue at an annual level of \$585.

There is no analytical reason why a law student at Hastings should pay less than a law student at the other three UC law schools. Consequently,

**HASTINGS COLLEGE OF LAW—Continued**

we recommend that Hastings' educational fee be increased by \$100 to an annual level of \$685. This would result in a revenue increase of \$150,000 in 1982-83, and permit a corresponding savings to the General Fund.

**Increased Graduate Student Charges Recommended**

*We recommend that the fee charged Hastings students per semester be increased by \$300, effective January 1, 1983, so that the contributions of graduate students toward the cost of their education are more reflective of the benefits they derive. We further recommend that \$112,000 (25 percent) of the additional revenue raised by the higher fee be used to increase student financial aid so that low income students continue to have access to Hastings. (Reduce Item 6600-001-001 by \$338,000).*

Elsewhere in this *Analysis*, we recommend that the annual fee charged UC graduate students be increased by \$600 per year. To allow the university and graduate students time to make the necessary adjustments, we recommend that the higher fee (\$200 per quarter) not be imposed until the second quarter of the 1982-83 academic year. (Thus, fees at the university would be increased by \$400 during the budget year).

This recommendation, which is discussed in greater detail in our analysis of Item 6440-001-001 (University of California), is based on three considerations:

- It costs the state more to educate a graduate student than it costs to educate an undergraduate.
- A greater proportion of the benefits from a graduate education accrues to the student (as opposed to the society as a whole) than is the case with undergraduate education.
- Low student charges at the graduate level create incentives for the over-investment in graduate education.

Because (1) the same reasons apply to law students at Hastings, and (2) Hastings, as part of UC, should charge the same fees as the university, we recommend that Hastings also raise student charges by \$600 per year. To allow Hastings and its students time to make the necessary adjustments, we recommend that the higher fee (\$300 per semester) become effective on January 1, 1983. The \$300 fee increase would raise \$450,000 in revenue.

We also recommend that 25 percent of the revenue from the increased charges (\$112,000) be used to provide financial aid to students so that low-income students will continue to have access to Hastings. The net effect of this recommendation would be an increase in uncommitted available revenues of \$338,000 in 1982-83, and a corresponding savings to the General Fund.

**Technical Budgeting Error**

*We recommend that \$120,000 be deleted from the budget to correct for overbudgeting, resulting in a corresponding savings to the General Fund of this amount.*

The budget request for Hastings provides for a 7 percent across-the-board increase as a price adjustment for operating expenses and equipment (OEE) costs. The 7 percent, however, was not applied to the correct baseline budget, causing the price increase to be overbudgeted by \$120,000.

Two errors were made in calculating the price increase. First, the base included funds that had been deleted from the 1981-82 budget by the

Legislature. Second, federal funds and reimbursements were improperly included in the base. Only those OEE costs funded by the General Fund should receive a General Fund price increase.

We recommend that \$120,000 be deleted from the requested appropriation to correct the overbudgeting. The details behind our recommendation are shown in Table 3.

**Table 3**  
**OEE Price Increase Overbudgeting**

	<i>Governor's Budget</i>	<i>Legislative Analyst's Office Adjustment</i>	<i>Legislative Analyst's Office Difference</i>
1981 Budget Act Appropriation for OEE .....	\$3,491	\$3,491	—
<b>Adjustments</b>			
One-time library costs.....	—321	—321	—
Unallocated reduction <sup>a</sup> .....	—	—\$113	—\$113
Adjusted Base Total.....	\$3,170	\$3,057	—\$113
<b>Deductions</b>			
Federal funds .....	—	—\$981	—\$981
Reimbursements <sup>b</sup> .....	—	—619	—619
General Fund Total, OEE.....	\$3,170	\$1,457	—\$1,713
7 Percent Price Increase .....	222	102	120

<sup>a</sup> The 1981 Budget Act reflected a \$300,000 unallocated reduction in the university's budget. We estimate that \$113,000 was reduced from OEE expenditures.

<sup>b</sup> We estimate that 32 percent of total reimbursements (\$1,935,403) are budgeted for OEE, based on total budgeted expenditures of 32 percent OEE, 68 percent personal services.

### Technical Recommendation—Increase Salary Savings

All state agencies realize some savings in personal services during the year because of (1) vacancies in authorized positions and (2) turnover which results in new employees being paid at lower salaries than the departing employees. Consequently, agencies do not receive full funding for their authorized positions. "Salary savings" are estimated and deducted from the appropriation to account for the difference between the costs of authorized positions and expected expenditures for salaries and wages.

Our analysis of Hastings' actual vacancy rates for the past several years indicates that Hastings has consistently experienced higher vacancy rates than those anticipated in the budget. Table 4 compares the budgeted and actual vacancy rates for the past four years.

**Table 4**  
**Comparison of Budgeted and Actual Vacancies**  
**(As Percentage of Authorized FTE)**

	<i>Budgeted</i>	<i>Actual</i>	<i>Difference</i>
1977-78 .....	0.5%	4.7%	4.2%
1978-79 .....	0.5	7.4	6.9
1979-80 .....	2.2	10.8	8.6
1980-81 .....	2.0	6.7	4.7
1981-82 (Est.) .....	1.9		
1982-83 (Prop.) .....	1.9		

Normally, when confronted with a disparity between actual and budgeted vacancy rates, we compute an average of the actual vacancy rates for the recent past and recommend that the agency budget for vacancies at

**HASTINGS COLLEGE OF LAW—Continued**

the average rate. In Hastings' case, however, this might not be appropriate for two reasons:

- Hastings did not experience dollar savings commensurate with its higher vacancy rates in 1977-78 and 1978-79.
- 1979-80 was an atypical year, and should be excluded from the computation of an average.

**Absence of Savings in 1977-78 and 1978-79.** Vacancies should translate into expenditure savings because salaries are not paid for vacant positions. Our analysis of Hastings' budgets for the past several years, however, indicates that in two years, although vacancy rates were considerably higher than anticipated in the budget, Hastings reported no excess dollar savings. Table 5 shows the relationship between the vacancy rates and the salary savings over the past four years.

**Table 5**  
**Comparison of Vacancies and Dollars Saved**

	1977-78	1978-79	1979-80	1980-81
Number of positions (FTE) vacant.....	8.6	13.6	21.6	14.7
Salaries and wages saved .....	\$36,000	\$14,000	\$513,000	\$288,000
Savings per FTE vacancy.....	\$4,186	\$1,029	\$23,750	\$19,592

In 1978-79, for example, Table 5 shows that although an equivalent of 13.6 positions were vacant, only \$14,000 of authorized salary costs were saved. This would seem to indicate that each vacant position cost only \$1,029, which clearly is not true. It appears that, instead, the vacancies generated salary savings which were used to fund personal services at higher-than-authorized levels. Hastings has not been able to identify how the excess salary savings were used.

**1979-80 was Atypical.** In 1979-80, Hastings budgeted a 2.2 percent vacancy rate, but experienced a vacancy rate of 10.8 percent, as shown in Table 5. Hastings explains that the high rate of savings and vacancies in 1979-80 was the result of a change in administration and accompanying high turnover.

**Increased Salary Savings Recommended**

*We recommend that salary savings be increased to reflect actual vacancy rates and actual savings, for a savings of \$173,000 to the General Fund. (Reduce Item 6600-001-001 by \$173,000).*

While it is clear that Hastings has consistently underbudgeted its vacancies and salary savings, it is not clear what adjustment should be made in 1982-83. Due to the data problems discussed above, we recommend that the budget reflect Hastings' actual experience in 1980-81, rather than the four-year average. In 1980-81, actual salary savings were \$288,000, which is equal to 5.4 percent of budgeted salaries and wage. The budget proposes a savings of \$149,000, which is only 2.5 percent of budgeted salaries and wages. Consequently, we recommend that salary savings be increased to 5.4 percent of budgeted salaries and wages, resulting in additional salary savings of \$173,000 beyond what is shown in the Governor's Budget. Deleting this amount from the budget will result in corresponding savings to the General Fund.

**CALIFORNIA STATE UNIVERSITY**

Item 6610 from the General and various Funds

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Requested 1982-83 .....	\$1,043,669,000
Estimated 1981-82 .....	1,025,841,000
Actual 1980-81 .....	1,011,738,000
Requested increase (excluding amount for salary increases) \$17,828,000 (+1.7 percent)	
Total recommended reduction .....	\$8,112,000
Recommendation pending .....	\$34,513,000

**1982-83 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
6610-001-001—Support		General	\$986,774,000
Available from Ch 887/81—Support		General	115,000
6610-001-146—Instructional Equipment, Deferred Maintenance, and Special Repair		COFPHE	9,820,000
6610-001-890—Student Services		Federal Trust	46,960,000
Total			\$1,043,669,000

<b>SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS</b>	<i>Analysis page</i>
1. Two and one-half percent reduction. Recommend the Legislature direct CSU to submit its final plan for implementing the required \$25.2 million, 2.5 percent baseline budget reduction to the budget committees by April 1, 1982.	1480
2. Enrollment projections. Recommend that the Legislature ask the Department of Finance to explain to the fiscal committees the reasons why the Trustees' enrollment request for 1982-83 was reduced by 2,000 FTE.	1483
3. Graduate enrollment plan. Recommend that the Chancellor's Office report to the Legislature on why a graduate student enrollment plan has not been developed as required by the 1980 Budget Act.	1484
4. <i>Investment in People—Technical education. Reduce Item 6610-001-001 by \$3,000,000.</i> Recommend deletion of proposed "Investment in People" program because information on how the funds would be spent has not been provided and consequently, it is not clear that an augmentation is needed to achieve the goals of the program.	1489
5. <i>Library acquisitions. Reduce Item 6610-001-001 by \$272,000.</i> Recommend that the 1982-83 CSU library volume acquisition rate be reduced to 469,093 volumes, to reflect the formula approved by the Legislature last year, for a General Fund savings of \$272,000.	1493
6. Media services. Recommend that the Legislature adopt Supplemental Report language directing the Chancellor's Office to review implementation of the 1978 Trustees' policy statement on instructional development and media	1494

- services and report its findings to the legislative budget committees by December 1, 1982.
7. EDP support. Recommend that the Chancellor's Office and the Department of Finance develop information prior to the budget hearings which (1) corrects technical budgeting errors and (2) addresses other issues critical to the enhancement of computing. Withhold recommendation on funding for support of electronic data processing, pending receipt of this information. Also recommend adoption of supplemental report language directing the CSU and the Department of Finance to prepare a report by December 1, 1982, addressing long-range issues associated with the support of computing. 1494
  8. *Mt. Laguna observatory. Augment Item 6610-001-001 by \$56,000.* Recommend permanent support for a full-time observatory director because the current arrangement does not provide for the kind of extensive supervision necessary to (1) adequately protect and maintain the facility and (2) sustain the high level of program activity. 1498
  9. Two tier student service fee. Recommend that the Legislature reject the budget proposal to charge all CSU students the same student services fee (\$216), regardless of the number of units taken, because the proposal discriminates against part-time students. 1500
  10. Financial aid administration. Recommend that financial aid administration support be maintained at the current level, and that funding for the estimated \$776,000 shortfall in federal support be provided by a \$3 increase in the Student Services Fee which is the appropriate source of support for this activity. 1503
  11. *Graduate student charges. Reduce Item 6610-001-001 by \$4,315,000.* Recommend that the Legislature require an increase of \$400 in the annual student charge for resident graduate students to reflect more fully the cost of their education to the state and the direct benefit they derive from this education. Further recommend that \$1.4 million of the fee revenue generated be used to augment available student financial aid so that low-income students continue to have access to CSU. 1504
  12. *Disabled Student Program. Reduce Item 6610-001-001 by \$455,000 and increase reimbursements to Item 6610-001-001 by \$455,000.* Recommend that \$455,000 in General Fund support proposed for service to Department of Rehabilitation clients at CSU be deleted because federal funds are available for this purpose. 1512
  13. *Washington, D.C. office. Reduce Item 6610-001-001 by \$126,000.* Recommend that the Legislature eliminate \$126,000 in General Fund support for the California State University Washington, D.C. office, and allow the system to use federal overhead funds for this purpose, because the program primarily benefits overhead-supported activities. 1515
  14. Administrative fellows program. Recommend that the Legislature direct the Chancellor's Office to develop a selection process for the Administrative Fellows Program to 1518

**CALIFORNIA STATE UNIVERSITY—Continued**

ensure that each campus (and the Chancellor's Office) forward the names of three candidates to the systemwide selection committee in order to ensure a maximum number of nominees.

- 15. Foundations. Recommend that the Legislature direct the Trustees of CSU to submit a plan for implementing the Auditor General's recommendation to revert excess indirect costs recovered by foundations to the campuses because campuses incur related costs which are not currently reimbursed. Further recommend that the report include means for increasing the rate of recovery of indirect costs. 1522

**Summary of Legislative Analyst's  
Recommended Fiscal Changes to the  
1982-83 CSU Budget**

	<i>Program Changes</i>		<i>Impact on General Fund</i>
	<i>Reductions</i>	<i>Augmentations</i>	
Investment in people.....	-\$3,000,000	—	-\$3,000,000
Library acquisitions .....	-272,000	—	-272,000
Mt. Laguna observatory .....	—	\$56,000	56,000
Graduate student fees .....	(4,315,000) <sup>a</sup>	—	-4,315,000
Disabled Student Funding .....	(-455,000) <sup>a</sup>	—	-455,000
Washington, D.C. office.....	-126,000	—	-126,000
Totals .....	-\$3,398,000	\$56,000	-\$8,112,000

<sup>a</sup> Funding shift.

**GENERAL PROGRAM STATEMENT**

The California State University system (CSU) provides instruction in the liberal arts and sciences and in applied fields which require more than two years of collegiate education. In addition, CSU may award the doctoral degree jointly with the University of California or private institutions.

**Governance**

The CSU system is governed by a 23-member board of trustees. The Trustees appoint the Chancellor who, as the chief executive officer of the system, assists the Trustees in making appropriate policy decisions, and provides for the administration of the system.

The system includes 19 campuses with an estimated 1981-82 full-time equivalent (FTE) enrollment of 242,372. In the current year, the system has 33,634 authorized personnel-years.

**Admission**

To be admitted as a freshman, a student generally must graduate in the highest academic third of his or her high school class. An exemption, 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 admissions.

Transfer students may be admitted from other four-year institutions or from community colleges if they have maintained at least a 2.0 grade point

or "C" average in prior academic work. To be admitted to upper-division standing, the student must also have completed 56 transferable semester 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.

## ANALYSIS AND RECOMMENDATIONS

### 1982-83 Budget Overview

The budget proposes expenditures of \$986,889,000 from the General Fund for support of the CSU system in 1982-83. This is an increase of \$23,436,000, or 2.4 percent, over estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

Table 1 provides a budget summary, by program, for the past, current, and budget years. This table indicates that, while General Fund support will amount to \$986.9 million, total funds available to CSU will be \$1.3 billion, which is an increase of \$33.5 million, or 2.6 percent, over total expenditures in the current year.

Table 2 shows total expenditures proposed in the budget for the CSU system in 1982-83, by program and source of funds.

**Table 1**  
**The California State University Budget Summary**  
(dollars in thousands)

	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Amount	Percent
Instruction .....	\$619,200	\$651,026	\$666,475	\$15,449	2.37%
Organized Research .....	54	-	-	-	-
Public Service .....	770	599	770	171	28.45
Academic Support .....	115,638	118,172	122,126	3,954	3.35
Student Service .....	138,183	145,254	137,304	-7,850	-5.4
Institutional Support .....	273,101	280,742	298,998	18,256	6.50
Independent Operations .....	46,763	47,673	49,807	2,134	4.48
Auxiliary Organizations .....	199,271	211,600	222,800	11,200	5.29
Total, Programs .....	\$1,392,980	\$1,455,066	\$1,498,280	\$43,214	2.97%
Special Adjustments:					
Enrollment (unallocated) .....	-	\$1,004	\$1,965	\$961	95.8%
State Educational Opportunity Grants .....	-	-	355	355	N/A
Science Enhancement .....	-	-	3,000	3,000	N/A
Unidentified Reduction .....	-	-	-3,635	-3,635	N/A
Totals .....	\$1,392,980	\$1,456,070	\$1,499,965	\$43,895	3.01%
Reimbursements .....	-141,503	-178,459	-188,817	-10,358	5.80
Net Totals .....	\$1,251,477	\$1,277,614	\$1,311,148	\$33,537	2.62%
General Fund .....	\$952,052	\$963,453	\$986,889	\$23,436	2.43%
Federal Trust Fund .....	56,450	56,270	46,960	-9,310	-16.54
Capital Outlay Fund for Public Higher Education .....	3,234	6,118	9,820	3,702	60.51
Energy and Resources Fund .....	637	679	-	-679	-100.00
Dormitory Revenue Fund:					
Housing .....	13,578	15,463	17,354	1,891	12.23
Parking .....	5,356	5,424	6,058	634	11.69
Continuing Education Revenue Fund .....	20,899	18,604	21,267	2,663	14.31
Auxiliary Organizations:					
Federal .....	33,000	38,000	38,000	-	-
Other .....	166,271	173,600	184,800	11,200	6.45
Personnel Years .....	33,748	33,634	33,646	12	0.04%

**CALIFORNIA STATE UNIVERSITY—Continued****1982-83 Budget Changes**

As detailed in Table 3, CSU's proposed budget for 1982-83 contains several offsetting increases and decreases. The table shows that increases for *baseline adjustments* total \$53.4 million, including \$14.3 million for general price increases, \$2.1 million for increased contributions to Social Security (OASDI), and \$11.6 million for merit salary increases and faculty promotions. An increase of \$20.1 million reflects, in part, the restoration of prior funding levels for travel and other programs which were reduced in the current year as required by the Budget Act and the 2 percent budget reduction imposed by the Governor.

*Program maintenance proposals* result in a net decrease of \$16.3 million reflecting, in part, the impact of (1) a \$4.7 million decrease in physical plant operations and (2) an increase of \$9.1 million in reimbursements from student fees.

One *program change proposal* is included for 1982-83—the Governor's "Investment in People" Initiative for which \$3,000,000 is requested. (This proposal is discussed later in this analysis.)

Finally, the budget reflects two *special reductions*, totaling \$16.7 million. The first consists of \$13.1 million, which will be offset by a proposed new \$55 per FTE student fee. The remaining \$3.6 million represents unidentified reductions needed to comply with the 2.5 percent budget decrease required by the Governor.

**2.5 Percent Budget Reduction Not Fully Identified**

*We recommend that the Legislature direct CSU to present to the budget committees its final plan for implementing the 1982-83 required 2.5 percent baseline budget reduction no later than April 1, 1982.*

The Governor's Budget proposes a 2.5 percent, \$25.2 million reduction in the normal 1982-83 state General Fund baseline budget for CSU. This reduction (which also applies on the same percentage basis to the University of California), is in lieu of the 5 percent reduction that most other General Fund supported state agencies were required to make in their baseline budgets.

Table 4, which summarizes CSU's preliminary plan to achieve the required General Fund reduction of \$25.2 million, shows that most of the reduction—\$13.1 million (52 percent)—would be offset by student fee increases (either a new \$41 per regular student or \$55 per full-time equivalent (FTE) State University Emergency Fee). Consequently, the actual reduction is only \$12.1 million—1.2 percent of the baseline. Itemized reductions in expenditures add up to \$8.6 million. The remaining \$3.6 million in savings is not identified.

The list of reductions shown in Table 4 is not final, and could change. A CSU task force has begun work on identifying the specific reductions

**Table 2**  
**California State University**  
**Source of Funds by Subprogram**  
**1982-83 Governor's Budget**  
**(in thousands)**

	<i>General Fund</i>			<i>Special Funds</i>							<i>Grand Totals</i>
	<i>Net</i>	<i>Reimburse- ments</i>	<i>Totals</i>	<i>Continuing Education</i>	<i>Dormitory</i>	<i>Parking</i>	<i>COFPHE</i>	<i>Federal Trust</i>	<i>Total Special Funds</i>	<i>Foundations and Auxiliary Organizations</i>	
<b>1. Instruction</b>											
Regular Instruction.....	\$614,937	\$34,148	\$649,086	—	—	—	\$4,368	—	\$4,368	—	\$653,454
Special session instruction.....	—	—	—	\$8,484	—	—	—	—	8,484	—	8,484
Extension instruction.....	—	—	—	4,535	—	—	—	—	4,535	—	4,535
Totals, Instruction.....	\$614,937	\$34,148	\$649,086	\$13,019	—	—	\$4,368	—	\$17,387	—	\$666,474
<b>2. Public Service</b>											
Campus community service.....	—	\$769	\$769	—	—	—	—	—	—	—	\$769
<b>3. Academic Support</b>											
Libraries.....	\$58,826	\$3,931	\$62,758	\$22	—	—	—	—	\$22	—	\$62,780
Audiovisual services.....	12,731	—	12,731	59	—	—	—	—	59	—	12,790
Computing support.....	33,898	—	33,898	76	—	—	—	—	76	—	33,975
Ancillary support.....	12,578	—	12,578	—	—	—	—	—	—	—	12,578
Totals, Academic Support.....	\$118,035	\$3,931	\$121,966	\$157	—	—	—	—	\$157	—	\$122,125
<b>4. Student Service</b>											
Social and cultural development.....	—	\$4,536	\$4,536	—	—	—	—	—	—	—	\$4,536
Supplemental educational services—EOP.....	\$14,947	—	\$14,947	—	—	—	—	—	—	—	14,947
Counseling and career guidance.....	—	20,816	20,816	\$40	—	—	—	—	\$40	—	20,857
Financial aid.....	—	19,886	19,886	—	—	—	—	\$46,959	46,959	—	66,845
Student Support.....	3,198	23,380	26,578	77	\$3,462	—	—	—	3,539	—	30,117
Totals, Student Services.....	\$18,146	\$68,619	\$86,765	\$117	\$3,462	—	—	\$46,959	\$50,538	—	\$137,305
<b>5. Institutional Support</b>											
Executive management.....	\$20,560	\$3,190	\$23,750	\$5,840	—	—	—	—	\$5,840	—	\$29,590
Financial operations.....	12,716	9,193	21,910	520	\$754	\$589	—	—	1,865	—	23,775
General administrative services.....	30,910	10,101	41,012	212	—	—	—	—	212	—	41,224
Logistical services.....	39,846	2,226	42,073	726	1,483	3,311	—	—	5,520	—	47,594

Physical plant operations .....	112,349	6,330	118,679	40	11,655	1,309	\$5,452	—	18,457	—	137,127
Faculty and staff services .....	14,204	794	14,998	—	—	—	—	—	—	—	14,998
Community relations .....	3,496	552	4,049	627	—	—	—	—	627	—	4,677
Totals, Institutional Support .....	\$234,085	\$32,390	\$266,475	\$7,965	\$13,892	\$5,210	\$5,952	—	\$32,521	—	\$298,998
6. Independent Operations											
Institutional operations .....	—	\$48,956	\$48,956	—	—	\$849	—	—	\$849	—	\$49,806
Special Adjustments:											
State Enrollment .....	\$1,963	—	\$1,963	—	—	—	—	—	—	—	\$1,963
Educational opportunity grants .....	355	—	355	—	—	—	—	—	—	—	355
Science enhancement .....	3,000	—	3,000	—	—	—	—	—	—	—	3,000
Unidentified reduction .....	-3,634	—	-3,634	—	—	—	—	—	—	—	-3,634
Auxiliary organizations .....	—	—	—	—	—	—	—	—	—	\$222,800	\$222,800
Totals, Support Budget Expenditures .....	\$986,889	\$188,817	\$1,175,706	\$21,267	\$17,354	\$6,058	\$9,820	\$46,960	\$101,459	\$222,800	\$1,499,965

**Table 3**  
**Proposed 1982-83 General Fund Budget Changes**  
**(in thousands)**

1981-82 Adjusted General Fund Expenditures .....		\$963,453
1. Baseline adjustments		
A. Increase of existing personnel costs.....		\$19,045
1. Salary adjustments.....	\$10,487	
2. Full-year funding .....	1,865	
3. Faculty promotions .....	1,131	
4. OASDI .....	2,071	
5. Retirement.....	-41	
6. Dental care (Full year funding) .....	3,182	
7. Unemployment.....	-550	
8. Worker's compensation .....	950	
9. NDI .....	-50	
B. Nonrecurring items .....		\$20,133
1. Travel (One-year reduction) .....	1,105	
2. Restore one-time 2 percent unallotment of 81/82 appropriation .....	19,642	
3. New position furniture.....	-114	
4. Unallocated salary increase .....	-213	
5. Other adjustments.....	-287	
C. Price increase .....		\$14,320
Total, Baseline Adjustments .....		\$53,408
2. Program maintenance proposals		
A. Enrollment/Population/Caseload.....		\$2,408
B. Special cost factors .....		-\$18,662
Instruction:		
1. Summer quarter faculty.....	-538	
2. Change in student mix.....	-1,703	
Academic Support:		
1. Off-campus centers .....	272	
2. Ancillary support .....	16	
Student Services:		
1. Financial aids .....	-182	
Institutional Support:		
1. Executive management .....	97	
2. General administrative services.....	-404	
3. Logistical services .....	-68	
4. Physical plant operations .....	-4,694	
5. Faculty and staff services.....	-40	
6. Student services fee .....	-5,410	
7. Nonresident fees .....	-3,741	
8. Financial aids .....	-48	
9. Other.....	-156	
Systemwide:		
1. Systemwide offices.....	-461	
2. Systemwide provisions .....	-1,594	
Total, Program Maintenance Proposals .....		-\$16,254
3. Program change proposal.....		\$3,000
1. Investment in People .....	3,000	
4. Special adjustments		
1. State University Emergency Fee.....	-13,084	
2. Unidentified reduction .....	-3,634	
Total, Special adjustments .....		-\$16,718
Total Change (Amount/Percent) .....		\$23,436 (2.4%)
Total, 1982-83 Support .....		\$986,889

**CALIFORNIA STATE UNIVERSITY—Continued**

to be made. Given the importance of this information to the Legislature's review of CSU's budget request, we recommend that the *final* reduction plan be submitted as soon as possible, but no later than April 1, 1982.

**Table 4**  
**Derivation of 2.5 Percent General Fund Reduction for CSU**  
**(in thousands)**

	<i>Governor's Budget</i>
Base Budget Recommended by Department of Finance Prior to Reduction .....	\$1,014,403
Less Student Service Fee adjustment .....	-5,410
Revised base .....	<u>\$1,008,993</u>
Identified Reductions:	
A. Included in Trustees' Budget Request:	
1. Batch Computer Replacement .....	-\$1,208
2. Nonresident Tuition .....	-3,741
3. Moving Expenses .....	-194
4. Shift Differential .....	-40
5. Complement of Expendable Supplies .....	-587
B. Late Adjustment of Trustees' Budget Request:	
1. Shift in Student Demand .....	-1,703
C. Included in Trustees' Budget Reduction Plan:	
1. Work-study matching .....	-89
2. Summer Quarter Faculty .....	-538
3. Library Development .....	-500
4. Statewide Academic Senate and Trustees Audit Staff .....	-21
Total, Identified Reductions .....	<u>-\$8,621</u>
Student Fee Increases .....	-\$13,084
Unidentified Savings .....	-\$3,634
Adjustment .....	\$139
Total Reduction .....	<u><u>-\$25,200</u></u>

**Budget Presentation**

The CSU budget is separated into eight program classifications. The first three—Instruction, Organized Research, and Public Service—encompass the primary educational functions. The remaining five—Academic Support, Student Services, Instructional Support, Independent Operations, and Foundations and Auxiliary Organizations—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 enrollment and three instruction elements: regular, special session and extension.

Expenditures for instruction in the past, current, and budget years are shown in Table 5.

Table 5

## CSU

Instruction Program Costs  
(dollars in thousands)

	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Amount	Percent
1. Regular instruction .....	\$605,929	\$639,793	\$653,454	\$13,661	2.1%
2. Special session instruction .....	8,394	7,326	8,484	1,158	15.8
3. Extension instruction .....	4,877	3,908	4,537	629	0.2
Totals .....	\$619,200	\$651,027	\$666,475	\$15,448	2.4%
General Fund .....	\$585,934	\$606,939	\$617,557	\$10,618	1.7%
Reimbursements .....	19,995	28,694	31,529	2,835	9.9
Continuing Education Revenue Fund .....	13,271	11,234	13,021	1,787	15.9
Capital Outlay Fund for Public Higher Education .....	—	4,160	4,368	208	5.0
Personnel					
Regular instruction .....	18,514.0	17,829.3	17,717.7	-111.6	-0.6%
Extension and special session .....	789.7	618.2	705.0	86.8	14.0
Totals .....	19,303.7	18,447.5	18,422.7	-24.8	-0.1%

## ENROLLMENT

## A. Regular Enrollment

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

As shown in Table 6, the revised current-year enrollment in the CSU (1981-82) is estimated to be 242,372 FTE students. This is an increase of (1) 5,522 FTE (2.3 percent) over the 236,850 FTE *budgeted* for 1981-82 and (2) 3,363 FTE (1.4 percent) over the actual 1980-81 enrollment of 239,009 FTE.

The Governor's Budget projects a 1982-83 enrollment of 237,900 FTE. This is 4,472 FTE (1.8 percent) below the revised enrollment estimate for 1981-82, but 1,050 FTE (0.4 percent) above the enrollment budgeted for 1981-82.

Also shown in Table 6 is the Trustees' projection of 1982-83 FTE—239,900. This is 2,000 more FTE than the enrollment recognized and funded in the Governor's Budget. We discuss this issue later in this analysis.

## Enrollment Up in Current Year

Each fall, CSU surveys the 19 campuses to determine how actual enrollments compare to the enrollment estimates on which the budget for the current year is based. Table 6 shows that CSU systemwide enrollment for 1981-82 was budgeted at 236,850 FTE students. The revised estimate, based on the fall survey, indicates that actual enrollment will be 242,372, or 2.3 percent (5,522 FTE students) above the budgeted level. (UC general campus enrollments are up an estimated 3.8 percent above the budgeted level).

As discussed later in this analysis, Control Section 28.90 of the annual Budget Act permits the Director of Finance to authorize the accelerated expenditure of budgeted funds by CSU and UC (not to exceed \$5 million total) when actual systemwide enrollments exceed budgeted enrollments by at least 2 percent. This action may be taken in anticipation of a General Fund deficiency appropriation. The Department of Finance has notified the Legislature that it will seek a deficiency appropriation of \$5 million for 1981-82 to cover the marginal costs related to the unbudgeted enrollment in excess of 2 percent at UC and CSU. Of this amount, \$4 million will go to UC and the remainder will go to CSU.

**CALIFORNIA STATE UNIVERSITY—Continued**

**Table 6**  
**Annual Full-Time Equivalent Students**  
**1980-81 to 1982-83**

Campus	1980-81 Actual	1981-82		1982-83		
		Budget	Revised Estimate	Trustees' Revised Budget	Governor's Budget	Difference
Bakersfield.....	2,328	2,300	2,377	2,430	2,370	-60
Chico.....	12,557	12,300	12,836	12,300	12,300	—
Dominguez Hills.....	5,359	5,300	5,647	5,700	5,540	-160
Fresno.....	12,847	12,700	13,166	13,280	12,980	-300
Fullerton.....	15,438	15,300	16,082	15,600	15,450	-150
Hayward.....	8,569	8,650	9,153	9,730	9,160	-570
Summer Quarter.....	(941)	(950)	(993)	(1,070)	(970)	(-100)
Academic Year.....	(7,628)	(7,700)	(8,160)	(8,660)	(8,190)	(-470)
Humboldt.....	6,618	6,600	6,694	6,680	6,640	-40
Long Beach.....	21,413	21,450	21,839	21,500	21,500	—
Los Angeles.....	16,030	16,300	16,181	16,220	16,160	-60
Summer Quarter.....	(2,494)	(2,500)	(2,474)	(2,500)	(2,470)	(-30)
Academic Year.....	(13,536)	(13,800)	(13,707)	(13,720)	(3,690)	(-30)
Northridge.....	19,498	19,100	19,194	19,100	19,100	—
Pomona.....	13,671	13,820	14,213	14,180	13,980	-200
Summer Quarter.....	(1,196)	(1,220)	(1,303)	(1,380)	(1,260)	(-120)
Academic Year.....	(12,475)	(12,600)	(12,910)	(12,800)	(12,720)	(-80)
Sacramento.....	17,050	16,600	17,378	16,600	16,600	—
San Bernardino.....	3,312	3,250	3,524	3,700	3,500	-200
San Diego.....	25,033	24,500	25,115	24,600	24,540	-60
San Francisco.....	17,640	17,400	17,544	17,400	17,400	—
San Jose.....	18,035	18,000	17,678	17,600	17,600	—
San Luis Obispo.....	15,833	15,500	16,096	15,500	15,470	-30
Summer Quarter.....	(1,275)	(1,300)	(1,268)	(1,300)	(1,270)	(-30)
Academic Year.....	(14,558)	(14,200)	(14,828)	(14,200)	(14,200)	(—)
Sonoma.....	4,285	4,500	4,145	4,180	4,160	-20
Stanislaus.....	2,860	2,900	3,070	3,150	3,040	-110
Systemwide Totals:						
Summer Quarter.....	5,906	5,970	6,038	6,250	5,970	-280
Academic Year.....	232,740	230,500	235,894	233,200	231,520	-1,680
College Year.....	238,646	236,470	241,932	239,450	237,490	-1,960
International Programs.....	363	380	440	450	410	-40
Grand Totals.....	239,009	236,850	242,372	239,900	237,900	-2,000

**Underbudgeting of 1982-83 Enrollment**

*We recommend that the Department of Finance explain to the legislative budget committees the basis on which the Trustees' enrollment request for 1982-83 was reduced by 2,000 FTE.*

California has long maintained the policy that all qualified undergraduate students shall be allowed to enroll in the public institutions of higher education. To this end, (1) the annual budget is based on the latest estimate of enrollment, and (2) Section 28.90 is included in the annual budget act to provide up to \$5 million to CSU and UC in the event of a subsequent overenrollment.

As shown in Table 6, it is currently estimated that 242,372 FTE will

enroll in the CSU in 1981-82, which represents an increase of 5,522 FTE over the 1981-82 budgeted level of 236,850. As noted above, \$1 million will be allocated to the CSU under Section 28.90 to help offset the costs related to this overenrollment.

The Trustees' latest 1982-83 enrollment projection, based on fall 1981 data, estimates that 239,900 FTE will be enrolled in CSU next year. The Governor's Budget, however, recognizes and funds only 237,900 FTE. Consequently, the 1982-83 budget proposal appears to underfund the Trustees' latest enrollment estimate by some 2,000 FTE. This translates into a support budget requirement of \$3,677,744.

We recommend that, in accordance with traditional budget policy, the Legislature use the most accurate FTE projection in establishing the 1982-83 CSU budget. Changes to the Trustees' enrollment projections should be subject to legislative review in order to assess the policy impact of such changes. Such a review is also necessary to avoid building a deficiency into the 1982-83 budget that would later result in an unbudgeted increase in expenditures pursuant to Control Section 28.90. To permit this review, we recommend that the Department of Finance explain the basis on which the enrollment level projected by the Trustees was reduced in the budget.

#### **Graduate Enrollment Plan Not Submitted**

*We recommend that the Chancellor's Office report to the Legislature on why the graduate student enrollment plan required by the 1980 Budget Act has not been developed.*

The *Supplemental Report of the 1980 Budget Act* provided that CSU: "shall submit to the legislative budget committees, by February 1, 1981, a systemwide graduate enrollment plan for the next three years. The plan shall specify the societal and discipline needs, student demands and other factors, which are the basis for the level of enrollments by areas proposed in the plan. CSUC enrollment increase requests for 1981-82 and future years shall be based on this plan."

To date, this report has not been submitted. We have not been able to determine a reason for the system's failure to comply with the Legislature's directive.

We continue to believe that a graduate enrollment plan is needed by the Legislature in order to allocate resources effectively in response to student demand, the labor market environment and other societal factors. Therefore, we recommend that the Chancellor's Office report to the Legislature the reason why the graduate enrollment plan has not been submitted.

#### **B. Self-Support Enrollment**

Other enrollment beyond that referred to as "regular" occurs in special session and extension courses, as shown in Table 7. The special session category consists of enrollment in self-supporting courses, which grant credit towards a degree, including external degree programs and summer sessions. Extension courses, also self-supporting, are predominantly non-credit.

**CALIFORNIA STATE UNIVERSITY—Continued**

**Table 7**  
**Special Session and Extension Program Enrollment**

	<i>Net Enrollment</i>			<i>Annual FTE</i>		
	<i>Special</i>		<i>Totals</i>	<i>Special</i>		<i>Totals</i>
	<i>Session</i>	<i>Extension</i>		<i>Session</i>	<i>Extension</i>	
1979-80.....	73,760	68,638	142,398	8,861.2	5,729.9	14,591.1
1980-81.....	76,482	59,338	135,820	9,188.2	5,533.1	14,721.3
1981-82 (est.).....	74,741	54,959	129,700	7,972.0	5,125.0	13,097.0
1982-83 (proj.).....	71,367	58,733	130,100	8,431.3	5,476.9	13,908.2

**C. Section 28.90—Enrollment Adjustments***We recommend approval.*

This Budget Bill control section permits the Director of Finance to authorize the accelerated expenditure of budget funds by the California State University and the University of California when actual systemwide enrollments exceed budgeted enrollments by at least 2 percent. This would be done in anticipation of a supplementary General Fund appropriation. The increased expenditure, however, may not exceed \$5 million.

In addition, this section authorizes the Director of Finance to withhold appropriations when actual enrollments in either system decline by more than 2 percent below budgeted enrollments. The Director of Finance may use these funds to preclude layoffs, provided the Legislature is given 30 days prior notice. (The section also restricts the use of funds withdrawn from CSU campuses due to fluctuations in student enrollment.)

The purpose of this section is to insure implementation of the state's policy that no qualified undergraduate student be denied admission to a public institution of higher education.

The section has been activated on several occasions, the most recent being in the current year when the Director of Finance allocated \$4 million to UC and \$1 million to CSU. Because this section has been effective in correcting for enrollment fluctuations, we recommend approval.

**D. Student Composition**

The composition of the CSU student body changed significantly during the 1970's, as Table 8 shows. During the past decade, the proportion of undergraduates represented by students 25 years of age and over grew from 19.4 percent in 1970 to 29.2 percent in 1976. The proportion has since declined slightly, to 27.5 percent in 1980. Over the same 10-year period, the proportion of graduate students age 25 or older grew steadily, from 69.0 percent in 1970 to 83.8 percent in 1980. Also during this period, the number of full-time students decreased relative to the number of part-time students, partially reflecting this changing age composition. The ratio of full-time to part-time students fell from 2.23:1 in 1970 to 1.56:1 in 1980.

**Table 8****CSU Comparative Student Data**

	1970	1976	1980
Students age 25 and over as a percent of all undergraduates.....	19.4%	29.2%	27.5%
Students age 25 and over as a percent of all graduate students.....	69.0%	79.3%	83.8%
Students age 25 and over as a percent of all students	34.2%	40.7%	39.5%
Participation rates (rate per 1,000 population) of undergraduate students age 25 and over .....	11.9	13.9	12.0
Participation rates of all students age 25 and over <sup>a</sup>	21.5	25.1	22.0
Ratio of full-time to part-time students, all levels ....	2.23 to 1	1.52 to 1	1.56 to 1

<sup>a</sup> Participation rates based on 25- to 39-year-old population.

As shown in Table 9, the proportion of CSU students represented by Hispanics, blacks, and other minorities has increased as the proportion of whites has declined. Hispanics accounted for 9.2 percent of CSU enrollment in the fall of 1980—an increase of 2.9 percentage points over the fall of 1972. Similarly, the proportion of black students increased from 6.1 percent to 7.0 percent during the 1972–1980 period, although there has been a decline in the proportion of black students since 1978. Two factors appear to explain this trend: (1) the increasing proportion of minority group members among those eligible to attend CSU and (2) increased affirmative action efforts by CSU (discussed later).

**Table 9**  
**CSU Ethnic Group Distribution<sup>a</sup>**

<i>Ethnic Group</i>	1972	1974	1976	1978	1979	1980
Hispanic <sup>b</sup> .....	6.3%	6.5%	7.6%	8.6%	8.9%	9.2%
Black .....	6.1	6.1	6.8	7.7	7.4	7.0
Other minority .....	8.7	8.0	9.2	9.8	10.3	10.7
White .....	78.9	79.4	76.4	73.9	73.4	73.1
Totals .....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

<sup>a</sup> Percentage distribution based on students responding, fall term.

<sup>b</sup> "Hispanic" category defined as "Spanish-surnamed" in 1972; "Mexican-American" and "Other Hispanic" all other years.

## REGULAR INSTRUCTION

The regular instruction program contains all state-funded expenditures for the normal classroom, laboratory and independent study activities. It also includes all positions for instructional administration up to, but not including, the vice president for academic affairs. These positions which are authorized by established formulas, include (1) deans, (2) coordinators of teacher education, (3) academic planners, (4) department chairmen, and (5) related clerical positions. Collegewide administration above the dean-of-school level is reported under the Institutional Support program.

### A. Student Workload

During most of the past decade, student workload in the CSU system was declining. In 1978–79, however, this trend was reversed, and the average student workload increased slightly in that, and the following two years. Simply put, students are beginning to take more course units per academic year. Table 10 shows the trend in student workload.

**Table 10**  
**CSU**  
**Average Student Workload**

	<i>Annual FTE</i>	<i>Average Term Enrollment</i>	<i>Student Workload</i>	
			<i>Academic Year<sup>a</sup></i>	<i>Per Term</i>
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

**CALIFORNIA STATE UNIVERSITY—Continued**

1977-78 .....	227,679	303,946	22.47	11.24
1978-79 .....	223,000	296,875	22.53	11.26
1979-80 .....	226,793	299,987	22.68	11.34
1980-81 .....	232,740	307,456	22.71	11.36

<sup>a</sup> Expressed in semester units. Annual FTE  $\times$  30  $\div$  average term enrollment.

**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 by the Chancellor's Office, where they are in turn allocated to the various academic disciplines.

As Table 11 shows, from 1974-75 through 1976-77, CSU faculty were budgeted based on a student-faculty ratio of 17.8:1. Since 1977-78, the student-faculty ratio has been adjusted to reflect shifts in student demand among academic disciplines (described below). Thus, the 1982-83 budgeted student-faculty ratio of 17.87:1 reflects the impact of a decrease in faculty positions resulting from shifts in student demand.

**Table 11**  
**CSU Student-Faculty Ratios**

	<i>Faculty Positions</i>		<i>Student-Faculty Ratio</i>	
	<i>Budgeted</i>	<i>Actual</i>	<i>Budgeted</i>	<i>Actual</i>
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	17.23
1978-79 .....	13,431.0	13,090.2	17.63	17.49
1979-80 .....	12,918.6	12,930.4	17.72	17.98
1980-81 .....	13,034.2	13,075.5	17.67	18.25
1981-82 .....	13,320.3	—	17.75	—
1982-83 <sup>a</sup> (proposed) .....	13,232.5	—	17.87	—

<sup>a</sup> The 1982-83 budget was prepared under a method utilizing the mode and level student credit unit (SCU) distribution reported for the 1980-81 academic year. This yields a student-faculty ratio of 17.87:1.

**Shift in Student Demand**

The 1977 Budget Act provided \$2.1 million for 107.2 new faculty positions to augment those generated by the regular budget staffing formula (17.8:1) for 1977-78. These positions were added to meet the shift in student demand from the lower cost liberal arts and social sciences areas to the more expensive technically- and occupationally-oriented disciplines. This was done because the latter disciplines require more faculty to teach a given number of students. Consequently, a constant student-faculty ratio would have resulted in a de facto drop in faculty resources relative to need.

The Budget Acts of 1978 and 1979 continued the policy by providing addition faculty positions to reflect shifts in student demand toward the more expensive disciplines. The 1980 Budget Act, however, reflected the impact of a shift in student demand back toward lower-cost disciplines. Because this trend is projected to continue in 1982-83, the Governor's

Budget reflects a faculty adjustment of 69 positions.

Table 12 shows the effects of these adjustments on faculty positions since 1980-81. The table also shows that a total of 13,232.5 faculty positions are budgeted in 1982-83.

**Table 12**  
**CSU Faculty Positions**

	<i>Budgeted 1980-81</i>	<i>Budgeted 1981-82</i>	<i>Requested 1982-83</i>
Prior year base.....	12,811.6	13,034.2	13,320.3
Enrollment change adjustment <sup>a</sup> .....	+86.2	+343.3	-1.3
Student demand adjustment.....	-62.6	-57.2	-69.0
Reduction in summer quarter support level.....	—	—	-17.5
Totals requested.....	12,835.2	13,320.3	13,232.5
Budget changes.....	199.0	0.0	—
Totals Budgeted.....	13,034.2	13,320.3	—

<sup>a</sup> Includes the effects of changes in joint doctoral enrollment.

### Faculty Workload Data

Some of the basic measures of faculty workload are average class size, the number of student-faculty contact hours, the number of weighted teaching units (WTU) taught by faculty and the number of student credit units (SCU) generated. Table 13 shows these measures which, for the most part, remained constant during the 1978-80 period.

**Table 13**  
**Faculty Workload Indicators**

<i>Indicator</i>	<i>Fall 1978</i>	<i>Fall 1979</i>	<i>Fall 1980</i>	<i>Change</i>
1. General Descriptors:				
Faculty FTE <sup>a</sup> .....	12,799.9	12,459.8	12,641.6	181.8
Percent of regular faculty with Ph.D. ....	70.2%	71.3%	71.9%	0.6%
Enrollment FTE <sup>b</sup> .....	229,697	231,395	237,832	6,437
Lecture and laboratory sections per faculty				
FTE.....	3.9	4.0	4.0	—
Average lecture class size.....	27.0	27.6	28.1	0.5
Average laboratory class size.....	19.7	20.0	19.9	-0.1
2. Faculty Contact Hours:				
Lecture and laboratory contact hours per				
faculty FTE.....	12.9	12.8	13.7	0.9
Independent study contact hours per FTE				
faculty.....	4.1	4.5	3.9	-0.6
Total contact hours per faculty FTE.....	17.0	17.3	17.6	0.3
3. Weighted Teaching Units (WTU) Data:				
Lecture and laboratory WTU per faculty				
FTE.....	11.2	11.3	11.4	0.1
Independent study WTU per faculty FTE..	1.6	1.7	1.6	-0.1
Total WTU per faculty FTE.....	12.8	13.0	13.0	—
SCU <sup>c</sup> per WTU.....	21.02	21.47	21.74	0.27
SCU per faculty FTE.....	269.5	278.7	282.2	3.5

<sup>a</sup> Full-Time Equivalent (FTE) faculty, the sum of instructional faculty positions reported used.

<sup>b</sup> Full-Time Equivalent (FTE) student equals 15 student credit units.

<sup>c</sup> Student credit units.

**CALIFORNIA STATE UNIVERSITY—Continued****C. Investment in People Initiative**

*We recommend that \$3,000,000 proposed for the "Investment in People" program to promote research and education in high technology fields be deleted because the CSU has not provided sufficient information on the proposed use of funds to document the need for additional resources. (Reduce Item 6610-001-001 by \$3,000,000.)*

As part of the Governor's "Investment in People" initiative, the budget proposes a \$3 million augmentation for CSU's budget to "promote research and education in the areas of engineering, computer science, and related basic sciences." Information provided by the administration indicates that the funds would be matched by private industry and used "to produce additional engineers, computer scientists, and related professional workers."

The proposal addresses an important problem facing the state: the shortage of graduates in the high technology fields, relative to the number of jobs that are anticipated in these areas. The Governor's office states that over the next five years, California's electronics industry will create jobs for 62,000 electrical and computer engineers, yet California's universities will graduate only 14,000 skilled professionals in these fields. According to the Governor's office, such a gap between demand and supply "severely hampers growth in high technology industries—those firms which provide real growth for the state's economy." The \$3 million program is presented as a first step in broadening the partnership between business and public education for responding to the problem.

Our analysis indicates that efforts to increase the number of engineers and other high-technology professionals are needed. Consequently, the goal of this program appears to be worthwhile. At the time this *Analysis* was prepared, however, few details were available on the proposed use of the funds. For example, it is not clear whether the funds would be used for additional faculty, research, equipment, or other purposes. Without a detailed expenditure plan, we are unable to determine whether an augmentation is, in fact, needed to accomplish the goals of the program, or whether the program's purposes could be accomplished by a reallocation of existing resources within the CSU. Reallocation of existing resources from those fields in which enrollments are declining to the engineering area might increase the number of engineering graduates without the need for all or part of the \$3 million request.

In the absence of an expenditure plan or information documenting the need for additional state funds, we are unable to recommend approval of the proposed \$3 million augmentation, and consequently recommend that the funds be deleted. We note, however, that the CSU administration and faculty are currently working to prepare an expenditure plan for the program. Should additional information become available before hearings on CSU's budget that would warrant a change in our recommendation, we will so advise the budget committees.

**D. Replacement of Instructional Equipment. (Item 6610-001-146(a)).**

*We recommend approval.*

The 1982-83 budget proposes an expenditure of \$4,368,000 from the Capital Outlay Fund for Public Higher Education (COFPHE Fund) for instructional equipment replacement. This represents a continuation of

the 1981-82 base level of \$4.1 million, adjusted by \$207,988 (5 percent) for price increases. The base, as set by agreement with the Department of Finance, is established at 2 percent of the CSU equipment inventory.

The purpose of these systemwide funds is to replace old, obsolete, or missing equipment required for instructional programs. The funds are allocated to the campuses under a process developed by a Task Force on Equipment Inventory. The method addresses the book value of campus inventories, adjusted to reflect movements in the price index, and a set of factors to estimate wear, obsolescence and student utilization. Consistent with the 1981-82 budget provisions, the funding source proposed for equipment replacement is the COFPHE Fund. The proposal is reasonable and we recommend its approval.

## II. RESEARCH

The CSU faculty is authorized to perform research activities consistent with the system's primary instructional function. Research is financed from many sources, including business, industry, and federal and state agencies whose contributions are made through campus foundations. No General Fund support is provided through the CSU budget.

Table 14 shows the CSU estimated research expenditures through the campus foundations. (The foundations are discussed later in our analysis of the Foundations and Auxiliary Organizations program.)

**Table 14**  
**Organized Research Expenditures**  
(in thousands)

	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<u>Change</u>	
	<i>1980-81</i>	<i>1981-82</i>	<i>1982-83</i>	<i>Amount</i>	<i>Percent</i>
Expenditures.....	\$4,700	\$5,400	\$5,400	-	-

## III. PUBLIC SERVICE

The Public Service program contains all program elements which benefit groups or individuals who are not formally associated with the CSU system. This program is supported entirely by outside funding. It consists primarily of two major types of services—continuing education and general public service.

The continuing education element offers "mini-courses" in a variety of general interest and professional growth subjects as an educational service to members of the community.

The general public service element extends to the community various CSU resources—conferences, seminars and institutes on subjects such as urban and international affairs, general advisory services, and reference bureaus.

Table 15 shows Public Service expenditures in the prior, current, and budget years.

**Table 15**  
**Public Service Expenditures**  
(in thousands)

	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<u>Change</u>	
	<i>1980-81</i>	<i>1981-82</i>	<i>1982-83</i>	<i>Amount</i>	<i>Percent</i>
Expenditures.....	\$770	\$599	\$770	\$171	28.5%

## CALIFORNIA STATE UNIVERSITY—Continued

## 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: (1) libraries, (2) audiovisual services and television services, (3) "computing" (EDP) support, and (4) ancillary support.

Expenditures for the Academic Support program in the past, current, and budget years are shown in Table 16.

Table 16  
Academic Support Program Expenditures  
(dollars in thousands)

	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Amount	Percent
1. Libraries .....	\$58,648	\$60,389	\$62,779	\$2,390	3.9%
2. Audiovisual services .....	12,167	12,545	12,790	245	1.9
3. Computing support .....	33,932	33,421	33,979	558	1.7
4. Ancillary support.....	10,891	11,819	12,578	759	6.4
Totals.....	\$115,638	\$118,174	\$122,126	\$3,952	3.3%
General Fund .....	\$111,049	\$111,967	\$115,417	\$3,450	3.1%
Reimbursements.....	4,500	6,107	6,550	443	7.3
Continuing Education Revenue Fund .....	89	100	159	59	59.0
Personnel:					
Libraries .....	1,698.5	1,663.1	1,661.8	-1.3	-0.1%
Computing support .....	627.4	600.8	616.2	15.4	2.7
Other.....	816.1	747.5	755.9	8.4	1.1
Totals.....	3,142.0	3,011.4	3,033.9	22.5	0.7%

## LIBRARY SERVICES

## A. Library Volume Acquisitions

The Legislature in 1973 established a total library holding goal of 40 library volumes per FTE student, to be achieved by 1985. To reach this goal, the Legislature approved funding for a volume acquisition rate of 500,000 volumes per year.

In 1975, it became apparent that, because of declining enrollments, the 40 volumes per FTE goal would be achieved much earlier than expected. Consequently, the acquisition rate was reduced to 439,000 volumes per year, where it remained until 1979, when the Legislature approved an increase in the acquisition rate to 465,200 volumes per year. In 1980, the Legislature approved a further increase in the acquisition rate of 20,000 volumes per year, thereby bringing the total annual volume acquisition rate to 485,200.

Last year, the Legislature *reduced* the library volume acquisition rate to 467,330, based on a formula relating the need for additional volumes to the FTE enrollments of each CSU campus. As we discuss later, the CSU subsequently supplemented the funds budgeted for acquiring volumes with other funds originally budgeted for staff to process the volumes. As a result, CSU estimates that the actual number of library volumes acquired in 1981-82 will be 473,940. The Governor's Budget proposes to continue this acquisition level in 1982-83. Table 17 shows the history of volume

acquisitions.

**Table 17**  
**CSU Library Volume**  
**Acquisition Rates**

	<i>Volumes Authorized</i>	<i>Volumes Acquired</i>
1973-74.....	500,000	500,000
1975-78.....	439,000	439,000
1979.....	465,200	465,200
1980.....	485,200	485,200
1981.....	467,330	473,940
1982 (proposed) .....	473,940	—

Whether CSU will achieve in 1985 the holdings goal established by the Legislature in 1973—40 volumes per FTE student—depends on (1) the annual number of volumes acquired and (2) the total number of FTE students in 1984-85. In fact, CSU surpassed the holdings goal in 1978-79, when estimated holdings reached 40.7 volumes per FTE student. Since all projections point to a decreased systemwide enrollment beginning in 1985, it is virtually certain that the goal will be exceeded in that year, *even if no more volumes are acquired.*

Table 18 shows the current systemwide holdings, by campus. As the table shows, systemwide holdings currently average 44.2 volumes per FTE student.

**Table 18**  
**CSU Library Holdings**

<i>Campus</i>	<i>Countable Holdings as of 6/30/81</i>	<i>Volumes to be Purchased 1981-82</i>	<i>Estimated Countable Holdings 6/30/82</i>	<i>Budgeted FTE 1981-82</i>	<i>Estimated Holdings per FTE 1981-82</i>
Bakersfield .....	216,616	12,577	229,193	2,377	96.4
Chico .....	556,277	24,538	580,815	12,836	45.2
Dominguez Hills.....	259,376	16,607	275,983	5,647	48.9
Fresno .....	627,098	25,551	652,649	13,166	49.6
Fullerton .....	516,351	28,866	545,217	16,082	33.9
Hayward .....	619,587	19,565	639,152	8,680	73.6
Humboldt .....	279,005	17,704	296,709	6,694	44.3
Long Beach .....	773,610	36,379	809,989	21,839	37.1
Los Angeles .....	770,528	27,292	797,820	16,181	49.3
Northridge .....	747,929	33,433	781,362	19,194	40.7
Pomona .....	369,769	25,098	394,867	14,213	27.8
Sacramento.....	694,908	31,454	726,362	17,378	41.8
San Bernardino .....	334,098	13,769	347,867	3,524	98.7
San Diego .....	813,362	40,923	854,285	25,115	34.0
San Francisco.....	595,404	32,408	627,812	17,544	35.8
San Jose .....	712,826	32,623	745,449	17,678	42.2
San Luis Obispo .....	558,816	26,720	585,536	16,096	36.4
Sonoma .....	321,947	15,224	337,171	4,145	81.3
Stanislaus.....	212,514	13,209	225,723	3,070	73.5
Totals .....	9,980,021	473,940	10,453,961	236,470	44.2

**CALIFORNIA STATE UNIVERSITY—Continued****Library Acquisition—Rate Exceeds Formula Approved by Legislature**

*We recommend that the Legislature reduce the 1982-83 CSU library volume acquisition rate to 469,093 volumes, to reflect the formula approved by the Legislature last year, for a General Fund savings of \$272,000. (Reduce Item 6610-001-001 by \$272,000).*

As noted above, the acquisition rate of 500,000 volumes per year approved in 1973 was established to enable CSU to achieve a library holdings goal of 40 volumes per FTE student in 1985. When this goal was, for all practical purposes, met in 1978-79, the question became: What is an appropriate annual acquisition rate to maintain the collection and keep up with expansions in knowledge? The answer to this question was the subject of some dispute among CSU, the Department of Finance, and the Legislative Analyst's Office. For this reason, the Legislature directed in 1980 that a committee be convened to examine the issue of an appropriate library volume acquisition rate for CSU.

The library volume acquisition rate task force examined the library volume acquisition practices of 191 public, nondoctoral-granting institutions of higher education nationwide. Based on this examination, the task force recommended that the most appropriate indicator of the need for library volumes was the number of full-time equivalent (FTE) students enrolled at a campus. The task force report offered three alternative library volume acquisition rate formulas, all based on relating acquisitions to FTE students, for the Legislature's consideration.

In the 1981 Budget Act, the Legislature endorsed a library volume acquisition-rate formula based on a simple regression line (line of best fit) relating the annual number of volumes acquired to the enrollment of FTE students at a campus. The formula is:

$$V = 3,065 + 1.73 S$$

where V represents the annual number of volumes acquired and S represents the campus enrollment of FTE students. It is the formula for the line which best describes the actual library volume acquisition practices of the 191 comparison institutions examined. Based on CSU's budgeted 1981-82 enrollments at the 19 campuses, this formula generated an acquisition rate of 467,330 volumes. Accordingly, the Legislature reduced CSU's library volumes acquisition rate to 467,330 for 1981-82.

In reducing the 1981-82 library volume acquisition rate, however, the Legislature reduced only those funds budgeted for the direct costs of purchasing the volumes. No funds were deleted to reflect the reduced workload of technical staff to process and catalog the library volumes. As a result, CSU's 1981-82 budget included more funding for these staff positions than was needed, based on 1980-81 technical processing workload standards. The system subsequently redirected some of this excess funding for technical processing staff to the purchase of additional library volumes beyond the 467,330 level approved by the Legislature. Consequently, CSU estimates that the actual number of volumes purchased in 1981-82 will be 473,940. As mentioned above, it is this level of library volume acquisitions which is funded in the Governor's 1982-83 Budget.

Our analysis indicates that the amount of funding for library volume acquisitions requested in the Governor's Budget is excessive in light of the acquisition rate formula approved last year by the Legislature. Assuming a systemwide enrollment of 237,490 FTE students in 1982-83, as projected

by the Governor's Budget (excluding students studying abroad), the formula generates a library volume acquisition rate of 469,093 volumes—4,847 volumes fewer than the number in the budget. In addition, based on the 1980-81 workload standard of one technical processing position per 1,060 library volumes acquired, our analysis indicates that this level of acquisitions would require 442.5 technical processing staff positions—4.6 positions fewer than the 447.1 positions funded in the Governor's Budget.

Accordingly, we recommend that the 1982-83 library volume acquisitions rate be reduced to 469,093, and that associated staff be reduced by 4.6 FTE to reflect the levels justified by the acquisition rate formula approved by the Legislature, for a General Fund savings of \$272,000.

(Elsewhere in this analysis of CSU, we note that the Governor's Budget is premised on a total systemwide enrollment of 237,900 FTE students in 1982-83, while the CSU Trustees' budget request estimates an enrollment of 239,900 FTE students. If the Trustees' request is approved, the acquisition rate and staff should be increased as well. The Trustees' enrollment estimate generates a volume acquisition rate of 472,484 volumes—1,456 volumes fewer than the number proposed in the Governor's Budget. Reducing the 1982-83 volume acquisition rate to this level would result in a General Fund savings of \$82,000, including a reduction of 1.4 technical processing staff positions.)

## AUDIOVISUAL SERVICES

### A. Media Services Report Needed

*We recommend that the Legislature adopt supplemental report language directing the Chancellor's Office to review implementation of the 1978 Trustees Policy Statement on Instructional Development and Media Services, and report its findings to the budget committees by December 1, 1982.*

During the early 1970's, the Legislature reviewed the potential efficiencies and economies that might result from coordinating the independent functions of instructional television and the traditional audiovisual services. It was expected that a unified approach to providing media services would provide more flexibility and better utilization of these instructional support services. Consequently, the Legislature directed that (1) the budget formulas be unified and (2) the Trustees review their policy in this area, which had not been addressed since originally implemented in 1956.

The budget formulas were subsequently combined, and a plan to more efficiently distribute the resources systemwide was adopted by the Trustees in 1978. The plan reflects the responsibility of instructional development and media services programs to encourage and assist in the development of instructional techniques and resources. It was an effort to respond to the direction for new policy in this area and to (1) expand instructional services for the faculty and (2) functionally integrate instructional television services and audiovisual services.

To date, however, the 1978 plan has not been implemented, and the 19 colleges are still, in effect, operating under the 1956 program standards. We do not know why the plan has not been implemented. Consequently, we recommend that the Chancellor's Office review the matter and report to the budget committees by December 1, 1982.

**CALIFORNIA STATE UNIVERSITY—Continued****COMPUTING (EDP) SUPPORT****A. Funding**

For CSU computing support, the Governor's Budget proposes approximately \$34.5 million, which is an increase of \$0.6 million over estimated current-year expenditures. This increase consists primarily of funds to procure new computers and adjustments for workload. Table 19 shows that \$13.5 million (39 percent) of this amount is for instructional computing. Administrative computing is allocated \$17.6 million (51 percent), and the remaining \$3.5 million is budgeted for completion of a four-year computer replacement program authorized in 1979-80. The replacement program will result in the acquisition over the four-year period of (1) a small-to-medium-size computer for each campus and (2) a major computer at the State University Data Center (SUDC).

**Table 19**  
**1982-83 Cost of Computing Support in the CSU<sup>a</sup>**  
**(dollars in thousands)**

<i>Function</i>	<i>Personnel Costs</i>	<i>Equipment and Maintenance</i>	<i>Other</i>	<i>Dollar Totals</i>	<i>Percent</i>	<i>Personnel Years</i>
Instructional Computing.....	\$6,563	\$3,553	\$3,357	\$13,473	39.0%	191.6
Administrative Computing.....	8,556	5,616	3,378	17,550	50.9	416.3
Batch rebid.....	—	3,490	—	3,490	10.1	—
Totals .....	\$15,119	\$12,659	\$6,735	\$34,513 <sup>b</sup>		607.9
Percent .....	43.8%	36.7%	19.5%		100.0%	

<sup>a</sup> As current cost accounting practice does not distinguish between administrative and instructional computing costs, estimated 1982-83 expenditures were prorated, based on best estimates and available computer utilization percentages when the items encompassed both areas.

<sup>b</sup> Includes allocations from other program accounts.

**B. Continuing Program to Replace Obsolete Computers**

When the CSU computer replacement program was initiated in 1979-80, a \$47.5 million, seven-year contract was awarded to Control Data Corporation (CDC). The terms of the contract specify the lease (with option to purchase) of modern, small-sized computers on each of the five smaller campuses, medium-sized computers on the remaining 14 campuses, and a large computer at the State University Data Center in Los Angeles. As a result of the comprehensive systemwide Request for Proposal process developed by CSU, the system achieved an overall discount of 64 percent below what it would have cost to procure the computers individually.

The CSU conversion plan called for the installation of two conversion centers, one located at the State University Data Center in Los Angeles and the other located at CSU Sacramento. Each campus was connected to one of the conversion centers by dedicated leased lines to facilitate conversion of existing computer programs and to provide parallel processing to the extent needed.

The new computers have been installed at 17 of the 19 campuses and at the State University Data Center, and 10,000 computer programs have been converted from the older machines. Computers are scheduled for installation at the two remaining campuses (San Jose and San Diego)

during the budget year.

The \$3.5 million identified in Table 19 under "batch rebid" provides for installation and conversion of computers at the two remaining campuses and the increased equipment rental costs for the new equipment.

### **Computing Staffing Formula**

In our *Analysis of the 1975 Budget Bill*, we recommended the joint development of a staffing formula by CSU and the Department of Finance for campus computer center staff. This formula was finally completed and formally adopted by the Department of Finance in March 1980. Based on this computer staffing formula, a total of 28 new positions was justified for 1981-82. Due to fiscal constraints, however, only 14 positions were provided in the 1981-82 budget.

The remaining 14 positions identified as necessary in 1981-82 were requested in the CSU Trustees' Budget for 1982-83 and have been proposed in the Governor's Budget at a cost of \$315,000. Our analysis indicates that these additional positions are justified.

### **C. Inadequate Funding for Computing**

*We withhold recommendation on funding for support of computing and recommend that the budget committees direct the Chancellor's Office and the Department of Finance to develop information prior to April 1, 1982, which (1) discusses technical budgeting errors, and (2) addresses other issues critical to the enhancement of computing.*

The Governor's Budget does not appear to provide adequate funding for CSU computing in 1982-83. The original Trustees' Budget requested an increase of approximately \$2.2 million for the budget year. These funds were characterized as budget changes needed to maintain services at currently authorized levels (program maintenance proposals). The \$2.2 million was not included in the budget as proposed by the Governor.

While part of this deletion is reasonable—\$668,000 requested to relocate the staff of the Division of Information Systems from a building in Los Angeles to the new state building in Long Beach—some of the other reductions will adversely impact the ability of the system to (1) operate its new computers properly and (2) maintain a minimum acceptable level of computing service in both instructional and administrative activities. The reductions reflect:

**Technical budgeting errors.** As a result of a series of technical budgeting errors, a total of \$297,000 was not included in the Governor's proposed budget. Eliminated as a result of these errors were funds to provide for necessary price increases in various *existing contracts* for transaction terminals (\$165,000), maintenance of computer software (\$74,000), maintenance of the campus time-sharing machine (\$18,000), and maintenance of the SUDC computer (\$40,000).

**Lack of support for critical activities.** Two items totaling \$247,000 which are critical to the operation of the new computers were not included in the proposed budget. The first concerns the acquisition of mass storage devices for storage of student and faculty data essential to the instructional computing program (\$95,000). The second involves the need to provide for the environmental stability and security of the State University Data Center in Los Angeles (\$152,000). This central facility, serving all 19 campuses, has experienced an unacceptable degree of hardware failures due to inadequate cooling devices. An improved security system is also needed, according to CSU staff, because computer systems valued

**CALIFORNIA STATE UNIVERSITY—Continued**

at \$10 million are installed in a public building, and physical breaches of security have occurred.

Finally, the CSU maintains that it would be more cost-effective to acquire, at a cost of \$26,000, one text/word processing software package for installation on all campus computers than to allow the acquisition of word processing software by each campus in an uncoordinated manner. A request for these funds, however, was denied.

**Other deletions to Trustees' request.** The remaining deletions totaling \$946,000 were for a variety of activities which the CSU contends are essential to continue the computer improvement program that was authorized in 1979-80.

Of particular interest is the conclusion by the Department of Finance that an increase of \$132,000 to complete implementation of a new Integrated Business System is not necessary. Authorization and funding to permit the CSU to plan for the replacement of its outdated and inflexible Allotment Expenditure Ledger System was provided in the 1981 Budget Act. A consultant was retained to complete a feasibility study for the system, and a vendor was selected in January 1982 to provide the new system. If the requested increase is not provided, the CSU will be unable to complete installation of this modern cost accounting system.

**Funding Issues Need Resolution**

We withhold recommendation on funding for CSU computing support, pending resolution of the issues discussed above. We recommend that the Department of Finance and the CSU develop information, prior to April 1, 1982, which will resolve the technical budgeting errors and areas of underfunding which we have identified.

**D. Long Range Funding Issues**

*We recommend that the Legislature adopt supplemental report language directing the CSU and the Department of Finance to prepare a report by December 1, 1982, addressing long-range issues associated with support for computing.*

The provision of adequate funding for support of computing may prove to be a problem in future years. This resource is costly to provide and may also require substantial one-time payments to purchase the computing equipment which currently is leased with an option to purchase.

Planning should begin in 1982-83 to address this issue. Currently, all funding for computing is provided from the support budget of the CSU. There may be other alternatives available for funding which should be evaluated by the Chancellor's Office and the Department of Finance. Also, it may be advisable to establish a special revolving fund within the CSU system to provide the monies to purchase computing equipment when such purchases are more cost-justified than current leasing arrangements.

To encourage the early resolution of these long-term issues, we recommend that the Legislature adopt the following supplemental report language:

"The CSU and the Department of Finance shall jointly study alternative methods of funding for support of computing. Also, the advisability of establishing a special revolving fund for the purchase of computing equipment should be evaluated.

The results of this study shall be made available to the budget committees no later than December 15, 1982."

### **E. Small Computer Inventory and Policies**

The *Supplemental Report of the 1981 Budget Act* required the CSU to report to the Legislature on its policies concerning the acquisition of small, special purpose computers. It also required CSU to provide an inventory of this equipment.

**Report Highlights.** The report, submitted in November 1981, identified 494 of these machines throughout the 19 campuses. These small computers typically cost from \$1,000 to \$3,000.

Recent technological advances have made the purchase of these devices a logical extension of existing computing resources. Funds for their acquisition come from instructional support rather than computing support.

The CSU policy on small computers requires that these machines be cost-justified at the campus level. Master contracts, however, will be negotiated in order to take advantage of volume discounts, and only those machines which utilize a standard operating system will be approved. This policy appears reasonable.

## **MT. LAGUNA OBSERVATORY**

### **Additional Funding Needed**

*We recommend that the Legislature augment the CSU budget by \$56,000 to support the supervision of the Mt. Laguna Observatory. (Increase Item 6610-001-001 by \$56,000).*

The Mt. Laguna Observatory is a unique educational facility of San Diego State University and the CSU system. Located 50 miles east of the San Diego campus in the Cleveland National Forest, the observatory occupies one of the best sites for astronomical observation in the country, and was recently rated as one of the top five such sites in the nation by the National Science Foundation. It is used extensively by CSU students and faculty (primarily from San Diego State University) and the general public. In return for free use of National Forest land, the observatory conducts a summer visitors program which recently served 1,500 people. The Chancellor's Office estimates that the observatory represents a total investment of \$2 million.

At present, the functions of the observatory director are discharged on an ad hoc, voluntary basis by a member of the San Diego State University faculty. The current arrangement is unsatisfactory because, due to the faculty member's regular duties at the San Diego campus, he is unable to provide the kind of extensive supervision necessary to (1) protect and maintain the facility adequately and (2) sustain the high level of program activity which has occurred particularly since the installation of a new 40-inch telescope.

The Trustees requested \$56,000 to support this activity, but the money is not in the Governor's Budget.

Our analysis indicates that a permanent director is warranted for the observatory. Given (1) the unique nature of the facility, (2) the value of the observatory to CSU students and faculty and to the people of California, and (3) the lack of other suitable sources of support for the position, we believe General Fund support is appropriate. Accordingly, we recommend that the Legislature provide a General Fund augmentation of \$56,000 for a permanent director, plus operating expenses.

**CALIFORNIA STATE UNIVERSITY—Continued****ASSOCIATED CLINICS, CSULA****A. Background**

The Associated Clinics of California State University, Los Angeles (CSULA), serve six departments in two schools of the university. They integrate the instructional programs, training facilities, and services of the social services, guidance, hearing, psychology, reading and speech disciplines. The associated clinics provide a range of clinical and research training experiences for students enrolled in the instructional programs of the university. In addition, the associated clinics offer integrated services of evaluation and therapy to the community for a nominal fee. These fees provide support for the program.

**B. Funding**

The clinics are a nonprofit facility, funded in part by nominal user charges, federal grants, and a limited amount of funding from charitable organizations. The bulk of the clinics' funding, however, has been provided in the past by academic departments within CSULA whose students use the clinics for internships. The participating departments have provided this support by assigning to the associated clinics some of the resources generated by student enrollments. The associated clinics' total budget for 1982-83 is \$197,590, of which \$157,590 (80 percent) will be derived from the academic departments and \$40,000 (20 percent) will come from reimbursements (mostly client fees).

In the 1981-82 Governor's Budget for CSU, \$45,382 was requested from the General Fund in order to stabilize the clinics' core funding. This request was denied by the Legislature. Instead, the Legislature directed that CSU "... explore the feasibility of charging patient fees on an ability-to-pay basis . . ."

CSU has reported that as of January 1, 1982, all six clinics have implemented a sliding fee scale. The fees, based on a person's gross annual income and number of family members, range from \$35 to \$75 per quarter in the hearing, speech, and reading clinics, and from \$7 to \$20 per fifty-minute session in the psychology, guidance and social service clinics. As of this writing, it is too soon to know the degree to which these new fees will assist in meeting the core funding needs of the clinics.

**V. STUDENT SERVICES**

The Student Services program is funded partially from revenues generated by the Student Services Fee. Additional support is furnished by reimbursements and the state General Fund. Several elements of the program are tied to special funds and are wholly supported by revenues produced by those funds. Program services include social and cultural development, supplementary educational services, counseling and career guidance, financial aid and student support. Table 20 shows Student Services program expenditures and personnel for the past, current, and budget years.

**Table 20**  
**Student Services Program Expenditures**  
**(dollars in thousands)**

	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Amount	Percent
<b>Elements:</b>					
1. Social and cultural development .....	\$5,122	\$4,325	\$4,537	\$212	4.9%
2. Supplemental educational services— EOP .....	13,496	14,880	14,947	67	0.5
3. Counseling and career guidance .....	20,273	20,570	20,857	287	1.4
4. Financial aid <sup>a</sup> .....	73,639	75,903	66,846	-9,057	-11.9
5. Student support .....	25,654	29,574	30,117	543	1.8
Totals .....	\$138,184	\$145,252	\$137,304	-\$7,948	-5.5%
<i>General Fund</i> .....	<i>\$22,287</i>	<i>\$18,094</i>	<i>\$18,145</i>	<i>\$51</i>	<i>0.3%</i>
<i>Reimbursements</i> .....	<i>50,424</i>	<i>67,571</i>	<i>68,621</i>	<i>1,050</i>	<i>1.6</i>
<i>Federal Trust Fund</i> .....	<i>52,700</i>	<i>56,270</i>	<i>46,960</i>	<i>-9,310</i>	<i>-16.5</i>
<i>Dormitory Revenue Fund</i> .....	<i>2,643</i>	<i>3,228</i>	<i>3,461</i>	<i>233</i>	<i>7.2</i>
<i>Continuing Education Fund</i> .....	<i>130</i>	<i>89</i>	<i>117</i>	<i>28</i>	<i>31.5</i>
<b>Personnel:</b>					
Social and cultural development .....	181.2	145.0	148.2	3.2	2.2%
Supplemental educational services— EOP .....	335.5	371.3	367.2	-4.1	-1.1
Counseling and career guidance .....	670.0	658.9	654.1	-4.8	0.7
Financial aid .....	346.2	393.0	398.6	5.6	1.4
Student support .....	978.2	1,076.7	1,082.2	5.5	0.5
Totals .....	2,511.1	2,644.9	2,650.3	5.4	0.2%

<sup>a</sup> Includes awards and administrative costs.

## STUDENT FEES

### A. Single Level Student Service Fee Raises Equity Questions

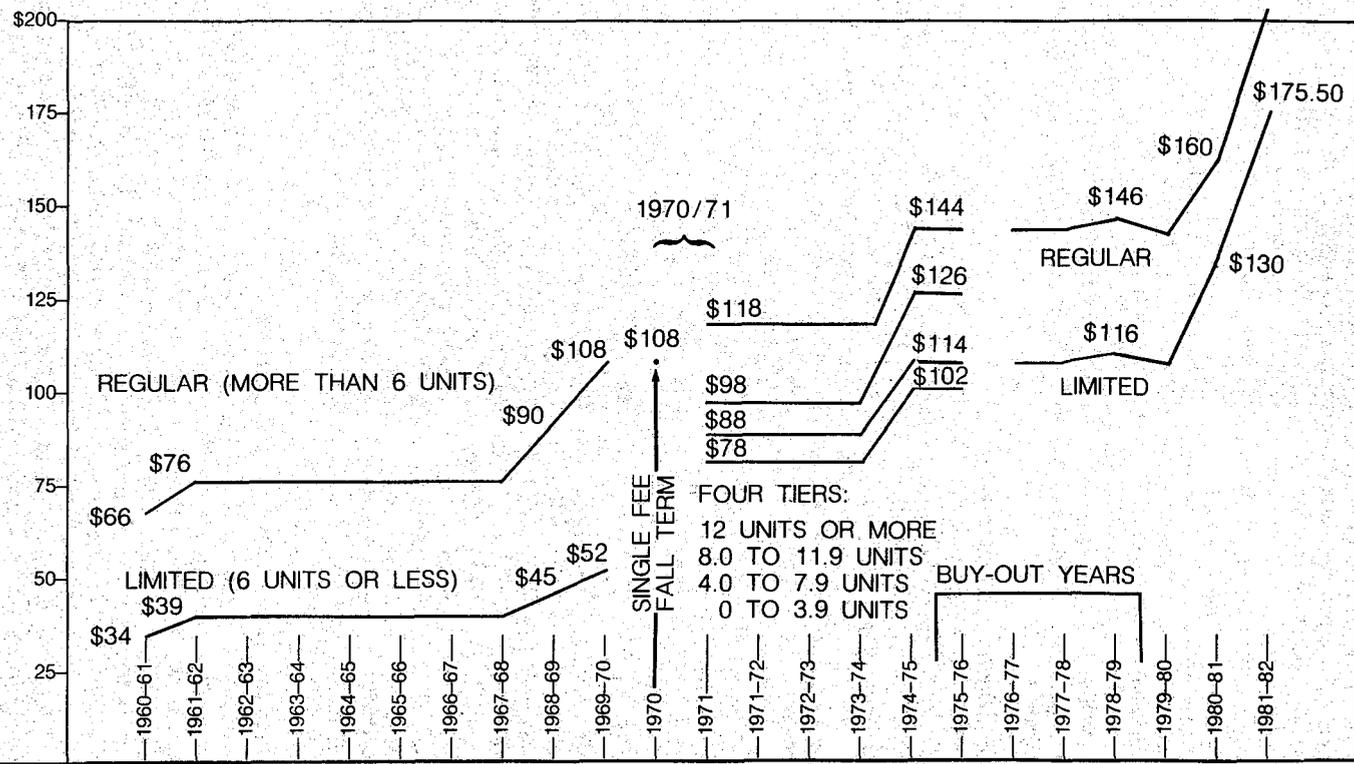
*We recommend that the Legislature reject the Governor's Budget proposal to charge all CSU students the same level of Student Service Fee (\$216), regardless of the number of units taken, because the proposal discriminates against part-time students.*

#### Background

In January 1974, a special CSU task force was established to review and make recommendations on what was then called the "Materials and Service Fee." This fee constituted the major assessment paid by all regularly enrolled students in the CSU. In July of that year, the task force presented its report, and in September the Trustees adopted the recommendations of the task force. Among the changes instituted in September 1974 were the following:

1. Costs related to instructional supplies and audio-visual materials were transferred from student fee support to direct General Fund support.
2. The fee was renamed the Student Services Fee.
3. Beginning in 1975-76, the level of the Student Services Fee was based on the operating cost of the following Student Services programs: Counseling, Testing, Career Planning and Placement, Social/Cultural Development, Health Services, Financial Aid Administration, Housing Administration and 50 percent of the Dean of Students Office.
4. The four-tier fee system based on the number of units taken was reduced to a two-tier system, with students taking six or fewer units paying less than students taking seven or more (see Chart 1).

**Chart 1**  
**California State University Student Services Fee**  
**History of Actual Charges (Formerly: Materials and Service Fee)**



Procedures were initiated beginning in 1975-76 to transfer, over a period of several years, those costs for instructional supplies and audiovisual materials from fee support to direct General Fund support (referred to as the "buyout"). During this period of transition, the Student Services Fee was to remain fixed at its 1975-76 rate: \$114 per year for students with six or fewer units per term, \$144 per year for those taking seven or more units per term.

By 1979-80, the transition had been completed. All costs related to instructional supplies and audiovisual materials were funded by direct General Fund support. Student Services Fee reimbursements were based solely on costs related to specific student support programs and services. The level of the Student Services Fee remained relatively stable throughout the late 1970s, but began to increase again in the 1980s as shown in Chart 1.

### **Single Tier Fee Proposed**

For 1982-83, the Governor's Budget proposes that all students be charged a uniform Student Services Fee of \$216 per year, regardless of the number of units taken. This proposal is based on a recommendation made in November 1981 by a CSU task force which studied the matter.

The task force report based its recommendation on the fact that (1) the fee is based on systemwide costs and (2) instructional services have been phased out of the services provided.

**Systemwide Costs.** Concerning the first point, the report states that the fee is based on systemwide program costs; it is not related either to program costs at an individual campus or to utilization of services by a particular student or group of students.

**Phase-Out of Instructional Services.** Concerning the phase-out of instructional services, the report argues that prior to action by the Board of Trustees in 1974, the fee known as the Materials and Services Fee covered the costs of instructional supplies and audiovisual materials. Because these components were related to academic, as opposed to student support services, part-time students were granted a partial reduction in that portion of the fee used for instructional supplies and audiovisual materials. As mentioned above, with the decision to phase out the academically related costs and rename the fee the Student Services Fee, the Trustees elected, in 1976-77, to implement a two-level fee structure until the supplies and materials costs had been fully transferred to General Fund support. Because the transfer of these costs was completed in 1978-79, the task force agreed that a single uniform fee level should be established, effective in the fall, 1982.

### **Two-Tier System Should be Continued**

While we concur that users of a service should generally pay the same fee, our review indicates that although some part-time students may use some of the student services as much as full-time students, this is not generally the case. There are two reasons for this: (1) the hours during which the fee-supported services are provided do not fit the schedule of most part-time students and (2) one of the most expensive services funded by the fee, financial aid administration, is not available to them at all.

**Hours of Service.** Most of CSU's 120,000 part-time students enroll in evening courses, usually conducted between 7:00 p.m. and 10:00 p.m. During these hours, most of student service offices such as housing, place-

**CALIFORNIA STATE UNIVERSITY—Continued**

ment and counseling are closed. If night students need the service, they must rearrange their daily schedule. Generally, this severely limits their ability to use the services as frequently as day students.

**Availability of Financial Aid.** Part-time students taking less than six units are not eligible for financial aid. This effectively precludes the provision of financial aid services shown in Table 20 to part-time students.

Because part-time students are less able to utilize all student services, we recommend that the current two-tier Student Services Fee policy be maintained. This can be accomplished with no loss of total fee revenue by adjusting the per student fee as shown in Table 21.

**Table 21**  
**Comparison of Uniform and Two-Tier**  
**Student Services Fee Levels**

	1981-82	1982-83	
		Uniform	Two-Tier
Regular students <sup>a</sup> .....	\$205.50	\$216	\$224
Limited students <sup>b</sup> .....	\$175.50	\$216	\$194

<sup>a</sup> Regular students = seven units or more.

<sup>b</sup> Limited students = six units or less.

**B. Financial Aid Administration—Student Services Fee Support**

*We recommend that financial aid administration support be increased by \$760,000 to maintain the current support level, and that the funding be provided by a \$3 increase in the Student Services Fee which is the appropriate source of support of this activity.*

The 1982-83 budget proposes an expenditure of \$16,191,000 for financial aid administration. This is an increase of \$458,000 (2.9 percent) over the current support level. Support for this activity is derived from the Student Services Fee and federal funds. The Governor's Budget assumes that the federal support for this service will be \$2,359,000 in 1982-83.

Since the Governor's Budget was transmitted to the Legislature, CSU has revised its estimate of federal support that will be available in 1982-83. It now estimates that it will receive only \$1,599,000, or \$760,000 less than the amount anticipated in the budget. This decline results primarily from the reduction in federal support from \$10 to \$5 per recipient of Basic Educational Opportunity Grants and Guaranteed Student Loans.

Our review indicates that the financial aid offices have one of the largest and most complex workloads in the system. This was recognized several years ago when budget formulas for funding these offices were enriched. A reduction of this magnitude in support for the financial aid offices would likely lead to the denial of services to needy students and consequently hinder access efforts made by CSU.

As mentioned above, the costs of financial aid administration traditionally have been supported by the Student Services Fee, although the General Fund bears the budget year costs of normal, incremental increases such as merit salary adjustments. The loss of federal funds does not represent an incremental change but rather a fundamental structural change in program financing. Consequently, replacement funding for the lost federal funds could properly be financed by the Student Services Fee. This would require increasing the 1982-83 fee—\$216 (based on a single tier)—

by \$3. We recommend this adjustment.

We recommend that to prevent a reduction in student financial aid services, the anticipated loss of federal funds be replaced with funds from the Student Services Fee.

### C. Special Fees

#### 1. 1981-82 Emergency Surcharge Fee

In response to the 2 percent General Fund budget reduction imposed by the Governor during 1981-82, the CSU implemented a one-time Emergency Surcharge Fee in addition to the Student Services Fee. This \$46 charge was levied on all students by charging \$23 in the 1982 winter and spring quarters or \$46 in the 1982 spring semester. It is anticipated that this fee will generate \$13,967,000 in additional reimbursements for 1981-82.

The fee is the equivalent of \$92 per regular student per year. Extending this fee into 1982-83 for the full year would generate about \$28,000,000. The Governor's Budget, however, proposes that this fee be dropped in favor of a new State University Emergency Fee.

#### 2. 1982-83 State University Emergency Fee

As part of CSU's plan to adjust the funding level proposed in the 1982-83 budget, it plans to levy a new \$41 per year State University Emergency Fee, which would raise \$13.1 million. This fee is less than one-half of the surcharge fee that would have been levied had the 1981-82 fee been extended for a full year as UC proposes to do.

CSU proposes that the new fee be maintained separately from the Student Services Fee and utilized for institutional support other than the cost of instruction. Combined with the Student Services Fee, CSU's basic fee for regular students would be \$257 (\$216 + \$41) in 1982-83.

Our analysis indicates that at the undergraduate student level, this proposed fee is reasonable, given (1) the personal benefits derived from a CSU education and (2) the fees charged at comparable institutions.

**Benefits of Higher Education.** Clearly, both students and society benefit from higher education. While usually not as large as the personal benefits that go with a graduate degree, the benefits from the acquisition of certain specialized skills and knowledge at the undergraduate level also translate into personal income. While the exact benefit to the student is difficult to quantify, the benefit to society is equally difficult to quantify. The Governor's 1982-83 Budget proposes that society contribute \$4,190 per CSU FTE while CSU students contribute \$257 each.

**California Student Fees.** Our review of undergraduate student charges at CSU's comparable public institutions shows that these institutions *currently* are charging an average basic fee of \$900 per regular student, while CSU is charging \$251.50 (\$205.50 + \$46). While this does not necessarily mean that CSU charges are too low, it indicates that the proposed fee is not too high relative to what other states ask their students to contribute.

#### 3. CSU Graduate Charges

*We recommend that the Legislature direct the CSU Board of Trustees to increase charges to resident graduate students by \$400 per FTE in 1982-83 and an additional \$200 in 1983-84. We further recommend that \$1,438,000 (25 percent) of the revenue raised from this fee increase be reserved for increased student financial aid in order to maintain access to*

**CALIFORNIA STATE UNIVERSITY—Continued**

*CSU for low-income students. (Reduce Item 6610-001-001 by \$4,315,000).*

Last year in the *Analysis*, we recommended that the Legislature direct the Trustees to plan to increase charges imposed on graduate students. Our recommendation was based on three considerations that we believed warranted such an increase:

- Graduate programs cost more per student than undergraduate programs due to the specialized nature of the instruction and the typically low student-faculty ratios.
- A greater portion of the benefits from graduate education accrue to the individual directly, because specialized knowledge is more likely to translate into a higher income than is the general knowledge acquired as an undergraduate.
- Low student charges at the graduate level create incentives for the over-investment in graduate education.

In our *Analysis*, we also pointed out that:

- comparable public universities typically charge more for graduate programs than for undergraduate programs, in recognition of the cost differential noted above, and
- CSU's charges for graduate instruction are considerably lower than student charges imposed by comparison institutions.

As Table 22 shows, since 1979-80 CSU graduate student charges have fallen even *further* behind the fees/tuition charged by its 18 public comparison institutions.

**Table 22**  
**Comparison of CSU Graduate Resident Charges**  
**To Comparable Institutions**

	1979-80	1981-82
CSU .....	\$207	\$265 <sup>a</sup>
State University of New York (Albany) .....	\$1,610	\$1,660
SUNY College, Buffalo .....	1,510	1,700
University of Hawaii .....	578	578
University of Wisconsin (Milwaukee) .....	1,258	1,370
University of Nevada .....	720	896
University of Oregon .....	1,295	1,653
Portland State University .....	1,197	1,404
University of Colorado .....	926	1,151
Illinois State University .....	808	884
Northern Illinois University .....	780	916
Southern Illinois University .....	747	975
Indiana State University .....	960	1,217
Iowa State University .....	951	1,080
Wayne State University .....	1,425	1,642
Western Michigan University .....	948	1,348
Bowling Green State University .....	1,431	1,608
Virginia Polytechnic Institute .....	852	1,086
Miami University (Ohio) .....	1,340	1,740
Average, Comparable Institutions .....	<u>\$1,074</u>	<u>\$1,273</u>
CSU Difference .....	\$867	\$1,008

<sup>a</sup> Includes incidental fees such as parking.

Table 22 shows that in 1981-82, CSU charges for resident graduate students

are \$1,000 less than the average charges of the 18 public comparison institutions.

In our analysis of the UC budget, we recommend that by 1983-84, charges to graduate students be increased to the 1981-82 average charge imposed by its comparison institutions for an increase of \$600. For 1982-83, we recommend an increase of \$400.

Because CSU's charges are so much below its comparison group, it would not be reasonable to recommend that CSU's charges also be increased by the amount needed to achieve parity by 1983-84 (\$1,000). Consequently, we recommend the same *dollar* increases for CSU resident graduate students that we recommend for UC graduate students—\$400 in 1982-83 and an additional \$200 in 1983-84. The \$400 charge would be for full-time (FTE) graduate students. This charge should be prorated on a \$27-per-unit basis for part-time students.

The \$400 increase per resident graduate FTE would generate about \$5,753,000 in additional revenue. We recommend that \$1,438,000 (25 percent) of the revenue be reserved for increased student financial aid in order to insure access by needy students to the CSU system. Consequently, the recommended General Fund reduction, to be offset by student fee revenue, would be \$4,315,000.

#### **Nonresident Graduate Student Tuition**

The Governor's Budget proposes a tuition increase in nonresident tuition of \$315, for a total tuition of \$3,150. Because these charges for nonresident graduate students are already substantial, we do not recommend that they be increased further.

#### **4. Nonresident Tuition**

CSU students who are not residents of California pay an annual tuition in addition to the student fees paid by all students. Prior to 1981-82, a student could be classified as a California resident after one year of residence in the state. In 1981-82, the residency requirement was changed, making it more difficult to obtain resident status—in addition to one year of residency, a student also must show financial independence from parental support for three prior years in order to be designated a California resident.

Table 23 shows the nonresident tuition charge, the nonresident enrollment, and the tuition revenues generated, for the past three years. For 1981-82, the table also shows the budget as proposed by the Governor, the budget as adopted by the Legislature after the adjustment for the change in residency criteria, and CSU's estimates as of December 31, 1981. Table 23 shows that:

- in 1981-82, the Legislature increased the budgeted level of nonresident tuition revenue by \$2.4 million to reflect an anticipated increase in the number of nonresident students,
- CSU's revised estimate for 1981-82 indicates that the number of nonresidents and the amount of nonresident tuition revenue will fall short of the budgeted level, and
- the proposed 1982-83 budget is based on approximately the same percentage of nonresident enrollment as the 1981-82 adopted budget, and consequently proposes a major increase in revenue over CSU's revised estimates for 1981-82.

## CALIFORNIA STATE UNIVERSITY—Continued

Table 23  
Nonresident Tuition and Enrollment

	Actual 1980-81	Proposed Budget	1981-82		Proposed 1982-83
			Adopted Budget	Revised Estimate	
<b>Tuition:</b>					
Annual tuition .....	\$2,160	\$2,835	\$2,835	\$2,835	\$3,150
Tuition revenue <sup>a</sup> .....	\$23,803	\$31,775	\$34,160	\$30,029	\$37,419
<b>Enrollment (FTE):</b>					
Total FTE .....	239,015	236,850	236,850	242,372	237,900
Nonresident FTE .....	11,020	11,210	12,050	10,592	11,879
Percent nonresident .....	4.6%	4.7%	5.1%	4.4%	5.0%

<sup>a</sup> Dollars in thousands.

**Adjustment for change in residency criteria.** As mentioned above, the Legislature imposed stricter residency criteria in acting on the 1981-82 Budget Bill. As a result, it was expected that, relative to prior years, more students would be classified as nonresidents beginning in 1981-82 and, consequently, more nonresident tuition revenue would be collected. Accordingly, the Legislature reduced CSU's General Fund budget by \$2,385,000 in anticipation of an additional 840 nonresidents who would become subject to the nonresident tuition charge of \$2,835. This assumed that the change would become effective in fall 1981.

**Shortfall indicated by new estimates.** Each year CSU surveys its campuses to reestimate the amount of revenue which will be derived from nonresident tuition. As shown in Table 23, CSU currently estimates that 1981-82 revenue will be \$4.1 million less than budgeted, indicating that there will be 1,458 fewer nonresident students than assumed in the budget adopted for the current year.

Part of the revenue shortfall occurs because the new residency standard was not fully implemented until the spring of 1982. The anticipated shortfall in nonresident tuition revenue, however, exceeds the adjustment that was made to account for the stricter residency requirements. This can be seen in Table 23 by comparing the revised estimate for 1981-82 with the proposed budget for 1981-82. The revised estimate indicates that collections could be \$1.7 million below the amount budgeted *before* the adjustment was made.

**Factors related to shortfall.** CSU cites several reasons which may account for the projected decline in nonresident enrollment. *First*, nonresident tuition increased by \$675 in 1981-82, from \$2,160 to \$2,835. This increase may have precipitated a decrease in nonresident enrollment. *Second*, nonresident tuition waivers were eliminated beginning in 1981-82, which may have discouraged some nonresidents from attending CSU. *Third*, a report issued by the Auditor General in April, 1981, was critical of enrollment of nonresident students in "oversubscribed" programs. In response to the report, CSU cautioned its campuses to monitor the situation. CSU believes that enrollment policy changes at the campus level may be displacing nonresidents from high-demand courses.

Because of the many factors potentially affecting the enrollment of nonresident students, it is not possible to determine the effect of any single factor, such as the change in residency criteria, on the projected shortfall in nonresident tuition revenue in 1981-82.

**1982-83 budget.** As shown in Table 23, the Governor's Budget anticipates \$37.4 million in nonresident tuition revenue during 1982-83. This corresponds to nonresident enrollment equal to 5 percent of budgeted FTE. This ratio is comparable to the ratio assumed by the approved budget for 1981-82. If CSU's revised estimate for 1981-82 is accurate, it is likely that a shortfall will also occur in 1982-83. CSU indicates that it will have updated estimates by February, 1982.

## STUDENT AFFIRMATIVE ACTION

### A. Funding

The Governor's Budget provides \$20,991,000 for the support of four programs relating to student affirmative action: (1) Core Student Affirmative Action (\$2,582,000), (2) Educational Opportunity Program (\$14,947,000), (3) Mathematics, Engineering, Science Achievement (MESA) program (\$262,000), and (4) a program for Disabled Students (\$3,198,000). Expenditures for these items in the past, current, and budget years are shown in Table 24.

In addition, many programs within CSU, such as the campus offices of relations with schools and campus counseling centers, provide services which contribute to student affirmative action efforts; however, information on the expenditures of these offices for affirmative action-related activities is not available.

Table 24  
Student Affirmative Action Expenditures  
(in thousands)

	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Amount	Percent
1. Core Student Affirmative Action.....	\$1,143	\$2,416	\$2,582	\$166	6.9%
2. Educational Opportunity Program ....	13,495	14,919	14,947	28	0.2
3. MESA .....	232	249	262	13	5.2
4. Disabled Students .....	1,920	3,227	3,198	-29	-0.9
Totals .....	\$16,790	\$20,811	\$20,989	\$178	0.1%

### B. Background: ACR 151

In 1974, the Legislature adopted ACR 151, directing all public segments of California postsecondary education:

"To prepare a plan that will provide for addressing and overcoming, by 1980, ethnic, economic, and sexual underrepresentation in the makeup of public higher education as compared to the general ethnic, economic, and sexual composition of recent California high school graduates." ACR 151 is not based on "eligibility pools"—the number of ethnic minority high school graduates actually eligible to be admitted to the higher education segments.

CSU has made progress toward meeting the broad goal of increasing the representation of minority students. Hispanics, however, continue to be underrepresented relative to their proportion of high school graduates. Ethnic group representation within CSU, both systemwide and by campus, is shown in Table 25.

## CALIFORNIA STATE UNIVERSITY—Continued

**Table 25**  
**CSU Ethnic Group Distribution**  
**(Fall 1980)**

<i>Campus</i>	<i>Asian</i>	<i>Black</i>	<i>Hispanic</i>	<i>Other Minority</i>	<i>White</i>
Bakersfield.....	1.7%	6.5%	12.0%	5.6%	74.2%
Chico.....	1.6	2.0	4.1	1.3	91.0
Dominguez Hills.....	6.8	38.7	8.5	3.8	42.2
Fresno.....	5.0	4.0	12.9	2.5	75.6
Fullerton.....	5.4	3.0	8.9	1.6	81.1
Hayward.....	8.7	13.1	6.5	4.3	67.4
Humboldt.....	1.6	0.7	2.9	2.6	92.2
Long Beach.....	9.5	8.4	8.4	3.7	70.0
Los Angeles.....	18.5	15.0	24.1	3.0	39.4
Northridge.....	6.4	6.2	8.7	2.3	76.4
Pomona.....	9.4	3.9	11.4	3.0	72.3
Sacramento.....	7.6	6.1	5.9	2.9	77.5
San Bernardino.....	2.5	13.3	19.4	3.7	61.1
San Diego.....	3.1	4.1	7.3	3.7	81.8
San Francisco.....	16.4	9.5	6.6	5.7	61.8
San Jose.....	11.4	7.4	8.8	4.8	67.6
San Luis Obispo.....	4.4	1.6	4.0	1.5	88.5
Sonoma.....	1.7	4.1	4.2	2.3	87.7
Stanislaus.....	2.1	5.3	8.7	2.6	81.3
<i>Systemwide</i> .....	7.5%	7.9%	9.2%	3.2%	73.1%
High School Graduates 1979 <sup>a</sup> .....	4.6%	9.3%	15.0%	1.6%	69.5%

<sup>a</sup> Latest data available.

Table 25 reveals that: (1) CSU ethnic group enrollments vary widely by campus and (2) the degree of systemwide under- or over-representation varies by ethnic group. Thus, the representation of white students as a proportion of total campus enrollment varies from a high of 92.2 percent at Humboldt to a low of 39.4 percent at Los Angeles. Hispanics, who are under-represented systemwide, nonetheless account for 24.1 percent of total enrollment at Los Angeles and 19.4 percent at San Bernardino. Asians, in contrast, are over-represented in comparison to their proportion of the twelfth grade population, accounting for 7.5 percent of total systemwide enrollment.

### C. Core Student Affirmative Action

The Governor's Budget provides \$2.6 million for Core Student Affirmative Action in 1982-83, as shown in Table 24. This is the same as in the current year, adjusted only for inflation.

The objective of the Core Student Affirmative Action program is to increase the representation of ethnic minorities, low-income individuals, and women in CSU. The program began in 1978-79 with pilot programs at three campuses. In 1980-81, the Legislature approved its extension to all 19 campuses with the following three components:

- *outreach* at the undergraduate and graduate levels to increase the number of applicants to CSU or other higher education institutions,
- *retention* programs to promote continued attendance and progress among minority, low-income, and women students, and
- *educational enhancement* efforts which emphasize in-service training for teachers and counselors.

### Increasing Emphasis on Retention and Educational Enhancement

Full implementation of the program began in 1980-81, at a state cost of approximately \$1.9 million. In 1981-82, the Legislature approved a \$400,000 augmentation for the purpose of expanding retention efforts. CSU is using these funds to establish and support retention referral centers on five campuses. Campus centers were selected on the basis of competitive applications.

In addition, CSU is reallocating funds within the base allocation in order to give greater attention to retention and educational enhancement and somewhat less emphasis to outreach. This reallocation is consistent with legislative intent that CSU implement a balanced program to insure that students recruited through the outreach component may be reasonably assured of receiving adequate retention and educational services after they reach the campus.

Table 26 shows the number of students recruited through CSU outreach efforts in 1979-80 and 1980-81. While it is still too early for a thorough assessment of outreach strategies, it appears that these programs assist in generating a substantial number of new admissions from minority students. Consequently, the redirection of some resources from outreach to retention and educational enhancement services for these students is appropriate.

**Table 26**  
**Applications and Admissions of Underrepresented Students**  
**Generated by CSU Outreach Programs**

	1979-80 <sup>a</sup>	1980-81 <sup>b</sup>
Applications Generated:		
To CSU .....	1,988	3,718
To Other Institutions .....	2,172	3,212
Totals .....	4,160	6,930
Admissions Offered:		
To CSU .....	1,393	2,073
To Other Institutions .....	1,868	2,371
Totals .....	3,261	4,444

<sup>a</sup> Results from pilot programs operated on 8 campuses.

<sup>b</sup> Results from programs operated on all 19 campuses.

In response to a legislative directive, the California Postsecondary Education Commission (CPEC) is conducting an in-depth evaluation of the CSU Core Student Affirmative Action programs. CPEC published an initial report on the programs in July, 1981. The report generally gave CSU's affirmative action programs a favorable rating, but noted some specific areas where improvement is needed. CPEC intends to report again on the programs in March, 1982 and 1983.

### D. Educational Opportunity Programs

The 1982-83 Governor's Budget provides a total of \$14,947,000 for the Educational Opportunity Program (EOP). Staffing in the EOP is based on the projected number of first-year students. Table 27 shows the number and average dollar level of EOP grants and the number of students served.

## CALIFORNIA STATE UNIVERSITY—Continued

**Table 27**  
**Educational Opportunity Program**

	<i>Actual 1980-81</i>			<i>Estimated 1981-82</i>			<i>Proposed 1982-83</i>		
	<i>Number of Grants</i>	<i>Average Dollar Grant</i>	<i>Students Served</i>	<i>Number of Grants</i>	<i>Average Dollar Grant</i>	<i>Students Served</i>	<i>Number of Grants</i>	<i>Average Dollar Grant</i>	<i>Students Served</i>
1st Year .....	3,699	\$740	6,146	4,958	\$740	6,779	4,884	\$740	6,679
2nd Year .....	1,934	740	3,879	2,255	740	4,220	2,222	740	4,155
3rd Year .....	2,214	640	2,354	1,762	640	2,197	1,738	640	2,164
4th Year .....	1,717	530	1,531	942	530	781	966	530	801
5th Year .....	852	530	1,315	471	530	—	432	530	—
	10,416	—	15,225	10,388	—	13,977	10,242	—	13,799

### E. MESA Evaluation

The Governor's Budget provides \$262,000 for support of the Mathematics, Engineering, Science Achievement (MESA) program in 1982-83. This level of funding will support approximately 2,750 students in local MESA centers—the same number authorized for support in the current year.

The MESA program, whose headquarters are in Berkeley at the UC Lawrence Hall of Science, is a statewide program to encourage ethnic minority high school students to prepare for college careers in the sciences. Under the terms of language contained in the Supplemental Reports of the 1979 and 1980 Budget Acts, state funding provided for MESA in the UC and CSU budgets is to be matched by an equivalent amount of nonstate funds.

In last year's *Analysis*, we pointed out that although the MESA program has been in existence since 1968, no rigorous evaluation of its results has been undertaken. At present, for example, the program has no empirical evidence to refute charges that the successes reported by MESA are the results of "self-selection". That is, it may be argued that MESA programs simply provide additional resources for minority students with demonstrated aptitudes in science and mathematics, a substantial number of whom would have continued their study of these fields even without MESA. To the extent this occurs, MESA gets credit for "successes" which it did not produce. Because the MESA programs have not been evaluated in a rigorous manner, the validity of the "self-selection" argument is unresolved.

Subsequent to publication of our *Analysis*, the Hewlett Foundation, a long-time contributor to the MESA program, convened a task force to plan an evaluation. The task force outlined certain criteria for an evaluation, and proposals are currently being solicited.

### F. Disabled Students

*We recommend that \$455,000 in General Fund support proposed for service to Department of Rehabilitation clients at CSU be deleted because federal funds are available for this purpose. (Reduce Item 6610-001-001 by \$455,000 and increase reimbursements to Item 6610-001-001 by \$455,000.)*

The Governor's Budget includes \$3.2 million for disabled student services for CSU. This amount is based on (1) the existing formula which provides \$594 per student, and (2) an additional \$455,000 to replace services formerly provided by the Department of Rehabilitation (DR). CSU expects to serve 4,669 disabled students in 1982-83.

Supplemental Language to the 1981 Budget Act directed the Department of Finance to study existing funding arrangements for disabled student programs in public higher education, and to recommend a long-term model for funding these programs. In addition, the study was to determine the cost of supportive services formerly funded through the DR but now funded by the higher education segments. The report was issued in December 1981.

The report recommends changes in the funding formula for the University of California and the community colleges. It contains no recommended changes for CSU.

The report states that the amount provided to replace DR funds may be low because it is based on a 1980 survey which may have underestimated the number of DR clients who are being served by the three higher education segments. The Department of Finance may adjust the alloca-

**CALIFORNIA STATE UNIVERSITY—Continued**

tion in the May revision after receipt of additional information from the segments on the number of DR clients served and the cost of providing the services.

Regardless of the final outcome, we note in the Department of Rehabilitation analysis (Item 5160) that federal funds are available which could be used to provide services to disabled students at the state's 3 segments of higher education, thereby making additional General Fund resources available to the Legislature for use in meeting high-priority state needs for this purpose. We recommend in that item that such funds be transferred to the higher education budget items to replace state General Fund support. Consequently, consistent with that recommendation, we recommend that \$455,000 contained in this item be deleted.

**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 28 shows estimated personnel and expenditures for Institutional Support.

**Table 28**  
**Institutional Support Program Expenditures**  
(dollars in thousands)

<i>Elements</i>	<i>Actual</i> <i>1980-81</i>	<i>Estimated</i> <i>1981-82</i>	<i>Proposed</i> <i>1982-83</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Executive Management .....	\$28,453	\$28,094	\$29,591	\$1,497	5.3%
2. Financial Operations .....	23,801	22,752	23,776	1,024	4.5
3. General Administrative Services .....	37,687	40,043	41,224	1,181	2.9
4. Logistical Services .....	45,127	45,107	47,543	2,436	5.4
5. Physical Plant Operations .....	122,252	128,455	137,187	8,732	6.8
6. Faculty and Staff Services .....	10,683	11,863	14,998	3,135	26.4
7. Community Relations .....	5,098	4,431	4,679	248	5.6
Totals .....	\$273,101	\$280,745	\$298,998	\$18,253	6.5%
<i>General Fund</i> .....	<i>\$233,698</i>	<i>\$225,449</i>	<i>\$234,085</i>	<i>\$8,636</i>	<i>3.8%</i>
<i>Reimbursements</i> .....	<i>12,291</i>	<i>28,524</i>	<i>32,390</i>	<i>3,866</i>	<i>13.6</i>
<i>Parking Account, Dormitory Revenue</i> <i>Fund</i> .....	<i>4,921</i>	<i>4,717</i>	<i>5,208</i>	<i>491</i>	<i>10.4</i>
<i>Dormitory Revenue Fund</i> .....	<i>10,935</i>	<i>12,236</i>	<i>13,893</i>	<i>1,657</i>	<i>13.5</i>
<i>Capital Outlay Fund for Public Higher Ed-</i> <i>ucation</i> .....	<i>3,234</i>	<i>1,958</i>	<i>5,452</i>	<i>3,494</i>	<i>178.4</i>
<i>Energy and Resources Fund</i> .....	<i>637</i>	—	—	—	—
<i>Energy Account, Energy and Resources</i> <i>Fund</i> .....	—	<i>680</i>	—	<i>-680</i>	<i>100.0</i>
<i>Continuing Education Revenue Fund</i> .....	<i>7,385</i>	<i>7,181</i>	<i>7,970</i>	<i>789</i>	<i>11.0</i>
Personnel:					
Executive Management .....	741.9	677.5	694.3	16.8	2.5%
Financial Operations .....	887.5	889.9	881.5	-8.4	-0.9
General Administrative Services .....	1,417.2	1,503.7	1,511.8	8.1	0.5
Logistical Services .....	1,103.4	1,113.1	1,111.5	-1.6	-0.1
Physical Plant Operations .....	3,273.9	3,596.3	3,605.6	9.3	0.3
Community Relations .....	112.6	84.5	84	-0.5	0.6
Totals .....	7,536.5	7,865.0	7,888.7	23.7	4.1%

**CHANCELLOR'S OFFICE**

The Chancellor is the chief executive officer of the CSU Board of Trustees and is responsible for the implementation of all policies enacted by the board. Table 29 shows the major divisions in the Chancellor's Office and the expenditures proposed by these divisions in the current and budget years.

**Table 29**  
**Chancellor's Office Expenditures<sup>a</sup>**  
**(dollars in thousands)**

	<i>Estimated</i>		<i>Proposed</i>		<i>Change</i>	
	<i>1981-82</i>		<i>1982-83</i>			
	<i>Positions</i>	<i>Amount</i>	<i>Positions</i>	<i>Amount</i>	<i>Positions</i>	<i>Amount</i>
<b>General Fund</b>						
Chancellor's Office Personnel						
Executive Office .....	14.0	\$670	14.0	\$682	—	\$12
Legal Services .....	19.5	773	18.5	783	-1.0	10
Academic Affairs .....	51.6	2,103	51.6	2,165	—	62
Faculty and Staff Affairs .....	31.4	1,182	31.4	1,221	—	39
Collective Bargaining .....	19.0	786	19.0	823	—	37
Business Affairs .....	55.4	1,942	55.4	1,987	—	45
Physical Planning .....	14.0	607	14.0	620	—	13
Government Affairs .....	9.0	322	9.0	342	—	20
Institutional Research .....	12.0	527	12.0	536	—	9
Public Affairs .....	6.0	247	6.0	250	—	3
Administrative Office .....	58.1	1,330	58.1	1,382	—	52
Subtotals .....	290.0	\$10,489	289.0	\$10,796	-1.0	\$307
Operating Expense and Equip- ment .....	—	\$7,323	—	\$7,802	—	\$479
Totals .....	290.0	\$17,812	289.0	\$18,599	-1.0	\$787
Audit Staff Personnel .....	11.0	\$441	11.0	\$454	—	\$13
Operating Expense and Equip- ment .....	—	\$83	—	\$98	—	\$15
Totals .....	11.0	\$524	11.0	\$552	—	\$28
Information Systems Personnel	122.5	\$3,929	122.5	\$4,015	—	\$86
Operating Expense and Equip- ment .....	—	\$5,916	—	\$6,309	—	\$393
Totals .....	122.5	\$9,845	122.5	\$10,324	—	\$479
Total, General Fund .....	423.5	\$28,181	422.5	\$29,476	-1.0	\$1,295
<b>Special Funds</b>						
Parking Personnel .....	0.4	\$7	0.4	\$7	—	—
Operating Expense and Equip- ment .....	—	\$3	—	\$3	—	—
Totals, Special Funds .....	0.4	\$10	0.4	\$10	—	—
Grand Totals .....	423.9	\$28,191	422.9	\$29,486	-1.0	\$1,295
General Fund .....	379.5	\$21,824	378.5	\$22,831	-1.0	\$1,007
Reimbursements .....	44.0	6,357	44.0	6,644	—	287
Parking Revenue .....	0.4	10	0.4	10	—	—

<sup>a</sup> Details may not add to total, due to rounding.

**CALIFORNIA STATE UNIVERSITY—Continued****A. Governmental Affairs—Funding for Washington, D.C. Office**

*We recommend that the Legislature eliminate General Fund support for the California State University Washington, D.C. office, and allow the system to use federal overhead income for this purpose, for an annual state savings of \$126,000. (Reduce Item 6610-001-001 by \$126,000.)*

**Background**

The University of California (UC) established a Washington, D.C. office in 1965, and the State University System followed suit in 1966. Since then, the two segments have shared office space, some equipment, and a small library, at various locations in the city. Each office has a director, a coordinator of federal programs, and a clerical position.

As shown in Table 30, the two higher education offices will cost approximately \$352,000 in 1982-83. This support is derived from federal overhead revenue and the General Fund.

**Table 30**  
**Funding for UC and CSU Washington Offices**

	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1980-81</i>	<i>1981-82</i>	<i>1982-83</i>	<i>Amount</i>	<i>Percent</i>
University of California .....	\$172,637	\$184,000	\$190,000	\$6,000	3.3%
California State University .....	130,877	123,000	162,000	39,000	31.7
Totals.....	\$303,514	\$307,000	\$352,000	\$45,000	14.7%
General Fund .....	\$91,200	\$92,000	\$126,000	\$34,000	36.9%
Federal Overhead .....	212,314	215,000	226,000	11,000	5.1

The UC Washington office receives no General Fund support. It is funded solely from federal "overhead revenue", which are funds added to federal contracts with UC to support a portion of the university's overhead costs. In 1981-82, this revenue will total \$70 million, based on the allowable overhead charge of 31 percent of the contract amount. Under an agreement between the university and the Department of Finance, the university's Washington office, along with the related campus development offices, has the first call on these overhead funds. The balance is split 45/55 between UC and the state.

Unlike the UC Washington office, the CSU Washington office *does* receive General Fund support, amounting to \$92,000 in 1981-82. For 1982-83, the budget requests \$126,000 in General Fund support for CSU's Washington office. (The major portion of the increase is to cover the cost of a new lease.) Only the office's coordinator of federal programs is supported from a source other than the General Fund. This position is funded with federal overhead funds, at a cost of \$31,144 in 1981-82 and a proposed cost of \$35,858 in 1982-83.

This funding arrangement was adopted a number of years ago in recognition of the fact that compared to UC, the CSU received a relatively small amount of federal overhead funds and therefore should not be expected to depend solely on federal funds for support of its Washington office.

The original justification for this arrangement, however, needs to be reconsidered. In 1979-80, (the most recent year for which data are available), the CSU system's federal indirect support resulting from the office's activities totaled \$4.5 million. All of these receipts, moreover, are available for allocation by the State University System through its foundations. The

state does not require a split of the federal overhead receipts between the state and the system, as it does with UC.

We can find no analytical basis for continuing General Fund support for the CSU Washington office in view of the substantial federal funding which could be used for this purpose. The duties and functions of this office are almost identical to those of the UC Washington office. To the extent there is a difference, it is that the CSU office places *more* emphasis on obtaining contracts and grants than does the UC office.

Consequently, we recommend that the CSU office be fully supported by federal overhead revenue, in the same way that the UC's Washington office is, for a General Fund savings of \$126,000 in 1982-83.

### **B. Collective Bargaining**

Chapter 744, Statutes of 1978 (AB 1091), referred to as the Higher Education Employer-Employee Relations Act (HEERA), established comprehensive provisions governing public employer-employee relations applicable to the University of California (UC), including Hastings College of Law, and the California State University system (CSU). Among other provisions, Chapter 744:

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

2. Establishes election procedures to be administered by the Public Employment Relations Board (PERB) for recognizing, certifying, and decertifying organizations which become the exclusive bargaining representatives for employee groups.

3. Specifies 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 bargaining units, 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 the chairman of a factfinding panel are borne by PERB, while costs of the two remaining members of the factfinding panel are shared by the parties.

6. Allows the parties to agree to a "maintenance of membership" arrangement, under which employees are 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 CSU to deduct specified employee organization fees upon the authorization of the employee.

8. Specifies procedures for submitting memoranda of understanding to the Governor and the Legislature for appropriate review and action. If 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 regardless of whether the aggregate funding requests submitted to the Legislature are approved.

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

The effective date of Chapter 744 was July 1, 1979; however, due to procedural delays, the first elections were not held until 1981. Regarding CSU faculty, the HEERA provides for a single, systemwide election with

**CALIFORNIA STATE UNIVERSITY—Continued**

a single agent to be selected to represent all faculty numbers and librarians. That election took place between December 14, 1981 and January 26, 1982. The result was that the faculty chose to have representation. The agent will be elected in April 1982.

As mentioned, in some policy areas, especially those which do not involve financial considerations, the Trustees will be able to make final commitments that are not subject to executive and legislative review. With respect to matters having fiscal implications, however, the state has yet to resolve its procedures in dealing with collective bargaining.

A more extensive discussion of collective bargaining issues facing the state is contained in the B-pages of this *Analysis*.

**EMPLOYEE AFFIRMATIVE ACTION**

The Governor's Budget provides \$1,009,802 for the support of two programs relating to employee affirmative action within CSU: (1) the Faculty Development program (\$665,735) and (2) the Administrative Fellows program (\$344,067).

**A. Faculty Development Program**

In the 1978-79 budget, the Legislature added funding for a Faculty Development program 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 budget proposes \$665,735 to continue the present level of support for this program.

The Faculty Development program includes three major components:

1. Release time (\$589,279). 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 (\$48,771). This component provides grants for summer stipends and helps finance the purchase of equipment and materials needed for research projects.
3. Support for presentation of papers at professional meetings (\$27,685). This component provides funds for travel, per diem, clerical and registration expenses incurred in presenting papers at professional meetings.

Table 31, presents a profile of participants in the Faculty Development program from 1978-79 to 1981-82. The table shows that the annual number of participants in the program declined by about one-fifth over these years, from 227 in 1978-79 to 179 in 1980-81, but rose again in 1981-82 to 193. Part of this increase can be attributed to a change in the participation criteria for the program in 1981-82 as a result of the Supplemental Report to the 1981 Budget Act. This directive required that lecturers be considered for faculty development funding. The table also shows that of the 799 faculty members who participated in the Faculty Development program from 1978-79 to 1981-82, 663 (83.0 percent) were women or members of ethnic minorities.

**B. Administrative Fellows Program**

*We recommend that the Legislature direct the Chancellor's Office to develop a selection process for the Administrative Fellows program to ensure that each campus (and the Chancellor's Office) forwards the names of three candidates to the systemwide selection committee.*

**Table 31**  
**Profile of Faculty Development Program**  
**1978-79 to 1981-82**

	1978-79	1979-80	1980-81	1981-82	Totals
Total Program Participants..	227	200	179	193	799
Females .....	137	113	117	133	500
Percent .....	(60.4%)	(49.8%)	(65.4%)	(68.9%)	(62.6%)
Minority Group Members ....	82	66	50	69	267
Percent .....	(36.1%)	(33.0%)	(27.9%)	(35.8%)	(33.4%)
Total Persons, Women or					
Minorities.....	190	150	150	173	663
Percent.....	(83.7%)	(75.0%)	(83.8%)	(89.6%)	(83.0%)

The 1978 Budget Act established 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 CSU." 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. To address this concern, CSU proposed the creation of an Administrative Intern program (the title was later changed to Administrative Fellows program to avoid confusion with student internships). The original funding provided support for 19 participants per year. That number, however, was reduced to 12 in the current year as part of the required budget reductions. The 1982-83 budget proposes \$344,067 to continue support for 12 fellows.

Table 32 presents a profile of the Administrative Fellows program from its inception in 1978-79. The table shows that, of the 69 administrative fellows appointed to date, all but three have been women or minority group members.

**Table 32**  
**Profile of Administrative Fellows Program, 1978-79 to 1981-82**

	1978-79	1979-80	1980-81	1981-82	Totals
Applicants.....	54	100	43 <sup>(1)</sup>	38 <sup>(1)</sup>	235
Offers of appointment.....	20	19	21	12	72
Offers accepted.....	19	19	19	12	69
Sex .....	16F, 3M	14F, 5M	13F, 6M	9F, 3M	52F, 17M
Minority Group Members .....	14 (12F, 2M)	11 (7F, 4M)	10 (4F, 6M)	6 (4F, 2M)	41 (27F, 14M)
Total persons, women or					
minorities .....	18	18	19	11	66
Previous position					
1. Faculty .....	13	7	14	9	43
2. Academic related .....	4	5	2	1	12
3. Administrative.....	0	5	3	2	10
4. Support staff .....	2	2	0	0	4

<sup>(1)</sup> Nominations by campuses to Chancellor's Office. Prior to 1980-81 individuals applied for the program.

In addition, data on the sex and ethnicity of 20 persons *filling the positions vacated* by the administrative fellows during their one-year appointments show that, in 1981-82, the 12 full-time positions vacated have been filled by 20 individuals. Of these 20, 12 are women and 8 are men. Further, 9 of the 20 are members of ethnic minorities (6 women and 3 men).

**CALIFORNIA STATE UNIVERSITY—Continued**

Of the 57 graduates of the Administrative Fellows Program since its inception, 35 have made progress toward meeting their longer-range career objectives. Of these, 23 have received permanent or temporary appointments to administrative positions within the CSU, and three have received promotions or expanded assignments. Examples of positions within CSU filled by graduates of the program include an assistant vice president for academic affairs, an associate dean of a school, and a director of special programs. Of the graduates who have since left CSU, one was appointed assistant dean of a law school within UC, another is assistant to the dean of students at a private university within California, and a third received a fellowship from a major university to study for a doctorate.

**Selection process.** The table also shows that the number of nominations forwarded by the campuses to the Chancellor's Office has been decreasing since 1979-80. Currently, the selection process provides that every campus and the Chancellor's Office *may* forward a maximum of three nominations to the systemwide selection committee for consideration. Full compliance with this procedure would result in an applicant pool of 60 people, or almost twice as many as the number nominated in 1981-82. Because the intent of the program is to provide equal opportunity to a large pool of individuals who are interested in administrative careers, we believe that the maximum number of nominees should be considered for the 12 available fellowships. This would eliminate the opportunity for individual campus selection committees or the president of the campus to submit the name of only one nominee, thereby increasing that person's chance of being selected for the program. Therefore, we recommend that the Chancellor's Office be directed to modify the existing selection procedure *to require* that each campus forward the names of three nominees to the systemwide selection committee.

**SPECIAL REPAIR AND DEFERRED MAINTENANCE****Item 6610-001-146(b)*****We recommend approval.***

The Governor's Budget requests \$5,542,000 from the Capital Outlay Fund for Public Higher Education (COFPHE) for special repair and deferred maintenance projects in 1982-83. The proposed amount continues a plan to substantially reduce or eliminate the backlog of these projects. Last year, the Legislature approved \$3,311,020 in funding from the COFPHE for this purpose.

The 1982-83 funding level would support approximately 76 projects. Included in the list are 39 projects concerning health and safety items totaling \$975,045, and six roofing projects amounting to \$624,600. In addition, three specific items are included: (1) campus lighting at San Jose (\$586,000), (2) primary electrical system at San Francisco (\$1,034,000), and (3) repair of utility steamlines at San Jose (\$493,000). These items account for the \$2 million increase over the current year. The remaining funds are proposed to be expended as follows: \$1,243,210 for 29 repair projects including streets, elevators, boilers, and transformers; \$266,145 for emergencies; and \$230,000 for a planned preventive maintenance project.

We have examined CSU's list of projects and believe that the proposed \$5,542,000 is reasonable in light of the system's needs. It is anticipated that the baseline budget for this activity will return to the \$3.3 million level in 1983-84. Accordingly, we recommend approval as budgeted.

### **Preventive Maintenance**

The Legislature adopted language in the Supplemental Report of the 1979 Budget Bill directing CSU to submit a preventive maintenance plan by November 1979. In response, the Chancellor's Office submitted an interim report on the status of preventive maintenance which (1) proposed that a pilot project be undertaken at one CSU campus and (2) stated that a systemwide task force would be convened to study the problem of preventive maintenance and recommend solutions.

**1980 Report.** The systemwide preventive maintenance task force submitted its report to the Chancellor in November 1980. The report recommends that the Chancellor approve a specific preventive maintenance system, described in the report, as CSU's approach to plant operations. Other recommendations include (1) establishing a formal function within the Chancellor's Office to oversee plant operations and (2) establishing a budgetary differentiation between the categories of "special repairs," and "deferred maintenance."

**1981 Progress Report.** In addition, the 1979 supplemental language required CSU to submit an annual progress report to the Department of Finance and the legislative budget committees on the implementation of its preventive maintenance activities. The November, 1981 progress report points out that:

- The CSU Executive Council completed its review of the task force report and approved the concepts contained in the report in March 1981.
- The Chancellor issued an executive order requiring each campus to "initiate a planned/programmed maintenance (P/PM) management system" and appointed a systemwide Plant Operations Project Group to maintain the implementation of the P/PM systems at the campuses.
- Pursuant to the executive order, each campus has completed a plan and schedule for implementation of the P/PM system. In addition, each campus is expected to complete an audit of its facilities to identify maintenance/repair requirements by July 1, 1982.

We will continue to monitor this system, and will report developments to the legislative budget committees, as appropriate.

### **Control Section 28.91—Fiscal Flexibility**

*We recommend approval.*

This section, which is identical to Section 28.91 of the Budget Act of 1981, exempts the CSU from certain provisions of Section 13320 of the Government Code and applicable Budget Act restrictions. It authorizes the Trustees to:

- (a) spend excess salary savings up to an amount equal to 20 percent of total salary savings, and
- (b) transfer funds between programs.

CSU is required to notify the Department of Finance and the Joint Legislative Budget Committee of any expenditure pursuant to this section within 30 days after the end of a quarter. Our review indicates that the section has been implemented on a reasonable basis. We recommend approval.

**CALIFORNIA STATE UNIVERSITY—Continued****VII. INDEPENDENT OPERATIONS**

The Independent Operations program includes all program elements that benefit independent financing agencies, faculty, and students, but are not directly related to the objectives of an institution of higher education. An example would be research not directly related to the university's educational mission, performed by CSU on contract to a government agency. Independent operations receive no direct General Fund support. Staffing and support levels for the program are shown in Table 33.

**Table 33**  
**Independent Operations Program Expenditures**  
**(dollars in thousands)**

	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Amount	Percent
Program Totals: .....	\$46,764	\$47,675	\$49,807	\$2,132	4.5%
General Fund .....	-\$916	—	—	—	—
Reimbursements .....	43,469	\$46,965	\$48,957	\$1,992	4.2%
Federal Trust Fund.....	3,752	—	—	—	—
Parking Account, Dormitory Revenue Fund .....	435	710	850	140	19.7
Continuing Education Revenue Fund .....	24	—	—	—	—
Personnel:					
Totals.....	1,252.1	1,649.6	1,650.6	1.0	0.1%

**VIII. FOUNDATIONS AND AUXILIARY ORGANIZATIONS****A. Overview**

Foundations and Auxiliary Organizations are separate legal entities authorized by the Legislature to perform functions that contribute to the educational mission of the CSU, as well as provide services to students and employees. Most of these organizations can be grouped into four major categories: associated student organizations, foundations which administer special educational projects, student union operations and commercial activities. All operations of the foundations and auxiliary organizations are intended to be self-supporting; they receive no General Fund support. Table 34 shows their expenditures for the past, current, and budget years.

**Table 34**  
**Foundations and Auxiliary Organizations Expenditures**  
**(in thousands)**

	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Amount	Percent
Program Totals .....	\$199,271	\$211,600	\$222,800	\$11,200	5.3%
Reimbursements—federal.....	\$33,000	\$38,000	\$38,000	—	—
Reimbursements—other .....	166,271	173,600	184,800	\$11,200	6.6%

**B. Foundations**

The CSU system includes 60 auxiliary organizations, 20 of which are foundations. The foundations are separate, legal entities organized as private, non-profit corporations. Of the 20, 19 are campus-based, and one

operates out of the Chancellor's Office. They perform the following functions:

- receive gifts, scholarships, and other trust funds,
- organize fund-raising activities, and
- seek funding for and administer research and special educational projects.

The foundations have their own sources of revenue and are required by CSU policy to be self-supporting. The largest source of revenue is reimbursements for indirect costs of administering grants and contracts which are sponsored by federal, state, and local governmental agencies and private organizations. Other revenue sources include contributions, income on investments, and service fees paid by other campus organizations.

#### **Auditor General's Recommendation Should be Implemented**

*We recommend that the Legislature adopt supplemental Budget Act language directing the Trustees of CSU to submit a plan for implementing the Auditor General's recommendation that excess indirect costs recovered by foundations revert to the campuses. We further recommend that the report identify means for increasing the rate of recovery of indirect costs.*

In January 1982, the Auditor General published the results of a study of the CSU foundations. The study focused on indirect costs incurred in the administration of grants and contracts. In particular, the study examined the degree to which foundations and their related campuses incur such indirect costs and recover those costs through reimbursements from the sponsoring agencies.

The central finding of the Auditor General was that the CSU campuses are subsidizing the foundations, contrary to CSU policy requiring the foundations to be self-supporting. The report explains that the subsidy arises from the following factors:

- foundations recover their full indirect costs, but do not recover the full indirect costs incurred by *campuses* in administering contracts and grants,
- *campuses* incur greater indirect costs for contract and grant administration than do foundations, and
- the *foundations* retain nearly all of the reimbursements recovered from the sponsoring agencies, leaving the campuses with unreimbursed costs.

***Indirect costs are not fully recovered.*** The foundations are responsible for negotiating rates for the reimbursement of indirect costs incurred by both the foundations and the campuses for contract and grant administration. In examining the costs and reimbursements received at 9 campuses, the Auditor General found that actual reimbursements in 1979-80 were far below the amount that would have been recovered had the full indirect cost rate been provided on all contracts and grants. Specifically, actual receipts were only 48 percent of the amount indicated by the computed, indirect-cost rates. The Auditor General reports that the foundations are unable to recover indirect costs commensurate with the full indirect-cost rates because (1) some project sponsors do not provide full reimbursement and (2) some contracts require recipients to pay a share of the indirect costs.

***Campuses incur greater costs than foundations.*** Campuses and foundations both incur costs as a result of sponsored research and other activi-

**CALIFORNIA STATE UNIVERSITY—Continued**

ties. The indirect cost rates are computed as estimates of the total *combined* indirect costs that a campus and its foundation incur in administering particular grants or contracts. The Auditor General reviewed in detail the indirect cost rate proposals at two campuses to determine the relative costs incurred by campuses and foundations. In both cases, the *campus* was found to incur most of the cost. The percentage of the total indirect cost which was borne by the campus (as opposed to the foundation) was 74 percent at one campus and 77 percent at the other campus.

*Foundations keep nearly all of the indirect cost reimbursements.* Under current practice, campuses recover only a small portion of the indirect cost reimbursement collected by the foundations. Specifically, campuses receive a small amount of rent for CSU facilities that house certain federal activities. For the nine campuses examined in the study, this amounted to \$42,000, which is less than 1 percent of the total indirect cost reimbursements received by the nine foundations reviewed.

Table 35 compares the indirect costs incurred and recovered by the two campuses and foundations whose costs were studied in detail by the Auditor General. The table shows that (1) the campuses recovered a very small portion of their costs, but (2) the foundations received reimbursements in *excess* of their costs. The unreimbursed cost borne by the CSU campuses represents the subsidy provided to the foundations.

**Table 35**  
**Indirect Costs Incurred Compared With**  
**Indirect Costs Recovered On**  
**Research And Training Agreements**  
**At Two Campuses \***

	<i>Campus A</i>	<i>Campus B</i>
Indirect Costs Incurred by the Campus .....	\$1,179,107	\$1,400,012
Indirect Costs Recovered by the Campus.....	3,932	2,859
Indirect Costs Not Recovered .....	<u>\$1,175,175</u>	<u>\$1,397,153</u>
Indirect Costs Incurred by the Foundation .....	\$417,318	\$409,256
Indirect Costs Recovered by the Foundation .....	657,016	732,059
Excess Indirect Costs Recovered.....	<u>\$239,698</u>	<u>\$322,803</u>

\* Source: Auditor General

*Auditor General's recommendation.* The Auditor General recommends that CSU revise its policy to require the foundations to remit all of their excess indirect cost recoveries to the campuses, retaining only the amount needed to insure their fiscal solvency. This would be consistent with CSU Trustee policy which requires campuses to ensure the fiscal viability of their foundations. It would also reduce the subsidy provided to the foundations by the campuses.

We note, however, that the subsidy would continue as long as campuses are not reimbursed for their full costs. In order to both (1) insure the fiscal viability of the foundations and (2) eliminate the campus subsidy of foundations, total collections of indirect costs from sponsors would have to increase to equal the total indirect costs incurred. As noted earlier, reimbursements currently are financing less than one-half of the total costs incurred. The Auditor General does not address the issue of increasing the recovery rate of indirect costs.

**CSU Response Needed**

The current CSU policy allows foundations to profit from federally supported contracts at the expense of CSU campuses. There is no analytical reason why the foundations should be permitted to retain reimbursements in excess of their indirect costs. Furthermore, allowing campuses to subsidize the foundations violates CSU policy. Consequently, we recommend that the Legislature direct CSU to submit a plan for implementing a new policy under which excess reimbursements to foundations would revert to campuses.

Even under such a policy, however, the campuses would continue to subsidize the foundations if *total* indirect cost reimbursements are less than total costs, as is now the case. Thus, we also recommend that the plan include means for improving the rate of recovery of indirect costs from sponsors.

We note that the recommended change in policy would move in the direction of current policy on the use of federal overhead received by the University of California. Overhead received by UC is divided three ways: (1) an amount is taken "off the top" to cover direct costs of contract and grant administration, (2) 45 percent of the remainder accrues to the university, and (3) the other 55 percent accrues to the state General Fund. As mentioned earlier, under its current policy CSU gives nearly all of the receipts to the foundations "off the top". Our recommendation would increase the share given to the CSU campuses. It would not, however, grant a share to the state General Fund because there are not sufficient overhead receipts to cover the costs incurred by the CSU campuses.

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY AND REVERSION**

Items 6610-301 and 6610-495  
from various funds

Budget p. E 190

Requested 1982-83 .....	\$33,437,000
Recommended approval .....	21,604,000
Recommended reduction .....	3,790,000
Recommendation pending .....	\$8,043,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis page*

1. Transfer to General Fund. Recommend that savings resulting from our recommendations (\$3,818,000) be transferred to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide. 1527
2. Rebudgeted 1981 Project Funds. Recommend that prior to legislative hearings on the budget, the Department of Finance identify the amount of additional funds that may be needed because of delays in carrying out projects funded in the current year. 1528
3. *Statewide Planning. Reduce by \$200,000.* Recommend that funds for seismic safety studies be reduced to fund only projects high on the statewide priority list. 1530

4. **Statewide—Minor Capital Outlay. Reduce by \$500,000.** 1530  
Recommend funds for low-priority projects be deleted.
5. **Removal of Architectural Barriers to the Physically Handicapped. Reduce by \$490,000.** 1532  
Recommend two projects at the Los Angeles and San Francisco campuses be deleted because the buildings to be modified are currently accessible to the handicapped.
6. **Architectural Barriers to the Physically Handicapped.** 1532  
Withhold recommendation on funds for projects at Hayward and San Diego, pending receipt of additional information.
7. **Budget Bill Schedule.** 1533  
Recommend that the Budget Bill be modified to provide a schedule of approved projects for removal of architectural barriers to the physically handicapped.
8. **Humboldt—Stabilize Slopes.** 1534  
Recommend that State funds appropriated for this project be repaid from the State University Dormitory Revenue Fund
9. **Old Library Rehabilitation—San Diego. Reduce by \$114,000.** 1535  
Recommend working drawing funds to rehabilitate the old library building be deleted, because the project is low in priority for seismic correction on a statewide basis.
10. **Fire Code Requirements—San Francisco.** 1536  
Withhold recommendation on preliminary plans and working drawings to modify nine academic buildings to meet fire safety code requirements, pending receipt of additional information.
11. **Faculty Office Addition—Northridge. Reduce by \$21,000.** 1536  
Recommend equipment funds for faculty office addition be deleted because the funds will not be required in the budget year.
12. **Replacement Facilities, Calexico—San Diego. Reduce by \$50,000.** 1537  
Recommend equipment funds for replacement facilities at Calexico campus be reduced to eliminate equipment funds unrelated to the new space provided by the project.
13. **Remodel Engineering Building—Humboldt. Reduce by \$100,000.** 1539  
Recommend that construction funds be reduced by \$100,000 by deleting unnecessary project elements. Withhold recommendation on the balance of the requested funds, pending receipt of adequate information to substantiate the amount.
14. **Remodel San Jose Computer Center. Reduce by \$609,000.** 1540  
Recommend construction funds be deleted because preliminary plans and working drawings have not been completed and are not scheduled to begin until 1982–83. Further, recommend that prior to legislative hearings, the Department of Finance report to the Legislature on the additional cost that may be incurred due to project delay resulting from current-year administrative freeze on capital outlay.
15. **Special Deposit Fund, Consent Order Proceeds Account.** 1542  
Recommend that the Legislature evaluate options available for the use of funds in the Special Deposit Fund, De-

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY  
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- partment of Energy, Consent Order Proceeds Account, so that these funds are used to meet high-priority statewide needs identified by the Legislature.
16. Cogeneration Project—Northridge and San Luis Obispo. 1544  
Withhold recommendation on working drawing and construction funds for cogeneration plant, pending receipt of additional information.
  17. *Cogeneration—Pomona. Reduce by \$597,000.* 1545  
Recommend working drawing funds be deleted because the proposed energy savings to be achieved by this project has not been substantiated.
  18. Cogeneration—San Jose. 1546  
Withhold recommendation on working drawing funds for cogeneration plants, pending receipt of additional information.
  19. *Energy Management System—Fullerton. Reduce by \$15,000.* 1546  
Recommend preliminary plan and working drawing funds be deleted, because the CSU has not evaluated the effectiveness of energy management systems which have been installed at other campuses.
  20. *Energy Management System—Hayward. Reduce by \$33,000.* 1546  
Recommend preliminary plan and working drawing funds be deleted, because the CSU has not evaluated the effectiveness of energy management systems which have been installed at other campuses.
  21. *Energy Management System—Pomona. Reduce by \$22,000.* 1546  
Recommend preliminary plan and working drawing funds be deleted, because the CSU has not evaluated the effectiveness of energy management systems which have been installed at other campuses.
  22. *Energy Management System—San Luis Obispo. Reduce by \$14,000.* 1546  
Recommend preliminary plan and working drawing funds be deleted, because the CSU has not evaluated the effectiveness of energy management systems which have been installed at other campuses.
  23. *Preliminary Planning—Statewide. Reduce by \$25,000.* 1547  
Recommend that preliminary planning for energy projects be deleted, because adequate funds have been provided for these studies elsewhere in the budget.
  24. *Energy Conservation Retrofits—Statewide. Reduce by \$1,000,000.* 1547  
Recommend that preliminary plans, working drawings and construction for energy retrofits be deleted, because adequate information has not been provided to substantiate the energy savings anticipated from these projects.

**ANALYSIS AND RECOMMENDATIONS**

The budget includes \$33,437,000 for capital outlay for the California State University (CSU) in 1982-83. The proposed funds, by source, are summarized in Table 1.

**Table 1**  
**California State University**  
**Summary of Capital Improvement Program for 1982-83**  
**(in thousands)**

<i>Item</i>	<i>Fund</i>	<i>Amount</i>
6610-301-146	Capital Outlay Fund for Public Higher Education .....	\$24,725
6610-301-189	Energy and Resources Fund, Energy Account .....	2,215
6610-301-942	Special Deposit Fund, Department of Energy Consent Order Proceeds Account .....	6,497
Total .....		\$33,437

Of the \$24,725,000 proposed from the Capital Outlay Fund for Public Higher Education (COFPE), \$6,216,000 is proposed to replace funds which the administration proposes for reversion in the current year (Item 6610-495). The reversions are proposed in order to make funds available for transfer to the General Fund so as to avoid a deficit in the current year.

For discussion purposes we have divided the CSU program into two parts—(1) funds requested for projects which the Legislature has previously reviewed and approved but which are proposed for reversion in the current year and (2) new funding requests. We have further divided our discussion of new project requests into seven categories, described within our analysis.

#### **Transfer to General Fund**

*We recommend that the savings resulting from our recommendations on Items 6610-301-146 (\$2,084,000) and Item 6610-301-189 (\$1,706,000) be transferred to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide.*

We recommend reductions amounting to \$3,790,000 in the California State University's capital outlay program from the Capital Outlay Fund for Public Higher Education (\$2,084,000) and the Energy and Resources Fund (\$1,706,000). Approval of these reductions, which are discussed individually below, would leave an unappropriated balance of tidelands oil revenues in these funds, where they would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special purpose accounts limits the Legislature's options in allocating funds to meet high-priority needs. So that the Legislature may have additional flexibility in meeting these needs, we recommend that any savings resulting from approval of our recommendations be transferred to the General Fund.

#### **I. FUNDS PROPOSED FOR REVERSION IN THE CURRENT YEAR AND REBUDGETED FOR 1982-83**

The administration proposes reversion of \$6,216,000 appropriated in the Budget Act of 1981 for capital outlay for the CSU. The reversions, proposed in Item 6610-495, would provide funds for transfer to the General Fund to avoid a deficit in the General Fund in the current year. Table 2 shows the status of the 1981 Budget Act appropriation, the amounts proposed for 1982-83 to replace the reverted funds and the estimated future costs to complete the project. In some cases, project funds to complete the project are included elsewhere in the Budget Bill under this item. Our analysis of the proposed additional funds is included in Part II of this analysis.

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY  
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**Table 2**  
**California State University**  
**1982-83 Project Funds to Replace Funds**  
**Proposed for Reversion**  
**(in thousands)**

Fund/Project Title/Location	1981-82 Reversions— —Item 6610-495			1982-83—Item 6610-301		
	Amount Appropriated <sup>a</sup>	Amount Expended	Amount Reverting	Budget Bill Amount <sup>a</sup>	Analyst's Proposal	Estimated Additional/ Future Costs <sup>b</sup>
<i>Capital Outlay Fund for Public Higher Education—Item 661-301-146, Budget Act of 1981</i>						
Remove architectural barriers—Chico.....	\$290 wc	\$16	\$274	\$274 wc	\$274	—
Remove architectural barriers—Hayward .....	14 w	—	14	14 w	14	\$293 <sup>c</sup>
Remove architectural barriers—Humboldt.....	158 wc	6	152	152 wc	152	—
Remove architectural barriers—San Jose .....	58 wc	—	58	58 wc	58	467 <sup>c</sup>
Remove architectural barriers—San Luis Obispo .....	294 wc	—	294	294 wc	294	—
Remove architectural barriers—Los Angeles.....	82 wc	—	82	82 wc	82	—
Modify fine arts laboratory—Hayward	10 w	—	10	10 w	10	193
Elevator safety—Long Beach .....	10 w	—	10	10 w	10	225 <sup>c</sup>
Letters and science building, Fire Marshal requirements—Fullerton .....	15 w	—	15	15 w	15	189 <sup>c</sup>
Site preparation for computer center—San Jose .....	44 pw	—	44	44 pw	44	609
Facility office addition—Northridge..	2,417 c	—	2,417	2,417 c	2,417	21 <sup>c</sup>
Energy retrofits—systemwide .....	1,202 pwc	—	1,202	1,202 pwc	1,202	—
Cogeneration plant—San Diego .....	3,604 c	2,017	1,587	1,587 c	1,587	—
Remodel for nursing—Sacramento ....	57 wc	—	57	57 wc	57	—
Totals.....	\$8,255	\$2,039	\$6,216	\$6,216	\$6,216	\$1,997

<sup>a</sup> Phase symbols indicate: c—construction; p—preliminary plans; and w—working drawings.

<sup>b</sup> CSU estimate.

<sup>c</sup> These funds are proposed for funding in 1982-83 in a separate item. We discuss the additional funding request in the "New Project Request" portion of our analysis.

**Funds Rebudgeted At 1981 Levels**

*We recommend that prior to legislative hearings on the budget, the Department of Finance identify the amount of additional funds that may be needed because of delays in projects approved for the current year.*

Table 2 shows the project funds proposed in the Budget Bill to replace funds proposed for reversion in the current year. The amount included in the Budget bill is identical to the amount proposed to be reverted in 1981-82. Thus, approval of the Budget Bill would essentially restore project funds to the level originally approved by the Legislature in the

1981 Budget Act, less any expenditures made during the current year.

Given the Legislature's previous action, we recommend approval of the budgeted funds. The amounts requested, however, do not include any additional funds which may be needed because of inflationary cost increases which have occurred due to these projects being delayed. Accordingly, we recommend that prior to legislative hearings on the budget, the Department of Finance identify any additional amounts that may be needed so that the projects may proceed in the budget year.

## II. NEW PROJECT REQUESTS

### A. Statewide Planning

This category includes three funding requests which would provide planning funds in support of future capital outlay requests. The CSU requests for funds in this category are summarized in Table 3.

**Table 3**  
**California State University**  
**Statewide Planning—Capital Outlay**  
**(in thousands)**

<i>Budget Item</i>	<i>Purpose</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>
6610-301-146			
(1)	Architectural and engineering planning and studies .....	\$150	\$150
(2)	Preliminary planning—1983-84.....	50	50
(4)	Seismic safety studies.....	250	50
Totals.....		\$450	\$250

#### **Architectural and Engineering Planning and Studies**

*We recommend approval of Item 6610-301-146(1), architectural and engineering planning and studies.*

This item would provide funds for campus master planning, consulting services, and technical studies. In addition, budget language allows up to \$25,000 of the funds appropriated in this item to be available for development of technical studies and engineering studies of energy conservation projects. These funds are allocated to the campuses by the Chancellor's Office, based on priority needs.

These funds are used by the individual campuses to secure technical and professional services relative to capital improvements needs at the various campuses. The proposed amount should be sufficient to meet high-priority needs on a systemwide basis, and we recommend approval of the requested funds.

#### **Preliminary Planning—1983-84 Projects**

*We recommend approval of Item 6610-301-146(2), preliminary planning for projects expected to be included in the 1983-84 budget.*

This element provides \$50,000 which would be available for development of preliminary plans for projects expected to be included in the 1983-84 Governor's Budget for working drawings and/or working drawings and construction. This funding mechanism has been utilized since the Budget Act of 1975 in order to improve project programming and ensure that adequate information is available to the Legislature for review of proposed projects.

The proposed 1982-83 funding level is substantially below the \$125,000

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included in prior budget acts. This is because significant number of capital outlay projects have been deferred in the current year, and it is anticipated that the capital improvement program for future years will be reduced as a result of the backlog of projects for which adequate planning has already been completed. Under the circumstances, the proposed funding level appears reasonable, and we recommend approval.

**Seismic Safety Studies**

*We recommend that Item 6610-301-146(4), be reduced by \$200,000 to fund seismic correction studies only for those CSU buildings ranked high on the statewide priority list.*

The California Seismic Safety Commission has completed a Seismic Hazard Survey of all state buildings. The survey—completed in April 1981—evaluated several hundred state buildings for potential seismic rehabilitation. The study included a priority list of all buildings based on building class, occupancy levels, and the relative probability of seismic activity in the area. The purpose of the survey was to identify the buildings that pose the most significant seismic hazard so that a plan for rehabilitation of state facilities would proceed on a systematic basis with the highest-priority (highest-risk) projects being funded first. The \$250,000 proposed in this item would be used for in-depth engineering studies of nine CSU projects identified on the statewide priority list. These additional studies would verify the relative necessity, scope, and cost of the proposed seismic rehabilitation. These buildings vary in priority from number 3 to number 35 on the statewide list. The estimated reconstruction cost for these buildings is \$24 million.

Our analysis indicates that the amount budgeted for seismic studies is excessive, given the fact that limited funds will be available to complete the initial group of buildings proposed for study. A more reasonable proposal would be to study only the three highest-priority projects which are statewide priority items 3, 4, and 8. This level is consistent with a similar program approved for the University of California in prior years. The three CSU buildings have an estimated reconstruction cost of \$4 million. The engineering studies of these buildings would be used to support future capital outlay requests for renovation and would also provide a means of validating the findings of the commission. Funding for studies of these buildings plus the buildings under study for UC have a combined estimated reconstruction cost of \$36 million. This level of potential reconstruction is reasonable in view of other statewide capital improvement needs and the limited availability of capital outlay funds.

Accordingly, we recommend that this item be reduced by \$200,000, with the remaining \$50,000 to be spent for seismic safety evaluation of the three highest-priority CSU projects.

**B. Minor Projects**

*We recommend that Item 6610-301-146(3) be reduced to \$3,000,000 to provide only high-priority minor capital improvement needs, a savings of \$500,000.*

This category includes capital outlay projects costing \$150,000 or less. The \$3.5 million request represents a lump-sum amount to be allocated by the Chancellor's Office for minor construction projects at each of the 19

CSU campuses. Control Section 28.71 requires the Department of Finance to approve any funds used to reclassify instructional space, administrative space, library space, or faculty offices to other use, and also requires 30-days' advance written notification to the Chairman of the Joint Legislative Budget Committee.

The Chancellor's Office has submitted a list of proposed projects to be funded from the \$3.5 million. The list includes 178 projects totaling \$3,300,000 and a \$200,000 reserve for emergency projects, augmentation, and planning of future projects. Our review of the Chancellor's Office list of approved projects indicates that there are many projects proposed for funding that seem to be low in priority in relation to other needs. Examples of such projects are: (1) \$35,000 for new landscaping and automatic sprinkler systems, (2) \$8,000 to put overhead electrical lines to underground, (3) \$60,000 for an addition to the dormitory at the Mount Laguna Observatory at San Diego, and (4) \$14,000 for fencing of handball courts.

Based on our review of the information provided by the Chancellor's Office, we conclude that \$3,000,000 would be adequate for the CSU minor capital outlay program. This amount will provide for high-priority needs related to health safety modifications and instructional program improvements. Consequently, we recommend that this item be reduced by \$500,000.

### C. Removal of Architectural Barriers to the Physically Handicapped (Item 6640-301-146(5))

This category includes a lump-sum appropriation of \$1,600,000 for seven projects to remove architectural barriers to the physically handicapped on five CSU campuses. In addition to these projects, the budget includes six projects to remove architectural barriers that were approved in the 1981 Budget Act but deferred through administrative action. These projects are shown in Table 2, and discussed in part I of this analysis.

**Table 4**  
**California State University**  
**Projects to Eliminate Architectural Barriers to the Handicapped**  
**Item 6610-301-146(5)**  
**(In thousands)**

<i>Project Title</i>	<i>Phase<sup>a</sup></i>	<i>Campus</i>	<i>CSU Request</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Cost<sup>b</sup></i>
Elevator for P.E. building and modify elevator controls campuswide .....	c	Hayward	\$293	pending	—
Elevators for gym and old science; access to women's pool .....	c	San Jose	467	\$467	—
Elevator for dramatic arts .....	wc	San Diego	202	pending	—
Modify elevator controls campuswide ..	wc	San Jose	75	75	—
Elevator for King Hall .....	wc	Los Angeles	360	—	—
Lift for administration building .....	wc	San Francisco	130	—	—
Elevator for family studies and consumer science building .....	wc	San Diego	130	pending	—
<b>Totals .....</b>			<b>\$1,657<sup>c</sup></b>	<b>pending</b>	<b>—</b>

<sup>a</sup> Phase symbols indicate: c—construction, w—working drawings.

<sup>b</sup> CSU estimate.

<sup>c</sup> While the Budget Bill includes only \$1,600,000 for these projects, the CSU individual requests total 1,657,000. The unfunded portion has not been identified.

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The Trustees have established priorities for removal of architectural barriers which include (1) access to the campus as a whole, (2) access of facilities to meet the basic needs of the handicapped, (3) access to the main level of buildings with high student use, (4) access to floors above and below main levels, (5) installation of automatic doors and lower drinking fountains, and (6) other access projects.

Several million dollars in state and federal funds have been made available to the CSU for removal of barriers to the handicapped. All projects in the first three categories of priority have been completed. The funds proposed in the 1982 budget would accomplish a portion of the projects identified to provide access to floors above and below the main building level. Table 4 summarizes the requested projects and our recommendations on each.

**San Jose**

*We recommend approval of \$542,000 for two architectural barrier projects at San Jose.*

The budget includes funds for two projects at San Jose State University for removal of architectural barriers. One project would provide elevators for the gym and old science buildings and provide access to the pool. This project is needed in order to allow mobility-impaired individuals access to physical education facilities not available on the main level. Another project for \$75,000 would modify the control panels in all elevators on campus to allow operation by mobility-impaired individuals. Preliminary plans for these projects have been completed, and our review indicates that the proposed project scope and associated costs are reasonable. We recommend approval of the \$542,000 requested to complete the projects.

**Los Angeles and San Francisco**

*We recommend deletion of \$490,000 for architectural barrier removal projects because the buildings to be modified are currently accessible.*

The budget includes \$360,000 for working drawings and construction to install an additional elevator in King Hall on the Los Angeles campus. The CSU indicates that the existing elevator is not readily available to handicapped individuals, resulting in inconvenience and delay to users. The project at San Francisco State University for \$130,000 would provide an elevator in the Administration Building to make access to this building more direct and convenient for the mobility impaired.

Our review of these projects indicates that these buildings are currently accessible to the physically handicapped. While the proposed improvements would provide a more convenient path of travel, the improvements would not eliminate any architectural barriers. Accordingly, we recommend deletion of the proposed projects at Los Angeles and San Francisco under Item 6610-301-146(5), a saving of \$490,000.

**Hayward and San Diego**

*We withhold recommendation on \$625,000 included under Item 6610-301-046(5) for removal of architectural barriers on the Hayward and San Diego campuses, pending receipt of additional information.*

The Chancellor's Office has allocated funds available in the 1981 Budget Act for preparation of preliminary plans for three projects to eliminate architectural barriers at Hayward and San Diego. The proposed projects will provide access to programs not available on the main level of the buildings. The Chancellor's Office indicates that the preliminary plans for these projects will be completed prior to legislative hearings on the budget.

We withhold recommendation on the proposed funds for the Hayward and San Diego projects, pending receipt of the completed preliminary plans.

**Project Funds Not Scheduled by Campus**

*We recommend that the schedule in the Budget Bill be modified to identify the funds appropriated for removal of architectural barriers to the physically handicapped for each campus of the CSU.*

As indicated in Table 4, the Budget Bill includes a lump-sum appropriation of \$1,600,000 for working drawings and construction to remove architectural barriers to the physically handicapped at several campuses. A portion of these funds would be used for the construction phase of projects previously approved for preliminary plans and working drawings. In other cases, the requests are for working drawings and construction.

**Table 5**  
**California State University**  
**Projects to Correct Code Deficiencies**  
**1982-83**  
**(in thousands)**

Item	Project Title	Phase <sup>a</sup>	Campus	Budget Bill Amount	Analyst's Proposal	Estimated Future Cost <sup>b</sup>
6610-301-146						
(6)	Letters and Science Building modifications to meet Fire Marshal requirements .....	c	Fullerton	\$189	\$189	—
(8)	Stabilize Founders Hall slope .....	pw	Humboldt	28	28	\$284
(9)	Modify elevators to meet safety code requirements .....	c	Long Beach	225	225	—
(11)	Old library rehabilitation .....	w	San Diego	114	—	2,349
(13)	Modify nine academic buildings to meet fire code requirements....	pw	San Francisco	48	Pending	610
Totals.....				\$604	Pending	\$3,243

<sup>a</sup> Phase symbols indicate: c—construction; p—preliminary planning; and w—working drawings

<sup>b</sup> CSU estimate.

In order to ensure adequate administrative monitoring of the funds appropriated for these projects, the Budget Bill schedule should be modified to identify the funds approved for the specific projects requested by the CSU. In this way, project scope and cost can be adequately monitored through the allocation of funds by the State Public Works Board. Moreover, the CSU requests total \$1,657,000, while the lump-sum appropriation is \$1,600,000. Thus, the lump-sum amount is not adequate to fund these projects.

Accordingly, we recommend that the Budget Bill schedule be modified to identify specific projects by campus—as reflected in Table 4.

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY  
AND REVERSION—Continued****D. Projects to Correct Code Deficiencies**

A summary of the five projects proposed to correct code deficiencies, and our recommendation for each, is provided in Table 5.

**Fullerton—Fire Marshal Modifications**

*We recommend approval of Item 6610-301-146(6), construction funds to modify the Letters and Science Building.*

The budget includes \$189,000 for construction of modifications to the Letters and Science Building at Fullerton. A State Fire Marshal survey of this building identified several fire safety deficiencies. The most significant deficiency is the lack of fire doors at the entrance to the escalators serving the first through third floors. The project proposes installation of doors to compartmentalize the building, and construction of corridors to provide emergency egress.

Preliminary plans for this project recently have been completed. Our review of the completed plans indicates that the proposed modifications are consistent with the requirements of the State Fire Marshal. On this basis, we recommend approval of the proposed funds.

**Humboldt—Stabilize Slopes**

*We recommend that Budget Bill language be adopted to require that the state funds appropriated to stabilize the Founder's Hall slope are to be repaid from the State University Dormitory Revenue Fund.*

This \$28,000 proposal would provide preliminary plans and working drawing funds for a project to stabilize a hillside rising directly behind a residence hall complex on the Humboldt campus. Geological studies have been made on this slope, and there is concern that it presents a peril to the occupants of residence halls. The project would involve removal of unstable material and compaction of remaining earth. The estimated future cost for construction is \$284,000.

Our analysis indicates that the unstable slope at Humboldt poses a potential hazard to the dormitories and should be corrected. The operation of student housing however, at state university campuses is an auxiliary activity not supported from state funds. The education code grants the CSU Trustees the authority to issue bonds and construct housing facilities with the anticipated revenues pledged as repayment for the bonds. The code requires the Trustees to charge rents equal to annual operating and maintenance expenses including repairs, insurance costs, and all redemption and interest charges. The subject residence halls were constructed, and are operated in this manner. Consequently, the costs to stabilize the slope could be considered a responsibility of the dormitory operations and as such should be borne by the University Dormitory Revenue Fund (UDRF). Funding this project directly from the UDRF however, may reduce the UDRF reserves below acceptable levels. In recognition of the hazardous conditions and the potential UDRF condition, we recommend that the proposal be approved using funds from the Capital Outlay Fund for Public Higher Education (COFPE) but that COFPE appropriations be repaid from the UDRF over 30 years, at an interest rate equivalent to the Pooled Money Investment Account rate. Consequently, we recommend adoption of budget language to require repayment of the appropriated funds.

**Long Beach Elevator Modifications**

*We recommend approval of Item 6610-301-146(9), construction funds to modify elevators to meet safety code requirements.*

This \$225,000 project would modify 15 elevators on the Long Beach Campus to meet safety code requirements pertaining to seismic safety and fireman's service requirements. The elevators to be modified are located in 11 state-funded buildings at this campus.

Preliminary plans for the proposed elevator modifications recently have been completed. Our review of the preliminary plans indicates that the proposed modifications are consistent with the California Administrative Code and State Fire Marshal requirements for elevator safety. The proposed construction amount and project scope are reasonable, and we recommend approval.

**San Diego Old Library Rehabilitation**

*We recommend deletion of Item 6610-301-146(11), working drawings to convert the old library, a reduction of 114,000, because seismic rehabilitation of this building is a low statewide priority.*

This \$114,000 proposal is for working drawing funds to rehabilitate the old library on the San Diego State University campus. The project consists of seismic rehabilitation of the original 1931 portion of the library complex, and conversion of approximately 22,700 assignable square feet for engineering, nursing and public health laboratories. The renovated facilities would also provide a net increase of 25 faculty office stations, 54 laboratory FTE (full-time-equivalents) and 140 lecture FTE capacity. The Chancellor's Office has allocated \$72,000 in the current year for preparation of preliminary plans for the project. The estimated total project cost is \$2,555,000.

*Seismic Rehabilitation of This Building is a Low Priority on a Statewide Basis.* The California Seismic Safety Commission has completed a survey of all state-owned buildings to identify the total state needs for seismic rehabilitation of buildings, based on a relative risk evaluation. This report included a statewide priority ranking of all state buildings, based on type of construction, occupancy type, and seismic activity in the area of the building.

The old library at San Diego was evaluated by the commission and was placed low on the state list. Consequently, it would not be appropriate to proceed with seismic rehabilitation of this building, given the fact that the commission's report has identified many buildings which should be renovated before the old library.

*Additional Instructional Capacity Not Justified.* Our analysis indicates that the instructional capacity space to be included in the renovated facility is not justified. The project includes construction of two upper division engineering laboratories with a capacity of 11.6 FTE. According to the information provided by the Chancellor's Office, the San Diego campus has a capacity of 83 FTE in upper-division engineering labs while the 1980 fall enrollment was 54 FTE. Thus, based on 1980 data, the capacity for upper-division engineering laboratories is 54 percent more than the enrollment.

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The Chancellor's Office information indicates that the laboratory capacity of 39.4 FTE is 20 FTE short of the need, based on enrollment. Laboratory capacity for health professions proposed in the project, however, would add 43 FTE capacity. Consequently, the project would provide capacity that exceeds the current need in this area by 37 percent. Moreover, the campus has a total laboratory capacity of over 100 percent of need, based on projections through 1987-88. The campus lecture space and office space are at 98 percent and 102 percent of need, respectively.

In summary, our analysis of the proposed project indicates that (1) seismic rehabilitation of this facility is of low priority statewide and (2) the proposed instructional space to be constructed is not justified based on state-approved space standards. Accordingly, we recommend that the proposed working drawing funds be deleted, for a reduction of \$114,000.

**San Francisco Fire Code Requirements**

*We withhold recommendation on Item 6610-301-146(13), preliminary plans and working drawings to modify nine academic buildings to meet fire code requirements, pending receipt of additional information.*

The budget requests \$48,000 for preliminary plans and working drawings for a project to modify nine academic buildings to meet fire code requirements at San Francisco State University. The proposed project is predicated on a survey conducted by the State Fire Marshal which identified specific deficiencies. The proposed modifications include replacing doors with fire-rated doors, installation of new doors to compartmentalize buildings and revision of the ventilation system. The estimated future cost is \$610,000.

The Chancellor's Office has authorized the preparation of preliminary plans for this project, utilizing \$16,000 available in the current year for planning 1982-83 capital outlay projects. Consequently, the proposed budget request is excessive in that it includes funds for preliminary plans which have been funded through current-year resources.

Moreover, the scope of work to be accomplished under this project is unclear. The State Fire Marshal's survey indicated numerous building deficiencies which should not require capital improvements but were the result of inadequate maintenance or inappropriate administrative control of building spaces. The CSU should identify the maintenance and administrative actions which can be taken to correct these deficiencies.

Until this information is developed, we have no basis on which to evaluate the proposed building modifications. Consequently, we withhold recommendation on the requested funds, pending the receipt of (1) a report on the administrative actions taken to correct deficiencies and (2) completion of preliminary plans for proposed building modifications.

**E. Equipment Projects**

This category includes two projects to provide equipment for previously approved construction projects. A summary of the projects included in this category, and our recommendation for each, is provided in Table 6.

**Northridge—Faculty Office Addition**

*We recommend Item 6610-301-146(10), equipment for the faculty office addition, be deleted, a reduction of \$21,000, because construction of this*

*project has been delayed and equipment funds will not be required in the budget year.*

**Table 6**  
**California State University**  
**Equipment Projects**  
**(in thousands)**

<i>Item</i>	<i>Project Title</i>	<i>Campus</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>
6610-301-146				
(10)	Faculty office addition.....	Northridge	\$21	—
(12)	Library/media center and classrooms—Calexico	San Diego	199	\$149
Totals.....			\$220	\$149

This item proposes \$21,000 for equipment for the faculty office addition at the Northridge campus. The project would provide 100 faculty offices and associated space for department chairmen currently located in leased facilities. Construction funds (\$2,417,000) for this project were appropriated in the 1981 Budget Act. However, due to the freeze on capital outlay imposed by the administration during the current year, the project has not been bid for construction.

As originally scheduled, this project was to be completed in March 1983. However, the delay imposed by the freeze on capital outlay will delay occupancy of the facility to some time late in 1983. Accordingly, the funds for equipment related to the project will not be needed until the 1983-84 fiscal year, and can be included in the budget for that year. Accordingly, we recommend deletion of the \$21,000 included under Item 6610-301-146(10).

#### **Calexico Replacement Facilities**

*We recommend Item 6610-301-146(12), equipment for the library/media center and classrooms at Calexico, be reduced by \$50,000 by eliminating equipment funds unrelated to the new space provided by this project.*

The San Diego State University provides instruction at its Imperial Valley campus located in Calexico, approximately 120 miles east of San Diego. The campus, established in 1959, offers the last two years of undergraduate education plus a fifth year credential program for teacher preparation. The present enrollment is approximately 248 full-time equivalent students.

In October 1979, a major earthquake damaged a portion of the buildings on the Imperial Valley campus. Chapter 93, Statutes of 1980, appropriated \$1,675,000 for construction of new facilities and repairs/rehabilitation of some existing facilities damaged by the earthquake. Chapter 93 further requires that the university repay the appropriation to the extent any federal funds are received under the disaster assistance program. The CSU should advise the Legislature as to whether federal funds are available for this project.

The CSU indicates that the facilities funded by this measure—a library/media center and a classroom building—should be ready for occupancy by fall of 1982. The Budget Bill proposes \$199,000 for equipment related to the new facilities.

Our analysis of the equipment request indicates that it would provide funds for equipment *not* related to the new space provided by this project. Only equipment related to the additional program area provided by the

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY  
AND REVERSION—Continued**

construction project should be purchased. Other equipment requested to enrich programs or replace obsolete items is funded from the CSU support/operations budget. For example, the new library/media center contains 7,720 assignable square feet. The CSU requests funds to provide equipment for this entire area, based on existing equipment guidelines. However, prior to approval of the new construction, the library occupied 2,800 assignable square feet. Consequently, equipment requests related to the construction project should be based only on the net marginal gain in library space of approximately 4,900 square feet. Similarly, the 1,800 assignable square feet of new classrooms should not require any equipment because the university previously operated several classrooms in 5,416 assignable square feet now scheduled to be demolished.

Finally, the university's proposal includes \$80,000 to equip the new language lab included in this project. Based on space guidelines, the amount needed for equipment for space of this type should not exceed \$55,700.

Based on our review of the amount of equipment funds needed to equip the marginal gain in program space provided by this project, the requested amount should be reduced by \$50,000. This amount would provide \$93,300 for equipment related to the library/media center and \$55,700 for equipping the language lab. The amount recommended for the library includes sufficient funds for shelving in the entire new space. We, therefore, recommend that Item 6601-301-146(12) be reduced to \$149,000—the amount supportable for the marginal gain in space provided through this project—for a savings of \$50,000.

**Table 7**  
**California State University**  
**General Capital Improvement Projects**  
**1982-83**  
**(in thousands)**

<i>Item</i>	<i>Project Title</i>	<i>Phase<sup>a</sup></i>	<i>Campus</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Cost<sup>b</sup></i>
(7)	Remodel engineering.....	wc	Humboldt	\$720	Pending	\$174
(14)	Modifications to bookstore for computer center .....	c	San Jose	609	—	—
(15)	Faculty office building.....	c	Pomona	3,570	3,570	29
(16)	Addition and remodel, marine lab- oratory .....	c	Moss Landing	2,568	2,568	130
(17)	Science building conversion.....	c	San Francisco	1,134	1,134	324
(18)	Library conversion .....	c	San Luis Obispo	2,090	2,090	225
(19)	Library conversion .....	c	Fullerton	1,444	1,444	372
Totals .....				\$12,135	Pending	\$1,254

<sup>a</sup> Phase symbols indicate: c—construction; w—working drawings.

<sup>b</sup> CSU estimate.

## F. General Capital Improvement Projects

This category includes seven projects for construction of new facilities and remodeling of existing facilities to meet various program requirements at six campuses and at the Moss Landing Marine Laboratory. The requests in this category and our recommendations for each are contained in Table 7.

### Humboldt

*We recommend Item 6610-301-146(7), working drawings and construction funds to remodel the engineering building (Van Matre Hall), be reduced by \$100,000 by deleting unnecessary project elements. We withhold recommendation on the balance of the requested funds of \$620,000, pending development of adequate information to substantiate the requested construction funds.*

This \$720,000 project will remodel the existing engineering building at Humboldt State University to provide additional laboratory capacity in geology and expansion of the campus computer center. A portion of the area to be remodeled is space to be vacated by the engineering department upon completion of the new science building. The project would also correct several fire and life safety deficiencies in the engineering building. The Budget Act of 1981 included \$17,000 for preparation of preliminary plans for this proposed project.

We have two concerns regarding this project. First, the project includes installation of a new elevator and proposed energy conservation measures which have not been justified. Second, the amount included in the budget for construction is not based on adequate information.

**Unnecessary Project Elements.** The Chancellor's Office indicates that this project includes installation of a new elevator for passenger use in the engineering building. The purpose of the elevator is to provide access for mobility-impaired individuals to the second floor computer center. The information provided by the Chancellor's Office, however, indicates that the existing computer center is located on a raised computer floor and is not accessible to mobility-impaired individuals because of the steep ramps that must be negotiated. The project, however, does not propose to remove these barriers. Moreover, an elevator already serves this floor.

Apparently, any services which would be provided in the computer center can be provided to mobility-impaired individuals at other locations on the campus. Consequently, we see no basis for construction of the elevator included in the project, and recommend that the \$60,000 budgeted for this work be deleted.

In addition, the project would include \$40,000 for modifications to the existing heating, ventilation and air conditioning system to conserve energy. However, no information has been provided to identify the cost savings attributable to these modifications. Accordingly, we recommend that the \$40,000 budgeted for this work be deleted from the project.

**Inadequate Information to Substantiate Construction.** The working drawing and construction amount included in the Budget Bill is based on a schematic estimate prepared by a consulting architect. Adequate preliminary plans have not been completed, and the consultant indicates that the cost estimates included in the schematic package are tentative, due to a lack of information in several areas. The Chancellor's Office should direct the consultant to complete the preliminary plans and verify the cost estimate. Pending receipt of this additional information, we withhold recommendation on the balance of the funds requested under Item 6610-301-146(7).

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY  
AND REVERSION—Continued****San Jose**

*We recommend Item 6610-301-146(14), construction funds to remodel the bookstore for a computer center, be deleted, a reduction of \$609,000 because adequate information has not been developed to substantiate the requested construction funds. Further, we recommend that prior to budget hearings, the Department of Finance report to the Legislature on the amount of additional costs that may be incurred as a result of the delay imposed by the capital outlay freeze under Executive Order B-87-81.*

This \$609,000 proposal is for construction to remodel the old bookstore building for the computer center. This building has been used for many years as a library reserve bookroom, but will no longer be needed for this purpose when the new library is completed. At the same time, the CSU is replacing existing obsolete computers at all campuses, and an expanded computer center is needed at San Jose. The proposed remodeling project would provide a site for the new computer scheduled to be delivered in March 1983.

The Legislature included \$44,000 in the 1981 Budget Act for preparation of preliminary plans and working drawings for this project *per a Department of Finance augmentation request*. These funds have not been expended and are proposed for reversion under Item 6610-495. Consequently, architectural planning and design of the proposed remodeling has not begun. The Budget Bill, proposes rebudgeting of the preliminary plan and working drawing funds for the 1982-83 year. Thus, planning for this project has been delayed one year and no information is available to substantiate the construction request. Moreover, according to the schedule provided by the Chancellor's Office, preparation of preliminary plans and working drawings will require 10 months. Given the lack of information available on this project, we recommend deletion of the proposed construction funds.

*Additional Cost Due to Administrative Freeze on Planning Funds.* It is apparent that, as a result of the administration's freeze on the planning funds for this project, the new computer center will not be completed in time for the scheduled installation of new computing equipment. The CSU may incur additional costs related to the delay in the project and resulting delay in the scheduled delivery of computer equipment. In fact, the scheduled delivery date of the equipment, and the potential state cost if the delivery was delayed, was the basis for the Department of Finance amendment letter in 1981.

Department of Finance indicate the amount of additional costs due to the delay in the project caused by the administrative freeze on capital outlay in the current year.

**Pomona**

*We recommend approval of Item 6610-301-146(15), construction funds for a new faculty office building.*

This \$3,570,000 proposal is for construction of a new faculty office building at the Pomona campus. The building will contain 120 faculty offices, 8 offices and associated space for department chairmen, and office space for the EOP Director and staff. The new facility will replace faculty and

staff offices located in temporary trailers. The trailers were acquired in 1969 and will be removed upon completion of this project.

Preliminary plans for the proposed new faculty office building have been completed. Our review of the preliminary plans and cost estimate indicates that the project scope is reasonable, and the estimated cost is within the guidelines for projects of this type. Accordingly, we recommend approval of the requested construction funds of \$3,570,000 proposed in Item 6610-301-146(15).

#### **Moss Landing—Marine Laboratory I**

*We recommend approval of Item 6610-301-146(16), construction funds for an addition and remodeling of the Moss Landing Marine Laboratories.*

This \$2,568,000 request would provide construction funds to expand and remodel the existing marine sciences laboratory located at Moss Landing. Students from the five northern California campuses receive instruction in marine sciences at this facility. The project would provide new laboratory facilities needed to support the academic program, and would remodel the existing space into necessary support facilities. Upon completion of the project, the facility will have a capacity of 50 full-time equivalent students. Preliminary planning and working drawing funds totaling \$130,000 have been approved for this project in prior Budget Acts.

Preliminary plans for the addition and alterations to the Moss Landing facility have been completed, and working drawings are currently underway. Our analysis of the preliminary plans and cost estimates indicates that the plans reflect the project scope as approved by the Legislature, and the estimated cost is within accepted guidelines for space of this type. Accordingly, we recommend approval of the proposed construction funds included in Item 6610-301-146(16).

#### **San Francisco**

*We recommend approval of Item 6610-301-146(17), construction funds to convert the science building at San Francisco.*

This item contains \$1,134,000 to convert obsolete and surplus space in the old science building to laboratories for nursing, anthropology, journalism, art, and archeology. The project also would replace 60 faculty office stations from the business building and would upgrade building utility systems to eliminate existing deficiencies. Preliminary planning and working drawing funds in the amount of \$88,000 have been previously approved by the Legislature for this project. Preliminary plans have been completed and working drawings are in progress.

As originally designed, this project would have cost significantly more than the project costs approved by the Legislature. In recognition of limited funding, the campus has modified the proposed project to eliminate nonessential changes and to reduce overall project costs. The requested construction funds represent the modified proposal, and are within the anticipated cost recognized by the Legislature. Accordingly, we recommend approval of the \$1,134,000 proposed for construction.

#### **San Luis Obispo**

*We recommend approval of Item 6610-301-146(18), construction funds to convert the old library at the San Luis Obispo campus.*

This \$2,090,000 construction request would convert the existing library to provide a capacity of 170 FTE (full-time equivalents) in laboratories

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designed for architectural/environmental design and art. In addition, the alteration would increase the lecture capacity by 256 FTE, and increase the number of available faculty offices by 57. This building is presently vacant because of the recent completion of the new Robert E. Kennedy Library. The CSU has identified high-priority space needs at the San Luis Obispo campus, and proposes these modifications to the old library building to meet these instructional needs. The Legislature previously approved preliminary plans and working drawings for this project in the Budget Act of 1981.

Preliminary plans for this proposed project have recently been revised in order to reduce costs to a level previously recognized by the Legislature. These reductions have reduced the estimated project cost by \$160,000, and the budget request reflects the reduced amount. Based on the revised project estimate, we recommend approval of the funds requested in Item 6610-301-146(18).

**Fullerton**

*We recommend approval of Item 6610-301-146(19), construction funds for the library conversion at Fullerton.*

This request is for \$1,444,000 to convert 47,000 asf on the second and third floors of the library building to permanent library space. The majority of this space currently houses classrooms and faculty offices. The conversion project would result in a loss in capacity of 1,233 FTE in classroom space and 46 faculty offices. However, based on current enrollment projections, the campus would have 99 percent of its needs in classroom and faculty offices after completion of the library conversion project. In addition, the project would increase the amount of library space available to 98 percent of the library space needs according to the state space guidelines.

Based on the projected enrollment at this campus and existing significant deficiency in library space, the proposal to convert classroom/office space into library space is appropriate. Preliminary planning for this proposed project has been completed, and our review of the project scope and cost estimate indicates that it is in agreement with the project as originally approved by the Legislature. Accordingly, we recommend approval.

**G. Energy Conservation Projects**

This category includes 11 projects at various campuses and two statewide requests totaling \$8,712,000. The projects are to be funded from the Energy and Resources Fund, Energy Account and from the Special Deposit Fund, Department of Energy, Consent Order Proceeds Account. Table 8 summarizes the requests and our recommendations.

**Special Deposit Fund, Department of Energy (DOE), Consent Order Proceeds Account**

*We recommend that the Legislature evaluate options available for the use of funds in the Special Deposit Fund, Department of Energy, Consent Order Proceeds Account, so that these funds are used to meet high-priority statewide needs identified by the Legislature.*

**Table 8**  
**California State University**  
**Energy Conservation Projects**  
**1982-83**  
**(in thousands)**

<i>Item</i>	<i>Project Title</i>	<i>Phase<sup>a</sup></i>	<i>Campus</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Cost<sup>b</sup></i>
<i>6610-301-942</i>						
(1)	Cogeneration plant .....	wc	Northridge	\$3,306	Pending	—
(2)	Cogeneration plant .....	wc	San Luis Obispo	3,191	Pending	—
Subtotal—Special Deposit Fund .....				\$6,497	Pending	—
<i>6610-301-189 Energy and Resources Fund</i>						
(1)	Energy conservation retrofits .....	pwc	Statewide	\$1,000	—	—
(2)	Feasibility studies .....	p	Statewide	25	—	Unknown
(3)	Cogeneration plant .....	p	Chico	90	90	\$5,468
(4)	Cogeneration plant .....	p	Dominguez Hills	37	37	1,969
(5)	Energy management system .....	pw <sup>d</sup>	Fullerton	15	—	215
(6)	Cogeneration plant .....	p	Fullerton	72	72	3,975
(7)	Energy management system .....	pw <sup>d</sup>	Hayward	33	—	400
(8)	Cogeneration plant .....	w	Pomona	597	—	7,867
(9)	Energy management system .....	pw	Pomona	22	—	271
(10)	Cogeneration plant .....	w	San Jose	310	Pending	3,783
(11)	Energy management system .....	pw	San Luis Obispo	14	—	161
Subtotal—Energy and Resources Fund .....				\$2,215	pending	\$24,109
Totals—All Funds .....				\$8,712	pending	\$24,109

<sup>a</sup> Phase symbols indicate: c—construction, p—preliminary planning, w—working drawings.

<sup>b</sup> CSU estimate.

<sup>d</sup> Due to an error, the Budget Bill does not indicate "working drawings" for these projects, but the Governor's Budget and the CSU request includes working drawings.

In July 1981, the U.S. Department of Energy (DOE) and a major oil company entered into a proposed Consent Order. The order resolved administrative matters concerning compliance with the federal petroleum price and allocation statutes and regulations for the period January 1, 1973 through January 27, 1981. Under one provision of the Consent Order, the oil company agreed to pay \$25 million to states and territories, based on the volume of products sold in these areas during 1980. It has been determined that California's share of the funds is \$6,642,275. The order further states that the distributed funds would be used to benefit consumers of oil products, and specifies remedial projects which states may undertake with their share of the funds.

The budget proposes that the funds in the DOE Special Deposit Fund be used for energy conservation projects for the Department of Developmental Services (DDS) and the California State University. The budget includes \$219,000 for the DDS (Item 4300-301-942) and \$6,497,000 for the CSU (Item 6610-301-942). The administration has determined that these projects qualify under the Consent Order guidelines to receive these funds.

### **CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY AND REVERSION—Continued**

Our analysis indicates that a wide variety of other projects could be financed from the consent order account. For example, under the Consent Order guidelines, the funds may be used for any of the following projects:

1. Highway and bridge maintenance and repair.
2. Ridesharing programs.
3. Public transportation projects.
4. Residential or commercial building energy audits.
5. Grants or loan projects for energy conservation weatherization and equipment.
6. Energy assistance programs.
7. Airport maintenance or improvements.
8. Reductions in airport user fees.
9. Energy conservation or energy research offices and administration.

In view of the significant fiscal constraints facing the Legislature in putting together a budget for 1982-83, the Legislature in may wish to consider the other options available for use of these funds, to ensure that the funds are utilized to meet high-priority statewide needs as identified by the Legislature. This appears particularly appropriate in view of the significant amounts available from the Energy and Resource Fund (ERF) and other Funds for energy projects of the type proposed here. In fact, the ERF is the only tidelands oil revenue fund which is to receive *in excess* of its full allocation of revenues. Accordingly, we recommend that the Legislature evaluate the options available for using the \$6.6 million available in the Special Deposit Fund, DOE, Consent Order Proceeds Account.

### **Cogeneration Projects—Special Deposit Fund (Northridge and San Luis Obispo)**

*We withhold recommendation on Items 6610-301-942(1), working drawings and construction for a cogeneration plant at Northridge, and Item 6610-301-942(2), working drawings and construction for a cogeneration plant at San Luis Obispo, pending receipt of additional information to verify that the projects, as proposed, would provide energy savings which provide the best economic advantage to the state.*

In our analysis of the Department of Developmental Services, we indicate that proposed cogeneration facilities must be designed in a manner to comply with the policy statement adopted by the Legislature in Ch 102/81. This policy statement specifies that cogeneration proposals will be sized to provide optimum efficiency and the best economic advantage to the taxpayer. As indicated in the DDS analysis, the determination of the best economic advantage to the state is dependent upon four variables related to proposed cogeneration projects.

- The capital cost for construction.
- The cost of fuel for the plant.
- The value of electrical energy produced.
- The demand for steam produced by the system.

Because of these variables, we recommend that funding for cogeneration proposals be limited to preliminary planning to assure that the necessary information is available to the Legislature before it must commit additional money. Upon completion of preliminary plans, adequate information would be available to substantiate the construction amount as well

as to provide the basis for firm contracts for purchase of fuel and sale of electricity produced by the plant. Once this information has been developed, the various equipment configurations can be evaluated to determine the one that provides the best economic advantage to the state.

Preliminary plans for the Northridge and San Luis Obispo cogeneration plants have been completed. The proposed equipment configurations differ substantially from that which was originally proposed under the initial feasibility studies prepared in support of these projects. While the preliminary plans for these projects have been completed, the economic viability of the projects are not based on firm agreements for purchase of fuel or for sale of electricity. We have recommended that prior to approval of additional funds for these projects beyond amounts needed for preliminary plans, firm agreements be negotiated with the serving utilities. This information is essential to verify the economic advantages of the proposed project as well as those of alternatives to the project. Pending receipt of this additional information, we withhold information on the projects funded under Item 6610-301-942.

#### **Cogeneration—Energy and Resources Fund (Pomona)**

*We recommend Item 6610-301-189(8), working drawings for a cogeneration plant at Pomona, be deleted, for a savings of \$597,000, because adequate information to substantiate the anticipated energy savings from this project has not been provided.*

The budget proposes \$597,000 for working drawings for a cogeneration plant at Pomona. The Budget Act of 1981 provided \$137,000 for preliminary planning of this project. The project would provide two improvements to reduce energy costs. First, the existing individual heating and air conditioning systems located in the buildings on the campus would be replaced with a new central heating and cooling plant and distribution system. Second, cogeneration equipment would be installed to provide generation of electricity during operation of the central plant. The estimated future cost for construction of this project is \$7,867,000.

*Savings from Central Plant Not Substantiated.* The CSU has prepared a feasibility study in support of this proposed project. The report indicates that taking the individual heating and ventilation systems in each building out of service, and constructing a central plant and utility distribution systems, would reduce electrical consumption on this campus from 33 million kilowatt hours per year to 25 million kilowatt hours per year, a reduction of approximately 24 percent. The report, however, does not provide any information to substantiate this claimed savings. Moreover, other alternative means of reducing the energy consumption of the individual building systems has not been evaluated. For example, interconnection of the existing individual systems could improve the systems' efficiency and significantly reduce energy requirements. This alternative and others should be evaluated in comparison to the proposed central plant system.

*Cogeneration Proposal.* Installation of a cogeneration system at this campus will be costly because of the lack of an existing central plant. The project includes installation of a back-up boiler in the event the cogeneration facility is inoperable. Other cogeneration proposals do not require installation of additional boiler facilities because the existing central plant facilities provide the necessary back-up capability.

Our analysis indicates that on a statewide basis, cogeneration facilities should first be installed where these systems can take advantage of existing

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central utility plants and distribution systems. These central plant conversion projects are more economically advantageous than projects which must include the new central plant facilities and distribution systems.

In summary, the CSU has not provided adequate information to substantiate energy savings to be achieved through this project. Moreover, cogeneration facilities at this campus will be costly because a central plant does not exist. Accordingly, we recommend deletion of the working drawing funds proposed in Item 6610-301-189(8), a reduction of \$597,000.

**Cogeneration—Energy and Resource Fund (San Jose)**

*We withhold recommendation on Item 6610-301-189(10), working drawings for a cogeneration plant at San Jose, pending receipt of additional information.*

The budget proposes \$310,000 for working drawings for a cogeneration plant at San Jose. The Budget Act of 1981 provided \$70,000 for preliminary planning for this project. Based on a feasibility study prepared by CSU, installation of cogeneration facilities at this campus would result in significant energy savings over the life of the system.

Preliminary plans for this project have not been completed. According to the Chancellor's Office, a consulting engineer has been appointed to prepare the needed preliminary plans, and information should be available prior to legislative hearings on the Budget Bill. In addition, adequate information as to (1) the contracted price of fuel for this facility and (2) the price at which the energy produced by the plant will be sold, needs to be developed along with the preliminary plans. Accordingly, we withhold recommendation on the working drawing funds proposed under Item 6610-301-189(10), pending receipt of this information.

**Cogeneration—Energy and Resource Fund (Chico, Dominguez Hills, Fullerton)**

*We recommend approval of Items 6610-301-189(3), (4), and (6), preliminary plans for cogeneration plants at Chico, Dominguez Hills, and Fullerton, respectively.*

The budget includes preliminary planning funds for cogeneration facilities at three other campuses. The requested funds are based on feasibility studies which have identified these campuses as being capable of operating cogeneration facilities with acceptable economic advantages. The systems would provide steam energy to meet approximately 90 percent of the anticipated steam demand on these campuses. At the same time, electrical energy generated by the installation will provide from 66 to 90 percent of the electrical requirements per year. The estimated future cost for working drawings and construction of these projects is \$5,468,000 for Chico, \$1,969,000 for Dominguez Hills, and \$3,975,000 for Fullerton. Based on the information contained in the feasibility studies, the projects have discounted payback periods of under five years. Accordingly, we recommend approval of the respective preliminary planning funds.

**Energy Management Systems—Fullerton, Hayward, Pomona and San Luis Obispo**

*We recommend that preliminary planning and working drawing funds under Items 6610-301-189(5), (7), (9) and (11) for installation of energy management systems on four campuses, be deleted, a reduction of \$84,000,*

*because the CSU has not evaluated the effectiveness of such systems which have been installed at other campuses.*

The budget proposes preliminary plans and working drawings for installation of energy management systems on the Fullerton (\$15,000), Hayward (\$33,000), Pomona (\$22,000), and San Luis Obispo (\$14,000) campuses. The proposed funds would allow for development of plans to install computer systems to monitor and control energy consumption on these campuses. The estimated future cost for construction of the four projects is \$1,047,000.

A portion of the funds proposed for energy management systems for CSU campuses was also proposed for inclusion in the 1981 Budget Act. During legislative hearings on the budget, we indicated that these systems will result in energy savings. We recommended, however, that the effectiveness of previously installed management systems be evaluated before funds are appropriated for such systems at other campuses. Energy management systems have already been installed on a number of CSU campuses.

We suggested that the CSU evaluate the effectiveness of these installed systems and determine the most cost-effective control strategy for implementation at other campuses. To our knowledge no such evaluation has occurred. In many cases, the energy conservation attributable to energy management systems can be achieved through the use of timeclocks and administrative action. Such alternatives should be thoroughly evaluated before funds for installation of such systems on other campuses is proposed. Accordingly, we recommend deletion of the preliminary plan and working drawing funds for energy management systems at the four campuses, for a reduction of \$84,000.

#### **Preliminary Planning—Statewide**

*We recommend Item 6610-301-189(2), preliminary planning for statewide feasibility studies of cogeneration, energy management, and other energy projects be deleted, for a savings of \$25,000, because adequate funds for these studies have been provided elsewhere in the budget.*

The budget includes \$25,000 for preliminary planning related to energy conservation projects. These funds are proposed from the Energy and Resource Fund (ERF) under Item 6610-301-189(2).

The budget contains \$50,000 under Item 6610-301-146(1) for architectural and engineering planning and studies for the CSU. The Budget Bill indicates that up to \$25,000 of these funds shall be available for technical and engineering studies for energy conservation projects. Consequently, approval of the proposed \$25,000 appropriation from the Energy and Resource Fund would duplicate funds requested from the Capital Outlay Fund for Public Higher Education under Item 6610-301-146(2). Accordingly, we recommend deletion of the \$25,000 proposed from the ERF under Item 6610-301-189(2).

#### **Energy Conservation Retrofits—Statewide**

*We recommend Item 6610-301-189(1), energy conservation retrofits, statewide, be deleted, for a reduction of \$1,000,000, because (1) the CSU has not provided adequate information to substantiate the energy savings anticipated from these projects, and (2) \$1,202,000 for energy retrofits is proposed from the Capital Outlay Fund for Public Higher Education.*

This \$1,000,000 request would provide a lump-sum appropriation for the

## CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY AND REVERSION—Continued

implementation of various energy conservation measures at CSU campuses. The Chancellor's Office has submitted a listing of projects totaling \$2.5 million, which indicates that the projects have payback periods of five years or less.

**Supporting Information Not Available.** We have not received any information to indicate which of the 74 projects requested by the CSU are included in the \$1,000,000 proposed in the Budget Bill. Furthermore, while the anticipated payback period for these projects appears reasonable, the CSU has not submitted adequate information to substantiate the claimed savings. For example, one project for \$124,000 would modify the TV transmitter at the San Diego campus to improve efficiency. No information has been provided to substantiate the anticipated annual savings of \$36,300. Given the lack of available information, we recommend the \$1,000,000 proposed under Item 6610-301-189(1) be deleted.

**Current Year Retrofit Funds Rebudgeted.** The Budget Act of 1981 included \$1,202,000 for energy conservation retrofits at various CSU campuses. These projects, however, have not proceeded, and the funds are proposed for reversion in the current year. Replacement funds for these projects are proposed under Item 6610-301-146(31) from the Capital Outlay Fund for Public Higher Education. Accordingly, the budget already provides a significant level of funding for energy conservation retrofits to be undertaken during 1982-83. We see no basis for providing additional funds beyond the level proposed from the Capital Outlay Fund for Public Higher Education.

### Projects by Descriptive Category

In the A-pages of our *Analysis*, we discuss the capital outlay funding problems resulting from the distribution of tidelands oil revenue in 1982-83. To aid the Legislature in resolving these problems, we have divided those projects which our analysis indicates are justified into the following categories:

1. Critical fire/life safety and security projects—includes projects to correct life threatening conditions.
2. Projects needed to meet code requirements—includes projects that do *not* involve life threatening conditions.
3. Essential utility, site development and equipment—includes projects needed to make new buildings usable or continuous usability of existing buildings.
4. Meet existing instructional capacity needs in higher education—includes projects that are critical, and for which no alternatives are available other than reducing enrollments.
5. Improve program efficiency or cost effectiveness—includes new office buildings, alterations, etc.
6. Energy conservation projects—includes projects with a payback period of less than five years.
7. Energy conservation projects—includes projects with a payback period greater than five years.

Table 9 shows how we categorize the projects funded by this item that our analysis indicates are warranted.

**Table 9**  
**California State University**  
**Projects by Descriptive Category**  
**(in thousands)**

<i>Category</i>	<i>Item/Project/Project</i>	<i>Analyst's Proposal<sup>a</sup></i>	<i>Estimated Future Cost<sup>b</sup></i>
1.	None		
	<i>Item 6610-301-146</i>		
2.	(5) Remove architectural barriers .....	\$542 c	—
	(6) Letters and science building, Fire Marshal requirements—Fullerton .....	189 c	—
	(8) Stabilize slope—Humboldt .....	28	\$284
	(9) Elevator code—Long Beach .....	225 c	—
	(20) Remove architectural barriers—Chico .....	274 wc	—
	(21) Remove architectural barriers—Hayward .....	14 w	—
	(22) Remove architectural barriers—Humboldt .....	152 wc	—
	(23) Remove architectural barriers—San Jose .....	58 wc	—
	(24) Remove architectural barriers—San Luis Obispo.....	294 wc	—
	(25) Remove architectural barriers—Los Angeles.....	82 wc	—
	(26) Fine arts ventilation—Hayward .....	10 w	\$193
	(27) Elevator safety—Long Beach .....	10 w	—
	(28) Letters and science—Fullerton .....	15 w	—
	Subtotal .....	\$1,893	\$477
3.	(12) Library/media center—Calexico .....	\$149 e	—
	(29) Site preparation for data center—San Jose.....	44 pw	\$609
	Subtotal .....	\$193	\$609
4.	(16) Moss Landing marine laboratory.....	\$2,568 c	\$130
	(17) Convert science building—San Francisco.....	1,134 c	324
	(18) Converts library—San Luis Obispo.....	2,090 c	225
	Subtotal .....	\$5,792	\$679
5.	(1) Planning and studies—Systemwide.....	\$150 p	—
	(2) Preliminary plans 1983-84—Systemwide.....	50 p	—
	(4) Seismic studies—Systemwide .....	50 p	Unkn-
	(15) Faculty office building—Pomona .....	3,570 c	\$29
	(19) Library conversion—Fullerton.....	1,444 c	372
	(30) Faculty office addition—Northridge.....	2,417 c	—
	(33) Remodel for nursing—Sacramento.....	57 c	—
	Subtotal .....	\$7,738	\$422
6.	(31) Energy retrofits—Systemwide .....	\$1,202 pwc	—
	(32) Cogeneration—San Diego .....	1,587 c	—
	Subtotal .....	\$2,789	—
	<i>Item 6610-301-189</i>		
	(3) Cogeneration plant—Chico .....	\$90 p	\$5,468
	(4) Cogeneration plant—Dominguez Hills .....	37 p	1,969
	(6) Cogeneration plant—Fullerton .....	72 p	3,975
	Subtotal .....	\$199	\$11,412
7.	None		
	Totals .....	\$18,607	\$13,599

<sup>a</sup> Phase symbols indicates: c—construction; e—equipment; p—preliminary plans; and w—working drawings.

<sup>b</sup> CSU estimate.

**CALIFORNIA MARITIME ACADEMY**

Item 6860 from the General  
Fund and various funds

Budget p. E 212

Requested 1982-83 .....	\$4,309,000
Estimated 1981-82.....	4,316,000
Actual 1980-81 .....	4,243,000
Requested decrease (excluding amount for salary increases) \$7,000 (-0.2 percent)	
Total recommended reduction .....	None

**1982-83 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
6860-001-001—Support		General	\$3,459,000
6860-001-146—Instructional Equipment and Main- tenance		COFPHE	177,000
6860-001-890—Support		Federal Trust	673,000
Total			\$4,309,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. Out-of-state Tuition. Recommend basing out-of-state tuition on the average cost of instruction and academic support, using the model developed by the California State University, so that state funds will not be unnecessarily diverted to the support of nonresident students.

1551

**GENERAL PROGRAM STATEMENT**

The California Maritime Academy (CMA) 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. Students major in either Marine Engineering Technology or Nautical Industrial Technology.

The CMA is governed by an independent seven-member board of governors appointed by the Governor for four-year terms. The academy has 470 students and 131.1 authorized positions in the current year.

**ANALYSIS AND RECOMMENDATIONS**

The budget requests an appropriation of \$3.5 million from the General Fund for support of the California Maritime Academy (CMA) in 1982-83. This amount is equal to estimated expenditures in the current year. The budget for the CMA will increase, however, by the amount of any salary or staff benefit increase approved for the budget year.

The budget also requests an appropriation of \$177,000 from the Capital Outlay Fund for Public Higher Education (COFPHE) for purchase of instructional equipment and for special repairs. No COFPHE funds for this purpose were appropriated to the academy in 1981-82. In addition, the budget anticipates that the academy will receive \$673,000 in federal funds in 1982-83. These funds primarily are student subsidies received from the United States Maritime Administration.

Table 1 summarizes expenditures and funding sources for the academy.

**Table 1**  
**Maritime Academy Budget Summary**  
(in thousands)

Programs	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Amount	Percent
Instruction .....	\$1,410	\$1,512	\$1,661	\$149	9.9%
Academic Support .....	1,019	1,067	1,245	178	16.9
Student Services .....	1,686	1,692	1,670	-22	-1.3
Institutional Support .....	1,549	1,642	1,805	163	9.9
Totals .....	\$5,664	\$5,913	\$6,381	\$468	7.9%
General Fund .....	\$3,255	\$3,459	\$3,459	—	—
Capital Outlay Fund for Public Higher Education .....	—	—	177	\$177	N/A
Federal Trust Fund .....	989	857	673	-184	-21.5%
Reimbursements .....	1,420	1,597	2,072	475	29.7
Personnel-years .....	121.5	131.1	133.1	2	1.5%

Table 2 shows the changes in the CMA's budget between the current and budget years. The table shows that increases needed to maintain the existing level of services (\$190,000) would be offset by a 5 percent reduction in the baseline budget (\$190,000). This reduction reflects the Governor's directive to many General Fund agencies calling for them to reduce baseline expenditures by 5 percent. The CMA would achieve the reduction by reducing instructional equipment, maintenance, and utilities.

**Table 2**  
**Proposed General Fund Budget Adjustments for the**  
**California Maritime Academy**  
(in thousands)

I. 1981-82 Base Budget .....		\$3,459
A. Changes to maintain existing budget: .....		190
1. Restore 2 percent reduction .....	\$70	
2. Restore travel reduction .....	4	
3. Population and price .....	111	
4. Miscellaneous adjustments .....	5	
B. Five percent reduction .....		-190
Total 1982-83 support .....		\$3,459

The budget requests \$33,000 for two new positions: an accountant technician, funded by a redirection of General Fund operating expenses, and an office assistant, funded by student fees. These positions would bring total personnel-years to 133.1 in the budget year. Our analysis indicates that these positions are justified by workload increases.

The budget shows a 29.7 percent increase in reimbursements for 1982-83. This reflects an increase in student fees which will fund increases in the cost of medical care, health insurance, athletic programs, food service, and dormitories.

### Out-of-State Tuition

*We recommend that the Maritime Academy base the tuition it charges out-of-state students on the average General Fund cost of instruction and academic support, using the model developed by the California State University.*

In the *Supplemental Report of the 1981 Budget Act*, the Legislature

**CALIFORNIA MARITIME ACADEMY—Continued**

directed the Maritime Academy to adopt a methodology for establishing the level of tuition charged out-of-state students, and to report this methodology to the legislative budget committees by December 15, 1981. The academy did not comply with this legislative directive.

The California State University (CSU) has adopted a policy which calls for out-of-state tuition to be set at a level equal to the average General Fund cost of instruction and academic support. The principle underlying this policy is that state taxpayers should not support the education of nonresident students. Instructional and academic support costs approximate the variable costs associated with educating out-of-state students.

We have requested the CMA to provide the data necessary to make this calculation, but the information forwarded was conflicting. If the appropriate information is made available, we will review the issue prior to the budget hearings.

**Capital Outlay Fund (Item 6860-001-146)**

The proposed appropriation of \$177,000 from the Capital Outlay Fund for Public Higher Education (COFPE) would be used for instructional equipment (\$80,000) and special repairs (\$97,000). Our analysis indicates that the proposed equipment purchases and repair projects are justified, and *we recommend approval.*

**CALIFORNIA MARITIME ACADEMY—CAPITAL OUTLAY AND REVERSION**

Items 6860-301 and 6860-495  
from the Capital Outlay Fund  
for Public Higher Education

Budget p. E 217

Requested 1982-83 .....	\$456,000
Recommended approval .....	69,000
Recommended reduction .....	387,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. *Transfer to General Fund.* We recommend that savings resulting from our recommendation (\$387,000) be transferred from the Capital Outlay Fund for Public Higher Education to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide. 1553
2. *Wind Turbine Generator. Reduce by \$379,000.* Recommend construction funds for a wind turbine electric powered generator be deleted because preliminary plans and working drawings needed to substantiate costs have not been completed, and adequate information to substantiate the energy to be provided by the system has not been developed. 1553
3. *Energy Conservation Projects. Reduce by \$8,000.* Rec- 1554

ommend funds for installation of energy efficient lighting be reduced to eliminate overbudgeting and to delete uneconomical modifications.

## **ANALYSIS AND RECOMMENDATIONS**

### **Transfer to General Fund**

*We recommend that the savings resulting from our recommendations on Item 6860-301-146—\$387,000—be transferred from the Capital Outlay Fund for Public Higher Education to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide.*

We recommend reductions amounting to \$387,000 in the California Maritime Academy's (CMA) capital outlay proposal. Approval of these reductions, which are discussed individually below, would leave an unappropriated balance of tideland oil revenues in the Capital Outlay Fund for Public Higher Education, where they would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special purpose accounts limits the Legislature's options in allocating funds to meet high-priority needs. So that the Legislature may have additional flexibility in meeting these needs, we recommend that any savings resulting from approval of our recommendations be transferred to the General Fund.

### **Wind Turbine Electric Power Generator**

*We recommend that Item 6860-301-146(1), construction funds for a wind turbine electric generator, be deleted because adequate information to substantiate the energy to be produced by this facility has not been developed and preliminary plans and working drawings have not been completed, for a reduction of \$379,000.*

The budget includes \$379,000 for construction of a wind turbine electric power generator for the California Maritime Academy. The proposed project includes construction of a vertical axis wind turbine and a 300 kilowatt electric generator. The academy indicates that installation of the system would provide on-site generation of approximately 680,000 kilowatt hours of electricity per year. The power would be used on-site or sold to the serving utility.

The Governor's Budget for 1981-82 included \$277,500 for preliminary plans, working drawings, and construction of the proposed wind turbine electric generator. During legislative hearings on the budget, we indicated that the CMA had not developed adequate information to substantiate the anticipated power output of the system. The Legislature approved \$30,000 for preliminary plans and working drawings and adopted budget language specifying that prior to expenditure of working drawing funds, the "academy shall submit a detailed feasibility study which includes on-site wind velocity recordings" to the chairmen of the fiscal committees and to the Chairman of the Joint Legislative Budget Committee. At the time this analysis was prepared, the required report had not been submitted and no additional information beyond that submitted in support of the 1981-82 request had been provided.

Accordingly, we have no basis on which to evaluate the request for construction funds—which has increased by \$132,000, or 53 percent, since last year—and we recommend deletion of this item.

**CALIFORNIA MARITIME ACADEMY—CAPITAL OUTLAY  
AND REVERSION—Continued****Energy Conservation Projects**

*We recommend Item 6860-301-146(2), preliminary plans, working drawings, and construction of energy conservation projects, be reduced to eliminate overbudgeting and to delete portions of the project which are not economical, for a savings of \$8,000.*

This \$18,000 proposal would provide funds to replace inefficient lighting at the CMA. The project is based on recommendations contained in an energy audit prepared by the area utility company. The CMA indicates that implementation of these improvements would save approximately \$10,000 in annual electric costs, indicating a payback period of approximately two years.

Our analysis of the proposal prepared by CMA indicates that (1) a portion of the proposal is overbudgeted and (2) a portion of the project is not economically viable.

**Overbudgeted Funds.** This request includes \$10,000 to replace 17 incandescent light fixtures in the gymnasium. The requested amount is based on an estimated cost of \$600 to replace each fixture with a more efficient lighting fixture. Our analysis of similar projects at state hospitals indicates that the cost to replace these fixtures should not be more than \$300 per fixture, or \$5,000 for the 17 fixtures. Accordingly, we recommend that the request be reduced by \$5,000 to eliminate overbudgeting of construction funds for the gymnasium portion of the project.

**Boat House Lighting—Replacement Not Economically Viable.** This request includes \$3,000 to replace incandescent fixtures in the boat house with nine mercury vapor fixtures. The energy audit, however, indicates that the existing lights operate approximately 100 hours per year and the savings from this project would amount to \$35 per year. Consequently, the energy savings attributable to this project would be very small and the estimated payback period exceeds the useful life of the facility. Accordingly, we recommend deletion of the \$3,000 proposed for replacing the lights in the boat house.

**Reversion and Rebudgeting of Previously Approved Project**

*We recommend approval of Item 6860-301-146(3), working drawings and construction of an arcade for the marine engineering training facility, because this appropriation would replace funds previously approved by the Legislature but proposed for reversion under Item 6860-495 in the current year.*

This item proposes \$59,000 for working drawings and construction for an arcade for the marine engineering training facility at CMA. The project would provide a 1,200 square foot prefabricated metal building to house various items of equipment and displays utilized in the engineering training program.

The Budget Act of 1981 included \$61,000 for this project and \$2,000 of these funds has been expended. The remaining \$59,000 is proposed for reversion under Item 6860-495. The administration is proposing the reversion in order to make these funds available for transfer to the General Fund in order to avoid a deficit in the current year. Given the Legislature's previous action to approve funds for this project, we recommend approval of the reversion and rebudgeting of funds to allow the project

to proceed in 1982-83.

**Projects by Descriptive Category**

In the A-pages of our *Analysis*, we discuss the capital outlay funding problems resulting from the distribution of tidelands oil revenue in 1982-83. To aid the Legislature in resolving these problems, we have divided those projects which our analysis indicates are justified into the following categories:

1. Critical fire/life safety and security projects—includes projects to correct life threatening conditions.
2. Projects needed to meet code requirements—includes projects that do *not* involve life threatening conditions.
3. Essential utility, site development and equipment—includes projects needed to make new buildings usable or continue usability of existing buildings.
4. Meet existing instructional capacity needs in higher education—includes projects that are critical, and for which no alternatives are available other than reducing enrollments.
5. Improve program efficiency or cost effectiveness—includes new office buildings, alterations, etc.
6. Energy conservation projects—includes projects with a payback period of less than five years.
7. Energy conservation projects—includes projects with a payback period greater than five years.

We have recommended a total of \$69,000 for capital outlay for the California Maritime Academy. The \$59,000 recommended for the marine engineering training facility would be classified under category 5 and the \$10,000 for energy conservation improvements would be classified under category 6.

**BOARD OF GOVERNORS OF THE  
CALIFORNIA COMMUNITY COLLEGES**

Item 6870 from the General  
Fund and various funds

Budget p. E 102

Requested 1982-83 .....	\$1,188,062,000
Estimated 1981-82.....	1,073,182,000
Actual 1980-81 .....	1,086,759,000
Requested increase (excluding amount for salary increases) \$114,880,000 (+10.7 percent)	
Total recommended reduction .....	\$15,764,000
Recommendation pending .....	\$6,000,000

**1982-83 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
6870-001-001—Board Support		General	\$3,550,000
6870-001-165—Community College Credentials		Credentials	711,000
6870-001-890—Federal Fund Support		Federal Trust	74,000
6870-101-001—Local Assistance		General	1,110,826,000
6870-111-001—COLAs		General	66,901,000
6870-101-146—Deferred Maintenance		COPPHE	6,000,000
Total			\$1,188,062,000

**BOARD OF GOVERNORS OF THE  
CALIFORNIA COMMUNITY COLLEGES—Continued**

<b>SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS</b>	<i>Analysis page</i>
1. <i>Special Funding Factors. Reduce Item 6870-101-001 by \$307,000.</i> Recommend the adoption of Budget Bill language to eliminate special funding factors in community college apportionments because there appears to be no analytical basis for providing this aid to three of 70 districts.	1564
2. <i>Distribution of Apportionment Aid.</i> Recommend urgency legislation be enacted to eliminate "front load" and instead provide for distribution of apportionment funds to community colleges on the same basis that apportionments are distributed to K-12 districts for a potential General Fund revenue increase of \$9,250,000.	1565
3. <i>Interest Revenues. Reduce Item 6870-101-001 by \$5,000,000.</i> Recommend that the Legislature adopt budget language to require that state apportionment aid be redefined to include 10 percent of a district's interest income because the state should share in a portion of the interest district's generate through state apportionment aid.	1567
4. <i>Residency Requirements.</i> Recommend the Chancellor's Office report to the Legislature by April 1, 1982 on its implementation of provisions contained in AB 251 regarding the determination of residency.	1567
5. <i>Disabled Student Program. Reduce Item 6870-101-001 by \$363,000 and increase reimbursements to Item 6870-101-001 by \$363,000.</i> Recommend that \$363,000 in General Fund support proposed for service to Department of Rehabilitation clients at community colleges be deleted because federal funds are available for this purpose.	1568
6. <i>Deferred Maintenance.</i> Withhold recommendation on funding for deferred maintenance, pending receipt of adopted rules and regulations.	1568
7. <i>"Investment in People" Initiative. Reduce Item 6870-101-001 by \$10,000,000.</i> Recommend deletion because there is no information available which justifies the request.	1569
8. <i>Regional Offices. Reduce reimbursements by \$94,000, Item 6100-001-001 by \$47,000 and Item 6100-001-890 by \$47,000.</i> Recommend that (1) the two community college regional offices be eliminated, (2) two positions be deleted, and (3) two positions be transferred to the Chancellor's Office in Sacramento, because there is not sufficient workload to justify a decentralized administrative structure.	1572
9. <i>Zero Base Budget Review.</i> Recommend the adoption of supplemental report language requiring the Chancellor's Office to submit a zero base budget review of vocational education program activities in the offices' College Services and Program Evaluation/Approval units by November 15, 1982.	1573

**BOARD OF GOVERNORS OF THE  
CALIFORNIA COMMUNITY COLLEGES—Continued**
**ANALYSIS AND RECOMMENDATIONS**

As shown in Table 1, the budget provides for a support level of the community colleges totaling \$1,867.9 million in 1982-83. This is \$48.3 million, or 2.7 percent, above the total support level for the current year. The budget proposes that \$1,196,900,000 of the total support level be financed by the state, with the remainder coming from local revenues (\$409,600,000), federal funds which flow directly to community college districts (\$65,700,000), and other sources (\$195,700,000).

The largest component of state support budgeted for the community colleges—\$1,181,277,000—would be provided from the General Fund. In addition, the budget requests appropriations of \$6,000,000 from the Capital Outlay Fund for Public Higher Education (COFPHE), \$711,000 from the Community Colleges Credentials Fund, and \$74,000 from the Federal Trust Fund, to support community colleges in 1982-83. The remaining (\$8,896,000) in state funds would come from state reimbursements and various special funds.

Table 1 also shows that 64 percent of total funds available to the community colleges, would come from the state, 22 percent would come from local sources, 4 percent would come from federal sources, and 10 percent would come from other miscellaneous sources.

**Table 1**  
**Total Support for Community Colleges from All Sources**  
(in millions)

	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change		Percent of Total
				Amount	Percent	
1. State						
State operations .....	\$5.5	\$6.6	\$6.5	-\$0.1	-1.5%	—
Categoricals .....	61.6	65.6	83.5	17.9	27.3	—
Apportionments .....	1,033.6	1,020.1	1,106.9	86.8	8.5	—
Subtotals, State .....	\$1,100.7	\$1,092.3	\$1,196.9	\$104.6	9.6%	64.1%
2. Local						
Property taxes .....	\$308.0	\$405.0	\$383.9	-\$21.9	-5.4%	—
Local debt .....	24.2	25.7	25.7	—	—	—
Subtotals, Local .....	\$332.2	\$431.5	\$409.6	-\$21.9	-5.1%	21.9%
3. Federal .....	\$138.0	\$98.5	\$65.7	-\$32.8	-33.3%	3.5%
4. Other .....	217.5	197.3	195.7	-1.6	-0.8	10.5
Totals .....	\$1,788.4	\$1,819.6	\$1,867.9	\$48.3	2.7%	100.0%
<i>General Fund</i> .....	<i>\$1,093.5</i>	<i>\$1,082.4</i>	<i>\$1,181.3</i>	<i>\$98.9</i>	<i>9.1%</i>	
<i>COFPHE</i> .....	<i>—</i>	<i>—</i>	<i>6.0</i>	<i>6.0</i>	<i>—</i>	
<i>Other State/Reimbursements</i> ..	<i>7.2</i>	<i>9.9</i>	<i>9.6</i>	<i>-0.3</i>	<i>-3.0</i>	
<i>Local</i> .....	<i>332.2</i>	<i>431.5</i>	<i>409.6</i>	<i>-21.9</i>	<i>-5.1</i>	
<i>Federal</i> .....	<i>138.0</i>	<i>98.5</i>	<i>65.7</i>	<i>-32.8</i>	<i>-33.3</i>	
<i>Other</i> .....	<i>217.5</i>	<i>197.3</i>	<i>195.7</i>	<i>-1.6</i>	<i>-0.8</i>	

Table 2 shows the changes in expenditures from the 1981-82 year that are proposed in the budget. The major proposed change would increase local assistance by \$48.5 million (net) above the 1981-82 level of \$1,813.0 million. State operations expenditures are proposed to decrease by \$102,000 in the budget year.

**Table 2**  
**California Community Colleges**  
**Summary of Changes from 1981-82 Budget**  
**(in thousands)**

	<i>Adjustments</i>	
1. Local Assistance		
1981-82 Budget (Revised) .....		\$1,813,008
A. Baseline Adjustments .....		32,463
1. Apportionments .....	-\$34,438	
2. Inflation .....	66,901	
B. Program Change Proposals .....		16,000
1. Deferred maintenance .....	6,000	
2. Investment in People .....	10,000	
1982-83 Budget (Local Assistance) .....		\$1,861,471
2. State Operations		
1981-82 Budget (Revised) .....		6,589
A. Baseline Changes .....		-102
1. Personal services		
a. Merit increases .....	62	
b. Workload adjustments .....	-107	
c. Staff benefits .....	14	
d. Five percent reduction .....	-45	
2. Operating expenses/equipment		
a. Postage increase .....	7	
b. Cost of living adjustment .....	113	
c. Workload adjustments .....	-63	
d. Office of Administrative Law .....	7	
e. Administrative pro rata .....	52	
f. Five percent reduction .....	-142	
1982-83 Budget (State Operations) .....		\$6,487
1982-83 Budget (Total) .....		\$1,867,958
Total Change .....		\$48,361
<i>General Fund</i> .....		\$96,381
<i>Other state funds</i> .....		\$8,429
<i>Local Funds</i> .....		-\$23,500
<i>Federal funds</i> .....		-\$32,700
<i>Reimbursements</i> .....		-\$172

**GENERAL PROGRAM STATEMENT**

The Board of Governor's of the California Community Colleges is composed of 15 members appointed by the Governor for four-year terms.

The board serves primarily as a planning, coordinating, reporting, advising, and regulating agency for California's 70 public community college districts. The locally elected boards of the districts are directly responsible for the operation of 107 colleges.

Community colleges are limited to lower division (freshman and sophomore) undergraduate study in the liberal arts and sciences. These colleges, however, offer a large number of occupational, adult, and community service courses, as well. They are authorized to grant associate in arts and associate in sciences degrees, in addition to numerous occupational certificates and credentials. Any high school graduate or citizen over 18 years old may attend a community college.

### BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—Continued

The Chancellor's Office is the administrative arm of the Board of Governors, and assists the board in carrying out its statutory duties. The Chancellor's Office is authorized 148.1 full-time equivalent positions for the current year.

#### Enrollments and Average Daily Attendance

While the University of California and the California State University use full-time equivalent students (FTE) as a basis for state support, the community colleges use average daily attendance (ADA) as its basis of support. This use of ADA is due to the community colleges historic outgrowth as extensions of the K-12 secondary school system. Table 3 shows student enrollment and ADA in community colleges since the passage of Proposition 13 in June 1978.

*Current Year.* Approximately 1.4 million adults will attend community colleges in the current year. Of these students, 910,000, or 65 percent, will be part-time. The 1981 Budget Act provided sufficient state funding to community college districts to support 740,795 ADA in 1981-82. Actual ADA on campus, however, is estimated to be 754,374, which is 4 percent higher than the ADA funded by the state in the Budget Act. The balance (4,000 ADA) is funded either from district sources or from fee revenue.

*Budget Year.* The budget provides sufficient funds for 747,795 ADA in 1982-83, an increase of 6,800 ADA (0.9 percent) over the budgeted level for 1981-82. All of the increase in state-funded ADA is for ADA in noncredit courses. We estimate that actual attendance will be 761,174 which is 1.8 percent higher than the state-funded ADA level.

**Table 3**  
**Student Enrollment and Average Daily Attendance**

	Total Enrollment	Average Daily Attendance (ADA)			Total ADA	Percent Increase
		Credit	Noncredit	Noncredit		
1977-78 .....	1,322,118	655,922	61,559	—	717,481	—
1978-79 .....	1,161,611	595,563	33,409	—	634,972	-11.5%
1979-80 .....	1,248,459	614,820	55,380	—	670,200	5.5
1980-81 .....	1,383,236	654,419	71,095	—	725,514	8.2
1981-82 (estimated) .....	1,416,160	680,595	69,779	4,000	754,374	4.0
(budgeted) .....	—	672,144	68,651	—	740,795 <sup>a</sup>	2.1
1982-83 (projected) .....	1,442,140	680,595	76,579	4,000	761,174 <sup>b</sup>	0.9
(budgeted) .....	—	672,144	74,451	—	747,595	1.8

Source: Chancellor's Office.

<sup>a</sup> The 1981 Budget Act contains sufficient revenues to fund a 2.5 percent increase in ADA. Because AB 1626 deleted funding for certain noncredit programs actual funded ADA will increase by less than 2.5 percent.

<sup>b</sup> Legislative Analyst's office estimate.

#### 1. LOCAL ASSISTANCE

The budget for local assistance to community colleges has two components: community college apportionments and categorical aids. The major categorical aid programs include the Extended Opportunities Program and Services (EOPS), handicapped student apportionments, and de-

ferred maintenance/special repairs.

The budget proposes an increase of \$104.7 million, or 9.6 percent, in local assistance for 1982-83. The major funding changes include (1) an \$86.8 million increase in state apportionments, (2) a \$10.0 million increase for the Governor's "Investment in People" initiative, and (3) a \$6.0 million increase for deferred maintenance/special repairs. Table 4 shows the local assistance budget for the past, current, and budget years.

**Table 4**  
**Board of Governors of the California Community Colleges**  
**Local Assistance**  
**(in thousands)**

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
A. Apportionments .....	\$1,033,657	\$1,020,095	\$1,106,930	\$86,835	8.5%
B. Categorical Aids					
1. Apprenticeships .....	9,947	9,947	9,947	—	—
2. Lease-Purchase—Capital Outlay .....	7,753	7,753	7,753	—	—
3. EOPS .....	23,189	24,466	25,586	1,120	4.6
4. Handicapped Students * .....	17,222	18,396	19,316	920	5.0
5. Academic Senate .....	68	68	68	—	—
6. Instructional Improvement .....	774	760	760	—	—
7. Student Affirmative Action .....	222	222	111	-111	-50.0
8. Voc Ed Special Projects .....	2,400	4,000	4,000	—	—
9. Deferred Maintenance and Special Repairs .....	—	—	6,000	6,000	—
10. Investment in People .....	—	—	10,000	10,000	—
Subtotal, Categorical Aids .....	(61,575)	(65,612)	(83,541)	(17,929)	(27.3%)
Totals, Local Assistance .....	\$1,095,232	\$1,085,707	\$1,190,471	\$104,764	9.6%
<i>General Fund</i> .....	<i>\$1,090,185</i>	<i>\$1,078,852</i>	<i>\$1,177,727</i>	<i>\$98,875</i>	<i>9.2%</i>
<i>CC Fund for Instructional Improvement</i> .....	<i>14</i>	<i>222</i>	<i>111</i>	<i>111</i>	<i>50.0</i>
<i>Capital Outlay Fund for Public Higher Education</i> .....	—	—	6,000	6,000	—
<i>State School Fund</i> .....	<i>2,633</i>	<i>2,633</i>	<i>2,633</i>	—	—
<i>Reimbursements</i> .....	<i>2,400</i>	<i>4,000</i>	<i>4,000</i>	—	—

\* Does not include funding for state hospital, sheltered workshops, licensed care facilities, and special classes ADA which are funded from the base apportionments.

## A. COMMUNITY COLLEGE APPORTIONMENTS

### Overview

Chapter 103, Statutes of 1981 (AB 1626), as amended by Ch 1128/81 (AB 1369), establishes a mechanism for allocating community college state aid in 1981-82 and 1982-83. The provisions of AB 1626 will expire at the end of 1982-83 and new legislation will be required to allocate community college apportionment funds for 1983-84 and subsequent years. Table 5 shows the level of funding proposed in the budget for community college apportionments.

### Funding Proposed in 1982-83

The total apportionment base (which includes state and local funds) is budgeted to increase by \$64.9 million, or 4.5 percent, over the base for the current year. This increase is due to the following changes:

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- A \$38.2 million increase in property tax revenues, which assumes that assessed valuation will increase by 12.0 percent in the budget year.
- A \$86.8 million increase in state General Fund support.
- A \$60.1 million decrease in one-time unsecured property tax revenues.

The budget requests \$1,104.4 million for state General Fund apportionment aid, an \$86.8 million (8.5 percent) increase over the current year. This amount is sufficient to provide the statutorily required 5 percent cost-of-living adjustment for credit ADA. Current law provides that non-credit ADA be funded at a rate of \$1,100 in 1982-83, which is \$55 below the current year rate.

**Table 5**  
**Community College Apportionments<sup>a</sup>**  
(in millions)

	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Dollar	Percent
<i>Apportionments:</i>					
Base apportionments <sup>b</sup> .....	\$1,213.2	\$1,328.4	\$1,421.1	\$92.7	7.0%
Inflation factor .....	110.3	68.6	64.7	-3.9	-5.7
Growth factor .....	13.8	22.1	—	-22.1	-100.0
<i>Special Funding:</i>					
Large district aid .....	2.5	2.6	2.7	0.1	3.8
Small college aid .....	1.9	2.0	2.1	0.1	5.0
AB 1626 Special equity factor .....	—	2.3	—	-2.3	-100.0
AB 1369 Special factor .....	—	—	0.3	0.3	—
Totals .....	\$1,341.7	\$1,426.0	\$1,490.9	\$64.9	4.5%
General Fund .....	\$1,031.1	\$1,017.6	\$1,104.4	\$86.8	8.5%
Local property taxes .....	308.0	345.7	383.9	38.2	11.0
One-time property taxes .....	—	60.1	—	-60.1	-100.0
State School Fund .....	2.6	2.6	2.6	—	—
<i>Per ADA</i>					
(Credit) .....	(\$1,853)	(\$2,003)	(\$2,106)	(\$103)	(5.1%)
(Noncredit) .....	—	(\$1,155)	(\$1,100)	(\$55)	(-4.8%)

<sup>a</sup> Excludes funds for Lease Purchase and Apprenticeships.

<sup>b</sup> Includes prior year adjustment of -\$0.3 million.

The budget proposes an increase of \$103, or 5.1 percent, in support for credit ADA, which would bring it to a level of \$2,106. It also reflects a decrease of \$55 per noncredit ADA, which would bring it to a level of \$1,100. Although existing law provides for a 5 percent COLA, actual funding per ADA will increase by 5.1 percent because a greater proportion of statewide ADA is distributed in low revenue districts. Because the statewide equalization factor essentially provides a larger inflation adjustment to low revenue districts, the percentage increase in state aid will be greater than the statutory 5 percent COLA.

Our analysis indicates that the proposed level of apportionment funding is consistent with the provisions of existing law regarding community college finance.

### Technical Budget Language Needed

Although the community college apportionment appropriation is sufficient to fund the provisions of AB 1626 and AB 1369, the Governor's Budget does not contain Budget Bill language to require that the funds be allocated pursuant to these provisions. The absence of such language will allocate these funds pursuant to the education code provisions which are not consistent with the provisions of AB 1626 and AB 13169. Because the Governor's Budget intends to allocate these funds pursuant to AB 1626, technical budget language is needed to in-lieu the finance allocation provisions which are inconsistent with AB 1626.

#### 1. The Rate of ADA Growth

The budget does not propose additional funding to provide for growth in credit ADA. This does not mean that credit ADA will not grow in 1982-83. Any growth that does occur, however, will have to be financed entirely by local community college districts.

The appropriate level of state funded growth is a major policy issue facing the Legislature in preparing a budget for 1982-83. This issue is not resolved by existing law. Although current law (AB 1626) provides a mechanism to fund growth ADA, it does not specify how much ADA growth should be funded by the state. Each 1 percent increase in credit ADA will increase costs to the General Fund by approximately \$13 million.

Although the budget does not provide for an increase in credit ADA, it does request \$7.5 million in funding for an additional 6,800 ADA in non-credit programs. This ADA is earmarked for the Governor's "Investment in People" initiative which is discussed later in this analysis.

#### 2. AB 1626 and AB 1369 of 1981

Legislation enacted in 1981—AB 1626 and AB 1369—established a mechanism for allocating community college funding. The most significant features of AB 1626 provide for:

**A 5 percent COLA.** AB 1626 allocates block grant funding to community college districts for 1981-82 and 1982-83, based on each district's general purpose revenues in the prior year plus a 5.0 percent inflation adjustment. The bill, however, makes the 5.0 percent inflation adjustment for 1982-83 contingent on the Board of Governors adopting a course classification system by April 1, 1982 and implementing the system by July 1, 1982.

**Prorating Apportionments.** AB 1626 establishes a procedure for prorating district funding claims whenever the amounts claimed exceed available funds. If claims exceed available funds, the Chancellor would fund the specified categories in the following order:

- 1st—prior-year base apportionments
- 2nd—inflation
- 3rd—lease and capital outlay commitments
- 4th—increases in ADA (growth)
- 5th—program change proposal funding

**Marginal Cost Funding.** AB 1626 continues the concept of marginal cost funding for increases and decreases in ADA. Funding only a portion of the regular ADA amount for increased ADA discourages unwarranted ADA growth. At the same time, by not reducing the full ADA amount for decreases in ADA, marginal cost funding provides a cushion for those districts with declining enrollments.

**Equalization.** AB 1626 establishes an allocation mechanism designed

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to equalize per-ADA revenue among districts. This will tend to reduce expenditure differences among districts that are wealth-related.

AB 1369, which was enacted after AB 1626, provided for:

**An ADA "Cap".** The act imposes a fixed "cap" on state-funded ADA growth during 1981-82 and 1982-83. This assures that state-funded ADA growth will not exceed 2.5 percent of the prior year statewide ADA. Actual ADA, however, can grow by more than 2.5 percent, provided the districts are able to finance the excess growth from nonstate sources.

**Allocation of ADA Growth.** AB 1369 gave the Chancellor's Office authority to allocate state revenue appropriated for ADA growth among the districts. To the extent possible, the Chancellor is required to allocate \$22.1 million for ADA growth based on each district's (1) unemployment rate, (2) growth in adult population, and (3) growth in refugee population.

**Noncredit Funding Reform.** In addition, AB 1626 and AB 1369 together reformed those provisions of the AB 8 funding mechanism that reimburse districts for adult education/noncredit ADA. Specifically, the measure:

1. specifies the types of adult education/noncredit ADA which will be funded by the state,
2. eliminates district funding of noncredit/adult education ADA which is not specified in (1) above (the Chancellor's Office has estimated that this provision may result in a General Fund savings of \$4.4 million in 1981-82),
3. allows districts to levy fees to continue offering noncredit courses for ADA which would not receive state funds, and
4. funds both growth and declines in the number of state-funded adult education ADA at a rate of \$1,100 per ADA. Funding for this ADA, however, was increased on a one-time basis by 5.0 percent and included in the district equity factor calculation.

These provisions were enacted to ensure that the differential costs incurred by districts for credit and adult education/noncredit programs are reflected in the reimbursement mechanism.

### **3. Unsecured Property Tax Revenues**

A significant feature of the 1981-82 budget was the use of one-time revenues from the tax on unsecured property to fund community college apportionments. Specifically, the 1981 Budget Act reduced General Fund apportionments to reflect:

- \$35.5 million in unsecured property tax revenues made available to community college districts by a state Supreme Court decision.
- \$24.6 million in additional property tax revenues transferred from cities, counties, and special districts to the community college districts as a means of capturing for the state the windfall resulting from the Court's decision.

It is not clear how much of these revenues will actually be distributed to community college districts in 1981-82. Although 22 of the 58 counties have already levied and collected \$25 million of the \$35.5 million, it is not clear how much of the additional \$10.5 million in revenues can be collected by the other 36 counties. Consequently, there may be a deficit in the community colleges apportionments but there is no way to determine the magnitude of the problem at this time.

Furthermore, Ch 101/81 allows county auditors until June 30, 1982 to transfer the additional unsecured property tax revenue from cities, counties, and special districts to the community colleges cash flow.

#### 4. Special Funding Factors

In addition to establishing a mechanism for allocating apportionment aid among districts, AB 1626 and AB 1369 provided additional apportionment aid to certain types of community college districts.

**AB 1626 Equalization Exemption Factor.** AB 1626 provides additional state funds to districts with certain expenditure characteristics and enrollment patterns by exempting them from the equalization provisions. These provisions would tend to reduce the amount of state aid received by the districts because these districts receive a higher than average apportionment per ADA. To qualify for the AB 1626 exemption, a district must satisfy three of the following four conditions:

- the district incurred 1980–81 student service expenditures which put it in the top 25 percent of all districts in the state,
- the district incurred 1980–81 plant maintenance and security expenditures which put it in the top 25 percent of all districts in the state,
- in the fall of 1980, the district had minority student enrollment which exceeded 50 percent of total student enrollment,
- the number of students attending community colleges as a proportion of adult residents in the district was less than 6 percent.

The Chancellor's Office indicates that only two districts—Los Angeles and Compton—would satisfy these requirements and thus be exempted from the equalization calculation. The Chancellor also estimates this equalization exemption factor will cost the state General Fund approximately \$2.3 million in 1981–82. This provision of AB 1626 will continue in 1982–83.

**AB 1369 Special Funding.** AB 1369 provided additional aid to districts with certain enrollment characteristics. To qualify for this aid, a district must satisfy the following requirements:

- its enrollment must exceed 30,000 students in 1981–82,
- at least 40 percent of the ADA must consist of students eligible for financial aid under the Extended Opportunities Programs and Services (EOPs) program,
- it could not receive large district aid.

Under AB 1369, a district which satisfies the conditions for this aid would receive \$15 per ADA on a one-time basis in 1982–83. No funding is provided for this factor in the current year. The Chancellor's Office indicates that one district, the Peralta Community College District, will be eligible for these funds and can receive an additional \$307,000 in apportionment aid.

#### No Analytical Basis for "Special" Aid

*We recommend Budget Bill language be adopted to eliminate the special funding factors in community college apportionments because we find no analytical basis for providing this aid. (Reduce Item 6870-101-001 by \$307,000).*

The budget does not request funds for districts qualifying for the equalization exemption factor (Los Angeles and Compton Community College Districts). It does request \$307,000, however, for the special funding factor (Peralta Community College District).

Our analysis failed to substantiate the need for either the special equity

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or special funding factors. Specifically, our review indicates that:

- *There is no analytical basis for providing additional subsidies to three of the 70 community college districts.* We could find no evidence to show that the current finance mechanism imposes any unique hardship on the three districts which are eligible for these special subsidies.
- *If these districts are experiencing specific problems, they should be addressed through a program that distributes funds on a needs basis.* It is not clear what problems these special factors are attempting to address. If there are, however, special needs that are not addressed through the regular apportionment process or an existing program, they should be funded through a separate categorical program or a change in the regular apportionment factors, rather than as a special adjustment to the apportionment base.
- *There is no guarantee that funds provided in this manner are used to alleviate the unique problems that warrant the special subsidy.* These funds are provided as general aid, and consequently, can be used at the district's discretion.
- *The provision of aid in this manner is contrary to the principle of equalization.* Because these subsidies are treated as general aid, and exempt from the equalization calculation, they tend to weaken the Legislature's efforts to reduce expenditure disparities that are wealth-related.
- *Two of the three districts already receive special funding for "unique" needs.* The Los Angeles District receives approximately \$1.2 million in large district aid, under Ch 282/79 (AB 8). The Peralta District receives \$310,000 in small college aid for its Feather River College.

For these reasons, we recommend the deletion of funds for the special funding factors, for a General Fund savings of \$307,000 in 1982-83. We further recommend that language be adopted to provide for the elimination of the special funding as well as the special equity factors. Although the budget does not contain funds for the special equity factor, the Budget Bill does not contain language indicating how the apportionment funds should be allocated among districts. Without such language, these factors will continue to be funded at the expense of all other districts in the state.

### 5. Fund Flow Mechanism Should Be Revised

*We recommend that Budget Bill language and legislation be enacted to reduce the rate of flow of apportionment funds to community college districts for a potential General Fund revenue increase of \$9,250,000.*

Chapter 292, Statutes of 1978 (SB 154), required the state to allocate up to 75 percent of state apportionment aid to community college districts within the first seven months (58 percent) of the fiscal year. This was intended as a one-time speed-up on the distribution of funds. Accelerating the payments to community colleges in 1978-79 helped the districts make the transition to the new financing mechanism made necessary by the passage of Proposition 13. Because districts received a major portion of their revenues in 1978-79 from the state, rather than from the property tax, SB 154 "front loaded" the distribution of state apportionment aid so that districts would have time to adjust their spending schedule to reflect the large reductions in property tax revenues. This speed-up was intended

to be "temporary" since over time the districts would be able to adjust their spending schedules to be consistent with the flow of property tax revenues. The speed-up, however, was continued in both AB 8 and AB 1626.

Our analysis indicates that front-loading the distribution of apportionment aid is no longer warranted for two reasons:

- Districts have had to adjust to the current property tax allocation mechanism.
- K-12 schools and county offices of education, which are funded on much the same basis as community colleges, generally receive only 60 percent of their state apportionment aid during the first seven months of the fiscal year, and yet have not experienced any major problems in financing their activities due to the apportionment process.

Moreover, there are indications that front loading has resulted in a "windfall" to districts at the state's expense. Table 6 shows that interest revenues to the districts grew significantly between 1977-78 and 1978-79, the first year in which front loading occurred. (The subsequent growth in interest revenues is probably due to high interest rates.)

**Table 6**  
**General Fund Interest Revenues**  
**Generated by Community College Districts**

	Dollars	Change	
		Amount	Percent
1977-78 .....	\$17,664,896	—	—
1978-79 .....	38,561,386	\$20,896,490	118.3%
1979-80 .....	51,208,925	12,647,539	32.8
1980-81 .....	53,999,940	2,791,015	5.4

Source: Chancellor's Office

Obviously, the increase in interest revenues to the district resulting from the accelerated disbursement of apportionment aid reflected a reduction in interest revenues to the General Fund. In 1980-81, we estimate the state lost approximately \$6 million in foregone interest revenues due to front loading.

For these reasons we recommend that Budget Bill language and legislation be enacted to eliminate front loading. Specifically, we recommend that 60 percent of apportionment aid, rather than 75 percent, be distributed in the first seven months of the fiscal year to those districts with more than 3,000 ADA. This would put community colleges on the same basis as K-12 schools. We recommend that small community college districts (less than 3,000 ADA) receive 66 percent of their annual allocation during the first seven months, in recognition of their unique cash flow problems.

**Fiscal Effect.** We estimate a potential General Fund revenue increase of \$9,250,000. This revenue increase would be derived from additional interest revenues generated from the Pooled Money Investment Fund. Our recommendation does not mean districts will receive less state apportionment aid. It does mean, however, districts will receive apportionment funds at a rate consistent to their annual spending patterns.

**BOARD OF GOVERNORS OF THE  
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*We recommend that the Legislature adopt budget language redefining state apportionment aid to include 10 percent of each district's interest income so that the state shares in a portion of the interest revenues districts generate through apportionment aid, for a General Fund savings of \$5,000,000. (Reduce Item 6870-101-001 by \$5,000,000).*

The budget proposes to reduce state K-12 apportionments by redefining the K-12 revenue limit. Specifically, the revenue limit would be redefined to include 10 percent of each district's and county office's rental, lease, and interest income as local revenue for the purposes of calculating state apportionment aid. This would result in an estimated General Fund savings of \$16.0 million. The budget, however, does not propose that the same policy be applied to community college apportionments.

As noted above, the interest revenues community college districts accrue are largely due to the state apportionment funding mechanism. Even if our recommendation to end front-loading in its distribution of apportionment aid is adopted, the community college districts will still be able to earn interest on a portion of the money it receives from the state. This interest is earned at the state's expense, since the state could earn additional revenues from investing the money in the Pooled Money Investment Fund.

There is no analytical reason that districts should be allowed to retain all of the interest they earn by investing state apportionment aid. Consequently, we recommend that the community college apportionment mechanism be revised to include 10 percent of the district's interest income in the calculations of state aid owed to the district. Offsetting 10 percent of the districts' interest revenues would be consistent with the Governor's Budget proposal in the K-12 apportionments.

We estimate that this recommendation would result in a General Fund savings of \$5,000,000 for the budget year.

**7. Residency Requirements**

*We recommend that the Chancellor's Office provide a status report to the Legislature by April 1, 1982, on the Board of Governor's implementation of changes in determining the financial independence of nonresident students as required by current law.*

Chapter 102, Statutes of 1981 (AB 251) added financial independence as a criterion that out-of-state students must meet in order to establish residency for the purpose of avoiding out-of-state tuition. AB 251 required the governing boards of UC, CSU, and *the community colleges* to adopt rules and regulations in 1981-82 to implement this statute. The Regents of the University of California and the Board of Trustees have complied with this requirement, and campuses in these two systems are currently enforcing the provisions of AB 251. At the time this analysis was prepared, the Board of Governors of the Community Colleges had not yet adopted rules and regulations consistent with the provisions of AB 251.

We recommend the Chancellor's Office report to the Legislature on (1) why the Board of Governors has *not* adopted rules and regulations to implement AB 251, (2) when the board intends to adopt these regulations, (3) what efforts the Chancellor's Office has taken to determine if districts

have implemented the new residency requirements, and (4) the revenues likely to result from complying with this provision of AB 251. This report should be submitted to the Legislature as soon as possible, but no later than April 1, 1982.

## B. CATEGORICAL PROGRAMS

### 1. Disabled Student Program Studies

Two state agencies will issue reports this year on educational services provided to the disabled. Last year, the Legislature adopted supplemental report language directing the Department of Finance to study existing funding arrangements for disabled student programs in public higher education, and to recommend a long-term model for funding these programs. The study was limited to programs providing support services which allow disabled students to participate in campus programs. In addition, the study recommends certain modification to the community college disabled apportionment finance mechanism. These modifications, however, are not included in the Governor's Budget. We are unable to determine the reason for this inconsistency. Consequently, the Department of Finance should report to the Legislature at the budget hearings as to how the recommendations in the Finance report will be implemented for 1982-83.

The Department of Developmental Services (DDS) was also required by supplemental report language to complete a study of adult education services in state hospitals. The language requires DDS to determine (1) which state agency should provide adult education services in state hospitals and (2) the level of revenues which should be provided for these programs.

We will discuss the implications of these reports during budget hearings.

### Funding

*We recommend that \$363,000 in General Fund support proposed for service to Department of Rehabilitation clients at community colleges be deleted because federal funds are available for this purpose.*

Regardless of the outcome of these studies, we note in the Department of Rehabilitation analysis (Item 5160) that excess federal funds are available for this purpose. We recommend in that item that such funds be transferred to the higher education budget items to replace state General Fund support. Consequently, General Fund support of \$363,000 contained in this item should be deleted.

### 2. Deferred Maintenance (Item 6870-101-146)

*We withhold recommendation on Item 6870-101-146 pending receipt of the adopted rules and regulations implementing the criteria to allocate deferred maintenance funds from the Board of Governors.*

Chapter 764, Statutes of 1981 (SB 841) established a funding mechanism for deferred maintenance at community colleges. To qualify for funds, a district must meet certain statutorily specified requirements. In addition, SB 841 requires the Board of Governors to adopt rules and regulations implementing the criteria established by the Legislature for allocating deferred maintenance funds. The act requires that these rules and regulations provide a system for establishing priorities among districts in allocating funds for deferred maintenance.

The budget requests \$6,000,000 from the Capital Outlay Fund for Public Higher Education (COFPHE) to fund deferred maintenance and special

### **BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—Continued**

repairs in 1982-83. At the time this analysis was prepared, the Board of Governors had *not* yet adopted rules and regulations for this program. Consequently, the administration proposes to allocate \$6.0 million without having an established plan for the use and allocation of these funds.

Given the circumstances, there does not appear to be an opportunity for the Legislature to review whether the funds that would be appropriated in 1982-83 would be allocated consistent with the provisions of SB 841. While we have no objections to the program or the funding level proposed in the budget, our analysis indicates that there should be a mechanism established to assure that the rules and regulations adopted by the Board of Governors are reasonable.

We believe the Legislature should have an opportunity to review these rules before it decides the appropriate funding level. Therefore, we recommend the Board of Governors submit its adopted rules and regulations before the budget hearings. Accordingly, we withhold recommendation pending receipt of the rules and regulations.

### **3. Governor's Investment in People Initiative**

*We recommend that \$10,000,000 requested to provide (1) ADA growth in employment based job training programs and (2) grants for vocational training programs in high technology fields be deleted because adequate information on how these funds would be used has not been presented to the Legislature. (Reduce Item 6870-101-001 by \$10,000,000).*

The budget requests includes \$10.0 million for a new program to be administered by the Chancellor's Office of the California Community Colleges, which would be part of the "Investment in People" Initiative proposed by the Governor. These funds are proposed to be expended as follows:

- \$7.5 million would be used to fund an additional 6,800 ADA in employment based job training programs.
- \$2.5 million would be used to provide funds on a matching basis to districts establishing regional vocational training programs in high technology fields.

At the time this analysis was prepared, details on how these funds would be used had not been presented to the Legislature. The Chancellor's Office and the Department of Finance have indicated that detailed information on the proposals will be available for review prior to budget hearings.

The administration indicates that this component of the "Investment in People" initiative attempts to address "the irony of labor shortages in skilled occupations while a million of Californians are out of work." The administration believes that while the California Worksite Education and Training Act (CWETA) has made some progress by training its participants for private sector jobs, more needs to be accomplished in this area.

Given this, the administration has proposed to target the state's resources within existing institutions rather than enriching the existing CWETA program. Specifically, the budget proposes to use the community colleges to (1) fund enrollment increases linked to programs which will lead to direct employment in the private sector and (2) provide districts incentives to create programs in high technology fields.

Our review indicates, however, that while the administration's proposal

addresses an important problem, the budget has not provided the Legislature with information to demonstrate that this program is capable of achieving the intended results, or can do so in such a way as to produce benefits commensurate with the cost.

In addition, the administration is proposing a significant policy change in how ADA growth is funded by the state. The budget would provide funding only for ADA growth in certain state mandated program areas. This represents a departure from the state's traditional policy of local control, which provides ADA growth to districts for allocation at the districts' discretion.

Because the available information on the Governor's proposal is not sufficient to determine if the proposed level of funding will address the target problem in a cost-effective manner, we recommend that funds for this new program be deleted. Should additional information become available before the budget hearings, we will review it and advise the budget committees on its content.

### **C. LOCAL ASSISTANCE—COST-OF-LIVING ADJUSTMENTS (ITEM 6870-111-001)**

The budget requests \$66.9 million to provide a 5 percent cost-of-living adjustment (COLA) for community college apportionments (\$64.9 million) and other categorical programs (\$2.0 million). Elsewhere in this analysis (the A-pages), we discuss the general issue of providing inflation adjustments in 1982-83.

As mentioned, AB 1626 provides a statutory COLA of 5 percent for community college apportionments but makes it contingent on the Board of Governors adopting a course classification system by April 1, 1982, and implementing the system by July 1, 1982. The board adopted the classification system at its November 6, 1981 meeting, but it has not been implemented as yet. We will be prepared to discuss implementation of the system during budget hearings. If the system will be implemented by July 1, 1982, we recommend approval of this item.

*Categorical COLAs.* In addition, the budget proposes a 5.0 percent COLA for the EOPs Program (\$1.1 million) and handicapped apportionments (\$.9 million). Providing a COLA for these programs equal to the COLA on apportionments is reasonable, and *we recommend approval.*

### **D. CONTROL SECTION 19.04**

This section allocates federal government royalty payments among the community colleges and K-12 schools. These payments are derived from mineral resource revenues paid to the state by the federal government, and are distributed through sections A and B of the State School Fund.

The budget proposes to allocate 15 percent of the revenues for community college apportionments and the remaining 85 percent for K-12 apportionments in 1982-83. This allocation is based on the historical split between community colleges and K-12 schools. The budget estimates that approximately \$2.6 million will be allocated to the community colleges and \$15.7 million will go to K-12 school districts. These amounts are recognized in the calculations of state aid required for K-12 and community college apportionments. *We recommend approval.*

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**II. STATE OPERATIONS**

The state operations component of the budget includes funding for the administrative functions carried out by the Chancellor's Office. The state operations budget proposes a funding level of \$6,857,000 in 1982-83 which is \$102,000 (-1.5 percent) below the current year funding level. This makes no allowance, however, for any salary or benefit increases that may be approved in the budget year. The decrease in funding reflects lower reimbursements (-\$172,000) and reduced expenditures from the Fund for Instructional Improvement (-\$34,000), offset by increased support from the Federal Trust Fund (\$23,000) and the Credentials Fund (\$74,000). Table 7 shows state operations support.

**Five Percent Reductions.** The budget requests an appropriation of \$3,550,000 from the General Fund which is a \$7,000, 0.2 percent, above estimated current year expenditures. This amount reflects a decrease of \$187,000 in compliance with the administration's directive that certain General Fund agencies reduce state operations by 5 percent. The Chancellor's Office proposes to achieve this savings primarily through a \$142,125 reduction in operating expenses and equipment and a \$44,875 increase in salary savings. The operating expenses and equipment reduction will be achieved through an across-the-board reduction in each administrative unit within the Chancellor's Office. In addition, the Chancellor's Office proposes a 1982-83 staffing level of 145.5 personnel-years. This is a reduction of 2.6 (1.7 percent) personnel-years compared to the current year.

**Table 7**  
**State Operations Budget**  
**Board of Governors of the California Community Colleges**  
**(in thousands)**

	Actual 1980-81	Estimated 1981-82	Proposed 1982-83	Change	
				Amount	Percent
A. Fiscal services .....	\$459	\$479	\$494	\$15	3.1%
B. Special Services and Operations					
1. EOPS .....	273	295	309	14	4.7
2. Disabled students.....	122	122	122	—	—
3. Student affirmative action.....	—	32	—	-32	-100.0
4. Other student services .....	640	805	783	-22	-2.7
5. Faculty and administrative creden- tials .....	468	635	711	76	12.0
6. District affirmative action.....	85	141	80	-61	-43.3
7. Human resources and job develop- ment .....	65	—	—	—	—
8. Program Evaluation and Approval	799	1,081	1,060	-21	-1.9
9. Instructional Improvement and In- novation .....	85	85	84	-1	-1.2
10. Facilities operations .....	554	616	540	-76	-12.3
C. Administration and Instructional Sup- port					
1. Board of Governors .....	108	115	117	2	1.7
2. Executive office.....	917	1,107	1,149	42	3.8
3. General administration .....	912	1,076	1,038	-38	-3.5
Totals, State Operations .....	\$5,487	\$6,589	\$6,487	-\$102	-1.5%

General Fund.....	\$3,302	\$3,543	\$3,550	\$7	0.2%
Credentials .....	424	637	711	74	11.6
Fund for Instructional Improve- ment .....	46	39	5	-34	-87.1
Special Deposit Fund (Real Estate)	81	101	101	—	—
Federal Trust Fund .....	—	51	74	23	45.1
Reimbursements .....	1,634	2,218	2,046	-172	7.7
Personnel-years .....	127.1	148.1	145.5	-2.6	-1.7%

### 1. Regional Offices

*We recommend that (1) the two regional offices of the community colleges be eliminated, (2) two positions be deleted, and (3) two positions be transferred from the regional offices to the Chancellor's Office in Sacramento, because there is not sufficient workload to justify a decentralized administrative structure. (Reduce reimbursements by \$94,000, Item 6100-001-001 by \$47,000 and Item 6100-001-890 by \$47,000.)*

The administrative headquarters of the Chancellor's Office is located in Sacramento. In addition, the Chancellor's Office has two regional offices—one in Los Angeles and the other in San Jose. These offices (1) conduct monitoring and compliance activities involving federally-funded vocational education programs and (2) provide technical assistance in vocational education to local community college districts. The Los Angeles office has two specialists and one secretary. The San Jose office has one specialist and reimburses the Santa Clara County Office of Education for clerical support and overhead. Each office is funded through vocational education reimbursements from the State Department of Education, totaling \$200,000.

Our analysis does not support the need for the two regional offices, specifically, we find that:

- *The Chancellor's Office does not make the most effective use of staff in the regional offices.* For example, the Chancellor's Office in Sacramento is unable to use regional office staff during its peak workload periods (prior to vocational education reporting deadlines) and for other related administrative tasks.
- *A portion of the compliance activities now performed by regional office staff could be incorporated into the existing process for evaluating vocational education programs.* The Program Evaluation and Approvals staff in the Chancellor's Office evaluates a representative sample of community college programs on a rotating basis. There is no reason why vocational education compliance activities could not be undertaken as part of these visits.
- Regional offices staff indicate that the reputation of the Chancellor's Office has been enhanced by having staff closer to the district's local operations. Our field visits last year indicate, however, that many community college administrators are unaware of the existence of these offices. In addition, certain administrators (including those in vocational education) have indicated that they prefer to deal with the Chancellor's Office staff in Sacramento.

In sum, our analysis indicates that the benefits resulting from the regional offices staff do not justify the cost of maintaining them. Accordingly, we recommend that (1) the offices be eliminated, (2) one specialist and one clerical position be deleted now assigned to these offices, and (3) the remaining two specialist positions be transferred to Sacramento. Approval

## **BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—Continued**

of this recommendation would not prevent the Chancellor's Office from either satisfying federal requirements regarding vocational education programs or monitoring the performance of local programs. This is because there is nothing in federal law or regulation which actually *requires* staff to visit each project site each year, the Chancellor's Office could reduce the number of site visits and continue to comply with federal requirements using less staff. The two specialist positions that we recommend be transferred to the Chancellor's Office should provide the chancellor with sufficient flexibility to continue current vocational education compliance activities and as well as other tasks related to vocational education.

### **Fiscal Effect**

This recommendation would reduce vocational education reimbursements by \$94,000 to the Chancellor's Office. These reimbursements are derived from the State Department of Education in its vocational education budget. The vocational education funds are expended in the Department of Education's budget on the basis of one-to-one state federal match basis. Consequently, while these funds are considered "reimbursements" in the Chancellor's budget they are actually one-to-one state federal match funds in the Department of Education's budget. Given this allocation mechanism, our recommendation will (1) reduce vocational education reimbursements in the Chancellor's Office by \$94,000, (2) reduce General Fund support in the State Department of Education's budget by \$47,000, and (3) reduce federal trust fund support in the State Department of Education's budget by \$47,000.

### **2. Zero-Based Budget Reviews of Vocational Education Programs**

*We recommend that supplemental report language be adopted requiring the Chancellor's Office to submit to the Legislature a zero-base budget review of vocational education program activities in the College Services and Program Evaluation/Approval Units of the Chancellor's Office by November 15, 1982.*

The Chancellor's Office assists local community college districts providing vocational educational training and guidance through the College Services and Program Evaluation/Approval Units of the Chancellor's Office. There are 16.9 personnel-years in the College Services Unit requiring a support level of \$783,000. The Program Approvals and Evaluation Unit has a staff of 18.9 positions with a support level of \$1,060,000. It is not clear, however, what the responsibilities of these two units are, nor is it apparent that the way in which vocational education staff is organized constitutes the most cost-effective means of administering community college vocational education programs.

We believe a zero-base budget review of vocational education activities conducted by these two units would provide useful information to the Legislature and provide it with a better basis for determining the funding and staffing requirements for these units. Accordingly, we recommend that the Legislature direct the Chancellor's Office to conduct a zero-base budget review of its vocational education activities. The review should cover, but not be limited to:

- Current funding levels and funding sources for all program activities;
- Delineation of functions and responsibilities for vocational education programs in the two units;

- Appropriate organizational arrangement of vocational education program staff in the Chancellor's Office;
- Workload and performance indicators of each unit's activities (for example, sites visited, reports reviewed); and
- The program activities that should be undertaken by these two units.

### **3. Community Colleges Credentials Fund (Item 6870-001-165)**

#### *We recommend approval.*

Community college administrators, counselors, and instructors are required to maintain a state credential as a condition of their employment. The Credentials Office is responsible for review, approval, and revocation of credentials. The office is fully supported through a fee assessed for every application. Chapter 943, Statutes of 1981 (AB 1061), allows the Chancellor's Office to increase the credentials fee up to \$30, on a temporary basis, until July 1, 1985, when the maximum fee will be lowered to \$25.

The budget requests an appropriation of \$711,000 from the credentials fund, which is \$74,000 (11.6 percent) more than estimated current year expenditures. This increase is largely due to the increased central administrative service ("pro rata") charges imposed by certain state agencies.

Our analysis indicates that the budget proposal is reasonable.

### **4. Federal Trust Fund (Item 6870-001-890)**

#### *We recommend approval.*

The budget proposes \$74,000 in federal funds for the Chancellor's office and the Western Association Accrediting Commission of Community Colleges to undertake a three-year study on improving the community college evaluation and accreditation process. The funds will be provided through the U.S. Department of Education. Both agencies are required to provide in-kind services as a match for these funds. These services will be provided using existing staff.

The study will:

- Review the accomplishments of colleges, as compared to their plans for meeting state and federal requirements for accreditation;
- Recommend an appropriate role for accrediting organizations; and
- Provide recommendations on improving the accreditation process.

The grant was awarded in the current year, providing an initial allocation of \$51,900, with an additional \$99,490 to be provided in the 1982-83 and 1983-84 years. The proposed allocation of \$74,000 in the budget year includes \$51,900 in new money from the 1982-83 allocation, and \$22,100 remaining from the 1981-82 allocation.

Because this study will provide useful information on the accreditation process, we recommend approval of this item.

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY AND REVERSION**

Items 6870-301 and 6870-495  
 from the Capital Outlay Fund  
 for Public Higher Education  
 (COFPE) and the State  
 Construction Program Fund  
 (bonds)

Budget p. E 231

Requested 1982-83 .....	\$20,298,000
Recommended approval .....	16,073,000
Recommended reduction .....	3,490,000
Recommendation pending .....	\$735,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. Transfer Savings to the General Fund. Recommend that savings of \$3,428,000 resulting from our recommendations on Item 6870-301-146 be transferred from the Capital Outlay Fund for Public Higher Education to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide. 1577
2. Rebudgeting of Frozen Capital Outlay Funds. Recommend that prior to budget hearings, the Department of Finance identify any additional funds needed for projects which were frozen in the current year and are proposed for rebudgeting in 1982-83. 1577
3. Riverside Community College District—Asbestos Ceiling Corrections. Withhold recommendation on Item 6870-301-146(14), pending receipt of additional information. 1579
4. *Palomar Community College District—Storm Drains. Reduce Item 6870-301-146(18) by \$310,000.* Recommend deletion of proposed funds because existing drains are adequate under normal design conditions. 1580
5. *Antelope Valley Community College District—Emergency Structural Repair. Reduce Item 6870-301-146(13) by \$83,000.* Recommend deletion of proposed funds because funds for special repair projects are proposed under Item 6870-101-146. 1581
6. *Santa Barbara Community College District—Flood and Erosion Protection. Reduce Item 6870-301-146(15) by \$87,000.* Recommend deletion of proposed funds because funds for special repair projects are proposed under Item 6870-101-146. 1581
7. *Santa Barbara Community College District—Campus Lighting. Reduce Item 6870-301-146(16) by \$88,000.* Recommend deletion of proposed funds because minor capital outlay projects are the district's responsibility. 1581
8. Redwoods Community College District—Wastewater Disposal System. Withhold recommendation on Item 6870-301-146(17), pending receipt of the district's revised pro- 1582

- posal and information concerning regional water quality control board approval of this project.
9. Santa Barbara Community College District—Removal of Architectural Barriers, Phase II. Withhold recommendation, pending receipt of additional information. 1584
  10. Yosemite Community College District—Removal of Architectural Barriers, Phase II. Withhold recommendation, pending clarification of project scope by the Chancellor's Office and the district. 1584
  11. San Bernardino Community College District—Removal of Architectural Barriers. Withhold recommendation, pending receipt of additional information. 1584
  12. *Mendocino-Lake Community College District—Initial Complement of Library Books. Reduce Item 6870-301-146(41) by \$208,000.* Recommend deletion of proposed funds because functioning library already exists. 1585
  13. *Mendocino-Lake Community College District—Library Alternate Learning Center. Reduce Item 6870-301-146(44) by \$2,652,000.* Recommend deletion of proposed construction funds because request is premature given status of site development projects. 1585
  14. Mendocino-Lake Community College District—Modular Buildings. Recommend that the district not relocate its modular buildings from the fairgrounds to the Yokayo Ranch site. 1585
  15. *Sierra Community College District—Energy Conservation Measures. Reduce Item 6870-301-736(1) by \$39,000.* Recommend reductions to correct for double-budgeting of fees and to reduce cost of one project. 1588
  16. *Peralta Community College District—Energy Conservation Conversion, Phase II. Reduce Item 6870-301-736(2) by \$23,000.* Recommend deletion of project because minor capital outlay projects are a district responsibility. 1588

### ANALYSIS AND RECOMMENDATIONS

The state's share of the California Community Colleges capital outlay program for 1982-83 totals \$20,298,000. This amount is contained in two budget items. Item 6870-301-146 proposes the expenditure of \$19,871,000 from the Capital Outlay Fund for Public Higher Education and Item 6870-301-736 proposes the expenditure of \$427,000 from the State Construction Program Fund (bonds). The various districts will provide a total of \$5,277,000 to support the requested projects, bringing the total program to \$25,575,000. Thus, the state will fund a total of 79.37% of the community colleges capital outlay program.

**Table 1**  
**California Community Colleges**  
**1982-83 Capital Outlay Proposal**  
**(in thousands)**

Category	State Share	District Share	Total
Rebudgeted capital outlay projects.....	\$7,274	\$1,454	\$8,728
Correct hazardous conditions.....	723	299	1,022
Removal of architectural barriers.....	2,453	1,554	4,007
New facilities.....	9,186	1,831	11,017
Alterations to existing space to meet program needs ...	135	48	183
Project planning/preliminary plans—Systemwide .....	100	25	125
Energy conservation projects.....	427	66	493
Totals.....	\$20,298	\$5,277	\$25,575

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY  
AND REVERSION—Continued**

For discussion purposes, we have divided the community college program into eight descriptive categories. Table 1 summarizes the 1982-83 capital outlay program by category.

**Transfer to General Fund**

*We recommend that the savings resulting from our recommendations on Item 6870-301-146—\$3,428,000—be transferred from the Capital Outlay Fund for Public Higher Education to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide.*

We recommend reductions amounting to \$3,428,000 under Item 6870-301-146—California Community Colleges, capital outlay proposal. Approval of these reductions, which are discussed individually below, would leave unappropriated balances of tideland oil revenues in the Capital Outlay Fund for Public Higher Education where they would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special purpose accounts limits the Legislature's options in allocating funds to meet high-priority needs. So that the Legislature may have additional flexibility in meeting these needs, we recommend that any savings resulting from approval of our recommendations be transferred to the General Fund.

**Rebudgeting of 1981-82 Capital Outlay Funds Frozen by Executive Order**

*We recommend that prior to legislative hearings on the budget, the Department of Finance indicate the amount of additional funds needed to allow projects frozen in the current year to proceed.*

The budget proposes rebudgeting of project funds which were approved by the Legislature in the 1981 Budget Act. Executive Order B-87-81 instructed the State Public Works Board to defer allocation of certain capital outlay funds, resulting in a freeze on capital outlays in the current year. The Governor's Budget proposes reversion of the frozen project funds under Item 6870-495, and rebudgets the same amount in 1982-83. The budget, however, does not include additional funds to account for any inflationary cost increases associated with the delay imposed by the freeze. Consequently, we recommend that prior to legislative hearings on the budget, the Department of Finance verify that the requested amounts are adequate for the rebudgeted projects.

**A. Previously Budgeted Capital Outlay Projects**

*We recommend approval of Items 6870-301-146(1)-(12) to restore funding to previously approved projects.*

The budget includes \$7,274,000 under Items 6870-301-146(1)-(12) to restore funding for 12 projects which were frozen in the current year. These projects are summarized in Table 2.

**Table 2**  
**California Community Colleges**  
**Rebudgeted Capital Outlay Projects**  
**Item 6870-301-146**  
**(in thousands)**

District/Project	1981 Budget Act Appropriation <sup>a</sup>	Amount Expended <sup>a</sup>	Amount Reverting/ Amount Rebudgeted <sup>a</sup>
(1) Mendocino-Lake CCD, Mendocino College—off-site development .....	\$1,370 wc	\$59 w	\$1,311 c
(2) Mendocino-Lake CCD, Mendocino College—on-site development .....	1,899 wc	84 w	1,815 c
(3) Kern CCD, Cerro Coso College—occupational laboratory building.....	3,250 c	—	3,250 c
(4) Peralta CCD, College of Alameda—energy conservation conversion .....	49 wc	—	49 wc
(5) Peralta CCD, Merritt College—energy conservation conversion.....	95 wc	—	95 wc
(6) Palomar CCD, Palomar College—Mission Road improvements.....	219 c	—	219 c
(7) Mendocino-Lake CCD, Mendocino College—library and alternate learning center .....	66 w	—	66 w
(8) Los Angeles CCD, Los Angeles Trade-Technical College—Removal of architectural barriers to the physically handicapped, phase II .....	56 c	—	56 c
(9) Los Angeles CCD, Los Angeles City College—Removal of architectural barriers to the physically handicapped, phase II.....	51 c	—	51 c
(10) Los Angeles CCD, East Los Angeles College—removal of architectural barriers to the physically handicapped, phase II.....	27 c	—	27 c
(11) Butte CCD, Butte College—sanitary sewer oxidation pond .....	73 wc	—	73 wc
(12) Peralta CCD, Merritt College—removal of architectural barriers to the physically handicapped, phase II .....	262 c	—	262 c
Totals .....	<u>\$7,417</u>	<u>\$143</u>	<u>\$7,274</u>

<sup>a</sup> Phase symbols indicate: c—construction; w—working drawings.

The 1981 Budget Act appropriated \$7,417,000 for working drawings and/or construction of these same projects. Working drawing funds for off-site development (\$59,000) and on-site development (\$84,000) at Mendocino College were allocated by the Public Works Board at its July meeting. The remaining \$7,274,000 is proposed for reversion under Item 6870-495. The budget proposes to restore these funds to allow the projects to proceed in 1982-83. Our analysis of the original funding requests is included on pages 1144 to 1459 of the *Analysis of the 1981 Budget Bill*.

Given the Legislature's previous actions, we recommend approval of the projects.

#### Reversion of Appropriations in the 1981 Budget Act

*We recommend approval of Item 6870-495 to revert \$7,418,000 to the COFPH, related to 13 projects approved in the 1981 Budget Act and rebudgeted in the 1982-83 Budget Bill.*

As shown in Table 2, the unencumbered balances of 12 appropriations for capital outlay projects in the 1981 Budget Act, totaling \$7,274,000, are proposed for reversion under this item. In addition, this item would revert

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY  
AND REVERSION—Continued**

unexpended systemwide planning funds. The 1981 Budget Act appropriated \$150,000 for systemwide planning purposes. The budget indicates that \$4,000 was expended in the current year. The Chancellor's Office, however, indicates that \$6,000 has been spent, leaving only \$144,000 for reversion. Thus, a total of \$7,418,000 is available for reversion under this item.

The amount associated with each capital outlay project is rebudgeted under Items 6870-301-146(1)-(12), and planning funds for 1983-84 projects are proposed under Item 6870-301-146(45). Thus, reversion of the 1981 Budget Act amounts does not cancel the projects or prevent planning for future projects.

**B. Correction of Hazardous Conditions**

The budget proposes \$723,000 under Item 6870-301-146(13)-(18) for six projects to correct hazardous conditions at five community college campuses. The district's share for these projects totals \$299,000. The proposed projects are discussed below.

**Riverside Community College District—Asbestos Ceiling Corrections**

*We withhold recommendation on Item 6870-301-146(14), working drawings and construction, asbestos ceiling corrections at Riverside City College, pending receipt of additional information.*

The budget proposes \$108,000 under Item 6870-301-146(14) for working drawings and construction of asbestos ceiling corrections at Riverside City College. These funds would be used to remove the existing asbestos ceilings and install new nontoxic acoustical ceilings in (1) the data processing/student services building, (2) the auditorium complex, and (3) a portion of the music building complex.

Asbestos, a known carcinogen, has been used in building materials for many years as an insulating, fire-proofing, and sound-deadening material. The United States Environmental Protection Agency (EPA) banned most uses of asbestos in 1973. However, asbestos which was in place before the ban was not affected. In some cases, asbestos-containing material can deteriorate with age, resulting in release of asbestos fibers into the surrounding air. When inhaled these fibers may adversely affect the health of building occupants.

EPA guidelines list two important criteria for determining whether asbestos-containing material might present a health hazard:

1. The percent of asbestos present in the material, and
2. The friability of the material.

Materials that contain asbestos and are friable may present a health hazard. In addition, EPA guidelines recommend multiple samplings of suspect material to ensure reasonable accuracy of test results. This is necessary because the asbestos content of friable materials within a sampling area may vary because of differences in mixing at the time of application. Also, analysis of individual samples even with the best techniques available is subject to error.

The district states that the three buildings to be funded under this proposal were built in the early 1950s when asbestos for ceilings was in common use because of its acoustical quality. Samples analyzed by an independent testing laboratory indicate that the ceilings in question contain from 15 to 40 percent asbestos.

The Supplemental Report of the 1981 Budget Bill directed the Office of the Chancellor of the California Community Colleges to conduct a survey at each community college campus to determine the extent to which asbestos is present and constitutes a health hazard. This survey was to indicate the percentage of asbestos in building materials as well as the amount of asbestos contained in the air surrounding the affected area.

The asbestos surveys were submitted to the Chairman of the Joint Legislative Budget Committee in December, but no information was provided concerning the Riverside Community College District. Thus, while materials containing asbestos are present at Riverside City College, the friability of the material and the amount of asbestos fibers in the air surrounding the affected areas is not known. In addition, the district indicates that only one sample from each location was analyzed by the testing laboratory. This is not sufficient information to determine either the asbestos content or the potential hazard.

We understand that the district will be submitting a revised proposal prior to budget hearings. Thus, we withhold recommendation on this project, pending receipt of information concerning multiple samplings of suspected material, the friability of the suspected material, and the asbestos fiber content of the surrounding air.

#### **Palomar Community College District—Storm Drains**

*We recommend that Item 6870-301-146(18), working drawings and construction of storm drains at Palomar College, be deleted because existing storm drain systems are adequate for normal engineering design conditions.*

The budget requests \$310,000 under Item 6870-301-146(18) for the construction of a drainage system for the watersheds north and northeast of the Palomar College campus. Specifically, three parallel 24-inch diameter pipes would be installed in the northeasterly part of the campus to carry rain water along the east road of the campus to Mission Road. In addition, two parallel 18-inch drains would be installed in the north campus and tie into the existing drainage system along the east road. A total of 8,580 linear feet of pipe will be added to the existing system. The district indicates that the terrain of the campus does not allow for the installation of one large pipe for each area.

Over the past 35 years, the college has been damaged by flood waters from these areas twice. During the winter of 1978, five campus buildings suffered damage from flood waters and in the winter of 1979 flood waters again damaged several buildings. A portion of the repair expenses was recovered through federal disaster funds. Weather records indicate that the 1978 rainfall has occurred only twice before—in the winter of 1941 and in the winter of 1890. Likewise, the 1979 rainfall has previously occurred only in the winters of 1969 and 1952.

The campus currently has a drainage system consisting of one 36-inch drain pipe on the west side of the campus and two 18-inch drain pipes on the east side. There is no indication that the existing system was not installed to meet drainage requirements based on standard engineering design practices. These design conditions take into consideration probable storm drainage requirements but not extreme or unusual conditions. This design is the basis for similar systems for state and nonstate installations.

Although funds were requested for this project in 1981-82, the Legislature chose not to provide them.

For these reasons, we recommend that the funds be deleted.

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY  
AND REVERSION—Continued****Unsupportable Minor Capital Outlay and Special Repair Projects**

*We recommend deletion of Items 6870-301-146(13), (15), and (16), because the state does not fund minor capital outlay projects for the community colleges. Special repair projects should be funded from amounts provided for this purpose under Item 6870-101-146.*

The budget requests \$305,000 for one minor capital outlay project (\$150,000 and less per project) and two special repair/maintenance projects at three community college campuses.

Except for alteration for handicap accessibility, minor capital outlay historically has been the responsibility of the districts, and therefore the state has not shared in the associated cost of such projects. In view of the state's current fiscal condition, we question the advisability of the state assuming a new commitment that could cost several million dollars statewide.

In addition, funds for special repair projects are budgeted under Item 6870-101-146. The two proposed special repair projects should be funded from those monies and not as capital outlay projects. For these reasons, we recommend deletion of the three projects discussed below.

**Antelope Valley Community College District—Emergency Structural Repair.** The budget includes \$83,000 under Item 6870-301-146(13) for working drawings and construction for structural repairs to the concrete roof system of the natatorium at Antelope Valley College. The precast double "T" members are cracking and spalling. After the installation of timber shoring, the Office of State Architect allowed use of this space on a temporary basis. The college is proposing to install a steel system to support the existing concrete system. The total cost of this project is \$145,000, with the state providing \$83,000 and the district providing \$62,000.

Repairs of this type in state-owned facilities would normally be funded from the support/operations budget, rather than as a capital outlay project. Moreover, funds for this purpose are requested under Item 6870-101-146.

**Santa Barbara Community College District—Flood and Erosion Protection.** Item 6870-301-146(15) contains \$87,000 for working drawings and construction for grading, site work, and drainage improvements at Santa Barbara City College to remedy damage done by rains in the spring of 1978 and to prevent future deterioration. The total cost of this project is estimated at \$134,000, with the district providing \$46,000. Repairs of this type in state-owned facilities should be funded from the support/operations budget, rather than as a capital outlay project. As discussed above, funds for this purpose are proposed under Item 6870-101-146.

The district indicates that some of the work has been accomplished with district funds, but that there are not sufficient funds at the local level to complete the work. It is not clear why this is the case, since information provided by the Chancellor's Office indicates that the district had an unrestricted ending balance as of June 30, 1981 of \$2,211,000.

**Santa Barbara Community College District—Campus Lighting.** The budget includes \$88,000 under Item 6870-301-146(16) for working drawings and construction for a new exterior lighting system at the east campus loop of Santa Barbara City College. Specifically, lighting would be provided on the fire road between the main campus and the athletic field area

and on the foot path leading down to Cliff Drive. The estimated total cost of this project is \$133,000, making it a minor capital outlay project. If the district believes this project is needed, it should fund the project with district monies.

### **Redwoods Community College District—Wastewater Disposal System**

*We withhold recommendation on Item 6870-301-146(17), working drawings and construction, wastewater disposal system at the College of the Redwoods, pending receipt of a revised proposal and information concerning regional water quality control board approval of this project.*

The budget proposes \$47,000 under Item 6870-301-146(17) for working drawings and construction to provide an alternate means of sanitary sewage disposal for the College of the Redwoods. Currently, the effluent from the treatment plant at the college flows into Humboldt Bay. The State Water Resources Control Board (SWRCB) has adopted a policy for the enclosed bays and estuaries of California. This policy requires the elimination of wastewater discharge into these areas by July 1, 1983, unless it can be demonstrated that such discharge would enhance the quality of the receiving waters.

The district is proposing to construct a ponding site for the effluent. Under the proposed plan, the treated "gray water" would be used during specific intervals of the year for irrigation purposes on the main campus and on adjacent agricultural property. The total cost of this project is \$592,000, with the federal government providing \$518,000.

Since the submission of the original proposal, the district has received an amended grant from the SWRCB to study the possibility of continued bay discharge. The study has been completed and the district has developed a less costly alternative proposal involving the installation of a dechlorination unit. This proposal will be submitted to the regional water quality control board for approval in February.

We withhold recommendation on this proposal, pending the receipt of the district's revised proposal and information concerning the regional water quality control board's determination.

### **C. Handicapped Barrier Removal**

The budget proposes the expenditure of \$2,453,000 in state funds and \$1,554,000 in district funds for working drawings and construction for 22 projects intended to remove architectural barriers to the physically handicapped. These projects, which are requested under Items 6870-301-146(19)-(40), are summarized in Table 3.

The Chancellor's Office has established the following priority criteria for projects to remove barriers to the physically handicapped:

- Category 1—access to the campus site and to facilities on the campus.
- Category 2—access to the main level of buildings with high-traffic use.
- Category 3—access to facilities within buildings to meet the basic needs of the physically handicapped.
- Category 4—access to floors above and below the entrance level of buildings.
- Category 5—all other items not included in categories 1-4.

Much of the work in categories 1, 2, and 3 has been accomplished. Approximately one-third of the proposed funds would be used for work in these categories. The remaining two-thirds of the funds would be used for work in category 4.

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY  
AND REVERSION—Continued**

**Table 3**  
**California Community Colleges**  
**Projects to Remove Barriers to the Physically Handicapped**  
**Item 6870-301-146**  
**(in thousands)**

<i>District/College</i>	<i>Phase<sup>a</sup></i>	<i>Governor's Budget</i>		<i>Analyst's Proposal</i>	
		<i>State Share</i>	<i>District Share</i>	<i>State Share</i>	<i>District Share</i>
(19) Butte CCD, Butte College— phase II .....	wc	\$42	\$11	\$42	\$11
(20) Los Rios CCD, American River College .....	wc	50	18	50	18
(21) Sweetwater (Southwestern) CCD, Southwestern College .....	wc	2	8	2	8
(22) Grossmont CCD, Cuyamaca Col- lege.....	wc	14	—	14	—
(23) Grossmont CCD, Grossmont College .....	wc	13	—	13	—
(24) Antelope Valley CCD, Antelope Valley College—phase IV.....	wc	16	12	16	12
(25) Cabrillo CCD, Cabrillo College —phase II .....	wc	53	30	53	30
(26) Chaffey CCD, Chaffey College..	wc	237	11	237	11
(27) Santa Barbara CCD, Santa Bar- bara City College—phase II.....	wc	469	245	pending	pending
(28) Monterey Peninsula CCD, Mon- terey Peninsula College—phase II .....	wc	381	152	381	152
(29) Cerritos CCD, Cerritos College	wc	60	95	60	95
(30) Napa CCD, Napa College.....	wc	112	109	112	109
(31) Los Angeles CCD, Los Angeles City College—phase III.....	c	128	218	128	218
(32) San Mateo CCD, College of San Mateo—phase III .....	wc	183	48	183	48
(33) Los Angeles CCD, Los Angeles Pierce College—phase III.....	c	53	89	53	89
(34) Los Angeles CCD, West Los An- geles College—phase III.....	c	62	105	62	105
(35) Ventura CCD, Ventura College	wc	250	92	250	92
(36) Yosemite CCD, Modesto Junior College—phase II .....	wc	77	32	pending	pending
(37) Los Angeles CCD, Los Angeles Trade Technical College—phase III .....	c	54	91	54	91
(38) San Bernardino CCD, Crafton Hills College.....	wc	34	50	pending	pending
(39) San Mateo CCD, Skyline College —phase III .....	wc	97	26	97	26
(40) Los Angeles CCD, Los Angeles Southwest College—phase III ...	c	66	112	66	112
Totals .....		\$2,453	\$1,554	pending	pending

<sup>a</sup> Phase symbols indicate: c—construction; w—working drawings.

**Handicapped Barrier Removal—Projects Recommended for Approval**

*We recommend approval of Item 6870-301-146 (19)–(26), (28)–(35), (37) and (39)–(40), for a total of 19 projects to remove architectural barriers to the physically handicapped at community college campuses statewide.*

These 19 projects will correct deficiencies in categories 1 through 4. The work includes such items as curb cuts, ramp installation, modifications to exterior doors, sanitary facilities, drinking fountains, and elevators.

Our analysis indicates that these projects are necessary for compliance with handicapped regulations. They are consistent with prior legislative appropriations for removal of barriers to the handicapped, and the scope and cost are reasonable. We, therefore, recommend that the funds be approved.

**Handicapped Barrier Removal—Recommendation Pending**

*We withhold recommendation on Items 6870-301-146(27), (36), and (38), working drawings and construction, architectural barrier removal, at Santa Barbara City College, Modesto Junior College, and Crafton Hills College, respectively, pending receipt of additional information.*

**Santa Barbara City College.** The budget proposes \$469,000 under Item 6870-301-146(27) for barrier removal work at Santa Barbara City College. The district will provide \$240,000 towards this work. The district's proposal includes two elevators in the physical education building. One elevator will go from the first floor to the second floor and the second elevator will go from the second floor to the third floor. The need for two elevators at this facility is not clear, and no detailed justification for this work has been provided. We withhold recommendation on this request, pending receipt of information justifying the installation of two elevators in this building.

**Modesto Junior College.** The budget requests \$77,000 under Item 6870-301-146(36) for work to remove barriers to the physically handicapped at Modesto Junior College (Yosemite Community College District). The district would provide \$32,000 for this project. Information received in support of this project indicates that the work consists of installing two elevators at a total project cost of \$217,000. This cost is \$108,000 more than the funds proposed in the Governor's Budget. It is not clear what part of this work the budget proposes to fund. Consequently, we withhold recommendation on this item, pending clarification of the project scope by the Chancellor's Office and the district.

**Crafton Hills College.** The budget proposes \$34,000 under Item 6870-301-146(38) for working drawings and construction of an elevator for the gymnasium building at Crafton Hills College (San Bernardino Community College District). The proposed project is intended to allow handicapped access to the weight-lifting facilities which are in the basement of the building.

While the basement of the building should be made accessible, it is not clear that the proposed project will adequately meet the needs of handicapped students at the college. The elevator is to be located on the exterior of the west side of the gymnasium building, adjacent to the men's locker room. The women's locker room is located on the opposite side of the gymnasium. Female students desiring to use the elevator to access the lower level of the building would have to travel outside the entire length of the building. The district should consider other possible locations for this elevator and justify the alternative selected. We withhold recommendation on the project, pending receipt of this information.

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY  
AND REVERSION—Continued****D. New Facilities**

This category includes three projects to provide new facilities at two districts. The individual projects and our recommendation for each follow.

**Mendocino-Lake Community College District—New College Campus Development**

*We recommend deletion of Item 6870-301-146(41), purchase initial complement of library books for Mendocino College, because a functioning library already exists.*

*We further recommend deletion of Item 6870-301-146(44), construction, library and alternate learning center, because the request is premature given the status of site development work.*

*We further recommend that the district not relocate its modular buildings from the fairgrounds to the new permanent site.*

The budget proposes two new appropriations totaling \$2,860,000 for projects related to the construction of a permanent campus for Mendocino College. This amount is in addition to three projects approved for 1981-82 and rebudgeted in the Budget Bill. The rebudgeted projects (summarized in Table 2) are for initial site development of the new campus and architectural/engineering design of the library/alternate learning center. The new projects include \$208,000 under Item 6870-301-146(41) to purchase an initial complement of library books for the college, and \$2,652,000 under Item 6870-301-146(44), to construct a library/alternate learning center at the permanent site. These projects are discussed below.

Mendocino College currently occupies modular relocatable-type facilities at the 12th District fairgrounds, as well as seven other buildings in Ukiah. In addition, the college operates two centers in Willits and Lakeport. The 1981 Budget Act appropriated \$3,335,000 to initiate construction of a permanent college campus. The estimated future cost of state-supportable development at this campus is \$16.7 million (adjusted for inflation).

**Initial Complement of Library Books.** The budget proposes \$208,000 to purchase an initial complement of library books and resource materials for the new permanent library facilities. The district desires to purchase 10,452 volumes covering the areas of science/technology, social sciences, fine arts/literature, reference and general information. The district states that the rapid growth and enrollment and consequent expansion of the teaching staff has mandated a relatively quick acquisition of support material for the library, but that the acquisition program was geared to an interim book collection.

The state has previously supplied funds for the acquisition of initial complements of library books. However, this has occurred only where a completely new college campus was being developed, and hence, no facilities or equipment was available. Funding for books has not been provided for campuses which have been in existence for a period of time and are constructing new library facilities.

The Mendocino College library has been in operation since 1973 and has served the needs of district students since that time. The fact that a new library building is being constructed does not create a need for the state

to provide funding for an initial complement of library books. Consequently, we see no justification for this proposal and recommend that the proposed funds be deleted.

**Library/Alternate Learning Center—Construction.** The budget requests \$2,652,000 for construction of a library/alternate learning center for Mendocino College. This building would be the first permanent structure on the new campus, and would provide space for the library, instructional facilities, offices and audio-visual facilities. Upon completion of this project, the district will abandon two leased facilities in Ukiah which are used for the library and student services center. In addition, several modular buildings will be vacated and remodeled for other uses.

The 1981 Budget Act appropriated \$66,000 for the preparation of working drawings for this project. These funds are proposed for reversion under Item 6870-495 and are rebudgeted under Item 6870-301-146(7). Thus, working drawings have not been started and the estimated construction cost is based on the same information that was available last year.

The start of construction work on this project depends, in part, on the progress made in both the on-site and off-site development work. Construction funds for the development projects are proposed for rebudgeting in 1982-83. A substantial portion of this work must be completed before construction on the library/alternate learning center can begin. Given the extensive amount of site development work which must be accomplished and the length of the rainy season in the Ukiah area, construction on the library/alternate learning center could probably not begin before late spring 1983. Consequently, the district may not need construction funds in the budget year. In view of this and because the working drawings have not been started, we recommend that the proposed construction funds be deleted.

**Use of Modular Buildings.** According to the district's five-year plan, 15 modular buildings are to be relocated from the fairgrounds to the permanent site. The district proposes to use district funds (\$425,000) to relocate the buildings. These modular buildings are in various stages of deterioration and, at best, are marginal facilities. Given the cost to move these buildings plus the high ongoing maintenance and utility costs, the proposed move would not seem to be cost effective. In a short period of time, the modular buildings will have to be replaced and any funds committed to the relocation will have been lost. Rather than expend district funds in this manner, it would make more sense for the district to initiate planning to construct permanent facilities at the new site. The district's \$425,000 could be used to offset costs associated with the construction of the permanent facilities. Consequently, we recommend that the district not relocate the buildings to the new site.

#### **Saddleback College—General Classroom Building**

*We recommend approval of Item 6870-301-146(43), construction, general classroom building at Saddleback College.*

Item 6870-301-146(43) proposes \$6,326,000 for construction of a general classroom building at Saddleback College. The district will provide \$1,831,000 towards the construction of this project. State funds for working drawings (\$208,400) previously were appropriated by the Legislature in Ch 910/80 (AB 1171), and the district provided its matching share of \$112,200. The proposed building will provide 54,995 assignable square feet of space for classrooms, laboratories, and offices for business education, family and consumer affairs and the social sciences.

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY  
AND REVERSION—Continued**

The Saddleback Community College District currently is experiencing rapid enrollment increases. In the year of occupancy (1984), this facility will increase lecture space from 87 to 97 percent of need. Laboratory space will increase from 71 to 81 percent of need, and office space will increase from 69 to 73 percent of need. Equipment for this facility is expected to cost \$562,000. The district anticipates requesting funds for equipment in 1983-84. The requested project is justified and the cost is reasonable. We, therefore, recommend approval.

**Pending Legislation.** Assembly Bill 2265 (Bergeson) would appropriate \$2 million from the Capital Outlay Fund for Public Higher Education for construction of phase I of this building. Phase I of this project would include site work and construction of about one-half of the building shell to full height. The construction would be terminated at a row of columns leaving the fourth side of the building open. At the time this analysis was prepared, the bill, which is an urgency measure, was in the Assembly Ways and Means Committee. Should this bill pass, the state's share of this project should be reduced by \$2 million.

**E. Alterations to Existing Space**

This category contains one project in the Los Rios Community College District.

**Los Rios Community College District—Remodeling for Electronics Laboratories**

*We recommend approval of Item 6870-301-146 (42), working drawings, construction and equipment to remodel for electronics laboratories at American River College.*

Item 6870-301-146 (42) proposed \$135,000 for working drawings, construction and equipment to remodel existing space to house electronics laboratories at American River College. These funds would be used to convert and equip two rooms currently used as drafting labs to electronics training labs, and to modify existing underutilized lecture space to house the drafting facilities. The total estimated cost of this project is \$183,000; the district will provide \$48,000.

In the year of occupancy (1983), this project will reduce the district's excess lecture space from 108 percent to 105 percent of need, and increase laboratory space from 94 to 95 percent of need.

The electronics technician training program is one of the most highly demanded programs at American River College. The number of students desiring enrollment in the college's two-year electronics program exceeds the number that the school is able to serve. According to the district, over 500 students have been turned away during the past three semesters because of space limitations in this program. The district indicates that the proposed modifications will provide laboratory space for the training of an additional 480 students in the two-year program. We recommend approval of the proposed project.

**F. Project Planning**

*We recommend approval of Item 6870-301-146 (45), project planning and preliminary planning, statewide.*

The budget proposes \$100,000 under Item 6870-301-146(45) for the

preparation of preliminary plans for capital outlay proposals expected to be included in the 1983–84 Governor's Budget. It is anticipated that \$25,000 will be provided for this purpose by the various districts, for a total of \$125,000 in preliminary planning funds. The proposed funds would provide for approximately \$8,333,000 in construction assuming the historical ratio of planning to construction, (1.5%). This amount is reasonable and we recommend approval.

### G. Energy Conservation Projects

The budget proposes \$427,000 under Item 6870-301-736(1)–(3) for energy conservation projects at three community colleges. The proposed projects and our recommendations are summarized in Table 4.

**Table 4**  
**California Community Colleges**  
**Energy Conservation Projects**  
**Item 6870-301-736**  
**(in thousands)**

District/College	Governor's Budget		Analyst's Proposal	
	State Share	District Share	State Share	District Share
Sierra CCD, Sierra College .....	\$221	\$17	\$182	\$14
Peralta CCD, College of Alameda—phase II .....	23	1	—	—
San Mateo CCD, College of San Mateo .....	183	48	183	48
Totals .....	\$427	\$66	\$365	\$62

#### Sierra Community College District—Energy Conservation Measures

*We recommend that Item 6870-301-736(1), working drawings and construction, energy conservation measures at Sierra College, be reduced by \$39,000 because the cost of one project has been reduced and certain fees have been double-budgeted.*

Item 6870-301-736(1) requests \$221,000 for working drawings and construction for energy conservation projects at Sierra College. The projects include the installation of an economizer cycle on the heating and ventilating/air conditioning system, replacement of outside lights with high-pressure sodium lights, and various modifications to the pool heating system.

We have reviewed the individual projects and recommend that they be approved. However, in determining the total project cost, engineering and architectural fees and inspection fees have been budgeted twice. Thus, \$25,000 in excess funds has been included. In addition, the estimated contract cost of one project has been reduced by \$17,000. This reduction has not been reflected in the total project cost. Thus, a total of \$42,000 has been overbudgeted. The state's share of this amount is \$39,000. Consequently, we recommend that the proposed amount be reduced by \$39,000.

#### College of Alameda—Energy Conservation Conversion, Phase II

*We recommend deletion of Item 6870-301-736(2), working drawings and construction, energy conservation conversion, phase II at the College of Alameda, because this is a minor capital outlay project and it should be funded by the district.*

The budget proposes \$23,000 under Item 6870-301-736(2) for working

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY  
AND REVERSION—Continued**

drawings and construction of energy conservation measures at the College of Alameda. The funds would be used to change the exterior lighting system from mercury vapor and incandescent lamps to high-pressure sodium lamps and fluorescent lamps, and to install a central programmable computer for controlling the heating and ventilating system. This project is a minor capital outlay project and it should be funded by the district.

Moreover, our analysis indicates that the proposed central programmable computer has a reasonable discounted payback period of 2.2 years. The proposed modifications to the lighting system, however, have a discounted payback period in excess of seven years. The cost/benefit of undertaking this work is questionable.

The long payback associated with the lighting project is due to the district's proposal to replace all exterior lighting, including the existing mercury vapor lamps. The energy savings from this conversion is not as significant as that for the replacement of incandescent lamps. If the district undertakes the work, it should consider the replacement of only the incandescent fixtures.

**College of San Mateo—Solar Water Heating**

*We recommend approval of Item 6870-301-736(3), working drawings and construction, solar water heating system at the College of San Mateo.*

Item 6870-301-736(3) requests \$183,000 for installation of a solar water heating system for the physical education area at the College of San Mateo. The proposed system would supply hot water for both the swimming pool and the domestic hot water system in the gymnasium. An energy audit conducted by Pacific Gas and Electric Company indicates that the proposed system will save 91,000 therms of gas and 25,400 kilowatts of electricity per year, for a discounted payback period of 3.7 years. Based on this data the project should be approved.

**Projects by Descriptive Category**

In the A-pages of the *Analysis*, we discuss the capital outlay funding problems resulting from the distribution of tidelands oil revenue in 1982-83. To aid the Legislature in resolving these problems, we have divided those projects which our analysis indicates are justified into the following categories:

1. Critical fire/life safety and security projects—includes projects to correct life threatening conditions.
2. Projects needed to meet code requirements—includes projects that do *not* involve life threatening conditions.
3. Essential utility, site development and equipment—includes projects needed to make new buildings usable or continue usability of existing buildings.
4. Meet existing instructional capacity needs in higher education—includes projects that are critical, and for which no alternatives are available other than reducing enrollments.
5. Improve program efficiency or cost effectiveness—includes new office buildings, alterations, etc.
6. Energy conservation projects—includes projects with a payback period of less than five years.
7. Energy conservation projects—includes projects with a payback peri-

od greater than five years.

Table 5 shows how we categorize the projects funded by this item that our analysis indicates are warranted.

**Table 5**  
**Projects by Descriptive Category**  
**California Community Colleges**  
**Item 6870-301-146**  
**(in thousands)**

<i>Category</i>	<i>Item No./Project Title</i>	<i>Analyst's Proposal</i>
1. ....	None	
2. ....	(11) Sanitary sewer oxidation pond—Butte College	\$73
	(8)-(10) and (12) Removal of architectural barriers, rebudgeted projects—Systemwide	396
	(19)-(26), (28)-(35), (37), and (39)-(40) Removal of architectural barriers, new projects—Systemwide	1,873
Subtotal .....		<u>\$2,342</u>
3. ....	(1) Off-site development—Mendocino College	\$1,311
	(2) On-site development—Mendocino College	1,815
	(6) Mission Road improvements—Palomar College	219
Subtotal .....		<u>\$3,345</u>
4. ....	(3) Occupational laboratory building—Cerro Coso College	\$3,250
	(7) Library and alternate learning center—Mendocino College	66
	(42) Electronics laboratory remodel—American River College	135
	(43) General classroom building—Saddleback College	6,326
	(45) Project planning and preliminary plans—Systemwide	100
Subtotal .....		<u>\$9,877</u>
5. ....	None	
6. ....	(4) Energy conservation conversion—College of Alameda	\$49
	(5) Energy conservation conversion—Merritt College	95
7. ....	None	
Subtotal .....		<u>\$144</u>
Total .....		<u>\$15,708</u>

**STUDENT AID COMMISSION**

Item 7980 from the General  
Fund and various funds

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Requested 1982-83 .....	\$104,113,000
Estimated 1981-82.....	100,950,000
Actual 1980-81 .....	96,049,000
Requested increase (excluding amount for salary increases) \$3,163,000 (+3.1 percent)	
Total recommended reduction .....	\$171,000

**1982-83 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
7980-001-001—Commission Support		General	\$80,918,000
7980-001-890—Federal funds		Federal Trust	11,800,000
7980-001-951—Guaranteed Loan program		State Guaranteed Loan Reserve	8,571,000
7980-011-001—Cost-of-Living Adjustments		General	2,824,000
Total			\$104,113,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. Budget Review. Recommend the adoption of Budget Bill language requiring the Department of Finance to submit an expenditure plan to the Joint Legislative Budget Committee if the Student Aid Commission determines that budgeted funds are more than the amount needed to serve the target number of award winners. 1597
2. COLA Adjustment. Reduce Item 7980-011-001 by \$1.8 million and increase Item 7980-001-001 by \$1.8 million. Recommend that the Legislature direct the Student Aid Commission to reallocate the \$2.8 million provided in the Governor's Budget for a COLA on the maximum awards to the higher priorities of (1) a \$1 million COLA for Cal Grant B subsistence allowances and (2) \$1.8 million for funding a baseline budget adjustment related to the 1981-82 fee increases at the UC and CSU. 1598
3. *Management Positions. Reduce Item 7980-001-951 by \$171,000 from the Guaranteed Loan Fund.* Recommend deletion of three management positions and one clerical position in the State Guaranteed Loan program because the positions have not been justified. 1602

**GENERAL PROGRAM STATEMENT**

The Student Aid Commission (SAC) is composed of 11 members appointed by the Governor for a four-year term. In addition, two student members serve on the commission for a two-year term. The commission is responsible for:

- The administration of the state's financial aid programs.
- The administration of a program which guarantees federally insured loans to undergraduate and graduate students.

**STUDENT AID COMMISSION—Continued**

- Distributing information on student aid.
- The administration of a pilot program (known as Cal-SOAP) designed to increase access to postsecondary educational opportunities for financially disadvantaged students.

The financial aid grant programs which the commission administers include (1) a program that enables financially needy students to attend the California college of their choice, (2) a program that increases disadvantaged students' access to California colleges, (3) a program that enables needy students to train in skilled occupations, (4) a fellowship program for needy graduate and professional students, (5) a program that prepares K-12 bilingual teachers, and (6) a program for financially needy children of law enforcement officers killed or disabled in the line of duty.

The commission is supported by a staff of 166.6 full-time equivalent positions in the current year.

**ANALYSIS AND RECOMMENDATIONS**

The budget proposes expenditures totaling \$104,112,800 from various funds in support of the Student Aid Commission's activities in 1982-83. This is \$3,162,797, or 3.1 percent, more than estimated current-year expenditures. Of this amount, \$83,742,003 (80.4 percent of total expenditures) would be provided from the General Fund, an increase of \$278,000, or .3 percent, above the current-year funding level.

State Guaranteed Loan Reserve Fund support is proposed to be \$8,570,797 (8.2 percent of total expenditures), which is a \$2,884,797, or 50.7 percent, more than in the current year. Support from the Federal Trust Fund is expected to remain at the current-year level of \$11,800,000.

Table 1 shows support for the commission's activities in the prior, current, and budget years. It indicates that funding for *awards* is expected to increase by \$250,000, which is a .3 percent increase over the current-year amount. The budget proposes to increase funding for the commission's administrative *operations* by \$2,913,000, or 28.6 percent, in 1982-83. This amount, moreover, will increase by the amount of any salary or staff benefit increase approved for the budget year.

The increase in state operations is primarily due to the additional administrative costs of processing an anticipated increase in loan volume under the State Guaranteed Loan program. These changes are discussed more fully in the analysis that follows.

**Table 1**  
**Student Aid Commission Support**  
**(in thousands)**

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Awards .....	\$89,366	\$90,757	\$91,007	\$250	.3%
Guaranteed Student Loan Volume.....	(469,594)	(575,000)	(632,500)	(57,500)	(10.0)
Administrative Operations .....	8,433	10,193	13,106	2,913	28.6
<b>Total .....</b>	<b>\$97,799</b>	<b>\$100,950</b>	<b>\$104,113</b>	<b>\$3,163</b>	<b>3.1%</b>
<i>General Fund</i> .....	<i>\$81,511</i>	<i>\$83,464</i>	<i>\$83,742</i>	<i>\$278</i>	<i>.3%</i>
<i>State Guaranteed</i>					
<i>Loan Reserve Fund</i> .....	4,394	5,686	8,571	2,885	50.7
<i>Federal Trust Fund</i> .....	11,894	11,800	11,800	-	-

The proposed level of General Fund support (\$83,742,000) reflects a \$4,265,000 reduction which the commission made to comply with the administration's directive that it reduce baseline expenditures by 5 percent. To achieve this savings, the commission made reductions in both grants and administration.

Table 2 shows the changes in total expenditures between 1981-82 and 1982-83.

**Table 2**  
**Student Aid Commission Support**  
**Summary of Proposed 1982-83 Changes from 1981-82 Budget**  
**(in thousands)**

1. Awards			
1981-82 Current Year Revised .....		\$90,757	
A. Baseline adjustments—restore 2 percent reduction .....		1,653	
B. Budget Change Proposals .....		-1,403	
1. 5 percent reduction .....	-4,075		
2. COLA increase .....	2,824		
3. Cal Grant C reduction .....	-152		
Subtotal, 1982-83 awards .....		(91,007)	
2. State Operations			
1981-82 Current Year Revised .....		\$10,193	
A. Baseline adjustments .....		263	
1. Merit salary adjustment .....	12		
2. OASDI .....	11		
3. OE&E price increase .....	165		
4. Restore Section 27.10 reduction .....	26		
5. Limited term position .....	-1		
6. Restore 2 percent reduction .....	50		
B. Budget Change Proposals .....		2,650	
1. Guaranteed loan .....	2,791		
2. 5 percent reduction .....	-190		
3. Administration distributed .....	49		
Subtotal, state operations .....		(13,106)	
Total, 1982-83 budget .....		\$104,113	
Total change (amount/percent) .....		\$3,163	(3.1%)
General Fund .....		\$278	
State Guaranteed Loan Reserve Fund .....		\$2,885	

### A. STUDENT AWARD PROGRAMS

The award programs include the Cal Grant A, B, and C programs, the Graduate Fellowship program, the Bilingual Teacher Development Grant program, and the Law Enforcement Dependents program. Student financial aid applicants must meet certain criteria to be eligible for an award. In addition, each program requires recipients to satisfy a financial needs test.

Table 3 shows that the budget proposes \$91,007,466 in award support during 1982-83, a \$250,000 (0.3 percent) increase over the current year. This increase is due entirely to a small increase in General Fund support for the commission. Federal support is proposed to remain at the current-year funding level of \$11,800,000.

## STUDENT AID COMMISSION—Continued

**Table 3**  
**Student Aid Commission Awards**  
 (in thousands)

	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1980-81</i>	<i>1981-82</i>	<i>1982-83</i>	<i>Amount</i>	<i>Percent</i>
1. Cal Grant A—Scholarships .....	\$58,305	\$57,686	\$58,481	\$795	1.4%
2. Cal Grant B—College Opportunity Grants .....	24,114	24,983	24,613	-370	1.5
3. Cal Grant C—Occupational Education Educational and Training Grants .....	2,779	2,868	2,721	-147	-5.1
4. Graduate Fellowships .....	2,652	2,629	2,579	-50	1.9
5. Bilingual Teacher Grant program .....	1,006	2,576	2,599	23	0.9
6. Law Enforcement Personnel Dependent grants .....	12	15	14	-1	-6.7
7. Supervised Clinical Training Grants .....	498	—	—	—	—
8. COLAs .....	—	—	(2,824)	(2,824)	—
Totals, Awards .....	\$89,366	\$90,757	\$91,007	\$250	0.3%
<i>General Fund</i> .....	<i>\$77,502</i>	<i>\$78,957</i>	<i>\$79,207</i>	<i>\$250</i>	<i>0.3%</i>
<i>Federal Trust Fund</i> .....	<i>11,864</i>	<i>11,800</i>	<i>11,800</i>	—	—

**Cal Grant A.** Cal Grant A is the largest of the student award programs. These programs promote college *choice*. It does this by providing grants to students which may be used to pay tuition and fees at the college of their choice. The budget proposes a funding level of \$58,841,000 in 1982-83, which is a \$795,000 (1.4 percent) increase over the current year.

Table 4 shows those institutions which receive more than \$1,000,000 in Cal Grant A funds in the form of tuition and fees from award winners. It also shows the percent of students at each institution who are award winners.

**Table 4**  
**Cal Grant A Awards**  
**Institutions Receiving More than \$1,000,000 in Award Funds**  
**1981-82**

	<i>Total Received</i>	<i>Number of Awards</i>	<i>Average Award</i>	<i>Full-Time Enrollments</i>	<i>Awards as Percent of Enrollments</i>
1. Independent Colleges					
Biola College .....	\$1,438,000	460	\$3,126	2,065	22.3%
Loma Linda .....	1,825,000	554	3,294	1,800	30.8
Loyola Marymount .....	3,349,000	1,020	3,283	3,340	30.5
Occidental College .....	1,505,000	454	3,315	1,597	28.4
Pacific Union College .....	1,785,000	542	3,293	1,800	30.1
Pepperdine University—Malibu .....	1,118,000	333	3,356	2,107	15.8
Point Loma College .....	1,017,000	329	3,091	1,499	21.9
St. Mary's College .....	1,100,000	339	3,246	1,675	20.2
Stanford University .....	3,017,000	903	3,341	6,630	13.6
University of La Verne .....	1,142,000	348	3,282	1,155	30.1
University of Pacific—Stockton	2,399,000	719	3,337	3,600	24.3
UOP—Engineering .....	325,000	98	3,311	—	—
UOP—Pharmacy .....	295,000	59	5,003	—	—
University of San Diego .....	1,566,000	478	3,276	2,455	19.5
University of San Francisco .....	1,438,000	439	3,275	3,300	13.3
University of Santa Clara .....	2,321,000	718	3,233	3,406	21.1
University of Southern California .....	10,042,000	3,017	3,328	13,122	23.0

Subtotals, independent .....	\$35,682,000	10,810	\$3,301	48,052	22.5%
2. University of California					
UC Berkeley .....	\$2,373,000	2,983	\$795	18,826	15.8%
UC Davis .....	1,618,000	2,013	804	12,700	15.8
UC Los Angeles .....	2,497,000	3,175	786	18,097	17.5
UC Santa Barbara.....	1,165,000	1,445	806	12,428	11.6
Subtotal, University of California .....	\$7,653,000	9,616	\$796	62,051	15.5%
Totals.....	\$43,335,000	20,426	\$2,122	110,103	18.5%

**Cal Grant B.** Where Cal Grant A promotes college choice, Cal Grant B encourages access to postsecondary education. Cal Grant B is designed to encourage the college ambitions of high-potential students from disadvantaged backgrounds, by offering recipients a living allowance as well as tuition/fee assistance. The budget proposes a funding level of \$24,613,000 for 1982-83 which is a \$370,000 (1.5 percent) reduction from the current-year level.

### 1. State Comparison of Student Awards

Table 5 shows those states with the ten highest average student aid awards. These amounts include only those funds appropriated for financial aid through a state administrative agency and do not include financial aid support from postsecondary institutions within the state. In the 1980-81 year, the average award provided to recipients by California-sponsored financial aid programs exceeded the average for any other state. The average award level in that year—\$1,360—was more than twice the average award of \$634 in all 50 states and the District of Columbia.

In the current year (1981-82), California's average award ranks second in the country, and once again, the average award level of \$1,421 per recipient is twice the national average (\$661). Our analysis indicates that California's contribution toward financial aid—approximately \$90 million—is the third highest level of state support for financial aid in the country.

**Table 5**  
**Average Student Aid Awards**

<i>Actual 1980-81</i>			<i>Estimated 1981-82</i>		
<i>Rank</i>	<i>State</i>	<i>Average Award</i>	<i>Rank</i>	<i>State</i>	<i>Average Award</i>
1	California .....	\$1,360	1	South Carolina.....	\$1,674
2	South Carolina.....	1,308	2	California .....	1,421
3	Iowa .....	1,143	3	District of Columbia	1,315
4	Alaska.....	1,114	4	Iowa .....	1,141
5	District of Columbia	1,097	5	Michigan .....	1,007
6	Illinois .....	959	6	Illinois .....	965
7	Kansas .....	944	7	Alaska.....	942
8	Wyoming.....	929	8	Kansas .....	936
9	Florida.....	899	9	South Dakota .....	917
10	Connecticut .....	871	10	Florida.....	879
	All States.....	\$634		All States.....	\$661

Source: National Association of State Scholarship and Grant Programs

**STUDENT AID COMMISSION—Continued****2. Five Percent Award Reductions**

The budget for 1982-83 reflects a decrease of \$4,075,000 in state awards to comply with the administration's required 5 percent reduction in General Fund support. The commission proposes to achieve this reduction primarily through a specified dollar reduction for all the award programs. This reduction is to be achieved by (1) eliminating award funds for summer sessions (2) reducing each student's award by a specified dollar amount, and (3) increasing the student's expected contribution for the costs of education. Table 6 shows the reductions proposed in total support for each award program.

**Table 6**  
**Planned Reductions in 1982-83**  
**Student Awards**

	<i>Program Reductions</i>	<i>Summer School</i>	<i>Total</i>
Cal Grant A .....	\$2,133,000	\$558,340	\$2,691,340
Cal Grant B .....	845,000	182,660	1,027,660
Cal Grant C .....	84,000	7,500	91,500
Graduate Fellowship .....	110,000	40,000	150,000
Bilingual .....	106,000	7,500	113,500
Law Enforcement .....	1,000	—	1,000
Totals .....	\$3,279,000	\$796,000	\$4,075,000

Source: Student Aid Commission.

By allocating the reduction in this manner, the commission will cause a redistribution of the state's financial aid resources among the segments and recipients. Table 7 shows how this reduction will affect recipients in the various segments. For both the Cal Grants A and B programs, the table shows that while the independent aid proprietary colleges will absorb the largest *dollar* reduction in awards, the public segments will bear the largest *percentage* reduction in awards. The Student Aid Commission will provide additional comments on (1) how this reduction will affect recipients with different incomes and ethnic backgrounds and (2) the segments' ability to use their own financial aid resources to offset reductions in awards during the budget hearings.

**Table 7**  
**Student Aid Commission's Proposed**  
**Reductions in Average Awards**  
**Cal Grant A and Cal Grant B**

	<i>1981-82 Average Award</i>	<i>Commission's Proposed Reduction</i>	<i>Adjusted Award</i>	<i>Percent Reduction</i>
Cal Grant A				
California State University .....	\$237	-\$30	\$207	-14.5%
University of California .....	734	-40	694	-5.4
Independent Colleges .....	2,979	-70	2,909	-2.3
Proprietary Schools .....	2,750	-65	2,685	-2.4
Cal Grant B				
California State University .....	\$1,082	-\$30	\$1,052	-2.8%
University of California .....	1,479	-45	1,434	-3.0

Independent Colleges .....	2,802	-75	2,727	-2.7
Proprietary Schools.....	2,000	-55	1,945	-2.7
California Community Colleges.....	882	-25	857	-2.8

Source: Student Aid Commission.

### 3. Possible Excess Appropriation

*We recommend that the Legislature adopt Budget Bill language requiring the Department of Finance to submit a revised plan of expenditures to the fiscal committees and the Joint Legislative Budget Committee at least 30 days prior to approving the plan if the Student Aid Commission determines that the budgeted funds for Cal Grants are in excess of the amount needed to serve the target number of recipients.*

The 1982-83 budget for student awards is based on assumptions which may not prove to be valid. Specifically, the commission's budget assumes that the budget-year distribution of award winners among the segments will be the same as in the current year. Our review indicates that this is unlikely to occur. Table 8 shows that since the 1977-78 year, proportionately fewer Cal Grant A recipients have chosen to attend the higher cost independent colleges and more are opting for the lower cost public segments. Given the current eligibility criteria adopted by the commission and recent reductions in federal student aid, the number of award winners selecting independent colleges may continue to decline.

**Table 8**  
**Cal Grant A**  
**Award Recipients by Segments**

	<i>Independent Colleges</i>	<i>Public Segments</i>
1977-78 .....	19,203	20,404
1978-79 .....	19,108	20,453
1979-80 .....	18,161	20,197
1980-81 .....	16,632	21,448
1981-82 .....	15,084	23,595

This trend in segmental choice requires less General Fund support per student because the student charges in the public segments are lower than the charges at the independent colleges. Because of this trend, the commission has reverted a significant amount from its General Fund appropriation in the past four years, as shown in Table 9.

**Table 9**  
**Unexpended Balances in State General Funds**  
**1976-77 through 1980-81**

	<i>Amount</i>
1976-77 .....	\$1,536,234
1977-78 .....	4,207,711
1978-79 .....	4,334,594
1979-80 .....	5,893,249
1980-81 .....	1,898,000
Average .....	\$3,573,958

If fewer recipients choose to attend the independent colleges in 1982-83 in favor of the public segments, it would release an additional \$2,400 per

**STUDENT AID COMMISSION—Continued**

*recipient* that will not be needed for awards.

The commission acknowledges that the large reversions in prior years are due to the fact that the commission "does not budget for declining enrollments at independent colleges." Given the commission's budgeting practice and recent trends in independent college enrollment, it is likely that funding requirements will be less than the amount requested in the budget to serve the proposed number of award winners.

It is possible that part of this savings will be offset somewhat by reductions in federal PELL grant support. Under the current award allocation system, Cal grant awards will be automatically increased to offset any reductions in PELL grant support. The commission and the Postsecondary Education Commission are unable to estimate the magnitude of the PELL grant reductions at this time. Consequently, we are unable to determine the magnitude of the net potential savings (if any) in this item.

Given the possibility that the budget may contain more funds than the commission will need to serve the proposed number of award winners, we recommend that a procedure be established to provide for administrative and legislative review of any significant change in the commission's planned expenditures. Specifically, we recommend that the commission be required to submit a plan for expenditures to the Department of Finance for approval and to the Joint Legislative Budget Committee for prior review, if the commission determines that the amount budgeted is more than the amount required to make the target number of awards. To accomplish this, we recommend that the following language be added to Item 7980-001-001:

"The Student Aid Commission shall first allocate the awards pursuant to the procedures adopted at its January 8, 1982 meeting. If, after making these allocations, the commission determines that additional funds are available for disbursement, the Student Aid Commission shall submit a revised plan of expenditures for approval to the Department of Finance. The plan shall be submitted to the Joint Legislative Budget Committee for approval and shall have up to 30 days to review the plan prior to its approval."

**5. Cost of Living Adjustment Reallocation (Item 7980-011-001)**

*We recommend that the Legislature reallocate the \$2.8 million requested in the Governor's Budget for a COLA on the maximum awards as follows: (1) provide \$1 million for a COLA in the Cal Grant B subsistence allowances and (2) provide \$1.8 million for a baseline budget adjustment to reflect the 1981-82 fee increases at the UC and CSU. (Reduce Item 7980-011-001 by \$1.8 million and increase Item 7980-001-001 by \$1.8 million.)*

The budget includes \$2,824,000 to provide a 5 percent cost-of-living adjustment in the *maximum* awards under each of the commission's grant programs. Table 10 shows the allocation of these funds among the programs, as proposed in the budget. It also shows the cost of increasing the maximum award under each program by 1 percent.

Our analysis indicates that proposed use of the \$2.8 million to provide a 5 percent cost-of-living adjustments (COLA) on the maximum awards would not promote access to higher education at a time when inflation threatens to reduce it. Our review indicates that the higher priority uses for these financial aid funds would be to include (1) \$1 million to provide

**Table 10**  
**Cost of Living Adjustments**  
**on the Maximum Awards**  
**(in thousands)**

	<i>One Percent Cost</i>	<i>Five Percent</i>
Cal Grant A.....	\$474	\$2,372
Cal Grant B.....	51	253
Cal Grant C.....	13	66
Fellowship.....	6	31
Bilingual.....	20	102
Totals.....	\$564	\$2,824

a 5 percent COLA on the average subsistence allowance in the Cal Grant B program and (2) \$1.8 million to increase the baseline budget to partially fund the 1981-82 fee increases in UC and CSU.

**Reallocation for Subsistence Allowances.** Our analysis indicates that the funds proposed for cost-of-living adjustments should first be used to provide a 5 percent COLA on the subsistence allowance provided under the Cal Grant B program.

Each Cal Grant B recipient is provided an allowance of up to \$1,100 to defray a portion of living costs that the recipient incurs while in school. This allowance is allocated to each Cal Grant B recipient based on financial need. The Student Aid Commission indicates that (1) the average subsistence allowance is approximately \$1,000 for each grant recipient, and (2) the subsistence allowance has not been adjusted since the Cal Grant B program was created in 1976.

The budget proposes that the 5 percent cost-of-living increase be made in the *maximum* awards, rather than average awards. The effect of providing a cost-of-living adjustment on the maximum award is that it would only assist award recipients attending either the independent colleges or proprietary institutions. This is because independent colleges and proprietary institutions are the only institutions which levy tuition and fee charges of \$3,400 or more. (The fee level of \$3,400 represents the current Cal Grant A award maximum.)

Because living costs have increased by about 61 percent since the 1976 academic year, our analysis indicates that the value of the subsistence allowance has effectively been reduced over time. On this basis, we believe a 5 percent COLA should first be applied to the *average* Cal Grant B subsistence allowance. To provide a 5 percent COLA on the average subsistence allowance would require a reallocation of \$1,015,000 from funds proposed to be used for the maximum award.

To reflect this reallocation, the following language would have to be added to Item 7980-011-001:

"Funds appropriated to this item be first applied as a 5 percent cost-of-living adjustment to the average subsistence allowance in the college opportunity grants (Cal Grant B) program."

**1981-82 Fee Increase.** It has been the state's policy to increase Cal Grants A and B support in the commission's budget to reflect *any* increases in UC and CSU student fees. This is done because the programs are intended to fund tuition and fees up to a specified maximum. Because, the budget does not fund either 1981-82 or 1982-83 fee increase at the UC and CSU it would require award recipients to contribute more money toward

**STUDENT AID COMMISSION—Continued**

the cost of their education. This would place at risk the access of the most needy students who otherwise might not be able to afford the costs of a four-year public education. We believe this is a more serious risk than the risk that students at private institutions will have difficulty continuing their education if a COLA is not given to the maximum awards. This is because the public segments offer a less costly education alternative to these students.

The commission estimates that the cost of providing additional financial aid to reflect the 1981-82 fee increase at UC and CSU is \$3,587,000. The fee increase was \$175 per student, and would require an additional \$2,841,000 for commission award support. The increase was \$46 per student at CSU, and would require an additional \$746,000 in aid. Reallocating the \$1.8 million not needed to increase Cal Grant B subsistence grants by 5 percent would provide partial funding for this priority.

In conclusion, our analysis indicates that the funds provided in the COLA item should be used to provide a 5 percent COLA on the subsistence allowance in Cal Grant B and additional financial aid to partially offset the 1981-82 fee increases at UC and CSU. Consequently, we recommend that these funds be redirected from Item 7980-011-001 to Item 7980-001-001 for these specified priorities.

**5. Federal Trust Fund (Item 7980-001-890)**

*We recommend approval.*

The budget estimates that \$11,800,000 in federal funds will be available in both the current and budget years to support the Cal Grant A, B, and C award programs. These funds are derived from the State Student Incentive Grant (SSIG) program, a federal program designed to provide an incentive for states to establish or expand grant assistance programs.

Based on the latest information available on the FFY 83 Budget, our review indicates that the Governor's proposed level of funding is reasonable.

**6. Legislative Audit Committee Report**

The Legislative Audit Committee is in the process of completing an audit of postsecondary education institutions which receive state financial aid awards and state guaranteed loans. The audit committee has indicated that a final report was scheduled to be completed at the end of January. However, as of this writing, the audit was not available. We will comment on the audit during budget hearings.

**B. ADMINISTRATION**

The administration unit provides the services necessary to support the commission's programs. The budget proposes funding for 163.8 full-time equivalent positions in 1982-83, which is a decrease of 2.8 positions below the current year level. Total funding of \$13,105,304 is proposed for administration, which is \$2,912,797, or 28.6 percent, more than the current-year level. The increase is primarily due to an additional \$2,885,000 in administrative costs associated with the increased volume in the State Guaranteed Loan program. Of this amount, \$2,516,000 is to defray administrative costs for processing the increased loan volume in the loan program. These costs are supported from insurance premiums and federal administrative cost allowances paid from each loan. Table 11 shows support for the administra-

tive unit in the commission.

**Table 11**  
**Student Aid Commission Administration**  
(dollars in thousands)

	<i>Actual</i> 1980-81	<i>Estimated</i> 1981-82	<i>Proposed</i> 1982-83	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Cal Grant A .....	\$1,653	\$1,722	\$1,708	-\$14	-0.8%
2. Cal Grant B .....	1,098	1,245	1,244	-1	-0.1
3. Cal Grant C .....	232	241	237	-4	-1.6
4. Graduate Fellowship .....	162	159	207	48	30.2
5. Bilingual Teacher Grant program ..	132	442	452	10	2.3
6. Law Enforcement Personnel De- pendent Grants .....	3	2	2	—	—
7. Supervised Clinical Training .....	3	—	—	—	—
8. Cal-SOAP .....	235	318	302	-16	-5.0
9. Guaranteed Loan program					
(a) Federal component .....	55	59	62	3	5.1
(b) State component .....	2,753	5,627	8,509	2,882	51.2
(c) General Fund loan repayment	1,750	—	—	—	—
10. Student Financial Aid Information	174	183	187	4	2.2
11. Research .....	177	195	196	1	0.5
12. Student Financial Aid Training .....	24	—	—	—	—
13. Executive Administration and Sup- port .....	(823)	(849)	(846)	(-3)	(0.3)
Totals .....	\$8,433	\$10,193	\$13,106	\$2,913	28.6%
<i>General Fund</i> .....	<i>\$4,009</i>	<i>\$4,507</i>	<i>\$4,535</i>	<i>\$28</i>	<i>0.6%</i>
<i>State Guaranteed Loan Reserve</i> <i>Fund</i> .....	<i>4,394</i>	<i>5,686</i>	<i>8,571</i>	<i>2,885</i>	<i>50.7</i>
<i>Federal Trust Fund</i> .....	<i>30</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>
Personnel-years .....	143.3	166.6	163.8	-2.8	-1.2

### 1. Five Percent Reduction

The budget reflects a decrease of \$190,000 in SAC State operations expenditures as part of the commission's effort to achieve a 5 percent reduction in its General Fund budget, as required by the administration. This reduction consists of a \$95,000 decrease in operating expenses and equipment and a \$95,000 reduction in personal services and temporary help.

These reductions will be applied on an across-the-board basis to each administrative unit within the commission office. The commission estimates that the reduction will cause a reduction of 6.8 full-time equivalent positions.

### 2. State Guaranteed Student Loan Program (Item 798-001-951)

This administrative unit is the state guarantee agency for the Federal Guaranteed Student Loan (GSL) program, which provides low interest loans to college students. The state's responsibilities include monitoring lenders and institutions to assure compliance with federal policies, and providing necessary services for collecting outstanding loans. These activities are self-supporting through (1) insurance premiums from each guaranteed loan and (2) administrative cost allowances made available by the federal government. There is no General Fund support provided for this program. Table 12 shows the increasing volume of loans guaranteed by the

**STUDENT AID COMMISSION—Continued**

state during the past three years.

**Table 12**  
**Volume of Loans Guaranteed**  
**(in millions)**

	<i>Number</i>	<i>Dollar Volume</i>
1979-80 .....	76,127	\$173.9
1980-81 .....	182,962	469.6
1981-82 <sup>a</sup> .....	173,483	492.9
Total .....	432,572	\$1,136.4

<sup>a</sup> For the months of July through December.

**Management Positions Unnecessary**

*We recommend that three management positions and one clerical position proposed in the budget be deleted because no justification for the new positions has been provided. (Reduce Item 7980-001-890 by \$171,000.)*

The budget proposes nine new positions in 1982-83, as shown in Table 13. These positions would be funded from the State Guaranteed Loan Reserve Fund at a cost of \$369,999. These positions are proposed to accommodate the increased loan volume in the GSL program.

**Table 13**  
**State Guaranteed Loan Program**  
**New Positions**

<i>Proposed Position</i>	<i>Number</i>	<i>Annual Salary</i>	<i>Total</i>
Associate director .....	1.0	\$31,000	\$31,000
Program manager .....	1.0	30,000	30,000
Supervisor .....	1.0	25,000	25,000
Specialist .....	2.0	20,688	41,376
Junior staff analyst .....	1.0	16,000	16,000
Accounting technician .....	1.0	13,740	13,740
Word processing technician (Secretary) .....	1.0	11,868	11,868
Stenographer .....	1.0	11,652	11,652
Total .....	9.0	—	\$180,636

Our review indicates that four positions (one associate director, one program manager, and one supervisor position and one stenographer) are not justified for the following reasons:

- None of the commission's other financial aid programs is administered by an associate director. We are unable to determine the analytical basis for providing a high level staff person for this particular program.
- The commission proposes to add one program manager position to administer the loan collections activities in the GSL program. The GSL program already has one program manager position that currently administers the *entire* GSL program operation. Consequently, the commission intends to create two divisions in the GSL program. No justification for this reorganization has been presented.
- The budget includes funding for one additional program supervisor.

Our review indicates that the proposed support budget for the GSL program will provide four full-time supervisors to administer seven full-time specialists. We cannot identify any rationale for providing 1 supervisor to administer an average of 1.4 specialists. Our review indicates that the supervisor-to-specialist ratio can be reduced without causing major disruptions in the management of GSL operations.

For these reasons, we recommend that the four positions be deleted including costs for personnel benefits, operating expenses, and related clerical support, we estimate this recommendation will reduce the GSL support budget by \$171,000.

**OFFICE OF CRIMINAL JUSTICE PLANNING**

Item 8100 from the General Fund and Indemnity Fund Budget p. GG 1

Requested 1982-83 .....	\$14,987,000
Estimated 1981-82.....	16,240,000
Actual 1980-81 .....	9,792,000
Requested decrease (excluding amount for salary increases) \$1,253,000 (-7.7 percent)	
Total recommended reduction .....	\$2,533,000

**1982-83 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
8100-001-001—Support		General	\$2,341,000
8100-001-214—Support		Indemnity	414,000
8100-101-001—Local Assistance—various programs		General	7,612,000
8100-101-214—Local Assistance—various programs		Indemnity	4,620,000
Total			\$14,987,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis page*

1. Unnecessary Commitment of General Funds. Recommend Budget Bill language reverting \$325,000 to the General Fund because the funds are not needed. 1607
2. *Career Criminal Apprehension Program. Reduce Item 8100-101-001 by \$1,250,000 (General Fund).* Recommend funding for the Career Criminal Apprehension Program only through December 31, 1982, when authorization contained in existing law expires. Funding for the balance of 1982-83 should be considered in connection with enactment of legislation extending the program. 1608
3. *Community Crime Resistance Program. Reduce Item 8100-101-001 by \$1,250,000 (General Fund), Item 8100-001-001 by \$33,000 (General Fund), and Item 8100-001-890 by \$33,000 (federal funds).* Recommend funding for the Community Crime Resistance Program only through December 31, 1982, when authorization contained by existing law expires. Funding for the balance of 1982-83 should be considered in connection with legislation extending the program. 1609