

Department of the Youth Authority

TRANSPORTATION OF INMATES AND PAROLE VIOLATORS

ITEM 71 of the Budget Bill

Budget page 158

FOR SUPPORT OF TRANSPORTATION OF INMATES AND
PAROLE VIOLATORS FROM THE GENERAL FUND

Amount requested in Budget Bill		\$55,413
Budget request before identified adjustments	\$52,620	
Increase to recognize full workload change	8,950	
Budget as adjusted for workload change	\$61,570	
Adjustment—undetailed reduction (10 percent)	6,157	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET... None

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$6,157

ANALYSIS AND RECOMMENDATIONS

This appropriation request provides for the following expenditures:

1. Transportation expenses for local law enforcement delivering wards committed to the Youth Authority to the reception centers of the agency.
2. Travel expenses of departmental transportation officers transferring wards to and between various state and local institutions.

The \$55,413 requested for these functions in 1967-68 is an increase of \$1,256 over the amount expended in 1965-66.

EDUCATION

SUMMARY OF STATE EXPENDITURES FOR EDUCATION

In 1967-68, as in the past several years, state expenditures for education will continue to account for the largest share of the budget dollar. Budget summaries indicate that in the budget year more than \$1.7 billion will be expended by the State of California for all facets of public education; this represents over 54 percent of the General Fund dollars that will be expended during the budget year. These expenditures include support for the University and the state college system, support for the public schools through the State School Fund, support for special programs such as vocational education and compensatory education, debt service on public school bonds and capital outlay for the University, the state colleges and the state-operated special schools for handicapped children. Table I shows the total state expenditures from bond funds and from the General Fund for the past fiscal year, estimated expenditures for the current year and the proposed sums for 1967-68. The budget proposes that total state expenditures for education will decrease by \$127 million below the present level.

Education

General Summary

Summary of State Expenditures for Education—Continued

Table I

State Expenditures for Education (In thousands)

	1965-66 <i>actual</i>	1966-67 <i>estimated</i>	1967-68 <i>proposed</i>	Change from 1966-67	
				<i>Amount</i>	<i>Percent</i>
STATE OPERATIONS:					
Department of					
Education -----	\$6,982	\$8,159	\$7,875	\$-284	-3.5
Special schools -----	6,194	6,792	6,076	-716	-10.5
University of					
California ¹ -----	208,281	243,964	196,607	-47,357	-19.4
California State					
Colleges -----	136,624	175,172	154,246	-20,926	-11.9
Other ² -----	4,692	6,027	6,630	603	-10.0
Totals, State					
Operations -----	\$362,773	\$440,114	\$371,434	\$-68,680	-15.6
CAPITAL OUTLAY:					
University of					
California ¹					
General Fund -----	\$1,540	\$1,370	--	\$-1,370	-100
Bond funds -----	57,613	66,062	\$55,862	-10,200	15.4
State Colleges					
General Fund -----	1,132	1,497	--	-1,497	-100.0
Bond funds -----	28,773	118,940	74,244	-44,696	-37.6
Special Schools					
General Fund -----	27	147	99	-48	-32.7
Totals, Capital					
Outlay -----	\$88,085	\$188,016	\$130,205	\$-57,811	-30.7
General Fund -----	2,699	3,014	99	-2,915	-100.0
Bond funds -----	85,386	185,002	130,106	-54,896	-29.7
LOCAL ASSISTANCE:					
Public school support --	\$994,484	\$1,096,623	\$1,103,803	\$7,180	+0.06
Teachers' retirement --	59,750	61,000	52,000	-9,000	-14.7
Debt service					
(General Fund) ----	50,110	54,492	55,742	1,250	+2.3
Free textbooks -----	7,253	18,615	21,586	2,971	+15.9
Child care centers ----	7,275	7,834	7,834	--	--
Vocational education --	230	1,430	1,430	--	--
Assistance to local					
libraries -----	800	1,000	800	-200	-25.0
Junior college assistance	--	350	--	-350	-100.0
Compensatory education	904	12,472	10,000	-2,472	-20.6
Totals, Local					
Assistance -----	\$1,120,806	\$1,253,816	\$1,253,195	\$-621	--
General Fund -----	\$1,120,806	\$1,253,466	\$1,253,195	\$-271	--
Bond funds -----	--	350	--	-350	-100
GRAND TOTALS -----	\$1,571,664	\$1,881,946	\$1,754,834	\$-127,112	-6.7
General Fund -----	1,486,278	1,696,594	1,624,728	-71,866	-4.2
Bond funds -----	85,386	185,352	130,106	-55,246	-29.9

¹ Includes Hastings and College of Medicine.

² Includes Coordinating Council, State Scholarship Commission and Maritime Academy.

STATE SUBVENTIONS FOR PUBLIC EDUCATION

State subventions for public education constitute the largest single segment of the total amount expended by the state for the education function. A summary of these subvention programs appears in Table II.

General Summary

Education

Summary of State Expenditures for Education—Continued

It includes support for the public schools from within and without the State School Fund, assistance for compensatory education programs and for children's centers, support for the Miller-Unruh Basic Reading Act, support for the free textbook program, contributions to the teacher's retirement program, support for vocational education, support for the elementary reading program, and federal subventions for a variety of special programs including the 1965 Elementary and Secondary Education Act. All programs supported by the General Fund are discussed elsewhere in this analysis. During the 1967-68 budget year it is estimated that total state funds allocated to school districts will total \$1.3 billion, while federal subventions will total \$148 million.

Table II
Subventions for Education—1967-68

TOTAL APPORTIONMENTS FOR PUBLIC SCHOOLS		
State School Fund Apportionment Sources:		
General Fund	\$1,074,653,600	
State School Fund miscellaneous revenues	2,650,000	
California Water Fund	250,000	
Driver Training Penalty Assessment Fund	11,000,000	
Subtotal	\$1,088,553,600	
Programs Funded Outside School Fund:		
Education television	650,000	
Educationally handicapped minors	10,000,000	
New junior college districts	3,500,000	
Elementary school reading program	4,000,000	
Subtotal, General Fund	\$18,150,000	
Total		\$1,106,703,600
CHILDREN'S CENTERS		
General Fund		7,833,702
CONTRIBUTIONS TO STATE TEACHERS' RETIREMENT FUND		
General Fund		52,000,000
FREE TEXTBOOKS		
General Fund		21,585,649
DEBT SERVICE ON PUBLIC SCHOOL BONDS		
General Fund	55,742,491	
Public School Building Loan Fund ¹	12,785,000	
State School Building Aid Fund ¹	23,435,000	
Total		\$91,962,491
GRANTS TO TEACHERS OF PHYSICALLY HANDICAPPED MINORS		
General Fund		150,000
ASSISTANCE TO PUBLIC LIBRARIES		
General Fund		800,000
NATIONAL DEFENSE EDUCATION		
Title III ²	5,397,189	
Title V ²	1,886,782	
Total		\$7,283,971
SCHOOL LIBRARY RESOURCES		
Federal funds ²		\$8,989,003

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

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

Education**General Summary****Summary of State Expenditures for Education—Continued****Table II—Continued****Subventions for Education—1967-68**

ADULT BASIC EDUCATION		
Federal funds ²	-----	1,708,400
COMPENSATORY EDUCATION		
General Fund	-----	10,000,000
Federal funds ²	-----	89,312,256
Total	-----	\$99,312,256
SCHOOL LUNCH PROGRAM		
Federal funds ²	-----	6,300,000
SPECIAL MILK PROGRAM		
Federal funds ²	-----	9,100,000
VOCATIONAL EDUCATION:		
REIMBURSEMENT TO SCHOOL DISTRICTS		
General Fund	-----	1,430,271
Federal funds ²	-----	24,921,877
Total	-----	\$26,352,148

TOTAL SUBVENTIONS FOR EDUCATION, ALL SOURCES^{3,4} \$1,440,081,220

SUBVENTION DETAIL

General Fund	-----	\$1,242,345,713
State School Fund	-----	2,650,000
California Water Fund	-----	250,000
Public School Building Aid ¹	-----	12,785,000
State School Building Aid Fund ¹	-----	23,435,000
Driver Training Penalty Assessment Fund	-----	11,000,000
Federal funds	-----	147,615,507

TOTAL FEDERAL SUBVENTIONS FOR PUBLIC SCHOOLS... \$147,615,507

TOTAL STATE SUBVENTIONS FOR PUBLIC SCHOOLS... \$1,292,465,713

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

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

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

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

STATE SCHOOL APPORTIONMENTS: THE STATE SCHOOL FUND

The largest single item of state expenditure for education is represented by transfers made from the General Fund to the State School Fund for apportionments to local school districts for a variety of state assisted programs. As illustrated in Table II, it is proposed that approximately \$1.1 billion be expended during the budget year for this purpose in 1967-68. Of this sum, \$970 million is for the continuing program and \$40 million represents a statutory increase caused by growth in enrollment.

Derivation and Distribution

In order to show how money in the State School Fund is apportioned we have included Table III which illustrates the derivation and the distribution of the State School Fund and includes the estimated figures for 1966-67. The annual transfer of money from the General Fund to the State School Fund is referred to as the derivation of the fund which relates certain statutory and constitutional amounts per pupil in average daily attendance (ADA) to the total ADA of the preceding year. After the State School Fund is derived, it is dis-

General Summary

Education

Summary of State Expenditures for Education—Continued

tributed or divided into various parts for specific educational programs and activities specified by statute as eligible for state support. These programs include basic and equalization aid which comprise the foundation program, support for special education, pupil transportation and programs for the mentally gifted. Once the school fund has been distributed it is apportioned as allowances to school districts and to county superintendents according to formulas in the Education Code. A total of \$997 million was apportioned to school districts and county offices during 1965-66, the last completed fiscal year. This figure does not include an additional amount of \$17 million for various programs and activities financed outside of the unit rate used to compute the State School Fund.

Table III

Summary of the Elements of Derivation and Distribution of the State School Fund Estimated for 1966-67

I. ELEMENTS OF DERIVATION

<i>Item and Education Code Section</i>	<i>Statutory unit rate</i>	<i>ADA factor</i>	<i>Total</i>
Statutory minimum, Sec. 17301(a) -----	\$180.00	4,576,715	\$823,808,700
Plus additional funds, as needed, Sec. 17301(b) -----	55.64 ¹	4,576,715	254,648,423
Subtotal -----	\$235.64		\$1,078,457,123
Reimbursements			
Driver training, Sec. 17305 -----			9,703,350
Project-connected pupils, Sec. 17307 -----			234,807
Less adjustments ² -----			—111,150
Total State School Fund Derivation -----			\$1,088,284,130

II. ELEMENTS OF DISTRIBUTION

<i>Item and Education Code Section</i>	<i>Statutory unit rate</i>	<i>ADA factor</i>	<i>Total</i>
Distribution Under Sec. 17303:			
Basic and Equalization Aid 17303 -----	\$180.00	4,576,715	\$823,808,700
Distribution Under Sec. 17303.5:	not to exceed		
County School Service Fund,			
direct services, Sec. 17303.5(a) ----	1.60	4,576,715	7,322,744
Pupil Transportation, Sec. 17303.5(b) ---	4.00	4,576,715	18,306,860
Special Education, Sec. 17303.5(c) -----	9.36	4,576,715	44,073,765
County School Service Fund,			
other purposes, Sec. 17303.5(d) -----	3.06	4,576,715	14,004,748
Mentally Gifted Programs, Sec. 17303.5(e) ---	.80	4,576,715	3,661,372
Basic and equalization aid, Sec. 17303.5(f) ---	36.55	4,576,715	167,278,984
Subtotal -----	\$55.64		\$254,648,422
Total distributions under Secs. 17303 and 17303.5 -----			\$1,078,457,123
Plus			
Driver training -----			9,703,350
Project-connected pupils -----			234,807
Less adjustments ² -----			—111,150
Total State School Fund distribution -----			\$1,088,284,130

¹ As amended by Chapter 32, 1964 First Extraordinary Session (AB 145, Unruh).

² Estimated savings and advances.

Summary of State Expenditures for Education—Continued**The Foundation Program**

State allowances for school districts for their regular instructional program are based on a foundation program concept. The foundation program is based on the assumption that the state and local school districts should guarantee every pupil at the elementary, secondary and junior college levels a minimum acceptable level of financial support. For example, the present foundation program at the elementary level is \$249 per unit of average daily attendance. This amount refers to the combination of state and locally raised money which always includes a basic aid guarantee of \$125 per ADA. In addition, a district, depending on its wealth (the amount of assessed valuation behind each unit of ADA) may receive additional state support in the form of equalization aid if it is determined that the total amount of basic aid and district aid (determined by a computational tax rate), is insufficient to guarantee the given foundation program of \$249 per ADA. In addition to the regular foundation program the state also maintains a so-called "supplemental support program" which provides additional state and local support for less wealthy school districts.

Significant Increases in State Support for the Public Schools

During the period 1956-57 to 1966-67 state support for the public schools expanded from approximately \$500 million to over \$1.2 billion. The large increase in local assistance has been caused by several factors which include a 77 percent increase in enrollment, legislative increases in the foundation programs, and newly established categorical aid programs for reading, compensatory education and preschool education designed to expand and improve instruction in these areas.

Table IV illustrates the increases in state support that have occurred between 1956-57 and 1966-67 as measured by the major components for the instructional program. The table is divided into two parts. Table IVa depicts increases in state support caused by enrollment growth and increases in the unit rate placed in the State School Fund to finance the foundation programs for pupils enrolled in the regular and special education programs. Table IVb illustrates the new categorical aid programs such as the Miller-Unruh Basic Reading Act, the Unruh Preschool Act and the McAteer Act which have been established during this period.

The table illustrates that of the \$625 million increase in state support, \$397 million was caused by enrollment growth and \$228 million represents legislative increases in the regular programs financed through the State School Fund. The figures illustrate that the Legislature has appropriated to the State School Fund the equivalent of a 136-percent increase for the period, although average daily attendance increased by only 77 percent. An additional amount of approximately \$34 million represents the sums authorized for the new categorical aid programs. These massive increases have enabled the state to maintain a sharing relationship with the local districts of approximately 40 percent of the total current expense of education which has generally been characteristic of the sharing relationship for the last 10 years.

Table IV
Significant Increases in State Support for Education 1956-57—1966-67

							<i>Increase 1956-57 to 1966-67</i>	
<i>1-a: Regular program</i> ^{1 2}							<i>Amount</i>	<i>Percent</i>
ADA -----	2.6	3.6	4.0	4.2	4.4	4.6	2.0	77
Amount -----	\$461	\$724	\$832	\$928	\$1,038	\$1,086	\$625	136
Increase over preceding year shown in table.---		\$263	\$108	\$96	\$110	\$48	\$625	
Growth -----		\$180	\$80	\$42	\$47	\$48	\$397	
Unit rate increase.-----		\$83	\$28	\$54	\$63	-- ³	\$228	
<i>1-b: Categorical aid programs</i> ²								
Pilot program in compensatory education-----	--	--	\$0.3	\$0.3	--	--		
Unruh Preschool Act.-----	--	--	--	--	\$2.0	\$4.0		
McAteer Act -----	--	--	--	--	1.0	1.0		
Miller-Unruh Basic Reading Act.-----	--	--	--	--	--	9.0		
Chap. 106, 1966 Stat. (SB 28)-----	--	--	--	--	--	11.0		
Educational television -----	--	--	--	.011	.4	.9		
Development centers for handicapped minors---	--	--	--	.012	.5	1.0		
The Waldie Act: educationally handicapped program -----	--	--	--	.4	2.0	7.0		
			\$0.3	\$0.423	\$5.9	\$33.9		

¹ Unadjusted and rounded.

² In millions.

³ Increase in supplemental support program authorized by 1966 Legislature, financed within above unit rate.

Summary of State Expenditures for Education—Continued
Chapter 168, 1966 First Extraordinary Session (AB 52)

Chapter 168 was the major school finance legislation enacted by the 1966 Legislature. The bill authorized a \$43 million increase in state aid for two purposes. A sum of \$10 million was provided for the class size reduction program for the elementary grades through an increase in the class size bonus from \$10 per ADA to \$20 per ADA for grades 1-3. A sum of \$33 million was allocated for a one year increase in the supplemental support programs for low wealth unified and nonunified districts provided that the latter levied an additional tax sufficient to raise \$15 per ADA, equivalent to the present unification bonus. The cost of the bill was financed from surpluses in the amount budgeted for unification bonuses. The amount reflected for school apportionments does not include the amount of \$33 million for the increase in supplemental support for 1967-68 since the higher levels were authorized for one year only. Since the potential cost of continuing the higher support levels are not reflected in the 1967-68 budget, and the expected surplus from the unification amounts has been diverted for other purposes, an additional amount of \$33 million would be required to be added to the budget to maintain the 1966-67 level of school support in the budget year.

FEDERAL AID FOR EDUCATION

In 1967-68 California will receive about \$259 million in federal assistance for education for grades K-14 and for adult education under the provisions of several federal education programs. The impact of this federal aid is illustrated by the fact that apportionments for education in the budget year will total \$1.1 million; thus federal aid will be equivalent to about 25 percent of total state apportionments. Table V shows the total amount of federal aid that California will receive in 1967-68 for grades K-14, including sums for federal programs not directly administered by the Department of Education.

Table V
Federal Aid for Public Schools in California for 1967-68

<i>Program</i>	<i>California's estimate</i>
Elementary and Secondary Education Act of 1965	
Title I Compensatory Education	\$89,312,256
Title II School Library Resources	8,989,003
Title III Supplemental Educational Centers	11,600,000
Title IV Educational Laboratories	7,000,000
Title V Departments of Education	2,149,020
Title VI Special Education	-
Adult Basic Education	1,708,000
Public Law 874 Funds	60,000,000
Public Law 815 Funds	10,000,000
National Defense Education Act	
Title III Improvement of Instruction	5,397,189
Title V Guidance and Counseling	1,886,782
Title X Statistical Services	50,000
Vocational Education	
Reimbursements to School Districts	12,921,877
Manpower Development and Training	
Reimbursements to Skill Centers	12,000,000

General Summary

Education

Summary of State Expenditures for Education—Continued

Unruh Preschool Program	11,250,000
School Lunch Program	6,300,000
Special Milk Program	9,100,000
Economic Opportunity Act Operation Head Start	20,789,000
Total	\$258,823,127

It is noted that over \$117 million of California's federal aid will be distributed under the six titles of the Elementary and Secondary Education Act of 1965, the newest of the federal education programs. The law has three main objectives; the establishment of comprehensive compensatory education programs from the children of low income families, the establishment of innovative and supplementary education programs designed to directly improve the quality of education, and assistance for state departments of education to finance research projects and to employ additional administrative positions to enable the departments to positively affect the quality of education in their states. A more detailed discussion of the major titles of this program is contained in the analysis of the Office of Compensatory Education.

CALIFORNIA'S ELEMENTARY AND SECONDARY PUBLIC SCHOOLS IN THE NATIONAL SETTING

This section contains several selected comparisons of the level of support for and the quality of the California public school system compared to nationwide data and the rankings of other states. Source of the information was a publication titled *Rankings of the States, 1966* published by the National Education Association and selected state documents.

Per-pupil Expenditures

In terms of current expenditures per pupil for the elementary and secondary level, California's level of \$746 in 1965-66 ranked fifth nationwide compared to the nationwide average of \$641. New York led the nation with a figure of \$1,040 followed by Alaska (\$842), Delaware (\$828) and New Jersey (\$795).

Rank of States in Comparative Tax Burdens

These expenditure figures become more meaningful as a measure of financial effort to support an educational system when the rankings of the state's overall tax burdens are considered. *Governmental Finances*, an annual report of the Census Bureau, Governments Division, reports that California's combined state and local taxes per \$100 of personal income ranked third in 1964-65, its state taxes of \$168 per capita ranked eighth nationwide, and its local taxes of \$211 ranked second nationwide, indicating that state and local tax effort to support educational purposes and overall governmental programs compares favorably with the rest of the nation.

Average Salary of Elementary and Secondary Teachers

California schools have historically compared favorably with other states in terms of the salaries offered teachers. In 1965-66 the state

Summary of State Expenditures for Education—Continued

ranked number two in this category with a salary of \$8,150 compared to a national average of \$6,506.

Pupil Teacher Ratio in Elementary and Secondary Schools

In 1964-65 California schools compared unfavorably with the rest of the states in terms of number of pupils per classroom teacher. California's pupils per teacher figure of 27.7 compared to the national average of 25.1 ranked the state 46th with only Georgia, Alabama, Tennessee and Mississippi trailing. This comparison does not reflect the effect of the class size provision of Chapter 132, 1964 Statutes (AB 145) which was enacted just prior to this comparison.

Percent of Selective Service Draftees Failing Preinduction Mental Tests as a Measure of High School Achievement

In 1964 California ranked 21st in terms of the number of draftees who failed the Armed Forces preinduction tests. Approximately 18.5 percent of the Californians taking the test failed compared to the national average of 29.9 percent.

Elementary Reading Scores

In May 1966 California's elementary schools administered Stanford Reading Tests to all pupils in grades 1 and 2 according to the provisions of the Miller-Unruh Basic Reading Act which is designed to improve reading instruction in the primary grades. The tests indicated that 63 percent of the state's first grade pupils and 48 percent of the state's second-grade pupils had reading achievement scores falling below the first quartile as determined by the publisher's norms. Many reasons have been advanced to explain these relatively poor results including the appropriateness of the test itself, the textbooks used in the schools and the amount of time devoted to reading instruction in the early grades. Nevertheless, one might reasonably infer from the results of these tests that the reading ability of California's elementary pupils is unsatisfactory.

UNIFICATION

Chapter 132, 1964 Statutes, First Extraordinary Session (AB 145), contains a statement of legislative intent that all school districts maintaining grades K-12 be ultimately unified. The act contains several provisions designed to encourage unification, including a \$15 bonus for each unit of ADA in unified districts, periodic unification elections to keep the issue before the voters and the establishment of an areawide tax. Since the enactment of AB 145 a total of 337 elementary school districts and 72 high school districts have been eliminated and 72 new unified districts have been formed indicating the effectiveness of the law. Presently approximately 64 percent of the state's ADA is located in unified districts. There exists evidence that this rapid rate of unification will slow in the future due to the fact that much of the state's remaining ununified territory reflects hard core opposition to unification. Such hard core opposition may reduce the effectiveness of second election provisions of the present law. The following recommendations

Summary of State Expenditures for Education—Continued

are designed to continue the progress in unifying districts which has been made during the last few years.

1. *We recommend that the Legislature continue the present requirement of the law that biennial unification elections be held until all school districts are formed into unified territory.* Of the 31 second elections held since 1964, a total of 16 resulted in the formation of new unified districts.

2. *We recommend that legislation be introduced to require county committees to hold at least one public hearing prior to second and subsequent unification elections.* Present county committees are required to hold a public hearing prior to the first election but not prior to the second election. This makes it difficult for the voters to be adequately informed of the issues in subsequent elections.

3. *We recommend that the Department of Education be directed to perform a more active role in advising local communities of the financial effects of unification.* The Bureau of School District Organization within the department presently makes such information available on a limited basis only, due to staff limitations. We believe that a more active role on the part of the department in this area, necessitating a selective increase in staff would make available to the electorate more accurate financial data regarding the effects of unification than the data published by the opposing forces in the local elections.

4. *Should the Legislature increase state support for the schools we recommend that part of the additional money be used to raise the unification bonus to encourage further unification.*

Option A. Consideration could be given to eliminating small inefficient school districts and requiring that they be absorbed into larger neighboring districts. Presently there are 300 small elementary districts containing less than 200 children per district. The elimination of these small districts and their absorption by larger districts would enable them to provide more efficient and more comprehensive educational programs for their pupils.

Option B. Consideration could be given to the establishment of flexible unification standards which would encourage the establishment of unified districts by splitting high school districts. AB 145 stated that it was the intent of the Legislature that high school boundaries be the minimum geographical base for the organization of unified districts and that deviations from the standard would be authorized only in exceptional situations. Exceptional situations were not defined in the bill but were to include such factors as the resultant size of the unified district, educational opportunity and the sparsity of the population in the territory. The State Board of Education, because of its strict interpretation of the provision has approved only five proposals for dividing high school boundaries since the enactment of AB 145. We believe that the establishment of more flexible standards on deviations in assessed valuation, size of districts, size and community interest, might more precisely mirror local sentiment and also further the Legislature's policy of unification.

Summary of State Expenditures for Education—Continued**A STATEWIDE PROPERTY TAX TO EQUALIZE EDUCATIONAL SUPPORT**

One of the continuing problems of educational finance in California is the lack of a uniform local tax effort to support an educational program because of the wide range in assessed valuation per unit of average daily attendance (ADA) among the state's school districts. For example in 1965-66 the range for elementary districts with 100 ADA or more was from \$1,712 for Willowbrook to \$304,652 for Big Creek Elementary District. At the secondary level the range in assessed valuation was from \$13,101 for San Lorenzo Unified School District to \$281,115 for Emery Unified School District. The most complete solution to the problem would be the establishment of a uniform statewide property tax for educational purposes to provide a more nearly equal level of tax effort in support of a specific level of educational expenditures.

Although we believe that a statewide tax for educational purposes would be desirable since it would broaden the tax base for school support there exist many practical problems in implementing a statewide tax, not the least of which is the large increase in state support which might be required to overcome opposition to the proposal.

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

One of the major requirements of Chapter 132, Statutes of 1964, First Extraordinary Session (AB 145) is the requirement that school districts reduce their class sizes in grades 1-3 to a maximum of 33 in 1965-66, 32 in 1966-67, 31 in 1967-68 and to 30 in 1968-69 and thereafter. The main purpose of the requirement is to improve the quality of education in the primary grades. The law provides that districts which fail to reduce class sizes in grades 1-3 and/or load their class sizes in grades 4-8 be penalized through reduced school apportionments. A \$10 bonus raised to \$20 in 1966 is authorized districts for each unit of ADA in grades 1-3 to assist them to meet the class size provisions.

The success of the program is indicated by the substantial decrease in the number of students in grades 1-3 who are in classes exceeding the class size standards. According to the Department of Education there were 6,713 pupils in excess of the standard of 33 in April 1965. In April 1966 when the department computed the penalties for non-compliance it was determined that the number of pupils in classes exceeding 33 was 3,592, a reduction of 46 percent. Although some of the progress is due to the large amounts of federal funds which are available to school districts via the federal compensatory education programs it appears that the provisions of Chapter 132 have been successful in promoting reduced class size. The increase in the class size bonus authorized by the 1966 Legislature coupled with the stronger penalty provisions bodes well for further success in reducing class sizes in these grades.

Summary of State Expenditures for Education—Continued
Preschool Programs

Presently there are four major programs financed by a variety of federal and state financial arrangements which provide preschool educational programs for disadvantaged pupils of low income parents. These programs include the state supported children's center program, the Unruh Preschool Act supported by state and federal funds, Operation Headstart financed under the Economic Opportunity Act and preschool programs financed under Title I of the Elementary and Secondary Education Act of 1965. Although these programs are discussed in various sections of the analysis we are listing below our major recommendations designed to improve the administration and quality of the preschool programs.

1. *We recommend that the administration of the children's center program be transferred from the Division of Public School Administration to the Office of Compensatory Education.* We believe that the transfer of the children's center program, which enrolls approximately 50 percent of preschool age pupils would facilitate increased coordination of the several preschool programs administered by different units in the Department of Education.

2. *We recommend that the Office of Compensatory Education contract with a laboratory school maintained by a state college for the establishment of a research project designed to develop a model kindergarten curriculum which will enable preschool graduates to retain the progress made in preschool when they enter kindergarten.* Experience from other states maintaining preschool programs indicates that much of the progress made by their preschool pupils is lost during the primary grades. We believe that a research project as outlined above and which is based on objective test measurements would positively affect the quality of kindergarten programs.

3. *We recommend that the State Board of Education be directed to select a statewide test to be administered on a sample basis to pupils in preschool programs at the beginning of such programs and shortly prior to graduation so that the effectiveness of local programs may be evaluated.*

Kindergarten Instruction

During the past several years the Legislature has initiated several programs designed to improve the instruction of young pupils. Such programs include the Unruh Preschool Program, the class size reduction program for grades 1-3, the Miller-Unruh Basic Reading Act, and, Chapter 106, 1966 Statutes (SB 28), which provides state support for the reduction of the pupil-teacher ratio in poverty elementary schools. One of the main weaknesses of the existing primary grade instruction is the kindergarten programs maintained by the schools. The following recommendations are aimed at improving the coordination of the preschool programs with primary grade instruction and improving the quality of instruction in kindergarten.

1. *We recommend that all school districts which maintain preschool programs supported by general funds be required to maintain kinder-*

Summary of State Expenditures for Education—Continued

garten classes and to abolish waiting lists for kindergarten classes if such lists exist. The Department of Education estimates that 30,000 pupils equivalent to 10–12 percent of total kindergarten enrollment are not provided with kindergarten services because the districts either do not maintain kindergarten classes or because waiting lists exist. The adoption of the recommendation would ensure kindergarten spaces for all preschool graduates.

2. We recommend that legislation be enacted to restrict the pupil-teacher ratio of kindergarten classes to a level no greater than a base year preferably 1965–66 to ensure that the benefits of the small class size maintained by preschool programs are not dissipated by large class sizes in kindergarten classes.

Miller-Unruh Basic Reading Act

The Miller-Unruh Basic Reading Act established in 1965 authorized additional state support for school districts to improve the reading ability of pupils through the employment of specialist teachers in reading for grades 1–3. Initial school district participation in the program has been disappointing. Of the \$8.9 million appropriated by the 1966 Legislature a sum of only \$1.6 million was actually apportioned in September 1966 to 44 districts for the employment of 275 specialist teachers in reading. The main reason for the low rate of initial participation appears to have been that 100 percent federal funding was available to districts under the Elementary and Secondary Education Act of 1965 for the same purpose. There is evidence that between 50 and 60 percent of the compensatory education funds authorized California school districts in 1965–66 was spent for remedial reading and language skills programs in elementary and secondary grades. Because of the demonstrated weakness in the elementary reading programs maintained by the public schools we believe that the Miller-Unruh Basic Reading Act should be amended to encourage additional school district participation so that this key educational program may be expanded to reach all primary grade pupils having reading handicaps. We believe that the following recommendations would effectively increase school district participation in the program.

1. We recommend that the teacher quota concept be retained but that the basic quota of 1 teacher for every 125 pupils be modified to 1 teacher for every 250 pupils. We also recommend that the supplemental quotas of 1 teacher for every 300 pupils for small schools be retained.

2. We recommend that state allowances for support of the program be allocated on a grant basis to all eligible districts having an annual assessed valuation of \$22,000 per ADA or less, and that no local sharing be required.

3. We recommend that a maximum salary allowance be established for computing district entitlements and that the present salary bonus be incorporated into that maximum salary allowance. This recommendation combined with recommendation numbers 1 and 2 would effectively limit the potential state cost of the program to the present estimate of about \$50 million.

Summary of State Expenditures for Education—Continued

4. *We recommend that Education Code Section 7825 be modified to authorize state salary allotments for librarians if full-time service is rendered in a school or schools in which specialist teachers are employed, instead of requiring the librarians to serve full time in an individual school employing a specialist teacher.* This recommendation suggested by the Department of Education would result in the hiring of more librarians yet enable districts to maintain flexibility in the hiring of personnel.

5. *Should the Legislature make additional funds available for the public schools we recommend that an increase in the appropriation budgeted for the Miller-Unruh Basic Reading Act receive high priority.*

We believe that the allocation of state support for the Miller-Unruh basic reading program could be more closely coordinated with the federal Title I funds for compensatory education. A policy option which would accomplish this is listed below.

Policy Option. School district entitlements under the Miller-Unruh Basic Reading Act could be reduced by a sum equivalent to the gross amount of Title I funds which would be required to establish special reading programs for pupils in grades 1-3 under the provisions of the Basic Reading Act.

The effect of this policy option would be to withhold basic reading allocations for disadvantaged pupils in grades 1-3 participating in Title I compensatory education programs. Districts would be indirectly required to use their Title I funds to establish special reading programs for their disadvantaged students identified as such by the federal regulations, but would continue to qualify for Miller-Unruh allocations for the pupils with reading handicaps who are enrolled in the regular school program. This policy option would maximize the distribution of Miller-Unruh funds within a given appropriation.

REGIONAL DATA PROCESSING CENTERS

It is anticipated that legislation will be introduced during the 1967 session to provide state support for regional data processing centers which heretofore have been supported by a combination of federal and local funds. Chapter 2037, 1965 Statutes, authorized large school districts and county superintendents of schools to establish regional centers to make data processing services available to school districts at less cost than would be incurred if the districts attempted to finance their own programs. Data processing services involve such items as class scheduling, attendance reporting and the processing of pupil information. Presently there are three ongoing centers located in Sacramento, Ventura and Fresno Counties. It is anticipated that an additional 10 centers will be established in 1967-68 should additional funds be made available.

The initial start up expenses and operational expenses for the program have been financed by a combination of \$1.6 million in federal funds and local support in the form of reimbursements from districts

Summary of State Expenditures for Education—Continued

participating in the program. Under the provisions of the federal grant support for the program will terminate at the end of the 1966-67 fiscal year which means that another source of limited term support for the program will be required if the program is to develop. Proponents of state support for the program believe that an outside source of funding will be necessary for a three to five year period to enable the program to develop in an orderly fashion until such time as the number of districts and pupils served increases to a level to enable the centers to become self-supporting. Whether or not the state should provide support for the program is a policy question which has not yet been resolved. Proponents of state support note that the state would obtain certain byproducts of a fully operative system such as current information, regarding pupils, costs and certified staff data not presently available, which could be used to assess the educational program. It can also be argued that state support for the regional centers is unwarranted because the main beneficiaries of the program are local school districts rather than the state. Should the Legislature determine that state support for the regional centers is warranted we believe that the legislature should limit support for the program for a period of no more than five years and that a maximum limitation be established regarding the total number of centers which may be established. In addition, we believe that the regional centers should be required to develop uniform computer systems as a prerequisite for state support so that the information produced as a byproduct of the operation will be usable for state level studies regarding the public schools.

ASSESSMENT OF EDUCATIONAL QUALITY IN THE PUBLIC SCHOOLS

Presently there is no state level procedure whereby the quality of the public schools can be evaluated on an annual basis. The statewide testing program and the Miller-Unruh reading tests help to identify weaknesses in specific subject matter areas but fail to illustrate the general level of knowledge attained by pupils in the elementary and secondary grades. We believe that a comprehensive testing procedure should be developed, which administered annually to a selective sample of schools would enable the public, educators and the Legislature to evaluate the end product of the public schools.

1. *We recommend that legislation be introduced directing the State Board of Education to select a comprehensive testing instrument, which will measure the degree to which the general elementary and secondary curriculum is absorbed by elementary and secondary pupils in the public schools, the main purpose of the test to be a measure of the educational product rather than to permit comparison of individual school districts.*

2. *We recommend that the State Board of Education select a procedure whereby the tests may be annually administered to a representative sample of school districts or schools containing a sufficient diversity of educational factors influencing pupil achievement such as location, characteristics of the pupil population and different environ-*

Summary of State Expenditures for Education—Continued

mental backgrounds so that the results of the tests will provide a reasonable indication of the quality of the public schools.

3. We recommend that the Department of Education present a detailed report to the 1968 Legislature outlining the proposed testing procedures and the ingredients of the tests to be employed in the annual survey so that the initial review of the quality of California's schools may be made in the 1968-69 school year.

Department of Education**EDUCATIONAL COMMISSION OF THE STATES**

ITEM 72 of the Budget Bill

Budget page 161

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

Amount requested	\$22,800
Estimated to be expended in 1966-67 fiscal year	7,800
Increase (200.4 percent)	\$15,000

TOTAL RECOMMENDED REDUCTION	None
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GENERAL PROGRAM STATEMENT

The Interstate Compact on Education was authorized in 1965 to encourage interstate cooperation among executive, legislative and professional personnel concerning methods of improving public education. The compact established an Educational Commission of the States to be composed of seven representatives of each member state, including the Governor, two state legislators and four members appointed by the Governor. Chapter 148, 1966 Statutes, authorized California's membership in the compact and verified that the four members appointed by the Governor would be a member of the State Board of Education or a member of a local school board, the Superintendent of Public Instruction or another person representing the public and private schools in the state, an individual representing the public institution of higher education and an individual representing private institutions of higher education in the state.

ANALYSIS AND RECOMMENDATION

A sum of \$22,800 is proposed to finance California's participation in the compact in 1967-68. The sum of \$7,800 budgeted for the purpose by the 1966 Legislature was used to pay an initial entrance fee totaling \$7,000 and to finance out-of-state travel allowances for California's delegation. *We recommend approval of the item as budgeted.*

Department of Education
GENERAL ACTIVITY

ITEM 73 of the Budget Bill

Budget page 162

FOR SUPPORT OF THE DEPARTMENT OF EDUCATION

Amount requested in Budget Bill		\$4,103,032
Budget request before identified adjustments	\$4,396,945	
Increase to recognize full workload change	161,980	
Budget as adjusted for workload change	\$4,558,925	
Adjustment—undetailed reduction (10 percent)	455,893	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET align="right">\$80,132**BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING** align="right" \$375,761**Summary of Recommended Reductions**

	<i>Amount</i>	<i>Budget Page</i>	<i>Line</i>
Division of Departmental Administration			
Reduce operating expense for communication	\$8,760	175	67
General Fund support for 0.3 temporary help	1,850	163	65
Division of Public School Administration			
Add 1 field representative and 0.5 clerical position	+15,828	165	62
Operating expenses—special project	500	162	21
Transfer 1 educational specialist I position to Office of Compensatory Education	15,300	165	56
Division of Instruction			
Workload adjustment—English as a second language (op- erating expenses)	50,000	162	21
Transfer 1 consultant in Child Welfare and attendance to Office of Compensatory Education	15,300	167	28
Operating expenses—bulletin printing	12,000	167	40
Division of Higher Education			
Temporary help	754	169	29
Consultant in teacher education—General Fund support	12,096	169	34
Operating expenses—special reading examinations	10,000	162	21

Policy Options

1. Transfer Bureau of Elementary and Secondary Education to Bureau
of National Defense Education for a General Fund savings of align="right" \$122,780

GENERAL PROGRAM STATEMENT

The General Activities Budget of the Department of Education provides funds for the state level administration of the public school system including support for the State Board of Education and support for the five special residence schools for handicapped minors. The department is responsible for the administration, allocation and supervision of over \$1.2 billion in state subventions which is allocated to local school districts in the form of apportionments for pupils enrolled in regular programs and special education classes for handicapped minors. In addition, the department administers over \$100 million in state and federal funds available for categorical aid programs, such as the Miller-Unruh Basic Reading Act, the statewide compensatory education program for disadvantaged pupils, the Unruh Preschool Program and the Waldie Act which provides support for educationally handicapped minors. Many of the categorical aid programs such as the National Defense Education Act and Vocational Education appear in the budget as separate items and will, therefore, be analyzed elsewhere in this analysis. The scope of the department's administrative responsibilities

General Activities—Continued

is depicted in Table I which lists all educational programs and their source of funding for 1966-67 which are administered by the department.

Table I
Summary of Budgets for Education
1966-67 Fiscal Year

	Total expenditure budget	Funding		
		State	Federal	Reimbursed
Departmental Operation:				
General Activities -----	\$7,420,993	\$4,283,243	\$972,305	\$2,165,445
National Interstate Compact -----	22,500	22,500	--	--
Adult Education for Civil				
Defense -----	194,120	--	194,120	--
Adult Basic Education -----	96,265	--	96,265	--
National Defense				
Education Act -----	1,067,115	376,154	690,961	--
Compensatory Education -----	862,590	103,343	759,247	--
School Library Resources -----	267,365	--	267,365	--
Strengthening the Department	1,387,540	--	--	1,387,540
Manpower Development				
and Training -----	368,966	38,035	330,931	--
Vocational Education -----	2,749,663	844,037	1,808,661	96,965
Surplus Property -----	3,056,731	--	--	3,056,731
State Library -----	6,009,674	1,441,291	4,459,575	108,808
Total, Departmental	\$23,508,522	\$7,108,603	\$9,579,430	\$6,815,489
Local Assistance:				
Childrens' Centers -----	\$7,833,702	\$7,833,702	--	--
Preschool Program * -----	13,211,700	2,500,000	\$10,711,700	--
School Lunch Program -----	6,300,000	--	6,300,000	--
School Milk Program -----	9,100,000	--	9,100,000	--
Free Textbook Program -----	18,664,763	18,614,763	--	\$50,000
Apportionments for				
Public Schools -----	1,099,507,918	1,099,507,918	--	--
Grants to Teachers of Physically				
Handicapped Minors -----	150,000	150,000	--	--
Adult Basic Education -----	1,785,988	--	1,785,988	--
Assistance to Public				
Libraries -----	1,000,000	1,000,000	--	--
National Defense				
Education Act -----	7,283,724	--	7,283,724	--
Compensatory Education -----	92,417,824	--	92,417,824	--
School Library Resources -----	9,029,483	--	9,029,483	--
Manpower Development				
and Training -----	12,000,000	1,200,000	10,800,000	--
Vocational Education -----	13,006,775	230,271	12,776,504	--
Junior College Construction -----	350,000	350,000	--	--
Total, local assistance -----	\$1,291,641,877	\$1,131,386,654	\$160,205,223	\$50,000
Related Activities:				
Special Schools:				
School for the Blind -----	\$1,007,009	\$889,556	\$36,953	\$80,500
School for Cerebral Palsied,				
Northern California -----	622,604	597,874	8,500	16,230
School for Cerebral Palsied,				
Southern California -----	577,488	557,824	8,500	11,164
School for the Deaf, Berkeley -----	2,393,032	2,080,069	133,897	179,066
School for the Deaf, Riverside -----	2,615,991	2,222,888	256,331	136,772
Total, special schools -----	\$7,216,124	\$6,348,211	\$444,181	\$423,732
School Housing Act for				
Compensatory Education † -----	\$35,000,000	\$35,000,000	--	--
Total, related activities -----	\$42,216,124	\$41,348,211	\$444,181	\$423,732
Total, all activities -----	\$1,357,361,523	\$1,179,843,468	\$170,228,834	\$7,289,221

* Contract with Social Welfare.

† Capital Outlay funds.

Table I illustrates the large number of categorical aid programs, such as compensatory education and the manpower development and training program which are financed by a combination of state and federal funds. Currently federal support accounts for \$170 million or 12 percent of total expenditures administered by the department.

General Activities—Continued

The Department of Education often states that the Legislature has not authorized a substantial expansion in the size of its staff supported entirely by General Funds; that only limited staff has been provided to improve instruction in specific subject matter areas; and that the new state and federal aid programs are directed at improving education for the disadvantaged pupil rather than for the "normal" pupil enrolled in the regular school program. To support its position the department points to what it considers to be a relatively small increase in staff reflected in the general activities budget even though the positions reflected in the general activities budget represent only part of the total staff authorized the department. We do not believe that the department has accurately portrayed the actual increase in staff authorized it during the last five-year period.

Table II illustrates the total increase in the number of positions authorized the department that occurred between the years 1962-63 and 1967-68, the period when most of the major new programs were established. The table reflects the positions authorized for general activities and the positions which are authorized for the various categorical aid programs financed from state and federal funds.

The table shows that the total staff authorized the Department of Education supported by state and federal funds increased by over 40 percent during the five-year period from 658 positions in 1962-63 to a total of 923 positions in 1967-68. Most of the increase was due to the establishment of additional positions financed from federal funds; this staff has tripled in size during the period from a level of 93 positions in 1962-63 to 287 positions in 1967-68, while the staff supported entirely from General Funds has increased 12 percent from 565 positions at the beginning of the period to 658 positions in 1967-68.

It is noted that the major increase in staff has been authorized for programs such as the National Defense Education Act, audio-visual services and compensatory education which are designed to improve the quality of instruction for "normal" pupils enrolled in the regular school program as well as for disadvantaged pupils enrolled in compensatory education programs. Another state financed program, not reflected in the table, which is designed to improve instruction for the pupil enrolled in the regular school program is the Miller-Unruh Basic Reading Act which authorizes state support to improve the instruction of reading for all primary grade pupils having reading handicaps.

An integral component of all of these programs is the evaluation of various instructional procedures which promote success in specific subject matter areas and in the general instructional program of the school for both the normal and disadvantaged pupil. Such evaluation was notably lacking in the Department of Education prior to the establishment of the federal and state categorical aid programs, which are reflected in this table and in the subvention portion of the budget. Almost without exception this emphasis on an evaluation of the educational product has originated with the state Legislature, the U.S. Congress and the State Board of Education rather than the department.

TABLE II
State and Federal Support for Positions in Department of Education
1962-63 to 1967-68

Unit	Program	Positions and source of funding					
		1962-63			1967-68		
		State	Federal	Total	State	Federal	Total
Division of Departmental Administration							
Fiscal Office	Various	45.3	4.0	49.3	51.7	9.5	61.2
Bureau of Systems and Data Processing	Various	--	--	--	6.8	11.5	18.3
Publications Office	Various	N/A	N/A	N/A	9.0	9.0	18.0
Personnel Office	Various	--	--	--	7.0	4.0	11.0
Other Units—General Activities	State	59.1	--	59.1	70.1	--	70.1
Subtotal		104.4	4.0	108.4	144.6	34.0	178.6
Division of Public School Administration							
Bureau of Administrative Services	Operation Headstart	--	--	--			
Bureau of Textbooks and Publications	N/A	18.6	--	18.6	N/A	N/A	N/A
Other Units—General Activities	State	99.9	--	99.9	116.2	1	117.2
Subtotal		118.5	--	118.5	116.2	1	117.2
Division of Instruction							
Bureau of National Defense Education	NDEA Title III/ESEA Title II	20.1	20.1	40.2	23.9	55.1	79.0
Bureau of Pupil Personnel Services	Title V Nat. Defense Ed.	7.0	7.0	14.0	4.5	8.5	13.0
Bureau of Audio-visual Education	ESEA/Title II	9.1	--	9.1	9.1	9.6	18.7
Other Units—General Activities	State	39.5	--	39.5	45.0	--	45.0
Subtotal		75.7	27.1	102.8	82.5	73.2	155.7
Division of Higher Education							
Bureau of Readjustment Education		9.5	9.5	19.0	16.1	2.9	19.0
Bureau of Adult Education	{ Adult Basic Education	7.0	--	7.0	7.0	14.8	21.8
	{ Adult Ed. for Civil Defense }						
Bureau of Vocational Education	Vocational Education	61.3	52.7	114.0	53.4	84.0	137.4
Other Units		168.2	--	168.2	160.6 †	--	160.6
Subtotal		246.0	62.2	308.2	237.1	101.7	338.8

TABLE II—Continued
State and Federal Support for Positions in Department of Education
1962-63 to 1967-68

Unit	Program	Positions and source of funding					
		1962-63			1967-68		
		State	Federal	Total	State	Federal	Total
Division of Special Schools and Services							
Training Personnel		--	--	--	--	2.3	2.3
Other Units—General Activities		19.9	--	19.9	44.9	--	44.9
Subtotal		19.9	--	19.9	44.9	2.3	47.2
Office of Compensatory Education							
Administrative Unit	Various	--	--	--	0.4	3.6	4.0
Program Development	ESEA	--	--	--	--	12.5	12.5
Program Evaluation	ESEA—Title I	--	--	--	--	12.0	12.0
Administration and Finance	ESEA	--	--	--	--	13.0	13.0
Community Services	ESEA	--	--	--	--	6.5	6.5
Preschool Education	Various	--	--	--	1.6	4.9	6.5
Research and Technical Education	State	--	--	--	--	3.0	3.0
Bureau of Intergroup Relations	State	--	--	--	8.0	--	8.0
Subtotal		--	--	--	10.0	55.5	65.5
Strengthening the Department	ESEA—Title V	--	--	--	--	19.6	19.6
Total		--	--	--	--	287.3	922.6
Grand Total		564.5	93.3	657.8	635.3	287.3	922.6

† Financed by reimbursements.

General Activities—Continued

In addition it is noted that the State Board of Education has authorized several limited term projects financed by over \$1.5 million in federal funds which are designed to improve instruction for the normal as well as the disadvantaged pupil through the formulation of general instructional guidelines. The State Board of Education has chosen to staff such projects with ad hoc persons from outside of the department instead of increasing staff for the various divisions in order to obtain the most expert advice available.

The major units within the Department of Education and their proposed expenditures in 1967-68 follow:

Proposed General Fund Support for the Department of Education
General Activities

1. Division of Departmental Administration	\$1,241,571
2. Division of Public School Administration	1,231,465
3. Division of Instruction	786,929
4. Division of Higher Education	454,735
5. Division of Special Schools and Services	682,245
	<hr/>
	\$4,396,945
Workload adjustment	161,980
Undetailed 10 percent reduction	—455,893
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Net General Fund amount	\$4,103,032

ANALYSIS AND RECOMMENDATIONS

The budget request for the general activities budget of the Department of Education is \$4,396,945 before adjustments. The adjustments include an increase from the above figure of \$161,980 for workload and an undetailed 10 percent decrease in the amount of \$455,893. The addition of the workload amount results in a budget of \$4,558,925. When the 10 percent reduction is included, the request totals \$4,103,032, the amount in the Budget Bill. The workload adjustment of \$161,980 includes an amount of \$25,018 for 4.8 additional positions, a sum of \$114,770 for higher operating expenses and a sum of \$20,000 for additional equipment. These increases are detailed below, by division.

<i>Division and positions requested</i>	<i>Amount</i>
Division of Departmental Administration	
1 Intermediate stenographer position	\$5,478
0.2 Temporary help positions	880
Division of Public School Administration	
0.2 Temporary help position	250
Division of Instruction	
0.2 Temporary help position	1,100
Division of Higher Education	
2 Stenographer positions	10,204
0.3 Temporary help position	1,760
1 Intermediate stenographer position	5,346
	<hr/>
	\$25,018
Other Increases	
Operating expenses	114,770
Equipment	22,192
	<hr/>
	\$161,980

General Activities—Continued

from funds available under Title V of the Elementary and Secondary Education Act of 1965, were administratively established because of a workload increase generated by new programs. The department proposes to transfer the positions to the budget for the Elementary and Secondary Education Act. We recommend approval of the proposed transfer of positions.

Bureau of Systems and Data Processing

The Bureau of Systems and Data Processing is a new unit, established January 1, 1967 as the result of a recommendation made by the Arthur D. Little Company that all data processing services be centralized in a centralized data systems unit. The report stated that a key objective of such a bureau would be to use the department's data processing capabilities to cut operational costs, save manpower and to prepare data and control the flow of data essential to educational administration. As a result of the recommendation all data processing activities previously performed by the Bureau of Education Research have been transferred to the new unit. The unit is presently responsible for computing school apportionments and entitlements for certain federal programs. In addition it provides services for the state testing program and it provides accounting and evaluative services for other departmental units. During the current year two computer operator positions were established administratively to enable the department to add a third shift to its computer operations. The department proposes to continue the positions in the budget year for an additional cost of \$12,120 to be reimbursed from other units. *We recommend approval of the request for two computer operator positions for the bureau to enable the department to establish a third shift for its computer operations. It is noted that the cost of the positions in the sum of \$12,120 will be primarily financed by federal reimbursements from other units.*

The department also proposes to transfer two programmer II positions and two key punch operator II positions from the budget for the Elementary and Secondary Education Act to the Bureau of Systems and Data Processing. It is proposed that the positions be financed from reimbursements. *We recommend approval of the transfer of the positions but recommend that the cost in the positions be financed by federal funds.* Although the budget states that the positions will be financed from reimbursements it is unclear if the cost of the positions will be entirely supported from federal funds or from other General Fund programs. We believe that federal support for these positions should be specified since they were established in the current year from federal funds.

It is anticipated that the Phase II of the Arthur D. Little study regarding the administrative structure of the Department of Education will be completed during the spring of 1967. Phase II of the study is being financed by a federal grant totaling \$204,180 made available for this purpose by Title V of the Elementary and Secondary Education Act of 1965. It is anticipated that the conclusions of the report may have far-reaching implications for the administrative structure of the

General Activities—Continued

Department of Education. We are therefore including a brief summary of Phase I of the report and its initial conclusions regarding the role of the Department of Education and the State Board of Education.

Phase I of the report, titled the "Emerging Requirements for Effective Leadership for California Education" was financed by a \$50,000 special emergency fund grant authorized in 1962-63. The initial report surveyed the role of the State Board of Education and the State Department of Education to determine how well the department and the state board were meeting "the emerging educational requirements of the state." The report concluded:

1. Education in California is experiencing accelerating changes because of the increase in federal and state support for various educational programs, and that these changes were not being integrated into any overall state plan.

2. The State Board of Education is the natural agency to formulate guidelines for educational programs and to present plans and action programs to the Governor and Legislature.

3. The report questioned the usefulness of direct consulting services provided by the department of school districts and suggested that ad hoc project teams comprised of educational experts from outside of the department should be used whenever possible to undertake studies required by the board.

4. The report suggested that an intermediate unit be established along interdistrict, intercounty or regional lines to facilitate communication between the districts and the department and possibly to administer programs such as special education, educational television and instructional materials.

5. The report suggested that the administration of the junior colleges should be studied to examine the merits of establishing a separate division within the department versus the establishment of creating a separate administrative board.

One of the major suggestions made by the Phase I report, the recommendation that ad hoc project teams composed of nondepartmental experts be used whenever possible in place of departmental consultants, has been accepted by the state board. This is reflected in the large number of nondepartmental committees which have been established, financed by federal funds to provide instructional guidelines for specific subject matter areas. A more detailed discussion of these projects occurs later in this analysis.

2. Division of Public School Administration

1966-67	1967-68	Increase	
		Amount	Percent
\$1,388,510	\$1,417,265	\$28,755	2.0

The Division of Public School Administration is responsible for various noninstructional functions in supervising the public school sys-

General Activities—Continued

tem, including the technical and fiscal administration of the public school system. It contains the following units:

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

General Fund support for the Division of Public School Administration, before adjustments, is proposed at \$1,417,265, an increase of \$28,755 over the current year. The increase is primarily due to a minor rise in operating expenses. No new positions are requested before workload adjustments and the level of service is expected to remain the same. The four major programs administered by the division and our analysis follows:

School Apportionments

The Bureau of School Apportionments within the division is responsible for the annual apportionment of over \$1.1 billion from the state General Fund for basic and equalization aid and for other programs such as pupil transportation and special education. In addition the unit annually reviews 58 county school service fund budgets. Members of the bureau also participate in regional meetings held by the California Association of School Business Officials to improve and update current reporting and accounting manuals in order to adjust accounting practices for the new state and federal aid programs.

The budget reflects a reduction in the sum of \$13,212 for one field representative position (to be supported from federal funds) for the Bureau of School Apportionments which was authorized by the 1966 Legislature but was not filled. The budget also reflects a reduction in the amount of \$5,232 for one intermediate stenographer position which remained unfilled during the present year.

The field representative position was requested at the 1966 session to revise the school accounting manual to accommodate the new federal accounting regulations connected with the Elementary and Secondary Education Act of 1965 which is discussed elsewhere in the analysis. In addition, the position was to work with the California Association of School Business Officials to develop suggested changes in school district accounting procedures. The Legislature, on our recommendation, authorized the establishment of the position, provided that federal funds were used for its support to minimize the increase in General Fund costs. However, the State Board of Education refused to allocate funds for the position, in keeping with its policy in effect at the time of allocating funds for special projects only rather than hiring permanent additional personnel for departmental units.

We believe that the field representative position for the Bureau of School Apportionments and Reports is warranted. The additional work-

General Activities—Continued

load generated by the new state and federal programs can no longer be absorbed by the Assistant Division Chief who presently is able to allocate only a few days per year to this activity because of his many other responsibilities. An additional position would enable the division to alleviate the workload increase and would promote the development of uniform accounting methods.

We recommend an augmentation in the sum of \$13,212 for the establishment of one field representative position and an augmentation of \$2,616 for a 0.5 clerical position for the Division of Public School Administration for a total of \$15,828. We also recommend that the Legislature direct the Department of Education to utilize this position in cooperation with the Office of Compensatory Education to modernize school district accounting procedures connected with the new state and federal education programs. Although the Division of Public School Administration and the Office of Compensatory Education have different responsibilities, we believe that there should be a higher degree of cooperation between the two units than presently exists in the development of regulations and fiscal guidelines and that the establishment of the field representative position will foster such cooperation.

The workload adjustment figure for the department contains a sum of \$500 for a project for the "Operation Headstart" preschool program. We do not believe that General Fund support for this purpose is justified in view of the fact that salary for the coordinator of the "Headstart" program is financed by federal funds. *We recommend that the amount budgeted for the project be disapproved for a General Fund savings of \$500.*

Consultant Services

Three units within the division provide a variety of consultant services to school districts and county offices of schools. The Bureau of School District Organization, composed of four professional positions, assists county committees regarding proposed reorganizations of school districts and prepares a large portion of the material considered by the State Board of Education in matters involving unification proposals. The Bureau of Administrative Services, composed of six professional positions, advises school districts regarding fiscal, accounting and reporting procedures. Responsibility for the state level administration and supervision of the Children's Center Program also rests with this unit. The Bureau of School Planning advises school districts regarding the acquisition of school sites and the construction of facilities.

During the current year a professional position within the Bureau of Administrative Services, responsible for coordinating "Operation Headstart" preschool projects was reclassified as an education project specialist I. The cost of the position in the amount of \$15,300 is financed by federal reimbursements from the Office of Economic Opportunity. The department proposes that the position be retained in the Bureau of Administrative Services during the budget year. *We recommend that the educational project specialist I position and financial support for it in the sum of \$15,300 be transferred from the Division of Public School Administration to the Bureau of Preschool Education within*

General Activities—Continued

the Office of Compensatory Education. The major purpose of the recommendation is to improve the state level coordination and administration of the four major preschool programs that are presently maintained by local agencies. A detailed discussion of preschool programs and our recommendation is discussed under the budget for the Office of Compensatory Education.

During the current year one field representative position and 1.5 clerical position were administratively established for the Bureau of School Planning to administer the capital outlay provision of Chapter 106, 1966 Statutes (compensatory education). The cost of the position in the amount of \$16,500 was financed by an allocation from the Emergency Fund. The department proposes to continue the positions in the budget year. *We recommend approval of the request for 1.5 positions to administer the capital outlay provisions in Chapter 106, Statutes of 1966.*

Textbook Distribution

The Bureau of Textbook Distribution is responsible for the annual distribution of textbooks to the state's elementary schools. In 1967-68 it is anticipated that approximately 20 million books will be distributed to the schools. No additional positions are requested for this program and the level of service will remain unchanged.

School Lunch, Special Milk and Surplus Property Programs

The School Lunch and the Special Milk Programs make commodities and cash reimbursements available to school districts for school lunches for pupils. In 1967-68 it is anticipated that \$47 million will be allocated under these programs. The Surplus Property Program, administered by the State Educational Agency for Surplus Property, makes federal surplus property available to school districts and other eligible institutions. The workload adjustment for the Department of Education reflects an amount of \$250 in general funds for a 0.1 temporary help position for the Bureau of School Lunch to alleviate a minor workload increase. *We recommend approval of the request for an additional General Fund cost of \$250.*

3. Division of Instruction

1966-67	1967-68	Increase	
		Amount	Percent
\$757,247	\$786,929	\$29,682	3.9

The Division of Instruction provides consultant services to school districts of an instructional nature and also supervises elementary and secondary education courses to see that they conform to the requirements of the Education Code. The six units within the division which are listed below are organized along both functional and organizational lines.

Division Administration
 Bureau of Audio Visual and School Library Education
 Bureau of Health, Physical Education and Recreation
 Bureau of Elementary and Secondary Education
 Bureau of Pupil Personnel Services
 Bureau of National Defense Education

General Activities—Continued

The Bureau of National Defense Education, which administers Title IIIb of the National Defense Education Act, is organized along program lines; the budget for this unit appears elsewhere in the analysis under the discussion of the National Defense Education Act program. Major parts of the administrative responsibilities of the Bureau of Personnel Services and of the Bureau of Audio Visual and School Library Education are also discussed under separate budget items elsewhere in the analysis.

The importance of the Division of Instruction in providing consultant services to school districts has decreased over the last several years. This has been caused by several reasons, including the increase in the number of unified districts which provide comprehensive consulting services of an instructional nature for the schools in their districts. In addition, the State Board of Education has decided that one of the major consultant services that the state can provide for districts is the formulation of general guidelines for specific subject matters such as the social sciences and English, and that such guidelines should be prepared by ad hoc committees composed of experts in individual fields from outside of the department. Title V of the Elementary and Secondary Education Act of 1965 makes available to California over \$2 million which may be used to establish such projects.

General Fund support for the Division of Instruction, before workload adjustments, is set at \$786,929 in 1967-68, an increase of \$29,682 above the current level. This increase is due to a charge for the rental of building space which appears for the first time. No new positions are proposed and the level of service is expected to remain the same.

The workload adjustment for the department contains a sum of of \$1,100 for a 0.2 clerical position for the Bureau of Pupil Personnel Services. The position is requested to alleviate a minor workload increase. *We recommend that the position be approved as budgeted.*

The workload adjustment also contains a sum of \$50,000 that is budgeted for the Division of Instruction for higher operating expenses. This sum of \$50,000 is budgeted for subventions for projects for English as a second language. Chapter 1234, Statutes of 1965, authorized a special program of state support to school districts having large numbers of foreign born and native born children with English language handicaps. In 1965-66 a sum of \$50,000 was appropriated for reimbursement to school districts. However, no funds were appropriated for the program by the 1966 Legislature, presumably because of the large amounts of federal compensatory education funds available for such programs. We believe that the proposal that this program be reestablished is unjustified in view of the \$95 million in state and federal funds which are budgeted for special reading and compensatory education programs in 1967-68. A detailed discussion of these programs is contained in the section of the analysis dealing with the Office of Compensatory Education. *We recommend that the amount budgeted for English as a second language be deleted from the budget for a General Fund savings of \$50,000.*

General Activities—Continued

The Bureau of Elementary Education within the Division of Instruction contains one consultant in early childhood education who is responsible for the state level supervision of the program content of the Children Center Program, which is described elsewhere in the analysis under the Office of Compensatory Education and the Children's Center Program. *We recommend that the consultant in early childhood education and General Fund support for the position in the amount of \$13,872 be transferred from the Division of Instruction to the Bureau of Preschool Education within the Office of Compensatory Education. The reason for the recommendation is described in detail under the Office of Compensatory Education.*

The operating expenses for the Division of Instruction contains a sum of \$12,000 for printing three publications: *Special Media Centers in California*, *Guidelines for Developing Counselor Education Programs*, and *Guidelines to Teaching of English as a Second Language*. We do not believe that General Fund support is justified for printing these publications since they are closely related to several programs financed entirely by federal funds. We believe that federal money should finance the cost of the publications. *We recommend that the amount budgeted for these publications be deleted for a General Fund savings of \$12,000.*

POLICY OPTION

Consideration could be given to deleting an amount of \$245,560 for personnel expenses and operating costs for the Bureau of Elementary and Secondary Education and transferring a sum of \$122,780 along with the 16.5 persons authorized for this unit to the Bureau of National Defense Education reflected elsewhere in this analysis. The amount of \$122,780 transferred to the Bureau of National Defense Education could be used to obtain a sum of \$122,780 in federal funds to finance the cost of consultative services performed by the Bureau of Elementary and Secondary Education resulting in a General Fund savings of \$122,780.

Argument in favor of the policy option:

1. General Fund savings of \$122,780.
2. Consolidation into one unit of services designed to improve instruction in the public schools.

Argument against the policy option:

1. Administrative responsibilities presently performed by Bureau of Elementary and Secondary Education would have to be performed by other departmental units within Division of Instruction resulting in an additional workload for such units.

4. Division of Higher Education

1966-67	1967-68	Amount	Percent
\$495,888	\$454,735	\$41,153	8.3

The Division of Higher Education is responsible for four major programs: teacher certification and licensing, the licensing of all private adult schools which issue diplomas, and the administration of the

General Activities—Continued

vocational education program. In addition, the division provides consultant services to school districts regarding the programs maintained by secondary schools and the junior colleges. The division is composed of the following units.

Division Administration
Bureau of Junior College Education
Bureau of Readjustment Education
Bureau of Adult Education
Teacher Education and Certification
Bureau of Vocational Education

The Bureau of Vocational Education is administered as a separate program and is discussed elsewhere in the analysis. The Bureau of Intergroup Relations, formerly located in this division, has been transferred to the Office of Compensatory Education.

General Fund support for the division, before adjustments is proposed at \$454,735 which represents a decrease of \$41,153 below the present level. The decrease is caused by the transfer of the Bureau of Intergroup Relations to the Office of Compensatory Education. The budget reflects a request for 2.7 clerical positions for an additional cost of \$14,012. The workload adjustment contains a sum of \$17,310 for 3.3 proposed positions which are detailed below followed by an analysis of the individual units.

3 stenographer positions -----	\$15,550
0.3 temporary help janitor -----	1,760
Total -----	\$17,310

Junior Colleges

Responsibility for the state level administration of California's system of junior colleges rests with two bureaus within the division: the Bureau of Junior College General Education and the Bureau of Junior College Administration and Finance. The former unit provides consultative services of an instructional nature to local educational institutions while the latter unit provides fiscal and technical services connected with the state level administration of the junior college program. During the current year a 0.5 clerical position was administratively established for an additional General Fund cost of \$2,605 and a sum of \$754 in temporary help funds was authorized the unit to alleviate a minor workload increase. The department proposes to continue the position in the budget year. The department also requests as part of its workload adjustment an additional intermediate stenographer position for the unit for an additional General Fund cost of \$5,346. *We recommend approval of the request for 1.5 clerical positions for an additional cost of \$7,951. However, we recommend disapproval of the request for temporary help funds in the amount of \$754.*

Currently the Bureau of Junior College Administration and Finance is authorized 2.5 clerical positions for 1 bureau chief and 6 other consultant positions. The addition of 1.5 clerical positions would provide the unit with 4 clerical positions resulting in an effective ratio of professional positions to clerical positions of 2 to 1 for the 6 consultant po-

General Activities—Continued

sitions and would also provide the bureau chief with a clerical position. This staffing pattern is reasonable in view of the clerical staffing for other departmental units and we therefore recommend approval of the request. However, we do not believe that the continuation of the amount budgeted for temporary help is warranted in view of the clerical staff which will be authorized the bureau if our other recommendation is adopted.

Licensing of Private Schools

The Bureau of Readjustment Education within the division authorizes the granting of degrees and the issuance of diplomas for all post high school training and approves all adult basic education courses offered by private schools for both veterans and regular pupils. In addition, the bureau is responsible for issuing sales permits to all correspondence school salesmen. The workload budget of the department contains a sum of \$1,760 for a 0.3 temporary help position for the Bureau of Readjustment Education for an undetailed workload increase. *We recommend disapproval of the request on the grounds of insufficient justification, for a General Fund savings of \$1,760.*

It is noted that the unit is presently authorized a total of 8 clerical positions for 11 professional positions resulting in 1 clerical position for each 1.5 professional positions which is substantially higher than the accepted standard of 1 clerical position for every two professional positions.

Adult Education

The Bureau of Adult Education is responsible for granting course approvals for adult classes, adult schools, high schools and junior colleges which maintain classes for adults. The bureau also provides consultative services to school districts regarding the program content of adult classes. A relatively new responsibility for the bureau is the administration of the federal adult basic education program which was formerly authorized under Title IIb of the Economic Opportunity Act of 1964 but which was amended into Title III of the Elementary and Secondary Education Act by the 1966 Congress. The program provides federal grants to local school districts for the establishment of adult basic education courses for low income persons 18 years or older who require basic instruction in reading, English, arithmetic and several other courses found at the elementary level. California's allotment under the program is set at \$1,534,703 in 1966-67 and is estimated at about \$1.7 million in 1967-68. Presently there are 15,000 pupils enrolled in the program in 58 school districts. No additional positions are requested for this unit and the level of service will remain unchanged.

Teacher Licensing

The Bureau of Teacher Education and Certification is responsible for licensing all teacher applicants who intend to teach in the public school system. The teacher licensing unit has one of the largest staffs in the Department of Education; it is presently authorized a total of 120 positions comprised of 52 credential technicians and a total of 68

General Activities—Continued

clerical positions. The total cost of the teacher licensing function estimated at \$1,266,060 in 1966-67 is financed by credential fees in the amount of \$10 which are paid by each teacher applicant who applies to the department for a credential. Table I depicts the number of credentials issued by the unit between 1962-63 and 1964-65 and the estimated number of credentials issued during the period of 1965-66 and 1967-68.

Table I

1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69
93,809	114,405	133,784	145,000	160,000	176,000	193,000

The table illustrates that the workload for the unit has increased at a rate in excess of 10 percent per year between 1962-63 and 1965-66 and is projected at a similar rate during the next two years.

For the last several years the Bureau of Teacher Education has experienced difficulty in providing teacher applicants with rapid service in processing credential applications. The so-called "lag time" between the date an application is received by the unit and the date when the applicant is notified regarding his qualification has varied from one to over four months. In 1965-66 the situation became so serious that the unit was required to implement a priority system of processing credential systems whereby only the applications of teacher applicants who intended to teach in the fall of 1965 were processed while lower priority applications were allowed to backlog. The situation was ultimately resolved by a major augmentation of staff for the credentials unit. Currently the lag time is approximately two months. The difficulties experienced by the certification unit have been caused by several factors which are summarized below.

1. **Workload and Manual Operation:** The teacher licensing unit has one of the heaviest workloads of any unit in the department and the entire workload is processed manually. Table II indicates the respective types of manual operations performed by the unit for 1964-65 to 1966-67.

Table II

	<i>Number of non fee letters reviewed</i>	<i>Number of folders screened</i>	<i>Number of folders pulled and filed</i>	<i>Number of credentials form letters and dictations</i>
1964-65 -----	254,101	278,000	323,954	280,720
1965-66 -----	261,979	145,000	345,701	246,412
1966-67 -----	346,000	266,810	448,000	342,800

2. **Nature of Workload:** Processing a credential application is a complicated process; the department must manually check the package of information submitted by the applicant to determine if it contains a proper health record and a properly completed credential application. It must also check "rap sheets" submitted by the Department of Justice to determine if the applicant has a record and therefore merits further investigation. If the applicant's information is incomplete it must be returned to him for further revision. If the applicant subsequently submits additional data his file must be pulled and screened by clerical personnel requiring a great deal of time.

General Activities—Continued

Once it is determined that all information is in order the application is evaluated by 1 of the 52 clerical technicians to see if the applicant's qualifications meet the requirements of the State Board of Education for the credential requested, which may be any one of five credentials, although the standard credential for the elementary, secondary and junior college levels are those most commonly issued and account for over 60 percent of the workload. The evaluation of an individual credential application requires approximately 30 minutes of manually examining the application, checking the courses completed by the applicant against both the applicant's college catalog and against the state regulations to determine if the courses and course hours comply with the regulations.

3. New Credential Structure: In 1961 the Legislature enacted the Fisher Act which increased the academic qualifications for elementary teacher applicants. Under that law an applicant for an elementary credential must have a BA degree and either a major or minor in any subject. In addition he must have 30 hours of additional course work to be completed within five years of employment; 45 hours of general education courses, 12 hours of professional education courses and a course in practice teaching experience. Under the old structure an applicant needed only four years of college, a BA degree and 24 hours of professional education courses including six hours of practice teaching to qualify for an elementary certificate. The new credential structure is more complicated to administer than the old one because of its more rigid academic requirements. Commencing on September 15, 1966, all new credentials are being approved and issued under the new regulation. It is anticipated that this will increase the amount of time devoted by credential technicians in their evaluation and will increase the cost per credential issued.

As a result of the difficulties experienced by this unit and the department's frequent requests for additional credentials staff this problem has frequently been considered by the Legislature, most recently by the 1966-67 budget committees, when the department requested funds to finance two programmer II positions to develop a plan to automate the process. The Legislature on our recommendation, directed the department to contract with the Department of General Services for the study and to finance the cost with \$20,000 originally budgeted for the programmer positions. The study was subsequently performed by the Aerojet-General Corporation of Sacramento which submitted a report entitled *Electronic Data Processing Systems for Credential Applications Evaluation*. After reviewing the repetitive manual procedures for mail handling, screening, letter typing and the evaluation process itself, the Aerojet representatives concluded that the design of a data processing system was the most satisfactory solution to this problem. The report contains a systems analysis of the certification process consisting of a narrative report and flow charts detailing the entire system. The report recommended the complete automation of the certification process with the initial effort directed at the elementary,

General Activities—Continued

secondary and junior college credentials which account for 75 percent of the credentials issued and 60 percent of the unit's workload. It is anticipated that if the system were to be fully operative in 1970-71 a credential application could be completely processed within a 24-hour period.

In addition to improving the certification process itself the system provides an automatic means of making analytical studies of the data accumulated. Today, statistics regarding the academic background of teacher applicants, their prior teaching experience, their ages, sex and similar data are available only by manually pulling and screening information from over 400,000 folders. A computer operation would make such information instantly available.

The major weakness of the report was a noticeable lack of detailed information regarding the cost of implementing and operating the system and whether the cost could be financed from anticipated credential fee reimbursements. At our urging, the Department of Education and the Aerojet-General Corporation developed preliminary cost information in time for inclusion in the analysis. Based on a preliminary but detailed cost estimate the Department of Education believes that the cost of the system could be financed entirely from the estimated surplus in credential fees over the present cost of the manual credential evaluation process. Table III illustrates the anticipated cost of implementing the system and the savings which would accrue when the system is fully established.

The table indicates that the cost of automating the certification process could be financed from the anticipated surplus in credential fees. During the first three or four years when the system is being implemented the automated system would cost more than the present manual system but would still be financed from anticipated surpluses in credential fee receipts. By 1970-71 the computer system would result in a minor savings compared to the manual process which would subsequently increase.

We have examined the supporting documents on which the above table is based and believe that the projected cost of implementing the system can be financed within the existing credential fee structure. However, because of the preliminary nature of this cost estimate we believe that these estimates should be reevaluated by the department during the spring of 1967 to make sure that the cost estimates include sufficient funds for augmentation of staff to process manually the anticipated workload increase which will occur while the system is being implemented.

1. We recommend that the Department of Education proceed with the Aerojet-General proposal to automate the certification function.

2. We recommend that the department hire a full-time project director to supervise the implementation of the automation system.

3. We recommend that the Department of Education reevaluate its preliminary cost estimate for implementing the system and submit a report regarding the updated cost estimate and the progress of implementing this system to the Joint Legislative Budget Committee by

TABLE III
**Analysis of Ability to Finance Automation Proposal From Anticipated
 Surplus From Credential Fees**

	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	Total
Cost shown as (--) and anticipated savings of automation compared to manual process ¹ -----	(\$93,269)	(\$263,206)	(\$172,161)	\$5,633	\$6,211	\$254,879	\$350,548	\$482,582	\$515,471	\$1,166,688
Estimated surplus of credential fee receipts over cost of manual process----	315,914	347,508	308,255	420,483	462,530	508,780	559,650	615,611	677,171	4,287,902
Estimated surplus of credential fee receipts over cost of automation-----	222,645	84,302	208,094	426,116	468,741	768,741	763,659	910,190	1,098,193	1,272,642

¹ Includes annual 10-percent increase in staff to process.

General Activities—Continued

November 1, 1967, along with any recommendation needed to make the system fully operative prior to 1970-71.

4. We recommend that implementation of the proposed system remain separate from any other data processing proposals developed by the department until such time as detailed cost information regarding the consolidation of other proposals with this is submitted to the Legislature for review.

5. We recommend that no more than 50 percent of the professional staff required to implement the proposal be hired from outside of the Department of Education.

Certification Workload: During the current year two intermediate stenographer positions were administratively established for the Certifications Office to process credential applications which must be checked against "rap sheets" submitted by the Department of Justice. The cost of the positions in the sum of \$10,248 will be financed from reimbursements from credential fees. We recommend approval of the request for two clerical positions for the Certification's Office for an additional cost of \$10,248 to be offset by reimbursements.

The 1966 Legislature authorized the establishment of one consultant position in teacher education for the Bureau of Teacher Education and Certification to administer a new teacher employment service in the unit, but on our recommendation, directed the department, to finance the cost with federal funds. The State Board of Education failed to allocate funds for this purpose and the position remains unfilled. Although the salary supplement to the 1967-68 Governor's Budget reflects a termination date of June 30, 1967, for the position, the support budget contains \$12,096 in General Funds to finance it. We do not believe that the consultant position should be included in a workload budget since its proposed responsibilities represent an increase in the level of service of the unit. We recommend that state support for the one consultant position be deleted for a General Fund savings of \$12,096.

The amount budgeted for workload adjustment for the department contains a sum of \$10,000 for reading examinations for specialist reading teachers, connected with the Miller-Unruh Basic Reading Act. General Fund support for these examinations is unjustified, since their cost will be financed from reimbursements from school districts and/or from reimbursements from specialist teacher applicants. We recommend that the amount budgeted for this purpose be deleted for a General Fund savings of \$10,000.

5. Division of Special Schools and Services

1966-67	1967-68	Increase	
		Amount	Percent
\$856,789	\$826,801	\$29,988	3.5

The Division of Special Schools and Services is responsible for the state level supervision of California's special education program for mentally retarded and physically handicapped minors. The division administers the state residential schools for deaf, blind and cerebral palsied children discussed elsewhere in this analysis, and it coordinates

General Activities—Continued

special education programs operated by school districts for mentally retarded and physically handicapped children. The growth of the special education programs maintained by California's elementary and secondary schools is indicated in the following summary of the average daily attendance in local programs.

	1965-66	1966-67	1967-68
Classes for physically handicapped-----	21,949	23,531	25,000
Classes for mentally retarded-----	49,492	55,103	58,000
Classes for severely mentally retarded-----	5,567	6,054	7,300
Classes for educationally handicapped-----	4,258	7,590	13,500
Total -----	81,266	92,278	103,800

The division is composed of five administrative units; a new unit, Development Centers for Exceptional Children, which is discussed elsewhere in the analysis, was established during the current year to administer the Development Center Program for Physically Handicapped and Mentally Retarded Minors. The five units in the division are listed below:

- Administrative Unit
- Bureau for Educationally Handicapped and Mentally Retarded Children
- Bureau for Physically Exceptional Children
- Clearing House Depository
- Development Centers for Exceptional Children

General Fund support for the Division of Special Schools and Services is proposed in the amount of \$826,801 before adjustments representing a decrease of \$29,988 below the present level. The decrease is primarily due to a reduction of 1.5 authorized positions because of the unavailability of federal funds and because of a minor reduction in operating expenses.

The workload adjustment for the department includes a sum of \$2,200 for 0.3 temporary help position to be shared by three of the units. *We recommend approval of the request for an additional 0.3 temporary help position for an additional General Fund cost of \$2,200.*

The 1966 Legislature appropriated a sum of \$17,500 to the department for a study of programs for mentally gifted pupils. It is anticipated that the study will be completed later in the spring of 1967 and that a report will be issued at that time.

Research Projects

The majority of the research projects performed by the Department of Education is financed by state funds authorized by the McAteer Act and by federal funds authorized by Title V of the Elementary and Secondary Act of 1965; both of these programs are discussed under the budget item for the Office of Compensatory Education. Currently the department also participates in several limited term projects, reflected in the general activities budget, which are financed by federal grants. These limited term projects are summarized below.

1. Coordinating Unit for Occupational Research: The main objectives of this unit are to encourage school districts to develop research

General Activities—Continued

projects in the field of vocational education and to provide state level coordination for such activities. In addition, the unit will develop evaluative criteria and guidelines which may be used by the state and school districts to evaluate the effectiveness of local vocational education projects. Presently the cost of the project is financed entirely from federal funds available under the provision of the Vocational Education Act of 1963. However, commencing in 1967-68 the state will be required to finance 5 percent of the unit's \$90,000 cost with \$4,500 in state General Funds or in kind matching services, although the budget does not reflect this matching requirement. In subsequent years it is anticipated that the unit will be financed by some combination of state and federal funds. The department proposes to continue the 2.5 positions administratively established for the unit during the current year. *We recommend approval of the proposed positions.*

2. Educational Data Processing: The main objective of this project is to develop comprehensive data processing subsystem involving pupil personnel information, certificated personnel data and fiscal procedures which may be used by school districts to improve their educational programs. The project is closely connected with the three regional data processing centers which are presently supported by federal funds under the provisions of Title III of the Elementary and Secondary Education Act of 1965.

3. Advisory Services Desegregation Project: This project, financed by a federal grant in the amount of \$153,901 under Title IV of the Civil Rights Act of 1964 is designed to provide technical assistance to school districts regarding problems incident to desegregation. It is anticipated that the project will be completed during the 1968-69 fiscal year. A total of 7.8 positions were administratively established in the department during the current year to administer the program; it is proposed that they be continued during the budget year for no increase in General Fund cost. *We recommend approval of the proposed positions.*

4. Statewide Program on Smoking and Health: This project, financed by a federal grant in the amount of \$29,966, is concerned with the proposed role of the Department of Education regarding smoking and health. It is anticipated that the project will be completed in May 1967 at which time a report will be issued.

**Department of Education
SCHOOL BUILDING AID**

ITEM 74 of the Budget Bill

Budget page 166

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

Amount requested	\$185,800
Estimated to be expended in 1966-67 fiscal year	164,000
Increase (13.3 percent)	\$21,800
TOTAL RECOMMENDED REDUCTION	None

School Building Aid—Continued**GENERAL PROGRAM STATEMENT**

The Bureau of School Planning in the Department of Education is required by the Education Code (Section 15301) to review plans for school construction and site acquisition in the following categories: (a) projects in which state or federal moneys are involved including all school districts receiving apportionments under the State School Building Aid Program and (b) projects in excess of \$5,000 in school districts not governed by city boards of education. In each case, the bureau charges the district a fee of $\frac{1}{20}$ of 1 percent of the total anticipated cost of the project as estimated by the Office of Architecture and Construction. In addition, the bureau is authorized upon request of the governing board to make surveys of the building needs of school districts provided they are not governed by city boards of education. A fee is charged to the district for services rendered less the cost of salaries of the state employees.

For school districts participating in the State School Building Aid Program, the bureau receives an annual appropriation from the School Building Aid Fund. This appropriation is used to cover the expenses incurred in checking the plans submitted by state aided districts.

ANALYSIS AND RECOMMENDATIONS

In the budget year, the Department of Education, Bureau of School Planning, is requesting \$185,800 from the School Building Aid Fund to finance that portion of its activities devoted to checking the plans of school districts participating in the State School Building Aid Program. This is an increase of \$21,800 from the current year's budget. The reason for the increase may be traced to the passage of SB 28 (Chapter 106, Statutes of 1966, First Extraordinary Session) and AB 100 (Chapter 26, Statutes of 1966, First Extraordinary Session), the State School Building Aid Bond Law of 1966, both of which provided for \$35 million in bond funds to be apportioned to school districts for capital outlay compensatory education purposes. These acts of the Legislature and the electors of the state have caused an increase in the workload of the bureau resulting in the added needs from the School Building Aid Fund.

The total budget request of the Bureau of School Planning is \$380,039. From this, \$85,000 is reimbursed by school districts for planning services and plan checking, leaving a request of \$295,039. Of this amount, the \$185,800 in requested support from bond funds constitutes 63 percent of the bureau's budget, the same percentage as in the current year.

We recommend approval as budgeted.

**Department of Education
NATIONAL DEFENSE EDUCATION**

The National Defense Education Act provides federal financial assistance to the states and local educational institutions to promote educational programs to meet the defense requirements of the United States.

National Defense Education—Continued

Under present provisions the act will remain in effect through June 1968. The Bureau of National Defense Education within the Department of Education is responsible for administering Titles IIIa and IIIb of the act which are designed to improve instruction in specific subject matter areas while the Bureau of Personnel Services in the department administers Title V of the act which is concerned with guidance and counseling. The titles of the act and their main purposes are listed below.

Title II. Authorizes loans to students in institutions of higher education. General Fund participation is one-tenth of the total expenditure with federal funds meeting the balance. The program is administered by the Trustees of the California State Colleges and the 1965-66 budget request for the item is discussed elsewhere in the analysis.

Title III. Authorizes federal assistance for the improvement of instruction of science, mathematics, foreign languages, English, reading, geography, history and civics. Title IIIa provides federal funds matched by local sources for the purchase of special equipment and materials to be used for teaching science, mathematics, or foreign languages. Federal subventions to local districts under Title IIIa are reported in the local assistance portion of the budget.

Title IIIb provides grants for the expansion of supervisory services in the public schools for the above subjects; the title also provides support for state level administration of Title IIIa. State and federal funds for Title IIIb are expended for the following purposes:

1. Evaluation, processing and approval of federal funds.
2. Preparation of studies, reports and dissemination of NDEA project information.
3. Authorizes consulting services within the department and to local school districts maintaining NDEA projects.

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

Title V. Provides federal support for the establishment and maintenance of testing, guidance and counseling programs. Federal matching requirements are presently satisfied by the existing level of state and local expenditures for the purposes covered by the title. Federal subventions for the activity are found in the subventions portion of the budget. In California funds under Title V are used to identify able students and to guide and counsel pupils at the elementary, secondary and junior college level with regard to their future educational needs. Another section of the title authorizes the establishment of guidance and training institutes, arranged with local educational institutions by the United States Commissioner of Education.

Departmental responsibility for the administration of funds available under Title V rests with the Bureau of National Defense Education. School district applications for funds are made directly to the bureau. If the applications meet the provisions of the title the school districts are authorized to implement their projects and are subsequently reimbursed by federal funds following the submission of claims for costs

National Defense Education—Continued

incurred in their respective programs. Total federal fund allotments for Title V in California are expected to amount to \$1,886,782 in 1967-68 which is equal to the current level.

Title VI. Authorizes the United States Commissioner of Education to arrange with colleges and universities for the establishment of modern languages teaching centers and instructional centers in related subjects such as geography, political history, economics, etc. In California institutions of higher education, both public and private, participate in the program.

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

Title VIII. Title III of the Vocational Education Act of 1963 replaced this act which provides for area vocational education in California and is discussed in the analysis in the sections devoted to vocational education.

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

Title X. Miscellaneous. In California this title provides federal funds to match state appropriations and is designed to improve statistical services of the Department of Education's Bureau of Education Research.

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

Table I depicts the total federal, state and local expenditures for Titles III, V and X for the last completed fiscal year, 1965-66, and includes proposed expenditures for 1967-68. The local expenditure column for Titles III and V shows only the districts matching requirements. However, actual district expenses incurred in these programs exceed the matching requirements.

Department of Education
NATIONAL DEFENSE EDUCATION

ITEM 75 of the Budget Bill

Budget page 177

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

Amount requested in Budget Bill		\$310,560
Budget request before identified adjustments	\$342,551	
Increase to recognize full workload change	2,515	
Budget as adjusted for workload change	\$345,066	
Adjustment—undetailed reduction (10 percent)	34,506	
RECOMMENDED REDUCTION FROM WORKLOAD BUDGET ---		None
BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING		\$34,506

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

		1965-66 (actual)			1966-67 (estimated)			1967-68 (proposed)		
		Federal	State	Local	Federal	State	Local	Federal	State	Local
Title III										
A. Local projects	-----	\$4,927,071		\$4,927,071	\$5,397,189		\$5,397,189	\$5,397,189		\$5,397,189
B. State level										
Administration	----	332,250	\$282,854	--	368,564	\$326,154	--	381,646	\$342,551	--
Title V										
Guidance										
State level	-----	168,142	-- ¹	168,142 *	272,397	-- ¹	272,397 *	270,637	-- ¹	270,637 *
Subventions	-----	2,157,330	-- ¹	-- *	1,886,535	-- ¹	-- *	1,886,782	-- ¹	-- *
Title X										
Statistical reporting	----	39,643	39,643	--	50,000	50,000	--	50,000	50,000	--
Total	-----	<u>\$7,624,436</u>	<u>\$322,497</u>	<u>\$5,095,213</u>	<u>\$7,974,685</u>	<u>\$376,154</u>	<u>\$5,669,586</u>	<u>\$7,986,254</u>	<u>\$392,551</u>	<u>\$5,667,826</u>
Grand total, all sources		<u>\$13,042,146</u>			<u>\$14,020,425</u>			<u>\$14,046,631</u>		

* Local school district funds at or above matching requirements.

¹ No state funds required.

National Defense Education—Continued**Summary of Policy Options**

1. Delete amount of \$800,000 from sum budgeted for Chapter 106, 1966 Statutes. Transfer \$400,000 to Title IIIb to obtain an additional \$400,000 in federal funds for General Fund savings of \$400,000. The \$800,000 would be used for special reading projects.
2. Increase General Fund support by \$400,000 (to be matched with \$400,000 in federal funds) and use funds to employ additional specialist reading teachers for skill centers.
3. Reduce temporary help for bureau for General Fund savings of \$25,000.

GENERAL PROGRAM STATEMENT

Title III, Improvement of Instruction, is composed of two parts, Title IIIa and Title IIIb, which are described below.

Title IIIa provides federal funds to the Department of Education for reimbursements to school districts for the purchase of equipment and materials and for minor capital outlay expenses such as the remodeling of existing facilities. The purpose of the program is to improve the instruction in the subject fields of reading, mathematics, science, foreign language, reading, English, history, geography and civics. It is estimated that California will receive about \$5.3 million for Title IIIa in 1966-67 including reallocations; this is equivalent to the 1966-67 level of support. It is anticipated that 40 to 50 percent of the state's 1,189 school districts will participate in the program in the budget year.

Title IIIb provides federal assistance for the expansion of supervisory services to improve instruction in the aforementioned subject matter areas, and for the production of instructional materials at the local level. Both Title IIIa and Title IIIb are administered by the Bureau of National Defense Education within the Division of Instruction. In 1967-68 it is estimated that 50 percent of the total man-days of consultant services financed by Title IIIb will provide consultative services for the elementary schools and the remaining man-days will be divided between the high school and junior college levels.

ANALYSIS AND RECOMMENDATIONS

General Fund support for Title IIIb is proposed at \$342,551 before adjustments. The adjustments include an amount of \$2,515 for workload and an undetailed deduction of \$39,506. The addition of the workload amount results in a workload budget of \$345,066. When the 10 percent reduction is included, the request totals \$310,560, the amount in the Budget Bill.

Federal support for the program is set at \$381,646, an increase of 3.5 percent. Total General Fund and federal fund support is proposed at \$692,206 before adjustments for the budget year.

Table II shows the number of project applications approved for Title IIIa and the amount of federal funds encumbered for California school districts as of December 30, 1966. California was notified of its Title IIIa allocation late in December 1966; therefore these figures are only preliminary. An additional amount of \$2.2 million remains to be allocated for the 1966-67 year.

Table II

Number of NDEA IIIa Projects and Federal Funds Approved by Subject Area
(1966-67 Projects From Lists of Approved Projects as of December 30, 1966)

	<i>Number of projects approved</i>				<i>Federal funds approved</i>			
	<i>Elementary</i>	<i>Secondary</i>	<i>Junior College</i>	<i>Total</i>	<i>Elementary</i>	<i>Secondary</i>	<i>Junior College</i>	<i>Total</i>
Science -----	159	176	83	418	\$276,545	\$476,264	\$301,633	\$1,054,442
Mathematics -----	55	38	4	97	68,551	40,418	6,106	115,075
Foreign Language -----	149	81	9	239	202,266	178,105	55,311	435,682
Reading -----	123	35	6	164	330,689	59,197	10,181	400,067
English -----	31	69	9	109	49,056	91,736	21,969	162,761
History -----	22	39	4	65	28,473	61,046	5,452	94,971
Geography -----	78	15	1	94	131,689	10,421	869	142,979
Civics -----	3	8	1	12	1,183	7,449	249	8,881
Economics -----	3	1	2	6	3,200	389	520	4,109
Combination -----	236	127	28	391	671,383	314,252	80,697	1,066,332
Grand Totals -----	859	589	147	1,595	\$1,763,035	\$1,239,277	\$482,987	\$3,485,299

National Defense Education—Continued

The 1966 Legislature, on our recommendation, directed the Department of Education to submit a report to the Joint Legislative Budget Committee by December 1966 which would describe the accomplishments of the National Defense Education Act program in California from 1963-64 to the present. Although the entire report was not completed in time for inclusion in this analysis the department has completed a chapter regarding the effect of the Title IIIb program on improving the instruction of reading, which sought to answer the question: To what extent has the Title III reading projects actually improved pupils reading skills? A summary of the department's evaluation follows:

To determine the effectiveness of reading projects financed by Title III of the National Defense Education Act the department selected, from over 500 reading projects maintained during 1965-66, 43 projects believed to have the best plans for evaluation. Administrators of these 43 projects were then contacted and asked to submit detailed evaluations to the bureau. Of the 35 evaluations submitted 21 form the basis for the department's report. One of the most shocking conclusions of the department's report was that "While almost all reports are generally supportive of Title III reading programs, only two evaluations out of 500 projects offer reasonably valid and reliable answers to the question, "Can it be documented by pupil achievement scores that the Title III program has improved the instruction of reading?" One evaluation revealed negative results while the other concerned a project funded in its entirety by the local district. Extracts of several of the project evaluations are listed below to indicate that pupils who participate in Title III reading projects improve their reading abilities but the department believes that it is impossible to determine the degree to which the improvement is caused by the projects or by some other factor.

1. Alameda County Remedial Reading Centers. Reading tests were administered at the beginning of the program and intermittently during the year. In one of the reading centers, achievement for a three-month period, measured by a standardized test, varied from no progress to a $4\frac{1}{2}$ -year gain in reading grade level.

2. Long Beach Unified School District-City College Remedial Reading Program. The average improvement was $2\frac{1}{2}$ times the original reading speed of each student per semester, with equal or better comprehension. Vocabulary growth was indicated by grade level and percentile on the Iowa Silent Reading Test indicated an average improvement of 3.4 years per semester.

3. College of Marin Remedial Reading Project. This six-week summer program involved 60 students who had not intended to continue their education beyond the high school level. Of the 60 students beginning the program 57 students finished it. Half of the students' time was spent in the reading laboratory working with reading machines and half of the time was spent in the classroom working with reading techniques. The SRA Reading Record which was administered to all

National Defense Education—Continued

pupils before and after the program to measure reading comprehension and vocabulary indicated an average gain of two years.

4. Stockton Unified School District Primary Project. This project involved the purchase of equipment and materials to provide listening centers and materials for kindergarten and first grade pupils to enhance language development. The evaluation indicated there was a slight loss among the pupils participating in the project. It is interesting to note that the respondents of a similar project carried out by another district felt that the pupils enrollment in the project demonstrated progress but the officials did not know if the progress was attributable to the use of listening centers or to some other factor.

While most of these projects indicated that pupils participating in them improved their reading achievement levels the department does not believe that one may conclude from the evaluations that the Title III projects improve pupil achievement levels since most projects did not utilize control groups to measure the success of the programs. The department attributed much of the problem to the inexperience exhibited by school districts in establishing evaluative procedures and to the feeling expressed by many school people that the "prime purpose of school is to educate children not to manipulate them in experimental situations."

The department felt that one local evaluation was performed with a sufficient amount of research controls to merit inclusion in the report. A synopsis of this project which was carried out by the Covina-Valley Unified School District is included here because of its similarity to the types of programs authorized by the Miller-Unruh Basic Reading Act. The main purpose of the program was to provide remedial reading instruction to primary grade pupils in 18 elementary schools in the district through the employment of specialist reading teachers. A total of six full-time specialist teachers service the schools on a full-time basis while six part-time teachers served six schools for a period of two hours daily following their regular teaching assignment. The specialist teachers spent approximately two-thirds of their time instructing pupils in grades two and three and devoted the balance of their time to pupils in grades four through six. The teachers worked with pupils on an individualized basis or in groups of two's and three's for periods of 30 to 45 minutes per day. A total of 297 pupils participated in the experimental groups while a total of 188 pupils participated in the control group.

A comparison of the reading levels of the control group and the experimental group both before and after the project indicates that it was quite successful in improving the achievement levels of the pupils. On the average, pupils receiving remedial reading services progressed one school year while in the program compared to .5 school year progress for the control group during the same period. Of the 297 pupils originally enrolled in the program a total of 169 pupils or 59 percent made sufficient progress during the program so they could return to their regular classroom at the end of the school year. Table III shows the improvement in reading skills attributable to the pro-

Table III
Covina-Valley Unified School District Remedial Reading Program
1965-66 (First Full Year of Operation)

Comparison of Reading Achievement Test Results

Grade level	No. of pupils	Average time in program	Avg. I.Q.	Beginning avg. CRT or ITBS score 10/65	Ending avg. CRT or ITBS score 5/66	Gain	Diff. between exper. and control	Below actual grade place. Beginning	Below actual grade place. Ending	Loss or gain compared to normal rate of progress
Grade 2 Ex.-----	90	12 wks.	106	1.5	2.3	+ .8	+ .2	— .6	— .6	0
				AGP 2.1	2.9					
(Grade 2) Con.-----	(66)		103	1.6	2.2	+ .6		— .5	— .7	— .2
Grade 3 Ex.-----	99	15 wks.	104	2.3	3.4	+ 1.1	+ .6	— .8	— .5	+ .3
				AGP 3.1	3.9					
(Grade 3) Con.-----	(29)		106	2.7	3.2	+ .5		— .4	— .7	— .3
Grade 4 Ex.-----	55	12 wks.	107	3.3	4.1	+ .8	+ .1	— .8	— .8	0
				AGP 4.1	4.9					
(Grade 4) Con.-----	(42)		102	3.1	3.8	+ .7		— 1.0	— 1.1	— .1
Grade 5 Ex.-----	34	11 wks.	109	4.1	5.2	+ 1.1	+ .6	— 1.0	— .7	+ .3
				AGP 5.1	5.9					
(Grade 5) Con.-----	(31)		101	4.0	4.5	+ .5		— 1.1	— 1.4	— .3
Grade 6 Ex.-----	19	9 wks.	107	5.1	6.1	+ 1.0	+ .7	— 1.0	— .8	+ .2
			95	5.0	5.3	+ .3		— 1.1	— 1.6	— .5
(Grade 6) Con.-----	(20)			AGP 6.1	6.9					

Ex. = experimental group.

Con. = control group.

Number of children in experimental group—297.

Number of children in control group—188.

Total average gain for grades 2 through 6—Experimental group, 1.0 (1 school year).

Average length of time in program, 13 weeks.

Comparison group, 0.5 ($\frac{1}{2}$ school year).

() Indicates control group.

AGP = Age grade placement at time of testing.

National Defense Education—Continued

gram. Although it is difficult to generalize on the basis of one program, the success of the Covina Valley Unified project indicates that full implementation of the Miller-Unruh Basic Reading Act which also supports the specialist teacher concept will positively affect pupil reading levels statewide.

It appears clear that the Department of Education, local district administrators and the Legislature need more documentation concerning the effectiveness of local reading projects such as the Covina Valley Unified program on which to base policy decisions. We believe that the following recommendations will result in such information which might then be used to influence policy decisions at both the state and local level regarding the best and most economical methods of improving the instruction of reading in the public schools.

We recommend that the Bureau of National Defense Education in cooperation with the Office of Compensatory Education formulate evaluative guidelines for school districts which will enable districts to evaluate more effectively the success of local projects financed by state and federal funds, including projects for both regular and disadvantaged pupils. We recommend that those evaluative guidelines be prepared by November 1, 1967, and a copy be submitted to the Joint Legislative Budget Committee at that time.

We recommend that the Legislature direct the Bureau of National Defense Education and the Office of Compensatory Education to perform a comprehensive study of three types of reading programs for primary and secondary pupils, enrolled in both the regular school program and the compensatory education programs. The effectiveness of the following types of programs shall be analyzed.

1. A program making extensive use of language laboratories utilizing the most up-to-date form of programmed language instruction with a minimum of instruction and supervision by teachers.

2. A program making equal use of language skills laboratories and individualized instruction by teachers.

3. A program utilizing specialist teachers only.

We recommend that the Bureau of National Defense Education and the Office of Compensatory Education submit a progress report to the 1968 Legislature and a final report to the 1969 Legislature. The progress report and the final report shall include a detailed cost breakdown regarding the costs of the individual programs.

We recommend that the Legislature, by resolution, direct the Bureau of National Defense Education to allocate a portion of California's 1966-67 entitlement under NDEA Titles IIIa and IIIb for the three types of programs listed above, and we recommend that the Legislature direct the Office of Compensatory Education to encourage school districts maintaining compensatory education programs to participate in the study. Our recommendation that the Legislature introduce a resolution for the use of federal funds for the project is based on the fact that the National Defense Education Act program is governed by a state plan approved by the State Board of Education. We believe that a resolution would insure that the state board will carry out the project.

National Defense Education—Continued

The Department of Education reports that California will be entitled to \$442,838 more federal funds for consultant services under Title IIIb in 1966-67 than the amount budgeted and that approximately the same amount of additional funds will be available in 1967-68. To receive these additional funds in the current year and in the budget year, additional General Fund amounts of about \$400,000 must be allocated. The following policy options are suggested for consideration.

POLICY OPTIONS

1. An amount of \$9 million is proposed in the subventions portion of the budget for Senate Bill 28 (Chapter 106, 1966 Statutes) which authorizes funds for the reduction of class sizes in hard-core poverty area elementary schools and authorizes special reading projects for pupils in grades 7-9. The policy option is to reduce the amount budgeted for special reading programs for grades 7-9 by a sum of \$800,000 and to transfer an amount of \$400,000 to the budget for Title IIIb to capture an equivalent amount of Federal Title IIIb funds that are available to California in 1967-68, resulting in a net General Fund savings of \$400,000. The additional funds would then be used for special reading projects administered and supervised by the Bureau of National Defense Education.

2. A second policy option is to increase General Fund support by \$400,000 for the Title IIIb program in the budget year to obtain matching funds of \$400,000 and allocate the \$800,000 for the employment of 70 to 80 reading teachers to expand the basic education courses in reading and mathematics which are offered by the Skill Centers financed by the Manpower Development and Training Act. The Skill Center program, discussed in detail under Vocational Education in California, provides comprehensive instructional and occupational training programs for unemployed and underemployed individuals. Presently about 13 percent of the enrollment in such centers is composed of functional illiterates, i.e., individuals who cannot read or write. The implementation of this policy option would permit the Skill Centers to extend adult basic education to more individuals not presently enrolled in the program.

3. A third policy option is to delete a sum of \$50,000 (50-50 state and federal) from the amount of \$104,719 budgeted for temporary help for the administration of Title IIIb for a net General Fund savings of \$25,000. Currently the bureau is authorized a total of 16 professional temporary help positions. These positions are filled on a part-time basis by educational experts from outside the department to provide direct and indirect consulting services to school districts to improve instruction in specific subject matter areas. The cost of the temporary help positions in the amount of \$104,719 is financed by a combination of state and federal funds on 50-50 matching basis. A reduction in the amount of temporary help authorized by the Bureau of National Defense Education would reduce the level of services offered school districts in the year, but would not necessitate the deletion of permanent positions. The major advantage of the policy option would be a General Fund savings of \$25,000. The major disadvantage of the policy

National Defense Education—Continued

option would be substantial reduction in the level of service offered school districts for a relatively minor amount of General Fund savings. Implementation of the reduction of \$50,000 from the present amount of \$104,719 that is budgeted for the bureau's temporary help staff of 16 positions would result in a reduction of staff equivalent to 7.6 positions; yet only \$25,000 in General Funds would be saved because of the state and federal matching requirements.

TITLE V

Title V (Guidance and Counseling) is administered by the Bureau of Pupil Personnel Services within the department. No General Fund support is budgeted for the program since current expenditures from state and local sources satisfy the matching requirements of the federal law. In response to the 1966 Analysis of the Budget the Legislature directed the Department of Education, as part of its evaluation of the NDEA program, to provide documentation regarding the effectiveness of the Title V program in reducing high school dropout rates in the public schools. A summary of the chapter covering this subject follows.

The department concludes that there has been a large increase in the number of projects which dealt with dropouts or potential dropouts in the public schools. Table IV illustrates the increase in the number of projects concerned with dropouts between 1958-59 and 1965-66.

Table IV

	1958-59	1962-63	1965-66
Number of Title V projects	162	160	288
Number of Title V projects concerned with dropouts	0	10	45
Percent of Title V projects concerned with dropouts	0	7	16

Even though the figures indicate that the number of dropout projects has increased during the past several years, it is interesting to note that only 16 percent of the total number of Title V projects were devoted to this purpose in 1965-66. One might anticipate greater school district interest in this problem in view of the fact that high school dropouts are such a serious problem.

The department believes that NDEA Title V funds have aided districts to reduce dropout rates. A few of the extracts of such evaluations are listed below.

Benicia Unified School District: It was estimated that the dropout rate was reduced 50 percent in the last four years with the help of NDEA funds.

Carpinteria Unified School District: An increase in counseling help financed by Title V funds enabled 45 students identified as potential dropouts to remain in school.

El Monte Union High School District: Primarily as a result of an NDEA Title V program the dropout rate was less than 10 percent for the first time in history.

San Luis Obispo County: A reduction in the county dropout rate from 18 percent in 1963 to 12 percent in 1966 was claimed to be due to its NDEA project.

National Defense Education—Continued

It appears that the Title V program has been successful in reducing dropout rates of some pupils enrolled in federally financed programs. We feel, however, that the department has failed to demonstrate conclusively the types of activities which are most effective in lowering dropout rates among high school pupils as was requested by the Legislature. We believe that such information would be of interest to both the Legislature and to local school districts maintaining special guidance programs for dropouts, and therefore make the following recommendation.

We recommend that the Department of Education analyze the existing dropout projects maintained by the public schools which are financed by Title V funds in order to determine the most effective types of programs and the components of such programs used to reduce dropout rates. We recommend that the conclusions of the report be based on comparable information regarding dropout rates and that they be based on objective data.

We also recommend that the Department of Education prepare a preliminary guideline in guidance and counseling activities for distribution to the public schools on a reimbursement basis, which will outline effective methods of reducing dropout rates in the schools supportable by documentation. It is recommended that a report regarding these two recommendations be submitted to the Joint Legislative Budget Committee not later than November 1, 1967, along with the department's annual report regarding the accomplishments of the Title V program during the past year.

Department of Education
NATIONAL DEFENSE EDUCATION

ITEM 76 of the Budget Bill

Budget page 180

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

Amount requested in Budget Bill		\$45,000
Budget request before identified adjustments	\$50,000	
Increase to recognize full workload change	None	
Budget as adjusted for workload change	\$50,000	
Adjustment—undetailed reduction (10 percent)	\$5,000	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET___ None

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$5,000

GENERAL PROGRAM STATEMENT

Title X, Improvement of Statistical Services, provides federal assistance to improve the statistical services of the Bureau of Education Research within the Department of Education. Federal funds are used to augment existing departmental expenditures for improving methods of collecting educational data. The funds also support the development of accounting manuals, and reporting manuals.

National Defense Education—Continued
ANALYSIS AND RECOMMENDATIONS

A sum of \$45,000 in general funds, adjusted for the 10 percent reduction, is budgeted for the Title X program in 1967-68 which is equivalent to the current level.

Department of Education
ELEMENTARY AND SECONDARY EDUCATION ACT

ITEM 77 of the Budget Bill

Budget page 181

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

Amount requested in Budget Bill -----		\$218,641
Budget request before identified adjustments -----	\$225,059	
Increase to recognize full workload change -----	17,875	
	<hr/>	
Budget as adjusted for workload change -----	\$242,934	
Adjustment—undetailed reduction (10 percent) -----	24,293	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET --- \$11,702

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$12,591

Summary of Recommended Reductions

Budget

	Amount	Page	Line
Bureau of Administration and Finance			
1 intermediate clerk -----	\$5,102	181	
Bureau for Teacher Education and Research			
Temporary help -----	6,600	181	

GENERAL PROGRAM STATEMENT

Elementary and Secondary Education Act of 1965

The Department of Education is responsible for administering several federal and state programs designed to improve the quality of education in the public schools. The following analysis of the Elementary and Secondary Education Act of 1965 and of the Office of Compensatory Education which is responsible for administering a major portion of the act also contains a description of the major state educational programs that are closely related to the federal education program. Many of the state programs discussed such as the McAteer Act and the Unruh Preschool Program do not appear under this budget item, but appear under the Local Assistance portion of the budget. However, these state programs are included in the discussion of this budget item in order to provide an overview of the newly established categorical aid education programs currently operating in California.

The Elementary and Secondary Education Act of 1965 (PL 89-10), provides federal financial assistance to the states and local school districts to improve education opportunities for disadvantaged pupils and to improve the overall quality of education in the public schools. It is anticipated that California will receive approximately \$115 million as its share of the program in 1967-68. The law is presently composed of six titles. Title VI, added by 1966 congressional amendments authorizes federal support for the first time to school districts for the main-

Elementary and Secondary Education Act—Continued

tional state programs have been established for disadvantaged pupils. Presently the Office of Compensatory Education is responsible for the administration of four major state and federal compensatory education programs which are listed below with the proposed expenditures for local assistance in 1967-68:

Title I—Compensatory Education	\$89,312,256
(Chapter 106, Statutes of 1966) (SB 28). Reduction of pupil- teacher ratio in elementary schools in poverty areas	7,000,000
McAteer Act—Research projects and teacher training— amount budgeted with funds from Chapter 106	1,000,000
Unruh Preschool Act—Preschool programs for children of low income families	15,002,444
	<hr/> \$112,314,700

The above amounts for local assistance are reflected in the subventions portion of the budget. However, for convenience the programs will be discussed under the appropriate units of the Office of Compensatory Education. The Office of Compensatory Education is composed of eight bureaus which are listed below.

Administrative Unit
Bureau of Program Development
Bureau of Administration and Finance
Bureau of Community Services
Bureau of Program Evaluation
Unit for Research and Teacher Education
Bureau of Intergroup Relations
Bureau of Preschool Education Programs

ANALYSIS AND RECOMMENDATIONS

The General Fund budget for the Office of Compensatory Education is set at \$225,059 before adjustments; an increase of \$121,716 over the current year. The increase is caused by the transfer of the Bureau of Intergroup Relations from the general activities budget to the Office of Compensatory Education. Adjustments to the General Fund amount of \$225,059 include an amount of \$17,875 for workload and an undetailed 10 percent decrease in the amount of \$24,293. When the amount for workload is added, the budget totals \$242,934. After the 10 percent reduction the request totals \$218,641.

The detail for the workload increase follows:

<i>Unit</i>	
Administration and Finance	
1 intermediate clerk	\$5,102
Bureau of Intergroup Relations	
Temporary help	2,673
Unit for Research and Teacher Education	
Temporary help	6,600
Other workload increases	
Operating expenses and equipment	3,000
Total	<hr/> \$17,875

Federal support for the Office of Compensatory Education is estimated at \$765,011, an increase of \$5,764 over the current year. A

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description of the major programs administered by the Office of Compensatory Education and the budget request of the individual units follow.

Title I—Compensatory Education

The 1965 Legislature, on our recommendation, directed the Office of Compensatory Education to answer a series of questions regarding the types of expenditures for compensatory education programs that were reported by districts during the first year of the program. The Office of Compensatory Education has submitted two reports covering the program's first year of operation; "Elementary and Secondary Education Act of 1965, Report to Joint Legislative Budget Committee," which answers the questions posed by our office and a report titled "Evaluation of ESEA Title I Projects of California Schools." Due to the importance of compensatory education and because of the emphasis placed on such programs by the Legislature, we are summarizing both below.

Table II illustrates California's Title I allocation for 1965-66 and shows the amount which was actually allocated along with the number of districts and children who participated in the program.

TABLE II

<i>California's authorization</i>	<i>Eligible districts</i>	<i>Amount allocated</i>	<i>Participating districts</i>	<i>Numbers of pupils</i>
\$77,975,730	1,205	\$73,819,443	1,044	289,382

The table illustrates that California's allocation was about \$78 million and that of this sum an amount of approximately \$74 million was actually allocated to 1,044 districts for compensatory education projects. The Office of Compensatory Education reports that 161 districts did not apply for funds for several reasons, including a dislike of federal aid, a lack of qualified personnel to implement the program and the short time remaining in the 1965-66 school year for the establishment of local programs. Because these 161 districts chose not to participate in the program, a sum of \$4 million reverted to the federal government. Should districts choose not to participate in the budget year, California will not lose these amounts, as recent congressional amendments authorized the reallocation of amounts not used to other districts in the state.

Of the 289,382 children enrolled in the program, 258,761 pupils were enrolled in the public schools, 19,817 were enrolled in private schools and 10,804 were not enrolled in regular school programs; included in this latter category were high school dropouts and preschool age pupils.

School districts maintaining Title I Compensatory Education programs spent an average of \$255 per child enrolled in the program, which indicates that California's allocation, which was equivalent to \$252 per low income child was not diluted over a large number of pupils but reached the pupils needing services. This expenditure of \$255 per pupil meant that pupils enrolled in the program received educational services costing about 50 percent more than what they would receive in the regular program. Expenditures in individual projects ranged from \$252 for one disadvantaged child in one-teacher

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schools located in mountainous areas to over \$15,000,000 for 49,714 pupils in the Los Angeles School District.

Table III reproduced from the publication "Evaluation of ESEA Title I Projects" depicts the types and percentages of primary activities maintained by California schools participating in the Title I program.

TABLE III
Activities Supported With Title I Funds

<i>Type of Project</i>	<i>Primary activity</i>
Preschool	3.9%
Remedial and corrective	47.5
Supportive and auxiliary services (such as libraries, special education, and speech therapy)	9.9
Guidance and counseling	5.1
Health education services	1.2
School-community coordination	2.3
Cultural enrichment	10.3
Reduction of teacher load	7.7
Study centers and tutoring	4.1
Inservice training of staff	5.7
Attitude change	1.8
Dropout projects	.04

Table III shows that the primary activities receiving the greatest amount of emphasis by school districts were remedial and corrective projects. The Office of Compensatory Education reports that the major type of corrective and remedial activities maintained by school districts were projects designed to improve the reading ability of pupils, language skills and curriculum development.

Based on the evaluative data submitted to it, the Office of Compensatory Education ranked the effectiveness of each project as "substantial progress", "some progress", "little progress" or "not specified". To obtain a rating of substantial progress a district had to obtain a statistically significant change in its pupil achievement levels and must have used a control group in evaluating progress. A "some progress" rating was obtained if the district demonstrated positive change on the basis of some objective method such as test scores. "Little progress" was applied to projects which were evaluated only by subjective means. A "not specified" rating was applied to projects where no data were submitted or where the project had not yet started. Table IV summarizes these ratings for 1965-66.

TABLE IV
Projects Ratings for ESEA Projects

	<i>Substantial progress</i>	<i>Some progress</i>	<i>Little progress</i>	<i>Not specified</i>
Projects	30	402	528	312

The Office of Compensatory Education reports that encouraging progress was made by districts maintaining programs designed to improve reading achievement. On an average, pupils enrolled in Title I remedial reading projects tended to achieve one month's growth for every month of instruction, an increase over the 0.7 of a month growth

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for every month of instruction they had been averaging before the program started. This month-to-month growth was based on objective test data and was demonstrated in the majority of districts which operated reading programs for at least four months.

Since the projects were operative for only a few months it is difficult to assess the significance of the department's evaluation; however, it indicates that the program has been moderately successful during its first year of operation.

Chapter 106, 1965 Statutes (Senate Bill 28)

Chapter 106, established by the 1966 Legislature, authorizes state support for schools located in areas of poverty. The legislation evolved from the 1965 inquiry made by the McCone Commission into the causes of the Watts riots. As a result of its study the commission recommended that massive compensatory education programs be established for disadvantaged children, including the reduction of the pupil-teacher ratio in schools located in areas of poverty. Chapter 106 authorizes state support for two purposes. It provides state grants to school districts to hire teachers and teacher aides to a level of 25 pupils per teacher. In addition it authorizes state support for the establishment of special reading and mathematics programs for grades seven to nine. Companion legislation, the State School Building Aid Bond Law of 1966 authorizes the expenditure of a sum of \$35 million of the \$275 million bond act for compensatory education programs for the acquisition and installation of portable classrooms, the acquisition of land for school sites and the construction of permanent facilities. Of the \$35 million earmarked for compensatory education programs a sum of \$34 million was earmarked for the reduction of the pupil-teacher ratio in poverty school districts and a sum of \$1 million was earmarked for facilities for children of migrant farm workers. Table V lists the schools eligible for entitlements under the program in 1966-67 and shows their entitlements for the current year for teacher employment programs and for school housing aid.

TABLE V
Chapter 106—Allocation by Districts

<i>County and districts</i>	<i>Amounts allocated</i>	
	<i>Teacher employment programs</i>	<i>School housing aid</i>
Alameda		
Berkeley City Unified	\$94,500	\$459,000
Oakland City Unified	291,900	1,417,800
Alameda City Unified	25,200	122,400
Hayward Unified	10,500	51,000
Contra Costa		
Richmond Unified	105,000	510,000
Pittsburg Unified	46,200	224,400
Fresno		
Herndon Elementary	5,600	27,200
Teague Elementary	16,100	78,200
Fresno Colony Elementary	30,100	146,200
Fresno City Unified	143,500	697,000
West Park Elementary	14,700	71,400

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TABLE V—Continued
Chapter 106—Allocation by Districts

<i>County and districts</i>	<i>Amounts allocated</i>	
	<i>Teacher employment programs</i>	<i>School housing aid</i>
Kern		
Bakersfield City Elementary-----	186,200	904,400
Greenfield Union Elementary-----	29,400	142,800
Panama Union Elementary-----	7,700	37,400
Los Angeles		
Los Angeles Unified-----	3,482,500	16,915,000
Garvey Elementary-----	51,800	251,600
Long Beach Unified-----	241,500	1,173,000
Willowbrook Elementary-----	153,300	744,600
Compton City Elementary-----	174,300	846,600
Pasadena City Unified-----	39,200	190,400
Monrovia Unified-----	14,000	68,000
Montebello Unified-----	23,800	115,600
Pomona Unified-----	25,900	125,800
El Monte Elementary-----	22,400	108,800
Enterprise City Elementary-----	29,400	142,800
Marin		
Sausalito Elementary-----	23,100	112,200
Riverside		
Riverside Unified-----	8,400	40,800
Sacramento		
Robla Elementary-----	14,000	68,000
North Sacramento Elementary-----	21,000	120,000
Sacramento City Unified-----	46,900	227,800
San Bernardino		
Ontario Elementary-----	37,800	183,600
Colton Joint Elementary-----	23,800	115,600
San Bernardino City Unified-----	300,300	1,458,600
Redlands Unified-----	13,300	64,600
San Diego		
San Ysidro Elementary-----	30,100	146,200
San Diego City Unified-----	198,800	965,600
San Francisco		
San Francisco Unified-----	504,700	2,451,400
San Joaquin		
Stockton City Unified-----	275,100	1,336,200
Santa Barbara		
Santa Barbara City Elementary, High--	9,800	47,600
Santa Clara		
San Jose City Unified-----	112,700	547,400
Solano		
Vallejo City Unified-----	49,000	238,000
	<u>\$6,664,700</u>	<u>\$33,677,000</u>

The table does not reflect the sum of \$1 million earmarked for facilities for children of migrant farmworkers nor does it reflect the sum of \$4 million earmarked for special reading programs for grades 7-9 since this amount has not yet been apportioned.

The Office of Compensatory Education reports that 130,000 pupils in 193 schools located in poverty areas are presently participating in

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the programs and that 828 teachers and 59 teachers aides have been hired under the provisions of the legislation.

Our analysis of the budget requests of the units responsible for the administration of Title I and Chapter 106 follows:

Bureau of Program Development

This unit is responsible for reviewing school district applications for program content for both Title I and Chapter 106.

During the current year an amount of \$54,000, composed of an emergency allocation of \$17,748 and a sum of \$36,252 from the appropriation for Chapter 106, was used to establish additional positions in the Bureau of Program Development and the Bureau of Administration and Finance to administer the provisions of the act.

A sum of \$7,420 was allocated to the Bureau of Program Development for the establishment of 1.5 clerical positions. An additional amount of \$27,790 in General Funds was allocated this bureau and combined with \$22,500 in federal funds to establish four temporary help positions. The balance of the \$54,000, in the sum of \$14,880 was allocated for a temporary help position for the Bureau of Administration and Finance and for operating expenses and staff benefits.

The Bureau of Program Development proposes to continue the 1.5 clerical positions and one temporary help position in the budget year and also proposes to convert three temporary help positions into three consultant positions. *We recommend approval of the request for three consultant positions, one clerical position and one temporary help position for the Bureau of Program Development which were administratively established during the current year.* We believe that it is important that the Title I program be closely coordinated with Chapter 106 and that the additional positions for this unit will permit this.

Bureau of Administration and Finance

The main purpose of this unit is to compute school district entitlements under Title I and to assist other bureaus in evaluating project applications to insure that federal funds will be distributed to the schools within the districts having the largest concentrations of educationally disadvantaged pupils. During the current year a temporary help position was established in the amount of \$6,510 to assist in the administration of Chapter 106. The cost of the position was financed from \$3,000 in federal funds and \$3,510 in state General Funds allocated as part of the \$54,000 used to establish the additional consultant positions for the Bureau of Program Development. The bureau requests that the temporary help position be continued in the budget year. *We recommend approval of the request for one temporary help position that was administratively established during the current year for an additional cost of \$6,510.* It is noted that the budget reflects an amount of \$3,000 in the budget year for a 0.5 position rather than the amount of \$6,510 for the one position that was administratively established in 1966-67.

The workload adjustment for the Office of Compensatory Education includes an amount of \$5,102 for one intermediate clerk for the Bureau

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of Administration and Finance to assist the bureau in processing Title I applications. The bureau has found that processing Title I applications requires more time than previously estimated and requests a temporary help position to alleviate the workload increase.

We recommend approval of the request for one intermediate clerk position for an additional cost of \$5,102 but recommend that the cost be financed with federal funds rather than General Fund support as reflected in the workload adjustment since the position is requested for the administration of Title I.

Bureau of Community Services

The Bureau of Community Services assists school districts in coordinating local compensatory education programs with community action programs financed by the Economic Opportunity Act. The unit also supervises local programs involving the participation of nonpublic school pupils involved in local compensatory education programs. During the current year an amount of \$7,000 in federal funds was reapportioned to this unit from the Bureau of Program Evaluation for the establishment of a 0.5 temporary help position. An additional sum of \$3,000 was reallocated to this unit for consultant services. The bureau requests that this amount of \$3,000 for a 0.5 temporary help position be continued in the budget year. *We recommend approval of the amount of \$3,000 in federal funds for a 0.5 temporary help position for the Bureau of Community Services for no increase in General Fund cost.*

Bureau of Program Evaluation

This unit reviews local project applications to determine if they contain sufficient evaluative criteria for measuring the success or failure of local programs designed to improve the achievement levels of pupils enrolled in local programs. The bureau also makes an annual evaluation of the effectiveness of the compensatory education programs maintained by school districts as required by the McAteer Act. During the current year an amount of \$50,000 budgeted for, but not needed by this bureau for consultant services, was reapportioned to other units for temporary help and for consultant services. Amounts of \$22,500, \$7,000 and \$3,000 were transferred to the Bureaus of Program Development, Community Services and Administration and Finance respectively for additional temporary help while an amount of \$3,000 was retained by the Bureau of Program Evaluation for this purpose. The balance of \$15,500 was allocated in the form of consultant services to other units in the following amounts; Community Services \$3,000, Administration and Finance \$3,000, and Program Development \$9,500.

It is proposed that a 0.5 temporary help position in the amount of \$3,000, which was established for the Bureau of Program Evaluation in the current year, be continued in the budget year. *We recommend approval of the request for a 0.5 temporary help position for the Bureau of Program Evaluation for an additional federal fund cost of \$3,000.* It is noted that this position was established in the current year from savings in the amount budgeted for this unit for consultant services and, therefore, does not represent a higher level of service, nor will it result in an additional General Fund cost.

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Bureau of Intergroup Relations

This unit formerly located within the Division of Higher Education in the Department of Education is proposed for transfer from the general activities budget to the Office of Compensatory Education. The bureau has several objectives: it advises school districts regarding their local personnel practices and assists them to resolve problems relating to ethnic imbalances in the districts. In addition, the bureau participates in projects financed by federal funds which are designed to promote community understanding and support of desegregation policies. The general activities budget of the Department of Education has been reduced by an amount of \$121,716 reflecting the transfer and the budget for the Office of Compensatory Education has been increased by a like amount from the General Fund. *We recommend approval of the proposed transfer of the Bureau of Intergroup Relations to the Office of Compensatory Education for no increase in General Fund cost.* We believe that the bureau should be located in the Office of Compensatory Education since its program is more closely related to the activities of the Community Services unit in the Office of Compensatory Education than it is to the activities of units within the Division of Higher Education.

The workload adjustment for the Office of Compensatory Education contains an amount of \$2,673 in federal funds for a 0.5 temporary help position for the bureau to assist the bureau process applications during peak workload periods.

We recommend that the request for an amount of \$2,673 in General Funds for temporary help funds for the Bureau of Community Services be approved.

McAteer Act Projects for Research and Teacher Education

A sum of \$1 million is contained in the subventions portion of the budget for research programs authorized by the McAteer Act. The funds will be used for a wide variety of demonstration projects and teacher training projects designed to improve the quality of the state-wide compensatory education program. The following list illustrates the location of projects and the types of activities which are being supported by the program.

Projects Completed During 1965-66

1. University of California—Berkeley: Development of improved educational program for McClymonds High School area in Oakland.
2. San Diego State College: Development of inservice training programs for six elementary districts in San Diego and Imperial Counties with emphasis on reading and language instruction.
3. California State College—Los Angeles: Development of inservice training programs for teachers of disadvantaged deaf pupils.
4. San Fernando Valley State College: Inservice training program for educators of disadvantaged handicapped youth in the Los Angeles City Schools.
5. University of California—Los Angeles: An inservice training program for 12 faculty leaders of Los Angeles school districts.
6. California State College—Los Angeles: A research program to examine factors such as attitude, experience and the preparation of teachers which influence school achievement in disadvantaged areas.

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7. California State College—Long Beach: This project which terminated in 1965-66 maintained a summer program of preservice and inservice training education for college students, teachers and teacher aides in order to improve instruction of disadvantaged children in the Enterprise School District.

Continuing Projects

8. University of California—Riverside: A sophisticated research study of factors contributing to adjustment and achievement in racially desegregated schools carried out in cooperation with the Riverside City School District.

9. San Fernando Valley State College: This project which was completed in 1965-66 maintained a preschool laboratory and a demonstration junior high school for disadvantaged pupils and financed a film regarding inservice training program for culturally disadvantaged pupils. In addition it supported experimental approaches to math and science instruction for teachers.

10. University of California—Los Angeles: This project which was completed in 1965-66 established a preservice training program for prospective teachers of disadvantaged pupils.

11. Lincoln Elementary School—Pasadena: Development of a demonstration school in compensatory education in cooperation with California State College at Los Angeles.

12. San Francisco State College: Establishment of a comprehensive teacher education program in Sausalito City School District which has recently integrated Negro students using the "Princeton Plan."

13. University of California—Berkeley: research project designed to study the effect of different preschool curricula on four-year old children and to determine most advantageous elements of a parent participation program. Pupils will be tested at end of kindergarten year for effect of program.

We have thoroughly examined the available information regarding each of these projects, and based on this information it appears that the quality of research procedures varies considerably between individual projects. However, a thorough evaluation of the McAteer Act program must await a summary report presently being prepared by the Office of Compensatory Education which will demonstrate how these projects will result in improved compensatory education programs.

Bureau of Teacher Education and Research

This bureau is responsible for administering the McAteer Act program. The bureau requests a sum of \$6,600, as part of the \$17,875 workload adjustment, for temporary help to assist it in administering the program. We understand that the funds would be used to encourage school districts to establish and participate in research programs.

We recommend that the request for \$6,600 in temporary help funds be disapproved.

No justification has been submitted which explains why the Bureaus of Program Development and Program Evaluation cannot, in their contact with school districts, encourage them to participate in compensatory education research projects.

The Unruh Preschool Act and Related Preschool Programs

A major component of state and national compensatory education programs are preschool projects for the children of low income families. In California the major source of state support of such projects is the Unruh Preschool Act, although there exists three other major sources of funds for similar projects. These other sources are: The state-sup-

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ported Children's Center Program, Operation Headstart, and Title I of the Elementary and Secondary Education Act. Since three of the programs are discussed in separate sections of the budget and one (Operation Headstart) does not even appear in the budget, we have summarized each program in Table I and identified the source and amount of funding for each for 1966-67.

Bureau of Preschool Programs

This unit is responsible for administering the Unruh Preschool Act which provides state and federal support for preschool programs for children of families receiving public assistance. Presently there are four major sources of support for preschool programs in California. Table VI identifies the several programs and depicts the source of funding for each. The table is followed by a brief description of each program.

TABLE VI

Program	Number of pupils 1967-68	Sources of support ¹		
		State	Federal	Local
A. Children's Centers -----	8,000	\$3,500,000	--	\$2,000,000 ¹
B. Operation Headstart -----	24,760	--	\$20,789,465	3,316,138
C. ESEA Title I -----	6,000	--	6,000,000	--
D. Unruh Preschool Act -----	15,000	3,300,000	9,900,000	--
Total -----	53,760	\$7,800,000	\$46,689,465	\$5,316,138

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

A. Children's Centers: This program, described in greater detail under subventions provides child care and educational services for children between the ages of 3 years and 18 years. Originally designed to provide child care services for the children of working mothers, the program's purpose was broadened by 1965 legislation which specified that the program was also to include instructional services. The program presently serves families of varying economic and social levels, low income families receiving public assistance and families of more substantial income. The program is financed by a combination of parents' fees based on a means test, which averages \$0.14 per attendance hour, state support set at \$0.28 per attendance hour and school district contributions which generally take the form of a facility but which may also include other items such as health services and nutritional services financed by a permissive override tax. Children's Centers are administered by either local school districts or by the offices of county superintendents of schools.

B. Operation Headstart: This program established and financed under the provisions of Title II of the Economic Opportunity Act of 1964 is designed to provide comprehensive preschool educational services and needed medical and dental services for the children of low income families. Eligibility is generally limited to the children of families having an annual income level ranging from \$1,500 to \$6,000 per year, depending on family size. The program is financed by a combination of 90 percent federal funds and 10 percent local "in kind

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matching." Local administration of the program generally rests with Community Action Agencies, although school districts cooperating with such agencies may maintain local programs. There is no direct state level supervision and control of the program.

C. Elementary and Secondary Education Act of 1965—Title I: Title I authorizes school districts to establish a variety of compensatory education programs, including preschool programs for the children of low income families located in the district entitled to federal assistance. Title I preschool projects are maintained by local school districts and are 100 percent federally financed as part of the district's entitlement under Title I compared to the 90/10 federal and local financial arrangement specified by Operation Headstart projects and the state, local and parent fee arrangement for the Children's Center program. State level administration and supervision of the Title I preschool projects rests with the Office of Compensatory Education.

D. Unruh Preschool Act: This program was established by the 1965 Legislature to provide preschool educational services for the children of low income families, generally limited to the children of families receiving public assistance who have been certified as eligible by the county welfare offices. Local public and private nonprofit agencies are eligible to establish the Unruh preschool projects, provided local programs meet the requirements set by the State Board of Education and the State Department of Social Welfare, the program's coadministrators. Unruh preschool projects are financed by a combination of state General Funds and federal aid on a basis of 25/75 state and federal matching arrangement. The State Department of Social Welfare is the funding agency for the programs whereas the Department of Education is responsible for the initial review and approval of local project applications. In 1967-68 it is anticipated that 15,000 pupils will participate in the program at a cost of \$15 million, which is comparable to the present level.

The state level administration of the Unruh preschool program, as well as the administration of Title I projects rests with the Bureau of Preschool Education. Administrative costs of the Unruh Act are financed on the basis of 75 percent federal support and 25 percent General Fund support which is the same matching requirement as for the operational expenses for local programs. Administrative costs connected with the Title I program are financed with federal funds. During the current year one consultant position, one clerical position and one temporary help position were administratively established to administer programs established with Title I funds. The cost of the positions in the sum of \$38,476 was financed from federal funds available for the state level administration of the federal compensatory education program. The bureau proposes that the positions be continued in the budget year.

We recommend approval of the request for two consultant positions, one clerical position and one temporary help position for the Bureau of Preschool Education for an additional federal fund cost of \$38,476.

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We believe that the request is justified in view of the rapid expansion of the Unruh Act program from a maximum authorization of \$8 million in 1965-66 to over \$15 million in 1966-67 and because of the additional workload that is being generated by the Title I projects.

Recommendations for Improving Preschool Programs

While we believe that preschool programs are potentially one of the best methods of insuring later success in the public schools, we believe that the multiplicity of programs has created several problems which must be resolved to insure the efficient expenditure of funds and the success of the programs. The problems and our recommendations are summarized below:

1. State Level Administration: The state level administration of the various preschool programs is fragmented among two major units in the Department of Education. The Office of Compensatory Education administers the Unruh Act and the Title I programs while the Division of Public School Administration administers the Children's Center programs and "coordinates" Operation Headstart programs. Presently it is impossible to obtain a summary of the status of all programs involving numbers of pupils and sources of financing from any departmental unit. In view of the increase in the number of multiple financed preschool programs we believe that one unit within the department should be responsible for all preschool programs regardless of source of support. We also believe that the Office of Compensatory Education should administer them since it already reviews the multiple financed projects, accounting for the largest portion of state support for preschool programs. We, therefore, offer the following recommendations.

a. *We recommend that legislation be introduced specifying that the Office of Compensatory Education be responsible for the administration of the Children's Center program and for the coordination of all projects financed by Operation Headstart funds.*

b. *We recommend that a consultant position in early childhood education located in the Division of Instruction be transferred to the Office of Compensatory Education. We also recommend that the coordinator of Headstart programs, located within the Division of Public School Administration, be transferred to the Office of Compensatory Education.*

2. Evaluation of Program Effectiveness: Although there exists indications that preschool programs for disadvantaged children promote success in kindergarten and the primary grades, it is impossible to assess accurately the overall quality of the several preschool programs or to compare the quality of different projects. One of the reasons an accurate assessment of program quality is impossible is because of the wide variation in testing procedures of the local agencies. Some agencies administered multiple tests at both the beginning and the end of the program with designs to measure their pupil's growth, while others did no formal testing. The problem is compounded by the wide variety of psychological tests administered by local agencies. For example, all

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of the following tests were used by one or more of the agencies to evaluate their programs.

Peabody Picture Vocabulary
Goodenough-Harris Picture Vocabulary
Stanford Binet Intelligence Test
Clark Motor Development
Frosting Test
Vineline Social Maturity
Caldwell Preschool Inventory

In addition to these tests the projects used many other nonuniform methods of evaluating the progress of pupils, including "movies of children," student observation records, and aid's anecdotal records.

We believe that an evaluative method must be devised to measure the effectiveness of the preschool programs to insure that the objective of the Unruh Act as well as the other programs are being achieved.

a. We recommend that legislation be introduced that would require all local agencies maintaining preschool programs financed in whole or in part by the General Fund to administer the test or tests developed by the State Board of Education if the agency is selected by the Office of Compensatory Education to participate in the annual evaluation. The requirement that multiple financed projects administer such tests as well as projects maintained by the Children's Centers and the Unruh program would enable the Office of Compensatory Education to evaluate the effectiveness of all major programs.

b. We recommend that legislation be introduced that would withhold state support from any program which is selected for evaluation by the Office of Compensatory Education and which fails to administer the standardized testing device. Since the major portion of the cost of preschool programs is financed by combinations of state and federal funds we do not believe that the recommendation represents any infringement on local control.

3. Preschool Curriculum: We have examined the curriculum maintained by many preschool programs financed under both Operation Headstart and the Unruh preschool program and have found that the type of curriculum and instructional philosophy and program emphasis varies considerably between projects. For example, the Headstart program emphasizes the importance of providing work experience for members of the community, including in some cases parents of the children participating in the program. The Unruh preschool program, on the other hand, emphasizes the importance of the educational aspects of the program. Moreover, an examination of the evaluations prepared by the administrators of the Unruh preschool program and the Headstart programs reveal that the educational objectives of local projects vary between and within programs. The intensive testing procedures established by some programs, the high degree of parent participation, and the emphasis on intellectual development of the pupils enrolled indicates that the major objective is to develop the child's mind as rapidly as possible and provide him with the intellectual tools which will enable him to succeed in the primary grades.

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Other evaluations by their emphasis on such terms as the total development of the child, the development of social maturity, and cultural enrichment activities indicate a de-emphasis on academic preparation for the primary grades. We are aware that experts in the field of early child development disagree about the emphasis which should be placed on academic and intellectual development versus the total development of the child, and we are obviously not qualified to suggest model curricula for preschool projects, nor do we believe that the state should attempt to impose specific curricula on individual projects. However, we do believe that the primary purpose of all preschool programs should be to prepare pupils intellectually for the public schools, and that the documented methods best able to accomplish this should be made available to local preschool administrators and teachers.

We recommend that the Office of Compensatory Education be directed to prepare model curricula and instructional procedures for preschool programs and that upon approval of such curricula they be made available to all preschool projects. We recommend that such curricula be based on the evaluation of the effectiveness of various instructional methods which will accrue from the annual evaluation of the effectiveness of local preschool projects and from projects maintained by any other states.

4. Articulation of Preschool Program with Kindergarten Program: Recently there have been indications from other states that the advantages and benefits gained by pupils participating in preschool programs are lost during the kindergarten and primary grades. Several reasons have been suggested for this situation, including the larger class sizes in kindergarten and the more structured and formalized programs maintained by kindergartens. The extent to which this problem exists in California is presently unknown since no documented studies regarding the problem are presently available. Although some local agencies have formulated longitudinal studies to measure the gains or losses exhibited by preschool graduates at the end of kindergarten and the first grade, we do not believe that such local evaluations will reveal the extent of the problem statewide unless the testing devices and procedures are standardized and the projects are coordinated at the state level.

a. *We recommend that the Legislature direct the Office of Compensatory Education to develop a research project designed to determine the extent to which gains made in preschool programs are retained in the primary grades.* We recommend that the conclusions of the study be based on objective information such as pupil achievement levels. We recommend that the research project also document to the extent possible the elements of a primary grade education which are most conducive to reinforcing academic success obtained by preschool programs and the extent to which these elements are provided by the state's elementary schools.

b. *We recommend that the Legislature, by resolution, advise the State Board of Education of the importance of such a study and that*

Elementary and Secondary Education Act—Continued

the Legislature request the state board to finance such a study from Title V of the Elementary and Secondary Education Act.

5. Double Session Kindergarten Classes: It is estimated that 50 per cent of the pupils enrolled in kindergarten classes participate in double session programs; that is 1 teacher instructs 50 to 70 children per day in 2 classes of 130 to 150 minutes each compared to the normal kindergarten session of 180 minutes each. Many experts in the field of preschool education believe that double sessions are one reason why preschool graduates fail to retain the benefits of their preschool instruction. Legislation to abolish double sessions immediately would be costly for some districts because of the additional teachers and instructional facilities required. Therefore, we are not recommending that the double sessions be abolished at this time. However, we believe that consideration should be given to the problem when additional state support is made available for the schools.

We recommend that legislation be introduced to abolish double session kindergarten classes should additional amounts of general state aid be made available for the schools.

6. Minor recommendations: We have several minor recommendations regarding the administration of preschool programs which are summarized below.

a. *We recommend that local agencies which submit applications for state support for local preschool programs document to the satisfaction of the Office of Compensatory Education that there are no spaces available in local Children's Center programs which could be used for the establishment of preschool programs.* The implementation of this recommendation will ensure that unused spaces in the Children's Center program are utilized most efficiently.

b. *We recommend that the Office of Compensatory Education require that agencies requesting state funds for local programs be required to submit a breakdown of the racial composition of the pupils who will be enrolled in the program along with a breakdown of the ethnic composition of the population in the area.* The recommendation would add a degree of uniformity to the various state and federal reporting requirements.

c. *With regard to projects which are financed by a combination of funds from the Unruh Preschool Act and from the Operation Headstart program we recommend that the local agencies be required to submit an annual summary of the medical and dental defects discovered in the pupils participating in the program, the measures taken to cure such defects, the approximate expenditure for follow up services, and the source of follow up services.* Such information permits a determination of the extent to which public health services are being coordinated with preschool programming.

Title II—School Library Services

Title II of the Elementary and Secondary Education Act of 1965 authorizes federal assistance to school districts for the purchase of library materials and audio visual equipment. In 1967-68 it is antici-

Elementary and Secondary Education Act—Continued

pated that California will receive \$8,909,003 for this purpose, which is slightly less than the current level. The administration of the program in California is governed by a state plan which specifies the purposes for which the funds may be spent. The plan specifies that school district purchases be limited to so-called library resource materials which include books, documents, periodicals, audio visual equipment, but excluding textbooks except for the visually handicapped. Funds may not be used to hire personnel except to finance the cost of processing materials.

School district allocations are made in two stages. During Phase I approximately 80 percent of the state's allocation of Title II funds will be distributed to the public schools according to an equalization aid formula on the basis of the ADA in the public school district and the private school ADA located in the district. During Phase II approximately 20 percent of the state's entitlement will be distributed to districts for special projects and for supplemental programs. Presently the plan requires that not less than 75 percent of district funds be spent for books and other material and not more than 25 percent be expended for audio visual equipment.

In California the Title II program is jointly administered by the Bureau of National Defense Act Administration and the Bureau of Audio Visual Education. The former unit provides administrative services for the program and the latter unit is responsible for approving projects and providing consultant services to school districts.

Federal funds support for the administration of the Title II program is set at \$272,478 in 1967-68, an increase of \$5,113, or 1.9 percent, over the current level of \$267,365. No additional positions are requested and the level of service is expected to remain unchanged.

Program Expenditures for 1965-66

Table VII illustrates the number of public and private schools by level which participated in the Title II program in 1965-66 and illustrates the amounts allocated for Phase I and Phase II of the program.

TABLE VII			
Phase I			
<i>Schools and level</i>	<i>Number of schools</i>	<i>Allocation</i>	
Public			
Elementary -----	4,970	\$5,459,943	
High school -----	1,457	2,095,998	
Subtotal -----		6,427	\$7,555,941
Private			
Elementary -----	779	\$481,034	
High school -----	256	122,621	
Subtotal -----		1,035	\$603,621
Total Phase I -----		7,462	\$8,159,562
Phase II			
Public Schools -----			\$1,141,585
Total Phase I and			
Phase II Allocation -----			\$9,301,147

Elementary and Secondary Education Act—Continued

The impact of the federal program on California's school library resources is illustrated by the fact that the \$8 million in federal aid allocated to districts under Phase I was equivalent to 24 percent of the \$33 million spent by districts for library purposes in 1964-65. Districts used their allocations to purchase a total of 1.7 million publications in 1965-66 which was equivalent to 8 percent of the 22 million publications maintained by school libraries at the beginning of the 1965-66 school year. The department reports that the \$1.1 million allocated to districts under Phase II was used to finance 43 special projects, including the establishment of so-called "model libraries" and the establishment of instructional materials centers in school districts in poverty areas.

Title III—Supplementary Educational Centers and Services

The Title III program, also known as PACE, (Projects to Advance Creativity in Education) provides federal assistance to school districts and county offices so they may develop innovative educational programs, establish exemplary educational programs, and supplement existing programs and facilities. It is anticipated that California's total allocation under this title in 1967-68 will total \$11.6 million, which represents an increase of about \$3 million above the present level.

Unlike Titles I and II of the act, Title III is not directly administered by the State Department of Education but is directly administered by the U.S. Office of Education and its regional offices. The act itself requires that state educational agencies review and recommend action on each project application submitted to the U.S. office for approval; however, it does not contain specific review procedures for departments of education. In the *Analysis of the Budget Bill 1966-67* we pointed out that the limited state level administrative responsibilities of the Department of Education made it virtually impossible for the state to insure that proposed expenditures for specific programs were reasonable. It was also noted that in many instances the federal government was completely bypassing the department in negotiating contracts for projects with local districts. In order to insert a degree of state level supervision into the program, the Legislature, on our recommendation directed the Department of Education to establish fiscal guidelines for suggested expenditures and to develop a review procedure whereby the Department of Education and the Legislature could be kept informed of the program's activities. The department, in carrying out this directive, has formulated a supplemental document to the federal regulations which reinforces federal requirements and in general terms specifies that local expenditures must be reasonable. Of greater significance is an agreement which the department has formulated with the U.S. Office of Education under which the U.S. office has agreed to withhold its approval of project proposals until reviewed by the Department of Education.

During 1965-66 California school districts and county offices applied for 234 separate projects costing \$25.5 million. Of the 234 project applications a total of 89 separate projects were authorized at a federal cost of \$7.6 million. Table VIII shows the number of projects and the amount of funds that were expended during 1965-66.

Elementary and Secondary Education Act—Continued

TABLE VIII

<i>Type of project</i>	<i>Number of projects</i>	<i>Approved amount</i>
Supplementary centers -----	21	\$3,365,283
Data processing centers -----	10	441,540
Exemplary programs -----	58	3,824,873
Total -----	89	\$7,631,696

It was previously mentioned that the main thrust of the Title III program is the establishment of so-called innovative and model programs. Thus far, there have been three main categories of projects established with Title III funds; Supplementary Educational Centers, Data Processing Centers and Exemplary Educational Programs. A brief description of the types of projects established under each category follows.

Supplementary Educational Centers: The main purpose of the supplementary educational centers is to mobilize the educational, cultural and community resources in a regional area to develop programs of supplementary educational and cultural services. For example, a supplementary educational center might be established to improve the quality and amount of guidance and counseling services available for school children and at the same time initiate programs designed to acquaint pupils with culture in the community. There are presently 21 supplementary educational centers maintained by county superintendents of schools.

Data Processing Centers: Regional data processing centers are designed to provide data processing services to local school districts, which would be uneconomical for the district to provide itself. The program was actually initiated by Chapter 2037, Statutes of 1965 (SB 1291), which authorized county superintendents and large school districts to establish regional centers. There are three regional centers currently in full operation; eight more centers will become fully operational during the 1967-68 fiscal year. Federal Title III support in the amount of \$1.6 million has supported the operation of such centers in 1965-66 and 1966-67.

Innovative Programs: Presently there are 58 innovative educational programs financed by Title III funds designed to develop new instructional techniques and/or to apply such techniques in the classroom to improve the instruction of many subjects, including foreign languages, reading, social sciences and the humanities.

Presently there is a noticeable lack of state level coordination between the Title III program and the other state and federal research and innovative programs such as the McAteer Act, Title V of the Elementary and Secondary Education Act of 1965 and Chapter 106, 1966 Statutes, all of which will account for over \$17 million in federal and state support in 1967-68 including a sum of \$11.6 million for the Title III program.

The lack of coordination between these programs is due to the fact that the State Board of Education is not authorized, under the existing federal regulation, to review and approve local applications for Title III grants.

Elementary and Secondary Education Act—Continued

The limited fiscal control of the department for the Title III program does not insure that the Title III funds will be expended for high priority areas or will be coordinated with the other programs. The problem could be resolved by requesting the Congress to vest administrative authority for the Title III program in the State Board of Education and by directing the State Board of Education to develop a coordinated state plan for the administration of the program.

1. *We recommend that the Legislature introduce a resolution requesting the Congress to vest administrative authority for the Title III program in the State Board of Education so that the state board may review all project applications for Title III grants.*

2. *We recommend that legislation be introduced directing the State Board of Education to develop a state plan for innovative and research projects in California, regardless of the source of funding for specific programs, the plan to include the following elements.*

a. *A description of the present areas for which funds should be expended.*

b. *A procedure for an integrated review of all projects.*

c. *A procedure whereby research results may be rapidly made available to all teachers in the public school system to improve instruction in specific areas and to improve teacher training.*

We recommend that a copy of this state plan be submitted to the Joint Legislative Budget Committee by November 1, 1967.

Title V—Strengthening State Departments of Education

Title V of the act provides 100 percent federally financed grants to state departments of education which may be used to improve the administrative capabilities of the departments and to finance all types of research projects designed to improve the level of education in the states. In 1967-68 California will receive \$2,149,020 under this program, which represents an increase of \$761,480 over the current level.

In California the program is administered by the State Board of Education which both initiates its own projects and reviews and approves projects submitted to it by the State Department of Education. The state board has taken an especially active interest in this title and with few exceptions has allocated the bulk of California's entitlements for a variety of research projects in the areas of curriculum development and innovative educational programs. Most of the projects are being performed by ad hoc consultant committees composed of experts from outside of the Department of Education.

Projects Approved for 1967-68

Listed below are the individual projects and the amount of funds approved for 1966-67 under the Title V Program.

<i>Projects approved</i>	<i>Amount budgeted for 1966-67</i>
1. Strengthening administrative services-----	\$77,569
2. Study to develop plans for inservice training of staff-----	93,100
3. Data processing -----	76,431
4. State Committee on Public Education -----	220,700

Item 78

Education

Elementary and Secondary Education Act—Continued

5. Junior college advisory panel	74,515
6. Innovation enhance program	15,000
7. General direction of curriculum development and development function	162,936
8. Development of curriculum framework in English	49,082
9. Development of curriculum framework in science	39,616
10. Development of curriculum framework in social sciences	74,276
11. Teaching the Bill of Rights	62,500
12. Study of elements essential to expanding economical education	30,918
13. Development of advanced placement program	56,926
14. Development of instructional television	29,888
15. Improving educational opportunities of Mexican-American children	87,913
16. Programs involving adult students with Spanish surnames	26,697
17. School planning informational services	59,090
18. School lunch	17,005
19. School business administration workshop	29,700
20. Study of program of desegregation, integration and com- pensatory education in selected school districts	21,392
21. Transportation supervision	12,891
22. Study of arts and humanities education	33,692
23. Study of California junior high school program	15,000
24. Arthur P. Little Study—Publishing Phase II Report	5,750
25. Modernization of teacher certification record and retrieval system	50,000
26. Teacher supply and demand study	1,000
27. Conservation education study	3,000
28. Guidelines for health instruction	3,000
29. Study of factor influencing benefits of reading achievement tests in grades 1 and 2	7,966
	\$1,437,533

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

ITEM 78 of the Budget Bill

Budget page 191

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

Amount requested in Budget Bill		\$812,134
Budget request before identified adjustments	\$894,954	
Increase to recognize full workload change	7,417	
Budget as adjusted for workload change	\$902,371	
Adjustment—undetailed reduction (10 percent)	90,237	
RECOMMENDED REDUCTION FROM WORKLOAD BUDGET		\$13,918
BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING		\$76,319

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
1. Delete 0.5 stenographer	\$3,014	191	148
2. Delete 2 janitors	10,904	192	2
Total	\$13,918		

California School for the Blind—Continued

Summary of Policy Options

1. Charge parents for medical services-----	\$13,600	192	2
2. Increase school district reimbursements-----	34,000	192	72
Total -----	\$47,600		

GENERAL PROGRAM STATEMENT

The California School for the Blind, located adjacent to the University of California at Berkeley, offers a comprehensive residential and educational program for blind, deaf-blind and multihandicapped blind children from kindergarten through the 9th grade with residential facilities offered to high school students who attend classes in Berkeley and Oakland.

This school has been in existence since 1860 and has been located in Berkeley since 1867 at a time when it was combined with the "Institution for the Deaf and Dumb." In 1922, the schools were formally separated into the California School for the Deaf and the California School for the Blind although both remained on the Berkeley site. Also since 1922, the School for the Blind has been under the administration of the Department of Education which superseded the Department of the Blind, an agency no longer in existence.

The main building was constructed in 1927 with wings added in 1931; it presently houses most of the educational programs. Residence halls were constructed in 1925 and 1929, the Helen Keller Building for the deaf-blind in 1949 and a dining hall in 1957. Finally, the school has the use of a gymnasium assigned to it from the School for the Deaf.

The educational program is designed to provide services to children for whom there is none in the local community. Increasingly, this has come to mean multihandicapped blind children inasmuch as the number of local programs for the blind without additional handicaps has grown considerably in recent years. The program is similar to that offered in the public schools for regular pupils except that special equipment, e.g. Braille books, embossed maps and globes, audio equipment, etc. and special instruction, e.g. Braille reading and mobility are employed as needed. More intensive instruction is offered in the Helen Keller unit for the deaf-blind at a pupil-teacher ratio of 3-1.

The residential program is available for all students in attendance at the school as well as for a selected number of blind high school students who attend classes in Berkeley and Oakland. The residential program includes room and board, child guidance and counseling, medical and dental care and extracurricular activities such as swimming, bowling, music instruction, social functions, hikes and nature trips. In the budget year it is anticipated that 160 students will participate.

Finally, the school offers a small staff of visiting teachers who assist parents in the care and training of blind preschool children in southern California (a voluntary agency provides the same service in northern California), funds to hire readers for blind college and university students, and a vocational guidance counselor to assist graduates in job placement.

California School for the Blind—Continued

The following table gives a program by program cost breakdown for the past three years, the current year and the budget year.

	1963-64	1964-65	1965-66	1966-67 (est.)	1967-68 (proposed)
Residential Program Only:					
Amount budgeted for program	\$18,050	\$22,010	\$30,067	\$31,199	\$31,412
Number of students enrolled in program	10	12	12	14	14
Average cost per student....	\$1,805	\$1,834	\$2,506	\$2,229	\$2,244
Educational Program Only:					
Amount budgeted for program	\$26,436	\$27,824	\$30,494	\$19,348	\$28,549
Number of students enrolled in program	10	10	11	6	9
Average cost per student....	\$2,644	\$2,782	\$2,772	\$3,225	\$3,172
Both Residential and Educational Program:					
Amount budgeted for program	\$613,399	\$652,448	\$701,977	\$746,971	\$741,971
Number of students enrolled in program	140	142	133	137	137
Average cost per student....	\$4,381	\$4,595	\$5,278	\$5,452	\$5,416
Subtotal, Regular Educational and Residential Programs:					
Amount budgeted for programs	\$657,885	\$702,282	\$762,538	\$797,518	\$801,932
Number of students enrolled in programs	160	164	156	157	160
Average cost per student....	\$4,112	\$4,282	\$4,888	\$5,080	\$5,012
Auxiliary Services:					
Readers for blind college students	\$29,138	\$35,225	\$36,500	\$36,500	\$36,500
Assistance to parents of blind preschool children	\$21,446	\$25,206	\$26,542	\$43,966	\$44,950
Guidance to graduates.....	\$9,330	\$10,203	\$10,424	\$11,572	\$11,572
Subtotal, Auxiliary Services....	\$59,914	\$70,634	\$73,466	\$92,038	\$93,022
Total, All Programs	<u>\$717,799</u>	<u>\$772,916</u>	<u>\$836,004</u>	<u>\$889,556</u>	<u>\$894,954</u>

ANALYSIS AND RECOMMENDATIONS

The budget request for the California School for the Blind for 1967-68 is \$894,954 from the General Fund before adjustments. The adjustments include an increase from the above figure of \$7,417 for workload and an undetailed 10 percent decrease in the amount of \$90,237. The workload figure includes a 0.5 stenographer (\$3,014), operating expense (\$3,403) and equipment (\$1,000). When the workload amount is added, the General Fund budget request totals \$902,371. After the 10-percent reduction the request totals \$812,134, the amount in the budget bill. In addition, the school expects to receive \$36,953 in federal funds from Title I of the Elementary and Secondary Education Act for special projects which include services to the multi-handicapped blind and auditory training for the deaf-blind.

California School for the Blind—Continued

Educational Program

The educational program at the School for the Blind consists of regular academic training similar to that found in the public schools in kindergarten through the ninth grade. High school students reside at the school and attend classes in Berkeley and Oakland. In addition to the regular program, the school offers instruction to 15 deaf-blind students in the Helen Keller Unit.

It should be noted that in recent years, the emphasis of the educational program at the School for the Blind has undergone a significant change in that the number of multihandicapped blind children has increased rapidly as the table below illustrates. Prior to 1964-65, there were virtually no multihandicapped blind at the school except for seven deaf-blind children.

	1964-65	1965-66	1966-67 (est.)	1967-68 (proposed)
Multihandicapped blind -----	61	101	98	102
Deaf-blind -----	7	12	15	15
Total -----	68	113	113	117

This increase has caused certain problems including a high turnover in teaching positions apparently caused by a deficiency in the number of teachers of the multihandicapped. These staffing problems are the result of a change of emphasis in the educational program before the change in the type of teaching staff to accommodate it. Because of these problems, the State Personnel Board has undertaken a staffing study of all the special schools and the School for the Blind in particular in order to determine the schools' real needs.

Because of the above noted increase in the number of deaf-blind children in the current year, the number of teachers of the deaf-blind was increased by two positions administratively at a cost of \$12,894 with allocations from salary savings and emergency funds. The pupil-teacher ratio for the deaf-blind has traditionally been 3-1 which conforms to nationally recognized standards. It is proposed that these positions be continued in the budget year at a cost of \$15,276. We recommend that these positions be approved.

1. *We recommend that the request for 0.5 stenographer be denied for a General Fund reduction of \$3,014 plus related operating expenses.* Chapter 1423, Statutes of 1965 required school districts to reimburse the two schools for the deaf and the school for the blind for part of the costs of education. A total of \$30,000 will be reimbursed in the current year. The position is requested in order to handle the workload associated with the processing of forms for the reimbursements.

At this writing, we have received no valid justification for this position.

2. *We recommend that existing staff be reduced by 2 janitorial positions for a General Fund savings of \$10,904 plus operating expenses.* At present, the School for the Blind has six janitor positions to cover 68,706 square feet of building area. We believe this number of positions is excessive and that adoption of federal workload standards used by

California School for the Blind—Continued

the Public Buildings Service Division of the General Services Administration would make it possible to eliminate two positions.

Residential Program

The California School for the Blind maintains four dormitory units with a total of 167 beds, a cafeteria with a serving capacity of 170 and extensive recreational facilities including a gymnasium, a swimming pool, a bowling lane, auditorium, playing fields, skating rink and a radio station. In the budget year, no increase in resident enrollment is anticipated and no new positions are requested.

POLICY OPTIONS

1. Consideration should be given to the possibility of charging the parents of children attending the school for a portion of the medical services provided. At present, the school employs a part-time physician (0.8 position, \$16,466), a part-time dentist (0.1 position, \$2,325), a full-time supervising nurse (\$8,532) four full-time graduate nurses (\$28,024) and temporary help (\$604). In addition, \$1,700 is budgeted for medical care under operating expenses, for a total of \$57,651. Inasmuch as the School for the Blind also provides full medical services to the California School for the Deaf, Berkeley (the budget reflects a \$43,000 reimbursement for these services), located on the same site, only a portion of this total medical expense is attributable to the care of the blind students. In the budget year, this amount will be \$14,651 or approximately \$91 per pupil.

At present, school districts are providing approximately \$6 per pupil in average daily attendance in equivalent health services. The service provided in the public schools is usually little more than the services of a part-time nurse who provides only temporary care and first aid. Inasmuch as the School for the Blind and the two schools for the deaf provide far more than this, it may be reasonable to charge the parents for the difference. A suggested amount is \$85 (\$91—\$6). This would produce a General Fund savings of \$13,600 (\$85 times 160 students) in the budget year.

In cases of demonstrated hardships, administratively determined by the school, all or part of this fee might be waived provided the total amount waived did not exceed, for example, 20 percent of the cost of all medical services provided.

2. Consideration should be given to increasing school district reimbursements under SB 1029 (Teale), Chapter 1423, Statutes of 1965, to the amount actually paid out of district funds for physically handicapped minors educated by the district. Under the existing statute, school districts are required to pay only that amount which is spent out of district revenues for regular pupils, an amount which at the School for the Blind is equivalent to approximately \$186 per year per pupil. However, the statewide average amount spent by school districts for physically handicapped minors is in excess of \$400 per ADA. If the average repayment became \$400 per student, the reimbursements to the School for the Blind could be increased from the estimated 1967-68 level of \$30,000 to \$64,000, a General Fund savings of \$34,000.

California School for the Blind—Continued

Arguments in favor of this option are:

- a. A General Fund savings.
- b. Further encouragement to school districts to initiate special education programs.
- c. Greater parity in local contributions for the education of the handicapped.

Arguments against this option are:

- a. A portion of the local effort for special education is "excess expense" which has traditionally been considered a state responsibility and which school districts should not have to pay for their own programs or to the state as a reimbursement.
- b. The proposal calls for an increase in local support and a decrease in state support for education.

Department of Education

SCHOOL FOR CEREBRAL PALSID CHILDREN, NORTHERN CALIFORNIA

ITEM 79 of the Budget Bill

Budget page 193

FOR SUPPORT OF SCHOOL FOR CEREBRAL PALSID CHILDREN, NORTHERN CALIFORNIA FROM THE GENERAL FUND

Amount requested in Budget Bill.....		\$562,117
Budget request before identified adjustments.....	\$618,447	
Increase to recognize full workload change.....	6,127	
Budget as adjusted for workload change.....	\$624,574	
Adjustment—undetailed reduction (10 percent).....	62,457	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET___ \$51,854

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$10,603

Summary of Recommended Reductions

	Amount	Budget Page Line	
1. Delete 1 charge attendant requested in the budget year under "increase to recognize full workload change."-----	\$5,227	193	59
2. Delete 1 janitor position from existing staff-----	5,800	194	24
3. Increase salary savings-----	26,828	194	40
4. Delete 2 attendants requested in the budget year under "proposed new positions" and 1 attendant position under "authorized positions."-----	13,999	194	24
		194	35

Department of Education

SCHOOL FOR CEREBRAL PALSID CHILDREN, SOUTHERN CALIFORNIA

ITEM 80 of the Budget Bill

Budget page 195

FOR SUPPORT OF SCHOOL FOR CEREBRAL PALSID
CHILDREN, SOUTHERN CALIFORNIA FROM
THE GENERAL FUND

Amount requested in Budget Bill		\$526,489
Budget request before identified adjustments	\$575,814	
Increase to recognize full workload change	9,172	
Budget as adjusted for workload change	\$584,986	
Adjustment—undetailed reduction (10 percent)	58,497	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET___ \$41,922

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$16,575

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
5. Delete 2 janitor positions from the existing staff	\$11,378	196	42
6. Increase salary savings	21,712	196	58
7. Delete 2 attendant positions requested in the budget year	8,832	196	53

GENERAL PROGRAM STATEMENT

The State of California operates residential schools adjacent to San Francisco State College and California State College at Los Angeles for the diagnosis, education and treatment of children afflicted with orthopedic and neurological disorders. Specifically, the purposes of each school are to offer programs of medical and educational diagnosis of neurological disorders (i.e., a medical diagnosis of the physical disfunction, if any, and an analysis of the medical and educational program needed for rehabilitation), to recommend to local agencies, usually school districts, programs for the education and treatment of the handicapped child and to educate and treat at the state facility those handicapped children who cannot be adequately served by local agencies. In addition, the facilities are designed to serve as laboratory schools for the special education departments of the adjacent state colleges.

The schools were originally authorized by the Legislature in 1945 and established in 1946 in Redwood City in the north and at the Convalescent Home of Children's Hospital in Los Angeles in the south, the latter being moved to Altadena in 1948. At this time the sole function of the two schools was to treat children with cerebral palsy and similar motor handicaps. In 1955, the northern California school was moved to its present quarters adjacent to San Francisco State College because a larger facility was needed and because there was a need for a demonstration school for the state college students. In 1964, the southern California school was moved from Altadena to its present facility next to the California State College at Los Angeles.

The northern school began full operation as an educational facility in 1946-47 with a budget of \$186,155 including \$64,189 in capital outlay expenses, a staff of 21 people and a student body of 34 children. The southern school began full operation in 1948-49 with a budget of

School for Cerebral Palsied Children—Continued

\$176,783, a staff of 30 and a student body of 14. Since then, both the offerings of the two schools and the amounts needed to support them have grown considerably. The table below gives a brief financial history of the diagnostic and education and treatment programs since 1963-64.

NORTHERN SCHOOL					
	1963-64	1964-65	1965-66	(Estimated) 1966-67	(Proposed) 1967-68
Diagnostic Program					
Amount budgeted -----	\$144,624	\$142,639	\$148,620	\$175,915	\$183,312
Children served -----	161	186	190	190	190
Average cost per diagnosis	\$898	\$767	\$782	\$926	\$965
Education and Treatment Program					
Amount budgeted -----	\$360,267	\$365,788	\$356,127	\$421,959	\$441,262
Children served -----	19	31	34	34	34
Average cost per child----	\$18,961	\$11,800	\$10,474	\$12,411	\$12,978
Total Budget -----	\$504,891	\$508,427	\$504,747	\$597,874	\$624,574
SOUTHERN SCHOOL					
Diagnostic Program					
Amount budgeted -----	\$92,539	\$100,023	\$106,004	\$119,096	\$124,895
Children served -----	78	123	137	140	160
Average cost per diagnosis	\$1,186	\$813	\$774	\$851	\$781
Education and Treatment Program					
Amount budgeted -----	\$345,858	\$381,801	\$390,502	\$438,728	\$460,091
Children served -----	30	31	31	32	32
Average cost per child --	\$11,529	\$12,316	\$12,597	\$13,710	\$14,378
Total Budget -----	\$438,397	\$481,824	\$496,506	\$557,824	\$584,986

ANALYSIS AND RECOMMENDATIONS

Diagnostic Program

Each school operates a program of intensive diagnosis which is available to any resident of the state between the ages of 3 and 21 who is recommended by local authorities (usually the school district or the county superintendent of schools) or by a physician. In most cases, previous diagnoses have been performed on the child with little or no success in determining the nature of the affliction.

A child accepted into the diagnostic program is examined by a pediatrician, a psychologist, medical and psychiatric social workers and occupational and physical therapists to determine the child's problem and to recommend a program of education and treatment. Normally, this diagnosis and evaluation requires between one and two weeks after which the child is returned to the resident school district if a program is available or enrolled in the state school if a local program is not available and the state school has a vacancy.

In the budget year, we estimate the cost of the diagnostic programs at the northern and southern schools at \$183,312 and \$124,895, respectively. The estimated number of students is 190 in the north and 160 in the south, as compared to 190 in the north and 140 in the south in the current year.

There are no significant increases in the diagnostic program and no requests for new positions.

School for Cerebral Palsied Children—Continued

Residential Education and Treatment Program

In addition to the diagnostic program, each school offers a small program of residential education and treatment for 34 students at the northern school and 32 students at the southern school. The program consists of room and board, medical care, group and individual therapy and occupational and speech therapy.

1. *We recommend the deletion of one charge attendant position requested for the School for Cerebral Palsied Children, Northern California for a General Fund savings of \$5,227 plus operating expenses.* The school is requesting the charge attendant to assist in the training of the "student professional assistants" who act in an attendant capacity and assist in the personal care of the resident student population. The claim is made that the existing charge attendant cannot devote sufficient time to arrange the schedules of the full time attendants and train the college students. The school points to the fact that the southern California facility has two charge attendants for approximately the same number of attendants.

We are recommending disapproval of the request for the charge attendant position because we believe that another member of the professional staff at the northern California school is presently performing functions similar to that of a charge attendant. The northern school has one recreation therapist who is and has for several years devoted a portion of his time to assisting in the training of the student aids. This position does not exist at the southern school. Inasmuch as the program of hiring part-time student professional assistants has been in existence for several years without undue staffing problems, we are unable to see why the charge attendant position is now necessary. The school has not attempted to justify the position on the basis of workload increases but has submitted its application under an increase in the level of service. While we agree that the position constitutes an increase in the level of service, we are not persuaded that it is necessary for the efficient functioning of the school.

2. and 5. *We recommend the deletion of one janitor position at the School for Cerebral Palsied Children, Northern California for a General Fund savings of \$5,800 plus related operating expenses and two janitor positions at the School for Cerebral Palsied Children, Southern California for a General Fund savings of \$11,378 plus related operating expenses.* At present, the northern California school employs a janitorial staff of four persons who must care for an area of 41,600 square feet and the southern California school a janitorial staff of five persons who clean an area of 44,000 square feet. According to the federal standards used by the Public Building Services Division of the General Services Administration, area of the type and amount found at the two schools for cerebral palsied children should be cleanable by three janitors instead of four or five. Consequently, we are recommending a janitorial complement of three at each school resulting in a deletion of one janitor at the northern school and two janitors at the southern school.

School for Cerebral Palsied Children—Continued

3. and 6. *We recommend that salary savings be increased by \$26,328 at the School for Cerebral Palsied Children, Northern California and \$21,712 at the School for Cerebral Palsied Children, Southern California. We further recommend that no allocations be made from the Emergency Fund for the creation of additional positions administratively in the 1967-68 fiscal year.* Presently, salary savings are listed at \$9,169 at the School for Cerebral Palsied Children, Northern California and \$9,747 at the School for Cerebral Palsied Children, Southern California which represents an estimate of 1.8 and 2.0 unfilled positions at the end of the 1967-68 fiscal year, respectively. In the past five years, the northern school has averaged 4.64 unfilled positions and the southern school 4.04 unfilled positions. Further, the average anticipated salary, excluding staff benefits, is expected to reach \$7,150 in the north and \$7,092 in the south. When staff benefits are added and the totals multiplied by the average number of vacant positions, a realistic estimate of salary savings is produced. This amounts to \$35,997 at the northern school and \$31,459 at the southern school. The differences between these totals and the amounts budgeted constitute our recommendations.

The effect of this recommendation is to insure that additional positions are not established administratively without legislative authorization. This has been possible in recent years through use of salary savings which have been consistently underestimated.

Training and Research Program

The two schools for cerebral palsied children serve as demonstration schools for students of special education from neighboring colleges, particularly San Francisco State College in northern California and California State College at Los Angeles in southern California. The schools were designed to offer services to students studying in the fields of medicine, nursing, psychology, and physical, occupational, speech and recreational therapy as a means of furthering their training in the specialized techniques needed for work with neurologically handicapped children.

4. and 7. *We recommend the deletion of two attendant positions requested in the budget year and one attendant position from the existing staff at the School for Cerebral Palsied Children, Northern California for a General Fund savings of \$13,999 plus related operating expenses and two attendant positions requested in the budget year at the School for Cerebral Palsied Children, Southern California for a General Fund savings of \$8,832 plus related operating expenses.*

In the 1965 *Analysis of the Budget Bill*, our office recommended a reduction in the staff at the two schools for cerebral palsied children on the grounds that greater utilization could be made of state college personnel-in-training. The result of this suggestion was a recommendation by the Senate Finance and Assembly Ways and Means Committees that the schools "develop a plan for furthering cooperation . . . so that a greater degree of efficiency and economy of operation can be realized." This recommendation called specifically for the utilization of college students-in-training in the schools' programs.

School for Cerebral Palsied Children—Continued

In the 1966 *Analysis of the Budget Bill*, we recommended the deletion of two attendants at each of the schools for cerebral palsied children on the grounds that the report submitted by the schools at the request of the Legislature failed to present a plan for furthering cooperation in which students could be used in the schools' programs and in fact did not mention the possibility of their use. During the hearing on the schools' budgets, a compromise solution to the problem was arranged whereby two attendant positions would be deleted from the staff of each of the schools with \$4,560 being added to their budgets to provide matching funds for a grant under the federal work-study program to be used to hire students to work as attendants.

In the current year, the Department of Education and the schools for cerebral palsied children have reported that their efforts to obtain federal funds and student help have been unsuccessful and have therefore requested that the positions be reinstated. This request was made to the Department of Finance which reinstated the four positions administratively in the current year, effective January 1, 1967.

We are recommending that the two attendant positions at each school approved in the current year not be continued because we have not been presented with sufficient evidence to indicate that obtaining student help is infeasible. For example, it is claimed that at the time the northern California school attempted to acquire federal funds, the available appropriations were allocated to other purposes. We believe this can be corrected by more advanced planning. Also in the north, it is claimed that while students could be used from the University of San Francisco, transportation is a problem. The school states that: "Most of the participants must depend on public transportation. This agency is not on a main bus or street car line." Upon investigation, we have found that there is bus service between the University of San Francisco and San Francisco State College and that the trip requires about 40 minutes with one transfer.

At the southern California school, the claim is made that the students used in attendant capacities have generally not been conscientious and have consequently caused the school's full-time staff some difficulty. This however, is not a program defect, but a problem of recruiting.

We are recommending the deletion of four of the attendant positions at the two schools for cerebral palsied children (two at each school) for two basic reasons: (1) We are not convinced that sufficient effort has yet been made at either school to recruit satisfactory student personnel-in-training; and (2) We believe that one of the principal functions of the schools for cerebral palsied children is to serve as laboratory facilities for the adjacent state colleges and that they are not now fulfilling that function to the greatest possible extent.

We are recommending the deletion of the fifth position at the School for Cerebral Palsied Children, Northern California because only one attendant position was shown to be deleted in the current year when the final 1966-67 Budget Bill called for a deletion of two.

Department of Education

CALIFORNIA SCHOOL FOR THE DEAF, BERKELEY

ITEM 81 of the Budget Bill

Budget page 197

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

Amount requested in Budget Bill		\$1,932,847
Budget request before identified adjustments	\$2,109,198	
Increase to recognize full workload change	38,410	
Budget as adjusted for workload change	\$2,147,608	
Adjustment—undetailed reduction (10 percent)	214,761	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET \$106,214

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$108,547

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
1. Delete 2 groundsmen requested under workload increases	\$12,395	198	18
2. Delete 5 janitors from existing staff	27,295	198	53
3. Delete 1 supervising teacher requested under workload increases	11,959	198	18
4. Increase salary savings	54,565	198	74

Summary of Policy Options

1. Charge parents for portion of medical expenses	\$33,400	199	15
2. Increase reimbursements from school districts	86,900	199	41

Department of Education

CALIFORNIA SCHOOL FOR THE DEAF, RIVERSIDE

ITEM 82 of the Budget Bill

Budget page 200

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

Amount requested in Budget Bill		\$2,047,629
Budget request before identified adjustments	\$2,255,342	
Increase to recognize full workload change	19,801	
Budget as adjusted for workload change	\$2,275,143	
Adjustment—undetailed reduction (10 percent)	227,514	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET \$103,609

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$123,905

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
5. Delete 3 groundsmen and 1 laborer from existing staff	\$24,652	200	61
6. Delete 4 janitors from existing staff	21,772	200	61
7. Increase salary savings	40,721	201	23
8. Reduce workload increases requested to purchase gymnasium bleachers and resurface parking lot	7,100	200	23
9. Delete 1 painter position requested under increased workload	9,364	200	23

Summary of Policy Options

3. Charge parents for portion of medical expenses	\$35,100	200	61
4. Increase reimbursements from school districts	92,928	202	3

California School for the Deaf—Continued

GENERAL PROGRAM STATEMENT

The State of California operates two schools for deaf minors between the ages of 5½ and 21 in which a full educational program is offered from the first through the twelfth grades.

The Berkeley school is one of the oldest of its kind in the United States having operated since its founding in San Francisco in 1860. This year marks a century that the school has been located on the Berkeley site. The school consists of 22 major buildings on 52 acres of grounds.

The school at Riverside is considerably newer, having been first opened in 1953, and somewhat larger consisting of 36 buildings on a 75-acre site.

The schools each offer a full educational program that is both academically and vocationally oriented and which is similar to programs found in the regular public schools. The major differences are in the smaller class sizes and the special instruction which includes speech therapy, lipreading and finger spelling.

The residential programs include room and board, guidance and counseling, and recreational facilities.

The table below gives a cost breakdown for the residential and educational programs and shows the agencies' growth since the 1963-64 fiscal year. Federal funds are not included.

Berkeley					
	1963-64	1964-65	1965-66	(Estimated) 1966-67	(Proposed) 1967-68
Educational program only					
Amount budgeted ----	\$143,672	\$144,004	\$157,878	\$153,171	\$164,736
Students enrolled ----	57	57	63	61	64
Average cost per student -----	\$2,521	\$2,526	\$2,506	\$2,511	\$2,574
Educational and residential program					
Amount budgeted ----	\$1,682,086	\$1,748,328	\$1,851,130	\$1,926,898	\$1,982,872
Students enrolled ----	425	437	434	442	442
Average cost per student -----	\$3,958	\$4,001	\$4,265	\$4,359	\$4,486
All programs					
Amount budgeted ----	\$1,825,758	\$1,892,330	\$2,009,008	\$2,080,069	\$2,147,608
Students enrolled ----	483	494	497	503	506
Average cost per student -----	\$3,780	\$3,831	\$4,042	\$4,135	\$4,244
Riverside					
Educational program only					
Amount budgeted ----	\$116,562	\$127,373	\$135,378	\$158,784	\$166,912
Students enrolled ----	50	52	54	64	64
Average cost per student -----	\$2,331	\$2,449	\$2,507	\$2,481	\$2,608
Education and residential program					
Amount budgeted ----	\$1,834,799	\$1,896,512	\$1,997,834	\$2,064,104	\$2,108,231
Students enrolled ----	465	465	465	483	468
Average cost per student -----	\$3,946	\$4,079	\$4,296	\$4,274	\$4,505

California School for the Deaf—Continued

	(Estimated) (Proposed)				
All programs	1963-64	1964-65	1965-66	1966-67	1967-68
Amount budgeted -----	\$1,951,361	\$2,023,884	\$2,133,212	\$2,222,888	\$2,275,143
Students enrolled -----	515	517	519	547	532
Average cost per student -----	\$3,789	\$3,915	\$4,110	\$4,064	\$4,277

ANALYSIS AND RECOMMENDATIONS

The budget requests from the General Fund are \$2,109,198 at Berkeley and \$2,255,342 at Riverside before adjustments. To these figures, workload is added in the amounts of \$38,410 at Berkeley and \$19,801 at Riverside for adjusted totals of \$2,147,608 and \$2,275,143 respectively. At the Berkeley school, workload increases include 2 groundsman (\$12,395), 1 supervising teacher (\$11,959), operating expenses (\$5,056) and equipment (\$9,000). The Riverside workload increases include 1 painter (\$9,364), operating expenses for price increases and special repairs (\$7,635) and equipment (\$2,000). From the totals adjusted for workload, the budget shows undetailed 10 percent reductions of \$214,761 at Berkeley and \$227,514 at Riverside which produce the amounts requested in the Budget Bill: \$1,932,847 and \$2,047,629 respectively. In addition to the General Fund request, the budget also reflects anticipated receipts of federal funds from the Elementary and Secondary Education Act of 1965 amounting to \$118,203 at Berkeley and \$125,309 at Riverside.

In each case, these funds are used to finance the summer school programs and other auxiliary projects.

Educational Program

Each of the schools for the deaf maintains academic and vocational programs similar to those found in the public schools. For those enrolled in the academic program, instruction is offered in English, history, social studies, mathematics, etc., after which, if they are suitably qualified, the students may enroll at an institution of higher learning, principally Gallaudet College for the Deaf in Washington, D.C.

The vocational program has undergone several changes in the past year as the schools' administrations have attempted to phase out certain programs which were of questionable value (principally the shoe repair program at the Berkeley school) and replace them with training in more contemporary skills. Presently, instruction is offered in upholstery, woodworking, graphic arts and printing, key punch operation, auto repair and homemaking. It should be noted that the graphic arts and printing departments and the key punch operation departments at both schools are being expanded with new facilities (3,700 square feet at Berkeley and 900 square feet at Riverside) and equipment.

As mentioned previously, all students receive intensive instruction in oral techniques, lipreading and finger spelling.

In the current year, the School for the Deaf, Berkeley is requesting one additional teacher which was established administratively in the current year to meet expanded enrollments in the lower school (grades 1-3) where a lower class size is normal. *We recommend that this position be approved.*

California School for the Deaf—Continued

Also in the current year, the School for the Deaf, Riverside requested and received 3 teacher positions and 0.4 temporary help, positions which are requested for continuance in the budget year. The justification for these positions is an increased number of students, particularly in the lower school (grades 1-4) and the elementary school (grades 5-8) where the pupil-teacher ratios are traditionally about 8-1 (the normal ratio in the upper grades is 10-1). The lower school has experienced an increase of 7 students, the elementary school an increase of 13 students and the junior high school (grades 9 and 10) an increase of 6 students for a gain of 26. The high school, however, lost 18 students for a net change of 8 students. Because these 8 students are now in classes with lower pupil-teacher ratios, the additional teachers appear to be warranted. *We recommend that these positions be approved.*

1. and 5. *We recommend that two groundsman positions requested at the School for the Deaf, Berkeley (\$12,395) and three groundsmen (\$18,592) and one laborer (\$6,060) in the existing staff at the School for the Deaf, Riverside be deleted for a total General Fund savings of \$37,047 plus related operating expenses.* The School for the Deaf, Berkeley is requesting two additional groundsman positions on the basis of increased workload. Currently, the staff at this school, which is also responsible for the School for the Blind, consists of four groundsman, two laborers and one supervising groundsman for a total grounds staff of seven. By employing the standards used by the Public Buildings Service division of the General Services Administration, an appropriate number of staff positions is slightly less than five, two less than the existing staff and four less than the total requested staff. Because of this fact, we believe the two additional staff positions are unnecessary. However, because the Berkeley site is primarily hilly and uneven, and more difficult to maintain than a flat site, we do not believe the existing staff should be reduced.

At the Riverside school, which is level, the existing staff includes seven groundsman, three laborers and one supervising groundsman for a total outdoor staff of 11. Again, using the federal government standards, a grounds staff of six (the site is slightly larger than at Berkeley) may be justified plus one supervisor for a total of seven. We therefore recommend the deletion of the three groundsman and one laborer which will bring the Riverside school's staff in line with the Berkeley school's staff.

2. and 6. *We recommend the deletion of five janitors at the School for the Deaf, Berkeley (\$27,295) and four janitors at the School for the Deaf, Riverside (\$21,772) for a General Fund savings of \$49,067 plus related operating expenses.* The California School for the Deaf, Berkeley presently employs a janitorial staff consisting of 17 janitors and 1 janitor foreman which must maintain a total building area of 317,500 square feet. According to the federal standards referred to in the analysis of the California School for the Blind, the types of area found at this school should be maintainable by a staff of 12 plus one supervisor. Consequently, we are recommending the deletion of five janitorial positions at the Berkeley school.

California School for the Deaf—Continued

The Riverside school has a janitorial staff of 15.7 janitors, 1 janitor foreman and 0.5 temporary help which maintains a total area of 312,171 square feet of area similar to that found at the California School for the Deaf, Berkeley. If this area were maintained by the federal government, a janitorial staff of 12 janitors and 1 foreman would be assigned. As with the Berkeley school, we believe that by federal standards, this school is overstaffed and should be reduced by four positions.

3. *We recommend the deletion of one supervising teacher at the California School for the Deaf, Berkeley for a General Fund savings of \$11,959, plus related operating expenses.* During the past and current years, the school has received funds under the Elementary and Secondary Education Act of 1965, Title I, part of which has been used to establish a "visual aids media center." A portion of these funds has gone to establish one supervising teacher position at a cost of approximately \$12,000. According to the Department of Education, federal financing is not always available when positions are needed and consequently the request is being made to transfer a federal fund cost to the General Fund to insure that the media center will continue to operate throughout the year. We believe this request should not be approved for the following reason.

There has always been a clear functional division between General Fund and federal fund financing at the two schools for the deaf since federal funds were first introduced in 1965-66. In other words, General Fund support has been allocated for the regular program with federal funds to be used for special projects or auxiliary services. The proposed position is inconsistent with this relationship. Further, we do not believe it is a good precedent to allow formerly federally funded positions to be transferred to the General Fund as a means of budgetary expansion, especially when federal financing for the position is still available, consequently, we are of the opinion that it should not be approved and that it should continue to be financed with federal funds which will be available in the budget year.

4. and 7. *We recommend that salary savings be increased at the California School for the Deaf, Berkeley in the amount of \$54,565 and at the California School for the Deaf, Riverside in the amount of \$40,721 for a General Fund savings of \$95,286. We further recommend that no allocations be made from the Emergency Fund for the creation of additional positions administratively in the 1967-68 fiscal year.* Salary savings are currently listed at \$41,229 at the School for the Deaf, Berkeley and \$62,905 at the School for the Deaf, Riverside, reductions which are supposed to reflect 6.2 and 5.7 unfilled positions, respectively. In the past five years, the Berkeley school has averaged 10.4 unfilled positions per year and the Riverside school, 11.4 unfilled positions per year. Also, the anticipated average salaries are \$8,404 at the Berkeley school and \$8,287 at the Riverside school plus staff benefits which bring the averages to \$9,211 and \$9,090, respectively in the budget year. These salaries multiplied by the average number of vacant positions produce total estimated salary savings of \$95,794 at Berkeley

California School for the Deaf—Continued

and \$103,626 at Riverside. The differences between these figures and those shown in the budget year constitute the amounts shown in our recommendation. The effect of this recommendation is to insure that additional positions are not established administratively without legislative authorization. This has been possible in recent years through use of salary savings which have been consistently underestimated.

8. *We recommend the deletion of \$7,100 in operating expenses at the California School for the Deaf, Riverside.* Included in the "Increase to recognize full workload change," are two items totaling \$7,100. First, \$4,600 is requested to repair an asphalt parking area used by the school's staff and second a \$2,500 item to purchase bleacher seats for the school's gymnasium.

Having visisted the Riverside school during the current year and inspected the parking lot proposed for resurfacing, we conclude that such repairs are unnecessary and premature. The noticeable cracks in the asphalt present no hazard to automobiles and in no way impair the usefulness of the parking facility.

The requested bleacher seats are an improvement in the level of service and, while undoubtedly desirable, are not necessary from a workload standpoint.

Residential Program

In the budget year, the residential program is estimated to include 442 students at Berkeley and 468 students at Riverside at a cost of approximately \$1,900 per pupil at each. The program includes child guidance, counseling, health services and dental care, and a wide range of extracurricular activities including interscholastic and intramural athletic competition, social activities, student government, hikes, picnics and parties. The students are housed in dormitory units at three or four to a room where a counselor is on duty full time.

9. *We recommend that one painter position requested at the Riverside school in the budget year under "Increase to recognize full workload change" be deleted for a General Fund savings of \$9,364 plus operating expenses.* The School for the Deaf, Riverside presently has a staff of 2.4 painters as does the Berkeley facility. In its justification, the agency states that 491,080 square feet of wall space need painting each year and that the existing staff is capable of covering 273,000 square feet. This figure is arrived at on the basis of 840 square feet per man-day and 325 total days of work. The agency therefore concludes that 218,080 square feet of area remain to be painted and that they need one full-time position to do it.

We believe that the workload standards submitted by the California School for the Deaf, Riverside are unrealistic and in no way conform to accepted standards utilized by the State Department of General Services. The department has established a workload standard of between 200,000 and 300,000 square feet of area per man-year. Thus, with 2.4 positions, the minimum amount of area which should be painted is 480,000 square feet per year with a maximum of 720,000 square feet. Inas-

California School for the Deaf—Continued

much as the stated amount of area to be painted is only slightly above the minimum standard set by the Department of General Services, we believe the requested position should be denied.

POLICY OPTIONS

1. and 3. Consideration should be given to the possibility of charging parents for a portion of the medical care offered at the two deaf schools. At present, General Fund costs for medical care amount to \$43,350 at the Berkeley School and \$38,191 at the Riverside school for per student costs of \$86 and \$72 respectively. Inasmuch as current school district expenditures for health services average \$6 per pupil, it is proposed that parents be charged a fee of \$66 at each school (\$72-\$6). Such a measure would produce a General Fund savings of approximately \$68,500 (\$33,400 at Berkeley and \$35,100 at Riverside), less any amounts waived by the school in instances of financial hardship. The arguments for and against this proposal are similar to those at the School for the Blind, Berkeley on page 249. As with the proposal at the School for the Blind, Berkeley, such waivers should not exceed 20 percent of the total cost of all medical services provided.

2. and 4. Consideration should be given to the possibility of increasing the reimbursement levels made by school districts to the actual expenses involved in educating other physically handicapped minors. A General Fund savings of approximately \$180,000 would result (\$86,900 at Berkeley and \$92,928 at Riverside). This policy option is explained more fully under the discussion of the same proposal for the School for the Blind on page 249.

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

ITEM 83 of the Budget Bill

Budget page 202

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

Amount requested	\$3,029,302
Estimated to be expended in 1966-67 fiscal year	2,968,961

Increase (2.0 percent)	\$60,341
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TOTAL RECOMMENDED REDUCTION	None
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GENERAL PROGRAM STATEMENT

The State Educational Agency for Surplus Property, located within the Division of Public School Administration in the Department of Education, makes available federal surplus property to schools and other eligible institutions. The costs of handling and processing items for distribution are financed by the agency and recovered from participating agencies by charges which are paid into the Surplus Property Revolving Fund. Approximately \$32 million in surplus property will be distributed to schools and other institutions under the program in 1967-68.

State Educational Agency for Surplus Property—Continued

ANALYSIS AND RECOMMENDATIONS

A sum of \$3,029,302 is proposed for expenditure by the State Educational Agency for Surplus Property in 1967-68; this represents an increase of \$60,341 over the current level. A total of nine positions were administratively established during the current year offset by the elimination of 10 temporary help positions. The department requests that the positions be continued during the budget year. *We recommend approval of the item as budgeted.*

Department of Education

VOCATIONAL EDUCATION

ITEM 84 of the Budget Bill

Budget page 205

FOR SUPPORT OF VOCATIONAL EDUCATION
FROM THE GENERAL FUND

Amount requested in Budget Bill -----		\$800,584
Budget request before identified adjustments -----	\$867,570	
Increase to recognize full workload change -----	21,986	
Budget as adjusted for workload change -----	\$889,538	
Adjustment—undetailed reduction (10 percent) -----	88,954	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET---- \$22,898

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$66,056

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
Supervision and Teacher Training Program			
Reduce General Fund Support—state matching -----	\$18,074	208	8
Manpower Development and Training Program			
3 Assistant supervisor -----	39,832	209	42
1.5 Intermediate typist-clerk -----	8,413	209	42

\$66,319¹¹ Includes General Funds in amount of \$22,898.

Summary of Policy Options

Reduce General Fund support—state matching for Supervision and Teacher Training Program to 1965-66 level \$54,369

GENERAL PROGRAM STATEMENT

California's vocational education program is cooperatively financed by federal, state and local funds. Federal funds are authorized by the following acts: (1) the Smith-Hughes Act and (2) the George-Barden Act, which jointly provide assistance for agricultural, industrial, technical and homemaking education, distributive education and vocational guidance. These acts make funds available for salary reimbursements, travel expenses and instructional materials; (3) the Vocational Education Act of 1963, which provides funds for a variety of inschool and nonschool vocational education programs, including programs for persons in high school, persons out of high school who are available for

Vocational Education—Continued

full-time study, persons with special needs, and the construction of area vocational facilities, and (4) the Manpower Development and Training Act, which provides instruction and training for underemployed and unemployed persons in local educational institutions and regional skill centers. The total proposed expenditure for both state level operations and for the reimbursements to school districts are summarized in Table I.

Table I
Proposed Expenditures for Vocational Education
in California in 1967-68

<i>State level programs</i>	<i>Proposed expenditures</i>	
I. Fire Training Program -----		\$135,010
II. Administration -----		191,834
III. Supervision and Teacher Training -----		1,859,825
IV. Manpower Development and Training Program -----		380,024
V. Practical Nurse Training Program -----		18,450
VI. Area Vocational Education -----		96,865
VII. Instructional Materials for Apprentices -----		10,000
VIII. Work Study Program -----		8,700
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Total Expenditures: State Level		
General Fund -----	\$867,570	
Federal funds -----	1,833,138	\$2,700,708
<hr/>		
Reimbursements to School Districts		
III. Supervision and Teacher Training -----		\$2,216,970
IV. Manpower Development and Training Program -----		12,000,000
IX. Vocational Education Act of 1963 -----		12,135,178
<hr/>		
Total Reimbursements		
General Fund -----	\$1,430,271	
Federal funds -----	24,921,877	\$26,352,148
Grand Total Expenditures for Vocational Education -----		\$29,052,856

California's total expenditures for vocational education and for manpower development and training programs are proposed at \$29 million in 1967-68 prior to the adjustments to the General Fund appropriation totaling \$66,986. Presently all federal funds authorized by the George-Barden, Smith-Hughes and Vocational Education Act of 1963 require 50 percent state and/or local matching. The Manpower Development and Training Program requires that the state finance one-tenth of the cost of the continuing program and one-tenth of the cost of the state level administration with General Funds. Under the allocation procedures for support of the vocational education programs, state administrative costs are first deducted from state and federal contributions and then the remaining balances are distributed to school districts for the support of approved vocational education programs. Proposed expenditures for state level programs and the source of funding for such programs are illustrated in Table II.

Vocational Education—Continued

Table II
Funds for Vocational Education in California
1967-68

I. State-level Operations

Income		Expenditures	
State General Fund-----	\$867,570	Administration:	
Federal funds -----	1,833,138	General Fund --	\$30,693
		Federal funds --	161,141
			\$191,834
		Area vocational education	
		(federal funds) -----	96,865
		Practical nurse training	
		(federal funds) -----	18,450
		Fire training program	
		(General Fund) -----	135,010
		Instructional materials	
		(federal funds) -----	10,000
		Manpower development and	
		training:	
		General Fund --	\$38,002
		Federal funds --	340,622
			380,024
		Work study program	
		(federal funds) -----	8,700
		Supervision and teacher	
		training:	
		General Fund --	\$663,865
		Federal funds --	1,195,960
			1,859,825
		Detail:	
		Supervision and teacher	
		training:	
		Agricultural educa-	
		tion -----	\$344,542
		Business education	19,923
		Distributive	
		education -----	195,252
		Homemaking	
		education -----	242,308
		Industrial arts	
		education -----	48,864
		Industrial	
		education -----	581,346
		Junior college	
		services -----	362,018
		Employees'	
		retirement and	
		health and	
		welfare -----	115,000
		Equipment -----	5,706
		Less: salary	
		savings and	
		reimbursements	-55,134
		Subtotal -----	\$1,859,865
Total income -----	\$2,700,708	Total expenditures -----	\$2,700,708

II. Reimbursements to School Districts

Education

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Vocational Education—Continued

Income		Expenditures	
State General Fund-----	\$1,430,271	Agriculture (federal and General Fund)-----	\$256,061
Federal funds -----	24,921,877	Area vocational education (federal funds; Title III, NDEA) -----	608,909
		Business (federal and General Fund) -----	132,219
		Homemaking (federal and General Fund) -----	317,852
		Industrial (federal and General Fund) -----	677,448
		Practical nursing (federal and General Fund) -----	224,478
		The Vocational Education Act of 1963 -----	12,135,178
		Manpower development (Federal and General Funds)-----	12,000,000
Total income -----	\$26,352,142	Total reimbursements -----	\$26,352,142
Grand total: Expenditures for vocational education in California			
General Fund -----	\$2,297,841	State-level operations -----	\$2,700,908
Federal funds -----	26,755,015	Reimbursements to school districts -----	26,352,148
GRAND TOTAL INCOME -----	\$29,052,856	GRAND TOTAL EXPENDITURE -----	\$29,052,856

ANALYSIS AND RECOMMENDATIONS

The General Fund support for the state level administration of the vocational education program is set at \$867,570 before adjustments. The adjustments include an amount of \$21,968 for workload and an undetailed 10 percent reduction of \$88,954. When the amount for workload is added, the budget totals \$889,538. When the undetailed deduction is included, the sum equals \$800,584, the amount of the budget request.

Federal fund support for state level operations is proposed at \$1,833,138, an increase of 1.4 percent over the current year. The total increase in General Fund and federal funds, adjusted for full workload change, is \$69,978.

The major workload increases in state level operations reflected in the workload adjustment are summarized below in the order depicted in Table I.

<i>Program and positions requested</i>	<i>Amount</i>
Supervision and Teacher Training:	
Temporary help -----	\$1,980
1 Assistant supervisor } -----	7,078
0.5 Stenographer position }	
Other Increases:	
Operating expenses -----	12,900
Total -----	\$21,968

Vocational Education—Continued

The vocational education budget is presently composed of eight distinct programs in addition to the state level administration of the overall program. These programs and their sources of support are listed below.

Programs Supported Entirely by General Fund

I. Fire Training Program: This program provides services to local fire departments, primarily volunteer fire departments, by conducting in-service training throughout the state, teaching modern methods of firefighting and fire investigation. In 1967-68 it is estimated that over 200 firefighting schools will be conducted by the department's seven instructors involving over 6,000 pupils, which is equivalent to the present level. General Fund expenditures for the program are estimated at \$135,010 in 1967-68, an increase of \$4,670 over 1966-67. The increase is entirely due to higher salaries and staff benefits. The projected level of service for 1967-68 is expected to remain unchanged and no new positions are requested.

Programs Supported by State and Federal Funds

II. Administration: Total General Fund and federal fund support for state level administration is set at \$191,834 for 1967-68, an increase of \$5,140 over the current year. General Fund support is proposed at \$30,693, representing an increase of \$822, whereas federal support is estimated at \$161,141, for an increase of \$4,318. The projected level of service for the state level administration will remain unchanged in 1967-68.

The State Board of Education has requested that a comprehensive study be made of vocational education in California. The study to be completed by September 30, 1968 will evaluate the quality of the present program, project future requirements of vocational education and suggest recommendations for the comprehensive and coordinated development of vocational education programs in the state. It is anticipated that a major part of the study will be devoted to a determination of the roles and responsibilities of high schools, adult schools and junior colleges in vocational education. The cost of the study, estimated at \$300,000, will be financed from federal funds available for this purpose under the Vocational Education Act of 1963.

III. Supervision and Teacher Training: This program, representing the largest amount of state support for vocational education, finances the cost of six vocational education bureaus within the department which, in turn, provide consultant services to school districts operating specific vocational education programs in agriculture, homemaking, industrial arts, industrial education, business and distributive education.

Table III illustrates total enrollment in vocational education programs by occupational category for 1965-66.

Vocational Education—Continued

Table III
Enrollments in Vocational Education for 1965-66
by Occupational Category

Agriculture Occupations	21,171
Distributive Occupations	117,492
Health Occupations	11,495
Home Economics Occupations	142,455
Office Occupations	237,717
Technical Occupations	55,267
Trade and Industrial Occupations	163,189
Total	749,416

General Fund support for supervision and teacher training is proposed at \$663,865 in 1967-68, an increase of \$18,074 over 1966-67. Federal support for the program is estimated at \$1,195,960, an increase of \$32,558 for a total expenditure of \$1,195,960. During the current year 1.6 temporary help positions were administratively established for the Bureau of Industrial Education. It is proposed that these positions be continued during the budget year. The workload adjustment reflects a request for one assistant supervisor position and one-half clerical position for the bureau for an additional state General Fund cost of \$7,078. An additional temporary help position is also requested for the Bureau of Distributive Education for an additional cost of \$1,980, to be supported entirely from federal funds.

We recommend approval of the request that the 1.6 temporary help positions established for the Bureau of Industrial Education be continued during the budget year. These positions were administratively established during 1966-67 at a cost of \$8,000 in federal support to provide clerical assistance to the bureau for the review of local project applications during peak workload periods. The bureau reports that project applications for industrial education will increase from 1,300 projects in 1965-66 to 1,800 projects in 1966-67. In view of the demonstrated workload increase, we recommend approval of the proposed positions for no increase in General Fund cost.

We recommend approval of the request for one assistant supervisor position and one-half stenographic position for the Bureau of Industrial Education for an additional General Fund cost of \$7,078. The additional positions are requested because of the aforementioned workload increase in the number of project applications processed by the bureau. The total cost of the additional positions will be financed from an equal sum of federal and state money with state support proposed at \$7,078.

We recommend approval of the request for temporary help funds in the amount of \$1,980 in federal funds for the Bureau of Distributive Education for no increase in General Fund cost. The temporary help is requested to alleviate a minor workload increase.

We recommend that an amount of \$18,074 in General Fund support be deleted from the budget for supervision and teacher training. An amount of \$663,865 in General Fund support is proposed for the program in 1967-68, representing an increase of \$18,074 over the current

Vocational Education—Continued

level. Federal funds for the program will increase by a sum of \$32,558 to a level of \$1,195,960 in the budget year.

Our recommendation is based on the fact that the present level of General Fund support for the program is unnecessary in view of the federal matching requirements of the Vocational Education Act of 1963, which states in part:

“ . . . for each dollar of federal funds expended under the state plan at least a dollar of state or local funds or both, must be expended for the same purpose. . . . Such matching may be on a statewide basis.”

Matching purposes include the maintenance and training of teachers, and supervision for trade, agricultural and industrial subjects, which it is noted are the subjects for which the state support for the supervision and teacher training program is expended. The federal matching requirements established by the Vocational Education Act of 1963 permit substantial General Fund savings, since many components of the state level program need no longer be budgeted on a 50-50 state-federal fund matching basis but may be budgeted on the basis of federal and local expenditures.

Our recommended reduction of \$18,074 would maintain the state's level of General Fund support required to meet the federal matching requirements for the supervision and teacher training program at the 1966-67 level.

POLICY OPTION

Consideration could be given to reducing General Fund support for the Supervision and Teacher Training Program to the 1965-66 level of \$609,496 for a General Fund savings of \$54,369 (including the recommended reduction of \$18,074). The main advantage of the recommendation is the General Fund savings available. A major argument against the proposal would be that General Fund support for this activity would be cut back to the level of the last actual fiscal year, at a time when local expenditures and federal expenditures for vocational education are increasing.

IV. Manpower Development and Training Act: The main purpose of this program is to train the unemployed manpower of the state and to retrain underemployed persons. At the national level the Department of Health, Education and Welfare administers the educational aspects of the program while the Department of Labor administers the aspects dealing with the employment opportunities, payment of training allowances and job placement. In California the program is jointly administered by the Department of Employment and the Department of Education. The Department of Employment identifies individuals requiring retraining and pays them training allowances while the Department of Education provides state level supervision of the instructional aspects of local projects.

In 1965, as a result of Congressional amendments emphasizing programs for the hard core unemployed, a new component was added to the program, the establishment of regional skill centers. These centers

Vocational Education—Continued

are designed to provide educational and guidance services for trainees as well as comprehensive occupational training programs. In California there are currently five centers. Three are operated by the Los Angeles City School District; they are the Watts, East Los Angeles and Pacoima Centers. One project, the East Bay Center, is administered by the Peralta Junior College, and the final project is administered by the West Coast Trade School.

Since July 1966 the major part of California's MDTA funds have been redirected from the several hundred centers previously maintained by local school districts and private schools into the five regional centers. The impact of the longer, more comprehensive programs offered by the skill centers is illustrated by the fact that 18,716 trainees participated in the MDTA program in 1965-66, whereas only 6,400 are estimated to participate in the program in 1966-67 and 1967-68. Table IV identifies the five skill centers, depicts the number of youths and adults enrolled in each center and illustrates the total cost of instruction and subsistence allowances for the current year.

Table IV
Funds Allocated for Skill Center Programs 1966-67 (Est.)

Skill center	Number of trainees	Instructional costs		Subsistence allowances	Total cost
		Federal	State		
Watts					
Adults -----	800	\$1,003,171	\$111,464	\$1,723,300	\$2,837,937
Youth -----	290	310,217	34,469	255,670	600,356
East Los Angeles					
Adults -----	1,200	1,701,154	189,017	2,878,840	4,759,011
Youth -----	650	687,049	76,334	658,030	1,421,418
Pacoima					
Adults -----	200	424,782	47,198	547,140	1,119,120
Youth -----	200	295,410	32,833	226,140	554,373
East Bay					
Adults -----	1,000	1,588,080	176,453	2,828,002	4,592,535
Youth -----	400	589,758	65,529	498,055	1,153,342
West Coast Trade School					
Adults -----	1,200	2,137,662	-- ¹	2,289,060	4,426,722
Youth -----	360	618,678	--	270,380	889,058
Other Programs					
Napa Junior College -----	100	199,989	22,219	172,500	394,708
Grand Total	6,400	\$9,555,950	\$733,302	\$12,347,117	\$22,658,578

¹ Ten percent matching requirement waived by U.S. Commissioner.

The Department of Employment estimates that approximately 13 percent of the trainees enrolled in the program in 1966-67 and 1967-68 will be functional illiterates requiring large amounts of adult basic education to obtain basic reading and math skills necessary for participation in an occupational training project.

Prior to the 1966-67 fiscal year the federal government financed the entire cost of the Manpower Development and Training Program. However, in 1966-67 the states were required to finance 10 percent of the total cost. Originally it was believed that in-kind services might be used

Vocational Education—Continued

to meet the matching requirements instead of General Fund amounts. However, due to the unavailability of such service for the MDTA program, the state must meet the matching requirements with cash.

General Fund support for the state level administration of the Manpower Development and Training Program is set at \$38,002 in 1967-68, a decrease of \$33 below the current level. Federal fund support is estimated at \$380,024, a decrease of \$11,056 below the present level.

We recommend that an amount of \$48,245 be deleted, comprised of a sum of \$39,832 for three vacant assistant supervisor positions and \$8,413 for 1.5 clerical positions for the administration of the Manpower Development and Training Program for a total General Fund savings of \$22,898. We believe that the size of the unit's staff is excessive for the following reasons. California's estimated allocation for 1966-67 and 1967-68 has been reduced from \$16 million to \$12 million for each year. Second, the unit has experienced a substantial decrease in the number of projects it must supervise from 290 projects in 1965-66 maintained by school districts located throughout the state to the five regional skill centers plus one other project. Third, the workload formula previously used by the unit to justify position requests indicates that the present staffing pattern is excessive.

Currently the Manpower Development and Training Program is authorized 16 professional positions and 11 clerical positions which are listed below:

Professional positions:

- 1 coordinator
- 14 assistant supervisors
- 1 assistant budget analyst

Clerical positions:

- 10 intermediate stenographers
- 1 intermediate account clerk

Seven of the 14 assistant supervisors were established prior to the establishment of the Skill Center program to administer the several hundred MDTA projects maintained by the public schools throughout the state. The workload formula on which this staffing was based is detailed below:

- 3 assistant regional supervisors for the first 73 projects
- 1 additional assistant supervisor for each additional 50 projects or fraction thereof

On the basis of this workload formula, this unit has sufficient staff during the 1966-67 fiscal year to supervise 275 projects. When the skill centers were established, five additional supervisor positions were authorized as it was anticipated that the unit's continuing workload generated by school district projects would remain, when in fact, the total number of projects supervised has actually decreased from 291 in 1965-66 to 6 projects in 1966-67, including the 5 skill centers and one other program. The 1967-68 workload is estimated at approximately the same level. For these reasons, we recommend that three vacant assistant supervisor positions and related clerical staff be

Vocational Education—Continued

deleted for a net General Fund savings of \$4,824. The implementation of the recommendation will leave the unit 11 supervisor positions to provide state level supervision for the skill centers, which we believe adequate.

Programs Financed Entirely from Federal Funds

V. Practical Nurse Training Program: An amount of \$18,450 is budgeted for this program in 1966-67 for the purpose of developing curricula and instructional materials for the field of nursing through contractual arrangements with the University of California.

VI. Area Vocational Education: This program was formerly supported by National Defense Education Act Fund under Title VIII of the National Defense Education Act. The program provides federal assistance for technical vocational education programs operated by the junior colleges. It is estimated that over 80,000 pupils will participate in the program in 1967-68. Federal fund expenditures are set at \$96,865 which is a decrease of \$11,490 below the present level. The decrease is primarily caused by a reduction in bulletin printing.

VII. Instructional Materials for Apprentices: This program provides instructional materials such as workbooks, examinations, and teacher manuals for the use of apprentices in trades in which there are a minimum of 100 apprentices. The program is entirely self-supporting from reimbursements with the exception of federal support for trades having fewer than 100 apprentices. It is estimated that 20,000 pupils will be enrolled in the program in 1967-68 which is equivalent to the present level. A sum of \$90,465 is proposed for the program in the budget year, equivalent to the current level. Reimbursements from publications sales will total \$80,465 and federal support will remain constant at the current level of \$10,000. No new positions are proposed for the activity in the budget year.

VIII. Work Study Program: This program was authorized by the Vocational Education Act of 1963 to provide financial assistance to vocational education students so they may complete their vocational educations. Under the provisions of the program local school district and/or other local public agencies provide employment opportunities for vocational education students and are partially reimbursed by the state for wages paid students. Maximum payments of \$60 per month are authorized for students between the ages of 15 and 21 years who participate in the program. Presently about 2,300 pupils participate in the program at the secondary level and 1,700 pupils participate in the program at the junior college level. California's allocation in 1967-68 is estimated at \$1.7 million which is equal to the present level. In 1966-67 districts for the first time are required to provide 25 percent of the wages paid students in the program with the balance reimbursed by the program.

IX. Vocational Education Act of 1963: The Vocational Education Act of 1963 is currently the most important source of federal funds for vocational education in California. In 1967-68 California will receive over \$12 million under the program. Although this budget item appears in the local assistance portion of the budget rather than the support budget for vocational education we are including a brief description of

Vocational Education—Continued

the program here because of its increasing importance. The most noteworthy characteristic of the program is that it authorizes expenditures for a variety of the programs and permits a great deal of administrative flexibility in transferring funds between program categories. A state plan approved by the State Board of Education governs the administration of the program. Funds are allocated to school districts on the basis of project applications submitted to and reviewed by the appropriate bureaus within the Bureau of Vocational Education. Table V illustrates the total federal and local expenditures for this program by statutory purpose for 1965-66.

POLICY OPTION

Consideration could be given to directing the Department of Education to allocate the total amount of \$12 million available under the Vocational Education Act of 1963 to 10 to 30 priority areas of the state which exhibit the highest dropout rates and which also exhibit the highest levels of unemployment among out-of-school youth. If California's \$12 million entitlement were combined with \$12 million in local support as required by the law, a total amount of \$24 million would be available for such concentrated programs. Adoption of the option would permit the establishment of more comprehensive programs for limited numbers of pupils which have the greatest need for educational services, and who are potentially society's most serious problems than would be possible under the existing method of allocating these funds under which they will be allocated to 1,600 projects in 1967-68.

It is noted that precedent already exists for concentrating funds on hard-core poverty areas. Chapter 106, 1966 Statutes, provides \$9 million in state support for the reduction of the pupil teacher ratio in hard-core poverty schools for grades K-6. In addition precedent exists for redirecting existing amount of funds for training from large numbers of projects to smaller numbers of pupils possessing the greatest need for comprehensive services. The regional skill center program already discussed is representative of this policy. Finally, it is noted that the federal government recognizes the importance of programs for out-of-school youth and the establishment of comprehensive projects by requiring that a maximum amount of 33 percent of the federal allocation received by the state to July 1, 1968 be allocated for programs involving out-of-school youth and/or programs for the construction of area vocational education facilities.

Finally, a substantial although undetermined amount of savings for state level operations would be impossible should the policy option be adopted, since much of the present workload of the various vocational education bureaus connected with the review of thousands of project applications for federal support would be eliminated. Such savings could be reallocated to the regional centers for more comprehensive vocational training programs. In addition, the effectiveness of the vocational education programs could be more easily evaluated upon adoption of the option.

Table V
Summary of Allocations for California
Vocational Education Act of 1963 Funds
1965-66

<i>Statutory purpose</i>	<i>Total</i>	<i>Local</i>	<i>VEA '63</i>	<i>Percent</i>
Vocational education for persons in high school-----	\$14,672,838.96	\$10,255,579.99	\$4,417,258.97	41.32
Vocational education for persons who have completed or left high school and are available for full-time study-----	8,789,259.52	5,981,968.85	2,807,290.67	26.26
Vocational education for persons already in the labor market-----	1,190,724.68	760,433.08	430,291.60	4.02
Vocational education for persons with special needs-----	347,291.70	199,437.10	147,854.60	1.39
Construction of area vocational school facilities-----	6,350,463.50	4,868,426.25	1,482,037.25	13.86
Vocational education ancillary services-----	3,094,121.27	1,688,030.35	1,406,090.92	13.15
 Total—Regular Program -----	 \$34,444,699.63	 \$23,753,875.62	 \$10,690,824.01	 100.00
Total—Work Study -----	\$1,235,686.00	\$4,130.00	\$1,231,556.00	
 GRAND TOTAL -----	 \$35,680,385.63	 \$23,758,005.62	 \$11,922,380.01	

**Department of Education
DIVISION OF LIBRARIES**

ITEM 85 of the Budget Bill

Budget page 211

**FOR SUPPORT OF STATE LIBRARY
FROM THE GENERAL FUND**

Amount requested in Budget Bill	\$1,531,421
Budget request before identified adjustments	\$1,663,611
Increase to recognize full workload change	37,968
Budget as adjusted for workload change	\$1,701,579
Adjustment—undetailed reduction (10%)	170,158

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET..... \$6,221

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$163,937

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget Page</i>	<i>Line</i>
0.5 Intermediate typist	\$2,511	211	23
0.5 Librarian	\$3,710	211	23

Summary of Policy Options

1. Reduce consultant visits to local libraries for a General Fund savings of \$30,937.
2. Delete \$82,416 for book purchases and substitute federal funds for this purpose for a General Fund saving of \$82,416.

GENERAL PROGRAM STATEMENT

The State Library, headed by the State Librarian, is responsible for several library services. These include providing the usual library services for the public, providing basic reference services for the Legislature and the executive branch of government, and maintaining a collection of historical material relating to California. In addition, it administers the state and federal programs for public library development which are intended to extend and improve public library services statewide. In addition to administration the library is composed of four bureaus. These bureaus are listed below, followed by a brief description of the responsibilities of each.

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

1. Library Consultant Services. This unit provides several non-regulatory consultative services designed to improve the local operation of the state's 213 public libraries. The unit's consultants advise local libraries regarding the planning and construction of new facilities and they make surveys of local library needs. In addition, the unit is partially responsible for implementing California's Public Library Development Act and for supervising projects authorized under the federal Library Services and Construction Act. These programs are summarized below:

Division of Libraries—Continued

Local Library Development Programs

a. California Library Development Act. The California Library Development Act authorizes state assistance to local libraries to promote the establishment of cooperative library systems. A sum of \$800,000 is proposed for subventions for the program in 1967-68. This program of local assistance is discussed in the subventions portion of the analysis.

b. Library Services and Construction Act. This is a federally financed program authorized by PL 88-269 designed to extend and improve library services in areas without local libraries or with substandard services. Originally the act contained two titles: Title I, which authorizes federal assistance for the extension of library services, including the purchase of books, supplies and state level supervision; and Title II, which provides funds for the construction of facilities. The program was amended by the 1966 Congress, which authorized three additional titles—Title III, Interlibrary Cooperation; Title IVa, Library Services for Institutions; and Title IVb, Library Services for the Physically Disabled—although no funds were appropriated for these new programs in the budget year. In 1967-68 it is anticipated that California will receive approximately \$4.1 million under the provision of the program comprised of a sum of \$1.9 million for the extension of library services and a sum of \$2.3 million for construction.

In 1966-67 Title I funds are being used to finance library demonstration projects in five counties: Alpine, El Dorado, Lake, Sacramento and Yuba. Other activities include a study of the feasibility of mechanizing the State Library, a summer internship program and a program for young adults. Title II grants are being used to support the construction or remodeling of 25 public library buildings.

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

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

4. Technical Services. This unit contains seven sections which are responsible for the acquisition, maintenance and improvement of local library collections. The unit also administers a processing center operating under the provisions of the Library Services and Construction Act which purchases, catalogs and classifies books for libraries subscribing for such services.

ANALYSIS AND RECOMMENDATIONS

General Fund support for the State Library in 1967-68 is proposed at \$1,663,611 before adjustments. This figure is composed of an amount of \$1,606,508 for the administration of the State Library and a sum of \$57,103 for the administration of the California Library Development Act. The amount proposed before adjustments is equivalent to

Division of Libraries—Continued

an increase of approximately 15 percent over the current level and is caused by an increase in operating expenses for rent of building space. Adjustments to the amount of \$1,663,611 include a sum of \$37,968 for workload and a 10 percent undetailed reduction in the amount of \$170,158. When the amount for workload is added, the sum totals \$1,701,579. When the undetailed 10 percent reduction is taken, the sum totals \$1,531,421, the amount of the budget request.

The detail of the workload adjustment follows:

Personnel	
California Section	
1 Intermediate clerk	\$5,022
Government Publication	
1 Intermediate clerk	5,022
Reference Section	
1 Librarian	7,420
Operating expenses	17,993
Total increase	\$37,968

The California section requests one clerk for an additional General Fund cost of \$5,022 to process a 50-percent increase in the number of reference inquiries estimated to be received in 1967-68. *We recommend approval of the request for an additional General Fund cost of \$5,022.*

The Government Publication Section requests one intermediate typist to alleviate workload connected with the number of items processed by the unit. Workload information submitted by the State Library indicates that the backlog can be eliminated in one year employing one 0.5 clerical position. *We recommend approval of a 0.5 temporary clerical position for a one-year period for an additional General Fund cost of \$2,511, resulting in a net General Fund reduction of \$2,500.*

The Reference Section requests one librarian I position for an additional General Fund cost of \$7,420 to alleviate a workload increase connected with the number of reference inquiries received by this unit. The library reports that the unit received 6,000 more reference requests in 1965-66 than the preceding year. Based on the library's staffing criteria of 10,779 units per man-year, an additional 0.5 librarian position should enable the library to process the additional reference requests. *We recommend approval of 0.5 librarian position for the unit for an additional General Fund cost of \$3,710, resulting in a net General Fund reduction of \$3,710.*

As a result of a study titled Development of and Implementation of Processing Center Services which was prepared for the library by the Institute of Library Research, the State Library proposes a major expansion of the services provided by the processing center. This unit presently purchases, catalogs and classifies books for 25 libraries in 18 counties which contract for such services.

The proposed expansion of the processing center would make available to all local libraries and library systems in the state the following services on a contractual basis utilizing an electronic computer rather than manual methods.

Division of Libraries—Continued

1. Selection
2. Ordering
3. Checking lists
4. Planning
5. Preparation of binding
6. Cataloging
7. Holding list
8. Accounting

Initially it is proposed that the cost of implementing the system in the amount of approximately \$991,040, be financed from federal funds available under Title I of the Library Services and Construction Act. The library anticipates that the system, when fully operative, will be self-supporting from reimbursements made by local libraries and library systems which contract for services.

We have reservations regarding the proposal for expanding the State Library processing center services, which we detail below.

1. The study prepared by the Institute of Library Research failed to document the need for an expansion of the processing center services and failed to estimate the number of libraries and library systems which would contract with the State Library for processing center services once the system was established.

2. The study failed to describe the relationship between the proposal for the expansion of state level processing center and the local proposals presently being considered by regional library systems to establish regional processing centers to provide similar services. An example of this type of locally developed plan is the BALANCE (Bay Area Library Annotated Network for Cooperative Exchange) proposal developed by the local libraries in Santa Clara, Alameda, Contra Costa and San Mateo Counties to establish a system to select, acquire, catalog and process books for most of the libraries in the bay area.

3. The proposal did not describe the cost-benefits which would accrue to local libraries which contract with the expanded processing center for services; it failed to detail the cost of implementing the system and it failed to estimate the level of participation which would be required to make the system self-supporting. Innumerable other cost factors were also omitted from the study such as the estimated costs of facilities, the number and costs of machines required for the operation workload criteria and the types of personnel required for the facility.

Due to the weaknesses of the proposal the State Library has decided to proceed more slowly with the implementation of the program than originally anticipated. In 1967-68 the State Library will proceed with the technical design of the system and at the same time make a market survey of the number of local libraries which will participate in the system once it is established. While we believe that this gradual implementation of the system would be preferable to the original plan we continue to believe that many basic questions remain unanswered regarding the desirability of the proposal.

Division of Libraries—Continued

We recommend that the State Library contract with an outside agency other than the Institute for Library Research to perform a comprehensive study financed by \$30,000 in federal funds which will answer the following questions:

1. Would it be more economical for the State Library to develop a total system design for processing center services which could be used by local library systems rather than to expand and develop its own processing center into a computer-based system?

2. What is the most economical method, supported by documentation, of implementing an expansion of processing services for library and library systems, by the expansion of the existing State Library Processing Center, by the establishment of one or more regional processing centers or by establishment of several processing centers on the part of the major library systems strategically located throughout the state?

3. Regardless of the alternatives proposed what are the components which should be incorporated in a State Plan to coordinate processing center services performed by the state and local libraries?

4. What are the detailed cost-benefits which would accrue to local libraries and library systems participating in each of the alternatives outlined in question 1?

5. If a specific method of expanding processing services is selected what level of participation would be required to make the system self-supporting?

6. If the study proposes an expansion of the State Library Processing Center Services how would the state level program be coordinated with regional processing center programs which are presently being considered?

Policy Option

1. Consideration could be given to reducing by 50 percent the number of positions budgeted for the Library Consultant Services unit for a General Fund savings of \$30,937 plus operating expenses. Currently the unit is authorized a total of 6.3 positions composed of three library consultants and 3.3 clerical positions which are entirely financed by general funds totaling \$61,874. These state supported positions assist in the administration of the state aid program for library development and provide consultative services to local libraries. Additional consultative services are provided local libraries by 5 professional positions, financed by federal funds, which administer the federal Library Services and Construction Act. In 1965-66 the combined professional staff expended 5.75 man-years for visits to local libraries. A reduction of 50 percent of the staff of the Library Consultant Services unit would result in fewer visits to local libraries but would not eliminate the activity because of the five professional positions, financed by federal funds which are also budgeted for this purpose. However, the policy option would require the elimination of existing positions.

2. A second policy option would be to reduce a sum of \$82,416 in General Funds from the amount of \$112,512 that is budgeted for book purchases and general continuation and to substitute similar amounts of federal funds for this purpose.

Division of Libraries—Continued

In the *Analysis of the Budget for 1966-67* we made a recommendation that proposed General Fund support for law book purchases be financed by federal funds. It was subsequently determined that the federal regulation would not permit the expenditure of federal funds for these technical materials, and the recommendation was not implemented. However, we believe that federal funds might be used to purchase non-technical materials of the type included in the library's budget for general book acquisition.

Department of Education
STATE TEACHERS' RETIREMENT SYSTEM

ITEM 86 of the Budget Bill

Budget page 215

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

Amount requested in Budget Bill-----		\$1,039,661
Budget request before identified adjustments-----	\$1,080,046	
Increase to recognize full workload change-----	75,133	
Budget as adjusted for workload change-----	\$1,155,179	
Adjustment—undetailed reduction (10 percent)-----	115,518	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET..... None

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$115,518

Summary of Policy Options

1. Legislation could be enacted changing the method of financing the administrative costs of the State Teachers' Retirement System to provide for one-third support by the state, one-third support by teachers, and one-third support by school districts. Enactment of such legislation would result in General Fund savings of \$770,120.

2. We recommend that the Joint Legislative Retirement Committee, or some other appropriate committee, study the feasibility of combining the two major state retirement systems, the State Employees' Retirement System and the State Teachers' Retirement System.

GENERAL PROGRAM STATEMENT

The enabling legislation and authority for establishment of the State Teachers' Retirement System is contained in Division 10, Chapter 4, of the Education Code (Sections 13801-14411) and has as its purpose the provision of a financially sound retirement plan with adequate retirement allowances for the public school teachers of California. The system's program and mission is the implementation of the purpose expressed above.

The management of the system is vested in the Teachers Retirement Board of nine members as follows: the Superintendent of Public Instruction; the Controller; the Director of Finance; a member of the governing board of a school district; and three members of the State Teachers' Retirement System, serving staggered four-year terms, appointed by the Governor from a list of nominees furnished by the Superintendent of Public Instruction; and one official each from a life insurance firm and a bank appointed to four-year terms by the Gov-

State Teachers' Retirement System—Continued

error. The board sets policy and establishes rules and appoints an executive officer who has the responsibility and authority to administer the system pursuant to those policies and rules and the statutes governing the management of the system.

The board has exclusive control of the administration of the three funds from which benefits are paid. The staff of 126.6 positions is organized into four units to implement the program. These are the executive, membership actuarial, accounting operations and office services.

ANALYSIS AND RECOMMENDATIONS

The proposed budget for the State Teachers' Retirement System for the 1967-68 fiscal year, after an increase of \$75,133 to recognize full workload change, is \$1,155,179. After applying a percentage reduction of 10 percent, the Budget Bill proposes an appropriation of \$1,039,661 for the support of the system.

We have been informed by the Department of Finance that the workload increase consists of eight full-time and two half-time clerical positions at a cost of \$52,278, and various price cost increases in operating expenses amounting to \$22,855.

The 1966-67 budget provided funds for nine positions for system design and programming for conversion of the system's present EAM punchcard system to an exceptionally sophisticated automatic data processing system. The decision to convert to the new system is currently being reevaluated by the Department of Finance and by the Systems Analysis unit of the Department of General Services. Pending the results of the reevaluation, funds for seven of the nine positions have been withheld by the Department of Finance.

The administration of the State Teachers' Retirement System has been subject to criticism from several sources during recent years. As a result of this persistent criticism the Legislature passed Assembly Concurrent Resolution No. 54, 1966 First Extraordinary Session, calling for a complete management study to be conducted by a private consulting firm through a contract with the Joint Legislative Retirement Committee. A total of \$75,000 was appropriated from the Assembly and Senate Contingent Funds for this purpose. In December 1966 the committee contracted with a major certified public accounting firm for the study. The firm is to submit a preliminary report on April 15, 1967, and its final report on May 15, 1967.

The scope of the study is very comprehensive with all phases of the present management, procedures and workload to be considered. Particular emphasis is to be placed upon reviewing the system's data processing needs and the possibility of the joint use of electronic data processing equipment with the State Employees' Retirement System.

Since the Legislature will most likely still be in session during April and May when the report will be submitted and final action on the Budget Bill may not be taken, we are not making any recommendations on the system's budget at this time, but will review the recommendations of the study at the time they are submitted to the Legislature.

**State Teachers' Retirement System—Continued
POLICY OPTIONS**

1. In our *Analysis of the Budget Bill, 1964-65*, we recommended legislation be enacted that would change the financing of the administration of the State Teachers' Retirement System from 100 percent support by the state to some form of sharing of costs by the state, the teachers and the employing school districts.

Subsequent to our recommendation Assembly Bill No. 98 was introduced in the 1966 First Extraordinary Session to substantially carry out our recommendation. The bill passed in the Assembly but was defeated in the Senate. On the basis of the system's proposed 1967-68 fiscal year budget the savings to the General Fund would have been \$770,120 had AB 98 passed.

We are renewing our recommendation that legislation be introduced in the 1967 General Session. Our recommendation would basically follow the pattern of financing the administration of the State Employees' Retirement System. In 1959 the Legislature enacted Chapter 2066 amending the Government Code to provide that "Costs of administration of the system shall be paid from interest income from the Retirement Fund beginning with the fiscal year 1959-60; provided that the amount of income so applied in any fiscal year may not exceed ten hundredths (0.10) of 1 percent of the investments of the Retirement Fund at book value as of the close of the preceding fiscal year."

There is a very basic difference between the State Employees' Retirement System (SERS) and the State Teachers' Retirement System (STRS). The employees' system is a full reserve system, or funded system, where the state contributions and the employee contributions are both set up on an actuarial basis, thus assessing the cost of the retirement program, and paying for it at the time that the employees' service is rendered. Thus, since the obligation is created pursuant to expenditures authorized by the Legislature and under a retirement law controllable by the Legislature, the Legislature sees that revenues are sufficient in that same year to support the obligations created.

The teachers' system cannot be said to be on a full reserve basis, as the state's contributions to the system are made as liability matures and not as it accrues. The sum requested from the General Fund to meet the state's liability for the 1967-68 fiscal year amounts to \$52,500,000. Since 1944 the member contributions have been on a full reserve basis. In addition to the state and member contributions, the employing school districts contribute an amount equivalent to 3 percent of the certificated payroll to the fund plus \$12 per year for each employed teacher.

We are recommending that the state, the teachers and the employing school district all share in the cost of the administration of the teachers' system. We recommend that the share the teachers would pay come from interest income from the Teachers' Retirement System. Since the share of the benefit cost which is paid by the state and school districts as the liability matures and not as it accrues, the state and school district money that is transferred into the Teachers' Retirement Fund is encumbered and not available for investment. It would be necessary

State Teachers' Retirement System—Continued

to appropriate the state's share of administering the teachers' system directly from the General Fund. Depending upon the type of sharing program adopted, the adoption of our recommendation could produce savings to the General Fund in the order of \$800,000 annually.

We recommend that legislation be reintroduced during the 1967 General Session changing the method of financing administrative costs of the State Teachers' Retirement System.

2. We further recommend that the Joint Legislative Retirement Committee or some other legislative committee study the feasibility of ultimately combining the administrative structure of the state's two major retirement systems, the State Employees' Retirement System and the State Teachers' Retirement System. The management study currently being conducted by a major certified public accounting firm should provide a foundation for ultimately evaluating the advantages and disadvantages of such a merger of the two systems.

Basically both systems have exactly the same mission carried out by comparable programs; that is, the collection and investment of member contributions and in conjunction with public funds to provide disability and service retirement allowances. As indicated in our recommendation on legislation listed above, the major difference between the two systems is that the employers' share of the contributions in the State Employees' Retirement System is fully funded and in the State Teachers' Retirement System it is not fully funded.

HIGHER EDUCATION**SCOPE AND FUNCTION**

Since 1960 the *Master Plan for Higher Education in California* has served as a guideline for the orderly and sound development of the state's tripartite system of public higher education. The Donahoe Higher Education Act of 1960 implemented the recommendations of the Master Plan by establishing the primary functions of each of the three segments, the University of California, the California State Colleges and public junior colleges, and encouraging an economical and coordinated approach to the needs of higher education.

According to provisions of the Donahoe Act, the functions of each are as follows:

"... the University of California is the primary state supported academic agency for research.

"The University may provide instruction in the liberal arts and sciences and in the professions, including the teaching profession. The University has exclusive jurisdiction in public higher education over instruction in the professions of law, and over graduate instruction in the professions of medicine, dentistry, veterinary medicine and architecture.

"The University has the sole authority in public higher education to award the doctoral degree in all fields of learning, except that it may agree with the state colleges to award joint doctoral degrees in selected fields.

Higher Education—Continued

"The primary function of the state colleges is the provision of instruction for undergraduate students and graduate students, through the master's degree, in the liberal arts and sciences, in applied fields and in the professions, including the teaching profession. Presently established two-year programs in agriculture are authorized, but other two-year programs shall be authorized only when mutually agreed upon by the Trustees of the State College System and the State Board of Education. The doctoral degree may be awarded jointly with the University of California, as provided in Section 22552. Faculty research is authorized to the extent that it is consistent with the primary function of the state colleges and the facilities provided for that function.

"Public junior colleges shall offer instruction through but not beyond the 14th grade level, which instruction may include, but shall not be limited to, programs in one or more of the following categories: (1) standard collegiate courses for transfer to higher institutions; (2) vocational and technical fields leading to employment; and (3) general or liberal arts courses. Studies in these fields may lead to the associate in arts or associate in science degree."

The University of California is governed by the Regents of the University of California who, under the terms of Section 9, Article IX of the Constitution of California, have full power of organization and government for the University. Currently, the University has nine campuses and special research facilities such as agricultural field stations throughout the state. Two medical centers are located in San Francisco and Los Angeles and two more are being developed at San Diego and Davis, in addition to the recently acquired California College of Medicine. Opportunities to attend the University are available to the upper 12½ percent of high school graduates or transfer students from state colleges, junior colleges or other institutions of higher education who have satisfactory academic records.

The state colleges are governed by the Trustees of the California State Colleges, a statutory body established in accordance with the 1960 Master Plan. The Trustees, with a centralized administrative office under the Chancellor of the California State Colleges, assumed responsibility for the state college system on July 1, 1961. There are currently 18 state colleges in operation with one more scheduled to open in the next three to five years. Educational opportunities are offered in a broad liberal arts curriculum to high school graduates who are in the upper one-third of their class and to qualified transfers from other colleges and universities.

The junior colleges are primarily local institutions, created, operated and, in the large part, supported locally. Within a very broad area defined by statewide standards which have been established by statute and by rule of the State Board of Education, the organization, operation and policy direction of the junior colleges are vested in local school boards, accountable to local voters. There are now 76 public junior colleges in the State of California with 8 more in the process of

Higher Education—Continued

establishment. All graduates of California high schools and adults over 18 years of age are eligible for admittance to the junior colleges.

In accordance with the Master Plan, the Coordinating Council for Higher Education was also established in 1960 by the Donahoe Act to serve as an advisory body to counsel the governing boards of the three segments and appropriate state officials in matters relating to state financial support, differentiation of function and development of plans for the orderly growth of public higher education. Three of the 15 members of this body are representatives of the independent colleges and universities in the state.

The *Master Plan for Higher Education in California* has been instrumental in the establishment of orderly planning and development of higher education in this state. As it is applied and tested during the 1967 legislative session and the ensuing interim, new methods should be explored in order to economize by extending or obtaining optimal benefit from the resources peculiar to each segment. For example, it should be possible for students of the University of California to receive greater exposure to the elite research faculty by the increased use of such agents as television, large lecture classes coordinated with adult programs, tapes, films and forums in which the state colleges, junior colleges and general public can benefit from the unique capabilities of this select group. The increasing costs of such limited talent using conventional facilities makes it essential to share this resource with all who may benefit.

Also, any evaluation of the Master Plan should be concerned with the development of programs at the California State Colleges which will maximize their stated instructional objectives in the areas of liberal arts, sciences and applied fields rather than merely permit them to expand into little universities attempting to duplicate areas reserved for the University of California.

ADMISSION AND ENROLLMENT

The public junior colleges are required by statute to admit any high school graduate. They may also admit any person who is over 18 years of age. In accordance with the Master Plan, state college admission standards are intended to restrict the admission of freshmen to those who were in the top one-third of their high school class. Transfer students must have a 2.0 grade average or better, and a bachelor's degree is required for admission to graduate study. University admission standards require freshmen to be in the top one-eighth of their high school class, and a 2.0 (in some cases 2.4) grade point average is required for admission to advanced standing. Graduate admission requirements, other than possession of a bachelor's degree, vary among the departments of the University.

It has been estimated that approximately 52 percent of California high school graduates enter college directly from high school. This figure includes 32 percent who go to junior colleges, 8 percent to the state colleges, 5 percent to the University, 5 percent to private institutions in California and 5 percent to institutions in other states. Some additional number subsequently enter college on a full-time or part-time basis, but no reliable data are available on such students at present.

Education

General Summary

Higher Education—Continued

Total average annual enrollment for the University and state colleges is shown in Table 1. These enrollment statistics, together with additional data as to the distribution of students by level of instruction, have been the major factor in determining the amount of support and capital outlay funds which the Legislature is requested to appropriate each year for instructional programs. The junior colleges do not report average annual enrollment in terms of full-time equivalents, so it is impossible to include them in this table.

Table 1
Actual and Estimated Full-time Equivalent (FTE) Enrollment

	<i>Actual</i>			<i>Estimated</i>	
	<i>1963-64</i>	<i>1964-65</i>	<i>1965-66</i>	<i>1966-67</i>	<i>1967-68</i>
University of California.....	64,001	71,267	73,877	80,227	90,464
California State Colleges...	96,831	109,267	117,551	131,125	144,120
Totals	160,832	180,534	191,228	211,352	234,584

Table 2 indicates full-time and part-time enrollment for the same period for all three segments.

Table 2
Fall Term Full-time and Part-time Enrollment¹

	<i>Actual</i>			<i>Estimated</i>	
	<i>1963</i>	<i>1964</i>	<i>1965</i>	<i>1966</i>	<i>1967</i>
Full-Time:					
University of Calif.....	61,073	67,070	75,743	82,585	91,363
Calif. State Colleges.....	80,188	92,454	98,840	110,203	120,510
Junior Colleges.....	128,221	152,401	188,874	198,135	210,160
Part-Time:					
University of Calif.....	3,431	4,197	3,694	3,821	4,233
Calif. State Colleges.....	52,920	56,502	56,047	59,959	64,890
Junior Colleges.....	239,787	258,937	270,526	289,323	306,840
Totals:					
University of Calif.....	64,504	71,267	79,437	86,406	95,588
Calif. State Colleges.....	133,108	148,956	154,887	170,162	185,400
Junior Colleges.....	368,008	411,338	459,400	487,458	517,000

¹ Junior college figures are for graded classes.

Approximately 85 percent of all full-time undergraduate students in California attend a public institution of higher education. Approximately 73 percent of all full-time graduate students attend a public institution. The latest figures on student migration indicate that about 45,000 residents of other states are enrolled in California's colleges and universities, of which 26,000 are in public institutions, while some 33,000 California residents are enrolled in out-of-state institutions of higher education. Approximately 95 percent of all students in California's public institutions are residents of the state.

At present there is very little reliable data with respect to persistence and attrition among students who go on to some form of higher education after high school. National studies have suggested that approximately 50 percent of those who begin college complete four years of study and that attrition is very heavy in the first two years. For California it is believed that approximately 50 percent of junior college freshmen continue on into the second year and that about 30

Higher Education—Continued

percent complete two years. It is estimated that 55 percent of University freshmen and 50 percent of state college freshmen graduate within five years. These figures are difficult to interpret, however, because of the tendency of many students to return to college either full-time or part-time after staying out for a year or more. Also, many junior college students transfer to a four-year college before completing two years of study or complete a vocational course which requires less than two years. Nevertheless, attrition does appear to be a very significant problem for California's public institutions and needs detailed study. In our opinion the recently initiated Coordinating Council study of the flow of students should examine this problem very thoroughly during the next year and report its findings and recommendations to the Legislature.

EXPENDITURE SUMMARY

Table 3 shows the actual and estimated total and state expenditures for higher education since 1963-64, in the categories of support, capital outlay and local assistance. In the summary of the expenditures for support and capital outlay, comparisons are made of the relationship of state spending to total spending for higher education and of the relationship of state spending for higher education in relation to total General Fund expenditures.

State support for higher education (exclusive of subventions to junior colleges) is proposed to be significantly reduced in the budget year in the areas of support and capital outlay. On the other hand a normal increase in state expenditures to reflect enrollment growth is proposed in the local assistance section for junior colleges. Overall, state expenditures for support are being reduced 15.9 percent for all of higher education and 19.8 percent at the University of California. For capital outlay, state expenditures are being reduced 23.2 percent for higher education while state expenditures are increasing 11.3 percent for junior colleges in the local assistance sector. The net reduction in state support for all of higher education in all areas is \$104,390,000 in 1967-68, from an estimate in the current year of \$697,374,000 to a proposed total in the Governor's Budget of \$592,984,000.

Table 3
Expenditures for Higher Education ¹
(State Funds Noted Parenthetically) ⁴

Support	1963-64	1964-65	1965-66	Estimated 1966-67	Proposed 1967-68
	(000)	(000)	(000)	(000)	(000)
Coordinating Council on Higher Education -----	\$299 (299)	\$387 (329)	\$435 (353)	\$635 (491)	\$623 (469)
University of California ² ---	317,283 (159,959)	359,906 (181,495)	425,393 (207,465)	492,941 (243,298)	469,470 (195,972)
Hastings College of Law ³ ---	588 (326)	728 (400)	816 (480)	1,011 (666)	1,022 (635)

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

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

³ Total excludes adjustments for student fees and other reimbursements.

⁴ After undetailed 10 percent reductions for 1967-68.

Education

General Summary

Higher Education—Continued

Table 3—Continued
Expenditures for Higher Education¹
(State Funds Noted Parenthetically)

	1963-64	1964-65	1965-66	Estimated 1966-67	Proposed 1967-68
	(000)	(000)	(000)	(000)	(000)
California State Colleges ³ ---	119,873 (101,353)	143,636 (115,594)	183,692 (136,624)	234,325 (175,172)	260,289 (154,246)
Maritime Academy -----	804 (491)	737 (531)	931 (563)	1,021 (618)	1,030 (580)
State Scholarship and Loan Commission -----	2,767 (2,766)	3,702 (3,702)	3,777 (3,776)	4,918 (4,918)	5,581 (5,581)
Total Expenditures -----	\$441,614	\$509,096	\$615,044	\$734,851	\$738,013
Total State Expenditures -	(\$265,194)	(\$302,051)	(\$349,261)	(\$425,163)	(\$357,483)
State Expenditures as percent of total expenditures for higher education -----	60.1	59.3	56.8	57.9	48.4
Total General Fund expenditures for all purposes ----	\$2,064,120	\$2,344,841	\$2,579,619	\$2,998,946	\$2,987,036
State support for higher education as percent of total General Fund expenditures -----	12.8	12.9	13.5	14.2	12.0
Capital Outlay⁵					
University of California ----	\$74,847 (70,971)	\$128,889 (63,753)	\$101,756 (59,143)	\$123,556 (67,432)	\$101,234 (55,246)
California State Colleges ----	41,921 (41,921)	52,810 (52,810)	29,943 (29,905)	172,943 (120,437)	134,771 (75,630)
Junior Colleges -----	— (—)	— (—)	59,511 (25,890)	23,776 (7,957)	43,640 (19,617)
Maritime Academy -----	28 (28)	17 (17)	—	36 (36)	8 (8)
Total expenditures -----	\$116,796	\$181,716	\$191,210	\$320,311	\$279,653
Total state expenditures for capital outlay -	(\$112,920)	(\$116,580)	(\$114,938)	(\$195,861)	(\$150,501)
State expenditures as a percentage of total capital outlay ----	96.7%	64.2%	60.1%	61.1%	53.8%
Local Assistance					
Junior college support -----	\$45,357	\$58,101	\$67,128	\$76,000	\$85,000
Junior college capital outlay -----	2,785	7,737	—	350	—
Total state expenditures --	\$48,142	\$65,838	\$67,128	\$76,350	\$85,000

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

³ Total excludes adjustments for student fees and other reimbursements.

⁵ Total figures include bond funds and federal funds. State figures are composed of bond funds and General Fund.

FINANCING HIGHER EDUCATION IN CALIFORNIA

Major Sources of Support

In Table 4 below we have summarized the funding of current expenditures for higher education in California for the last completed fiscal year, 1965-66.

Higher Education—Continued

Table 4
Expenditures for Higher Education Current Expenses
by Source of Funds, 1965-66
(In thousands)

	State support	Local tax revenues	Federal funds	Student fees	Other ²	Total Expenditures
University of California ----	\$207,465	--	\$350,763	\$36,008	\$69,470	\$663,706
California State Colleges -----	136,624	--	20,984	20,353	5,731	183,692
Junior colleges ¹ -	72,450	\$127,000	6,500	2,560	2,500	211,010
Other agencies -	5,468	--	295	484	28	6,275

¹ Estimated.² Private gifts and grants, endowments, sales and other earnings, etc.

The figure of \$663,706,795 shown as total current expenditures for the University of California includes \$238,313,394 in expenditures for the three large-scale research programs administered by the University for the federal government. With this amount included, state support of \$207,465,445 amounts to only 31 percent of the University's total support, with 53 percent from federal funds, 5 percent from student fees and 11 percent from other sources. If the special federal research funds are excluded, the state share is 49 percent, the federal share is 26 percent, student fees provide 9 percent and other sources provide 16 percent.

In the case of the state colleges we have added \$11,823,821 in reported expenditures of the college research foundations to the figure of \$171,868,619 derived from the Governor's Budget to arrive at a total expenditure figure of \$183,692,440. This figure does not include expenditures for those auxiliary activities such as cafeterias and bookstores which are operated by college foundations as separate enterprises. State support amounted to 75 percent of reported expenditures, with 11 percent provided from federal funds, 11 percent from student fees and 3 percent from other sources.

In the absence of complete expenditure reports for all school districts which operated a junior college in 1965-66, it has been necessary to estimate total junior college current expense and the contribution from each major source. Our estimate is based largely on a projection of 1964-65 data. According to this estimate, state support (apportionments, other subventions and state administration) amounted to approximately 34 percent of total current expenditures, with 61 percent from county and district tax funds, 3 percent from federal aid, and 1 percent each from student fees and other miscellaneous sources.

On the basis of the figures shown in Table 4, total state support for public higher education amounted to approximately \$422 million in 1965-66. All but about \$1 million of this was provided from the General Fund, either by direct appropriation or by appropriations to the State School Fund for apportionment to junior college districts. Such higher education expenditures amounted to 16.5 percent of all General Fund expenditures for 1965-66.

Expenditures of federal funds amounted to approximately \$378 million. Of this amount, \$238 million was expended by the University

Higher Education—Continued

under three special federal research projects. Approximately \$90 million went for other organized research at the University, \$12 million was provided for state college research and special projects, \$14 million was provided for student aid under the NDEA Student Loan Program and the Work-study Program, and the balance was allocated for many activities of lesser magnitude, most of which are not clearly designated in the institutional budgets.

STUDENT FEES

Basic Student Fees

As indicated in Table 4, student fees accounted for a relatively small portion of total current expenditures for public higher education in 1965-66. The figure would be considerably smaller if fees for "self-supporting" summer sessions and extension programs were eliminated, leaving only income from fees charged students attending the regular instructional programs of the three segments. The reason for this is that California's institutions have long been tuition-free for all students except those enrolled in graduate professional schools and those classified as nonresidents.

Although all three segments have continued to be "tuition-free," this has not been interpreted as a prohibition against other appropriate fees. A distinction has been made between tuition, defined as a charge for the direct costs of classroom instruction (primarily faculty salaries), and other fees for materials and services which are auxiliary or incidental to the instructional program. While tuition has remained free, the Legislature, the University and the state colleges have acted to maintain other fees in close relation to the costs which they are intended to support.

There are two basic types of fees charged resident students enrolled in the regular academic session of the University and state colleges. These are incidental fees and auxiliary service fees. The incidental fee, or materials and service fee as it is called at the state colleges, is intended to cover the cost of expendable laboratory and other instructional supplies, student health services, placement services and other services incidental to the instructional program. Auxiliary service fees are charged for the use of parking facilities, residence halls and residence dining facilities and are the means for financing such facilities.

The current levels of these and several other lesser fees are indicated in Table 5. In several cases it has been necessary to indicate a range where fee levels vary from campus to campus.

Table 5
Basic Annual Student Charges, 1966-67

	<i>University of California</i>	<i>California State Colleges</i>	<i>Junior Colleges</i>
Incidental fee	\$219	\$76	-
Nonresident tuition	980	600	\$330
Student organization fee	11-30	10-20	-
Student union fee	11-18	2-12	-
Application fee	10	5	-
Auxiliary service fees			
Room and board	920	620-880	-
Parking	50	26	-

Higher Education—Continued

The public junior colleges are required by statute to levy a non-resident tuition charge which is equivalent to average annual district cost per student as determined by the State Board of Education. In addition the junior colleges may levy fees to cover parking or health services, or both, up to a total of \$10 per year. Few junior colleges levy either fee at present.

University fees are established by the Regents under their broad powers granted by the Constitution of the State of California. State college fees are established by the Trustees under the terms of Section 23751 of the Education Code which provides that the Trustees "may by rule require all persons to pay fees—for services, facilities or materials provided by the trustees to such persons, except that fees relating to parking shall be subject to the approval of the Director of General Services." Both segments are also guided by statements as to the purpose and levels of fees in the 1960 Master Plan, as well as by the level of appropriations provided by the Legislature.

Incidental Fees

The general nature and purpose of the incidental fee has become fairly well established in recent years but there are important differences between the University and the state colleges as to the costs which are covered by this fee.

As shown in Table 6, the state college materials and services fee, which is now \$76 per year, is expected to cover the direct costs of the student health services, counseling and testing, student activities guidance, housing services and the equivalent of \$31.50 per FTE unit of enrollment for instructional materials.

Table 6
Distribution of State College Materials and Services Fee Income
1967-68

	<i>Total amount</i>	<i>Cost per student</i>	<i>Percent of total</i>
Instructional materials -----	\$4,326,350	\$26	34%
Audiovisual services -----	227,225	1	1
Student health services -----	3,132,973	19	25
Counseling and testing -----	2,497,358	15	20
Activities and housing -----	1,023,427	6	8
Placement -----	1,013,185	6	8
Student loan administration -----	294,403	2	2
Foreign student advisors -----	258,039	1	2
Totals -----	\$12,772,960	\$76	100%

The services and activities financed from the University's incidental fee are indicated in Table 7. Total estimated income for 1967-68 is \$19,617,172 from this fee.

Higher Education—Continued

Table 7
Distribution of University Incidental Fee Income

	<i>Cost per student</i>	<i>Percent of total</i>
Student health service.....	\$70.00	32%
Student and alumni placement.....	7.00	3
Educational placement.....	4.00	2
Counseling service.....	11.00	5
Housing service.....	4.00	2
Intercollegiate athletics.....	13.00	6
Laboratory costs.....	28.00	13
Recreational activities.....	9.00	4
Student activities.....	4.00	2
Arts, lectures and cultural programs.....	9.00	4
Reserve for cost increases.....	5.00	2
Unallocated and miscellaneous.....	2.00	1
Capital outlay and debt service.....	53.00	24
Total.....	\$219.00	100%

A comparison of tables 6 and 7 makes it quite evident that the University has gone well beyond the state colleges in utilizing the incidental fee as a source of income to support services and activities which could not be supported from state funds under present policy. Particularly notable in this regard are University expenditures for recreational activities, special cultural programs, intercollegiate athletics, an extensive student health service and capital outlay for related facilities. In the current year incidental fee income allocated for capital outlay and debt service is to be used to help finance a student-faculty lounge at Davis, a student health unit at Irvine and at Santa Barbara, a swimming pool, art studio and student publication facilities at Santa Cruz, swimming and other recreation facilities at San Diego and various other athletic facilities at several of the campuses.

Tuition

The 1960 Master Plan for Higher Education stated that there has been a "long established principle that the state colleges and the University of California shall be tuition free to all residents of the state." This statement was nearer to the truth in spirit than in fact. From 1933 to 1953 the state colleges openly charged a small tuition fee under statutory authorization which dates back to 1862. Such authorization is still in effect. The University of California charged tuition only during the initial months of operation in 1869, but a vestigial reference to "an admission fee and rate of tuition fixed by the board of regents" remains in the Education Code. More significantly, both segments allocate a portion of their incidental fee income to the cost of instructional materials. This cost can be considered to be a part of direct teaching expense so that the portion of the incidental fee allocated for this purpose might well be described as tuition.

The General Fund revenue problem which now faces the state, and which stems in some measure from the very rapid rise in expenditures for higher education in recent years, now makes it appropriate to confront the issue openly. The desirability of levying a substantial charge

Higher Education—Continued

for tuition as a means of providing a portion of the support required for the University, state colleges and junior colleges must now be given careful consideration. The budgets of both the University and the state colleges as submitted to the Legislature make provision for tuition as a source of support. An amount of \$20 million is budgeted for tuition income to reduce General Fund cost for the University, and \$18 million is budgeted for state college tuition. It is not as yet clear, however, what tuition charges are to be levied to produce these amounts.

Estimated Gross Yield

In order to facilitate consideration of this issue we have estimated the gross yield which might be expected from uniform annual tuition charges of from \$100 to \$500 for the University, state colleges and junior colleges. We have not attempted to reduce these gross figures to account for any reduction in enrollment which might result, nor have we attempted to offset income with an estimate of increases in student aid which might be necessary to soften the impact. It is clear, however, that there would be a very significant effect on enrollment and that a very sizeable increase in student aid would be required if the charge were to be as high as \$500 per year.

On the basis of recent enrollment projections for each segment for fiscal year 1967-68, we estimate that the gross yield from a tuition charge of \$100 would be approximately \$7.9 million for the University, \$15.5 million for the state colleges and as much as \$27.4 million for the public junior colleges. In Table 8 this estimated gross rate of return is shown for each increment of \$100 in tuition up to the level of \$500 per year.

Table 8
Estimated Gross Yield From Various Levels of Tuition, 1967-68
(Yield in millions)

	\$100	\$200	\$300	\$400	\$500
University of California -----	\$7.9	\$15.7	\$23.6	\$31.4	\$39.3
California State Colleges -----	15.5	31.1	46.6	62.1	77.7
Junior Colleges -----	27.4	54.8	82.1	109.5	136.9
	<u>\$50.8</u>	<u>\$101.6</u>	<u>\$152.3</u>	<u>\$203.0</u>	<u>\$253.9</u>

Most, if not all, of the important arguments for and against tuition have been discussed in detail in reports by the Coordinating Council for Higher Education, the Assembly Committee on Education, the Legislative Analyst and other agencies. The following paragraphs are therefore intended only to outline very briefly what appear to us to be the principal arguments on each side of this issue, and our recommendation in relation to the budget proposal.

Arguments for a Tuition Charge

1. Current state tax revenues are not sufficient to enable the state to maintain its present high educational standards in the face of rapidly increasing support costs. The present surge of enrollment growth and the continued development of new and costly instructional programs has increased current state support for public higher education from

Higher Education—Continued

about \$150 million in 1957-58 to an estimated \$496 million in the current year, an increase of \$346 million or 230 percent over the 10-year period. Current support for higher education, including junior college support, now claims the equivalent of about 16.8 percent of General Fund expenditures as compared with 11.9 percent 10 years ago. Unless substantial new revenues are developed, it will be necessary either to cut back the existing level of support for higher education and other competing areas or to ask the students (and their families) to contribute significantly more toward the costs of their education.

The present situation is further aggravated by demands from junior college officials and those concerned by the burden of local property taxes that the state assume a greater share of the cost of supporting the junior colleges. The cost of taking over the total current cost of operating the junior colleges would be approximately \$170 million for 1967-68. Additional pressure on current resources may result from the Legislature's expressed intention to finance a greater portion of higher education capital outlay from current revenues rather than from bond proceeds, to the extent that tidelands oil revenues are not sufficient for this purpose.

2. The existence of a strong public system of higher education is beneficial to all citizens of the state, but there are also important benefits for individuals who receive a tuition-free education at this level which have not been taken into account. Several studies have indicated that the average dollar value of a bachelor's degree, as compared with a high school diploma, is between \$100,000 and \$150,000 in additional gross lifetime income. With this expectation a student may reasonably be required to pay something more toward the cost of his education, either currently or after graduation, as his income permits.

3. Regardless of the benefits which may accrue to individuals, there are a great many students whose families could now pay more toward the cost of their children's education with little effort. According to a recent study of income distribution among California college students, among those who are supported by their families, about 20 percent of state college students and 38 percent of University students come from families with an annual income of \$14,000 or greater. Under our present tax structure neither the students nor their families are required to make a contribution commensurate with their ability to pay. Conversely, low-income groups who send a small proportion of their children to a state college or the University must pay a disproportionate share of the cost through state taxes. A similar situation obtains with respect to the junior colleges because of their heavy dependence upon the regressive local property tax.

4. The tuition-free policy has not resulted in heavy enrollment in our colleges by students from low income families. Present subsistence costs are sufficient to keep such students out of our public institutions of higher education. This situation could be changed, however, if the state were to levy a tuition charge and use a substantial portion of the income to expand present student aid programs. Tuition could result in greater access to public higher education for low income groups, rather than less, if it were used to equalize financial ability in this manner.

**Higher Education—Continued
Arguments Against Tuition**

1. Present student charges represent only a small part of the cost to a student or his family for attending the University or a state college. In measuring the ability to pay tuition, the accepted approach is to measure subsistence costs and fees against family income and the number of children supported. The minimum average cost for undergraduates attending the University and living in residence halls has been estimated at about \$1,850 for an academic year. The comparable figure for state college students is approximately \$1,650. It may be argued that these costs do not differ greatly for nonstudents, but if this is true then it must also be pointed out that there is the further cost to the student in the form of income he would have earned had he not been a student. The current minimum estimate of income foregone for full-time undergraduate students is \$3,000.

2. There has been some general improvement in the ability to pay for higher education, but this has not held true to the same extent for minority groups, and there remains a substantial portion of the state's population with individual and family income well below the level at which tuition payments could be met without substantial hardship. According to figures reported by the State Scholarship Commission, 30-35 percent of California families fall below the minimum income level (\$5,500-\$6,000) necessary to support one child as a commuter student at a state college or University campus.

Studies as to the dollar value of higher education to the individual also show that nonwhite citizens do not, on the average, share in the benefits nearly to the same extent as do white citizens. If such persons and groups are not to be excluded from present educational opportunities, any significant tuition charge would have to be offset by a greatly enlarged scholarship or loan program.

3. It can also be shown that figures as to increased individual earnings for college graduates obscure important differences in lifetime earnings within this very broad category. Many college graduates enter occupations which are relatively low paying, and many college graduates within the higher paying occupations are at the low end of the scale. Hence, it is a mistake to establish a charge based upon a very broad generalization about subsequent income. It makes more sense to tax individuals at the time when they actually realize the additional income and to the extent that they do in fact benefit as individuals. The measures, such as an enlarged scholarship program or a state-backed loan program, which would be necessary to avoid creating a financial obstacle to equal educational opportunity would also add unnecessarily to the present costs of higher education.

4. As long as the junior colleges are clearly identified as part of the public school system, they appear to be prohibited from charging tuition under Article 9 of the State Constitution. If for this or any other reason the junior colleges are exempted from a tuition payment required of University and state college students, it is reasonable to expect a substantial diversion of lower division enrollment from the four-year institutions to the junior colleges. Most of the cost of sup-

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porting these students at the tuition-free junior colleges will continue to be borne by the state through the apportionment system, but the students will escape any additional charge simply by taking the same program at a different location.

5. Although there may be important economic benefits to the individual who obtains a college education, these benefits are shared by all citizens of the state to the extent that it is impossible to separate the individual's gain from that of the state as a whole. Accordingly, higher education must be seen as a social investment toward which all citizens of the state should contribute jointly, just as they jointly enjoy the cultural, political and economic benefits from that investment. It is as important to provide full opportunity to every citizen to seek knowledge to the extent of his capacity as it is to ensure equal justice before the laws, high standards of public health and safety and free public schools. If barriers are erected to limit admissions to those with the ability to pay, the loss will be shared by all citizens of the state, not simply by those denied further educational opportunity.

In our opinion these arguments weigh against the imposition of a tuition charge at the University, state colleges and junior colleges, at this time, particularly in view of the fact that a very substantial charge would be necessary to yield sufficient revenue to have a significant impact on the state's financial condition. Clearly, California does not yet assure equal opportunity to all, regardless of financial ability, and it would be undesirable to further restrict such opportunity at this time. Since the substantial cost of attending a state college or the University is already a deterrent to many students, it is essential to determine accurately what effect the establishment of increased scholarship funds for needy students may have on overcoming that existing barrier. It is conceivable that proper distribution of tuition revenues for that purpose may provide greater opportunity than currently exists, but the question still remains as to whether such scholarship funds might not most appropriately be raised by taxes which are less regressive than tuition.

However, should the Legislature decide to establish a tuition charge, we believe that such a charge should be uniform for all curricula so as not to influence a student's choice of program, and that it should be uniform for each instructional level. Any fee for state college and University lower division students should also be required for junior college students. None of the arguments advanced in favor of tuition supports a differentiation between the University, the state colleges and the junior colleges. With respect to the manner in which a tuition charge might be levied, we would recommend that it be a direct charge which would be payable at registration or, if necessary, in installments over the year. In order that the charge not act to deny higher education to students of very limited means, we believe that there should be a very careful review of the existing student aid funds and the need for additional assistance. Any new sources of student assistance should be sufficiently flexible to take into account other sources of funds available to each student, including federal student aid, within the general

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policy framework of maintaining educational opportunity for those at the lowest income levels.

The following section dealing with the availability of student aid funds at the University and the state colleges is intended to assist in a determination of how much additional aid would be required should the Legislature decide to levy a tuition charge.

STUDENT FINANCIAL AID

California has relied upon its extensive system of public higher education and its free tuition policy as the means of providing access to higher education for all high school graduates of the state, regardless of their financial situation. State supported student aid, of which the state scholarship program until recently was the only example, has been justified primarily as a method of enabling the private colleges and universities to absorb a larger share of the annual number of high school graduates. Proposals to provide large-scale financial aid programs for the great majority of students who attend the seemingly low-cost public institutions have attracted few supporters.

Nevertheless, student aid programs administered by the University and the state colleges have grown very substantially in recent years, largely as a result of several new federal programs, but also as a result of increases in funds from other nonstate sources. Inasmuch as there is no continuing inventory of student aid funds, either by a state agency or by the systems themselves, we recently requested the University and the state colleges to gather data from the individual campuses as to the amounts of scholarship funds and loan funds available from all sources for the years 1965-66, 1966-67 and 1967-68. The figures reported by the University and state colleges are summarized in Tables 9 and 10.

The figures indicate that both systems, and particularly the University, attract sizeable amounts of student aid funds. In comparison with a similar survey we made approximately five years ago, there has been a relatively large increase in each type of aid. The figures for the three-year period reported here show that this growth is continuing. The total funds available in scholarships, fellowships, loans, grants-in-aid and tuition waivers for University students amounted to \$196 per student enrolled in 1965-66, \$218 per student in 1966-67 and may reach \$234 per student in 1967-68. The comparable figures for the state colleges (per full-time student) are \$104 for 1965-66, \$154 for 1966-67 and \$168 for 1967-68, excluding part-time employment. It should be kept in mind, however, that during the same period the cost of attending the University of California, as measured by the State Scholarship and Loan Commission, has risen from \$1,710 to \$1,850 per year for students who reside on campus. The equivalent cost for the state colleges generally ranges from \$1,600 to \$1,700.

It should also be kept in mind that the figures summarized in Tables 9 and 10 represent a wide variety of types of student aid, from loans to part-time employment (not shown for the University) to scholarships and fellowships, and that these different types of aid are not to be

Table 9
Scholarship and Loan Funds and Recipients
University of California

	1965-66		1966-67		1967-68	
	Number	Amount	Number	Amount	Number	Amount
Grants-in-aid:						
Federal funds -----	170	\$162,600	1,843	\$919,178	2,932	\$1,914,250
University funds -----	279	89,938	491	141,531	802	311,764
Private funds -----	72	13,500	109	21,500	80	15,500
Subtotal -----	521	\$266,038	2,443	\$1,082,209	3,814	\$2,241,514
Tuition waivers -----	2,035	\$1,642,000	1,531	\$1,500,380	1,526	\$1,495,480
Undergraduate Scholarships:						
Endowed funds -----	953	\$439,468	1,131	\$497,645	1,159	\$538,117
Presidents' scholarships ---	121	58,265	140	64,505	208	103,600
Regents' scholarships -----	740	516,561	771	631,842	878	764,041
General scholarship fund ---	72	21,500	32	7,700	23	13,500
Donation funds -----	612	229,156	557	211,314	594	212,200
Alumni scholarships -----	335	124,650	471	161,200	491	177,400
Regents' matching program ---	45	17,340	79	20,853	82	27,413
State scholarships -----	245	85,921	230	91,215	231	91,000
Subtotal -----	3,123	\$1,492,861	3,411	\$1,686,094	3,670	\$1,927,271
Graduate Scholarships and Fellowships:						
Endowed funds -----	271	\$404,177	307	\$501,458	355	\$515,815
Regents' fellowships -----	85	190,700	121	285,000	145	347,600
Various funds -----	279	121,600	123	126,045	124	122,575
Donation funds -----	153	336,885	164	403,076	134	347,921
State funded awards -----	48	66,000	40	58,900	29	55,900
Federal scholarships -----	1,548	4,096,367	1,792	4,302,425	1,902	4,579,083
Subtotal -----	2,384	\$5,215,729	2,547	\$5,676,904	2,689	\$5,968,894
University Administered Loan Funds:						
Endowed funds -----	4,211	\$1,597,844	4,229	\$1,417,044	4,411	\$1,459,771
Donation funds -----	383	142,131	279	126,500	294	134,250
Regents' funds -----	807	273,634	739	360,040	502	264,200
NDEA program -----	6,404	4,402,842	6,972	4,887,579	8,307	5,905,580
Health professions program ---	459	473,355	651	774,075	749	912,500
Other -----	50	42,769	48	61,265	46	59,460
Subtotal -----	12,087	\$6,932,575	12,918	\$7,626,503	14,215	\$8,735,761

Table 10
Student Aid Funds
California State Colleges

	1965-66		<i>Estimated</i> 1966-67		<i>Estimated</i> 1967-68	
	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
Scholarships and grants						
(College funds) -----	2,680	\$546,722	2,868	\$598,210	3,184	\$665,255
Tuition and fee waivers -----	376	297,258	507	357,597	537	365,024
Educational opportunity grants -----			4,527	2,010,478	3,969	2,362,500
State scholarships -----	281	27,115	404	40,796	414	41,400
Loans (College funds) -----	7,406	542,392	8,576	631,237	9,521	719,164
NDEA loan program -----	5,692	4,570,240	6,110	4,977,650	8,821	5,598,600
Nursing loan program -----	199	106,950	150	85,000	150	117,650
Graduate assistantships -----	1,492	1,411,285	1,864	1,884,744	2,085	2,136,996
Work-study program -----	5,392	2,729,760	8,192	6,405,800	7,686	8,221,187
Part-time jobs (Budgeted student assistance) -----	12,706	3,459,549	14,279	3,888,357	14,575	3,966,058
Totals -----		<u>\$13,691,271</u>		<u>\$20,879,869</u>		<u>\$24,193,834</u>

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equated solely in terms of the fund amounts. The different types of aid are not fully interchangeable, and it is often the practice to put together an aid package consisting, for example, of a loan plus a part-time job, for individual students. It should be remembered that a large proportion of state college and University students are partially or wholly self-supporting.

The state colleges report that slightly more than 20 percent of their students are receiving financial aid of one or more types (many students receive an aid "package" made up, for example, of a loan and a part-time job). The Chancellor's Office estimates that an additional \$8.5-\$9.5 million in scholarship and loan funds would be required if a tuition of \$200 were imposed for state college students. The number of students requiring aid, according to their estimate, could rise to 40 percent. It is also the opinion of the Chancellor's Office that the bulk of any additional aid should be in the form of grants and scholarships.

The University of California reports that according to the campus financial aids officers there will be some \$5,374,000 in bona fide need for scholarships and fellowships for 1967-68 that cannot now be met. In order to offset a tuition charge of \$400 per year, an additional \$16,638,000 would be required, according to this report, for a total need of approximately \$22 million. If a tuition of \$200 were to be imposed, the University estimates that a total of about \$12.7 million in additional student aid would be required.

YEAR-ROUND OPERATION

In response to the continuing heavy demand for capital outlay funds to provide new campuses and to expand existing facilities to house rapidly growing enrollment, many institutions of higher education have begun operating year-round in order to accommodate as much enrollment growth as possible within existing facilities. Because the problems in this regard have been as great in California as anywhere else, we have consistently supported and recommended action to establish year-round operation for the University, state colleges and junior colleges as rapidly as is feasible and economically justifiable.

The development of year-round operations for California's public institutions of higher education began with legislative directives to the state colleges and the University to seek ways to develop greater utilization of their facilities to accommodate the rapid enrollment growth of the 1950's. The idea received additional impetus from a 1960 Master Plan recommendation supporting the full-year use of higher education facilities and directing the Coordinating Council for Higher Education to conduct a study to develop a revised academic calendar which would permit year-round operation. In response to a decision by the University in 1962 to begin planning for year-round operation and in compliance with the Master Plan, the Coordinating Council undertook such a study during 1963. As a result of its study, the council endorsed the quarter system as the most appropriate calendar system within which facilities could be used on a year-round basis, and both the University and the state colleges then adopted it as the basis for

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their planning. This planning again received the general endorsement of the Legislature with passage of Senate Concurrent Resolution No. 24 at the 1964 Session.

In December, 1963, the Regents of the University of California authorized a \$250,000 study of the necessary curricular and other educational changes required for year-round operation and the development of a time-table for conversion to the quarter system. In July, 1964, the Regents approved a schedule calling for the three new campuses at Santa Cruz, Irvine and San Diego to open on a quarter system calendar, with all other campuses to convert to the quarter calendar in 1966-67 and one or more campuses (unnamed) to begin year-round operations with a full summer quarter in 1967.

This schedule has been maintained by the Regents and supported with necessary planning funds from the Legislature. All campuses of the University are now operating on a quarter-system calendar. The Berkeley Campus, which was selected as the first major campus to offer a full summer quarter, is scheduled to do so in June 1967. The Los Angeles Campus is to follow with a summer quarter in 1968. An announced initial decision to delete state support for these programs from the 1967-68 budget of the University and to postpone this schedule for one year has been reversed, and an amount of \$3,981,576 for University summer quarter operations is included in the Governor's Budget.

The University's schedule for its other campuses provides for a summer quarter for Davis and Santa Barbara in 1969, for Riverside, Irvine and San Diego in 1970, and for Santa Cruz by 1973. Implementation of this schedule for the newer campuses depends in part upon the rate of enrollment growth, as it is not economically feasible to offer a summer quarter until enrollment has reached the point at which summer term unit costs may be expected to be similar to those for the other three terms.

The Trustees of the California State Colleges also decided initially to undertake conversion of all the state colleges to a summer quarter by 1966-67. This plan was subsequently revised, however, to provide for conversion to a quarter system and development of a summer quarter at one or two colleges at a time, on a pilot basis, with a goal of achieving full year-round operation by 1975. Those colleges, including Hayward, San Luis Obispo and Kellogg-Voorhis, which were already following a quarter calendar, began offering a summer quarter in 1965 and 1966. The other established colleges are to convert to the quarter system and offer a summer quarter, one or two at a time over the next eight years. In most cases the colleges are scheduled to take both steps within the same year.

The present state college schedule is shown on page 407 of this analysis. The first large college to convert to the quarter-system and offer a summer quarter is Los Angeles. That college is to make the conversion and begin year-round operation in June of this year. A net amount of \$3,051,804 is included in the state college budget for this purpose.

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Year-round operation is expected to yield very substantial savings to the state in capital outlay costs. The savings arise from the fact that with a year-round quarter system some students can complete their 12 (quarter) term undergraduate program within a shorter period of time, and others can shift their attendance to the summer quarter from one of the other three terms, so that over a period of several years the available facilities can serve a significantly larger number of students than would otherwise be possible. The extent to which savings are realized will depend in large part on the number of students who will choose to attend the summer quarters, either to accelerate their programs or in preference to attendance during another term. For this reason it is very difficult to estimate the probable savings. The Coordinating Council in 1964 estimated that if summer enrollment equals 40 percent of fall term enrollment, the potential capital outlay savings will be \$208.8 million over the 10-year period 1965-1975.

There will also be increased operating expenditures during the next several years as a result of year-round operation, but it is incorrect to subtract the total of these expenditures from capital outlay savings to calculate a "net saving." Part of the increased cost will be for planning the conversion to the quarter system. There will also be increased operating costs which represent a loss in student fee income from those students who would have attended a self-supporting summer session if the summer quarter were not available. It may be estimated that some 50 percent of summer session students will elect to enroll instead in a summer quarter. In addition there will be some increased cost arising from the increase in unit costs during the first few years before summer term enrollment is sufficiently large to reduce unit costs to the levels which prevail for the other terms.

The major portion of the increased expenditure, however, is simply the cost of instruction for the summer quarter. It is not an added cost in the usual sense because it results in a corresponding increase in output which is measurable in terms of student credit hours. It is cost which would occur at a later time in the absence of year-round operation.

In Tables 11 and 12 we show estimated summer quarter enrollment for fiscal years 1964-65 through 1967-68 and net state expenditures for identifiable planning and operation over the same period.

Table 11
Summer Quarter Enrollment

	1964-65	1965-66	<i>Estimated</i> 1966-67	<i>Estimated</i> 1967-68
Term FTE:				
California State Colleges -----	1,617	2,964	5,460	10,815
University of California -----	--	--	1,722	10,325
Annual FTE:				
California State Colleges -----	539	988	1,820	3,605
University of California -----	--	--	574	3,978

General Summary

Education

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Table 12
Identifiable Expenditures for Quarter System
Conversion and Year-round Operation

	1964-65	1965-66	Estimated 1966-67	Budgeted 1967-68
Planning and Conversion:				
California State Colleges -----	58,245	117,616	562,510	174,068
University of California -----	350,000	125,000	--	--
Operating Expenditures:				
California State Colleges -----	122,979	373,903	1,935,806	4,501,666
University of California -----	--	--	718,250	4,132,440

COORDINATING COUNCIL FOR HIGHER EDUCATION

ITEM 87 of the Budget Bill

Budget page 217

FOR SUPPORT OF THE COORDINATING COUNCIL FOR HIGHER EDUCATION FROM THE GENERAL FUND

Amount requested in Budget Bill-----		\$453,560
Budget request before identified adjustments-----	\$491,789	
Increase to recognize full workload change-----	12,166	
Budget as adjusted for workload change-----	\$503,955	
Adjustment—undetailed reduction (10 percent)-----	50,395	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET--- \$7,000

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$43,395

Summary of Recommended Reductions

	Amount	Budget Page	Line
Delete 1.0 fiscal analyst and related expense -----	\$7,000	220	55

GENERAL PROGRAM STATEMENT

The Coordinating Council for Higher Education was established under the Donahoe Higher Education Act of 1960 in accordance with the Master Plan for Higher Education. It is an advisory body intended to promote voluntary coordination of higher education in California so as to assure its orderly growth and development.

The council now has 18 members, of which 6 are appointed by the Governor to represent the public, 3 represent private colleges and universities, 3 are appointed by the Regents to represent the University of California, 3 are appointed by the Trustees to represent the California State Colleges and 3 are appointed by the State Board of Education to represent the junior colleges. The council selects its own director and staff, which now consists of 22 professional and 15.7 clerical positions. Additional technical assistance is obtained from several permanent and *ad hoc* committees composed of representatives of the segments and appropriate state agencies. The council's office is in Sacramento.

The Donahoe Act states three ways in which the coordinating council is to carry out its advisory functions in serving the Governor, the Legislature, other state officials and the governing boards of the public institutions of higher education: (1) it is to review and comment upon the annual budget requests of the University and state colleges; (2) it

Coordinating Council for Higher Education—Continued

is to assist in delineating the functions of the University, the state colleges and the junior colleges and to counsel as to the programs appropriate to each segment; and (3) it is to develop plans for the orderly growth of public higher education and to make recommendations as to the need for and location of new facilities and programs.

In addition, the council has been designated, in some cases by statute and in others by the Governor, to be the statewide agency responsible for the planning and administration of state participation in several federal programs of aid for higher education. Chief among these is the Higher Education Facilities Act of 1963 under which the federal government provides substantial capital outlay aid to the states.

ANALYSIS AND RECOMMENDATIONS

The proposed 1967-68 budget (before the proposed 10 percent cut) for the council provides for a total expenditure of \$638,795, of which \$503,955 is requested from the General Fund and \$131,030 is to come from federal funds. The General Fund share provides for an increase of \$28,121, or 6 percent, over estimated expenditures for the current year. Federal funds are expected to be reduced by \$9,556, or 6.6 percent. In Table 1 below, we compare actual expenditures over the past three years with projected expenditures, based upon this budget request, through 1971-72.

Table 1
Total Expenditures
Coordinating Council for Higher Education

	<i>General Fund</i>	<i>Federal funds</i>	<i>Total expenditures</i>
Actual			
1964-65	\$314,148	\$57,354	\$371,502
1965-66	338,512	81,786	420,298
Estimated			
1966-67	475,834	144,396	620,230
Proposed			
1967-68	503,955	134,840	638,795
Projected			
1968-69	521,000	135,000	656,000
1969-70	553,000	140,000	693,000
1970-71	586,000	145,000	731,000
1971-72	621,000	151,000	772,000

For budgetary purposes, the council's responsibilities may be divided into three programs: (1) carrying out the functions required under the Donahoe Act; (2) administration of the Higher Education Facilities Act and Title VI of the Higher Education Act of 1965; and (3) administration of the Federal Community Services and Continuing Education Programs. Although the state's contribution to the Western Interstate Commission for Higher Education is included under the council's budget in the Governor's Budget, it is a separate item in the Budget Bill and is treated as such here.

Coordinating Council for Higher Education—Continued

Table 2

Proposed Program Administration Expenditures, 1967-68

	<i>General Fund</i>	<i>Federal funds</i>	<i>Total expenditures</i>
1. Donahoe Act activities -----	\$470,366	--	\$470,366
2. Federal facilities and equipment aid programs -----	--	\$101,251	101,251
3. Community services programs -----	33,589	33,589	67,178
	<u>\$503,955</u>	<u>\$134,840</u>	<u>\$638,795</u>

Donahoe Act Activities

The council's principal activities in meeting its responsibilities under the Donahoe Act during 1967-68 will include special studies in the areas of engineering and agricultural curricula, the "flow" of students in higher education, statewide library resources and part-time students, in addition to its continuing studies of the level of support for higher education and faculty salaries. During the current year the council has conducted studies on junior college finance and governance and educational opportunities for disadvantaged students.

The council's proposed budget for these activities provides a total of \$470,366, which is \$9,532 or 2.1 percent above estimated expenditures for the current year. This increase is made up of \$11,553 in merit salary adjustments, an increase of \$5,358 in operating expense (less \$5,300 in moving expense provided for the current year) and a reduction of \$2,079 in equipment.

On several occasions in the past we have been somewhat critical of the manner in which the council has met its statutory responsibility to review and comment upon the budgets of the University of California and the California State Colleges. This continues to be a problem for the council and an area in which it has been unable to provide the sort of leadership which appears to be called for by the Master Plan.

In large part the problem is one of timing and authority. When the council has attempted to review the college and University budgets in detail before the budgets have been approved by the Trustees and the Regents, it has been confronted with incomplete and very tentative estimates rather than carefully developed detailed budget proposals. When it has attempted to review the budgets after they have been approved by the boards, it has found both segments to be unsympathetic toward any real criticism of their budgets. Moreover, in either case the council knows that other agencies will make more detailed reviews after it has completed its work and that its views with regard to expenditure details receive only limited consideration by those agencies.

The council itself is unsuited to the task of making a detailed and comprehensive review of the college and University budgets. In our opinion it would be of greater service to the state if it looked instead at the whole span of planning, programming, budgeting and performance and chose those areas in which it can complement the activities of other agencies. For example, the council could be of substantial assistance in encouraging the development of long-range budget planning and programming among the segments. With regard to the annual budgets, the

Coordinating Council for Higher Education—Continued

council could give more attention to summarizing the general resource requirements of higher education, together with the necessary funding, and reviewing the allocation of those resources among the segments. Rather than attempting to review hastily the college and University budgets in detail, the council staff could take the initiative in important areas such as organized research, health education, student and library resources to provide a more comprehensive and carefully developed statement of program requirements in each area. At the same time, it could review new programs broadly in terms of the functions of each segment, the availability of resources, the adequacy of planning, possible alternatives and priorities in relation to other new and continuing programs.

This approach will require time to develop, but in our opinion the council will lose little by abandoning its present system in favor of a more positive, long-range approach to its responsibility to review and comment upon the general level of support sought for higher education.

Federal Facilities and Equipment Programs

Under Title 1 of the Higher Education Facilities Act of 1963, as amended, the federal government provides capital outlay funds for public and private institutions of higher education on a matching basis and allocated according to state plans drawn up and administered by a central state agency. The Coordinating Council was designated in 1963 as the state agency responsible for this program. Its specific responsibilities include the receipt and screening of grant applications, preparation of priority lists for recommended projects and the preparation of any necessary revisions in the state plan.

In Table 3 we show the amount of federal funds granted to public and private institutions of higher education in California in 1964-65 and 1965-66 as well as estimated funds for the current and budgeted years. Although we indicate funds for the budget year at the same level as the current year, there may be some reduction. The administration budget as submitted to Congress requests \$64 million or 18 percent less than estimated expenditures for the current year.

Table 3
Actual

	<i>Actual</i>		<i>Estimated</i>	
	<i>1964-65</i>	<i>1965-66</i>	<i>1966-67</i>	<i>1967-68</i>
Junior colleges and technical institutes--	\$3,770,269	\$7,762,896	\$6,953,420	\$6,900,000
Four-year institutions -	19,877,204	39,216,513	38,798,742	38,800,000
Total -----	\$2,647,473	\$46,979,409	\$45,752,162	\$45,700,000

For junior colleges and technical institutes the federal share of project cost is limited to 40 percent or a maximum of \$500,000. For projects submitted by four-year institutions the federal share is limited to one-third up to a maximum of \$1,000,000.

A staff of 7.2 positions has been established to administer this program with a budget of \$101,251 supported entirely from federal funds provided for this purpose. The amount budgeted for 1967-68 is only \$1,855 greater than estimated expenditures for the current year.

Coordinating Council for Higher Education—Continued

This staff has also been assigned responsibility for administration of a second program, Title VI, Part A, of the Higher Education Act of 1965. Under this program the federal government provides matching funds for: (1) the acquisition of laboratory and other special equipment, including audio-visual equipment and materials, and related minor remodeling and (2) the acquisition of closed circuit instructional television equipment and minor remodeling.

Program regulations limit institutions to one application per year and set a maximum for federal funds of \$100,000 for the first category of aid and \$50,000 for the second. The minimum matching requirement is 50-50. The state plan, drawn up by the council staff, provides for the allocation of this aid on a point basis. California's allocation for the first year, 1965-66 was \$170,694. Estimated funding for 1965-66 and 1966-67 is as follows:

1965-66	United States	California
Instructional equipment -----	\$13,500,000	\$1,536,250
Closed circuit TV-----	1,500,000	170,694
1966-67		
Instructional equipment -----	13,000,000	1,450,104
Closed circuit TV-----	1,500,000	167,319

Community Services Program

Title I of the Higher Education Act of 1965 established a Community Services Program intended to strengthen the activities and programs of the colleges and universities in assisting local communities to solve problems related to housing, recreation, poverty, transportation, health, etc. There is to be a basic allocation of \$100,000 to each state with the balance of the annual appropriation to be allocated according to the population of each state. The matching requirement is for 25 percent state participation with administrative funds to be provided on the same basis.

A state plan was drawn up by the council staff and approved by the council in August, 1966. California's allocation for 1965-66 was \$546,970 which was used to support 13 projects submitted by 12 institutions. The estimated allocation for 1965-66 is \$546,970 and for 1966-67 \$549,393.

A staff of 4.5 positions has been established to administer this program at a total cost of \$59,558 for 1967-68. Although this is \$442 less than estimated cost for the current year, the General Fund share is up from \$15,000 for 1966-67 to \$29,779 for 1967-68. The reason for the increase in General Fund cost is a change in the matching relationship for administrative funds from a 1 to 3 ratio to a 1 to 1 ratio.

The council has found that it will need one less staff position for this function than was originally budgeted. *We therefore recommend a reduction of \$7,000 in the amount budgeted for this program, the equivalent of 50 percent of the cost of one fiscal analyst position and related operating expense.*

WESTERN INTERSTATE COMMISSION FOR HIGHER EDUCATION

ITEM 88 of the Budget Bill

Budget page 220

FOR SUPPORT OF THE WESTERN INTERSTATE
COMMISSION FOR HIGHER EDUCATION
FROM THE GENERAL FUND

Amount requested	\$15,000
Estimated to be expended in 1966-67 fiscal year	15,000
Increase	None

TOTAL RECOMMENDED REDUCTION	None
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GENERAL PROGRAM STATEMENT

The Western Interstate Commission for Higher Education (WICHE) administers the Western Regional Higher Education Compact. This compact was ratified in 1953 with the objective of encouraging greater cooperation among the western states in those aspects of higher education related to medicine, dentistry, veterinary medicine and public health programs. All 13 western states are members of the compact and are represented on the commission by three members for each state. WICHE's headquarters and staff are located in Boulder, Colorado.

Since its formation, WICHE has taken on several additional objectives, including the expansion of training and research within the region in the areas of mental health, nursing, juvenile delinquency and education for handicapped children. Generally the commission seeks to encourage regional cooperation among the states as its principal means for achieving these objectives. Much of the commission's work consists of conferences, manpower surveys, seminars and publications in these fields for professional personnel, educators and interested state officials. In addition, WICHE operates a student exchange program to encourage students from states without professional schools of medicine, dentistry or veterinary medicine to attend such schools in other western states.

ANALYSIS AND RECOMMENDATIONS

For 1967-68, as for the current year, each member state is required to contribute \$15,000 as its share of the cost of the "core activities" of the commission and for research and development in areas which are not fully supported from other funds. This accounts for approximately one-fourth of the commission's annual income, the balance coming from various private foundations and institutes and from federal grants and contracts. In 1965-66 WICHE received \$202,500 from member states and approximately \$683,668 from other sources. For 1967-68 state contributions will remain unchanged while other income may be expected to increase to a level of approximately \$750,000.

We recommend approval of this item in the amount budgeted.

California receives little direct benefit from WICHE programs and very probably contributes more in professional services than it receives from other western states. This small expenditure appears to be justified, however, as a contribution to regional development in the fields of medicine, mental health, etc.

Western Interstate Commission for Higher Education—Continued

Greater benefit might be obtained if there were better communication between WICHE and California's Coordinating Council for Higher Education. In our opinion the council should be represented among the three commissioners from this state. At present the three commissioners represent none of California's official educational agencies, and as a result there is little or no coordination between WICHE activities and those of official agencies of this state. The compact provides that "the commissioners from each state and territory shall be appointed by the Governor thereof as provided by law in such state or territory." Appointment of California's representatives is provided for under section 31003 of the Education Code. We believe that this section should be amended to provide that either the director or the president of the council be a representative *ex officio*.

UNIVERSITY OF CALIFORNIA

ITEM 89 of the Budget Bill

Budget page 272

FOR SUPPORT OF UNIVERSITY OF CALIFORNIA
FROM THE GENERAL FUND

Amount requested in Budget Bill	\$195,971,720
Budget request before identified adjustments	\$242,792,586
Increase to recognize full workload change	21,258,655
Budget as adjusted for workload change	264,051,241
Adjustment: Less 10 percent undetailed reduction	\$—26,448,614
Less reserves and overhead	—21,500,000
Less tuition fees	—20,000,000
	\$—67,948,614

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET --- \$8,700,122

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$17,748,492

Summary of Recommended Reductions		Budget	
	Amount	Page	Line
1. Revenues			
Apply overhead funds as income	\$7,744,920	246	59
2. Instruction and Departmental Research			
Delete 4.5 medical school faculty plus support funds of San Diego	155,250	222	20
3. Organized Research			
Reduce budget for faculty travel	18,900	222	20
4. University Extension			
Reduce state support for University Extension	781,052	235	67
	\$8,688,537		

GENERAL PROGRAM STATEMENT

In the 1967-68 Governor's Budget it is proposed the State of California provide \$195,971,720 for support of the current operations budget of the University of California. The purpose of these funds is to support the University in the fulfillment of its major functions of instruction, research and public service as delineated in the *Master Plan for Higher Education in California* and achievement of its goal of academic excellence as outlined in *The Academic Plan of the Uni-*

University of California—Continued

versity of California 1966-67. Throughout this analysis an attempt will be made to relate these goals to the budget of the University of California.

Instruction

In compliance with the delineation of functions established in the master plan the University offers a broadly based curriculum leading to the baccalaureate degree. In addition, emphasis is placed on instruction in professional fields and graduate programs leading to masters and doctoral degrees.

Institutional workload growth is best indicated by the size (enrollment) and mix (level of instruction) of the student population. The 1967-68 budget is based on an estimated enrollment increase of 9,687 FTE students or 10,129 headcount students. The total number of FTE students is estimated to be 90,464, a 12 percent increase over the 1966-67 enrollment of 80,777 FTE students. Major increases in enrollments will be in the upper division and the second stage graduate levels. The following table compares the estimated 1966-67 and 1967-68 enrollments by level of instruction.

Table 1
Total FTE Enrollment by Level

	1966-67	1967-68	Percent Increase
Lower Division -----	26,693	28,613	7.2
Upper Division -----	28,248	32,830	16.2
Graduate			
1st Stage -----	18,028	19,662	9.1
2nd Stage -----	7,808	9,359	19.9
Total -----	80,774	90,464	12.0

Research

The University of California is the primary state-supported academic agency for research. State support for two types of research is contained in the Governor's Budget: organized research and departmental research. Organized research is conducted in separately organized bureaus, institutions and independently financed research projects. The purpose of state support is to provide core support to initiate research projects which may attract nonstate funds or to provide research opportunities in fields that do not normally attract research grants. Also, state-supported research programs offer employment for students which provides experience that is a valuable supplement to their academic education. Departmental research is conducted by the faculty members of instructional departments for the purpose of enriching their teaching programs. In the Governor's Budget, departmental research is categorized as part of the expense of instruction and departmental research.

Public Service

Agricultural Extension, University Extension and other public service programs are the major segments of the support budget fulfilling the public service function of the University. Agricultural Extension serves the agricultural community of the state through research and

University of California—Continued

educational programs and the statewide population through improved agricultural products. University Extension provides a variety of educational programs throughout the state which provide opportunities for adult education and participation in public affairs. Examples of other public services offered by University campuses are lectures, programs in art and special conferences.

ANALYSIS AND RECOMMENDATIONS

Expenditures

Summarized in the following table is the proposed budget for the University of California for the 1967-68 fiscal year. This budget is composed of three totals: Total Education and General, Total Support Budget and Grand Total of All University Funds. The basic costs necessary to operate the University's instructional, research and public service programs are included in this first total. The amount is the same as that shown in the Governor's Budget under the same title in the General Summary by Function plus the workload figure in the General Summary by Campus. The second total, Total University Support Budget, adds such self-financing auxiliary services as residence halls, parking facilities, intercollegiate athletics, campus cafeterias, bookstores, etc., plus student aid programs. This total is analagous to the sum of the two schedules mentioned above in the Governor's Budget. The last total includes the Total Support Budget plus special research (i.e., Atomic Energy Commission contracts) and other grants, contracts, gifts and appropriations received from various public and private sources which are used to supplement and enrich the University's program.

The accepted definition of workload, as formulated by the Coordinating Council for Higher Education, is the maintenance of continuing programs with expected cost increases due to price change and increased unit service, is not applicable to this year's budget. Workload includes all budget increases as well as improved programs such as the Scripps Institution-Marine Life Research program and program development such as Davis School of Medicine. Furthermore, budget increases were requested in two segments in the Governor's Budget. The first increase is detailed in the budget in the General Summary by Function and generally includes increased expenditures financed from University sources such as increased fee income or program revenues. Also included is state support for merit increases and promotions. The second segment of the proposed budget increase is titled General Fund Workload Increase and is not illustrated in detail, but only in a campus summary. Details of the workload were obtained on the staff level from the Analyst of the Department of Finance who calculated the workload increase. The two segments of the budget increase are incorporated and presented at the workload increase in this analysis. Those increases which are improved programs or program development are identified in the analysis. The following table summarized the 1967-68 budget for the University of California.

University of California—Continued

Table 2
University of California Proposed Budget 1967-68

	<i>Total</i>	<i>State General Fund</i>	<i>University funds</i>
1. General administration -----	\$14,799,043	\$12,624,882	\$2,174,161
2. Instruction and departmental research	139,336,343	121,198,831	18,137,512
3. Summer sessions -----	2,457,375	---	2,457,375
4. Teaching hospitals and clinics -----	39,294,053	9,279,307	30,014,746
5. Organized activities—other -----	2,679,376	746,942	1,932,434
6. Organized research -----	37,635,603	34,283,527	3,347,436
7. Libraries -----	19,303,424	18,485,527	817,897
8. Agriculture extension -----	9,048,826	7,123,554	1,925,272
9. University extension -----	15,198,939	969,218	14,294,896
10. Other public service -----	1,672,108	324,639	1,282,294
11. Maintenance and operation of plant -----	23,868,279	22,223,033	1,645,246
12. Student services -----	16,764,579	4,560,358	12,204,221
13. Staff benefits -----	21,255,182	21,204,182	51,000
14. Institutional services and general ex- pense -----	7,443,156	5,161,555	2,281,601
15. Provisions for allocation, less budge- tary savings -----	13,628,595	6,083,569	7,549,666
Total Educational and General -----	\$364,384,881	\$264,269,124	\$100,115,757
Auxiliary enterprises -----	32,210,591	---	32,210,591
Student aid -----	1,373,965	217,017	1,156,948
Subtotal—support budget -----	\$397,969,437	\$264,486,141	\$133,483,296
Less 10 percent reduction in state support -----	—26,448,614	—26,448,614	—
Subtotal -----	\$371,520,823	\$238,037,527	\$133,483,296
Less reserves and overhead -----	—	—21,500,000	21,500,000
Less tuition fees -----	—	—20,000,000	20,000,000
Total, support budget -----	\$371,520,823	\$196,537,527	\$174,983,296
Sponsored research -----	143,145,632	---	143,145,632
Special federal research projects -----	238,313,394	---	238,313,394
	—665,807 ¹	—565,807	—100,000
Grand total -----	\$752,314,042	\$195,971,720	\$556,442,322

¹ Four separate budget bill items are not included in the grand total: No. 90, Research in the Conversion of Sea Water, \$301,410; No. 91, Research in Dermatology, \$90,000; No. 92, Support for the Scripps Institution of Oceanography, \$174,307; and No. 93, Research in Mosquito Control, \$100,000.

As indicated in the preceding budget, three adjustments to the General Fund appropriations appear in the Governor's Budget: (1) less 10 percent reduction, \$21,258,655; (2) less University reserves and overhead, \$21,500,000; and (3) less tuition fees, \$20,000,000. These adjustments to General Fund appropriations are undetailed and, therefore, no analysis of these items is presented. Our analysis is of the entire budget without considering the detail of these deductions. The following table illustrates the effect of these reductions on the total support budget. The net adjustment of \$46,689,959 is the result of adding the workload increase of \$21,258,655 to the total support budget and subtracting the total undetailed reduction of \$67,948,614. The undetailed reductions effectively reduce the total state support budget by \$67,648,614 or 17.1 percent.

University of California—Continued

Table 3
Budget Summary—Total Support Budget
1967-68
(In thousands)

1967-68 Support Budget	\$376,711
Add workload increase	+21,259
	<hr/> 397,970
Less 10 percent reduction	—26,449
	<hr/> 371,521
Less reserves and overhead	—21,500
	<hr/> 350,021
Less tuition	—20,000
	<hr/> Total Support Budget
	\$330,021
Total reduction in 1967-68 Support Budget (17.1%)	67,949
Subtract workload increase	—21,259
	<hr/> Net Adjustment
	\$46,690

Revenues

A summarization of the estimated revenues for the total support budget for the University follows in Table 4. The 1965-66 actual budget expenditures provide data for comparison. In this table revenues for the University's general fund educational expenditures flow either to university general funds or restricted funds.

Table 4
University of California
Comparison of Revenue Sources

	1965-66 (actual)	Percent of total revenue	1967-68 (proposed)	Percent of total revenue
University General Funds:				
State appropriations	\$203,835,096	(73.6)	\$195,971,720	(66.1)
Nonresident tuition	6,230,029		8,505,052	
Other fees and tuition	2,194,456		2,252,446	
Other sources	166,004		1,416,126	
Total, General Fund	\$212,425,585	76.7	\$208,145,344	70.2
Restricted Funds:				
Teaching hospitals	\$18,214,239		\$29,741,356	
University extension	11,291,254		14,111,214	
Student non-incidental fees	12,089,400		18,721,074	
Gifts and endowments	3,952,877		4,581,077	
United States appropriations	3,521,555		3,526,258	
Summer session fees	2,092,957		2,374,837	
Other sources	4,358,943		5,114,014	
State appropriations ¹	660,900		719,900	
Total, restricted funds	\$56,182,125	20.3	\$78,889,730	26.6

¹ Restricted purposes: Sea water conversion, dermatology, Scripps Institute of Oceanography.

Table 4—Continued
University of California
Comparison of Revenue Sources

	1965-66 (actual)	Percent of total revenue	1967-68 (proposed)	Percent of total revenue
Other funds used as income -----	\$8,361,427	3.0	\$9,507,303	3.2
Total, Education and General -----	\$276,969,137	100.0	\$296,542,377	100.0
Auxiliary enterprise revenue -----	\$24,764,297		\$33,347,539	
Total revenues for Support Budget-----	\$301,733,434		\$371,389,916	
Adjustment to General Fund:				
Appropriations:				
Add University re- serves and overhead -----	----		\$21,500,000	
Add tuition fees-----	----		20,000,000	
Add 10 percent reduction -----	----		26,448,614	
Deduct workload increase -----	----		—21,258,655	
Totals, income and funds available -----	\$301,733,434		\$376,579,875	
Add the difference be- tween net adjustment figure in Budget Act and Budget Document-----	----		\$130,907	
Grand total, income and funds available -----	\$301,733,434		\$376,710,782	

The preceding table indicates the before-mentioned three undetailed adjustments to General Fund appropriations. Certain facts are apparent concerning the effect of these proposed reductions in the General Fund support of the University. Reduction from the 1966-67 level of state support can be illustrated by the following table:

Table 5
Budget Summary—General Fund Support
1966-67—1967-68
(In thousands)

1966-67 General Fund support -----	\$240,385
Workload increase -----	{ 2,842
	{ 21,259
	\$264,486
Less 10 percent -----	—26,449
	238,037

University of California—Continued

Table 5—Continued
 Budget Summary—General Fund Support
 1966-67—1967-68
 (In thousands)

Less reserves and overhead	—21,500
	216,537
Less tuition	—20,000
1967-68 General Fund support	\$196,537 ¹
Total reduction (18.2 percent)	\$43,848

¹ Includes state support for items 89, 90, 91, 92 and 93 of the Budget Bill.

The proposed 1967-68 General Fund appropriation will be approximately \$43.8 million less than the 1966-67 appropriation. This is an 18.2 percent decrease in the level of state support. However, it must be noted that the \$20 million reduction in state appropriation as a result of the establishment of a tuition charge is, in effect, a change in funding for the University. The net reduction in funds available for expenditure by the University as a result of the proposed deduction and the institution of a tuition charge would be \$23.8 million or 9.9 percent. (Student enrollment is estimated to increase by 12 percent or 9,687 FTE students.)

Overhead Funds From Federal Contracts and Grants

Overhead funds are the federal moneys received by the University for the reimbursement of indirect costs incurred in conducting federally sponsored programs. These funds provide for the administration costs of the various federal contracts and grants received by the University.

Federal contracts and grants are most commonly used to finance federally sponsored and assisted research activities by the University. The latest actual figures on the total amount of federal funds received by the University are contained in their *Report on Activity Financed from Extramural Sources, 1964-65 Fiscal Year*. This report states that \$24,298,619 was received from federal contracts, \$55,279,570 from federal grants and \$235,191,682 for United States Atomic Energy Commission operations at the Lawrence Radiation Laboratory and the Los Alamos Scientific Laboratory, and research in medical biology. A similar report is being prepared for the fiscal year 1965-66 but it not yet available.

The rate of overhead on federal contracts is negotiated by the University and the federal government. The rate is generally determined by applying the guidelines promulgated in the Bureau of the Budget's publication "Principals for Determining Costs Applicable to Research and Development under Grants and Contracts with Educational Institutions." By utilizing these guidelines an "on-campus" and "off-campus" rate is computed which is a percentage of the salaries and wages of federal projects. Table 6 shows the rates charged since the fiscal year 1963-64.

University of California—Continued

Table 6

Overhead Rates Charged Since Fiscal Year 1963-64

<i>Composite University-wide overhead rates, based on salaries and wages of federal projects</i>	<i>Period of rate applicability</i>		
	<i>July 1, 1964</i>	<i>Jan. 1, 1966</i>	<i>July 1, 1966</i>
	<i>to Dec. 31, 1965</i>	<i>to June 30, 1966</i>	<i>to June 30, 1967</i>
On campus -----	40%	40%	42%
Off campus -----	23	21	21
Special rate for Marine Facilities, San Diego -----	14	14	14
Special rate for Navy Biological Lab., Berkeley -----	(Applicable from July 1, 1965 to June 30, 1967)		15

Current disposition of government overhead funds is based on a 1963 memorandum of understanding between the University and the State Department of Finance. In summary, the current agreement allows for the equal division between the University and the state of overhead funds on federal contracts and grants. Estimates of the current year's overhead are made on or before January 1 of each fiscal year. Ten percent of this amount is set aside as a contingency for possible over-estimates. The remaining 90 percent is assigned to the succeeding fiscal year. The terms of this agreement do not apply to major AEC contract overhead which is retained by the University. For example, \$16,500,000 is estimated by the University to be received in overhead in 1966-67 (refer to Table 7). Ten percent, or \$1,650,000, is reserved for contingency. An additional \$261,332 is disallowed for contract and grant expenditures, an indirect cost study and the operation of the Washington, D.C. office. The remaining amount is divided equally between the Governor's Budget and the University. The approximately \$7.3 million reserved for the Governor's Budget plus the balance of the prior years contingency appears in the 1967-68 Governor's Budget under funds used as income: prior years' overhead on contracts and grants (refer to Table 8).

Table 7
Application of University of California Federal Contract and Grant Overhead Receipts

<i>Application of Overhead Receipts</i>								
	<i>Overhead receipts</i>	<i>Finance disallowed contract and grant expenditures</i>	<i>Finance contract and grant administration</i>	<i>Governor's Budget</i>	<i>Retained by University</i>	<i>Balance</i>	<i>Distribution of balance</i>	
							<i>Governor's Budget</i>	<i>Retained by University</i>
1963-64 -----	\$9,803,511	\$4,353	\$60,000	\$3,949,951	\$3,949,951	\$1,839,256	\$919,628	\$919,628
1964-65 -----	12,024,089	8,821	50,000	5,389,850	5,389,850	1,185,568	592,784	592,784
1965-66 -----	14,460,897	7,841	209,130	6,871,682	6,871,682	500,562	250,281	250,281
1966-67 (estimated)	16,500,000	1,650,000 ¹	261,332	7,294,334	7,294,334	--	--	--
Other ² -----	--	--	-119,182	--	--	119,182	59,591	59,591
Total --	\$52,788,497	\$1,671,015	\$461,280	\$23,505,817	\$23,505,817	\$3,644,568	\$1,822,284	\$1,822,284

¹ Reserve for contingency (10 percent) permitted under the terms of a memorandum of understanding between the University of California and the State of California—Department of Finance, dated March 21, 1963.

² Over appropriation of prior years for contract and grant administration adjusted in 1965-66.

Table 8
University of California Federal Contract and Grant Overhead Receipts as Applied to the Governor's Budget

		<i>Appropriated in the Governor's Budget for:</i>				
<i>Overhead receipts for:</i>		<i>1964-65</i>	<i>1965-66</i>	<i>1966-67</i>	<i>1967-68</i>	<i>Total</i>
1962-63	-----	\$9,412	---	---	---	\$9,412
1963-64	-----	3,949,951	\$702,070	\$217,558	---	4,869,579
1964-65	-----	---	5,389,850	452,710	\$140,074	5,982,634
1965-66	-----	---	---	6,871,652	250,281	7,121,933
1966-67	-----	---	---	---	7,294,333	7,294,333
Other	-----	---	---	---	59,591	59,591
Total -----		\$3,959,363	6,091,920	\$7,541,920	\$7,744,279	\$25,337,482

¹ Over appropriation for prior years for contract and grant administration adjusted in 1965-66.

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Table 9 shows the amount of AEC overhead received since fiscal year 1963-64. The 1967-68 amount is still under negotiation with the Atomic Energy Commission and only one-half of the 1966-67 amount has been received to date.

Table 9
AEC Contract Overhead

Fiscal year	Amount	Used to finance		Added to:	
		Disallowed contract expenditures	Construction of Lawrence Hall of Science	Nuclear Science Fund ³	E. O. Lawrence Fund
1963-64 ----	\$2,450,000	\$9,365	--	--	\$2,440,635
1964-65 ----	2,450,000	9,169	\$654,830	\$1,617,680	168,321
1965-66 ----	2,450,000	9,295	--	2,440,705	--
1966-67 ----	2,450,000	9,500 ¹	--	2,440,500	--
1967-68 ----	2,450,000 ²	9,500 ¹	--	2,440,500	--

¹ Estimated.

² Amount under negotiation with U.S. Atomic Energy Commission.

³ Used essentially as loans to finance portion of the University of California building program that are not state supported.

In accordance with the memorandum of understanding the University allocates its share of overhead funds for capital outlay, especially for income producing projects, and current operating purposes. Since AEC overhead is not subject to the agreement, it can be utilized in any manner the University wishes. The overhead funds retained by the University are deposited in three funds: the Opportunity Fund, the University Fund and the Nuclear Science Fund.

The regents established the Opportunity Fund in 1961 from one-half of the overhead on grants and donations received during 1960-61. As a result of the agreement negotiated with the Department of Finance concerning the disposition of contract and grant overhead, the regents established the policy which provided for the addition of one-half of each year's grant overhead to the Opportunity Fund. The creation of this fund has provided the regents with funds to conduct an intercampus exchange program, to supplement other funds for student aid and to finance various cultural and enrichment programs. As of October 22, 1966, the balance of the fund was \$12,775,049. Allocations and reservations from the fund totaling \$9,002,611 in 1966-67 include such varied programs as summer faculty fellowships, education abroad and the California Magazine.

The principal source of additions to the University Fund since 1963 has been one-half of each year's contract overhead, exclusive of that received from the three major AEC contracts. This fund had been used principally to finance construction of facilities related to self-supporting activities by means of advances which are held as investments of the fund at rates of return set by the regents. There have also been sizable direct appropriations from this fund, principally to finance property acquisition. As of October 22, 1966, the balance of the fund was \$11,274,298. Allocations and reservations from this fund totaling \$11,084,132 in 1966-67 include such construction projects as a faculty club, a Los Angeles laundry and a medical laboratory at Los Angeles.

The Nuclear Science Fund has mainly been derived from overhead on federal contracts and grants and investment income which has been

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The proposed agreement will not eliminate the activity of the Opportunity Fund or University funds because they will still be able to maintain their present balance and retain yearly income from their investments. Estimated investment income from these three funds in 1966-67 is \$2,462,000.

1. GENERAL ADMINISTRATION

Both universitywide and campus administrative responsibilities are included in the general administration budgetary category. Campus personnel classified under general administration include budgeting, accounting and purchasing personnel, architects and engineers, business managers, campus development staff, cashiers, personnel employees and the chancellors and their immediate staffs. Universitywide personnel include the president and the principle administrative officers of the University and their staffs. Expenditures for administrative services relate both to programs within the support budget (including such auxiliary enterprises as parking and residence halls) and to sponsored research not incorporated in the support budget. There is no clear definition of what proportion of total administration expenditures relate to support budget programs as opposed to sponsored research or other nonsupport budget expenditures.

		Budget Request	
			Increase
1966-67	1967-68	Amount	Percent
\$13,898,499	\$14,779,043	\$880,544	6.3

The General Administration budget represents 3.7 percent of the total support budget. The budget increase is \$880,544 or 6.3 percent. State funds provide for 85.3 percent of general administration costs.

A. Workload

Two additional staff members and related support are to be provided for from \$36,050 in funds from overhead receipts. These personnel will staff the ongoing universitywide program for indirect cost studies which is necessary to insure full recovery of overhead from federal contracts and grants. The Department of Finance proposed workload increase is based upon the maintenance of the 1966-67 ratio of general administration expenditures to total education and general expenditures. The increase for each campus was determined by maintaining the same ratio of general administration costs to the campus budget for total education and general expenditures minus the cost of staff benefits. The percentages of general administration costs to total education and general expenditures of the total support budget from the 1964-65 fiscal year to the 1967-68 fiscal year are as follows: 4.67 percent in 1964-65, 4.67 percent in 1965-66, 4.28 percent in 1966-67 (estimated) and 4.31 percent in 1967-68 (proposed). Of the \$880,554 increase, \$190,019 is allocated to the universitywide administration and \$690,526 to the nine campuses. No attempt has been made by the Department of Finance to relate these increases to specific positions. The 6.3-percent increase in this budget category will provide for increased enrollment, continued

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growth in research activities and the increased complexity of federal contract and grant requirements and expansion of campus programs.

B. Performance Analysis

Actual expenditures for General Administration in 1965-66 totaled \$12,140,855 or \$339,403 higher than the budgeted amount of \$11,801,452. This amount was a 2.9-percent increase over the budgeted expenditure.

Table 10 shows the relationship of general administration costs to the total support budget including contract and grant and other funds. We believe this percentage comparison is a better budgeting standard than that used by the Department of Finance in the calculation of the 1966-67 workload increase for general administration. The relationship of general administration expenditures to the total support budget plus contracts, grants and other extramural funds reflects the cost of contract and grant administration which is provided for from support funds. A variance of less than 0.11 percent is evident between the budgeted and actual relationships for the entire University.

Table 10
Comparison of the Percentage of General Administration Expenditures
to the Total Support Budget, 1965-66, 1967-68¹

<i>Campus</i>	1965-66		1967-68
	<i>Budget percent</i>	<i>Actual percent</i>	<i>Proposed percent</i>
Berkeley -----	1.71	1.71	1.69
Davis -----	2.05	2.12	2.06
Irvine -----	7.58	7.97	5.16
Los Angeles -----	1.72	1.78	1.78
Riverside -----	2.93	3.22	3.10
San Diego -----	3.30	3.25	2.64
San Francisco -----	1.81	1.75	1.77
Santa Barbara -----	2.72	2.99	2.77
Santa Cruz -----	10.27	10.62	7.01
Universitywide administration -----	.82	.83	.69
California College of Medicine -----	3.61	5.02	3.64
Entire University -----	2.78	2.88	2.66

¹ Includes grants and contracts and other funds.

During 1965-66 the University has continued with its decentralization of administrative functions and authority. The first phase of transferring personnel from Universitywide offices to the campuses has been largely accomplished. The second phase of transferring authority from the regents to the Universitywide and campus administration proceeded during the 1965-66 fiscal year. In December of 1965 a series of amendments to the Standing Orders of The Regents was adopted making important delegations of administrative authority to the president that were subsequently redelegated to the chancellors. For example, over 99 percent of all academic personnel appointments, promotions and salary adjustments are now approved at the campus level. Campus authority to reallocate funds according to the need within major categories of expense was accomplished by delegating to the chancellors authority to transfer funds within certain fiscal control points. Campus authority now extends to the solicitation of approximately 98 percent

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of all grants and contracts. By mid-1966 the major program of decentralization approved by the regents was expected to be completed.

C. Recommendations

No reduction in the workload increase is recommended pending further review.

The proposed budget is consistent with past performance as indicated by the ratio of general administration costs to the total education and general expenditures included in the total support budgets of past years. The workload increase of 6.5 percent is commensurate with the estimated enrollment growth of 12 percent.

2. INSTRUCTION AND DEPARTMENTAL RESEARCH

Included in this category are the costs of teaching staff and related support for the eight general campuses, the Los Angeles Center for Health Sciences, the San Francisco Medical Center and the California College of Medicine. This budget category is directly related to the primary function of the University—student instruction.

Budget Request		Increase	
1966-67	1967-68	Amount	Percent
\$129,830,697	\$139,336,343	\$9,505,646	7.3

The Instruction and Department Research Budget represents 35.1 percent of the total support budget. Approximately 87.0 percent of the total budget for this category comes from state funds. The proposed workload increase is 7.3 percent or \$9,505,646.

A. Workload

The proposed workload increase is designed to maintain the current quality of education for the annual increase in enrollment. Based on the assumption that, among other things, the quality of instruction is a result of student-faculty interaction, the determination of the amount of workload increase is calculated by applying student-faculty ratios to the increment in enrollment to obtain the number of new faculty positions. Recognizing the different amounts of faculty time and effort required for instruction at various levels, the University has instituted a system of student weights for budgeting purposes. The weights per level of instruction are 1.0 for lower division; 1.5 for upper division; 2.5 for professional schools, masters students and first doctorals; and 3.5 for second stage doctorals. After the full time equivalency of the headcount enrollment is determined, student weights are applied to the increment of FTE students by level. Then the weighted student-faculty ratio of 28:1 is applied to the total number of new weighted students to determine the number of new FTE faculty positions. Exceptions to this method are made for the new campuses where it is felt lower student-faculty ratios are needed. In fact, the Berkeley campus is the only campus which has reached the 28:1 goal. Each new faculty position is budgeted support funds to provide for clerical help, readers, labora-

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tory assistants, equipment and other instructional related costs. Table 11 illustrates the support funds for each campus.

Table 11
Support Funds per FTE Faculty by Campus

<i>Campus</i>	<i>Supporting funds 1967-68</i>
Berkeley -----	\$5,338
Davis -----	5,297
Los Angeles -----	5,314
Riverside -----	4,554
San Diego -----	7,269
Santa Cruz -----	5,594
Santa Barbara -----	3,631
Irvine -----	6,794
San Francisco -----	9,721
Los Angeles, Medical -----	8,645

Also included in the total cost of instruction and departmental research is the salaries of teaching assistants. TA's are employed to perform three instructional tasks: conduct discussion sections of large courses, conduct laboratory sections and teach small sections of beginning foreign language courses. The number of TA's contained in the Governor's Budget is determined by the application of a teaching assistant ratio of 1:42.2 to the undergraduate FTE students on each campus. This means that there is one TA for every 44.2 FTE undergraduate students.

Table 12 is a breakdown of the workload increase among the six general campuses, the two new campuses, medicine and veterinary medicine and other.

Table 12
Instruction and Departmental Research Workload Increases, 1967-68

1. Six general campuses -----	\$4,817,933
2. Two new campuses -----	1,092,558
3. Medicine and Veterinary Medicine -----	3,606,115
4. Other -----	—10,960
Total -----	\$9,505,646

1. Six General Campuses

For the six general campuses the estimated average annual full-time equivalent enrollment increase is 4,609 students. Applying the 28:1 weighted student faculty ratio with consideration for the degree of maturity of the individual campus produces 270 new FTE faculty positions. In addition, academic support funds averaging \$5,234 per new position are proposed. A total of 83.5 FTE teaching assistant positions is proposed. Student-faculty ratios for the six general campuses are shown in Table 13. An additional \$162,513 increase is related to laboratory costs, which are supported by the incidental fee. The rate is calculated on the basis of \$27 per student.

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Table 13
Student-Faculty Ratios
1967-68

<i>Campus</i>	<i>Weighted</i>	<i>Unweighted</i>
Berkeley -----	28.13	14.76
Davis ¹ -----	25.73	15.96
UCLA ² -----	27.73	15.87
Riverside -----	21.87	12.84
San Diego ² -----	21.27	11.40
Santa Barbara -----	23.07	16.10

¹ Excludes veterinary medicine.² Excludes medical centers.**2. Two New Campuses**

The estimated full-time equivalent enrollment increase for the new campuses, Irvine and Santa Cruz, is 995 students. Enrollment at Santa Cruz will increase by 550 students or 40 percent, necessitating 27 new FTE faculty. At Irvine enrollment will grow by 19.5 percent or 405 students, producing 24 new faculty positions. Twelve TA's will be added at Irvine and 15 at Santa Cruz. Support funds at Irvine will be \$6,638, while at Santa Cruz they will be \$5,594. Because these are new campuses, student-faculty ratios are low. At Irvine the weighted ratio will increase from 10.13 in 1966-67 to 16.17 in 1967-68, while the unweighted ratio will increase from 10.3 to 10.84. On the Santa Cruz campus the weighted student-faculty ratio will increase from 12.89 in 1966-67 to 14.74 in 1967-68, the unweighted ratio will change from 11.00 to 12.00.

3. Medical Schools and Veterinary Medicine

Proposed new academic positions and estimated enrollment increases are summarized in Table 14. A total increase of \$3,606,115 is requested to accommodate this growth in enrollment. The increase includes faculty positions and related support funds. Increases for the Medical Schools at San Diego and Davis are part of the program development of these two facilities rather than actual workload.

Table 14
Health Sciences—Summary of Enrollment Increases
to New Workload Positions
1967-68

<i>Campus</i>	<i>Number of new faculty proposed</i>	<i>FTE enrollment increases</i>	
		<i>Number</i>	<i>Percent</i>
Los Angeles Center of Health Sciences			
Dentistry -----	15	64	37.6
Medicine -----	17	58	5.1
Public health -----	3	52	20.3
Nursing -----	--	74	46.5
San Francisco Medical Center			
Medicine -----	10	50	4.3
Pharmacy -----	2	24	6.6
Dentistry -----	--	--	--
Nursing -----	3	20	5.4
Davis			
Veterinary medicine -----	5	23	8.5
Medicine -----	22.5	76	--

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Table 14—Continued
 Health Sciences—Summary of Enrollment Increases
 to New Workload Positions
 1967-68

<i>Campus</i>	<i>Number of new faculty proposed</i>	<i>FTE enrollment increases</i>	
		<i>Number</i>	<i>Percent</i>
San Diego			
Medicine	35.25	246	--
California College of Medicine	--	—6	--
Total increases	112.75	681	13.7

For the Los Angeles Center for the Health Sciences, the projected increase of 248 students to a total of 1,972 FTE consists of 64 additional students in dentistry, 58 in medicine, 74 in nursing, and 52 in public health over the 1966-67 budget estimates. The Dental School will teach its first fourth-year class of 28 students. The size of the first-year class of the School of Medicine will increase from 82 to 128.

At the San Francisco Medical Center expansion of the fourth year of the M.D. curriculum will increase from 100 to 128 students. Enrollment in the School of Pharmacy will increase by 24 students. The number of students in the School of Nursing will increase by 20. Total enrollment at San Francisco will reach 2,350 FTE students.

The request for the School of Medicine at Davis includes an addition of 22.5 FTE faculty to provide detailed curriculum planning, preparatory to the enrollment of the first-year class in the fall of 1968 and supervision for an estimated 76 interns and residents at the Sacramento County Hospital during 1967-68. The School of Veterinary Medicine third-year class size will expand from 52 to 72.

On the San Diego campus there will be an increase of 246 medical students composed of 145 graduate academic students and 101 interns and residents at the San Diego County University Hospital. This growth necessitates the addition of 35.25 FTE faculty and their related support funds. The first-year class of medical students will be taken in the fall of 1968.

Estimated enrollment at the California College of Medicine will total 709 students for 1967-68 as compared with 715 in 1966-67. The workload increase is actually a request for a change in funding to replace funds formerly provided by the Rockefeller Foundation, Commonwealth Fund and other gifts and donations. The University is presently engaged in a study to determine development and possible relocation of the college.

B. Performance Analysis

In 1965-66 the actual expenditures of \$106,342,336 for Instruction and Departmental Research was \$5,205,222 less than the revised budget amount of \$111,547,558. Instruction and Departmental expenditures represent 35.24 percent of the total support budget.

A total of 16,276 degrees were granted during 1965-66, approximately a 10 percent increase over 1964-65. Table 15 compares degrees granted during the last two actual years. Particularly noteworthy is the 18-percent increase in master's degrees granted during this year.

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Table 15
Degrees Conferred, 1964-65 and 1965-66

<i>Type of degree</i>	<i>1964-65</i>	<i>1965-66</i>	<i>Increase</i>	
			<i>Number</i>	<i>Percent</i>
Bachelor -----	9,788	10,415	627	6.4
Master -----	3,611	4,284	673	18.6
Doctor -----	1,405	1,568	163	11.6
Total -----	14,804	16,267	1463	9.9

Enrollment was overestimated by 942 FTE students in 1965-66. Actual enrollment totaled 73,677, whereas the budget was based on an estimated 74,619 FTE students. This overestimate accounts for the fact that less was expended for Instruction and Departmental Research than was budgeted. The percentage variance among the instructional levels was less than 2 percent despite the overestimate in student enrollment.

Table 16
Total FTE Enrollment
Comparison of Budget Estimates to Actual, 1965-66

	<i>Enrollment</i>		<i>Percent of total</i>	
	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
Lower division -----	26,592	25,077	35.63	34.05
Upper division -----	23,436	25,041	31.42	33.98
Graduate -----	24,591	23,559	32.95	31.97
Total -----	74,619	73,677	100.00	100.00

Actual student-faculty ratios were generally lower than budget estimates because of the overestimated enrollment. Table 17 compares the budget estimates to actual student faculty ratios.

Table 17
Comparison of Student-faculty FTE Budget Estimate to Actual
1965-66

<i>Campus</i>	<i>Unweighted</i>		<i>Weighted</i>	
	<i>Budgeted</i>	<i>Actual</i>	<i>Budgeted</i>	<i>Actual</i>
Berkeley -----	15.04	14.76	28.59	28.20
Davis -----	15.28	14.27	23.03	22.12
Los Angeles -----	15.88	15.52	27.54	26.97
Riverside -----	12.90	12.35	19.94	20.09
San Diego -----	9.58	10.07	16.77	18.69
Santa Barbara -----	15.24	14.65	20.20	19.86
Los Angeles Center for the Health Sciences -----	5.00	5.21	not applicable	
San Francisco Medical Center -----	6.01	5.96	not applicable	

Each faculty position is budgeted for an amount of support funds to provide for clerical help, readers, laboratory assistants, equipment and other instructional costs. The following table compares budget to actual averages for support funds. The disparity between these figures can be explained by the additional allocations for equipment and facilities made at Berkeley, Los Angeles, Santa Barbara, San Diego and Santa Cruz. At Berkeley additional funds were also allocated to provide instruction in the use of computers. Increased activity accounted for a portion of the difference at San Diego and Irvine, primarily in the

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supplies expense budgets where additional allocations were made to meet higher than budgeted enrollments.

Table 18
Average Support per FTE Academic Position

<i>Campus</i>	1965-66	
	<i>Budget</i>	<i>Actual</i>
Berkeley -----	\$5,137	\$5,340
Davis -----	5,139	5,127
Irvine -----	6,928	7,419
U.C.L.A. -----	5,177	5,312
Riverside -----	4,302	4,177
San Diego -----	7,134	8,557
Santa Barbara -----	3,260	4,063
Santa Cruz -----	5,577	6,989

Comparison between budgeted and actual enrollment at the University of California Medical Schools and Centers is illustrated in Table 19. The greatest difference occurs in nursing enrollments. The increase over the budgeted number at both the San Francisco and Los Angeles campuses totaled an additional 42 students. Decreases in the other curriculums allowed for a less than 1 percent variance between the budgeted and actual figures.

Table 19
University of California Medical Schools and Centers
Comparison of Budgeted to Actual FTE Enrollment, 1965-66

	<i>San Francisco</i>		<i>Los Angeles</i>	
	<i>Budgeted</i>	<i>Actual</i>	<i>Budgeted</i>	<i>Actual</i>
Medicine -----	1,108	1,081	1,051	1,035
Dentistry -----	366	361	75	58
Nursing -----	366	384	170	194
Pharmacy -----	364	360	--	--
Public Health -----	--	--	249	268
Totals -----	2,204	2,186	1,545	1,555

Table 20 indicates that average cost per student for 1965-66 at the San Francisco Medical Center has increased \$361 over the 1964-65 figure, but is estimated to decrease to \$4,470 in the 1967-68 budget year. The average cost per student for 1965-66 has decreased at Los Angeles over the 1964-65 actual. It is estimated to decrease further in 1967-68 to \$4,396.

Table 20
Average Cost per Student 1964-65 through 1967-68

	1964-65 (<i>Actual</i>)	1965-66 (<i>Actual</i>)	1966-67 (<i>Est.</i>)	1967-68 (<i>Est.</i>)
San Francisco Medical Center--	\$4,478	\$4,839	\$4,504	\$4,470
Los Angeles Center for Health Sciences -----	6,499	5,741	4,599	4,396

Table 21 indicates that the student-faculty ratios for the two medical schools at San Francisco and Los Angeles have remained virtually constant from the 1965-66 actual to the 1967-68 estimate. The very low ratios can be attributed to the close supervision necessary in medical instruction.

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Table 21
Student-Faculty Ratios

	1965-66 (Actual)	1966-67 (Budgeted)	1967-68 (Est.)
San Francisco Medical Center.....	5.96	5.83	5.84
Los Angeles Center for Health Sciences---	5.21	5.45	5.62

C. Recommendations

We recommend the deletion of \$155,250 from the proposed instruction and departmental budget.

This recommendation is a proposed reduction in budget for the San Diego School of Medicine by deleting 4.6 FTE clinical positions that would have been needed to instruct and supervise 101 interns and residents rather than 82. We justify our recommendation on the basis of the San Diego Medical School fiscal plan, which projected 82 interns and residents for 1967-68 and the very low bed-occupancy percentage at the San Diego County University Hospital.

In response to a request by the Joint Legislative Budget Committee the University submitted a fiscal plan for the San Diego Medical School on January 6, 1966. This plan projects medical school enrollments for interns and residents at 82 for 1967-68. The budget request for 1967-68 seeks support for 101 interns and residents rather than the projected 82. Viewing the fiscal situation of the 1967-68 budget year, we feel that there is no justification for the San Diego Medical School to exceed its planned growth.

Additional justification for our recommendation is the extremely low occupancy of the San Diego County University Hospital. Table 26 shows that the percent of bed occupancy is only 56.0 at San Diego while at San Francisco and Los Angeles it is 82.2 percent and 85.0 percent, respectively. The low bed occupancy at San Diego is indicative of the effect of the new medical care programs on the operation of this former county hospital. Indigent patients that formerly relied on the hospital for free medical care now have the option of receiving care in private hospitals. It seems doubtful whether there will be adequate teaching subjects available for instructional purposes for 101 clinical students. It should also be noted that there seems to be some difficulty in hiring academic personnel. Despite an academic authorization of 32 FTE faculty, only 17 FTE positions were filled by July 1, 1966.

We recommend that the University of California prepare a fiscal plan for the development of the new medical school at Davis, with cost projections through the date of its planned steady state enrollment, to be submitted to the Joint Legislative Budget Committee by November 1, 1967.

Preparation of a long-range fiscal plan is now feasible because of the progress that has been achieved in preparing for the first-year class in the fall of 1968 plus supervision in the training of 54 interns at the Sacramento County Hospital. A fiscal plan will help the Legislature anticipate the need for additional state funds and indicate the planned growth of this medical school.

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D. Special Legislative Reports

1. Budgetary Limitation on the Duration of Graduate Study

During the 1966 session the Joint Legislative Budget Committee recommended that the University of California study "the length of time it takes graduate students to obtain their advanced degrees and recommend maximum time periods beyond which student weights will either decrease or be eliminated for budgeting purposes."

In response to the committee's request, the University prepared a report utilizing data from the National Academy of Sciences which shows the total elapsed time from the bachelor to the doctoral degree for a selected group of institutions from different regions. This material was presented in two charts showing the mean and median figures for 10 academic subject fields for the years 1920 to 1965 and 1961 to 1965.

These charts reveal that there has not been a significant lengthening of the time required to obtain a graduate degree at the University in recent years. Also indicated is the fact that students in natural and physical sciences and other technical fields complete their degrees sooner than students in social sciences and humanities. For example, it takes an average of 5.9 years to obtain a doctorate in chemistry, whereas it takes 10.1 years to obtain a doctorate in the social sciences. Relative brief duration records at "selected eastern" universities are related to the high abilities of their student bodies.

The University is planning to implement a budgetary limitation to control the duration of graduate study in form of an administrative regulation which will be similar to the following:

A. Graduate Professional and Masters. A graduate professional and/or master's student may be counted for budgetary purposes for no more than *four semesters* or *six quarters* of full-time work.¹

B. Doctoral. A doctoral student doing all of his graduate work at the University may be counted for budgetary purposes for not more than *12 semesters* or *18 quarters* of full-time work, including the time devoted to a master's degree if such a degree was earned at the University prior to entering the doctoral program.

Students entering the University with a master's degree from another institution or with 20 semester units of work in graduate standing from another institution may be counted for budgetary purposes as a doctoral student for not more than *10 semesters* or *15 quarters* of full-time work.

The report notes that such regulation will be implemented after additional consultation and planning to determine the precise time limits and the effect of such a regulation on the duration as well as the quality of graduate education.

Recommendations

We recommend that the University continue with the development of a budgetary limitation on the duration of graduate study.

¹ This limitation is not intended to apply to professional curricula involving a highly structured sequence of courses which are planned to continue for more than four semesters or six quarters, e.g., law, medicine.

University of California—Continued

We also encourage the University to review its academic requirements for the doctoral degree in hope of lessening the time required to obtain the degree without deterring the quality of the graduate's education.

As part of UCLA's preparation for conversion to the quarter system a study was conducted of the duration of graduate study leading to almost 2,000 doctoral degrees awarded in 44 programs during the past decade from 1956 to 1966. From this report it is first noted that the period from graduate admission to advancement to candidacy amounted to 3.5 academic years in the letters and sciences. Secondly, the dissertation period, from advancement to degree awarded, amounted to 4.5 years in the humanities and social sciences and 1 year in the life and physical sciences. Thirdly, the total period from admission to degree award comprised 5 academic years in the humanities and social sciences and 4.5 years in the life and physical sciences. However, total elapsed calendar years between graduate admission and degree award ranged from 5 years in the life sciences through 5.5 years in the physical sciences, to 6 in the social sciences and 7 in the humanities.

The implications from these findings is that the prolongation of total elapsed time from graduate admission to award of degree is largely a result of interrupted registration rather than excessive requirements or particular difficulty in mastering the fields themselves. These findings also show that it takes less total elapsed time to obtain a doctorate degree at UCLA for the above-mentioned fields than it does nationwide as indicated by the data from the National Academy of Sciences utilized by the University in their report to the Legislature.

2. Waivers of Nonresident Tuition

In the minutes of Senate Finance and Assembly Ways and Means Committees, it was recommended that University policies relating to the waiving of nonresident tuition be studied and a report containing a recommended basis for requesting an appropriate level of state funds for 1967-68 be submitted by the University of California to the Department of Finance and the Joint Legislative Budget Committee by November 1, 1966.

This report was received by the Joint Legislative Budget Committee as directed. It discusses the special categories of students who have been affected by the reduction of nonresident tuition waivers and recommends a new basis for requesting an appropriate level of state support.

Nonresident tuition waivers are granted to graduate students with a record of "distinguished scholarship." Special consideration is given to graduate students holding teaching assistantships, teaching fellowships or university fellowships in awarding nonresident tuition waivers under the jurisdiction of a graduate council. A small number of waivers are given to undergraduate students under special tuition programs.

In the 1966 fall quarter, 93.5 percent of the tuition waivers were for graduate students. The special categories and the percent of total waivers for each category are shown in Table 22.

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Table 22
Special Categories of Graduate Waivers

<i>Graduate waiver</i>	<i>Fall 1966</i>	
	<i>Number</i>	<i>Percent of total assigned waivers</i>
Teaching assistants and teaching fellows-----	792	51.4
Distinguished scholarship		
Foreign students -----	374	24.3
Domestic students -----	98	6.4
University of California scholarship and fellow- ship holders -----	122	7.9
Other -----	55	3.6
	<hr/> 1,441	<hr/> 93.5

In the 1966 fall quarter only 6.5 percent of all nonresident tuition waivers were allotted to undergraduates. The special categories and the percent of total waivers for each category are shown in Table 23.

Table 23
Special Categories of Undergraduate Waivers

<i>Undergraduate waiver</i>	<i>Percent of total assigned waivers</i>	
	<i>Number</i>	
Faculty dependents -----	12	0.8
Foreign students—special tuition program-----	48	3.1
Foreign students—education abroad program--	12	0.8
Other -----	29	1.9
	<hr/> 101	<hr/> 6.5
Total assigned graduate and undergraduate waivers -----	1,542	100.0

Current policy enables approximately 15 percent of the total nonresident student population to receive nonresident tuition waivers. In the fall of 1966 the number of waivers was 1,542 whereas in the fall of 1965 the comparable number was 2,386. Former policy provided for 25 percent of nonresident students to receive waivers and is the basis for the total number of waivers granted in 1965. The major impact of this reduction occurred in the categories of teaching assistants and other foreign and domestic nonresident students who qualified for waivers on grounds of distinguished scholarship.

In its report the University concludes that "The large reductions in the number of waivers available for high-quality graduate students affects the University adversely in three ways:

- (1) Recruiting of out-of-state teaching assistants is hampered, and the University's choice from the best candidates is narrowed.
- (2) The University may be failing to attract 400 or more excellent foreign graduate students each year. This trend can be expected to bring about a marked change in the University's influence on foreign students and foreign centers of learning.
- (3) The State of California may be losing hundreds of top-quality potential graduate students from other parts of the United States—many of whom would remain in California and add to the quality and skill of its citizenry.

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- (4) The national and international character of the University is to some extent impaired by the effects noted in (1)–(3).''

The University makes the following recommendations:

1. Limitations on the percent of nonresident tuition waivers to be granted should be eliminated entirely.
2. If the above suggestion is not adopted, then limitations on the number of waivers to be allotted to teaching assistants and fellows and foreign students of distinguished scholarship should be eliminated.
3. Waivers of tuition for nonresident domestic graduate students of distinguished scholarship excluding teaching assistants and fellows should be limited to 5 percent of the nonresident student enrollment.
4. The several special categories of tuition waivers for graduates and undergraduates should be treated separately from the others, because the numbers are limited.
5. The University will give assurances that the awarding of waivers is in accordance with reasonable and carefully controlled policy.

Recommendations

We recommend that the present policy of awarding nonresident tuition waivers to 15 percent of the nonresident students be continued.

A Master Plan for Higher Education in California 1960–1975 affirms that the state colleges and the University of California should be "tuition free" to all residents of the state. To provide for the education of nonresidents is beyond the basic intent of the master plan. The benefits of doing so must be carefully weighed against the increased tax burden.

The practice of waiving tuition for nonresident students increases the amount of state appropriation necessary for support of the University. Potential revenue lost to the General Fund of the University because of the waiving of tuition for 15 percent of the total nonresident student population will total \$1,505,835. This figure is derived by multiplying 1,535 (15 percent of nonresident students) by \$981 (nonresident tuition fee in 1966–67). Theoretically, the request for state appropriations is \$1,505,835 higher because of this loss in nonresident revenue. If the present limitation is removed it is safe to assume that the University will adopt policies returning them to at least the 25 percent level. Waiving tuition for 25 percent of nonresident students will cause a potential loss to the general fund of the University of \$2,509,398 and, therefore, increase its request for state appropriations by that amount. This figure is computed by multiplying 2,558 (25 percent of the nonresident students) by \$981. This would be an excessive amount in view of the present demands upon state revenue.

Enrollment estimates for the current year of 1966–67 have been reduced from 80,777 to 80,277 FTE students for the nine campuses, reflecting the fall 1966 enrollment experience. Estimated graduate enrollment was 27,884 as compared to 27,197 FTE actual enrollments. This reduction of 687 FTE graduate students can be attributed to a number of causes. It is probable that some graduate students admitted to the University elected not to attend because they did not receive a

University of California—Continued

tuition waiver but exact evidence was not submitted. The increasing difficulty in obtaining education deferments from the local selective service boards may account for a large portion of this decrease in graduate students.

It should be noted that a nonresident graduate student who is over 22 can become a resident of California by living in this state for a year and declaring his residency. In this manner, a nonresident graduate student would have to pay for tuition only one year and then would become eligible for the same tuition-free education enjoyed by other California students. Once the student has established his residency he has more reason to remain in the state and also become a taxpayer who partially supports his own education. Although it is clear that this is a common practice there is no statistical data to confirm it.

The international character of the University is not a goal explicitly expressed in the master plan and, although desirable, is in excess of the basic needs of the University.

3. SUMMER SESSIONS

Summer sessions will be operated on the Davis, Los Angeles, Riverside, San Francisco and Santa Barbara campuses in 1967-68. Two sessions will be offered at the Davis, San Francisco and Santa Barbara campuses. This budget category contains all the expenditures associated with these summer instructional programs. Summer sessions implement the recommendation of the Master Plan that every public higher education institution that is able offer academic programs in the summer months in order to permit fuller use of the state's higher education physical facilities. This budget category contains all the expenditures associated with these summer instructional programs.

Budget Request		Increase	
1966-67	1967-68	Amount	Percent
\$2,419,425	\$2,457,375	\$37,950	1.5

The summer session budget is 0.05 percent of the entire support budget. These academic programs are self-supporting from student fees.

A. Workload

Since this program is entirely self-supporting from fees charged to participating students for the cost of instruction no state support funds are requested. The budget will increase by \$37,950 financed from the student fee of \$90 per session. Enrollment is estimated to increase by 600 students over the 1966-67 summer session total of 23,863 to 27,025. However, this estimate included the Berkeley summer session which is now being terminated because of the implementation of the summer quarter. It seems, therefore, that the actual enrollment will be at least 11,000 students less than estimated (11,000 students were estimated to attend the Berkeley summer session). It also seems unlikely that there will be any increase in fee income.

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B. Performance Analysis

Actual summer session expenditures in 1965-66 were \$2,093,023 or \$132,485 less than the budget amount of \$2,225,508. Table 24 indicates the actual summer session enrollment from 1962-63 through 1966-67. An unexpected 13 percent decrease was experienced in the summer of 1965-66 but enrollments increased by 9 percent in the summer of 1966.

Table 24
Summer Session Enrollment
1962-63 through 1966-67

	1962-63	1963-64	1964-65	1965-66	1966-67
Berkeley -----	10,483	11,008	11,775	19,237	9,225
Davis -----	466	653	696	794	1,005
Los Angeles -----	5,993	9,680	10,993	8,538	10,211
Riverside -----	--	--	--	631	633
San Francisco -----	327	273	327	857	977
Santa Barbara -----	982	1,326	1,356	1,652	1,812
Total -----	18,251	22,940	25,147	21,709	23,863
Percent increase over previous year -----		+25.7%	+9.6%	-13.7%	+9.0%

C. Recommendations

No recommendation is made since state funds are not requested.

4. ORGANIZED ACTIVITIES—TEACHING HOSPITALS AND CLINICS

The major teaching hospitals in this category are those for which the University has full responsibility of operation. Included are the hospitals at the Los Angeles Center for Health Sciences, the San Francisco Medical Center plus the psychology clinics, the San Diego County University Hospital, and Marian Davies Children's Clinic at UCLA and the Dental Clinic at San Francisco. State support subsidizes the operations of these hospitals and clinics in order to provide for the portion of the teaching costs incurred by their instructional programs which is above the normal operating costs of such institutions.

Budget Request

1966-67	1967-68	Amount	Increase Percent
\$39,263,314	\$39,294,053	\$30,239	0.1

State funds account for 23.6 percent or \$9,279,307 of the total budget for organized activities, teaching hospitals and clinics. The small budget increase is attributed to patient fee income at the Veterinary Medicine Teaching Hospital at Davis. This budget category represents 9.8 percent of the total support budget.

A. Workload

State subsidy is generally used to provide hospital care for indigent patients who are valuable teaching subjects. The level of state support is based on cost per clinical student of \$11,957 at the San Francisco Teaching Hospital and \$10,818 at the Los Angeles Teaching Hospital. The cost per clinical student at San Francisco is estimated to decrease by \$905 from the 1966-67 level of \$12,862 because of the increase of

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28 additional clinical students in 1967-68. Private patients who pay for their own care account for the largest portion of nonstate revenues.

No workload increase has been requested for 1967-68, but state support for the University teaching hospitals is requested to remain at the 1966-67 level pending study of the effects of the Medicare and Medi-Cal programs on hospital income. A realistic estimate of the amount of income which can be expected from these sources as well as the size of the workload budget was not attempted in the Governor's Budget because these two programs have only recently become operational. An analysis of the three reports prepared by the University concerning the effects of Medicare and Medi-Cal will follow in this analysis.

B. Performance Analysis

Teaching hospital costs at the San Francisco Medical Center and the Los Angeles Center for Health Sciences totaled \$25,862,302 in 1965-66. The total state subsidy was \$7,665,865 or 29.6 percent of the total, and the state subsidy per clinical student was \$8,603 at UCLA and \$12,080 at San Francisco. A five-year analysis, as shown in Table 25, indicates that the percentage of state subsidy to total cost is declining each year due principally to increasing health insurance coverage and, recently, the new Medicare and Medi-Cal programs.

Table 25
Teaching Hospital Workload Data, Five-year Trends
San Francisco and Los Angeles Teaching Hospitals

	Total teaching hospital costs	State subsidy	Percent of subsidy to total
1963-64 -----	\$22,628,265	\$7,157,858	31.6
1964-65 -----	24,141,962	7,214,466	29.9
1965-66 -----	25,862,302	7,665,865	29.6
1966-67 (est.) -----	30,594,175	8,732,761	28.5
1967-68 (prop.) -----	31,415,197	8,732,761	27.8

Table 26 indicates that the hospital occupancy at both UCLA and San Francisco was less than originally anticipated. Consequently, the actual cost per patient day was \$71.47 rather than the budgeted amount of \$70.11 at San Francisco and \$86.45 rather than \$81.50 at UCLA. As of July 1, 1966, the University assumed full operational responsibility of the San Diego County University Hospital.

Table 26
Teaching Hospital Workload Data
1967-68 Governor's Budget and Comparison of 1965-66 Budgeted to Actual

	Number of beds	Percent of occupancy	Cost per patient day	Cost per Outpatient unit
San Francisco				
1967-68 (est.) -----	555	82.2	\$75.51	\$15.38
1965-66 (actual) -----	555	77.6	71.47	14.16
1965-66 (budgeted) -----	555	79.4	70.11	14.29

University of California—Continued

Table 26—Continued

Teaching Hospital Workload Data

1967-68 Governor's Budget and Comparison of 1965-66 Budgeted to Actual

	Number of beds	Percent of occupancy	Cost per patient day	Cost per Outpatient units
Los Angeles				
1967-68 (est.)	368	85.0	87.45	15.10
1965-66 (actual)	313	81.4	86.45	16.49
1965-66 (budgeted)	313	83.7	81.50	13.54
San Diego				
1967-68 (est.)	622	56.0	66.50	13.35
1965-66 (actual) N/A	---	---	---	---
1965-66 (budgeted) N/A	---	---	---	---

A five-year analysis of workload data as shown in Table 27 indicates that enrollment at San Francisco will have increased by 50 students during this period while at Los Angeles the increase will have been only 9 students. Although their enrollment has increased more rapidly, the state subsidy per student at San Francisco has remained relatively stable. At Los Angeles there has been a sharp increase in the state subsidy per student from \$8,234 to \$10,818 (proposed in 1967-68). The percent of nonprivate patient days of care has declined gradually at both teaching hospitals again illustrating the increased coverage of teaching hospital patients by private insurance or, more recently, Medicare or Medi-Cal.

Table 27

Teaching Hospital Workload Data

Five-year Trends

	Enrollment ¹	State subsidy per student for teaching hospitals	Percent of non- private patient days of care
San Francisco Teaching Hospital			
1963-64	347	\$11,816	59.0
1964-65	329	12,954	55.2
1965-66	369	12,080	54.4
1966-67 (est.)	370	12,862	56.5
1967-68 (prop.)	398	11,957	57.3
Los Angeles Teaching Hospital			
1963-64	332	8,234	62.0
1964-65	345	8,177	59.0
1965-66	341	8,603	59.8
1966-67 (est.)	341	10,818	62.2
1967-68 (prop.)	341	10,818	61.9

¹ Medical students in their clinical years who are assigned to the teaching hospital plus interns and residents.

C. Recommendations

No reduction in workload is recommended pending further review.

Analysis of the special legislative reports which follow will indicate that there has not been sufficient data collected concerning the effect of Medicare and Medi-Cal of the operations of the University teaching hospital to merit any change in the present method of providing state subsidy. The current level of state support should be maintained until the effects of these new medical care programs can be properly assessed.

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D. Special Legislative Reports

1. Teaching Hospitals—State Subsidy

The University of California submitted a report in compliance with the Senate Finance Committee's request to "advise the Legislature on how the new medical care program is affecting teaching hospital operations and how the level of state subsidy might be affected in future fiscal years."

The scope of this report is limited to the UC hospitals in San Francisco and Los Angeles. It attempts to analyze two major impacts of the Medicare and Medi-Cal, the change in number and type of staff patients and the amount of subsidy needed for the care of these patients. In the first instance it is noted that some former staff patients who may be eligible for Medicare or Medi-Cal may wish to become private patients or use other hospitals. The second impact may be a reduction in the amount of subsidy if there is no change in the type of staff patients or in the total cost of their care.

An attempt to study patient trends was made by analyzing the inpatient average census by service at the UCSF Hospital and the UCLA Hospital. No important changes attributable to Medicare or Medi-Cal were indicated by this data but it should be noted that these programs have been active for only a short period.

Financial trends were investigated by determining the amount and percent of subsidy to total cost for inpatients and outpatients. In fiscal year 1965-66 the subsidy as a percent of total charges to inpatients at UCLA was 48 percent. At UCSF subsidy was 55 percent of the total charges for inpatients in 1965-66. The substantial income received by the hospital from staff patients may have increased because of Medicare and Medi-Cal.

Emphasis is placed on the effect of the medical programs on the inpatient because much less subsidy is required to support the outpatient cases. The total amounts received under Medicare and Medi-Cal for inpatients for July, August and September is shown in Table 28.

Table 28
Total Charges for Staff Inpatient Hospital Services

	(a) <i>Medicare and Medi-Cal</i>	(b) <i>All charges</i>	A/B
UCSF			
July -----	\$102,442	\$423,279	.24
August -----	161,611	578,168	.28
UCLA			
July -----	48,897	363,393	.13
August -----	72,340	458,832	.16
September -----	64,784	445,442	.15

Table 29 compares the percent of total charges for staff inpatients which are derived from subsidy both before and after the advent of Medi-Cal on March 1, 1966.

Table 29
Subsidy as a Percent of Total Charges for Staff Inpatients

	UCSF	UCLA
July 1965-February 1966 -----	61%	53%
March 1966-September 1966 -----	44	42

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Caution should be used in interpreting this decline in percentage because the hospitals were short of subsidy funds during this period. Furthermore, the percentage decline in subsidy does not indicate the absolute amounts needed which depends on the number and types of teaching patients needed. It is concluded that "less subsidy may be required to provide a given level of staff patient days with Medicare and Medi-Cal than would have been required without these programs." Nevertheless, another year will be required before valid conclusions can be drawn.

Recommendations

We recommend that a report on the effect of Medicare and Medi-Cal on the operation of University teaching hospitals with special emphasis on the level of state subsidy be submitted to the Joint Legislative Budget Committee by November 1, 1967.

With only three months data on the effect of both Medicare and Medi-Cal on the operations of only two of the University's teaching hospitals it would be unwise to make definite decisions on changing the amount of subsidy available to these hospitals. At this time it would be better to set parameters for a year-long study and establish legislative intent concerning any reduction in subsidy funds.

In the latter case it should be clear that an attempt should be made by the various hospitals to reduce the amount of state subsidy needed by maximum utilization of the funds available from the Medicare and Medi-Cal programs. Secondly, if a reduction continues to be apparent, the released subsidy funds should not be expended to increase the present program or initiate new ones. Effort should be made to decrease the amount of state support needed by the teaching hospitals.

The report to be submitted by the University on November 1, 1967, should continue with its effort to compare patient and financial trends before and after the effect of the new medical care programs. Attention should be paid to the various medical categories of service for the patient. Plans should be made concerning the type and number of patients needed for teaching purposes in the future and how this mix will affect the need for state subsidy. The procedure for billing the federal government should be explained. Total charges against Medi-Cal and Medicare should be shown as well as the increase or decrease in the percent of subsidy to total patient charges. Patient charges for each month should be broken down to show the amount received from Medicare and Medi-Cal, the state subsidy and the patient or other sources.

2. Teaching Hospitals—Professional Fees

The University of California prepared a report concerning the utilization of professional fees from the Medicare programs in response to a request from the Senate Finance Committee.

Since the basis for charging or paying professional fees for services under Medicare or Medi-Cal at county hospitals is still unresolved by state and federal authorities, this report only pertains to the teaching hospitals at UCLA and UCSF. Teaching hospitals at both of these campuses have agencies designed to bill, collect and disburse fees for

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professional medical services to staff patients under Medicare and Medi-Cal as they have done in the past for the medical staff associations authorized by the Regents on January 19, 1962.

In the past, no funds received as professional fees were retained by the individual physicians performing the services. Funds received by the medical staff associations were debited for the administrative costs of billing and accounting and the remaining amount was expended for education and research activities authorized by the association.

UCLA is the only UC teaching hospital which has received funds under the new programs. The UC hospital in San Francisco has only recently submitted its first bills to Medicare and Medi-Cal for professional fees on staff cases. Table 30 shows the approximate amounts chargeable to Medicare and Medi-Cal for professional services to staff inpatients.

Table 30
Approximate Amounts Chargeable to Medicare and Medi-Cal for
Professional Services to Staff (Departmental) Inpatients

1966	UCSF	UCLA
<i>Medi-Cal</i>		
March -----	a	\$18,446
April -----	--	11,739
May -----	--	14,315
June -----	--	NA
July -----	\$23,881	NA
August -----	26,078	NA
<i>Medicare</i>		
July -----	20,474	NA
August -----	15,344	NA

a No billings prior to July 1966.

NA Not available.

The funds collected at UCLA will be expended in accordance with the bylaws of the UCLA Medical Group which has succeeded the Medical Staff Association. Important excerpts concerning the purposes for which these funds can be spent are as follows:

- "a. Professional salaries such as in-residence salaries and portions of strict full-time salaries.
- b. Academic enrichment of the medical school and its several departments as recommended by the dean and approved by the chancellor giving consideration to the proportion contributed by each department of origin.
- c. Enrichment of education programs and benefits for interns and residents within the university hospitals and clinics, in accordance with University policies.
- d. UCLA campus general purposes as determined by the chancellor."

Recommendations

We recommend that a study on the utilization of the professional fees from Medicare and Medi-Cal be submitted to the Joint Legislative Budget Committee on November 1, 1967.

This study should be a continuation of the present report. A meaningful recommendation cannot be made until more information is available on the system that will be used for paying professional fees for

University of California—Continued

services under the new medical care programs and until sufficient time has passed to analyze the procedures developed at the two University teaching hospitals.

The bylaws of the UCLA Medical Group indicate that revenue from the new medical care programs is used to contribute towards the improvement of clinical faculty salaries and aid in the general support of teaching hospitals. No mention is made of using these funds for research but it is difficult to know what vague terms like "academic enrichment" and "enrichment of education programs" mean.

3. Teaching Hospitals and Clinics—A Revised Basis for Subsidy

The University of California has submitted a report entitled *Teaching Hospitals and Clinics—A Revised Basis for Subsidy* in compliance with the request of the Ways and Means Committee of the State Legislature; a summary of that report follows:

Medical students require contact with patients as part of their education. In the past, teaching hospitals have relied almost entirely on the medically indigent patient to fulfill this need. This practice is decreasing because of the ability of more prospective patients to pay for their care through private sponsors or insurance programs. With the advent of Medi-Cal and Medicare the number of patients who must depend on a teaching hospital to provide for their care has been even further reduced.

The following two factors determine whether teaching hospital care is more or less expensive to individual patients:

"A. The amount and type of care to be provided to patients and the consequent cost to the hospital for providing such care.

"B. The proportion of these costs charged by the hospitals to (1) the patient or his sponsor and (2) subsidy or other funds."

It is assumed that teaching hospitals are more expensive to operate than nonteaching hospitals because of the specialized and intensive care they provide. The main question is what proportion of the costs of a university hospital should be charged to patients receiving the care. Current policy is to charge patients for all their costs of care with allocation of identifiable research and education costs to other accounts. Study should be made of a new basis for allocating joint costs to their education, research and patient care components. Perhaps, a cost component which is attributable to the educational responsibilities of UC hospitals should be developed.

The University proposes a new basis for subsidy which employs alternatively the following price policies:

1. Charge patients all hospital costs not allocable to teaching or research.
2. Charge patients amounts comparable to those in nonteaching hospitals for similar cases.
3. Charge patients amounts less than those in nonteaching hospitals for similar cases.

Only patients cared for under pricing policy (1) will require no subsidy. Patients cared for under the remaining two alternative price policies will require subsidy.

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"A survey of the proposed new basis for determining subsidy needed for services to teaching patients is given below:

- "1. Estimate the volume and type of student-patient contacts required for a given year.
- "2. Convert these data to:
 - a. Inpatient days;
 - b. Outpatient visits.
- "3. Estimate the absolute amount of teaching days and visits available from full-paying patients.¹
- "4. For these patients estimate the net excess of *costs* to UC hospitals for such hospital services over maximum *charges* which can be made to these patients.
- "5. Fill the remaining teaching requirements from patients who are not full-paying.
- "6. For these patients estimate the costs for such hospital service which are not paid by patients or sponsors. (This will be component B of the study.)
- "7. Total subsidy—component A + component B."

The major effects of the new Medicare programs has been to reduce the number of medically indigent patients, stimulate interest in revising hospital charges to accurately reflect actual costs and develop an elaborate cost control system.

Recommendations

We recommend that a report on alternative methods of applying the amount of state subsidy for teaching hospitals in the form of a cost benefit analysis with special emphasis on the effect of the Medi-Cal and Medicare programs on teaching hospitals be submitted to the Joint Legislative Budget Committee by November 1, 1967.

We believe that a new system for subsidy determination be developed which accurately reflects the cost generated by the care of the individual patient. This system could allocate the operating expenses of the University teaching hospitals among medical education, research, patient care and public service components. Data should be collected which compares costs of providing care at University of California teaching hospitals with other institutions. The amount of subsidy could equal the costs which are clearly educational and related to the teaching function of the hospital. Every attempt should be made to utilize the cost control system required by Medicare and Medi-Cal and take advantage of the available funds from these two medical care programs.

In its report the University only established one possible basis for determining the amount of subsidy. No comparative figures were submitted to show the relationship between the present method and the proposed new basis for subsidy determination. A cost benefit analysis of several alternatives should be submitted to the Legislature.

¹ Full-paying patients are defined as patients whose entire bill at a nonteaching hospital would be paid by the patient, his insurance, or his financial sponsor.

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5. Organized Activities—Other

This budget category is comprised of many dissimilar and diversified programs. Examples include county hospital services provided by University staff and contracted for by the individual counties at the San Francisco General Hospital, Harbor General Hospital, Los Angeles County Hospital and the Sacramento County Hospital. Also included are support of special engineering projects for service to industry at Berkeley, intercollegiate athletics at smaller campuses, support for nursery and elementary schools connected with schools of education, and a wide variety of medical testing laboratories, vivariums, and medical services at the medical schools.

Budget Request		Amount	Increase	Percent
1966-67	1967-68			
\$2,504,682	\$2,679,376	\$174,694		6.9

State funds of \$746,942 support 27.8 percent of the budget for organized activities—other. This budget category represents 2.7 percent of the total support budget. The 6.9 percent budget increase is provided for from nonstate revenues.

A. Workload

State funds provided for activities which are necessary to support teaching programs and which cannot by their nature be self-supporting. Examples are vivariums and research and development laboratories. Student fees and funds generated from the activities provide most of the revenues for organized activities. The \$205,433 increase is entirely supported by these nonstate revenues and, therefore, no additional state support is proposed. The cost of livestock feeding at Davis will increase by \$32,000 which is offset by income from this activity. Additional incidental fee allocations and gate receipts totaling \$90,538 will support expanded intercollegiate activity programs at Irvine, Davis, Riverside, and San Diego. The Dickinson Art Gallery at UCLA will expand its exhibition program at an additional cost of \$46,151 by increased allocations from incidental fees. Other miscellaneous self-supporting activities will increase by \$6,005.

B. Performance Analysis

The analysis of the 1965-66 organized activities operations indicates that University general funds supported 28.1 percent of this budget. Student fees and organized activity income account for 67.2 percent of the total funding of the 1965-66 budget of \$2,391,728. Expenditure of over half of the total budget occurred at the Berkeley and Los Angeles campuses. The next highest expenditures were incurred at the Davis and San Francisco campuses, 12.3 percent and 12.5 percent of the budget, respectively. Expenditures by type indicate that teacher training in the School of Education accounted for 19.1 percent of the entire expenditures. It is noteworthy that 15.1 percent of the budget was expended on art, music and drama activities.

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Table 31
ORGANIZED ACTIVITIES
Analysis of 1965-66 Operations

	Amount	Percent		
1. Source of Funds				
University General Funds-----	\$672,227	28.1%		
Student Fees -----	284,156	11.9		
Organized Activity Income-----	1,323,136	55.3		
Other Sources ^a -----	112,209	4.7		
Total -----	\$2,391,728	100.0%		
2. Expenditures by Campus				
Berkeley -----	\$547,090	22.9%		
Davis -----	294,767	12.3		
Irvine -----	45,655	1.9		
Los Angeles -----	923,585	38.6		
Riverside -----	38,776	1.6		
San Diego -----	33,089	1.4		
San Francisco -----	299,037	12.5		
Santa Barbara -----	198,545	8.3		
Santa Cruz -----	--	--		
California College of Medicine--	6,863	.3		
University Programs -----	4,321	.2		
Total -----	\$2,391,728	100.0%		
	University General Funds	Restricted Funds	Total	Percent
3. Expenditure by Type				
School of Education—Special				
Schools -----	\$378,921	\$78,653	\$457,574	19.1%
Engineering -----		259,787	259,787	10.9
Medical Testing Labs and				
Other Medical Services -----	164,998	85,092	250,090	10.5
Optometry and Audiology Clinics		202,806	202,806	8.5
Vivariums -----	125,217	13,930	139,147	5.8
Art, Music, Drama Activities----		362,308	362,308	15.1
Intercollegiate Athletics -----		120,994	120,994	5.1
Other -----	3,091	595,931	599,022	25.0
Total—Amount -----	\$672,227	\$1,719,501	\$2,391,728	
Percent -----	28.1%	71.9%		100.0%

^a Includes \$56,490 of state funds for restricted purposes.

C. Recommendations

No reduction in workload is recommended pending further review.

The level of state support is the same as the current fiscal year. The budget increase will be provided for from nonstate funds. The organized activities that receive state support are justified on the basis that they cannot be self-supporting and provide the necessary complement to the instructional programs of the University.

6. Organized Research

State-supported activities included in the Governor's Budget under the budget category of organized research consist primarily of institutes and bureaus, faculty research grants and travel to professional meetings and the subsidy of research in agriculture, forestry and vet-

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erinary medicine. Excluded from the support budget is the larger body of organized research funds which finance sponsored research. These funds generally come from contracts and grants with public agencies or private organizations. Expenditures for organized research help fulfill the University's role as California's primary state-supported academic agency for research as designated by the Master Plan.

Budget Request

1966-67	1967-68	Amount	Increase Percent
\$37,230,772	\$37,635,603	\$404,831	1.1

The 1967-68 proposed budget of \$37,635,603 for organized research includes \$34,283,527 in state funds (over 91 percent). This budget request is 9.5 percent of the total support budget. The \$404,831 (4.8 percent) increase consists of \$19,799 in University funds and \$385,052 in state support.

A. Workload

Endowment income assigned for research purposes will increase by \$37,549. Income from the Rockefeller Foundation Grant for Marine Biology at San Diego will decrease by \$17,770. The difference between these two figures accounts for the increase in University sources. The research purposes for which this money will be expended have not been identified. Support funds are proposed for faculty research grants and faculty travel totaling an increase of \$141,240. This will provide for research grants of \$370 and travel allowances of \$70 for each new faculty member. An increase of \$61,000 is included to meet publishing needs of the added faculty members and to provide for increased printing costs. Research grants and travel to professional meetings are provided for at the level of \$295 and \$70, respectively, per regular faculty member at the San Francisco Medical Center totaling an increase of \$8,397. Also included as workload increases are improved programs at San Diego for the Scripps Institution of Oceanography and the Marine Life Research Program totaling \$174,397 (Refer to Item 92).

B. Performance Analysis

Actual 1965-66 expenditures exceeded the budget amount of \$33,518,029 by 3.3 percent or \$1,102,041 as is shown in the following table.

Table 32
ORGANIZED RESEARCH¹

1967-68 Governor's Budget and Comparison of 1965-66 Budgeted to Actual

	1967-68	Budgeted	1965-66 Actual
Institutes and bureaus	\$12,007,887	\$11,109,120	\$11,530,568
Faculty research grants	1,786,206	1,565,878	1,606,342
Travel to professional meetings	360,666	324,807	327,407
Agriculture, forestry, and veterinary medicine	20,958,542	18,947,832	19,635,919
Other	2,137,250	1,570,592	1,519,834
Total	<u>\$37,250,551</u>	<u>\$33,518,029</u>	<u>\$34,620,070</u>

¹ Excluding sponsored research.

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Table 33 indicates the expenditures for organized research in 1965-66 including \$79,284,125 received in federal contracts, grants and appropriations. It is interesting to note that state support funds provided for 26.8 percent of the organized research expenditures while federal funds provided 64.4 percent. Special federal research funds totaling \$238,313,394 for Atomic Energy Commission research contracts are excluded from this table.

Table 33
Total Organized Research
(Including sponsored research)
Sources of Actual Expenditure 1965-66

	<i>Amount</i>	<i>Percent</i>
Federal contracts, grants and appropriations -----	\$79,284,125	64.4%
State funds:		
General -----	30,681,873	24.9
For restricted purposes -----	2,312,013	1.9
Endowments -----	3,144,788	2.5
Private grants -----	6,016,558	4.9
Other sources -----	1,705,120	1.4
Total -----	\$123,144,477	100.0%

The following table indicates the expenditures of organized research funds by subject area. More funds were expended in the area of the social sciences than the other research areas. Agriculture, forestry and veterinary medicine accounted for the next highest expenditures.

Table 34
Total Organized Research by Subject Area
1965-66

	<i>State general funds</i>	<i>University restricted funds</i>	<i>Totals</i>	<i>Percent</i>
Agriculture, forestry and veterinary medicine -----	\$18,273,814	\$10,579,222	\$28,853,036	23.4
Medical and related fields ----	1,086,450	25,040,896	26,127,346	21.2
Mathematical, physical and engi- neering sciences research ----	3,206,735	23,482,332	26,689,067	21.7
Social sciences and Other -----	8,114,874	33,360,154	41,475,028	33.7
TOTAL -----	\$30,681,878	\$92,462,604	\$123,144,477	100.0

C. Recommendations

We recommend a reduction of \$18,900 for faculty travel in the organized research budget.

The 1967-68 proposed level of support for faculty travel to professional meetings is \$70 for each new FTE faculty. The 1966-67 level is \$65 per FTE. Travel grants are provided for research and professional activities. Applications are acted on by the chief campus officer on the recommendation of the Committee on Research of the Academic Senate. A common example of their purpose is the travel of a professor to a professional conference attended by his colleagues from other universities and colleges to read a paper authored by him before the assembled body.

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In view of the stringent budget requirement of this fiscal year and the travel restrictions imposed on out-of-state travel by other state agencies we feel that this program can be held to the present level. We, therefore, recommend deletion of the proposed increase.

7. Libraries

Each of the nine campuses of the University has a general library plus related college, research, branch and professional libraries. This budget category pertains to state support for the current operations of all of these libraries. The principal objective of the University of California Libraries, as stated in the 10-year plan for library development adopted in 1961 and revised in 1965, is to support adequately the academic programs of the University.

Budget Request

1966-67	1967-68	Amount	Increase	Percent
\$17,285,622	\$19,303,424	\$2,017,802		11.7

The proposed budget is an 11.7 percent or \$2,017,802 increase over the 1966-67 budget of \$17,280,982. The library budget represents 4.9 percent of the total support budget. State support funds provide 95.8 percent of the library budget.

A. Workload

The Governor's Budget is based on maintaining the existing 1966-67 level of support with a 6.8 percent increase for the purchase of books. Special consideration is given to the needs of the two new campuses, Santa Cruz and Irvine, and to the development of the medical libraries at the San Diego and Davis campuses. For the purpose of maintaining the existing level of support the Department of Finance calculated the workload increase on the weighted student enrollment growth.

An analysis of the proposed library budget indicates that 56.8 percent will be expended for salaries and wages, books, periodicals and bindings will account for 36.6 percent of the proposed expenditures while supplies, equipment and expenses account for only 6.6 percent.

Table 35
Libraries
Total 1967-68 Budget by Object

	Amount	Percent
Books, periodicals and binding-----	\$7,058,246	36.6
Library salaries and wages-----	10,963,311	56.8
Supplies, equipment and other expenses-----	1,281,868	6.6
Total -----	\$19,303,425	100.0
Expenditures per FTE faculty	\$2,985	
Expenditures per FTE student	213	

The Department of Finance calculated a workload increase of \$1,011,224 for the other campuses (all campuses excluding Irvine, Santa Cruz and California College of Medicine). To this amount was added the regents' request for Irvine and Santa Cruz, \$200,947 and \$189,729 respectively. In addition, the amounts for program development at Davis Medical and San Diego Medical, \$236,258 and \$44,748 were also included as workload. An increase in the workload budget of \$32,480

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was included for the California College of Medicine but its method of determination was not made clear. The sum of these amounts total \$2,017,802, a 11.7 percent increase over the 1966-67 library budget.

The amount of increase for the other campuses was allotted to each individual campus on the basis of the estimated growth in weighted student enrollment at each individual campus. Table 36 shows the total workload increase as allocated to the individual campuses.

Table 36

	1966-67 budget	Increase 1967-68 Dept. of Finance allocation		Enrollment increase 1967-68 over 1966-67	
		Amount	Percent increase over 1966-67	Unweighted	Weighted
Berkeley -----	\$4,150,250	\$10,506	0.3	1.5	0.1
Davis -----	1,835,613	334,886	18.2	16.2	17.7
Los Angeles -----	4,335,364	86,676	2.0	2.1	2.6
Riverside -----	1,108,132	60,411	5.5	1.1	6.1
San Francisco ----	571,013	36,772	6.4	4.2	4.6
Santa Barbara --	1,679,118	481,973	28.7	17.5	23.2
	<u>\$13,679,490</u>	<u>\$1,011,224</u>	<u>7.4</u>	<u>5.6</u>	<u>5.7</u>
San Diego -----	\$1,316,877	\$302,055			
Irvine -----	1,045,234	200,947			
Santa Cruz -----	597,457	189,729			
Davis—Medical --	255,094	236,258			
San Diego—					
Medical -----	311,058	44,748			
CCM -----	80,412	32,841			
	<u>\$3,606,132</u>	<u>\$1,006,578</u>			
	<u>\$17,285,622</u>	<u>\$2,017,802</u>			

B. Performance Analysis

Actual budget expenditures for 1965-66 of \$13,814,223 exceeded the budget amount of \$13,458,968 by 2.6 percent or \$256,265. This amount was largely provided for from University sources and expended on opportunity book purchases.

The following analysis of budgeted actual library expenditures indicates that the greatest disparity occurred in the expenditure for books, periodicals and bindings. Library salaries and wages represent 60.3 percent of the actual budget, 6.5 percent more than the proposed 1967-68 library budget. Expenditures for books, periodicals and binding accounted for 32.8 percent of the actual expenditures.

Table 37
Comparison of Budgeted to Actual Library Expenditures
1965-66 Support Budget

	Budgeted	Actual	Percent of total
Books, periodicals and binding -----	\$4,316,806	\$4,530,367	32.8
Library salaries and wages -----	8,261,291	8,332,001	60.3
Supplies, equipment and other -----	880,871	951,855	6.9
Total -----	<u>\$13,458,968</u>	<u>\$13,814,223</u>	<u>100.0</u>
Expenditures per FTE student -----	\$184	\$189	
Expenditures per FTE faculty -----	2,463	2,543	

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Comparison of budgeted to actual workload data for 1965-66 shows that the increase in actual expenditures accounted for an increase in the workload measures over the budget amounts. Total library collections increased to 7,651,379 volumes, 91,979 more volumes than were budgeted.

Table 38
Library Workload Data Comparison of Budgeted to Actual 1965-66

	<i>Budgeted</i>	<i>Actual</i>
Library volumes per student.....	103	105
Library volumes per faculty.....	1,384	1,408
Acquisitions	527,332	619,311
Total library collections.....	7,559,400	7,651,379

In 1961, the University adopted a 10-year plan for library development which was amended in the summer of 1965. Fundamental collections for instruction and research will be accumulated on each campus. In addition each campus is encouraged to build unique collections of high distinction. The library development plan proposes that the University possess 10,055,000 volumes by 1971. Table 39 shows the goals by year from 1965-66 through 1967-68 in comparison with the actual volumes on June 30 of each fiscal year.

Table 39
Comparison of Library Development Plan With Actual Volumes Possessed

<i>Year</i>	<i>Library plan ¹</i>	<i>Actual</i>
1964-65	—	7,032,068 ²
1965-66	7,559,000	7,651,379 ²
1966-67	8,176,000	8,365,289 ³
1967-68	8,840,000	8,949,289 ⁴

¹ A Plan for Library Development—as amended July 1965.

² Size of the University of California Libraries, 30 June 1966.

³ University of California Current Operating Budget, 1967-68.

⁴ Addition of 584,000 estimated acquisitions in 1967-68.

C. Recommendations

No reduction in workload is recommended pending further review.

8. Agricultural Extension

Agricultural Extension is one of the major public service programs of the University. It is under the auspices of the Division of Agriculture Services and is operated under a cooperative agreement between the University, the county boards of supervisors and the U.S. Department of Agriculture. Extension offices are located in 53 counties and research facilities are located on the Davis, Riverside and Berkeley campuses.

Budget Request

<i>1966-67</i>	<i>1967-68</i>	<i>Amount</i>	<i>Increase Percent</i>
\$9,045,326	\$9,048,826	\$3,500	0.03

State support funds of \$7,123,554 represent 78.7 percent of the Agricultural Extension budget. This budget category is 2.3 percent of the total support budget. The Agricultural Extension also receives support from the federal and county governments. State and federal funds are used by the University to pay for central services staff and

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salaries of local farm advisors and other technical field positions. Counties provide and maintain farm advisor offices plus clerical and other support needs.

A. Workload

Additional funds totaling \$3,500 are requested for agricultural publications to provide for increased printing costs. Table 40 is a program analysis of the proposed 1967-68 budget for Agricultural Extension. The largest portion of the budget, 37.3 percent or \$3,507,351, will be expended for county operations programs directed toward agriculture in 53 counties.

Table 40
Agricultural Extension—1966-67

Agricultural extension—Project 1—Administration	\$168,832
Agricultural extension—Project 2—Information (Specialists who disseminate research information by publications and mass media)	641,446
Agricultural extension—Project 3—Production (Subject matter specialists—e.g., agronomist, entomologist, etc.)	1,920,958
Agricultural extension—Project 4—Marketing (Agricultural economic programs)	222,116
Agricultural extension—Project 5—Home economics	306,058
Agricultural extension—Project 6—4-H programs	244,390
Agricultural extension—Community and public affairs	26,832
Agricultural extension—Project 8—County operation (conducts agricultural extension programs oriented towards the industry within each of the 56 counties)	1,583,244
Agricultural extension—Project 8—county operation—offset (state matching funds for federal appropriations)	3,507,351
Agricultural publications office (disseminates by publications research and agricultural experiment stations)	359,224
Provision for upgrading and reclassification	64,875
Total	<u>\$9,045,326</u>

B. Performance Analysis

Agricultural Extension serves farmers, food processing and other agriculture related industries, homemakers and 4-H Club members. Program emphasis is on the development and dissemination of information relating to specific agricultural problems. Solutions to problems are developed through the cooperative efforts of farmers, farm advisors and other campus extension staff and research specialists on various campuses of the University. New information is mainly disseminated through mass media, published reports and demonstration and classes. Staff home economists provide information about proper food and nutrition and special technical personnel act as advisors.

During the 1965-66 fiscal year Agricultural Extension proceeded in their endeavor to provide solutions to the agricultural and economical problems throughout the state. Farm advisors in Kings County conducted large-scale tests on 13 alfalfa varieties. Growers in cooperation with farm advisors are obtaining profitable returns in 20 Christmas tree-growing counties. In four counties, artificial insemination was being tested by breeders working with Agricultural Extension staff. Volunteer leaders played an important role in increasing 4-H Club membership. Family and consumer sciences staff reached the state's ex-

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panding population through use of the mass media providing information on nutrition, health and family economics.

C. Recommendations

No reduction in workload is recommended pending further review. This is an area where public services can be reduced if the public desires austerity. Specific proposals should be received from the University as to appropriate fees for services or some reduction in public services and related industry research.

9. University Extension

The goal of University Extension is to provide educational opportunities for adults, improve citizen participation in public affairs and to provide solutions to community and statewide problems. University Extension offers continuing adult education programs of various types throughout the entire state. Classes, conferences and correspondence courses are the most popular means by which extension services are provided. Classes and other programs are offered on all campuses of the University of California, and at an off-campus extension center in San Francisco.

Budget Request			
1966-67	1967-68	Amount	Increase Percent
\$14,313,198	\$15,198,939	\$885,741	6.2

The proposed budget for University Extension is 3.8 percent of the total support budget. A budget increase of 6.2 percent or \$855,741 is proposed. State support will provide 6.4 percent of the proposed budget for University Extension.

A. Workload

The workload increase consists of \$885,741 expected to be produced from student fee income. This increased revenue will be used to improve University Extension programs.

B. Performance Analysis

In 1965-66, 7.6 percent of the University Extension budget was financed from state support. University Extension, in effect, operated the third largest campus of the University with a full-time equivalent enrollment of 18,881 students. Highlights of the 1965-66 operation of University Extension as outlined in the annual report are as follows: (a) a special Regents' Committee on University Extension was appointed to study University Extension's long-range goals, (b) the decentralization of authority to campus extension directors, initiated in 1964-65 was completed and (c) there was a substantial increase in contract and grant activity which includes matched funding of specific programs from the State Technical Services Act and Title I of the Higher Education Act of 1962.

C. Recommendation

Refer to following section.

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D. Special Legislative Reports

1. Proposed Basis of State Support for University of California Extension

The University of California submitted a report on a proposed basis for requesting state support for University Extension as requested by Senate Finance and Assembly Ways and Means Committees. The purpose of this report was to determine a new method of determining state support that is more clearly related to program need.

In response to this request the University submitted a report with detailed definition of its four basic educational programs: (1) professional upgrading, (2) cultural programs, (3) citizen responsibility and (4) urban extension, and four supporting programs: (a) low density population areas, (b) radio and television, (c) administration and (d) planning and development.

Professional programs are designed to create educational opportunities for adults in the professional, administrative and managerial fields in order that they may keep abreast of the latest research and development in their respective fields.

Examples of certificate programs offered are: business, business management for technical personnel, industrial relations, nuclear technology, real estate and social services.

Cultural programs provide education in art, music, literature and humanities. Citizen responsibility programs are designed to stimulate interest in local, state, national and international problems. Examples of cultural programs are the American Musical Theater; the Beethoven Festival and General Semantics. Urban extension programs are designed to solve problems arising from population growth, sociological changes, urbanization and technological advances by providing consultative services to governmental and voluntary agencies as well as individuals. Examples of offerings are Dilemmas of United States Foreign Policy and the Negro in American Society.

Radio and television programs consist of filmed and typed extension programs which are made available to citizens in nonmetropolitan areas of the state and which also assist in meeting the problem of increased student population and shortages in staff. Two projects are currently operational, the San Francisco Medical Radio Network and the Los Angeles Medical Television Network. Programs in low density areas of the state provide opportunities for continuing adult education in areas which preclude recovery of costs of programs from fee income. Programs that have been requested are for training of school nurses in Santa Maria and public administration courses in Modesto.

Planning and development are needed for the study of new programs. Such fields needing study as possible course offerings are systems development and aerospace activity. Maintenance of the statewide character of University Extension as well as administration of its contracts and grants necessitate adequate general administration provisions.

In conclusion, the University's report on a new method of determining state support states that three of Extension's program areas will not require state support; these are professional programs, cultural programs and citizen responsibility. State support will be needed for pro-

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grams in low density population areas, radio and television, administration and planning and development.

Recommendations

We recommend approval of the University of California's Extension budget in the reduced amount of \$14,417,887 for a net reduction of \$781,052 in state support.

The Governor's Budget provides for \$969,218 in state support for University Extension. We recommend that the state only provide support in the amount of \$188,166, which is for the proposed increase in University Extension programs in low density population areas. This level of support would allow a \$781,052 reduction from the proposed extension budget of \$15,198,939 to \$14,417,887.

University Extension has demonstrated its ability to perform as a self-supporting educational program of the University of California. Despite a gradual reduction in state support from 16.07 percent in the 1958-59 budget to 7.2 percent in the 1966-67 budget, University Extension programs have continued to grow and expand. In 1966 it is the largest education organization of its kind with over 9,000 faculty members, lecturers and administrative personnel serving its student clientele through the presentation of more than 6,300 courses, seminar conferences and special programs.

In our analysis, the only program offered by University Extension for which there is justified need for state support is that offered in low density population areas which do not have the ability to finance such a program. Estimated nonstate revenues derived from student fees, gifts, government contracts and grants for University Extension in 1967-68 total \$14,024,417. This amount is only \$393,470 less than our recommended budget.

To offset the decrease in state support, University Extension can: (1) increase fees to pay for its desired expansion, (2) draw on its reserves. Two recent fee increases have occurred, one in 1964 and the other in 1966. In 1964 fees for two and three unit classes were raised by \$5 per unit. Table 41 indicates that in 1964-65 FTE enrollment increased by 11.9 percent. Hence, it appears that the fee increase did not inhibit student enrollment.

Fees were again increased in the fall of 1966 in conjunction with the change from the two semester to the three quarter calendar as shown in Table 42. The 1967-68 enrollments are expected to increase 7.7 percent despite this fee increase.

Table 41
Five-year Enrollment Data

Year	FTE students	Increase
1963-64 (actual)	14,500	--
1964-65 (actual)	16,283	11.9%
1965-66 (actual)	18,259	12.1
1966-67 (estimated)	19,373	6.1
1967-68 (estimated)	20,865	7.7

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Table 42
1966 UE Fee Increase
 (Due to change to quarter system)

Number of units	Semester fee per unit ¹	Quarter fee per unit	Fee per hour of instruction	
			Semester	Quarter
One -----	\$20	\$20	\$1.33	\$2.00
Two -----	35	29	1.16	1.45
Three -----	45	37	1.00	1.23
Four -----	--	45	--	1.13
Five -----	--	53	--	1.06

¹ Semester and quarter units are equal to 15 and 10 hours of instruction, respectively.

The second alternative available to University Extension to offset the reduction of state support if it desires to expand its program is to draw on its reserves. University Extension reserves are reported to total \$969,218. This amount has been accumulated from \$250,000 in state funds and \$719,218 in nonstate funds. There is a third alternative of eliminating marginal classes or other offerings.

10. Other Public Service Programs

This category includes several public service programs not related to either Agricultural Extension or University Extension which are relatively minor in scope. These programs directly fulfill the University's public service function as designated in the Master Plan.

Budget Request		Increase	
1966-67	1967-68	Amount	Percent
\$1,519,478	\$1,672,108	\$153,630	10.1

The proposed increase of 10.1 percent is provided from University sources. The other public services program budget represents 0.4 percent of the total support budget and is comprised of 19.4 percent of state funds.

A. Workload

The workload increase of \$153,630 is derived from student incidental fees and revenues generated from the activities themselves. Art gallery operations at Berkeley and UCLA, funded largely from student incidental fee income, will increase an estimated \$87,784. An expanded arts and lectures series at Santa Barbara is expected to require an additional \$40,068, funded with ticket sales.

Activities at other campuses financed from incidental fees will increase by \$25,778. The following table shows that 69 percent of the other public services budget for 1967-68 will be expended for arts, lectures and conferences.

Table 43
Other Public Service Programs
 1967-68

Arts, lectures and conferences -----	\$1,153,317
Public service programs—agriculture -----	104,549
Professional publications -----	81,685
Vocational education -----	164,775
Museums and laboratories -----	136,597
Other -----	31,185
Total -----	\$1,672,108

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Recommendation

No reduction in workload is recommended pending further review.

11. Maintenance and Operation of Plant

The expense of repair, maintenance and operation of the physical plant at the nine University campuses plus the medical schools are the main components of this budget category. Operation costs include such activities as police protection, building and grounds maintenance, utilities, refuse disposal and other similar expenses.

Budget Request

1966-67	1967-68	Amount	Increase Percent
\$21,799,319	\$23,868,279	\$2,068,960	9.5

The proposed budget for maintenance and operations is 6 percent of the total support budget. The budget increase is 9.57 percent or \$2,068,960. State support provides 93.1 percent of the maintenance and operations budget.

A. Workload

The workload increase of \$2,068,960 for 1967-68 is based on an estimated 5.8 percent increase in gross outside square feet and increased utility costs. Unit cost for utilities will rise from 24.3 cents in 1966-67 to 27.2 cents per square foot in 1967-68. Although high initial costs for the new campuses will decline moderately, unit cost for the seven established campuses will rise to accommodate the following: (1) a new central plant at Davis, (2) an improved electrical distribution system at Santa Barbara and (3) the continuing expansion of research equipment, mechanical ventilation and refrigerated air-conditioning on all campuses. Air-conditioned building area is proposed to increase by 18.5 percent over 1966-67 from 36 percent to 40 percent of total maintained area with a minimum utility cost of 34 cents per square foot for new area versus the present average of 24.3 cents for existing space.

The Department of Finance calculated the workload increase on the basis of maintaining the current year (1966-67) cost per square foot plus allowing the requested increase in unit costs for utilities. For instance, at the Los Angeles campus the number of gross outside square feet will increase by 284,981 to a total of 6,300,043 square feet. The increase multiplied by the 1966-67 cost per square foot of 83.87 cents gives \$239,014. This amount added to the increase in utilities calculated by multiplying total number of gross square feet by 2.95 cents (\$185,851) totals \$424,865. The Department of Finance granted the full workload request in the regents' budget for the new campus of Irvine and the California College of Medicine. Combined unit costs will rise 3.4 percent from the 98.6 cents per square foot to 101.91 cents. This increase is largely attributable to the Irvine, Santa Cruz and the California College of Medicine. These campuses will experience a more intensive use of their facilities which will cause a corresponding increase in maintenance effort per square foot.

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Table 44
Maintenance and Operation of Plant 1967-68
Budgeted Unit Costs by Function and Campus

<i>Campus</i>	<i>1967-68 proposed unit cost per square foot</i>	<i>Outside gross square feet 1967-68</i>
Berkeley -----	88.05¢	7,100,137
Davis -----	107.29	3,387,830
Irvine -----	180.30	509,665
Los Angeles -----	86.82	6,300,043
Riverside -----	114.19	1,467,707
San Francisco -----	116.82	1,056,846
Santa Barbara -----	123.58	1,642,900
San Diego -----	129.81	1,421,819
Santa Cruz -----	148.49	417,009
California College of Medicine -----	159.33	117,795
All campuses -----	101.91	23,421,751

B. Performance Analysis

The budgeted amount of \$18,320,346 for maintenance and operation in 1965-66 was exceeded in actual expenditures by \$33,476. The total expenditure for this budget category during 1965-66 fiscal year was \$18,655,092. The percent difference between actual and budgeted square feet was 1.28 percent. Actual cost per square foot was 95.8 cents rather than the budgeted amount of 95.2 cents.

Table 45
Maintenance and Operation
Actual Unit Costs by Function
1965-66

<i>Function</i>	<i>Unit cost per square foot actual</i>
Superintendence -----	4.7¢
Building maintenance -----	18.2
Grounds maintenance -----	10.7
Janitorial service -----	24.1
Police -----	6.3
Refuse disposal -----	1.9
Utilities -----	24.2
Miscellaneous -----	1.5
Major repairs and allocations -----	4.2
Unit cost for total expenditures -----	95.8¢

Table 46
Maintenance and Operation Comparison
of Actual to Budgeted Unit Cost by Campus
1965-66

<i>Campus</i>	<i>Budgeted</i>	<i>Actual</i>
Berkeley -----	82.7¢	81.8¢
Davis -----	102.2	98.7
Irvine -----	158.2	149.4
Los Angeles -----	82.3	87.2
Riverside -----	111.7	116.5
San Francisco -----	113.8	119.7

University of California—Continued

Table 46—Continued
Maintenance and Operation Comparison
of Actual to Budgeted Unit Cost by Campus
1965-66

<i>Campus</i>	<i>Unit cost per square foot</i>	
	<i>Budgeted</i>	<i>Actual</i>
Santa Barbara -----	115.1	122.8
San Diego -----	127.4	118.9
Santa Cruz -----	180.1	181.7
All campuses -----	95.2¢	95.8¢

Table 47
Maintenance and Operation Comparison
of Budgeted to Actual Outside Gross
Square Feet
1965-66

<i>Campus</i>	<i>Budgeted</i>	<i>Actual</i>	<i>Percent Difference</i>
Berkeley -----	\$6,817,000	\$6,756,000	—0.89%
Davis -----	2,626,000	2,702,000	2.89
Irvine -----	392,000	415,000	5.87
Los Angeles -----	5,234,000	5,234,000	--
Riverside -----	1,146,000	1,093,000	—4.62
San Francisco -----	957,000	778,000	—18.70
Santa Barbara -----	1,209,000	1,138,000	—5.87
San Diego -----	1,103,000	1,122,000	1.72
Santa Cruz -----	173,000	168,000	—2.89
All Campuses -----	\$19,657,000	\$19,406,000	—1.28%

The following trend analysis illustrates the University's rapid growth in physical facilities during the last six years. From 1962-63 through 1967-68, if the estimates are realized, University facilities will have expanded by 67.8 percent.

Table 48
Outside Gross Square Feet
1962-63—1967-68

<i>Year</i>	<i>Total outside gross square feet</i>	<i>Year-to-year percent increase</i>
1962-63 -----	13,947,062	5.8%
1963-64 -----	15,172,177	8.8
1964-65 -----	16,840,000	11.0
1965-66 -----	19,406,000	15.2
1966-67 (est.) -----	22,121,882	14.0
1967-68 (prop.) -----	23,421,751	5.9

C. Recommendations

No reduction in workload is recommended pending further review.

The cost per square foot has increased from 95.8 cents in 1965-66 to an estimated 98.6 cents in 1966-67 to a proposed 101.91 cents in 1967-68. The cost per square foot for maintenance and operation is estimated to increase 2.8 cents in 1966-67 and 3.31 cents (proposed) in 1967-68. Concurrently, gross outside square feet have increased from 19,406,000 to an estimated 22,122,010 in 1966-67 to a proposed 23,421,751 in 1967-68. In 1966-67 the cost per square foot is estimated to in-

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crease 3.3 percent and gross square feet 14.0 percent while the 1967-68 cost per square foot is proposed to increase 3.4 percent and gross square feet 5.9 percent. From these facts it seems apparent that some economies of scale are being experienced as the University expands. The more intensified use of the newer campus by their steadily increasing student population is offsetting the economies of scale being experienced by the more mature campuses. In addition, the continued expansion in the use of refrigeration air-conditioning and research equipment is causing a steady increase in utility charges.

12. Student Services

The variety of programs included in this budget category are generally classified according to their source of funds. Restricted fund programs such as student health services, placement, student counseling, recreation facilities and housing services are financed from student revenues, mainly the student incidental fee. Financed from the State General Fund are such University supported programs as the registrars, admissions and Dean of Student Offices.

Budget Request		Increase	
1966-67	1967-68	Amount	Percent
\$15,714,591 -----	\$16,764,579	\$1,049,958	6.8%

The \$1,049,988 workload increase is composed of \$556,846 from University sources and \$493,142 from state funds. University revenues raised largely from incidental fees account for 72.8 percent of the total student service budget. This budget category is 4.2 percent of the total state support budget.

A. Workload

The proposed workload increase of \$1,049,988 is intended to maintain the 1966-67 level of service, provide for administration of new federal student aid programs and support additional admissions and registration cycles due to year-round operation.

From the \$556,846 increase that is attributable to increased incidental fee income, approximately \$250,000 will be allocated to the placement services, housing services, counseling services, cultural and recreational programs and student activities. Approximately \$300,000 of this amount will be allocated to the student health services on the nine campuses.

Workload, as calculated by the Department of Finance, is based on maintaining the current year General Fund cost per student for the increase in headcount enrollment on each individual campus. As an example 377 new students are expected to enroll at the Berkeley campus in 1967-68 (excluding the summer quarter). Workload increase is determined by multiplying the increase in headcount enrollment (377 students) by the 1966-67 General Fund cost per student of \$52.23 for a product of \$19,690. A similar procedure was utilized for the computation for all the campuses. As in the other budget categories, special consideration was given the two developing campuses of Santa Cruz and Irvine. The total of these calculations produce a workload increase of \$493,142 for the nine campuses.

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B. Performance Analysis

An increase of \$550,424 was expended over the budgeted amount of \$13,344,138 in 1965-66. Actual expenditures exceeded budgeted expenditures by 4.1 percent. Actual expenditures for student supported services (restricted University funds) were \$124.28 per student. Actual expenditures for state supported (General Fund) services were \$58.32 per student.

The following table indicates that student supported service on a cost-per-student basis have gradually increased since 1962-63. Concurrently, state-supported services have shown a sharper increase since 1965-66. The latter increase is largely caused by the increased administrative work in the registrars and admissions offices generated by the change-over from the semester to the quarter system. Expansion of various student service and activity programs such as counseling service and educational placement caused by growth in student enrollments is the reason for the increase in the former.

Table 49
Student Services per Student
1962-63—1967-68¹

Year	Student Supported Services	State Supported Services
1962-63 -----	\$97.91	\$54.29
1963-64 -----	101.23	52.19
1964-65 -----	115.46	51.61
1965-66 -----	124.28	52.30
1966-67 (Est.) -----	125.10	56.84
1967-68 (Prop.) -----	122.66	58.32

¹ Not including extramural funds.

C. Recommendations

No reduction in workload is recommended pending further review.

Headcount enrollment is estimated to increase 11.8 percent in 1967-68. Student services is budgeted to increase 6.8 percent. The workload increase appears to be commensurate with increased demand for student service caused by expanding enrollments.

13. Staff Benefits

The employer's share of various retirement programs, state compensation insurance and a contribution toward the payment of employee's group health insurance comprise the expenditures of this budget category.

Budget Request

		Amount	
1966-67	1967-68	Increase	Percent
\$18,559,182	\$21,255,182	\$2,696,000	12.9

Over 99 percent of staff benefits are paid for from state funds. Staff benefits expenditures are 12.9 percent of the total budget. Proposed total benefits for staff benefits consist of the following for 1967-68:

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Table 50
Proposed Total Staff Benefits for 1967-68

	1967-68	Budget request	
		Amount	Increase Percent
Proposed total expenditures for staff benefits include the following program:			
A. Retirement systems			
University of California Retirement System -----	\$13,829,990	\$2,172,300	18.6
State Employees' Retirement System -----	3,701,577	12,700	0.3
O.A.S.D.I. -----	607,879	—36,400	—5.6
Others (incl. faculty annuities) -----	549,036	---	---
Total retirement systems budget -----	\$20,982,446	\$2,366,100	12.7
B. Other staff benefits			
Health insurance -----	\$1,891,000	\$295,500	18.5
State compensation insurance -----	676,700	34,400	5.4
Total other staff benefits -----	\$2,567,700	\$329,900	14.7
Total staff benefits—workload	\$21,255,182	\$2,479,000	11.9

A. Workload

Two retirement systems exist at the University. The majority of the University's employees participate in the University of California Retirement System (UCRS). Nonacademic employees who were employed prior to October 1, 1961, may still be covered under the State Employees' Retirement System (SERS). There has been a gradual transition of the proportion of nonacademic employees under the State Employees' Retirement System to the University of California Retirement System due to the attrition rate of older employees from SERS. The rate of this attrition is expected to be 5 percent. Employer contribution rates are projected to increase from 6.87 percent to 7.11 percent on July 1, 1967 and OASI increased from 4.20 percent to 4.40 percent on January 1, 1967. Membership under OASI is declining 3 percent annually.

Table 51
1967-68
Retirement Programs
Employer Contribution Rates

	Percent
University of California Retirement System -----	8.25
State Employees' Retirement System -----	7.11
O.A.S.D.I. -----	4.40
Both S.E.R.S. and O.A.S.D.I. -----	11.51

Other staff benefits include the group health insurance program and state compensation insurance. Group health insurance will cover an estimated 34,471 full-time equivalent employees at a cost of \$6 per month per employee. State compensation insurance is estimated to increase by \$34,400. An increase in annuity provisions contained in provisions for allocations will maintain University contributions for the 3 percent tax sheltered faculty annuity initiated in 1966-67. The tax sheltered

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annuity is an investment program which may be utilized for employees of certain nonprofit organizations to defer income tax on salary earned currently until such time as the employee retires. In effect the employee elects to defer taxation on retirement contribution until the retirement years when larger exemptions are available, and when income and effective tax rates, would presumably be lower. The full year cost of the 3 percent annuity is established at \$2,949,964 in 1967-68.

B. Performance Analysis

Actual 1965-66 contributions for UCRS and SERS exceeded the budgeted amount by \$800,000. To ensure adequate funding for 1967-68 the University has reviewed actual contributions and has determined that a minimum of 81.7 percent of salaries and wages in Education and General Expense must be financed under SERS or UCRS. The proposed University budget for 1967-68 for Staff Benefits will meet these past deficiencies.

C. Recommendations

No reduction in the workload is recommended pending further review.

14. GENERAL INSTITUTIONAL SERVICES

A wide variety of administration type services are included within this budget category. Examples of these services are clerical pools, automobile pools, duplicating, mail and messengers, academic senate expenses, publications, public information offices, health and safety insurance and the University Dean of Educational Relations office. Also included is the state subsidy for the University Press operating expenses.

Budget Request			Amount	Percent
1966-67	1967-68	Increase		
\$6,807,216	\$7,443,156	\$635,940		9.3

The budget for general institutional services receives state support of 69.3 percent and accounts for 1.9 percent of the total support budget. There is a 9.3 percent workload increase of \$635,940.

A. Workload

A \$74,595 increase is largely attributable to self-supporting activities such as Davis farming operations and the library photographic service. Also included are increased expenditures for the University Press of \$13,838.

In its workload calculation the Department of Finance allowed increases for the academic senate, mail and messenger, receiving, publications, public information, environmental health and safety and other totaling \$561,345. On the seven established campuses workload increases totaled \$361,186 and the two new campuses of Santa Cruz and Irvine have increases of \$14,008 and \$22,278, respectively. Universitywide administration was allocated a \$97,236 workload increase and the California College of Medicine received \$39,628. The budget increase is broken down in the following table:

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Table 52
General Institutional Services
1966-67 Workload Increase

<i>Purposes</i>	<i>New campuses ¹</i>	<i>Established campus</i>	<i>University- wide</i>	<i>Total</i>
Mail and messenger -----	\$8,979	\$93,058	---	\$102,037
Data processing -----	---	---	\$41,572	41,572
Public information -----	---	5,100	---	5,100
Academic Senate -----	9,828	57,387	---	67,215
Publications -----	20,584	53,844	---	74,428
Health and safety -----	15,306	90,156	---	105,462
Receiving -----	8,598	62,867	---	71,465
Universitywide Dean of Educational Relations -----	---	---	41,821	41,821
Governmental relations -----	---	---	1,843	1,843
Insurance premium -----	---	---	6,500	6,500
Miscellaneous -----	---	---	2,000	2,000
Actuary services -----	---	---	3,500	3,500
Agriculture -----	---	-1,226	---	-1,226
Totals -----	\$63,295	\$367,186	\$97,236	\$521,717
California College of Medicine -----	-----	-----	-----	39,628
Grand Total -----	-----	-----	-----	\$561,345

¹ Irvine and Santa Cruz.**B. Performance Analysis**

Actual expenditures for general institutional services in 1964-65 exceeded the budgeted amount by \$2,170,469 or 42 percent. The budgeted amount was \$5,166,004, while actual expenditures were \$7,336,472. Approximately one-half of this difference can be attributed to the transfer of the University Press from auxiliary enterprises to the general institutional services budget category. The other half of the difference between actual and budgeted expenditures was provided for from University sources. For the past three years actual expenditures have exceeded budgeted amounts by 18.5 percent (1963-64), 21 percent (1964-65) and 42 percent (1965-66). A variance of this size is indicative of poor budgetary decisions at some point in the budget process.

C. Recommendations

No reduction in workload increase is recommended pending further review.

Approximately \$100,000 of the proposed workload increase will be utilized to increase radiation safety personnel to meet health department requirements for radioactive material licenses. In view of the underestimation experienced in past budgets for general institutional services, no reductions have been recommended in this 8.7 workload increase. However, we encourage the University and Department of Finance to improve their budgeting technique for determining the budget for general institutional services.

15. PROVISIONS FOR ALLOCATION

Many items that will be allocated among the campuses during the fiscal year are contained in this budget category. These provisions for allocation include such items as provisions for contingencies, endowment

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

Budget Requests			
	1966-67	Workload	1967-68
Provisions for Allocation -----	\$12,654,590	\$5,422,178	\$18,076,768
Less estimated budgetary savings -----	—7,797,200	—632,549	—8,429,749
	<u>\$4,857,390</u>	<u>\$4,789,629</u>	<u>\$9,647,019</u>
UCB, UCLA Summer Quarter -----			<u>3,981,567</u>
			\$13,628,595

A. Workload

Workload increases for provision for allocations are comprised of merit and promotions, a price increase and UCB and UCLA summer quarters. Funds for merit increases and promotions for academic and nonacademic employees to continue current salary policies total \$5,022,078. A provision for a price increase of \$400,000 is requested as a workload increase. The amount is based on cost and price standards determined by the Department of Finance. Cost increases reflected elsewhere in the budget are not duplicated. Budgetary savings will be increased by \$632,549.

Table 53
1967-68 Governor's Budget
University Provisions for Allocation to Campuses

Provision for contingencies -----	\$410,600
Endowment income unallocated ¹ -----	1,060,354
Other -----	157,956
Merits and promotions 1966-67 ² -----	721,035
Academic merits and promotions 1967-68 ³ -----	2,929,000
Nonacademic merits and promotions 1967-68 ³ -----	1,392,600
Range adjustment funds at July 1, 1966 ⁴ -----	4,119,982
Provision for price increase -----	400,000
Budgetary savings -----	—8,429,749

¹ Balance estimated to be available July 1 for allocation as needed during the year.

² Available for academic and nonacademic merit increases and promotions effective after July 1, 1966.

³ For allocation to campuses in 1967-68.

⁴ Was allocated to campuses subsequent to July 1, 1966.

For the 1967 summer quarter at Berkeley, \$3,309,659 is requested from state funds to maintain the existing standards of support budgeted for the other three quarters of the year. These funds will provide for the initiation of year-round operations at the University of California. At the Los Angeles campus an estimated 3,442 FTE enrollment will require an additional 224 FTE faculty at an average salary of \$11,523 and supporting funds at the currently budgeted level of \$5,338 per FTE plus \$6 FTE teaching assistants. At the Los Angeles campus \$671,917 is budgeted for 1/6 (the first two weeks) of the 1968 summer quarter for an estimated enrollment of 3,213 FTE students. The 12-week summer quarter will require 188 FTE faculty and an average salary of \$11,273, supporting funds at the currently budgeted level of \$5,314 per FTE faculty and 56 teaching assistants.

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Recommendations

No reduction in the workload is recommended pending further review.

Increases for academic and nonacademic merits and promotions are in accordance with established policy and past performance. The proposed price increase is based on Department of Finance standards. Initiation of summer quarters at UCB and UCLA has been preceded by adequate planning and we have consistently supported the concept of year-round operations.

POLICY OPTIONS**1. Faculty Workload**

There is no evidence of a single, explicit definition of faculty workload for the University of California. The criterion for faculty appointment and promotion as discussed in the University of California Faculty Handbook identifies the components of such a definition: "(1) evidence of teaching competence; (2) evidence of research contribution or of other creative attainment; (3) University and public service; and (4) evidence of professional recognition." Nor is there evidence of a clearly defined method of determining teaching workload other than the following statement from the University Handbook: "The teaching load is intended to be moderate, to provide time for fulfilling other obligations, the most evident of which are research and creative activities, professional improvement, and scholarly activity."

Before criticizing the University for this apparent vagueness and lack of definite direction concerning its most important functions, instruction and research, it should be realized that most universities and colleges have similar difficulty in defining faculty workload. A general reluctance is apparent among all institutions of higher education to exchange information concerning their workload which they regard as confidential. There also seems to be very little published material on this subject.

Two methods are generally used to measure faculty workload and both have certain inherent flaws. One method is the faculty time survey which indicates the amount of time a faculty member spends performing the various activities considered to be part of his work. The second method is a measure of actual instructional or course work which is related to some quantitative basis such as student contact hours. The latter method is not reflective of true workload because it does not take into consideration other activities that are expected of the faculty member. It is doubtful whether the former method is a valid measure of workload because, in most instances, the individual faculty member is judging his own time and certain built-in bias may be contained in his judgment. For instance, it is accepted that each hour of class teaching necessitates two hours preparation. Without giving real thought to the amount of time he spends preparing for the course he has taught for two years, he would probably still feel that he is spending two hours in preparing for that class. Evaluation of both methods is needed to assess faculty workload.

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The University of California's investigation of faculty time conducted in the fall of 1960 indicates the faculty workweek averaged 54 hours which were distributed as follows:

Teaching	
Organized class	27 hours
Tutorial instruction	5
Counseling	2
Administration	4
Public Service	1
Sub-Total	39
Research	14
Professional activity	1
Total	54

This time survey is illustrious of the several elements of workload. Instructional assignments may include individual tutorials and supervision of postdoctoral and thesis research, seminars, conventional courses, laboratory courses and lecture courses. Table 54 shows the percentage distribution of faculty time among teaching, research, administration and public service.

Table 54
Percentage Distribution Faculty Time

<i>University of California—Fall 1960</i>	<i>Teaching</i>	<i>Research</i>	<i>Adminis- tration</i>	<i>Public Service</i>
Professor	53%	25%	20%	2%
Associate Professor	54	27	17	2
Assistant Professor	57	31	10	2
Instructor	54	41	3	2
All ranks	61	26	11	2

Contact hour data for the five general campuses for both regular and irregular faculty is provided below in Table 55. Faculty contact hours are calculated by combining the hours per week spent in organized classes and the hours per week spent supervising individual graduate students in tutorial courses. Irregular (largely part time) faculty are not included in the regular faculty ranks and often function as lecturers. The average number of contact hours for regular and irregular ranks at the five general campuses is 9.08 and 11.26, respectively. The frequency distribution of contact hours indicates that 42 percent of the regular ranks and 64 percent of the irregular ranks have teaching loads of nine or more hours per week. The distribution of contact hours might lead to an erroneous conclusion regarding the 22 percent of the regular rank faculty who have teaching of three or less than three hours per week. Faculty members serving as department chairmen or on major Academic Senate committees generally have a reduction in their workload which is not reflected in the proportion of time budgeted to instruction. Thus, there are faculty members budgeted 100 percent to Departments of Instruction and Research who have both academic administration duties as well as instructional duties. Among the 13 percent of the irregular ranks teaching three or fewer hours per week are distinguished visiting scholars who have come to teach only one course.

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Table 55
Average Number of Faculty Contact Hours Per Week Full-Time Faculty
Fall 1965¹

Five general campuses ²	Contact hours	Full-time Average faculty hrs/wk	Percent faculty contact hours					
			Less than 3	3	6	9	12	15 and over
Regular ranks	24,703.42	2,721 9.08	4%	18%	36%	20%	10%	12%
Irregular ranks	5,530.41	491 11.26	2%	11%	23%	23%	21%	20%

¹ Faculty contact hours are defined here by adding together the hours per week spent in organized classes and hours per week spent supervising individual graduate students enrolled in tutorial courses for credit. One contact hour per week is credited for each graduate tutorial enrollee.

² Berkeley, Los Angeles, Davis, Santa Barbara and Riverside.

Table 56 indicates the average number of contact hours per week for the faculty at the five general campuses from the 1962 to 1965. From this table it is apparent that faculty workload has remained virtually constant throughout this recent period.

Table 56
Average Number Faculty (Regular Rank) Contact¹ Hours
1962-1965

	1962	1963	1964	1965
Berkeley	9.6	9.3	9.2	9.7
Los Angeles	9.1	8.9	9.1	9.0
Santa Barbara	9.3	9.8	9.6	8.2
Davis	9.0	9.4	9.1	8.7
Riverside	9.5	11.0	8.7	8.4
Five Campus Average	9.4	9.3	9.2	9.1

¹ See Footnote to Table 55 for definition of contact hours.

From a strictly financial point of view, it is clear that an increase in faculty workload would result in both lower unit costs, i.e., average cost per student, and total costs, i.e., total operating budget. This premise is based on the two assumptions that the quality of instruction is constant and an increase in instruction time will increase physical output. Unfortunately, the latter two assumptions are not substantiated by actual experience. If an across-the-board increase in faculty teaching load were instituted, those faculty members who already have instructional loads of over nine contact hours per week would be unduly burdened and their instructional capacity would probably suffer. To add to the teaching workload of faculty members who have 9 to 12 contact hour teaching load without concurrently reducing other demands on faculty time would produce an intolerable situation in view of the estimated 54 hour work week in the faculty time survey. Additional hours devoted to teaching in some subject areas have no measurable benefit because there would be no increased demand for instruction in this subject. An example of this situation would occur in the case of foreign languages or certain very specialized courses. Increased teaching workload might necessitate transfer of some faculty from the mature campuses of Berkeley and Los Angeles to the younger campuses. This would represent a short-term economy when moving expenses and relocation allowances are considered.

From the foregoing discussion it should be obvious that a rather simple arithmetic endeavor of increasing faculty workload will lead to erroneous conclusions concerning the amount of savings to be derived from the decreased need for additional faculty. An arithmetic approach

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does not evaluate the beforementioned variables of faculty workload or the institutional character of a multicampus university such as the different areas of academic emphasis, different patterns and methods of instruction and different proportions of classroom and laboratory work. Nevertheless, it is apparent from the figures provided by the University concerning their workload in terms of contact hours that 58 percent of their regular faculty and 36 percent of their irregular faculty have a teaching load of six or less contact hours per week. This fact causes several critical questions to arise. If other demands on faculty time were lessened, could the teaching load of these faculty be increased, thereby reducing the need for more faculty and the demand for new positions and salaries paid from the state General Fund? When a campus such as Berkeley has a student faculty ratio of 1:14.74, why must lower division classes sometime have several hundred students in them? Why must a student in the lower division at Berkeley spend 38.6 percent of his classroom hours being instructed by teaching assistants? What should be the proper balance between time devoted to research and teaching? These questions are justly asked by students, legislators and the general public. Much of the confusion and suspicion surrounding faculty workload might be ameliorated by a more concise definition of workload and an accurate method of determining teaching workload.

Recommendations

We recommend that the University of California in cooperation with the Coordinating Council of Higher Education formulate a concise definition of faculty workload and develop an accurate method of determining faculty teaching load. This method should be developed in time to incorporate in the 1967-68 budget and reported to the Joint Legislative Budget Committee by November 1, 1967.

This recommendation is not intended to produce a rigid codification of faculty workload requirements but, rather, to stimulate an investigation of a problem that is basic to the existence of the University—the quantity and quality of faculty instruction. The utility of this approach and the uses of faculty workload data are many. Accurate data can be used to assess general efficiency and economy of operation, provide objective criteria for determining workload based on known inputs, provide justification for salary increases, allocate University resources, stimulate experimentation, plan for future expansion and provide comparable information for comparison with other institutions of higher education. In view of the general reluctance of institutions of higher education to provide this type of information, the University should take the lead in solving this problem.

It is advantageous to everyone, whether he be a legislator, University professor, administrator or interested citizen to have a better understanding of what constitutes faculty workload.

2. Average Cost per Student

The Master Plan for Higher Education in California states that “a careful assessment of cost factors is necessary to provide an adequate basis for planning . . .” The same assessment of cost factors is neces-

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sary today to provide some indication of the economical operation of our higher education institutions as well as to determine whether our educational plans are being fulfilled.

In view of the widely divergent cost per student figures that have been quoted, which range from \$1,500 per student to \$3,000 per student, we feel it is appropriate to focus attention on this one indication of unit operating costs. Although average cost per student is only a simple arithmetic mean, it has valid use in illustrating historic cost trends as well as efficiency in operation. Pragmatically, the main utility of an average cost figure is that its value and qualifications are well known and, secondly, it is constantly used by the general public as well as legislators.

At the request of the Legislative Analyst the University prepared average cost per student data based on the definition of "institutional expense" contained in the Master Plan. Because institutional costs represent the total instructional expense within the institution, it serves as an index of the cost of educating students.

The University calculated institutional costs per student in accordance with the preceding definition. Their computation includes the budget categories of instruction and departmental research and student service. Prorated shares of the following budget categories are included: 85.0 percent of library costs, 41.8 percent of general administration costs, 43.5 percent of institutional services, 47.0 percent of maintenance and operation costs, and 53.1 percent of staff benefits. The basis for these prorations is that expenses not generated by direct contact with students or in support of that contact should not be included in a cost figure representing instructional expense. According to the definition of "institutional expense" the following budget categories were excluded from the computation of institutional costs per student: summer sessions, extension and public service, organized activities, organized research, auxiliary enterprises and student aid.

Table 57 shows two cost columns: total University cost per headcount and state cost per headcount. The latter cost figure represents University expenditures only from the State of California General Fund within the defined budget categories. The former represents University expenditures from all sources within the defined budget categories.

Table 57
Institutional Costs per Student
Unweighted
1957-58 to 1967-68

<i>Academic year</i>	<i>Total University cost per headcount</i>	<i>State cost per headcount</i>
1957-58 -----	\$1,240	\$1,080
1958-59 -----	1,340	1,050
1959-60 -----	1,440	1,180
1960-61 -----	1,510	1,290
1961-62 -----	1,500	1,310
1962-63 -----	1,620	1,310
1963-64 -----	1,720	1,340
1964-65 -----	1,770	1,390
1965-66 -----	1,940	1,450
1966-67 (est.) -----	2,010	1,490

University of California—Continued

Table 58
Institutional Costs per Student
Weighted
1957-58—1966-67

<i>Academic year</i>	<i>Total University cost per weighted FTE current \$</i>	<i>State cost per weighted FTE current \$</i>
1957-58 -----	\$820	\$710
1958-59 -----	860	670
1959-60 -----	920	760
1960-61 -----	960	820
1961-62 -----	950	820
1962-63 -----	1,030	830
1963-64 -----	1,080	840
1964-65 -----	1,110	870
1965-66 -----	1,210	910
1966-67 (est.) -----	1,270	940

Table 58 shows the institutional cost per student on a weighted FTE student basis. Weighted FTE enrollments are derived from headcount enrollments by weighting the FTE enrollments by the level of student. These weights (1.00 for lower division, 1.50 for upper division, 2.50 for first stage graduates and 3.50 for second stage graduates) reflect the greater faculty and staff effort required for upper division and graduate level instruction. These weights represent the enrollment and costs per student in terms of FTE lower division students. The University cost per weighted FTE in 1966-67 for each level of student would be as follows:

Lower division -----	$1,270 \times 1.00 = \$1,270$
Upper division -----	$1,270 \times 1.50 = 1,905$
1st stage graduate -----	$1,270 \times 2.50 = 3,175$
2nd stage graduate -----	$1,270 \times 3.50 = 4,445$

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By means of a composite index the University was able to deflate the average cost per student for each year to 1957-58 constant dollar value. The 1966-67 total University institutional cost per headcount student in constant 1957-58 dollars is \$1,470; the 1967 state cost per headcount in 1957-58 constant dollars is \$1,090. The 1966-67 total University institutional cost per weighted FTE in 1957-58 constant dollars is \$930; the 1966-67 state cost per weighted FTE student is \$690 in 1957-58 constant dollars.

The state's institutional cost per student is \$1,470 and the state contribution per student is \$2,979 ($\$240,670,242 \div 80,777$ FTE students). We believe that the difference between these two figures should be identified. This constant dollar measure reflects not only price increases but also salary increases.

In our opinion average cost data should:

1. Represent the total instructional expense within the institution and thereby serve as an index of the cost of educating students.
2. Show the total cost of having one student attend the University for a year.

University of California—Continued

3. Reflect the cost to the state of having one student attend the University for one year.
4. Enable the state to identify what it is paying for.
5. Permit identification of costs that are not directly student related or induced.
6. Fulfill the need for a budgetary standard that will reflect the degree of economy in total University expenditures as well as state support.
7. Allow the identification of the cost of instruction, research and public service as well as the increased benefits to each to be derived by increasing the level of programs or establishing new programs.

Recommendations

We recommend that the University of California in cooperation with the Coordinating Council for Higher Education develop average cost-per-student data which will satisfy the preceding criteria and submit it in the form of a report to the Joint Legislative Budget Committee by November 1, 1967.

This report should contain information of the type of base used, whether it be the total University budget, the state support budget or, both. If costs for each budget category are prorated between student-induced costs and non-student-induced costs, the method of proration should be outlined. The unit, whether it be FTE students, headcount enrollment or weighted students, should be clearly defined. If the average cost is adjusted to indicate price inflation from a base period, agreement should be reached on the composition and type of price index to be used. An accurate and well substantiated average cost per student figure will be an advantage to everyone concerned with the costs of higher education.

3. Student-Faculty Ratios

In the *Plan for Growth of the University to 1976 and Beyond* an instructional workload formula of 28 weighted students to 1 FTE faculty is designated as a guide to the University and its campuses. The plan states:

The quality of instruction and of programs throughout the University must be maintained and improved wherever possible. To help achieve this goal the instructional workload per faculty member on the several campuses must be held to a responsible maximum. The instructional workload now at Berkeley should be the maximum instructional workload on any fully mature campus within the University (28-to-1 weighted ratio—Feb. 7, 1966).

The utilization of this weighted ratio to determine the number of new faculty necessitated by increased student enrollments was explained in the workload analysis for the instructional and departmental research budget category. In summary, the formula allows for the application of a 28-to-1 ratio to the increment of new students to determine the additional faculty need each year.

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Presently, the average weighted ratio of the six general campuses of the University is 25.85. This ratio indicates that the University has not reached its intended goal. Special consideration has been given the younger campuses to facilitate their orderly growth to maturity. The following table shows the proposed ratio for each campus in 1967-68. As can be seen, Riverside, San Diego and Santa Barbara have ratios below the Universitywide average. Only the Berkeley campus has reached the goal of 28:1.

Table 59
Student-Faculty Ratios
1967-68

<i>Campus</i>	<i>Weighted</i>	<i>Unweighted</i>
Berkeley -----	28.13	14.76
Davis ¹ -----	25.73	15.96
UCLA ² -----	27.73	15.87
Riverside -----	21.87	12.84
San Diego ² -----	21.27	11.40
Santa Barbara -----	23.07	16.10

¹ Excludes veterinary medicine.

² Excludes medical centers.

Budgetary savings could be induced by accelerating the growth of all campuses to the achievement of the 28 to 1 goal. It is apparent that some such measure as this is implied in the proposed 10 percent reduction imposed by the budget. This acceleration would reduce the number of new faculty members needed. Reducing the number of new FTE positions would, of course, reduce the need for additional salaries and support funds, and, thereby, induce a substantial saving for the state. If the Universitywide weighted ratio were increased from its present 25.85 to 27.00, 165 new positions could be deleted from the proposed 270 new positions contained in the Governor's Budget. Savings induced by adopting this policy would total \$2,497,110. This amount is composed of \$1,633,500 in salary savings ($\$9,900 \times 165$) and \$863,610 in support funds ($\$5,234 \times 165$). Table 60 illustrates the number of new faculty needed for 26:1, 27:1 and 28:1 and the difference from the proposed budget number.

Table 60
Comparison of Faculty Necessitated by Weighted Ratios

<i>Year</i>	<i>Weighted ratio</i>	<i>Weighted FTE enrollment</i>	<i>Total FTE faculty</i>	<i>FTE increase or decrease (from 66-67)</i>	<i>Difference (from 67-68)</i>
1966-67 -----	25.85	125,329	4,848	(base)	(base)
1967-68 -----	26.13	133,725	5,118	+270	--
1967-68 -----	27.00	133,725	4,953	+105	-165
1967-68 -----	28.00	133,725	4,776	-72	-342

Arguments Pro and Con

Arguments for the adoption of the policy of acceleration to the planned growth goal of the 28 to 1 weighted ratio are largely fiscal. Approximately 62 percent of the total funds expended by the University are for salary and wage payment. By accelerating the growth rate of all campuses to achieve the 28 to 1 ratio, the number of new faculty would decrease and substantial salary and support savings would occur.

University of California—Continued

Arguments against the adoption of accelerated growth to reach a 27:1 or 28:1 ratio are:

1. This policy would either increase the faculty workload (instructors would teach more classes) or increase classroom size (more students would attend each class). If this were accomplished without careful analysis the present quality of instruction could be reduced.

2. The development of curriculums could be curtailed on the younger campuses. On the younger and smaller campuses departmental development would probably be curtailed. The number and type of course offerings might have to be decreased for those disciplines for which there is less immediate demand.

3. The transfer of faculty would offset savings in the long run. If less than a 28 to 1 ratio were adopted, it would be necessary to transfer faculty from the mature campuses to the relatively new campuses. The cost to the state for moving expenses would be high and would offset the immediate salary savings. It is certain that faculty morale and retention would be affected.

4. The student-faculty ratio, by itself, is not a proper assessment of the efficient operations of the University. The use of a simple index is not in itself an adequate measure of overall efficiency of the University. A single index does not consider the variable of each campus such as different academic emphasis and different methods of instruction. Unfortunately, there is no single indicator much less a combination of indices, to which we can turn for a proper assessment of the economical and efficient operation of the University. In the final analysis, the educational output consists of new knowledge generated and the number of degrees granted each fiscal year, the quality of which can be assessed externally, and, in the case of the University, the quality rating given to the present output by independent scholarly bodies is extremely high.

4. Research

In the *Academic Plan of the University of California, 1966-76*, it states that "A primary responsibility of the University is the education of its students. A second major responsibility is research, which is intimately connected with University teaching, especially at the advanced graduate level." As California's "primary state-supported academic agency," so designated by the Master Plan, the University of California has become one of the major centers of advanced research in this country.

Financial support of research at the University comes from three main sources: the state, private individuals and agencies and the federal government. State appropriations play a fundamental role in supporting research by the University by providing for faculty salaries, development of campus, libraries, laboratories, research equipment, organized research units, faculty research and travel grants and special research in agriculture, forestry and veterinary medicine. Private gifts are usually restricted to specific purposes such as the Jules Stein Eye

University of California—Continued

Institute at UCLA. Federal funds provide the greatest support for research and are largely restricted to the physical, biological and medical sciences, agriculture and engineering with little emphasis on the social sciences and humanities.

Table 61 indicates the growing role of research at the University for selected fiscal years from 1954-55 to 1964-65. During this 10-year period the expenditures for research have increased 314.7 percent, from \$81 million to \$337 million. In 1954-55 research expenditures were 28.3 percent of the total University budget and in 1964-65 they were 56.9 percent of the total budget. By comparing the increase in state expenditures for the same period, it is seen that the state appropriations have increased at a slower rate than federal funding. During the same period federal funds have increased from 46.4 percent of the budget to 53.7 percent of the total budget. Expenditures from federal funds increased 368.5 percent during this 10-year span. State funds increased 229.5 percent.

Administration of research programs is conducted through the regular academic departments, Agricultural Experiment Stations and separately organized research units such as institutes and bureaus. These latter research organizations cut across departmental lines to facilitate interdisciplinary research. However, organized research units are supposedly not regarded as permanent administrative entities, but are to be discontinued as the research emphasis changes. The Berkeley campus alone has 65 different research units which range from an agricultural research station to zoology research—fisheries. In addition there are 99 additional research units on the other campuses. These include research laboratories of the University such as the Ernest O. Lawrence Radiation Laboratory at Berkeley and Livermore, the Bodega Marine Laboratory and the Lick Observatory at Mt. Hamilton. Examples of nearly two dozen principal field and research stations are the Antelope Valley Field Station and the Philip L. Boyd Desert Research Center. There are also 18 agricultural and forestry field stations and laboratories and agricultural field stations serving the state's 58 counties. The research funds allocated to academic departments and the basic support for organized research units are supplied to a large degree by the state. State funds administered with the advice of the Committee on Research of the Academic Senate support general research projects which might not have been initiated because of lack of financing. These funds act as core support to attract other sponsors, either from the federal government or private agencies.

The actual state support for organized research in 1965-66 and the proposed amount in 1967-68 are shown in Table 62.

Table 61
TOTAL UNIVERSITY RESEARCH AND ALL OTHER EXPENDITURES
(selected fiscal years)

Total University Expenditures	1954-55	1956-57	1958-59	1960-61	1961-62	1962-63	1963-64	1964-65
Organized research -----	\$25,600,410	\$31,266,646	\$39,409,981	\$59,189,089	\$69,590,435	\$83,084,747	\$92,437,049	\$102,745,770
All other expenditures -----	65,013,878	84,103,895	110,786,168	149,006,935	165,757,518	191,257,341	224,846,410	255,481,310
Total -----	\$90,614,288	\$115,370,541	\$150,196,149	\$208,176,024	\$235,347,953	\$274,342,088	\$317,283,459	\$358,227,080
Special federal research operations—AEC-----	55,882,777	90,697,681	132,677,790	184,033,678	224,970,623	285,953,153	246,474,581	235,191,682
Grand Total -----	\$146,497,065	\$206,068,222	\$282,873,939	\$392,209,702	\$460,318,576	\$510,295,241	\$563,758,040	\$593,418,762

University of California—Continued

Table 62
State Support Budget—Organized Research

	1965-66	1967-68
Total -----	\$34,620,070	\$37,635,603
State -----	32,993,886	34,283,527
Percent -----	95.3%	91.1%

Table 63 shows a breakdown of the organized research budget contained in the state support budget of the University. Figures for 1965-66 are actual expenditures and those for 1967-68 are the proposed budget.

Table 63
Organized Research¹
1967-68 Governor's Budget and Comparison of 1965-66 Actual

	1967-68	1965-66 Actual
Institutes and bureaus -----	\$12,007,887	\$11,530,568
Faculty research grants -----	1,786,206	1,606,342
Travel to professional meetings -----	360,666	327,407
Agriculture, forestry, and veterinary medicine -----	20,958,542	19,635,919
Other -----	1,752,198	1,519,834
Total -----	\$37,635,603	\$34,620,070

¹ Excluding sponsored research.

State funds also support departmental research as part of the general budget category of instruction and departmental research. Unfortunately, the expense of departmental research is not separately broken out of this budget category by the University. In order to determine how much of the budget is expended for instruction and how much is expended for departmental research, we have assumed that salaries and other operating expense may be allocated in proportion to the distribution of time between teaching, research and other duties. According to a survey conducted by the University in 1960, and reviewed again in 1964, faculty time within instruction and departmental research is distributed as follows:

Table 64
Distribution of Faculty Time¹

	Hours	Percent
Teaching -----	31	53.5%
Research -----		
Research teaching -----	7	12.1
Other research -----	10	17.2
Additional student time -----	3	5.2
Administration -----	6	10.3
Public service -----	1	1.7
	58	100.0%

¹ Includes auxiliary staff: Associates and Assistants, Lecturers, Supervisors, and Teaching Assistants.

Approximately 96.3 percent of the 1965-66 budget and 87 percent of the 1967-68 budget for instructional and departmental research is supported from state funds. Approximately 17.2 percent of this amount is expended for other research purposes and 12.1 percent is expended for research teaching based on the preceding distribution of faculty

University of California—Continued

time among various duties such as teaching, other research, research teaching, public service, etc. Using these percentages as a base for our calculation, we can determine that the estimated state support for departmental research is \$30,036,604 in 1965-66 and \$35,578,226 in 1967-68 (not including the proposed 10 percent reduction or adjustments in the State General Fund.)

Table 65
Departmental Research
University of California

	1965-66	1967-68
Total budget -----	\$106,342,336 96.3%	\$139,336,343 87%
	\$102,514,011 17.2%	\$121,222,618 17.2%
Other research ----	\$17,632,409 \$102,514,011 12.1%	\$20,850,290 \$121,222,618 12.1%
Research teaching -	\$12,404,195	\$14,667,936
Total departmental research --	\$30,036,604	\$35,518,226

Federal funds received by the University for research purposes from contracts, grants and appropriations totaled \$79,284,125. Special federal research operations received funding from the Atomic Energy Commission of \$238,313,394. Federal funds received by the University for research purposes in 1965-66 totaled \$317,595,579. In 1967-68 it is estimated that the University will receive \$94,572,901 for research grants, contracts and appropriations from the federal government. In addition, \$238,313,394 will be received from the federal government for special federal research projects (AEC). In 1967-68 it is estimated that federal funds received for research purposes will total \$332,886,295.

Table 66
Federal Research Funds

	1965-66	1967-68
Federal contract grants and appropriations --	\$79,284,125	\$94,572,901
Special federal research projects (AEC) -----	238,313,394	238,313,394
	\$317,597,579	\$332,886,295

Tables 67 and 68 show the total research budget by type of expenditure and the source of income, respectively. From fiscal year 1965-66 to 1967-68 the estimated expenditures for research will increase 5.6 percent, \$391 million to \$413 million. Special research projects for the Atomic Energy Commission comprise the largest percentage of these expenditures, 60.9 percent in 1965-66 and 57.5 percent in 1967-68. Table 68 shows that over 80 percent of the total fund for research activities come from the federal government. The state provides approximately 16 percent and other sources provide approximately 2.7 percent.

University of California—Continued

Table 67
Total Research Budget
University of California

	1965-66 (Actual)	1967-68 (Proposed)
Organized Research -----	\$123,114,547 (31.4%)	\$140,045,443 (33.9%)
Departmental Research --	30,036,604 (7.7%)	35,518,226 (8.6%)
Special Research (AEC) -	238,313,394 (60.9%)	238,313,394 (57.5%)
Total -----	\$391,464,545	\$413,541,063 (5.6%)

Table 68

Source of Income
1965-66 (Actual) and 1967-68 (Proposed)

Source	1965-66 (Actual)	1967-68 (Proposed)
Federal:		
Organized research -	\$72,284,125	\$94,572,901
AEC -----	238,313,394	238,313,394
	\$317,597,519 (81.1%)	\$332,886,295 (80.5%)
State:		
Organized research -----	\$32,993,886	\$34,283,527
Departmental research -----	30,036,604	35,518,226
	\$63,030,490 (16.1%)	\$69,801,753 (16.9%)
Other -----	\$10,836,536 (2.8%)	\$10,853,015 (2.6%)
	\$391,464,545	\$413,541,063

Research expenditures account for 59 percent of the total University budget in 1965-66 of \$663 million. For the 1967-68 proposed budget (excluding workload or reduction adjustments) research expenditures are estimated to be 54.5 percent of the total University budget of \$758 million.

Arguments Pro and Con

If state support for research activities were reduced, substantial savings for the state's General Fund could be incurred. These reductions could be made in departmental research or in the various areas of state support for organized research. This is one of the means which may be implied in the 10 percent reduction imposed by the Governor's Budget.

Arguments for reducing state support for research are as follows:

1. A reduction in the level of state support for research would provide a solution to the fiscal problem presently facing the University. The primary function of the University is teaching. It would seem justified to reduce expenditures for research prior to reducing those

University of California—Continued

connected with the instruction function of the University. In view of the relatively small amount of state support, in comparison with federal and other sources, it is questionable whether the state needs to continue to support research at such a high level. The concept of "seed money" or "core support" may have outlived its utility. It is questionable whether the University needs as much or more sponsored research activity.

2. A reduction in the level of state support for research would resist the trend of problem solving activities by the University for special interest groups. These problems could be solved as quickly and as well by other agencies. The research engaged in by the University should be based and oriented to generating new knowledge.

3. A reduction in the level of state support would alleviate the trend of overemphasis on research. Because of the emphasis of research activities and the large sums of money available for research, University teachers are diverted to research and away from teaching. Consequently, the quality of instruction has suffered, especially undergraduate instruction.

4. A reduction in the level of state support would deemphasize the need to publish in order to obtain faculty tenure. The volume of impractical, pedantic treatises which appear in scholarly journals might be stemmed.

Arguments against any reduction in state support for research are as follows:

1. State funds serve as core support to attract other sponsors. For every state dollar invested in research, many more federal or private dollars are investigated. In addition, state funds enable research to be carried on in disciplines that do not normally have attraction for other sponsors. They also allow graduate students to gain employment and experience in their major fields.

2. Research has an effect on the quality of California living. Every Californian comes in daily contact with the results of some prior research effort. The most outstanding evidence of this statement is the result of the agricultural research conducted by the University of California's Division of Agricultural Sciences and the Agricultural Extension Service. Not only does every Californian benefit through the improved quality of the food he consumes but the state reaps economic benefits as the number one agricultural producer in the nation.

3. Research generates new knowledge which supplies each generation of California with increased understanding of himself and the world in which he lives. The benefits to society are immeasurable.

4. The economic impact of research investments in dollar terms is several times that of the initial investment. More than 90 research and development companies have opened new plants and laboratories near the Irvine campus in the five years between the announcement of the site and its opening in the fall of 1965. The presence of Scripps Institution of Oceanography in San Diego has attracted more than 50 firms actively engaged in some aspect of this field. Research investments stimulate the economy of the surrounding community.

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ITEM 90 of the Budget Bill

Budget page 245

FOR SUPPORT OF RESEARCH IN THE CONVERSION OF
SEA WATER FROM THE GENERAL FUND

Amount requested in Budget Bill		\$301,410
Budget request before identified adjustments	\$334,900	
Increase to recognize full workload change	None	
Budget as adjusted for workload change	\$334,900	
Adjusted—undetailed reduction (10 percent)	33,490	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET..... None

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$33,490

ANALYSIS AND RECOMMENDATIONS

This research program in sea water conversion from the General Fund covers 19 projects seeking to convert brackish and sea water to fresh water at low cost. Such research has been conducted continuously at the University of California since 1951-52 with the support of the Legislature. Regular appropriations from the General Fund for this purpose have been made since 1961-62. The University has added other funds to bring the total expenditures to approximately \$468,500 in recent years.

Research is conducted at Berkeley, the Richmond Field Station, Los Angeles, San Diego, and recently at Riverside under the direction of a statewide coordinator. The water resources center administers the funds.

The research program has been modified over the years to keep the work responsive to California's needs and rapid technological developments. Fourteen projects relate to distillation conversion processes, two to the electrodialysis process, and two to the reverse osmosis process. These three processes are technically the most promising based on current knowledge and are generally considered to be most applicable in California.

The University's work has emphasized specific problem areas where development of basic information on process operations or chemical and physical properties of saline water is needed. The program also includes operation of two small test desalination plants, one at San Diego and the other at Coalinga. The latter plant operates by reverse osmosis, a process which is considered to be very promising. The University has done much of the development work on this process in past years to demonstrate the technical feasibility of the process and to develop workable membranes for the separation of fresh water from saline water.

No reduction recommended pending further review.

UNIVERSITY OF CALIFORNIA

ITEM 91 of the Budget Bill

Budget page 245

FOR SUPPORT OF DERMATOLOGY RESEARCH
FROM THE GENERAL FUND

Amount requested in Budget Bill		\$90,000
Budget request before identified adjustments	\$100,000	
Increase to recognize full workload change	None	
Budget as adjusted for workload change	\$100,000	
Adjustment—undetailed reduction (10 percent)	10,000	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET..... None

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$10,000

ANALYSIS AND RECOMMENDATIONS

This proposal would continue support for accelerated dermatology research efforts at the San Francisco Medical Center. One of the main goals of this research is to find a cure for psoriasis.

No reduction recommended pending further review.

UNIVERSITY OF CALIFORNIA

ITEM 92 of the Budget Bill

Budget page 222

FOR SUPPORT OF SCRIPPS INSTITUTION OF
OCEANOGRAPHY FROM THE GENERAL FUND

Amount requested	\$174,397
Estimated to be expended in 1966-67 fiscal year	None
Increase	\$174,397

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS AND RECOMMENDATIONS

This budget request will provide for improved programs for the Scripps Institution of Oceanography and the Scripps Institution-Marine Life Research Program. A temperature depth salinity recorder which will increase the rate of determining the properties of the sea which are of importance in analyzing information on marine life will be purchased for the Marine Life Research Program. At the Institution of Oceanography a research oceanographer and a senior development engineer will be added to the staff to coordinate federal research programs and develop navigational techniques by computer.

No reduction is recommended pending further review.

UNIVERSITY OF CALIFORNIA

ITEM 93 of the Budget Bill

Budget page 245

FOR SUPPORT OF RESEARCH IN MOSQUITO CONTROL
FROM THE CALIFORNIA WATER FUND

Amount requested	\$100,000
Estimated to be expended in 1966-67 fiscal year	100,000
Increase	None

TOTAL RECOMMENDED REDUCTION..... None

University of California—Continued

ANALYSIS AND RECOMMENDATIONS

This budget request will continue the support for research in mosquito control conducted by the University of California. The total budget is \$200,000. One-half of this amount is provided from the California Water Fund and the other half from other sources.

Current research projects include: "investigations on aerial dispersal methods of highly concentrated insecticides for mosquito control"; studies on "insecticide resistance in mosquitoes"; and studies on "behavior and food preferences of introduced annual fishes in relation to mosquitoes."

We recommend approval.

HASTINGS COLLEGE OF THE LAW

ITEM 94 of the Budget Bill

Budget page 248

FOR SUPPORT OF HASTINGS COLLEGE OF THE LAW
FROM THE GENERAL FUND

Amount requested in Budget Bill	\$635,124
Budget request before identified adjustments	\$654,203
Increase to recognize full workload change	51,490
Budget as adjusted for workload change	\$705,693
Adjustment—undetailed reduction (10 percent)	70,569

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET... None

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$70,569

GENERAL PROGRAM STATEMENT

Hastings College of the Law has been affiliated with the University of California since 1878 when it was originally established with a grant from S. C. Hastings. It is unique among the several law schools maintained by the University in that it is governed by its own board of directors. Degrees are nevertheless issued in the name of the Regents of the University of California. The college has one purpose, the education of students of the law. From this, two subprograms are operated, the regular program of instruction and the summer session. Table I shows the enrollment and cost per full-time equivalent student for each year during the last three fiscal years with estimates for the current and budget years.

	1963-64	1964-65	1965-66	1966-67	1967-68
Regular program	\$319,762	\$398,425	\$477,287	\$634,700	\$644,212
Number of students ..	940	1,055	1,024	1,012	1,006
Cost per student	\$340	\$373	\$466	\$627	\$640
Summer school program	\$5,974	\$6,598	\$3,067	\$7,841	\$9,991
Number of students...	46	45	46	46	46
Cost per student	\$130	\$147	\$67	\$170	\$217
All programs	\$325,736	\$400,023	\$480,354	\$642,591	\$654,203
Number of students...	986	1,100	1,070	1,058	1,050
Cost per student	\$330	\$364	\$449	\$607	\$623

Hastings College of the Law—Continued

ANALYSIS AND RECOMMENDATIONS

The most significant developments in the budget for Hastings College of the Law are: (1) the expansion of federal financing under the Higher Education Act of 1965, Title II through which the college is anticipating receipts of \$23,625 in both the current and budget years; and (2) the alteration of administrative assignments in which the responsibilities for directing the moot court and publishing of the Law Journal, previously held by one person, were divided and given to two. However, due to the elimination of an associate dean position, the net number of positions is unchanged. No new General Fund positions are requested.

A significant portion of the support for Hastings College of the Law comes from student fees. The table shows the amounts of these fees since 1963-64 as well as the relationship to state support, federal financing, and miscellaneous sources of income.

	1963-64 (actual)	1964-65 (actual)	1965-66 (actual)	1966-67 (estimated)	1967-68 (proposed)
Student fees -----	\$256,564	\$322,275	\$325,788	\$321,840	\$324,940
General Fund -----	325,736	400,023	480,354	642,541	654,503
Federal funds -----	--	--	5,000	23,625	23,625
Miscellaneous -----	5,534	5,920	4,861	23,076	18,440
Total -----	\$587,834	\$728,218	\$816,003	\$1,011,082	\$1,021,508

The budget shows a line item amount of \$51,490 listed as an "Increase to recognize full workload change." This sum is composed of the following:

Personal services	
1 administrative assistant -----	\$7,500
1 clerk-typist -----	5,200
1 assistant librarian -----	7,500
staff benefits -----	500
Operating expenses	
Administration:	
communications -----	900
travel, in-state -----	500
student medical services -----	8,260
Instruction	
instructional expense -----	400
library expense -----	7,000
Hastings Law Journal -----	8,000
Office space	
temporary faculty offices -----	3,000
Total operating expenses -----	\$28,060
Equipment -----	2,730
Total increases -----	\$51,490

No reduction in workload is recommended for Hastings College of the Law pending further review.

CALIFORNIA STATE COLLEGES

ITEM 95 of the Budget Bill

Budget page 251

FOR SUPPORT OF CALIFORNIA STATE COLLEGES
FROM THE GENERAL FUND

Amount requested in Budget Bill		\$154,246,230
Budget request before identified adjustments	\$177,753,775	
Increase to recognize full workload change	13,630,924	
Budget as adjusted for workload change	\$191,384,699	
Adjustment—undetailed reduction (10 percent)	19,138,469	
Tuition	18,000,000	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET___ \$1,796,165

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$17,342,305

Summary of Recommended Reductions

	Amount	Budget Page	Line
Federal indirect cost payments	\$450,000	251	39
Increase nonresident tuition income	251,200	251	39
Increase application fee income	850,000	251	39
Delete 29.9 proposed new division chairman positions	244,965	--	--

GENERAL PROGRAM STATEMENT

The basic responsibility of the California State Colleges, under the provisions of the Education Code and in accordance with the 1960 Master Plan for Higher Education, is to provide "instruction for undergraduate students and graduate students, through the master's degree, in the liberal arts and sciences, in applied fields and in the professions, including the teaching profession." The colleges are authorized, also, to participate in joint doctoral programs with the University of California and to provide for faculty research consistent with their instructional program.

The colleges offer a broad range of curricula in the social sciences, humanities, physical sciences, engineering, business and education, with individual colleges emphasizing such fields as agriculture, fine arts, mathematics, biological sciences and foreign languages. Although several of the colleges have recently expanded their activities in the areas of organized research and public service, these activities do not constitute separate programs, as they do for the University of California, but are subsidiary to the primary state college function of teaching.

The state colleges are administered by the Trustees of the California State Colleges, a board of 20 members including the Governor, Lieutenant Governor, Superintendent of Public Instruction and the Chancellor of the state college system as *ex officio* members, and 16 others appointed by the Governor for terms of 8 years. The Trustees appoint the chancellor, who, with his staff, assists them in the development of governing policies and is responsible for the central administration of the colleges.

There are now 18 state colleges in operation, including the two newest colleges in San Bernardino and the Dominguez Hills area of Los Angeles County, the latter operating out of temporary facilities near its permanent site. At the 1965 session, the Legislature authorized the Trustees to proceed with the development of a new college in Kern County, for which a site has been acquired, and to begin the

General Summary

Education

California State Colleges—Continued

selection of sites for three additional colleges to be developed within the next 10 years.

In accordance with the 1960 Master Plan, state college admission standards generally restrict the admission of freshmen to high school graduates who are among the top one-third of their high school class, as determined by a combination of grade points and aptitude test scores. Exceptions to this rule are limited to 2 percent of all students admitted as freshmen. Transfer students from California junior colleges or from other California four-year institutions may be admitted if they meet the requirements for the admission of freshmen and have a 2.0 grade point average or better in all prior college work or, if inadmissible as freshmen, have earned at least 60 units of college credit with a 2.0 grade point average or better. Out-of-state students seeking admission as undergraduates must rank among the upper half of those who are otherwise eligible. Any student who has earned a bachelor's degree from an accredited four-year institution may be admitted as a graduate student.

Estimated total annual full-time equivalent (FTE) enrollment for 1967-68 is 144,120. This is an increase of 12,945 or 9.9 percent over estimated enrollment for the current year, as indicated in Table 1.

Table 1
Average Annual Full-time Equivalent (FTE) Enrollment
Regular Sessions

	<i>Actual</i>			<i>Estimated</i>	
	1963-64	1964-65	1965-66	1966-67	1967-68
San Jose	14,836	15,465	15,306	16,550	17,110
Long Beach	9,954	11,640	13,181	14,400	16,000
San Diego	10,884	12,062	12,714	14,150	14,710
San Francisco	11,537	11,539	11,921	13,450	13,490
Los Angeles	11,371	12,008	11,436	11,800	12,440
San Fernando	6,805	8,530	9,408	10,400	11,590
Sacramento	5,362	6,180	6,752	7,600	8,340
San Luis Obispo	6,229	6,526	6,804	7,450	7,950
Fresno	5,721	6,364	6,785	7,460	7,940
Fullerton	2,088	3,145	4,236	5,270	6,450
Chico	3,607	4,445	5,156	5,780	6,310
Pomona	3,589	4,026	4,463	4,960	5,490
Hayward	1,654	2,857	3,535	4,000	4,690
Humboldt	2,105	2,433	2,739	3,050	3,430
Sonoma	433	655	853	1,160	1,450
Stanislaus	324	323	464	680	1,010
San Bernardino	--	--	249	500	985
Dominguez Hills	--	--	38	120	490
Subtotal	96,499	108,198	116,040	128,780	139,875
OCC—Bakersfield	262	238	210	200	220
OCC—Calexico	70	80	112	100	150
International program	(108)	212	201	265	270
Subtotal	332	530	523	565	640
Summer quarter ¹					
Hayward	--	82	353	460	570
San Luis Obispo	--	317	390	420	525
Pomona	--	140	245	370	510

¹ Computed as 2-semester or 3-quarter equivalent.

Education

General Summary

California State Colleges—Continued

Table 1—Continued
Average Annual Full-time Equivalent (FTE) Enrollment
Regular Sessions

	<i>Actual</i>			<i>Estimated</i>	
	1963-64	1964-65	1965-66	1966-67	1967-68
Los Angeles -----	--	--	--	570	2,000
Subtotal -----	--	539	988	1,820	3,605
TOTALS -----	96,831	109,267	117,551	131,125	144,120
Increase					
Number -----	10,712	12,436	8,284	13,574	12,995
Percent -----	12.4%	12.8%	7.6%	11.5%	9.9%

In terms of individual students rather than full-time equivalent units of enrollment, it is estimated that there will be 185,400 students enrolled in the fall term of 1967, of which about 120,510, or 65 percent, are expected to be full-time students and 64,890, or 35 percent, part-time (less than 12 units). The figures since 1963 appear to indicate a steady trend toward fewer part-time students, although the percentage of part-time students remains high.

Table 2
Fall Term Individual Enrollment

	<i>Full-time</i>		<i>Part-time</i>		<i>Total</i>
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	
1963 -----	80,188	60.2	52,920	39.8	133,108
1964 -----	92,454	62.1	56,502	37.9	148,956
1965 -----	98,840	63.8	56,047	36.2	154,887
1966 (est.) -----	110,203	64.8	59,959	35.2	170,162
1967 (est.) -----	120,510	65.0	64,890	35.0	185,400

In Table 3 we show total full-time equivalent (FTE) enrollment (excluding summer quarter FTE) by level of instruction from 1960-61 through 1964-65. The term "level of instruction" refers to course levels of enrollment rather than an individual student's classification as a lower, upper or graduate division student. These are very useful enrollment figures for the reason that they are closely linked to important cost differentials. However, we have been informed that the figures are no longer being maintained and therefore this table cannot be brought up to date.

Table 3
Distribution of FTE Enrollment
by Level of Instruction

	<i>Lower division</i>		<i>Upper division</i>		<i>Graduate</i>	
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
1961-62 -----	37,115	48.2	36,491	47.3	3,476	4.5
1962-63 -----	40,845	47.1	41,972	48.4	3,902	4.5
1963-64 -----	44,447	45.9	47,931	49.5	4,453	4.6
1964-65 ¹ -----	57,569	51.6	49,348	44.3	4,606	4.1

¹ Fall term only.

We are also unable to report enrollment by subject field, another basic cost element, for the reason that such figures have not been reported, except as mere extensions of previous data, since 1964.

General Summary

Education

California State Colleges—Continued

ANALYSIS AND RECOMMENDATIONS

The total amount of General Fund support requested for the state colleges for 1967-68 is \$160,211,485. This is a reduction of \$14,960,320 from estimated General Fund support for the current year. The amount requested results from the following computation in the Governor's Budget:

General Fund support for itemized expenditures -----	\$177,753,775
Allotment for workload increase -----	13,630,924
	<hr/> 191,384,699
Less: Undetailed reduction -----	—19,138,469
Tuition income -----	—18,000,000
	<hr/> \$154,246,230
Salary increase -----	5,965,255
	<hr/> \$160,211,485

Budgeted state cost per FTE unit of enrollment after the proposed 10 percent reduction, but excluding enrollment and expenditures for summer quarter operation, amounts to \$1,107. This may be compared with figures of \$1,342 per FTE estimated for the current year and \$1,168 for 1965-66.

	<i>Gross expenditures per FTE¹</i>	<i>Net state support per FTE²</i>
1965-66 -----	\$1,408	\$1,168
1966-67 -----	1,621	1,342
1967-68 before 10 percent reduction -----	1,641	1,224
1967-68 after 10 percent reduction -----	1,504	1,107

¹ Excluding year-round operation and reimbursed activities.

² Excluding year-round operation costs and enrollment.

Table 4
Total Proposed Expenditures by Function, 1967-68

	<i>Amount</i>	<i>Percent</i>	<i>Increase over 1966-67</i>
Statewide:			
Chancellor's Office -----	\$2,691,412	1.1%	268,605
Academic Senate -----	65,440	--	732
International Program -----	334,494	0.1	4,909
College budgets:			
General administration -----	13,042,349	5.0	1,532,097
Instruction -----	137,992,744	53.3	12,018,737
Libraries -----	14,538,278	5.6	—121,810
Student services -----	13,825,916	5.3	788,582
Student aid programs -----	14,504,881	5.6	796,659
Plant operation -----	23,808,455	9.2	2,119,983
Year-round operations -----	5,043,640	2.0	2,414,637
Research and special projects -----	17,989,313	6.9	1,031,431
Summer session -----	6,222,520	2.4	253,991
Extension -----	1,672,704	0.7	3,700
Other reimbursed activities -----	3,916,072	1.5	979,783
Auxiliary enterprises -----	3,431,011	1.3	40,769
Subtotal -----	\$259,079,229	100.0%	\$22,132,805

Education

General Summary

California State Colleges—Continued

Table 4—Continued
Total Proposed Expenditures by Function, 1967-68

	Amount	Percent	Increase over 1966-67
Salary savings -----	4,757,320		—881,455
Salary increase -----	5,965,255		5,965,255
Total -----	\$260,287,164		\$27,216,607
Net State Support:			
Before 10 percent reduction -----	\$179,349,954		\$4,178,149
After 10 percent reduction -----	160,211,485		—14,960,320

All support for the state colleges is included within a single item of appropriation in the Budget Bill for 1967-68. In the past there has been an item for each college plus several items for systemwide expenditures. The consolidation of items alone appears to make no significant change in existing budget administration procedures. It is the intention of the Chancellor's Office, however, to propose amendments to the budget control language which will grant the Trustees and the colleges greater authority in this regard.

We are recommending very few reductions from the budget as submitted, even though our analysis deals with expenditures as proposed prior to the undetailed 10-percent reduction. In general, the workload adjustment of \$13,630,924 provided for 1967-68 meets the very minimum requirements of the scheduled workload (enrollment) increase. Should the enrollment estimates be revised downward the whole item will require further review, but as it stands now we find few areas in which a further reduction of expenditures is justified.

The workload adjustment of \$13,630,924 provides for the additional faculty positions required (after certain reductions in formula allowances by the Department of Finance), administrative and clerical staff, admissions staff and plant operation staff and expense. Several areas such as student aid administration, student aid matching funds and the student health services have received no workload adjustment. No funds are budgeted for program augmentations and in only a few areas were we able to identify new levels of service.

Table 5
Summary of Recommended Reductions

Federal indirect cost payments -----	\$450,000
Increase nonresident tuition -----	251,200
Increase admission application fee -----	850,000
Delete 29.9 division chairman positions -----	244,965
Total General Fund reduction -----	\$1,796,165

STATEWIDE ADMINISTRATION

Chancellor's Office

The central administrative offices of the state college system are combined in the Chancellor's Office. The principal functions of this office are to assist the Trustees with the formulation and implementation of systemwide policies, to provide general supervision of program per-

General Summary

Education

California State Colleges—Continued

formance, to direct the fiscal management of the colleges and to provide certain essential services to the colleges.

The Chancellor's Office staff presently consists of 155.4 authorized positions, of which 96 are professional positions and 59.4 are clerical, technical and temporary help. These positions are distributed by function as follows: 29 in general administration, 26 for academic affairs, 66.9 for business affairs (including facilities planning and central office services), 11.5 for faculty and staff affairs and 22 for institutional research.

Total budgeted expenditures for the Chancellor's Office for 1967-68 amount to \$2,691,412. Net General Fund support amounts to \$2,512,119, an increase of \$263,612 or 11.4 percent over estimated expenditures for the current year. The proposed increase is distributed by object as follows:

Personal services	
Merit increases and full-year costs	\$71,114
Temporary adjustments	—15,762
Proposed new positions	110,202
Increased salary savings	9,000
Staff benefits	33,159
Subtotal	\$189,713
Operating expense	81,948
Equipment	—11,324
Reduced reimbursements	3,275
Total increase	\$263,612

The amount of \$110,202 in salary costs for proposed new positions is to provide 13 new positions, increasing the staff to a total of 168.4 positions.

In our opinion, five of the proposed new positions cannot be justified solely on the basis of increased workload at the present level of service. The justification submitted for each of these positions indicates that in large part they are intended to provide an improved level of service. The five positions are:

Associate, academic and institutional studies, IV	\$16,212
Senior management auditor	12,588
Administrative assistant I	8,532
Personnel specialist	13,872
Intermediate typist-clerk	6,957
	\$58,161

The position of associate, academic and institutional studies, IV is requested to strengthen the academic planning staff with respect to coordination, review and analysis of academic master planning and budgetary support for the current expense and capital outlay for academic programs. The position of senior management auditor is intended to enable the Chancellor's Office to plan and initiate an internal audit program for the colleges as well as to improve response to audit reports. The junior staff analyst and administrative assistant in busi-

California State Colleges—Continued

ness affairs are both intended to relieve existing positions of part of their current workload so that they may attend to other duties. The personnel specialist position is requested to handle a whole series of personnel duties which, according to the written justification, are not now being performed. At least one of three new clerical positions requested for the clerical pool can be related to these proposed new professional positions.

We believe that the proposed new level of service is justified in each case, and therefore we recommend approval of the proposed new positions, provided that it is not the decision of the Legislature to eliminate all increases which cannot be justified solely on the basis of workload growth.

The increase of \$81,948 for operating expense provides for increases of \$7,759 in general expense, \$4,000 for printing, \$15,000 for communications, \$20,400 for out-of-state travel, \$2,040 for in-state travel, \$25,500 for teaching awards (transferred from college budgets), \$6,800 for rent, plus miscellaneous minor adjustments. All of these increases appear to be justified for workload increases, price increases or to accommodate the proposed new positions.

Academic Senate

The Academic Senate is the official statewide representative body for the state college faculty. Its members are chosen by the full-time faculty at each college in a manner determined by each college. The Academic Senate meets approximately five times a year and its standing committees meet more frequently.

An amount of \$65,440 is budgeted for support of the Academic Senate for 1967-68, approximately the same amount as was appropriated for the current year.

International Program

The international program of the California State Colleges was established to provide an opportunity for selected state college students to take one academic year abroad at a major foreign university under the supervision of a state college faculty member. The academic program consists of two months of intensive advanced language study followed by two semesters of study as a regular student at one of the 10 "host universities" which have agreed to cooperate in this program. State college faculty members serve as resident directors or coordinators in each of the seven countries in which the host universities are located.

Enrollment is limited to upper division and graduate students with some proficiency in the language of the country in which they wish to study, and applicants are screened by campus and statewide faculty committees. Except for the current year, enrollment has fallen below initial estimates, as the following figures indicate:

	Budgeted enrollment	Actual enrollment
1964-65 -----	238	212
1965-66 -----	290	201
1966-67 -----	230	265
1967-68 -----	270	--

California State Colleges—Continued

The cost of this program is shared by the students and the state. The students are responsible for their transportation, living expenses and regular fees, which now average about \$2,000 and which are provided under a group contract. Except for reimbursements for the regular student fees, this expenditure is not shown in the Governor's Budget. State support is authorized for administrative and instructional costs up to a total cost per student equivalent to the average systemwide state support cost per FTE unit of enrollment for the regular state college program.

Table 6
State Support for the International Program

	<i>Actual</i> 1965-66	<i>Estimated</i> 1966-67	<i>Proposed</i> 1967-68	<i>Increase</i>
Administration and student services—	\$64,995	\$75,479	\$77,144	\$1,665
Instruction -----	193,400	254,106	257,350	3,244
Subtotal -----	\$258,395	\$329,585	\$334,494	\$4,909
Reimbursements -----	—16,123	—20,140	—20,520	—380
Total -----	\$242,272	\$309,445	\$313,974	\$4,529
Enrollment -----	201	265	270	
Cost per student-----	\$1,205	\$1,168	\$1,163	
Cost per student for regular program—	\$1,154	\$1,324	\$1,226	

As indicated in Table 6, a total of \$313,974 is requested from the General Fund for support of this program for an increase of \$4,529 or 1.5 percent. The state cost per student is budgeted at \$1,163 as compared with a systemwide average of \$1,226 per FTE (excluding statewide and summer programs).

COLLEGE BUDGETS

General Administration

This function includes all direct expenditures for the central administration of each college, plus a group of expenditures classified as general institutional expense which are related to several functions (instruction, student services, etc.), but which are not charged back to those functions. The central administration of each college is further subdivided between executive functions and business management. The executive subfunction includes the general management of the college, educational and facilities planning and public relations. The business management subfunction includes accounting, budgeting, purchasing, personnel administration and property management. The college budgets continue to include certain aspects of student loan administration within business management. We have grouped these costs with other student aid expenditures under a separate function.

The college budgets include computer centers and related data processing administration costs within instruction, whereas we believe that computer center cost which cannot be charged back to users should be budgeted and reported as a third subfunction under general administration. It is evident, however, that the entire matter of data processing services and computer centers requires clarification.

Total proposed expenditures for college general administration for 1967-68 is \$13,042,349, an increase of \$1,532,097, or 13.3 percent over

Education

General Summary

California State Colleges—Continued

estimated expenditures for this purpose for the current year. The systemwide average cost per FTE unit of enrollment is \$93 for the budget year as compared with \$89 for the current year.

Total expenditures by object category are shown in Table 7.

Table 8
Expenditures for General Administration

	<i>Actual</i> <i>1965-66</i>	<i>Estimated</i> <i>1966-67</i>	<i>Budgeted</i> <i>1967-68</i>	<i>Budgeted</i> <i>increase</i>
Personal services -----	\$6,486,686	\$8,150,079	\$9,180,036	\$1,029,957
Operating expense -----	335,467	431,840	466,099	34,259
General institutional expense -----	2,513,107	2,803,010	3,282,338	479,328
Equipment -----	77,017	125,323	113,876	-11,447
Totals -----	\$9,412,277	\$11,510,252	\$13,042,349	\$1,532,097

A total of 99.4 new positions are budgeted for this function for increased workload, at a salary cost of \$655,102. Of this total, 34.9 new positions are requested for the executive subfunction, primarily to implement management improvement plans for several colleges and to provide additional administrative and clerical assistance for the principal executive positions. Although all of these positions appear to be justified in accordance with previously accepted expenditure proposals, those positions which are proposed as further implementation of management improvement plans represent an improved level of service rather than simply workload increase requirements. There are 26 of these positions, including 3 vice-presidents, 16.5 administrative assistants and 6.5 related clerical positions, which fall into this category.

The remaining 64.5 positions are budgeted for the activities included under business administration and are based upon accepted workload standards. This includes 3.5 new positions for the business managers' offices, 18.7 for accounting, 16 for personnel, 6 for purchasing and 20.3 for general institutional services.

Operating expense for general administration is budgeted at \$466,099 for 1967-68, an increase of only \$34,259 over the current year. Of this increase, \$30,884 is for supplies and services, and the remainder is for community relations expense.

General institutional expense is budgeted at \$3,282,340 for 1967-68, an increase of \$479,330 or 14.6 percent over estimated expenditures for the current year.

Table 9
Expenditures for General Institutional Expense

	<i>Actual</i> <i>1965-66</i>	<i>Estimated</i> <i>1966-67</i>	<i>Budgeted</i> <i>1967-68</i>	<i>Proposed</i> <i>increase</i>
Printing -----	\$356,650	\$440,184	\$513,906	\$73,722
Travel, in-state -----	391,569	428,460	544,975	116,515
Travel, out-of-state -----	194,459	209,473	250,582	41,109
Communications -----	1,465,414	1,587,362	1,818,296	230,934
College memberships -----	39,029	48,221	54,263	6,042
Other -----	65,987	89,310	100,318	11,008
Totals -----	\$2,513,107	\$2,803,010	\$3,282,340	\$479,330

Table 7
Proposed Expenditures for General Administration, 1967-68

	<i>Personal services</i>		<i>Operating expense</i>			<i>Equipment</i>	<i>Total</i>
	<i>Executive</i>	<i>Business management</i>	<i>Supplies and services</i>	<i>Planning and community relations</i>	<i>General institutional expense</i>		
San Jose -----	\$231,730	\$485,911	\$34,680	\$12,441	\$336,369	\$12,792	\$1,113,923
Long Beach -----	210,439	460,730	19,800	11,442	287,524	19,913	1,009,848
San Diego -----	228,984	455,894	11,500	12,316	302,035	--	1,010,729
San Francisco -----	221,992	453,222	19,000	12,441	319,744	10,636	1,037,035
Los Angeles -----	212,230	454,389	27,700	12,541	317,370	10,467	1,034,697
San Fernando -----	218,922	388,881	19,800	11,791	253,816	10,268	903,478
Sacramento -----	202,085	313,236	16,500	11,941	204,304	6,323	754,389
Cal Poly—SLO -----	186,233	331,072	4,500	11,441	178,731	1,258	713,235
Fresno -----	211,649	322,413	16,064	11,441	182,563	6,565	750,695
Fullerton -----	193,408	277,434	17,250	11,442	125,244	3,655	628,433
Chico -----	204,068	310,099	6,200	11,341	130,539	10,778	673,025
Cal Poly—KV -----	196,604	265,866	7,630	11,141	116,534	6,765	604,540
Hayward -----	201,714	286,980	17,500	11,942	152,958	3,877	674,971
Humboldt -----	153,845	236,793	8,000	11,191	107,549	2,954	520,332
Sonoma -----	140,003	189,566	9,000	10,941	85,575	271	435,356
Stanislaus -----	152,142	127,940	9,000	11,241	54,190	1,608	356,121
San Bernardino -----	152,472	140,009	6,500	11,141	68,313	3,585	382,020
Dominguez Hills -----	101,255	129,779	5,000	8,100	43,340	1,161	288,635
Kern County -----	99,548	30,499	4,000	200	15,640	1,000	150,887
	<u>\$3,519,323</u>	<u>\$5,660,713</u>	<u>\$259,624</u>	<u>\$206,475</u>	<u>\$3,282,338</u>	<u>\$113,876</u>	<u>\$13,042,349</u>

California State Colleges—Continued

The individual items under general institutional expense are broken out in Table 9. Expenditures for printing, which are to increase by \$73,722 or 16.7 percent for 1967-68 are governed in large part by increases in unit costs and small increases in the quantity of each catalog or bulletin to be printed.

Expenditures for in-state and out-of-state travel are determined by formulae which take into account the number of eligible employees and cost allowances. The proposed expenditure of \$544,975 for in-state travel, which amounts to an increase of \$116,515, is based on a minimum allowance of \$4,000 per college plus \$10 per eligible professional position, a factor for distance, automobile mileage and an allowance for administrative travel. Out-of-state travel, for which an increase of \$41,109 is proposed, is budgeted on the basis of \$17 per professional instructional position and \$10 per eligible position in other areas, plus an allowance for travel related to faculty recruitment. Additional out-of-state travel funds for faculty recruitment are budgeted under instruction.

The largest item of general institutional expense is for communications and consists largely of telephone exchange charges, long-distance tolls and postage charges. The proposed increase of \$230,934, or 14.5 percent, is to provide for the extension of telephone service to new facilities, the continuing expansion of equipment capacity and increases in postage rates.

Proposed expenditures for equipment amount to \$113,876 for 1967-68, a reduction of \$11,447 from the current year.

Instruction

Expenditures for instruction include all direct current expenditures for classroom teaching and supporting services other than those related to the international programs. For budgetary purposes these expenditures are divided into teaching and administration, special programs, instructional services, summer sessions and extension programs. Teaching and administration expenditures consist of faculty and administrative salaries and benefits, instructional supplies, technical and clerical assistance, student assistance and faculty recruitment expenses. Instructional service expenditures consist of salaries and operating expense for instructional television, other audiovisual services, data processing services, master teacher payments to local school districts, special lecture services and certain farm operations. Expenditures for laboratory schools, graduate social work programs, educational television (San Diego) and college farms are included under special programs.

Expenditures for summer sessions and extension programs, which are expected to be supported entirely from student fees, are included in the Governor's Budget under the classification of "reimbursed activities." However, in view of the fact that these are instructional programs of some importance, we believe that they should be presented as separate programs regardless of the fact that they are financed from student fees rather than state tax funds. Accordingly, we have sepa-

California State Colleges—Continued

rately identified expenditures for summer sessions and extension in later sections of this analysis.

Total proposed expenditures for all activities within the instruction function amount to \$137,992,774, an increase of \$12,018,737 or 9.6 percent over estimated expenditures for the current year.

Teaching and Administration

The total amount of \$132,539,226 proposed for teaching and instructional administration consists of \$8,402,419 for administrative salaries and benefits, \$107,920,346 for teaching positions, \$11,669,530 for technical and clerical assistance, \$4,331,386 for general teaching and administrative operating expense and \$221,550 for special faculty recruitment expenses. Proposed expenditures by college are shown in Table 10.

The amount of \$107,920,346 for faculty teaching salaries is primarily to provide a total of 8,502.9 teaching positions, a net increase of 467.7 over the number authorized for 1966-67. The need for teaching positions is determined for each college on the basis of a complex faculty staffing formula which is intended to take into account the estimated enrollment in each subject area, the appropriate class size for various types of courses and instructional methods and the amount of preparation time required for each class meeting. At the undergraduate level, the formula provides one faculty position for the workload equivalent of 12 units (four courses) of lecture class per week. For graduate classes the formula provides one faculty position for the equivalent of 10 units.

The colleges do not ordinarily use a simple student-faculty ratio in determining the number of positions required, but such a ratio can be computed from the budget figures. As a matter of necessity, however, the student-faculty ratio for each college was used by the Department of Finance to compute faculty positions for the hastily constructed workload adjustment. For 1967-68 the workload budget provides an average student-faculty ratio of 16.4 to 1.

Student-Faculty Ratio ¹

	<i>FTE enrollment</i>	<i>FTE teaching positions</i>	<i>Ratio</i>
1963-64 -----	96,499	5,890	16.4
1964-65 -----	108,198	6,659	16.2
1965-66 -----	116,040	7,361	15.8
1966-67 (estimated) -----	128,780	8,035	16.0
1967-68 (budgeted) -----	139,875	8,503	16.4

¹ Excludes summer quarters, off-campus centers, summer sessions and extension.

There are two principal reasons for the increase in the ratio for the budget year: budgeted enrollment was not achieved by the colleges in 1965-66, with the result that the colleges received more positions than required by the staffing formula. In addition, the Department of Finance has reduced the college formula computations for 1967-68 in accordance with the findings of a special audit of the staffing formula undertaken at the department's request.

The amount of \$8,402,419 budgeted for administrative positions within the instruction function provides for deans and associate deans

Table 10
Budgeted Expenditures for Teaching and Instructional Administration
Personal services

	<i>Administra- tion</i>	<i>Teaching faculty</i>	<i>Technical and clerical assistance</i>	<i>Administration and teaching expense</i>	<i>Recruitment expense</i>	<i>Total</i>
San Jose.....	\$1,027,393	\$13,190,090	\$1,516,761	\$527,710	\$21,953	\$16,283,907
Long Beach.....	759,253	11,195,794	1,225,950	484,000	24,418	13,689,415
San Diego.....	757,812	10,750,775	1,283,872	448,090	19,090	13,259,639
San Francisco.....	682,923	10,974,819	1,243,818	394,935	19,301	13,315,796
Los Angeles.....	719,993	9,778,010	1,128,211	384,460	21,406	12,032,080
San Fernando.....	679,821	7,719,861	870,626	342,085	15,208	9,627,601
Sacramento.....	588,233	6,118,817	619,213	242,910	12,135	7,581,308
Cal Poly—San Luis Obispo.....	609,453	6,170,528	584,804	290,662	10,588	7,666,035
Fresno.....	540,029	6,141,745	638,805	262,040	12,711	7,595,330
Fullerton.....	281,327	7,407,779	522,145	195,175	11,003	8,417,429
Chico.....	342,544	4,601,132	548,634	192,765	12,181	5,697,256
Cal Poly—Kellogg-Voorhis.....	366,032	3,971,460	385,222	195,962	8,961	4,927,637
Hayward.....	301,054	3,579,658	396,075	154,490	9,121	4,440,398
Humboldt.....	261,060	2,926,789	326,984	101,645	7,179	3,623,657
Sonoma.....	132,466	1,166,312	133,217	40,575	4,152	1,476,722
Stanislaus.....	91,280	781,004	82,009	30,565	2,784	987,642
San Bernardino.....	94,842	912,370	111,479	29,012	3,039	1,150,742
Dominguez Hills.....	106,950	533,403	51,705	14,300	2,320	708,678
Kern County.....	59,954	---	---	---	4,000	63,954
Totals.....	\$8,402,419	\$107,920,346	\$11,669,530	\$4,331,886	\$221,550	\$132,539,226

General Summary

Education

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of schools, division and department chairmen, curriculum coordinators and supervisors and certain other academic-administrative positions. In the past, a major portion of the cost was used to provide one division chairman position for every 25 teaching positions. These positions were then employed as a pool of administrative time allocated in a variety of ways but primarily to release department chairmen from the standard teaching load. For the past several years, however, the colleges have been undergoing a reorganization according to which each college is to consist of four to six schools (business, engineering, humanities and arts, etc.), plus a graduate division, with a dean and often an associate dean in charge of each. The budgets continue to provide for new division chairman positions although this position has been eliminated, with certain exceptions, where reorganization has taken place. The position is now used almost exclusively to provide released time (from teaching) for department chairmen.

We recommend deletion of 29.9 proposed new division chairman positions for a reduction of \$244,965 in salaries and staff benefits.

Ten colleges which have converted to the new pattern of instructional administration are budgeted for a total of 29.9 new division chairman positions according to the old formula for colleges which have not converted their divisions into schools. As indicated above, these positions are to be used to provide a pool of released time from teaching duties for faculty members who act as department chairmen. There is no accepted formula for this purpose for colleges which are organized into schools. The positions are not, in our opinion, essential to meeting the increased teaching workload resulting from enrollment growth.

The proposed reduction pertains to the following positions:

<i>College</i>	<i>Positions</i>	<i>Amount</i>
San Jose -----	1.0	\$7,600
Long Beach -----	2.8	21,280
San Diego -----	4.1	31,160
San Francisco -----	5.0	38,000
San Fernando -----	6.7	50,920
Cal. Poly-SLO -----	3.0	22,800
Fresno -----	2.3	17,480
Fullerton -----	1.9	14,440
Chico -----	1.1	8,360
Cal. Poly-KV -----	2.0	15,200
	<u>29.9</u>	<u>\$227,240</u>
Less salary savings -----		<u>-4,544</u>
Plus staff benefits -----		<u>+22,269</u>
		<u>\$244,965</u>

Technical and clerical staffing is budgeted at a total cost of \$11,669,-530. These positions are provided by a formula which allows 0.22 positions per faculty position and 1 clerical position for each of the principal administrative positions. An additional amount of nearly \$2 million for student assistance for faculty members is provided through the work-study program.

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General Summary

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Operating expense for administration and teaching is normally budgeted at the equivalent of \$31.50 per FTE unit of enrollment with a portion of this amount allotted to instructional services. A slightly higher allowance is authorized for certain high cost instructional programs based upon demonstrated need. All administrative and teaching expense funds are provided from income from the student materials and services fee. In Table 11 we compare budgeted expenditures for all instructional operating expense with estimated and actual expenditures for the preceding years.

Table 11
Expenditures for Instructional Operating Expense

	<i>Actual</i> 1965-66	<i>Estimated</i> 1966-67	<i>Budgeted</i> 1967-68	<i>Proposed</i> <i>increase</i>
Administration and teaching-----	\$3,471,646	\$3,898,088	\$4,331,386	\$433,298
Master teachers -----	307,737	426,828	442,898	16,070
Special lecturers -----	24,072	51,750	51,750	--
Faculty recruitment				
Moving allowance -----	46,719	100,600	102,500	1,900
Recruitment travel -----	61,539	96,000	105,592	9,592
On-campus interviews -----	10,112	12,500	12,500	--
Television -----	67,344	73,803	80,303	6,500
Data processing -----	339,633	393,671	504,613	110,942
Audiovisual services -----	189,762	219,190	224,030	4,840
Laboratory schools -----	35,424	37,700	43,350	5,650
Special programs -----	233,084	267,150	306,840	39,690
Distinguished teaching awards--	750	32,500	32,500	--
Other -----	28,340	34,133	43,980	9,847
Totals -----	\$4,816,162	\$5,643,913	\$6,282,242	\$638,329

Instructional Services

The college budgets provide a total of \$3,903,663 for instructional services, an increase of \$370,356 or 10.5 percent over estimated expenditures in the current year. Of this amount, more than half, \$2,017,740, is provided for staffing and operating expense for audiovisual services (other than television). Staff positions are budgeted according to formulas which use FTE enrollment as the measure of workload. The 12.8 new positions are budgeted on this basis. Operating expense for audiovisual services is drawn from the total available for general instructional expense out of the \$31.50 per FTE provided by the materials and services fee.

The amounts of \$398,672 for instructional television and \$959,603 for data processing are budgeted largely according to previous workload experience with little reference to formulas. The colleges are still in the initial stages of development in both of these areas and much more definitive planning is necessary prior to further expansion. We have requested a comprehensive report on present and proposed development in the use of instructional television for review in relation to these budgets, but the report has not been submitted as of this writing.

At present there appears to be little systemwide planning in either instructional television or data processing, although it is clear that such planning will be necessary before any increase in state support can be justified.

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Table 12
Expenditures for Instructional Services

	1965-66	1966-67	1967-68	Increase
Audio-visual services -----	\$1,437,636	\$1,846,010	\$2,017,740	\$171,730
Instructional television -----	342,868	382,928	398,672	15,744
Data processing -----	436,722	793,291	959,603	166,312
Master teachers -----	307,737	426,828	442,898	16,070
Special lectures -----	24,072	51,750	52,250	500
Teaching awards -----	750	32,500	32,500	-0-
Totals -----	\$2,549,785	\$3,533,307	\$3,903,663	\$370,356

As indicated earlier, we also believe that it would be better to budget data processing expenditures as a general institutional expense (with charge-back to other functions where feasible) so as to reflect the fact that data processing services are available to all functions and to encourage the use of data processing facilities and services in other areas as well as in instruction.

Payments to local school districts for the services of master teachers are budgeted at the uniform rate of \$5 per credit unit for education students enrolled in practice teaching programs, plus a small amount for compensation insurance. Special lecture funds are budgeted at \$3,000 per campus for all but the three smallest colleges, for which the allowance is somewhat less. An additional \$16,000 is budgeted for this purpose in the Chancellor's Office. The total of \$32,500 allotted to the colleges for Distinguished Teaching Awards is distributed among the colleges according to faculty size. An additional amount of \$67,500 is allocated to the Chancellor's Office, primarily for related publication costs.

The college budgets provide a total of \$3,602,455 for special instructional programs, including the college laboratory schools, graduate social work programs, college farms, television broadcasting, off-campus centers and centers for economic education. Laboratory schools are operated by five of the colleges at a total identifiable cost of \$944,289. Graduate social work programs are now offered at four colleges and require a total of \$888,667 in direct support.

Two colleges, San Diego and Fresno, operate off-campus centers within their service areas. Direct expenditures for these two centers amount to \$540,742. Total identifiable expenditures for the Bakersfield center (Fresno) amount to \$287,172 or \$1,305 per FTE based on an estimated enrollment of 220 FTE. Total identifiable expenditures for the Callexico center (San Diego) amount to \$253,570 or \$1,690 per FTE based on an estimated enrollment of 150 FTE.

Libraries

This function consists of those activities directly related to the operation of the state college libraries: the acquisition and processing of books and other resources, maintenance of current holdings and catalog systems, circulation and reference services for students and faculty, and supervision of these activities. Expenditures are itemized as staff salaries, staff benefits, book acquisition, periodical acquisition, the cost of

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miscellaneous supplies and services and equipment costs. Indirect expenditures for overhead costs and institutional expenses not solely related to library services are budgeted under general administration and plant operation. Library expenditures for summer terms are budgeted under year-round operations.

The state college libraries are operated, except for certain temporary arrangements, as unified general purpose facilities typical of liberal arts institutions. The collections are related primarily to the undergraduate curricula of each college, although there has been some increase in graduate level resources at those colleges which have begun to develop extensive master's degree programs. The library collections are generally organized according to the major curricular fields with special facilities for reference materials, art and music materials and other resources. Reading and study areas are provided to accommodate, at one time, approximately 25 percent of the projected FTE enrollment of each college.

Proposed library expenditures for 1967-68 total \$14,538,278, as indicated in Table 13. The total amount represents a reduction of \$121,810 or 0.8 percent from estimated expenditures for the current year.

Staff positions are budgeted for each college to provide three to five administrative positions, one processing position for every 850 books to be acquired and one public service position for every 300 FTE units of enrollment. Application of the formula has resulted in substantial increases or reductions for several colleges but a net change of only 4.9 new positions.

The amount of \$4,018,782 for books represents a reduction of \$110,861 from estimated book acquisition expenditures for 1966-67. Together with \$521,474 for periodicals, this will provide 606,986 volumes at \$7.48 per volume. This level of expenditure is intended to provide for the third year of the 10-year library development plan which is aimed at raising all of the college book collections to the level of 40 volumes per FTE. The 606,986 new volumes are expected to increase the present ratio from 30.3 to 32.2 volumes per FTE. The allowance of \$7.48 per volume represents an increase of \$0.48 per volume in the budgeted book price.

An amount of \$521,474 has been budgeted for periodicals, and \$1,210,060 is budgeted for supplies and services. The amount for periodicals is deducted from book acquisition funds on the basis that bound periodicals become volumes to be counted as part of a college's total library collection. The amount for supplies and services has been computed at 25 percent of book and periodical expenditures to cover the cost of periodical binding, book processing materials and other miscellaneous library resources. In addition, an amount of \$75,000 has been provided for the new college in Kern County for purchase by contract of 25,000 volumes at \$3 per volume.

Table 13
Proposed Library Expenditures, 1967-68

	<i>Personal services</i>	<i>Books</i>	<i>Periodicals</i>	<i>Supplies and services</i>	<i>Equipment</i>	<i>Total</i>
San Jose	\$863,538	\$298,371	\$75,000	\$93,342	\$18,265	\$1,348,516
Long Beach	1,074,256	710,287	36,000	186,571	17,605	2,024,719
San Diego	871,956	428,849	40,745	117,398	14,163	1,473,111
San Francisco	832,211	359,816	32,180	97,999	21,453	1,343,659
Los Angeles	449,712	37,041	10,000	11,760	26,514	535,027
San Fernando	687,365	347,210	50,000	99,302	19,750	1,203,627
Sacramento	516,639	199,748	40,000	59,937	11,239	827,563
Cal Poly—SLO	390,731	281,929	26,000	76,982	12,138	787,780
Fresno	501,804	185,483	30,053	53,884	5,154	776,378
Fullerton	608,803	395,940	45,200	110,285	6,514	1,166,742
Chico	408,523	196,920	26,500	55,855	3,655	691,453
Cal Poly—KV	402,666	224,659	15,000	59,916	4,831	707,072
Hayward	231,779	55,324	30,000	21,331	5,130	343,564
Humboldt	242,912	88,859	15,075	25,983	2,324	375,153
Sonoma	125,969	22,679	16,000	9,669	541	174,858
Stanislaus	138,507	53,767	10,000	15,941	1,069	219,284
San Bernardino	169,706	96,221	22,000	29,555	125	317,607
Dominguez Hills	77,354	35,679	1,721	9,350	84	124,188
Kern County	22,977	--	--	75,000	--	97,977
Total	\$8,617,408	\$4,018,782	\$521,474	\$1,210,060	\$170,554	\$14,538,278

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General Summary

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Table 14

	Total Library Expenditures			<i>Change from 1966-67</i>
	<i>Actual 1965-66</i>	<i>Estimated 1966-67</i>	<i>Proposed 1967-68</i>	
Personal services -----	\$6,462,537	\$8,682,835	\$8,617,408	\$-65,427
Books -----	2,676,092	4,129,643	4,018,782	-110,861
Periodicals -----	281,860	532,525	521,474	-11,051
Supplies and services -----	673,814	1,148,636	1,210,060	61,424
Equipment -----	106,927	166,449	170,554	4,105
Totals -----	\$10,201,230	\$14,660,088	\$14,538,278	\$-121,810

Table 15

Total Library Volumes and Volumes Per FTE				
	<i>Previous total</i>	<i>Volumes added</i>	<i>Total</i>	<i>Volumes per FTE student</i>
Actual:				
1964-65 -----	2,343,843	426,534	2,770,377	25.6
1965-66 -----	2,770,377	482,263	3,252,640	28.0
Estimated:				
1966-67 -----	3,252,640	647,121	3,899,761	30.3
1967-68 -----	3,899,761	606,986	4,506,747	32.2

Student Services

This function includes the principal noninstructional services, other than financial aid, which the colleges provide for the students. These services are categorized for budgetary purposes as admissions and records, student personnel, health services and administration. Student personnel services include counseling, testing, student activities, housing and placement. Student personnel services and health services are intended to be fully supported from student materials and services fees. Admissions and records services are partially supported from application fee income.

Although certain expenditures for student aid administration have been budgeted under this function as well as under general administration, we discuss these expenditures under a separate function, student aid.

Total proposed expenditures for student services for 1967-68 amount to \$13,825,916, an increase of approximately \$750,000 or 5.7 percent, over estimated expenditures for the current year. The increase provides only partial recognition of increased workload which normally is closely related to enrollment growth. Total expenditures by college are shown in Table 16.

Proposed expenditures for the administration of student services amount to \$748,556 for 1966-67, of which \$232,301 is for staff, principally in the offices of the deans of student services, and \$16,255 is for operating expense. There are 5.9 proposed new positions, primarily for clerical assistance in the new colleges and to provide administrative assistance in the dean's office for two colleges.

Proposed expenditures for admissions and records, including data processing expenditures, amount to \$4,893,031 of which \$130,092 is for general operating expense, \$214,431 is for data processing services and \$4,548,508 is for staff. This is the only area within student services, other than student services administration, in which an adjustment has

Table 16
Budgeted Expenditures for Student Services, 1967-68

	<i>Administration</i>	<i>Admission and records</i>	<i>Student personnel</i>	<i>Health services</i>	<i>Equipment</i>	<i>Total</i>
San Jose-----	\$49,918	\$476,997	\$585,093	\$418,008	\$13,339	\$1,543,355
Long Beach-----	46,890	486,237	458,238	355,738	8,213	1,355,316
San Diego-----	46,998	437,055	452,924	338,059	10,727	1,285,763
San Francisco-----	50,898	407,910	440,739	313,005	16,984	1,229,536
Los Angeles-----	44,592	530,992	452,259	280,457	21,594	1,329,894
San Fernando Valley-----	47,113	396,094	327,726	273,734	19,509	1,064,176
Sacramento-----	46,538	323,272	306,740	188,688	11,687	876,925
Cal Poly-SLO-----	38,540	228,598	268,901	189,719	4,768	730,526
Fresno-----	42,926	269,955	286,665	190,267	6,607	796,420
Fullerton-----	41,024	250,833	170,608	96,761	2,204	561,430
Chico-----	40,595	205,254	241,177	158,955	5,135	651,116
Cal Poly-KV-----	36,953	183,919	203,175	123,370	10,276	557,693
Hayward-----	39,927	239,968	183,738	106,201	7,776	577,610
Humboldt-----	30,885	126,980	160,484	79,404	4,557	402,310
Sonoma-----	26,096	94,813	125,104	46,734	1,246	293,993
Stanislaus-----	29,506	85,618	61,592	12,862	1,822	191,400
San Bernardino-----	31,491	75,733	77,061	20,887	1,119	206,291
Dominguez Hills-----	33,548	59,685	28,528	11,052	1,038	133,851
Kern County-----	24,118	13,118	--	--	1,075	38,311
Totals-----	\$748,556	\$4,893,031	\$4,830,752	\$3,203,901	\$149,676	\$13,825,916

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been made to provide for workload growth. A total of 47.8 new positions are budgeted at a salary cost of approximately \$266,000, based upon accepted workload standards. These proposed new positions are largely technical and clerical positions required for the processing of admissions applications and student records. These new positions will only be required, of course, if there is no unusual restriction on admissions to the state colleges for 1967-68.

In the area of student personnel, which includes counseling, testing, student activities, placement and housing services, a total of \$4,830,752 is budgeted of which \$87,834 is for operating expense and \$4,742,918 is for staff. A total of \$3,203,901 is budgeted for the student health services of which \$2,797,773 is for staff and \$406,128 is for operating expense. No new positions or increase in operating expense has been budgeted in either student personnel or the health services for 1967-68 although expenditures in these two areas have in the past followed enrollment growth very closely. Both areas, however, are supported entirely from the state college materials and services fee and no increase was budgeted pending a decision by the Chancellor's Office as to the level of fees for 1967-68. Any increase in expenditures in these areas will require an increase in the materials and services fee to finance it.

Student Health Services

In response to a legislative directive, the Chancellor's Office has recently completed and submitted a report on the operation of the college student health services. The report deals primarily with three matters: (1) the first year's experience for six colleges which now provide health services through insurance contracts; (2) the results of a relative value unit survey of the college operated health service programs of 11 colleges; and (3) a report of a "medical audit" of the student health service at San Fernando State College.

The report is generally unfavorable in its findings with regard to the health insurance contract programs developed for the six small colleges. According to their responses to a questionnaire, the colleges feel that they cannot offer the same level of service under this arrangement as with a college operated program and that the contract programs are too passive in character to be long-term solutions to the problem of providing what the colleges regard as adequate service. There was little uniformity, however, in the reports from the individual colleges, and it is proposed to continue these programs for another year at all but one of the colleges to gain further experience. The exception is the California State College at Fullerton, for which conversion to a college operated program is proposed on the basis that there is sufficient enrollment growth to support such a program. However, this proposal is not as yet reflected in the college budget for 1967-68.

The report of the results of the cost survey of the 11 college-operated programs appears to bear out the colleges' contention that these programs are operated at a reasonable cost per unit of service. According to the cost data submitted by the colleges, the average cost per relative unit value (RVU) for the nine-month period ending June 30, 1966, was \$2.95 for direct costs and \$3.25, with the addition of plant operation

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and amortization costs. Total costs per RVU ranged from \$2.01 to \$5.32 for the 11 colleges with the higher unit costs reported by the smaller colleges. Total cost per full-time student averaged \$22.40 with a range of from \$19.96 to \$36.06, the latter figure being for Cal Poly—San Luis Obispo and including the cost of that college's infirmary.

The "medical audit" was conducted by three representatives of the American College Health Association, an association of college health service personnel. In general this survey, which was conducted at San Fernando State College, strongly endorsed the continuation and expansion of the on-campus college health service, which is not very surprising inasmuch as this would seem to be the principal purpose for the existence of the American College Health Association.

In summary, the report recommends continuing the on-campus health service programs at all campuses which now have such programs, relying on insurance contract programs only for the new and relatively small campuses, and augmenting existing programs by restoring the physician staffing ratio to 1 per 1,500 full-time students and by making supplementary insurance for emergency care and major medical services mandatory for all full-time students. The report also recommends that the basic health services listed by the Chancellor's Special Study Group on Student Health Services be established as the minimum complement of services to be provided by all the colleges.

Plant Operation

This function includes all major expenditures for operating and maintaining the physical plant of each college, plus maintenance of grounds, utility charges, campus security, motor vehicle operation, rent, moving expense and maintenance of the college farms. The costs of operating and maintaining residence halls and parking facilities are treated separately, however, for the reason that those two activities are set up as self-supporting auxiliary enterprises.

Total expenditures systemwide for each of the principal elements of plant operation are indicated in Table 17. Total proposed expenditures amount to \$23,808,455, an increase of \$2,119,983 or 9.8 percent over estimated expenditures for the current year. The increase in expenditures is based largely on an estimated increase of 1,183,860 square feet, or 7.1 percent, in gross (outside) building area.

Table 17
Total Expenditures for Plant Operation

	<i>Actual</i> 1965-66	<i>Estimated</i> 1966-67	<i>Budgeted</i> 1967-68	<i>Increase over 1966-67</i>
Administration -----	\$798,258	\$901,755	\$982,036	\$80,281
Maintenance of structures -----	10,822,176	12,590,120	13,740,484	1,150,364
Maintenance of grounds ..	2,239,955	2,706,100	2,873,028	166,928
Security -----	662,322	825,656	928,202	102,546
Motor vehicle operation ..	422,015	478,507	514,828	36,321
Utilities -----	2,780,626	3,238,633	3,605,523	366,890
Rental -----	235,714	443,343	661,363	218,020
Other -----	215,262	328,612	318,886	-9,726
Equipment -----	200,932	175,746	184,105	8,359
Total -----	\$18,377,260	\$21,688,472	\$23,808,455	\$2,119,983

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As indicated in Table 18, total cost per square foot of building area is budgeted to increase from about \$1.31 per square foot for the current year to \$1.34 for 1967-68. The increase is largely in maintenance of structures, both in cost per square foot and in total cost. The workload adjustments provide for a total of 139.5 new positions in this area, of which 98.5 are custodian positions requested in connection with the planned opening of new buildings, primarily on the newer campuses.

Table 18
Cost per Square Foot of Building Area

	<i>Actual</i> 1965-66	<i>Estimated</i> 1966-67	<i>Budgeted</i> 1967-68
Administration -----	\$0.050	\$0.054	\$0.055
Maintenance of structures -----	0.683	0.759	0.774
Maintenance of grounds -----	0.141	0.163	0.162
Security -----	0.042	0.050	0.052
Utilities -----	0.176	0.195	0.203
All other -----	0.068	0.087	0.095
Total -----	\$1.160	\$1.308	\$1.341

Year-Round Operations

Although expenditures for year-round operations consist of expenditures for general administration, instruction, student services, etc., we have chosen to treat them separately, as they are presented in the Governor's Budget, so that the costs associated with conversion to the quarter system and development of summer quarter programs may be more readily identified in their initial stages. We believe that it will be desirable to continue to attempt to isolate these costs for several years so that they can be watched closely as the new policy is implemented. It should be recognized, however, that the operating expenditures for year-round operation do not, as a rule, represent additional costs for the same amount of workload but are the costs of additional output in student credit hours within the period under consideration.

In response to the recommendations of the Coordinating Council for Higher Education, as well as legislative directives, the Trustees indicated in 1964 that they would adopt a systemwide academic calendar of four quarters to be effective by 1966-67. An amount of \$255,000 was appropriated for 1964-65 to support the planning and development of appropriate program adjustments for the individual colleges. This initial plan was later revised when the Trustees decided to undertake conversion to a quarter system and development of a fourth quarter at one or two colleges at a time, on a pilot basis, with the objective of finally having all of the colleges operating year-round by 1975. Accordingly, the initial plan was revised to begin year-round operations at Hayward, which was already following the quarter system, in the summer of 1965 and at Los Angeles in the summer of 1966. In addition, the new colleges at San Bernardino and Palos Verdes were to open on a quarter basis preparatory to operating year-round when justified by their enrollment.

California State Colleges—Continued

The most recent schedule for conversion of all colleges to the quarter system and year-round operation is indicated in Table 19. This is essentially the same plan as was submitted to the Coordinating Council for Higher Education in 1965. In response to some criticism by the council as to the length of time required for conversion of several of the larger state colleges, the Trustees have indicated that they will attempt to accelerate this schedule for those colleges which are not now expected to begin conversion until after 1971-72.

Table 19
Scheduled Conversion to Quarter System and Year-round Operation

	<i>Begin conversion to quarter system</i>	<i>Begin, quarter system</i>	<i>First summer quarter</i>
Hayward -----	---	---	1965
Cal Poly—Kellogg-Voorhis -----	---	---	1966
Cal Poly—San Luis Obispo -----	---	---	1966
Los Angeles -----	1964-65	1967-68	1967
San Francisco -----	1966-67	1969-70	1969
Humboldt -----	1966-67	1967-68	1970
Chico -----	1968-69	1970-71	1971
San Fernando -----	1967-68	1969-70	1970
San Jose -----	1967-68	1970-71	1970
Long Beach -----	1970-71	1972-73	1972
Dominguez Hills -----	---	---	1972
San Bernardino -----	---	---	1973
Fullerton -----	1967-68	1973-74	1970
Stanislaus -----	1964-65	1965-66	1974
Fresno -----	1972-73	1974-75	1974
Sacramento -----	1973-74	1975-76	1975
San Diego -----	1973-74	1975-76	1975
Sonoma -----	1972-73	1974-75	1974

The principal added costs associated with the development of year-round operations for the colleges arise at two points: first, in the planning and curricular revision necessary for conversion from a semester calendar to a quarter calendar and, second, when a summer quarter is established, in the loss of fee income from students who enroll in the summer quarter rather than in summer session courses for which full tuition is charged. The costs of operating the summer quarter itself are not increased costs in this sense, but simply the regular expenditures for instruction shifted to an earlier fiscal year. Unit costs for summer session enrollment may run higher than unit costs during the other terms because of lower enrollment levels, but this should not be a significant factor after the first year or two at each college.

In Table 20 we show direct expenditures for conversion to the quarter system and to year-round operation thus far. Hayward and the two Cal Poly campuses were already on the quarter system and required no special appropriation for this purpose.

Education

General Summary

California State Colleges—Continued

Table 20
Expenditures for Conversion to Quarter
System and Year-Round Operation

	<i>Actual</i> 1964-65	<i>Actual</i> 1965-66	<i>Estimated</i> 1966-67	<i>Budgeted</i> 1967-68
Los Angeles -----	\$43,543	\$98,722	\$389,298	\$50,000
San Francisco -----	--	--	139,735	139,048
Humboldt -----	--	--	7,291	8,564
Chancellor's Office -----	14,702	18,894	26,186	26,456
	\$58,245	\$117,616	\$562,510	\$174,068

No additional planning funds are required for Los Angeles, as that college is to offer its first summer quarter in June 1967. San Francisco is to continue planning for conversion to the quarter system by 1969-70 and for an initial summer quarter in June 1969. Humboldt is scheduled to go to the quarter system in the next year and to offer a summer quarter in 1970. The amounts budgeted represent a continuation of the previously approved level of expenditure for this purpose.

In Table 21 we show initial expenditures for the operation of the fourth quarter in terms of net General Fund cost and cost per student.

Table 21
Initial Fourth Quarter Operating Costs

	<i>Net cost</i> <i>4th quarter</i>	<i>Annual</i> <i>FTE</i>	<i>4th quarter</i> <i>cost per FTE</i>	<i>Regular session</i> <i>cost per FTE</i>
Hayward				
1964-65 -----	\$122,979	82	\$1,500	\$1,175
1965-66 -----	373,903	353	1,059	1,300
1966-67 -----	681,045	460	1,481	1,339
1967-68 -----	703,067	570	1,233	1,420
Cal Poly—KV				
1966-67 -----	305,727	370	826	1,297
1967-68 -----	319,202	510	626	1,385
Cal Poly—SLO				
1966-67 -----	335,923	420	800	1,267
1967-68 -----	327,593	525	624	1,362
Los Angeles				
1966-67 -----	613,111	570	1,076	1,193
1967-68 -----	3,051,804	2,000	1,526	1,238

These figures show no clear picture as to the cost of summer quarter operations as compared with costs for the rest of the year. In part this is due to the fact that the colleges are still only in the very early stages of transition to year-round operation, and have yet to develop consistent budget standards or uniform accounting procedures in this regard.

A further difficulty arises from the fact that the cost and enrollment figures for each fiscal year must include the last 9-10 weeks of one summer term and the first 2-3 weeks of the next, because the summer terms straddle the end of one fiscal year and the beginning of the next. This does not present an insurmountable obstacle to careful budgeting, but it does make such budgeting much more difficult for the colleges, and it also hinders accurate reporting of expenditures.

For this reason, we believe that the state college proposal to make appropriations for summer quarter operations available for two months

California State Colleges—Continued

beyond the end of the fiscal year merits careful attention by the Legislature. Implementation of this proposal would result in an initial cost increase to finance a portion of one summer quarter plus all of the next, but this would be true only for the transitional budget. We believe the gain in improved budgeting and reporting of summer term costs may outweigh the effect of the temporary increase in financial requirements.

Research and Special Projects

One of the areas in which there has been the greatest growth in recent years is that of organized research, special institutes and other special projects. The federal government is the primary source of funds for these activities, and present expenditure reports deal almost exclusively with federally supported programs. The greater part of this activity is administered by the state college foundations outside of regular state procedures.

The figures in Table 22 indicate actual expenditures of federal funds for 1965-66 together with the estimated level of activity for 1966-67 and 1967-68, as reported by the Office of the Chancellor.

Table 22

<i>Expenditures</i>	<i>Actual 1965-66</i>	<i>Estimated 1966-67</i>	<i>Estimated 1967-68</i>
Research	\$2,770,400	\$3,568,143	\$3,686,160
Workshops	8,155	8,685	9,119
Special events	329,350	390,607	437,181
Special training programs ..	6,613,888	8,457,775	9,110,679
Institutes	3,472,181	4,132,405	4,288,469
Pilot projects	163,441	400,267	457,705
Total expenditures	\$13,357,415	\$16,957,882	\$17,989,313

Of the \$13,357,415 in expenditures reported for 1965-66, only \$1,533,594 was handled through state procedures as reimbursed activity. Nearly all of this was for federally sponsored training programs at San Luis Obispo and San Francisco State College (e.g., Peace Corps training and overseas education programs). Only three colleges administered any federal aid for research under regular state procedures.

The remaining \$11,823,821, nearly 90 percent of federal grant and contract funds expended in 1965-66, was administered by the state college research foundations. These are nonprofit corporations established by the colleges to administer research funds, special project grants, certain scholarship and loan funds and other grants and donations from federal and private sources. They are very similar to the college foundations which operate the college bookstores and cafeterias. Their principal purpose is to permit the administration of such funds and activities free of the restraints imposed by state procedures. In addition, they permit the colleges to undertake programs and projects which are beyond the scope of regularly authorized state activity.

It is the usual practice of the federal agencies which sponsor the research projects, training institutes and other special activities to make some additional payment for the indirect costs associated with these activities. The indirect cost payments are intended to cover costs

California State Colleges—Continued

incurred in the areas of general administration and general institutional expense, project administration, plant operation and maintenance, library expense and departmental administration. The usual practice is for the federal agency to allow a percentage of direct project costs, ordinarily from 10 to 20 percent, as payment for these indirect costs.

According to the report for 1964-65, the foundations received a total of \$722,336 in payments from federal agencies for indirect project costs but turned only \$35,090 of this over to the state. The balance of \$687,246 was retained by the foundations. In 1965-66 the foundations received \$1,086,122 in payments for indirect costs, of which only \$73,338 was returned to the General Fund and \$1,012,784 retained by the foundations.

In last year's analysis we pointed out that the indirect cost payments which have been retained by the foundations are intended to be reimbursements to the college for the use of college facilities and services, most of which are supported by the General Fund. By retaining indirect cost payments in excess of the amount required to cover actual foundation administrative costs, the foundations have been able to develop surplus funds with which they carry on their own programs independently. These programs and activities are supported by the General Fund, from indirect cost reimbursements held back by the foundations, without benefit of the usual budgetary review.

It is our opinion that indirect cost payments in excess of foundation administration expense should be returned to the General Fund and that any decision to spend an equivalent amount for research or other activities should be made only after this has been accomplished. This, we believe, is in keeping with accepted budgeting and accounting standards. The colleges have strongly opposed this proposal, however, on the grounds that the relatively small amount of research and other activity financed from these retained funds is very important to the colleges and should not be jeopardized in any way. If this is true, we believe the colleges should submit an expenditure proposal for these activities as part of their regular budgets rather than attempting to continue to circumvent the regular budgetary process.

In last year's analysis we recommended that an amount equivalent to 50 percent of indirect cost payments be deducted from General Fund support for the colleges. The Legislature agreed, however, to allow the colleges one year in which they might develop a proposal to accomplish this end. We have recently received the Trustees' proposal which provides as follows: (1) each college foundation would be permitted to retain a minimum of \$25,000; (2) 25 percent (rather than 50 percent) of the balance would be returned to the state; (3) such payments are to be made within six months after the close of the fiscal year.

We do not believe that this is a satisfactory proposal. In our opinion all funds received by the foundations as payment for indirect costs should be repaid to the colleges, less only that amount equivalent to actual foundation costs for administering the federal grants and contracts. Whether this deduction is made before or after reimbursing the state appears to be of little importance.

California State Colleges—Continued

Accordingly, we recommend that the proposed level of General Fund support be reduced by at least \$450,000 for 1967-68 to reflect an additional reimbursement from the college foundations in that amount.

A total of \$1,012,784 in federal indirect cost payments was retained by the foundations in 1965-66. Foundation administrative costs are reported to have been \$588,798 leaving a balance of \$423,986. For 1966-67, federal grants and contracts are expected to increase by approximately 25 percent and it is reasonable to assume a corresponding increase in indirect cost payments and the amount available after deduction of necessary foundation administrative costs. The amount of \$450,000 is estimated to be equal to approximately 90 percent of net indirect cost payments, allowing a margin of 10 percent for unforeseen contingencies.

We believe this to be a necessary step toward a short-run solution to the problem of indirect payments and federally sponsored activities. As a long-term solution we believe it necessary that the colleges themselves assume responsibility for the administration of these activities instead of the foundations. We are convinced that college budget administration can be modified in such a way as to make this possible with no loss of essential management controls. We believe it necessary for the colleges to take over this responsibility for several reasons: first, in order that the colleges make full recovery of indirect cost payments made by the federal agencies; second, so that the colleges themselves can negotiate the proper level of indirect cost allowance with the federal agencies; and, third, in order that this large and steadily growing area of state college activity be brought within the scope of the regular budgetary process for review and consideration by the Trustees, the Governor, and the Legislature along with all other state college activities.

Student Financial Aid Programs

As indicated on page 299 of this analysis, student financial aid for state college students continues to grow rapidly, with the principal area of growth being long-term loans. According to a report prepared by the Chancellor's Office, total student aid funds for 1965-66, including budgeted part-time jobs, amounted to \$13,691,271. It is estimated that \$20,879,869 will be available for 1966-67 and up to \$24 million for 1967-68.

The four major programs which the colleges themselves administer are the Work-Study Program, the NDEA Student Loan Program, the Nursing Student Loan Program and the Educational Opportunity Grant Program. Expenditures for these four programs are shown in Table 23. In addition to these four federal programs, several of the larger colleges have substantial funds of their own for scholarships and short-term loans.

Education

General Summary

California State Colleges—Continued

Table 23

College Administered Financial Aid Programs

	<i>Actual</i> 1965-66	<i>Estimated</i> 1966-67	<i>Budgeted</i> 1967-68
Program funds:			
Work-Study Program	\$2,729,862	\$6,406,306	\$6,531,094
NDEA Student Loan Program	4,420,440	4,883,510	5,298,600
Nursing Student Loan Program	117,645	125,000	117,650
Educational Opportunity Grants	—	2,010,478	2,362,500
Total	\$7,267,947	\$13,425,294	\$14,309,844
Administrative costs	\$146,694	\$466,041	\$533,312

Work-Study Program

The Work-Study Program was established under Title I of the Economic Opportunity Act of 1964 to provide part-time employment for college and university students who need additional income in order to continue their education. Although preference is to be given to students from low-income families, all students are eligible to participate. The jobs are limited to a maximum of 15 hours per week.

Program funds are used to provide part-time jobs both on and off campus. In accordance with legislative direction, at least two-thirds of the on-campus funds are used to provide assistance for the faculty. The remaining funds are used to provide student assistance in the libraries, for general administration and elsewhere. Part-time employment off-campus may be established in any cooperating public or nonprofit private agency.

On-campus program funds serve both as student financial aid and as subvention to the colleges. Although the colleges are required by law to give preference to students from very low-income families, other students are not prohibited from participating in this program.

During the first three years of the program, the federal government has provided 90 percent of student wage costs and the colleges or other employing agency the remaining 10 percent. Under the present law this ratio is scheduled to change on September 1, 1967, to 75 percent federal funds and 25 percent college or local agency funds. The college contribution may be made from any funds budgeted for student assistance in excess of average expenditures for that purpose during the three years preceding the year in which the college entered the program. The college contribution may also be paid in the form of room, board, books or tuition. The colleges must pay the cost of administering the on-campus portion of the program. For off-campus jobs, the employing agency, rather than the college, must provide the 25 percent matching funds. The federal government reimburses the colleges for off-campus program administrative costs up to the equivalent of 5 percent of federal wage payments.

California State Colleges—Continued

Table 24
Work-Study Program Expenditures

	<i>Actual</i> 1965-66	<i>Estimated</i> 1966-67	<i>Budgeted</i> 1967-68
On-campus employment			
State share:			
Student assistance funds	—	\$260,053	\$605,091
Special appropriation	\$197,487	76,940	76,940
Subtotal	\$197,487	\$336,993	\$682,031
Federal share	1,772,773	3,032,940	2,046,096
	\$1,970,260	\$3,369,933	\$2,728,127
Off-campus employment			
Employing agencies	\$75,937	\$303,635	\$950,743
Federal share	683,665	2,732,738	2,852,224
	\$759,602	\$3,036,373	\$3,802,967
Total Program Funds	\$2,729,862	\$6,406,306	\$6,531,094

Total expenditures for the Work-Study Program are shown in Table 24. Although the total college contribution is approximately \$345,000 higher than in the current year, this is not sufficient to offset the change in the sharing ratio, with the result that the total funds for on-campus jobs are nearly \$640,000 less than for the current year. An increase in on-campus job funds will require an increase in the special state matching appropriation which has been required to supplement regularly budgeted student assistance funds.

NDEA Student Loan Program

The Student Loan Program was established under Title II of the National Defense Education Act of 1968. The original objective of the program was to provide low-interest loans for prospective teachers and certain others to assist them to pay required fees and subsistence costs for their undergraduate study. The program has been broadened substantially since 1958 so that now most state college students are eligible if they have sufficient need, although preference is to be given to prospective teachers and those with a special capacity for science, mathematics, engineering or modern foreign languages.

The federal government provides nine-tenths of the loan funds and the state provides the remaining one-tenth. Until 1966-67 the state was responsible for all administrative costs; however, the federal government now supports up to one-half of college administrative costs, including collection costs.

Undergraduate students in need of financial aid may borrow up to \$1,000 per year and a maximum of \$5,000. Graduate students may borrow up to \$2,500 per year and a maximum of \$10,000. The interest rate is three percent beginning one year after the borrower ceases to be a full-time student. Borrowers who subsequently become full-time teachers may have up to 50 percent of their repayment obligation canceled. During the seven-year period ending June 30, 1966, approximately 20,000 state college students had received loans totaling about \$16 million.

California State Colleges—Continued

At one time it appeared that this program would be terminated and replaced by the new guaranteed loan program. However, the demand for student loan funds has grown to such proportions that the NDEA loans are to be continued. Inasmuch as the guaranteed loan program did not get started until December of 1966, it is too early to tell what effect it will have on this program.

Nursing Student Loan Program

This is a special loan program for students enrolled in nursing. It was established under Title VIII of the Public Health Service Act, as amended by the Nurse Training Act of 1964. This program is very similar to the much broader NDEA program and requires the same 10-percent matching contribution on the part of the colleges. This program also has a provision authorizing the cancellation of up to 50 percent of the repayment obligation, in this case for borrowers who subsequently become full-time professional nurses employed by a public or nonprofit private institution or agency.

Approximately 200 students have been granted loans for the current year out of \$117,650 in loan funds. The program is to be continued at the same level for 1967-68 with \$11,765 in loan funds (10 percent) provided by the state and \$105,885 from the federal government. The demand for these loans has never reached the level of \$125,000 originally authorized.

Educational Opportunity Grants

The federal Higher Education Act of 1965 included as Title IV, Part A, a new federal grant program to assist students of "exceptional financial need" to attend a college or university for undergraduate study. The new program, which differs from the ordinary scholarship program in that high academic achievement is not a criterion for eligibility, is administered by the colleges under the supervision of the U.S. Office of Education.

To participate, a college must agree to actively seek out qualified high school students of exceptional financial need and to encourage them to continue their education. To be eligible for an award, students must be enrolled full-time and maintain satisfactory grades, and they must have exceptional financial need to the extent that they would be unable to attend college without this aid.

The federal funds are allocated to the states on the basis of full-time college enrollment. The state colleges are to receive \$2,010,478 during the current year and \$2,362,500 for the budget year. No state matching funds are required although the colleges must provide for administrative costs without federal assistance.

Individual grants may range from \$200 to \$800 per year, but no more than one-half the sum of other aid received by the student, plus \$200. It is estimated that the average grant will be about \$540 during the current year and nearly \$600 for 1967-68, with about 3,970 students participating.

California State Colleges—Continued
Student Aid Administration

Prior to 1966-67 much of the increased workload associated with the growth of student aid programs had been absorbed in the college budgets for student services and business administration. For the current year, however, the Legislature approved an increase of \$252,571, plus salary increases, for student aid administration, with \$67,571 to be provided from the General Fund.

Although the workload has continued to increase, the present college budgets do not provide for any further increase in student aid administration staff. Proposed staff costs for 1967-68 are indicated in Tables 25 and 26.

Table 25
Budgeted Student Aid Administration Staff, 1967-68

	<i>Business administration</i>		<i>Student personnel</i>		<i>Total</i>	
	<i>Positions</i>	<i>Amount</i>	<i>Positions</i>	<i>Amount</i>	<i>Positions</i>	<i>Amount</i>
Clerical positions	18.5	\$107,734	26.5	\$159,256	45.0	\$266,990
Professional positions	--	--	23.0	266,322	23.0	266,322
Total	18.5	\$107,734	49.5	\$425,578	68.5	\$533,312

Table 26
Student Aid Administration Expenditures

	<i>Actual 1965-66</i>	<i>Estimated 1966-67</i>	<i>Budgeted 1967-68</i>
Business administration -----	\$38,951	\$96,857	\$107,734
Student personnel -----	107,743	369,184	425,578
Total -----	\$146,694	\$466,041	\$533,312

Federal funds are expected to provide for \$216,910 of the amount budgeted, with the balance of \$316,402 to come from the General Fund.

Summer Sessions

Summer session programs are offered by 16 of the state colleges, including two of those which now offer state supported summer quarters. Where no summer quarter is offered as yet, the summer sessions are intended to serve regularly enrolled students as well as teachers and others who wish to gain further professional training or participate in special activities during the summer months. Matriculation is not usually required for admission to summer session programs.

The usual summer session schedule includes an intersession of one to two weeks, a regular session of six weeks and a post session of three to four weeks. Generally the maximum number of units which may be earned is the equivalent of one for each week of attendance.

Estimated expenditures for 1967-68 total \$6,222,520 of which \$5,566,208 or nearly 90 percent is to be spent for instruction, as the figures in Table 27 indicate.

California State Colleges—Continued

the level of minimum need; and (3) requiring an unnecessary amount of paper work to convert budget estimates to actual levels of revenue and expenditure; and (4) allowing surplus fee income to revert to the General Fund and therefore go for general support of the colleges.

We have reviewed the report prepared by the Chancellor's Office and while we believe the proposed procedures may provide an acceptable plan of administration, we do not recommend approval of the proposal itself. We believe that it would be an error to create another special revolving fund of the type proposed, thereby further fragmenting the state college budgets. Moreover, we believe that there is no compelling argument for doing so. There is no reason why the colleges cannot budget a reasonable amount for planning and development under present procedures. Transfers between colleges can also be accomplished with a minimum of difficulty if there is agreement to do so. None of the obstacles which the colleges claim impede the development of extension programs appear to be a consequence of present budget administration requirements.

The only significant changes would be that any surplus fee income could be carried over from year to year rather than being absorbed in the General Fund. This alone is not a sufficient reason for establishing an additional special revolving fund. More careful budget planning and administration should keep such surpluses to a minimum. Furthermore, if extension and summer session costs were to be budgeted under the various major functions (instruction, libraries, plant operations, etc.), rather than as separate "reimbursed activities", the colleges would have much greater flexibility in meeting unforeseen cost and therefore much less incentive to develop surplus fee income as a precaution.

Salary Savings

As a matter of standard practice, the Department of Finance reduces all agency budgets by an amount estimated to be the equivalent of the salary savings which the agency can normally expect to make over the year. These savings arise primarily as a result of unavoidable delays in filling new positions and hiring replacements to fill vacated positions. The amount of the reduction which is applied against budgeted salary and wage costs varies from agency to agency. The figure for the state colleges has ranged up to and above 5 percent in recent years, and the colleges have contended that they have been forced to hold faculty and other positions open to make the required savings.

In order to avoid forced savings of this nature, the budget bill was amended in 1965 (Section 21.1) to authorize the colleges to fill all faculty positions regardless of budgeted salary savings. Any deficiency resulting from this authorization is to be met from emergency funds. In addition, the Department of Finance agreed to reduce the budgeted level of salary savings for 1966-67 to the level of 2 percent for faculty salaries and 4 percent for all other salaries. The added cost of this action was approximately \$2.5 million.

According to the Department of Finance, the budgeted level of salary savings for 1967-68 is again 2 percent for faculty positions and 4 percent for other positions. These figures are applied against all budgeted

California State College—Continued

salaries and wages except those included in the Governor's Budget under "reimbursed activities."

Table 30
Budgeted Salary Savings

	1965-66	1966-67	1967-68
Budgeted salary savings	\$5,060,663	\$3,856,065	\$4,737,520
Budgeted amount for personal services ¹	120,668,841	143,537,007	166,569,928
Budgeted gross General Fund cost ²	135,163,842	171,966,403	189,870,903
Salary savings as a percentage of:			
Personal services	4.2%	2.7%	2.8%
Gross General Fund cost	3.7%	2.2%	2.5%

¹ Excludes amounts budgeted under reimbursed activities.

² Before salary savings deduction.

Auxiliary Enterprises

The majority of the state college auxiliary enterprise programs (cafeterias, bookstores, etc.) are operated by auxiliary organizations which in most cases are legally independent corporations that perform certain specified services at each college under contract. The income and expenditures for these organizations are not included in the Governor's Budget. However, two auxiliary enterprise programs which are operated by the colleges are reported, even though they are classified as "non-governmental cost funds" for which neither receipts nor expenditures are included in the overall budget totals.

One of these is the state college housing facilities program under the State College Dormitory Revenue Fund and the College Auxiliary Enterprise Fund. The first of these two funds was established in 1957 when the Legislature authorized construction of residence halls for 10 colleges at an ultimate cost of \$30,247,353 with capacity for 7,809 students. The construction was financed with \$16,484,353 in state funds and \$13,763,000 borrowed from the Federal Housing and Home Finance Agency. All revenues from the operation of these residence halls are deposited in the State College Dormitory Revenue Fund. The moneys in this fund are then appropriated under the provisions of Section 24561 of the Education Code to pay the costs of operating and maintaining the residence halls, and the remaining sums are transferred as required to the State College Dormitory Interest and Redemption Fund for debt service on the outstanding bonds. For 1966-67, revenue is estimated at \$3,257,602 of which \$2,232,456 is to be expended for operating costs, \$3,825 is to be transferred to operating reserves, \$796,000 is to be transferred for debt service and \$225,321 is to remain as surplus. Bonds outstanding as of June 30, 1967 will amount to \$12,585,000.

A second dormitory construction program was initiated in February 1966 when the Department of Housing and Urban Development agreed to purchase \$35 million in revenue bonds at 3 percent with a 40-year term. These bonds are expected to cover 100 percent of the cost of the new program. Approximately 6,000 new residence hall spaces are to be provided, together with dining hall capacity for approximately 6,800 students. Construction is to begin in the spring of 1967.

Temporary veterans' housing facilities which were provided by the Public Housing Administration in 1946 are operated under the College

California State College—Continued

Auxiliary Enterprise Fund. Estimated income for this fund for 1967-68 totals \$158,639. An amount of \$151,743 is to be expended for operating costs with the result that an accumulated surplus of \$165,952 will be increased to \$172,848.

The other auxiliary enterprise program described in the Governor's Budget is the state college parking facilities program. This program was established under Chapter 1282, Statutes of 1965, to provide for the operation and construction of parking facilities on a self-supporting basis, effective July 1, 1966. Under the former program, parking fees were deposited in the General Fund, and expenditures for current operations and capital outlay were budgeted as General Fund expenditures. The new self-supporting fund was established in response to the contention of the colleges that revenues in excess of expenditures were accruing to the General Fund at the same time that a shortage of parking facilities was developing on many of the campuses.

Under the new program, revenues from parking facilities are appropriated to the Trustees on a continuing basis for the operation, acquisition and construction of parking facilities. For 1967-68, the second year of the new program, revenues are estimated at \$2,317,137 and operating costs at \$1,046,812. The balance of \$1,270,325 and the proceeds from revenue bonds to be marketed by the Trustees are to be used to provide \$4 million in capital outlay expenditures for 1967-68. The total number of parking spaces is to be increased by 5,615 from 48,362 to 53,977.

Funding

The current expenditures for the California State Colleges which are shown in the Governor's Budget for 1967-68 are to be funded from five sources: the state's General Fund, federal subventions and contracts, student fees, auxiliary enterprise income and miscellaneous reimbursements. This funding is summarized in Table 31 below, with expenditures and funding matched to programs or functions where possible. These figures do not include the undetailed 10 percent General Fund reduction proposed in the Governor's Budget.

As indicated in the table, the General Fund is to provide \$179,349,954 or 68.9 percent of total expenditures, with 12.2 percent from federal funds, 16.3 percent from student fees, 1.3 percent from auxiliary enterprise income and 1.3 percent from miscellaneous reimbursements. If activities which are intended to be fully self-supporting are excluded (summer sessions, extension, auxiliary enterprises, federally supported research and special projects and other reimbursed activities), General Fund support then accounts for 79 percent of expenditures.

Federal Funds

The state college budget for 1967-68 indicates a total estimated expenditure of \$31,643,259 in federal funds. This figure includes \$13,653,946 in student aid funds, primarily work-study and NDEA loan funds, \$1,688,382 in federally financed projects handled through state pro-

Table 31
Proposed Funding for 1967-68 Expenditures

	<i>Proposed expenditures</i>	<i>Federal funds</i>	<i>Student fees</i>	<i>Auxiliary enterprise</i>	<i>Miscellaneous reimbursements</i>	<i>Net General Fund cost</i>
Statewide:						
Chancellor's Office -----	\$2,691,412	\$64,909	--	--	\$78,384	\$2,548,119 ¹
Academic Senate -----	65,440	--	--	--	--	65,440
International Program -----	334,494	--	\$20,520	--	--	313,974
College Budgets:						
General administration -----	13,042,349	--	--	--	--	13,042,349
Instruction -----	137,992,744	--	6,726,753	--	--	131,265,991
Libraries -----	14,538,278	--	--	--	--	14,538,278
Student services -----	13,825,916	--	8,726,930	--	--	5,098,986
Student aid programs -----	14,504,881	13,653,946	--	--	--	850,935
Plant operation -----	23,808,455	--	--	--	--	23,808,455
Year-round operation -----	5,043,640	--	415,868	--	--	4,627,772
Research and special projects -----	17,989,313	17,989,313	--	--	--	--
Summer session -----	6,222,620	--	6,200,196	--	--	22,324
Extension -----	1,672,704	--	1,713,308	--	--	—40,604
Other reimbursed activities -----	3,916,072	--	608,412	--	3,307,660	--
Salary savings -----	—4,757,320	--	--	--	--	—4,757,320
Auxiliary enterprises -----	3,431,011	--	--	\$3,431,011	--	--
Salary increase -----	5,965,255	--	--	--	--	5,965,255
Tuition -----	--	--	18,000,000	--	--	—18,000,000
Totals -----	<u>\$260,287,164</u>	<u>\$31,708,168</u>	<u>\$42,411,987</u>	<u>\$3,431,011</u>	<u>\$3,386,044</u>	<u>\$179,349,954</u>

¹ Before \$36,000 reduction for salary savings.

Education

General Summary

California State Colleges—Continued

cedures under "reimbursed activities" and \$16,300,931 in research and special projects administered by the state college foundations.

Table 32
Expenditures From Federal Funds

	1965-66	1966-67	1967-68
Student aid funds -----	\$7,626,335	\$13,520,553	\$13,653,946
Reimbursed activities -----	1,533,594	1,627,823	1,688,382
Foundation expenditures -----	11,823,821	15,330,059	16,300,931
	<u>\$20,983,750</u>	<u>\$30,478,435</u>	<u>\$31,643,259</u>

The expenditures for student aid are discussed in greater detail under the student aid function page 411. Expenditures of federal funds for other purposes are discussed under "organized research and special projects" page 409.

Student Fees

A total of \$42,391,467 in student-fee income is budgeted against proposed expenditures for 1967-68 included in the Governor's Budget. This figure includes \$18 million for tuition, \$16,477,963 in other regular session fees (materials and services, nonresident tuition, application and miscellaneous fees) and \$7,913,504 for summer sessions and extension programs. In Table 33 we show budgeted income by source for 1967-68 in comparison with estimated and actual income for the two preceding years.

Table 33
Income From Student Fees and Other Charges

	Actual 1965-66	Estimated 1966-67	Budgeted 1967-68
Regular Session			
Materials and services fee -----	\$10,198,040	\$11,402,100	\$12,821,333
Nonresident tuition -----	1,879,049	1,922,873	2,173,178
Application fee -----	814,928	732,135	895,560
Miscellaneous -----	413,638	460,788	608,412
Summer Session -----	5,321,656	6,161,541	6,200,196
Extension -----	1,725,577	1,669,004	1,713,308
Subtotal -----	<u>\$20,352,888</u>	<u>\$22,348,441</u>	<u>\$24,311,987</u>
Tuition -----	---	---	18,000,000
Total -----	<u>\$20,352,888</u>	<u>\$22,348,441</u>	<u>\$42,411,987</u>

The question of tuition is discussed on pages 290-297 of this analysis.

As of this writing, the amount of tuition charge to be proposed to raise the \$18 million budgeted as tuition income has not been announced. On the basis of our estimates, the \$18 million itself would require a charge of nearly \$120 per student, but this does not take into account the amount of additional income which might be raised for student aid.

Estimated income from the materials and services fee is based on a fee of \$76 per year for 152,480 "regular" students (6 units or more) and \$39 per year for 52,910 "limited" students. The fee is expected to cover the cost of materials and expense budgeted as administration and teaching expense and audiovisual services within the instruction func-

General Summary

Education

California State College—Continued

tion, and current expense for the student health services, counseling and testing, activities and housing, placement, foreign student advisors, and part of student loan administration within the student services function. Total expenditures for these purposes are estimated to be \$12,772,960, as compared with fee income of \$12,517,892 (excluding \$282,921 for Los Angeles summer quarter and \$20,520 for the International Program) for a deficit of \$255,068, as indicated below:

Expenditures:	
Instructional materials -----	\$4,326,350
Audiovisual services -----	227,225
Student health services -----	3,132,973
Counseling and testing -----	2,497,358
Activities and housing -----	1,023,427
Placement -----	1,013,185
Student loan administration -----	294,403
Foreign student advisers -----	258,039
Total -----	\$12,772,960
Fee income -----	12,517,892
Deficit -----	\$255,068

A proposal to increase the materials and services fee to a level necessary to eliminate this deficit and to provide some workload increases for those student personnel services which have been carried at current year levels is being considered by the Chancellor's Office. The Trustees have approved an increase in the fee to \$90 per year based upon an earlier proposal to increase the level of service in this area.

If no such proposal is advanced, we will recommend an increase in the fee to eliminate the budgeted deficit. We will withhold our recommendation, however, until the Chancellor's Office has determined what its final request will be.

The other major state college fee is nonresident tuition which is \$600 for students from other states and \$255 for foreign students. Income from this source is based upon an estimated total enrollment of 2,777 students from other states and 2,645 foreign students, less estimated waivers for 335 students or 6.2 percent.

We recommend an increase in reimbursements from nonresident tuition from \$2,173,178 to \$2,424,378, corresponding to an increase in the nonresident fee for out-of-state students from \$600 to \$700 per year.

Nonresident tuition is expected to cover the average teaching cost per full-time equivalent student. Average teaching cost is defined as including faculty salary and benefit costs for that portion of their time which is devoted to teaching, technical and clerical salaries for faculty support positions and the cost of teaching materials and services not supported by the materials and services fee. On this basis total teaching cost for 1967-68 is approximately \$103 million, including the amount of \$5,965,255 for a faculty salary increase, and the cost per FTE unit of enrollment is \$734.

The present charge of \$600 per year was established in 1965 for the 1965-66 academic year. Recently the Trustees, acknowledging the increase in teaching costs over the past two years which has resulted

California State College—Continued

largely from faculty salary increases, authorized an increase in the fee to as high as \$720 per year. This increase was not, however, incorporated in the college budgets. In our opinion a budgetary adjustment equivalent to an increase to \$700 per year is justified at this time.

We also recommend that the application fee be increased from \$5 to \$10 to cover increased expenditures for admissions staff and expense and that estimated income from this fee be increased by \$850,000 for 1967-68.

The application fee is a one-time fee levied to cover the cost of processing applications for admission. This fee was established in 1963 and has remained at the level of \$5 since that time. It is intended that this fee will cover the costs of processing applications for admission and will also encourage students to limit the number of colleges to which they submit such applications, thereby minimizing the burden on the college admissions offices which the practice of submitting multiple applications has imposed.

When this fee was first charged in 1963-64, total expenditures for admissions and records functions were approximately \$2,650,000, approximately 144,400 applications were processed and fee income amounted to \$721,985. For the budget year 1967-68, total expenditures for admissions and records are to be approximately \$4,740,000, for an increase of over \$2 million, an estimated 179,112 applications are expected to be processed and fee income is estimated at \$895,560.

The \$2 million increase in expenditure for admissions and records during this period results from staff increases related to enrollment growth and augmentations for the administration of new admission standards and price and salary increases. In our opinion an increase in the application fee to \$10 is overdue inasmuch as the greater part of the increased cost appears to be directly related to the admission process. The \$5 increase which we propose would provide an increase of approximately \$850,000 in fee income for 1967-68.

Auxiliary Enterprise Income

Auxiliary enterprise expenditures which are reported in the Governor's Budget are discussed on page 419. These activities are administered as separate funds without any support from the General Fund and expenditures are therefore matched in full from current income (room and board charges, parking fees).

Table 34
Auxiliary Enterprise Income for Support of Current Expense

	1965-66	1966-67	1967-68
Student Housing:			
Dormitory Revenue Fund	\$1,971,303	\$2,201,857	\$2,232,456
Auxiliary Enterprise Fund	150,334	158,025	151,743
Parking:			
Parking Revenue Fund	--	1,030,360	1,046,812
Totals	\$2,121,637	\$3,390,242	\$3,431,011

Miscellaneous Reimbursements

Miscellaneous reimbursements and other income are shown in the Governor's Budget as reimbursements for reimbursed activities. These

General Summary

Education

California State College—Continued

funds are mainly payments from auxiliary organizations, primarily the college foundations, for services and facilities provided by the colleges and miscellaneous reimbursements from nongovernmental agencies.

Table 35
Miscellaneous Reimbursements

	1965-66	1966-67	1967-68
Auxiliary organizations -----	\$637,093	\$656,178	\$866,937
Residence halls -----	120,838	141,309	154,232
Special programs and projects -----	795,842	1,544,008	1,404,170
Parking -----	1,902,895	—	—
Other -----	118,904	305,590	960,705
Totals -----	\$3,575,572	\$2,647,085	\$3,386,044

Net General Fund Cost

After deduction of federal funds, student fee income (including proposed tuition income) and other reimbursements amounting to a total of \$80,937,210, as indicated in Table 31, the net requirement from the General Fund amounts to \$179,349,954. The 10-percent reduction proposed in the Governor's Budget would reduce this figure to \$160,211,485, which includes \$5,965,255 in salary increase funds.

The net General Fund cost for 1967-68 may be compared with General Fund support for 1965-66 and 1966-67 as follows:

	Total expenditures	Nonstate funds	Net General Fund cost
1965-66 -----	\$183,692,440	\$47,068,542	\$136,623,898
1966-67 -----	234,325,212	59,153,407	175,171,805
1967-68 -----	260,287,164	80,937,210	179,349,954

POLICY OPTIONS

Nonresident Tuition for Foreign Students

When the Education Code sections dealing with nonresident tuition were amended in 1961 to raise the minimum tuition level from \$180 to \$360 per year, language was added making an exception for foreign students and limiting tuition for such students to a maximum of \$255. This limitation has been maintained despite successive increases in tuition for students from other states in recognition of rising teaching costs.

The principal reason which has been put forth for limiting the charge to foreign students is that such students are of such importance to the college environment that special effort must be made to encourage their enrollment. It is argued that foreign students by their presence make a substantial contribution to range of thought and knowledge on each college. Moreover, it is contended that the economic background of the majority of these students precludes their paying the regular nonresident tuition.

We have seen no data to substantiate this last point and therefore have no way of verifying its accuracy or significance. It should be noted, however, that the colleges can and do grant tuition waivers to students with exceptional need. For 1967-68 it is estimated that 70 foreign

California State College—Continued

students out of a total of 2,644 will be granted waivers. For the current year the estimate is 84 out of a total of 2,034.

We believe that the Legislature might well consider amending the present statute to increase tuition for foreign students to some larger proportion of the regular charge. If nonresident tuition for out-of-state students is raised to \$700, as we recommend, tuition for foreign students might be raised to at least 50 percent of that figure, or \$350. This would increase tuition revenue by approximately \$244,600, assuming no change in estimated foreign student enrollment or increase in the number of tuition waivers granted.

CALIFORNIA MARITIME ACADEMY

ITEM 96 of the Budget Bill

Budget page 379

FOR SUPPORT OF THE CALIFORNIA MARITIME ACADEMY
FROM THE GENERAL FUND

Amount requested in Budget Bill		\$580,044
Budget request before identified adjustments	\$626,814	
Increase to recognize full workload change	17,680	
	<hr/>	
Budget as adjusted for workload change	\$644,494	
Adjustment—undetailed reduction (10 percent)	64,450	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET --- None

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$64,450

Summary of Policy Options

Reduce state support by \$250 per student, or \$67,500, and direct the Board of Governors of the California Maritime Academy to seek an increase in the level of federal support.

GENERAL PROGRAM STATEMENT

The California Maritime Academy, located at Morrow Cove, Vallejo, provides a three-year training program for young men who seek to become licensed officers in the Merchant Marine. It is one of four such state-operated academies in the United States.

The curriculum consists of specialized training for deck and engineering officers, plus general academic courses which emphasize basic skills. The training program requires three years, with each year divided into two terms of instruction on shore and one term of training at sea aboard the academy's training ship, the Golden Bear. Graduates are awarded bachelor of science degrees upon successful completion of the appropriate Coast Guard license examination.

The academy is governed by a five-member board of governors consisting of the State Superintendent of Public Instruction and four others appointed by the Governor. The board appoints a superintendent who is chief administrative officer of the academy.

Students who apply for admission are selected by examination and are appointed both by legislative district and on a statewide basis. Enrollment has been maintained at the level of about 220 to 240 students, including a few from out-of-state.

California Maritime Academy—Continued

Table 1
Annual Average Enrollment

	<i>Budget estimate</i>	<i>Actual</i>
1963-64 -----	250	220
1964-65 -----	250	227
1965-66 -----	236	238
1966-67 -----	242	--
1967-68 -----	242	--

ANALYSIS AND RECOMMENDATIONS

The 1967-68 budget provides for a total current expenditure (before the 10 percent reduction) of \$1,047,968 of which \$644,494, or 62 percent, is to be provided from the General Fund. The balance is to be made up of \$210,520 (20 percent) in federal subventions and \$192,954 (18 percent) in student fees and miscellaneous reimbursements. In Table 2 the proposed expenditure for 1967-68 is compared with actual and estimated expenditures for the past three years and projected expenditures through 1971-72.

Table 2
Total Expenditures for the California Maritime Academy

	<i>State support</i>	<i>Federal subventions</i>	<i>Student fees and reimbursements</i>	<i>Total expenditures</i>
Actual				
1964-65 -----	\$531,205	\$205,702	\$145,614	\$882,521
1965-66 -----	563,478	208,121	159,993	931,592
Estimated				
1966-67 -----	618,356	210,520	192,954	1,021,830
Proposed				
1967-68 -----	644,494	210,520	192,954	1,047,968
Projected				
1968-69 -----	660,800	211,000	193,000	1,064,800
1969-70 -----	685,000	211,000	193,000	1,089,000
1970-71 -----	709,200	211,000	193,000	1,113,200
1971-72 -----	733,400	211,000	193,000	1,137,400

No significant change in federal subventions is expected for 1967-68. The amount of \$210,520 includes a flat grant of \$75,000, plus a payment of \$143,400 which is based upon an allowance of \$600 per resident student and is to assist in meeting the cost of uniforms, books and subsistence costs. The cost to the federal government of providing and maintaining the training ship is not included within the academy's budget.

Student fee income is based upon a charge of \$750 per year for resident students and \$1,050 for out-of-state students. The current fee levels were established in 1965.

Total budgeted expenditures per student and net state cost per student are shown in Table 3, in comparison with the figures for the four preceding years.

California Maritime Academy—Continued

Table 3
Cost per Student

	<i>Total expenditures per student</i>	<i>Net (state) cost per student</i>
1963-64 -----	\$3,657	\$2,234
1964-65 -----	3,888	2,340
1965-66 -----	3,914	2,368
1966-67 (estimated) -----	4,222	2,555
1967-68 (budgeted) -----	4,330	2,663

Table 4
Total Expenditures by Function

	<i>Actual 1965-66</i>	<i>Estimated 1966-67</i>	<i>Budgeted 1967-68</i>	<i>Proposed increase</i>
Administration -----	\$104,757	\$107,318	\$108,865	\$1,547
Instruction -----	267,840	315,562	321,042	5,480
Care and subsistence -----	262,249	279,219	290,265	11,046
Plant operation -----	139,097	148,143	152,403	4,260
Ship operation -----	157,649	171,588	175,393	3,805
Totals -----	\$931,592	\$1,021,830	\$1,047,968	\$26,138

The increase of \$26,138 in total expenditures for 1967-68 is largely due to an increase of \$8,127 for merit salary adjustments and \$16,965 for three proposed new positions included in the workload adjustment. Other items of increase and decrease are as follows:

Personal services

Merit salary adjustment -----	\$8,127
Administrative reduction -----	-5,473
Proposed new positions -----	16,965
Increased salary savings -----	-958
Staff benefits -----	1,850

Subtotal -----	\$20,511
Operating expense -----	8,853
Equipment -----	-3,226

Total increase ----- \$26,138

The three new positions include one equipment technician to service mechanical and electrical equipment, and one cook and one food service assistant to provide more efficient food service. The additional food service positions are partly offset by a reduction of 1.3 temporary help positions in that area.

POLICY OPTION

Since 1959-60 state support for the academy has increased from \$365,469, or \$1,662 per student, to the budgeted figure of \$644,494, or \$2,663 per student. This is an increase of 76 percent for the total state cost and 60 percent for the cost per student. The contribution from the students themselves has also been increased to keep pace with rising costs and improved levels of service.

The element which has not changed during this period is the federal contribution. Despite the importance which has been attached to the academy by federal officials, the federal contribution to current costs

California Maritime Academy—Continued

remains exactly as provided under the Maritime Academy Act of 1958: a flat grant of \$75,000 plus \$600 per student.

As a consequence, federal support has dropped since 1959-60 from approximately 30 percent of current expense to only about 20 percent for the budget year. In our opinion, the Board of Governors of the Academy should make every effort to obtain a reasonable increase in order to restore such aid at least to the level which was achieved with the passage of the 1958 act. An increase in the current allowance per student from \$600 to \$850 per year would provide an additional \$67,500 in federal support, or approximately the amount of the 10 percent reduction shown in the present budget. In order to encourage action by the board of governors and the federal government, the Legislature could make a corresponding reduction in state support.

CALIFORNIA STATE SCHOLARSHIP AND LOAN COMMISSION

ITEM 97 of the Budget Bill

Budget page 381

FOR SUPPORT OF THE CALIFORNIA STATE SCHOLARSHIP AND LOAN COMMISSION FROM THE GENERAL FUND

Amount requested in Budget Bill		\$5,581,265
Budget request before identified adjustments	\$5,057,062	
Increase to recognize full workload change	1,144,344	
Budget as adjusted for workload change	\$6,201,406	
Adjustment—undetailed reduction (10 percent)	620,141	

RECOMMENDED REDUCTION FROM WORKLOAD BUDGET \$7,000

BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING \$613,141

Summary of Recommended Increases

	<i>Amount</i>	<i>Budget</i>	<i>Page</i>	<i>Line</i>
Reduce adjustment for workload change	\$-7,000	381	14	
Add Graduate Fellowship Program subject to further review	+470,000	381	15	

GENERAL PROGRAM STATEMENT

The State Scholarship Commission administers three state student aid programs: the California State Scholarship Program, the Graduate Fellowship Program authorized under Chapter 1475, Statutes of 1965, and state participation in the new federal Guaranteed Loan Program. The commission consists of nine members appointed by the Governor to represent public and private institutions of higher education and the general public. It has a small staff under the supervision of an executive director. Although established as an independent agency, the commission submits new program and policy plans to the Coordinating Council for Higher Education for guidance and approval.

The total amount budgeted for the commission for 1967-68 is \$6,281,826 to be allocated as follows:

	<i>General Fund</i>	<i>Federal funds</i>	<i>Total expenditures</i>
State Scholarship Program	\$6,158,856	--	\$6,158,856
Graduate Fellowship Program ..	--	--	--
Guaranteed Loan Program	42,550	\$80,420	122,970
Total	\$6,201,406	\$80,420	\$6,281,826

California State Scholarship and Loan Commission—Continued

The amount of \$80,420 in federal funds is interest income from loan insurance funds. This amount is included in the Budget Bill as a separate item of appropriation (Item 98).

The amount budgeted from the General Fund before the proposed 10 percent reduction is \$6,201,406. Actual and estimated state expenditures for State Scholarship Commission programs for the past three years, together with budgeted and projected state expenditures for the next five years are shown in Table 1.

Table 1
State Expenditures for Programs Administered
by the State Scholarship Commission

	<i>Scholarship program</i>	<i>Graduate fellowships</i>	<i>Guaranteed loans</i>	<i>Total expenditures</i>
Actual				
1964-65 -----	\$3,702,058	--	--	\$3,702,058
1965-66 -----	3,775,523	--	--	3,775,523
Estimated				
1966-67 -----	4,811,319	--	\$106,409	4,917,728
Budgeted				
1967-68 -----	6,158,856	--	122,970	6,281,826
Projected				
1968-69 -----	7,200,000	\$550,000	45,000	7,795,000
1969-70 -----	8,300,000	625,000	45,000	8,970,000
1970-71 -----	9,500,000	720,000	45,000	10,265,000

The commission's budget has been constructed without reference to the proposal that tuition be charged at the University and state colleges, and therefore we have not dealt with this factor in our analysis of the individual programs. It is clear, however, that the imposition of tuition would have a substantial impact on present student aid programs and that if tuition is approved by the Legislature the whole matter of student aid will have to be restudied.

ANALYSIS AND RECOMMENDATIONS

State Scholarship Program

This program was established in 1955 with the objectives of: (1) providing public scholarship funds for California students of high academic merit who have a demonstrable need for financial assistance so as to pursue undergraduate studies at a public or private California four-year institution of higher education; and (2) to permit and encourage the private colleges and universities to absorb a larger proportion of undergraduate enrollment and thereby to reduce the demands on taxpayers for current and capital outlay funds for public institutions of higher education.

The scholarships cover tuition and other required fees at the institution of the student's choice. According to statute, the amount of each award may range from \$300 to \$900 plus 90 percent of tuition and other fees over \$900, up to a maximum of \$1,500. The number of awards to be granted each year is now set at the equivalent of 1 percent of the number of high school graduates for the preceding year, plus prior awards renewed for continuing students. For 1967-68 it is esti-

California State Scholarship and Loan Commission—Continued

mated that there will be 2,750 new awards and 4,650 continuing awards for a total of 7,400, plus approximately 250 awards held in reserve for junior college students.

Of the total amount of \$6,158,856 budgeted for this program for 1967-68, \$5,920,000 is for award funds and \$238,856 is for administration. The amount for award funds has been computed on the basis of 7,400 awards at an average of \$800 per award. The average cost has been estimated according to the proposed level of tuition and other fees for institutions attended by present scholarship holders. The average award cost budgeted for 1967-68 may be compared with the average cost for previous years as shown in Table 2.

Table 2
General State Scholarship Award Funds
1962-63 through 1967-68

	<i>Number of awards</i>	<i>Average award amount</i>	<i>Total general award funds</i>
1962-63 -----	3,840	\$575	\$2,208,148
1963-64 -----	4,480	573	2,567,857
1964-65 -----	5,120	691	3,538,807
1965-66 -----	5,120	701	3,588,952
1966-67 (est.) -----	6,100	750	4,575,000
1967-68 (est.) -----	7,400	800	5,920,000

On the basis of the past experience it is believed that about 60 percent of new and continuing awards winners will attend private institutions, 33 percent will attend the University of California and 7 percent will attend a state college.

The proposed amount of \$238,856 for the administration of this program would provide a net increase of \$2,537, or 1.1 percent, over 1965-66. The increase is attributable to an increase of \$2,165 for salaries and wages, \$817 for operating expense and a reduction of \$1,822 in equipment.

It is expected that approximately 24,000 applications will be received by the commission for the 2,750 new awards to be granted in 1967-68 and that approximately 4,650 students who now hold scholarships will request renewal of their awards. The proposed administrative cost is the equivalent of \$3.23 per award, as compared with an estimated cost of \$3.87 per award for 1966-67 and \$3.62 per award for 1965-66.

In Table 3 we show selected program data for the four-year period 1962-63 through 1965-66. Awards granted in the spring of 1965-66 are being used in the 1966-67 academic year.

Table 3
Selected Program Data—State Scholarship Program

	<i>1962-63</i>	<i>1963-64</i>	<i>1964-65</i>	<i>1965-66</i>
Applications and awards				
Total applications -----	15,913	19,920	21,090	22,252
New awards granted -----	1,844	1,824	1,632	2,650
Renewed awards -----	2,636	3,296	3,488	3,392
Final awards granted -----	4,480	5,120	5,120	6,042
Qualifying SAT scores				
Minimum score for high school seniors (at large) -----	1,142	1,181	1,205	1,130

California State Scholarship and Loan Commission—Continued

Table 3—Continued

Selected Program Data—State Scholarship Program

Distribution of winners by class level	1962-63	1963-64	1964-65	1965-66
Freshmen -----	37.1%	32.7%	27.4%	39.2%
Sophomores -----	28.9	26.9	27.8	21.0
Juniors -----	22.5	23.7	24.1	22.7
Seniors -----	11.5	16.8	20.7	17.1
Distribution by type of institution				
Independent institutions -----	65.0%	63.9%	62.3%	60.4%
University of California -----	28.9	30.0	32.2	32.8
California state colleges -----	6.1	6.1	5.5	6.8

We recommend approval of the amount budgeted for this program.

Graduate Fellowship Program

Under the provisions of Chapter 1475, Statutes of 1965, a new Graduate Fellowship Program was established to provide assistance for outstanding graduate students who intend to become teachers in a college or university in California. The principal objective of the program, according to the statute, is to increase the supply of college and university faculty, particularly in those subject fields in which there is a critical shortage of teachers. The commission is charged with the responsibility for determining the relative needs of the various subject fields and must give this consideration in granting awards. The statute further provides that a nine-member commission, composed of college and university teachers and graduate deans, shall be appointed by the State Scholarship Commission to aid and advise it in the administration of this program.

The fellowships are to be limited to one year, including one summer term, unless "extraordinary circumstances" require a renewal. The fellowships are to be granted on a competitive basis, taking into account an applicant's undergraduate record, his aptitude for graduate study and his financial need (apart from his family's financial ability). The number of awards each year has been set at the equivalent of 1 percent of the number of baccalaureate degrees awarded by accredited California colleges and universities during the next preceding year. The amount of each award is to be determined according to each recipient's need, up to the full cost of tuition and regular fees. Each recipient is to be allowed to receive up to \$1,800 per academic year through a teaching assistantship or other fellowships before any deduction is made in his award.

No funds have been provided in the present budget for this program, reflecting a decision to postpone the first year of awards. This decision should be reviewed very carefully by the Legislature. Deletion of all support for one year means that the first awards will be for the academic year 1969-70 rather than for 1967-68 as originally planned. The selection process planned for this spring would be postponed until administrative funds would again be available, presumably in 1968-69.

In view of the fact that this is not a new program but one which was authorized in 1965 and for which the initial appropriation was made at

California State Scholarship and Loan Commission—Continued

the last session, we recommend that the program be reinstated. We know of no justification related to the program itself for eliminating the funds for this program. We believe that the funds for this program should be restored pending clarification of the overall level of support to be provided for higher education for 1967-68. If this expenditure is then found to require a reduction in support for items of higher priority, it can be reviewed in that light.

We therefore recommend that this item be augmented by \$470,000 or so much thereof as is necessary in order to finance the graduate fellowship awards for 1967-68, subject to further review in relation to the overall level of support to be provided for higher education in 1967-68.

Guaranteed Loan Program

Under the provisions of Title IV, Part B, of the Higher Education Act of 1965, the federal government established a new low-interest Guaranteed Loan Program for college students of all income levels. The two principal features of the new program are that the federal government: (1) provides loan insurance funds to enable private financial institutions to make loans to students at interest rates of no higher than 6 percent; and (2) subsidizes student interest costs to the extent of eliminating interest while a student remains in college and limiting it to a maximum of 3 percent thereafter during the repayment period. Any student borrower whose adjusted family income is less than \$15,000 at the time he receives a loan is eligible for the interest subsidy.

The declared purpose of the program is to make such low-interest loans accessible to all college students by strengthening existing state or nonprofit private guaranteed loan programs, encouraging states which do not now have a guaranteed loan program to establish a program in any state which is unwilling to do so. Except where the federal government is required to administer a program directly, the program within each state is administered or supervised by a single state agency which is responsible for establishing standards within the framework of the federal legislation and regulations, to managing the insurance reserve funds provided by the federal government, administering the payment of interest subsidies and coordinating the services of the individual private financial institutions.

In general, the law permits the state agencies to administer the program directly or to authorize a private nonprofit agency to do so under the supervision of the state agency. In either case the students receive their loans from a bank, savings and loan association, credit union or other appropriate private financial institution, and the lender is responsible for the normal disbursement and collection procedures, subject to the state and federal regulations. The State Scholarship and Loan Commission has been designated as the agency to administer California's participation in this program (Chapter 63, Statutes of 1966, First Extraordinary Session).

Loans may be provided in amounts ranging from \$300 to \$1,000 per year by leading institutions on the recommendation of the colleges. The commission guarantees loans for full-time students from families with

California State Scholarship and Loan Commission—Continued

an adjusted family income of less than \$15,000 per year. It is estimated that 8,000 such loans will be guaranteed during the current year, the first year of the program, and that the number will increase to approximately 20,000 by 1967-68. The average amount of each loan is expected to average about \$800 during the current year.

Federal funds used to guarantee these loans are deposited in a special reserve fund, and interest income from this fund may be used to help support administrative costs to the state. Accordingly, \$80,420 in estimated interest for 1967-68 has been deducted from total budgeted administrative cost of \$108,933, reducing state cost for this program to \$28,513 for the budget year.

We have been informed that the cost of data processing services which are obtained by contract are now expected to be approximately \$23,000 for 1966-67 rather than \$30,234 as provided within the workload adjustment. *We recommend, therefore, that operating expense for this program be reduced by \$7,000.*

CALIFORNIA STATE SCHOLARSHIP AND LOAN COMMISSION

ITEM 98 of the Budget Bill

Budget page 381

FOR SUPPORT OF THE CALIFORNIA STATE SCHOLARSHIP
AND LOAN COMMISSION FROM THE STATE GUARANTEED
LOAN RESERVE FUND

Amount requested	\$80,420
Estimated to be expended in 1966-67 fiscal year	None
Increase	\$80,420

This item provides for the appropriation of \$80,420 in interest earnings from the Guaranteed Loan Reserve Fund for support of administrative expenses incurred by the State Scholarship and Loan Commission in operating the Guaranteed Loan Program.

The program is described on page 433 of this analysis. This interest income is generated from federal loan guarantee funds deposited as reserves for the student loans authorized under this program.

We recommend approval in the amount budgeted.

DEPARTMENT OF EMPLOYMENT

ITEMS 99, 100 and 101 of the Budget Bill

Budget page 384

FOR SUPPORT OF THE DEPARTMENT OF EMPLOYMENT
FROM THE UNEMPLOYMENT COMPENSATION DISABILITY
FUND, THE DEPARTMENT OF EMPLOYMENT CONTINGENT
FUND AND THE UNEMPLOYMENT FUND

Amount requested, Unemployment Compensation Disability Fund (Item 99)	\$11,431,901
Amount requested, Department of Employment Contingent Fund (Item 100)	499,644
Amount requested, Unemployment Fund (Item 101)	22,528
Total requested	\$11,954,073
Estimated to be expended in 1966-67 fiscal year	12,096,690
Decrease (1.2 percent)	\$142,617