

staff in child care programs.

In particular, our analyses indicate that an "associate" category should be established within the children's center permit which recognizes appropriate initial level training (e.g., CDA, associate degrees, other satisfactory academic and field training in early childhood education) as part of a defined sequence of steps toward a full instructional permit. The "associate" category should be more inclusive than the current "postponement of requirements" category intended for individuals who do not qualify for a full instructional permit. It should enable individuals to serve as instructional staff under supervision in child care centers.

This issue is particularly important in view of the high cost of subsidized child care in California. Heavy reliance in many subsidized centers on personnel having extensive formal training and receiving relatively high salaries is one of the principal reasons for these high costs.

However, numerous studies in California and elsewhere have found consistently that staff varying widely in formal training and degree status—including staff with little traditional academic training—provide quality child care. In view of this finding, we believe the commission should study the issue of broadening recognized procedures for qualifying initial level instructional personnel for subsidized child care centers, with particular emphasis on the establishment of an "associate" category within the children's center permit certification system.

POSTSECONDARY EDUCATION

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POSTSECONDARY EDUCATION GENERAL STATEMENT

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

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

POSTSECONDARY EDUCATION**Organization**

California's system of public postsecondary education is the largest in the nation and currently consists of 135 campuses serving over one million students. This system is separated into three distinct public segments—the University of California, the California State University and Colleges and the California Community Colleges.

In addition to the public system, the California Postsecondary Education Commission reports there are approximately 236 independent colleges and universities serving 185,000 students, 1,500 private vocational and technical schools serving an unknown number of students, over 400 adult education institutions sponsored by high school and unified school districts serving an estimated enrollment of 1.7 million students and 67 state supported regional occupational centers and programs serving over 50,000 adults.

To provide guidelines for the orderly development of the three major public segments, the *Master Plan for Higher Education in California 1960-75* was developed and its recommendations were largely incorporated into the Donahoe Higher Education Act of 1960. The purpose of the act was to define the function and responsibilities of each segment and to establish an economical and coordinated approach to the needs of higher education. A coordinating agency was established to assist in meeting the objectives of the act.

Functions

California Postsecondary Education Commission (CPEC). The commission assumed the powers, duties and functions vested in the original Coordinating Council for Higher Education on April 1, 1974, as a result of Chapter 1187, Statutes of 1973. CPEC is responsible for planning, coordinating and advising functions.

The University of California (UC). The UC system consists of nine campuses, including a separate medical facility at San Francisco, and numerous special research facilities located throughout the state. Medical schools are presently located at the San Francisco, Los Angeles, San Diego, Davis and Irvine campuses. Hastings College of Law in San Francisco, although affiliated with the University, operates under a separate statutory board of directors. To govern the University of California, the State Constitution grants full power of organization and governance to a 23-member Board of Regents, serving 12-year terms. The Regents have substantial freedom from legislative or executive control.

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

sity and Colleges.

The California State University and Colleges (CSUC). This system, comprised of 19 campuses, is governed by a statutory 23-member board of trustees. A student trustee serves a two year term and the remaining 21 members serve eight year terms. Although the Board of Trustees does not have the constitutional autonomy of the UC regents, the Donahoe Act of 1960 did provide for centralization of policy and administrative functions which are carried out by the Chancellor's office.

The primary function of CSUC is to provide instruction to both undergraduate and graduate students in the liberal arts and sciences, in applied fields and in various professions including teaching. The granting of bachelor's and master's degrees is authorized but doctorate degrees may not be granted except under the joint doctoral program noted above in the UC statement. Faculty research is authorized only to the extent that it is consistent with the instruction function.

The California Community Colleges (CCC). A 15-member Board of Governors was created by statute in 1967 to provide leadership and direction to the 70 community college districts (with 104 campuses) that comprise the system. Unlike UC and CSUC, community colleges are administered by local boards and derive the majority of their funds from local property taxes.

Instruction in public community colleges is limited to lower division levels (freshman and sophomore) of undergraduate study in the liberal arts and sciences and in occupational or technical subjects. The granting of the associate in arts or the associate in science degree is authorized. Community services courses are also offered at no state cost.

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

Independent Universities and Colleges. Private, accredited four-year and graduate institutions constitute a major resource and play an integral part in California's total higher education effort. There are approximately 70 such institutions, 57 of which collectively form the Association of Independent California Colleges and Universities (AICCU). Governance, functions and admissions differ widely among private institutions.

Admissions

The UC Regents have the power to establish their own admission standards. Historically, it has been assumed that the standards used were in conformity with guidelines established in the original Master Plan which called on the University to limit admissions to the top one-eighth of California's high school graduates and to qualified students from other institutions. Nonresident students must be in the upper one-sixteenth of their state's high school graduates. For admission to advance standing, California transfer students who were not eligible for admission as freshmen are required to have a grade point average of 2.0 (C).

POSTSECONDARY EDUCATION

Original Master Plan guidelines provided for a two percent waiver of admission standards for selected students with academic promise. This flexibility was subsequently increased to 4 percent and a more recent resolution suggested a waiver of 12½ percent for both UC and CSUC to accommodate disadvantaged students and other nontraditional admissions criteria.

In conformity with recommendations of the original Master Plan, CSUC admission standards are intended to limit entrance to the top one-third of California's high school graduates and to qualified transfer students from other institutions. As with UC, the CSUC system requires transfer students to have a grade-point average of 2.0 (C). Students who qualify for acceptance at a campus without openings are redirected to another campus with enrollment openings.

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

Enrollments

Enrollment data are major factors in evaluating higher education's budgetary support and capital outlay needs. However, comparisons are difficult because the segments presently use different methods to derive their enrollment workload statistics. Segmental enrollment totals may be reported as head count, full-time equivalent (FTE) students, or average daily attendance (ADA). Both UC and CSUC systems utilize FTE statistics for budgetary purposes. In contrast, state apportionments to community colleges follow traditional elementary and secondary school accounting procedures and are based on ADA statistics.

Table 1 contains reported enrollment data for the three segments. University statistics show FTE by level of student enrollment, state university and college FTE is provided on the basis of level of instruction and community college statistics are based on ADA.

Table 1
Enrollment in California Public Postsecondary Education

	<i>Actual 1975-76</i>	<i>Revised 1976-77</i>	<i>Projected 1977-78</i>
University of California FTE			
Undergraduate	86,489	85,125	84,809
Graduates	34,051	34,334	35,225
Totals	120,540	119,459	120,034
California State University and Colleges FTE*			
Undergraduate	218,443	216,260	218,590
Graduates	17,284	17,180	17,390
Totals	235,727	233,440	235,980
Community Colleges			
ADA	768,860	793,600	824,100
Grand Totals	1,125,127	1,146,499	1,180,114

* Excludes international program FTE.

Table 2 combines the totals of public enrollment shown in Table 1 with statistics reported for independent colleges and universities in order to portray total higher education enrollment in California.

Table 2
Total Enrollment in California Public and Private Higher Education

	1975-76	1976-77	1977-78
Public ^a	1,125,127	1,146,499	1,180,114
Private ^b	163,000	169,000	169,000
Totals.....	1,288,127	1,315,499	1,349,114

^a Combination of FTE and ADA from Table 1.

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

Table 2 indicates that private universities and colleges (a) are leveling off in enrollments and (b) enroll about 12 percent of California's higher education students.

Expenditures

Proposed General Fund and total budgeted expenditures for public higher education in 1977-78 are shown in Table 3. The General Fund support budget represents an increase of approximately \$96 million or 5.1 percent over the current year's estimated level.

Table 3
Proposed 1977-78 Budget Summary for Postsecondary Education
(thousands)

	Support		Capital Outlay		Totals	
	All Funds	General Fund ^a	All Funds	General Fund	All Funds	General Fund
California Postsecondary Education Commission ..	\$2,348	\$1,442	—	—	\$2,348	\$1,442
University of California ^b	1,317,094	700,192	\$45,160	—	1,362,254	700,192
Hastings.....	6,083	3,809	2,346	—	8,429	3,809
California State University and Colleges.....	894,858	638,392	17,877	—	912,735	638,392
California Maritime Academy	3,501	2,113	840	—	4,341	2,113
Community Colleges ^c	558,866	556,464	27,029	—	585,895	556,464
Student Aid Commission	80,817	71,153	—	—	80,817	71,153
Totals	\$2,863,567	\$1,973,565	\$93,252	—	\$2,956,819	\$1,973,565
General Fund expenditures as a percent of total expenditures.....		68.9%		0.0%		66.8%

^a Does not include salary increase funds.

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

^c Excludes \$632.5 million in projected local support funds and \$56.5 million in local capital outlay funds.

Sources of Support

A summary of funding sources for higher education in California for the last completed fiscal year, 1975-76 is shown in Table 4. Capital outlay expenditures are not included.

Approximately \$3.8 billion was expended for higher education support in 1975-76. Of this amount \$1.6 billion (42.8 percent) was state support.

Table 4
Expenditures for Postsecondary Education
Current Expense by Source of Funds 1975-76
(Thousands)

<i>Segments</i>	<i>State support</i>	<i>Local support</i>	<i>Federal support</i>	<i>Student fees</i>	<i>Other^a</i>	<i>Total Expenditures</i>	<i>Percent</i>
University of California	\$594,679	—	\$729,020	\$110,813	\$440,715	\$1,875,227	49.7%
California State University and Colleges	537,990	—	53,091	82,914	101,307	775,302	20.5
California Community Colleges	414,269	\$494,000	90,350	25,851	21,583 ^c	1,046,053	27.7
Other agencies ^b	68,955	—	6,839	2,029	1,650	79,473	2.1
Totals	\$1,615,893	\$494,000	\$879,300	\$221,607	\$565,255	\$3,776,055	100.0%
Percent of Total Expenditures	42.8%	13.1%	23.3%	5.9%	15.0%	100.0%	

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

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

^c Primarily county support.

Student Charges

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

All three segments impose a tuition on students who are not legal residents of California, including foreign students. Chapter 1100, Statutes of 1972, standardized and placed all residency provisions under one Education Code chapter. The California Maritime Academy is a traditional exception to the free tuition policy. Tuition income usually is expended for instructional services resulting in a direct offset to state funding requirements.

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

Table 5
Basic Academic-Year Student Charges 1976-77

	<i>UC</i>	<i>CSUC</i>	<i>CCC</i>	<i>CMA</i>
Tuition-nonresident/foreign	\$1,905	\$1,440	\$0-1,930	\$930
Tuition-educational fee:				
Undergraduate	300	—	—	405
Graduate	360	—	—	—
Registration fee	300	144	1-10	—
Application fee	20	—	—	—
Campus mandatory fee	11-94	0-30	—	50
Auxiliary service fees:				
Room and board	1,568 ^a	1,048-1,850	—	1,650
Parking	24-216	30	0-40	—
Health	—	6	0-40	75

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

Average Cost Per Student

There are numerous ways to develop average cost per student data. A common method is to divide total expenditures by the number of students. Because this is a simple calculation procedure, such figures are most often used in institutional budget presentations.

There are other, more complex, methods of calculating these average costs. Data can be computed using head-count students rather than FTE students, costs can be shown using constant dollars rather than inflated dollars, and expenditures can be allocated on the basis of student-related expenditures as opposed to nonstudent-related programs such as research

POSTSECONDARY EDUCATION

and public service.

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

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

Table 6
General Fund Cost Per Student Credit Unit by Level of Instruction

	1975-76	1976-77 (est.)	1977-78 (est.)
Lower Division			
UC.....	\$114	\$126	\$133
CSUC.....	117	132	138
Upper Division			
UC.....	146	162	170
CSUC.....	156	175	184
Graduate			
UC.....	607	674	708
CSUC.....	286	328	344
All Levels Combined			
UC.....	200	222	234
CSUC.....	150	169	177

Table 7
General Fund Cost per Student Credit Unit by Level of Student

	1975-76	1976-77 (est.)	1977-78 (est.)
Lower Division			
UC.....	\$123	\$137	\$144
CSUC.....	126	142	148
Upper Division			
UC.....	140	155	163
CSUC.....	145	164	172
Graduate I ^a			
UC.....	443	491	516
CSUC.....	208	237	248
Graduate II ^a			
UC.....	673	746	784
CSUC.....	—	—	—
All levels combined			
UC.....	200	222	234
CSUC.....	150	169	177

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

The California Postsecondary Education Commission continued the student cost collection and reporting effort in 1974-75. However, the commission is reviewing its methodology for collecting and reporting comparable data and intends to redesign its analysis procedures. As a result there is a temporary suspension of the formal report. Informal projections of the data have been maintained for information purposes.

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

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

Item 310 from the General
Fund

Budget p. 811

Requested 1977-78	\$1,441,890
Estimated 1976-77	1,351,604
Actual 1975-76	1,255,527
Requested increase \$90,286 (6.7 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Contract Services. Recommend report to the Department of Finance on the disposition of funds budgeted for contractual services. 786

GENERAL PROGRAM STATEMENT

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

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

The implementing legislation also provided for an advisory committee consisting of designees or the chief executive officers of each of the public segments, the Superintendent of Public Instruction, the association or associations for private universities and colleges, the California Advisory

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION—Continued

Council on Vocational Education and Technical Training and the Council for Private Postsecondary Education Institutions.

ANALYSIS AND RECOMMENDATIONS

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

Table 1
CPEC Budget Summary

<i>Programs</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>	<i>Change Amount</i>	<i>Percent</i>
1. Information systems.....	\$340,457	\$364,358	\$380,753	\$16,395	4.5%
2. Coordination and review ..	202,935	235,165	244,762	9,597	4.1
3. Planning and special projects	317,108	255,342	282,487	27,145	10.6
4. Federal programs.....	1,517,854	1,067,325	940,579	-126,746	-11.9
5. Executive	227,470	261,478	269,328	7,850	3.0
6. Staff services	74,078	83,349	112,363	29,014	34.8
7. Commission activities	47,023	76,004	78,581	2,577	3.4
8. WICHE	28,000	28,000	39,000	11,000	39.3
TOTALS.....	\$2,754,925	\$2,371,021	\$2,347,853	-\$23,168	-1.0%
Funding Sources					
Reimbursements	\$6,262	0	0	0	0
General Fund	1,255,527	1,351,604	1,441,890	90,286	6.7%
Federal Funds	1,493,136	1,019,417	905,963	-113,454	-11.1
TOTALS.....	\$2,754,925	\$2,371,021	\$2,347,853	-\$23,168	-1.0%
Positions	50.8	48.0	52.5	4.5	9.4%

As indicated in Table 1, the Governor's Budget proposes 4.5 new positions. These consist of a specialist in health sciences (in response to Chapter 600, Statutes of 1976), a senior account clerk, and 2.5 positions for temporary help. The temporary help positions are to be funded with the commission's baseline budget resources.

The Governor's Budget also reflects a General Fund increase of \$90,286, or 6.7 percent. Included in the commission's 1976-77 base, however, is \$18,314 received from appropriations outside the Budget Act of 1976 for special studies. If these special study expenditures were excluded from the year-to-year comparisons, the resulting General Fund increase would be \$108,600, or 8.2 percent.

Contract Services for Unspecified Studies

We recommend that the commission include in its annual budget submission to the Department of Finance a schedule of the disposition of past year funds budgeted for contractual services.

The Governor's Budget proposes \$12,000 for short-term contractual services of specialists, for future unspecified projects. Last year we recommended that a similar request for \$24,929 be denied, arguing that such funding, if necessary, is more properly provided in the legislation requiring special studies. The Legislature subsequently eliminated these funds from the budget.

The issue is essentially the need for fiscal control versus the desirability of administrative discretion and flexibility. Given the small amount of

funds requested, we recommend approval with the stipulation that the commission report in its annual budget submission to the Department of Finance on the manner in which these monies were allocated. This will allow monitoring of the agency's use of the funds and will help establish the need for similar requests in subsequent budgets.

Western Interstate Commission for Higher Education (WICHE) Study

California is one of 13 western states which are members of the Western Regional Education Compact, an agreement created to improve educational programs and to encourage greater cooperation among the states in such areas as the training of health science personnel. The compact is administered by WICHE, a nonprofit agency. Each member state is represented on the governing board by three commissioners who are appointed by their respective governors.

Annual dues are being increased by WICHE from \$28,000 to \$39,000 in fiscal 1977-78. In addition, the Department of Health budget includes \$7,500 as a voluntary contribution to support the WICHE mental health program.

In response to Chapter 874, Statutes of 1976, CPEC contracted for a study of the costs and benefits of California's membership in the Western Regional Education Compact and on the desirability of further participation in WICHE programs. The report concludes that "the benefits to California far exceed the costs from participation in WICHE programs."

Most of the monetary benefits accrue from WICHE's major project, the Student Exchange Program. Under this program, colleges and universities are paid a negotiated fee for accepting a WICHE-certified student. It is estimated that in 1977-78 California institutions will receive \$1,449,715 above what would have been secured if regular fees had been assessed.

High School Eligibility Study

Among the several studies and reports completed by the commission in 1976 was the High School Eligibility Study, the fourth in a series of studies to determine the percent of high school graduates eligible to attend the University of California and the California State University and Colleges. Guidelines established in the Master Plan for Higher Education (1960) call for UC to draw its freshman class from the top 12½ percent of the high school graduating class, and CSUC is urged to draw from the top 33½ percent.

The results of the Eligibility Study indicate that 14.84 percent of the public high school graduates in 1974-75 would have been eligible for admission at UC, and 34.96 percent at CSUC. These figures are generally consistent with the findings of the 1961 and 1966 studies and indicate that the gradually rising grade point averages experienced in the high schools have not resulted in a corresponding inflation of segmental eligibility rates.

UNIVERSITY OF CALIFORNIA

Item 311-319 from the General Fund; Item 320 from the State Transportation Fund; Item 321 from the California Water Fund; Item 322 from the COFPHE Fund.

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There is no separate item for academic salary increases. UC salary increase is included in the unallocated total of \$99.8 million for statewide General Fund salary increases in item 379.

Requested 1977-78	\$703,302,052
Estimated 1976-77	684,271,895
Actual 1975-76	586,204,842
Requested increase \$19,030,157 (2.8 percent)	
Total recommended reduction	\$3,955,067

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	Analysis page
311	Support	General	\$695,201,052	790
312	State Data Program	General	113,000	826
313	Undergraduate Teaching Excellence	General	1,000,000	800
314	Fresno-San Joaquin Medical Education Program	General	79,000	812
315	Berkeley-San Francisco Medical Education Program	General	351,000	810
316	Riverside-UCLA Biomedical Program	General	396,000	811
317	Aquaculture	General	400,000	822
318	Drew Postgraduate Medical School	General	1,986,000	824
319	California College of Podiatric Medicine	General	666,000	826
TOTAL—GENERAL FUND			\$700,192,052	
320	Institute of Transportation and Traffic Engineering	State Transportation	310,000	823
321	Mosquito Control Research	California Water	100,000	823
322	Equipment Replacement and Deferred Maintenance	COFPHE	2,500,000	851
—	Institute of Transportation and Traffic Engineering (Chapter 1130, Statutes of 1975)	State Transportation	200,000	823
TOTAL—ALL FUNDS			\$703,302,052	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- | | |
|--|-----|
| 1. Reports. Recommend deletion of annual reporting requirement on enrollment plans and admission priorities. | 795 |
| 2. Faculty Staffing. Reduce Item 311 by \$428,322. Recommend 22 new FTE faculty positions not be funded until faculty workload returns to more traditional levels. | 797 |

Analysis
page

3. *High Cost Student Disciplines. Reduce Item 311 by \$500,000.* Recommend the augmentation to finance workload increases resulting from changes in student academic preferences be eliminated. 799
4. *TA Training.* Recommend UC report to the Joint Legislative Budget Committee by November 1, 1977 on the nature and extent of current TA training programs and the future plans for systemwide implementation of these programs. 802
5. *Instructional computing. Reduce Item 311 by \$300,000.* Recommend no augmentation for instructional computing until the special advisory group of outside evaluator has reported on current instructional computing policies. 803
6. *Clinical Faculty Salaries. Reduce Item 311 by \$550,000.* Recommend the state-supported portion of the clinical Salary schedule be phased into conformity with the regular faculty schedule over a two year period. 807
7. *Berkeley-San Francisco Joint Medical Program (Item 315).* Recommendation withheld pending official UC response to the Joint Governing Board report on the UCB/UCSF Joint Medical Program. 810
8. *Medical Residents.* Recommendation withheld pending receipt of additional UC information. 812
9. *Medical Residency Support.* Recommend UC report to the legislative fiscal committees on the amount of support received by affiliated hospitals and how the level of support varies by medical school and residency speciality. Recommend further that UC report the amount of residency support received by Family Practice Programs within each medical school and how it differs from that provided to other residency programs. 816
10. *Student Fees.* Recommend UC report to the legislative fiscal committees on the proposed changes in student fees and program support, with particular attention given to the need for registration fee increases in 1977-78. 836
11. *Student Affirmative Action Program. Augment Item 311 by \$127,000.* Recommend the program receive a \$127,000 augmentation for student services if an additional \$104,000 in UC funds is provided. 837
12. *Non-resident Tuition. Increase reimbursements to Item 311 by \$707,425.* Recommend the budgeted number of nonresident students be increased to more accurately reflect past experience. 840
13. *Regents Staff. Reduce Item 311 by \$137,418.* Recommend state support of the Secretary's and Treasurer's Offices be reduced from 100 percent to 75 percent. 844
14. *Campus Capital Outlay Staff. Reduce Item 311 by \$726,000.* Recommend campus capital outlay staff be supported entirely from capital outlay project funds. 845
15. *General Reimbursements. Increase reimbursements to* 848

UNIVERSITY OF CALIFORNIA—Continued

Item 311 by \$494,902. Recommend general reimbursements be increased to reflect anticipated income more accurately.

16. *Pauley Pavilion Maintenance.* Reduce Item 311 by \$238,000. Recommend state support for maintenance and upkeep of Pauley Pavilion at UCLA be discontinued. 851

**Summary of Recommended Fiscal Changes
to the 1977-78 Budget**

Activity	Program Changes		Funding Impact	
	Reductions	Augmentations	General Fund	Reimbursements
Faculty Staffing	-\$428,322		-\$428,322	
"High Cost" Disciplines	-500,000		-500,000	
Instructional Computing	-300,000		-300,000	
Clinical Salary Schedule	-550,000		-550,000	
Student Affirmative Action		+\$127,000	+127,000	
Non-resident tuition			-707,425	+707,425
Regents Staff	-137,418		-137,418	
Campus Capital Outlay Staff	-726,000		-726,000	
General Reimbursements			-494,902	+494,902
Pauley Pavilion Maintenance	-238,000		-238,000	
Total—General Fund	-\$2,879,740	+\$127,000	-\$3,955,067	\$1,202,327

GENERAL PROGRAM STATEMENT

The University of California is the land grant State University of the State of California. Established in 1868, it has constitutional status as a public trust to be administered under the authority of an independent governing board—the Regents of the University of California. In November 1974, the voters passed a constitutional amendment which changed the membership of the Regents and shortened the term of the Governor-appointed members from 16 years to 12 years. Currently, the Board of Regents includes 24 members, 7 ex officio, 16 appointed by the Governor and one University of California student appointed by the board.

A broadly based curriculum leading to the baccalaureate degree is offered by the university. In addition, the Donahoe Higher Education Act of 1960 (Master Plan) gave the university exclusive jurisdiction in public higher education over instruction in the professions of law, medicine, dentistry and veterinary medicine. Included was sole authority to award doctoral degrees in all disciplines, although joint doctoral degrees with the California State University and Colleges are permitted. The Donahoe Act also designated the university as the primary state-supported academic agency for research.

Administrative Structure

The university encompasses eight general campuses and one health science campus. Overall responsibility for policy development, planning and resource allocations rests with the President of the University, who is directly responsible to the Regents. Primary responsibility for individual campus management has been delegated to the Chancellor of each cam-

Table 1
Proposed UC Budget for 1977-78

	<i>Personnel</i>			<i>Expenditures</i>			
	<i>1976-77</i>	<i>1977-78</i>	<i>Change</i>	<i>Est. 1976-77</i>	<i>Proposed 1977-78</i>	<i>Change</i>	
						<i>Amount</i>	<i>Percent</i>
I. Instruction							
A. General Campuses	12,198.11	12,280.81	82.70	\$268,189,894	\$272,284,518	\$4,094,624	1.5%
B. Health Sciences	4,332.13	4,449.22	117.09	112,020,049	114,816,563	2,796,514	2.5
C. Summer Session	355.91	355.91	-	5,278,209	5,598,798	320,589	6.1
D. University Extension	1,279.02	1,279.02	-	31,023,144	32,243,490	1,220,346	3.9
II. Research	2,614.96	2,614.96	-	64,140,907	64,163,907	23,000	.0
III. Public Service	1,322.78	1,322.78	-	28,933,428	28,981,600	48,172	0.2
IV. Academic Support							
A. Libraries	2,187.41	2,194.61	7.20	46,713,273	46,826,349	113,076	0.2
B. Organized Activities-other	2,201.28	2,201.28	-	45,694,603	46,233,029	538,426	1.2
C. Teaching Hospitals and clinics	14,766.50	14,960.20	193.70	311,697,386	309,872,386	-1,825,000	-0.6
V. Student Services							
A. Activities	2,650.03	2,676.86	26.83	51,224,585	52,028,585	804,000	1.6
B. Financial Aid	-	-	-	34,745,439	39,323,928	4,578,489	13.2
IV. Institutional Support							
A. General Administration and serv- ices	5,860.53	5,865.53	5.00	84,012,148	84,363,148	351,000	0.4
B. Maintenance and operation of plant	3,066.75	3,091.50	24.75	69,112,766	69,919,609	806,843	1.2
VII. Independent Operations (Auxiliary Enterprises)	2,060.40	2,136.40	76.00	65,209,681	70,307,681	5,098,000	7.8
VIII. Special Regents' Program	-	-	-	12,907,300	14,666,000	1,758,700	13.6
IX. Unallocated Adjustments							
A. Provisions for allocation	-	-	-	33,316,687	31,645,478	-1,671,209	-5.0
B. Fixed costs to economic factors	-	-	-	-	33,818,884	33,818,884	-
 Totals support budget (continuing op- erations)	 54,895.81	 55,429.08	 533.27	 \$1,264,219,499	 \$1,317,093,953	 \$52,874,454	 4.2
 Sponsored research activities				387,559,150	412,172,150	24,613,000	6.4
Major ERDA-supported laboratories..				469,511,000	469,511,000	-	-
 GRAND TOTAL				\$2,121,289,649	\$2,198,777,103	\$77,487,454	3.7

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pus. This includes the management of campus resource allocations as well as campus administrative activities.

The academic senate has the delegated authority to determine conditions of admission (subject to the constraints of the Master Plan) and degree requirements, and approve courses and curricula. Responsibility for administering research activities rests in three organizations: (1) academic departments, (2) agricultural research stations and (3) organized research units.

Admissions

The Regents have the authority to establish their own admission standards (which it has delegated to the academic senate) subject to the guidelines established in the Master Plan of 1960. These guidelines are intended to limit admission of first time freshmen to the top one-eighth (12½ percent) of California's high school graduates. Nonresident freshmen applicants must be in the upper one-sixteenth of their state's high school graduates to be admitted. The university is permitted to waive the admission standards for up to 4 percent of the incoming freshman enrollment.

Table 2
U.C. Revenues—Total Support Budget

	<i>Est.</i> <i>1976-77</i>	<i>Proposed</i> <i>1977-78</i>	<i>Change</i> <i>Amount</i>	<i>Percent</i>
General Funds:				
State Appropriation	\$681,161,895	\$700,192,052	\$19,030,157	2.8
University General Funds:				
Nonresident Tuition	12,837,790	12,542,575	-295,215	-2.3
Other Student Fees	3,740,853	3,706,808	-34,045	-0.9
Other Current Funds	1,628,963	1,357,840	-271,123	-16.6
Funds Used as Income:				
Federal Overhead	22,961,899	22,065,559	-896,340	-3.9
Prior Year Balances	3,417,725	3,237,838	-179,887	-5.3
Other	597,523	858,273	260,750	43.6
Total General Funds	726,346,648	743,960,945	17,614,297	2.4
Restricted Funds:				
State Appropriations:				
Transportation Research	510,000	510,000	—	—
Mosquito Research	100,000	100,000	—	—
Maintenance and Equipment	2,500,000	2,500,000	—	—
Federal Appropriations	8,284,603	8,284,603	—	—
United States Grants	3,490,177	3,490,177	—	—
University Sources:				
Student Fees	106,817,764	114,324,945	7,507,181	7.0
Sales & Services	20,736,375	20,776,375	40,000	0.2
Teaching Hospitals	258,650,296	281,522,296	22,872,000	8.8
Organized Activities	20,249,102	20,787,528	538,426	2.7
Endowments	12,389,976	12,405,623	15,647	0.1
Auxiliary Enterprises	64,274,403	69,372,606	5,098,203	7.9
Other	10,512,197	11,142,197	630,000	6.0
Prior Year Balances	5,854,658	6,554,658	700,000	12.0
Special Regents' Programs	23,503,300	21,362,000	-2,141,300	-9.1
Total Restricted Funds	537,872,851	573,133,008	35,260,157	6.6
Total Revenue	\$1,264,219,499	\$1,317,093,953	\$52,874,454	4.2

California transfer students are required to have at least a 2.0 or "C" average in prior academic work to be eligible for admission to advance standing. The transfer grade-point requirement was recently (1973-74) reduced from 2.4 to 2.0 as part of a four-year experiment to test the validity of certain assumptions about (1) the performance of scholastically ineligible high school graduates and (2) the relevance of high school records after a student completes two full years of college study.

The minimum requirement for admission to a graduate program is possession of a valid 4-year degree from an accredited institution.

1977-78 Budget Overview

Table 1 shows the UC budget for the 1976-77 and 1977-78 fiscal years. In 1977-78, the total UC support budget is \$1,317,093,953, which is an increase of \$52,874,454 or 4.2 percent over 1976-77. State appropriations increase \$19,030,157, university general funds decrease by \$1,415,860 and other university revenue sources increase \$35,260,157. These revenues are shown in Table 2.

The state General Fund appropriation increase of \$19,030,157 is detailed in Table 3.

Table 3
Summary of Changes from 1976-77 Budget

I. Program Changes		
A. To maintain existing budget.....		\$33,818,884
a. Merit increases and promotions	\$10,815,884	
b. Price increases	16,941,000	
c. Malpractice insurance	3,046,000	
d. State Compensation Insurance	1,866,000	
e. Unemployment Insurance	1,150,000	
B. Workload and other changes to existing programs		8,795,413
a. General Campus instruction	7,434,152	
b. Health Sciences instruction	2,789,000	
c. Public service.....	184,000	
d. Libraries	113,000	
e. Teaching Hospitals.....	303,000	
f. Student services.....	232,000	
g. Operation and Maintenance of Plant	806,843	
h. EOP	1,514,700	
i. EOP—Chapter 10017/75	-1,071,211	
j. Budgetary savings	-1,000,000	
k. Other savings.....	-2,350,000	
l. Prior year balance not available.....	-13,211	
m. Other	-146,860	
Subtotal—Program Changes		42,614,297
II. Funding changes and offsets to State appropriations		
a. Nonresident tuition	-295,215	
b. Misc. student fees.....	-34,045	
c. Overhead receipts	-896,340	
d. Interest on unexpended balances	-250,000	
e. Prior year balances	-179,887	
f. Other	239,627	
Subtotal—Funding Changes.....		1,415,860
Subtotal—Program and Funding Changes.....		44,030,157
III. Hospital Revolving Fund		
Total Change		-25,000,000
Total Change		<u>\$19,030,157</u>

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The budget changes are categorized as follows: (1) to maintain existing budget, \$33,818,884, (2) workload and other changes to existing programs, \$8,795,413, and (3) funding changes and offsets to state appropriations, \$1,415,860. These three items total \$44,030,157. However, they are partially offset by the one-time Hospital Revolving Fund augmentation of \$25,000,000 in 1976-77.

ANALYSIS AND RECOMMENDATIONS**Budget Presentation**

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

I. INSTRUCTION

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

1. ENROLLMENT

Enrollment growth is the primary indicator of workload needs. For 1977-78, total budgeted enrollment is expected to increase by .7 percent or 885 full-time equivalent students (FTE). Of this total, the General Campuses are budgeted to gain 373 FTE students and the Health Sciences are to gain 512.

If the enrollment trends shown in Tabel 4 prove accurate, total FTE enrollment in both 1976-77 and 1977-78 will be less than in 1975-76. This would be the first absolute decline in UC enrollment since the early 1950's.

A. UC Admission Standards

The Donahue Higher Education Act (Master Plan) of 1960 recommended that UC limit admission of freshmen to the top 12½ percent of California's high school graduates. In recent years there has been some concern that UC might be admitting a substantial number of students who fall below the top 12½ percent cutoff. Because UC relies heavily on high school grades to determine eligibility, it was felt that rising grades (grade inflation) were increasing the percentage of students eligible to attend UC.

Periodically, the California Postsecondary Education Commission (CPEC), formerly the Coordinating Council for Higher Education, has reviewed enrollment practices to ascertain whether the 12½ percent guideline is being followed. A 1976 CPEC study found that UC was admit-

Table 4
University of California Average of
Fall, Winter, and Spring Quarter
Full-Time Equivalent Students

	Actual 1975-76	Budgeted 1976-77	Revised ^a 1976-77	Proposed 1977-78	Governor's Budget Change	
					from 76-77 Budgeted	Percent Change
General Campuses						
Undergraduate	85,610	83,514	84,198	83,862	348	0.4
Graduates	24,341	24,487	24,113	24,512	25	0.1
Subtotals	109,951	108,001	108,311	108,374	373	0.3
Health Sciences						
Undergraduates	879	927	927	947	20	2.1
Graduates	9,710	10,221	10,221	10,713	492	4.8
Subtotals	10,589	11,148	11,148	11,660	512	4.6
Totals						
Undergraduates	86,489	84,441	85,125	84,809	368	0.4
Graduates	34,051	34,708	34,334	35,225	517	1.5
University Totals	120,540	119,149	119,459	120,034	885	0.7

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

ting regular students from the top 14.8 percent of high school graduates. UC is expected to make the minor modifications in admissions standards necessary to return to the Master Plan percentages.

B. Report No Longer Necessary

We recommend that Budget Act language be introduced to waive the 1977-78 reporting requirement on enrollment plans and admissions priorities (Education Code Section 66204), and that legislation be introduced to eliminate the requirement in future years.

Chapter 1529, Statutes of 1970 (Education Code, Section 66204), requires that UC (and CSUC) report annually on "the progress made on the implementation of the enrollment plans and admissions priorities system and on the establishment of the information system and the findings that are made available." This legislation was enacted in response to the enrollment problems of the late 1960's when both UC and CSUC had more applicants than could be accommodated.

The combination of less enrollment growth and improved applications processing has reduced the problem to the point where the usefulness of the annual reports is no longer sufficient to justify the administrative effort required to submit them. Consequently, we recommend that budget act language be adopted to waive the reporting requirement for 1977-78 and legislation be introduced to eliminate the requirement for future years.

2. GENERAL CAMPUS INSTRUCTION

Included under this subprogram is the cost of faculty, teaching assistants and related instructional support for the eight general campuses.

Table 5 presents the general campus instruction budget by program element.

Table 5
INSTRUCTION—GENERAL CAMPUS
Summary of Expenditures and Personnel
(In thousands)

	<i>1976-77 Budget</i>			<i>1977-78 Governor's Budget</i>			<i>1977-78 Increase</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>
PROGRAM ELEMENTS									
Faculty	137,728	495	138,223	138,540	495	139,035	812	—	812
Teaching Assistants	18,395	—	18,395	18,482	—	18,482	87	—	87
Instructional Support	71,473	5,414	76,887	75,999	2,074	78,073	4,526	-3,340	1,186
Other	912	—	912	921	—	921	9	—	9
Equipment Replacement Program *	2,425	2,000	4,425	4,425	2,000	6,425	2,000	—	2,000
Employee Benefits	29,348	—	29,348	29,348	—	29,348	—	—	—
PROGRAM TOTAL	260,281	7,909	268,190	267,715	4,569	272,284	7,434	-3,340	4,094
PERSONNEL REQUIREMENTS (FTE)									
Academic			(8,313)			(8,346)			(33)
Faculty			6,175			6,197			22
Teaching Assistants			1,798			1,805			7
Other Academic			340			344			4
Staff			3,885			3,935			50

* Includes funds allocated to the health sciences.

The 1977-78 budgeted increase of \$7.4 million shown in Table 5 has six components:

(1) \$461,000 to provide full workload funding for the 1976-77 overenrollment;

(2) \$830,000 for workload increases associated with 1977-78 enrollment growth of 373 FTE students. This will maintain the student/faculty ratio at 17.49/1 and the student/Teaching Assistant ratio at 46.46/1;

(3) \$500,000 to help meet the increased instructional costs associated with the student shift to more expensive disciplines;

(4) \$300,000 to improve student access to instructional computing;

(5) \$2 million for instructional equipment replacement; and

(6) \$3.3 million to assume instructional laboratory costs previously supported from the Educational Fee.

Faculty Tenure

The responsibility for promotion and tenure in the university has been delegated to the individual campuses' Academic Senate. All candidates for promotion are subject to formal and rigorous peer review procedures, culminating with the Budget Committee of the Academic Senate. This process is not constrained by arbitrary budget formulas but is influenced by the availability of resources resulting from campuswide budget decisions.

Table 6 shows the number and percentage of tenured faculty for each campus in 1975-76.

Table 6
University of California
Percentage of Tenure FTE Faculty, 1975-76 Budget
GENERAL CAMPUSES

	<i>Total Instructional Faculty FTE</i>	<i>Total Tenure FTE</i>	<i>Percent Tenure FTE</i>
Berkeley.....	1,586.56	1,144.79	72.16%
Davis.....	804.67	449.87	55.91
Irvine	426.13	260.78	61.20
Los Angeles.....	1,469.93	984.44	66.97
Riverside	314.51	227.72	72.40
San Diego	450.79	294.66	65.37
Santa Barbara.....	715.75	428.18	59.82
Santa Cruz	329.75	167.40	50.77
TOTAL	6,098.09	3,957.84	64.90%

A. General Campus Faculty Staffing

We recommend that the 22 new faculty FTE positions be eliminated for a General Fund savings of \$428,322 in Item 311.

Faculty positions have traditionally been budgeted for UC through the application of an average systemwide student/faculty ratio. Since 1971-72, this ratio has remained relatively constant at approximately one full-time equivalent (FTE) faculty member for each 17.49 FTE students. For 1977-78, the Governor's Budget adds 22 new FTE faculty positions to accommo-

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date an estimated general campus enrollment growth of 373 FTE students.

The student/faculty ratio has never been intended as an expression of the precise number of students whom any one faculty member should teach. The distribution of faculty and allocation of faculty time has always been considered an academic decision best left to the UC administration. But this freedom to allocate faculty resources and determine individual faculty workload has also carried with it certain responsibilities.

Declining Faculty Workload

One such responsibility is maintenance of generally accepted average faculty workload standards. This, however, has not been done.

UC's own data, summarized in Table 7, indicates that the average number of hours faculty spend with students each week has dropped from 11.8 hours in 1971-72 to 11.1 hours in 1975-76, a decline of approximately 6 percent. The typical faculty member now spends 7.2 hours/week in classroom instruction and 3.9 hours/week supervising independent study.

Table 7
Average Weekly Contact Hours per FTE Faculty
Regular Ranks and Total Faculty

	<i>Fall</i> <i>1970</i>	<i>Fall</i> <i>1971</i>	<i>Fall</i> <i>1972</i>	<i>Fall</i> <i>1973</i>	<i>Fall</i> <i>1974</i>	<i>Fall</i> <i>1975</i>
REGULAR RANKS^a						
<i>GA, PA, SP^b</i>						
Lower Division	1.4	1.7	1.6	1.7	1.5	1.4
Upper Division	2.7	3.0	2.9	2.8	2.8	2.9
Graduate	1.9	1.9	2.0	2.0	2.0	2.0
Subtotal	6.0	6.6	6.5	6.5	6.3	6.3
<i>Independent Study</i>	3.9	5.4	5.4	5.3	4.9	4.8
Total—Regular Ranks	9.9	12.0	11.9	11.8	11.2	11.1
REGULAR & IRREGULAR RANKS^c						
<i>GA, PA, SP^b</i>	6.8	7.3	7.2	7.3	7.1	7.2
<i>Independent Study</i>	3.4	4.5	4.8	4.5	4.1	3.9
Total—Regular & Irregular	10.2	11.8	12.0	11.8	11.2	11.1

^a Regular Ranks includes Professors, Assoc. Professors, Asst. Professors, and Instructors. Irregular Ranks includes Lecturers, Supervisors, Associates, and Assistants.

^b *General Assembly (GA)*. The entire course enrollment attends each class meeting (the typical case). *Partial Assembly (PA)*. Some fraction of the entire enrollment attends the class meetings(s). For example, the discussion sections associated with a large History lecture section are partial assemblies, whereas the lecture itself is general assembly. *Special Program (SP)*. Enrollees participate as individuals (rather than as members of a group) in each of the class meetings. However, not all of the classes comprising the course require participation on an individual basis. Special program classes are special cases of PA classes.

^c This accounts for all teaching faculty except TA's and TF's. Data on Irregular Ranks faculty are not available by level of instruction.

The drop is even more dramatic when only regular (tenure track) faculty are examined. The average hours per week have declined in every year since 1971-72, from a high of 12.0 hours to a low of 11.1 hours in 1975-76, a decline of 7.5 percent. The typical regular faculty member now spends 6.3 hours/week in classroom instruction and 4.8 hours/weeks

supervising independent study.

This drop in the average number of hours which faculty spend with students is equivalent to losing the teaching services of 367 FTE faculty and an increase in the student/faculty ratio from the budgeted figure of 17.49/1 to 18.6/1.

Between 1971-72 and 1977-78 the UC budget was increased by 545 FTE faculty positions. These new positions were added so that sufficient faculty resources would be available to teach an expanding number of students. Yet, what the above figures show is that over $\frac{2}{3}$ of these new positions were absorbed by reductions in the teaching load of the entire UC faculty. These data were produced by and known to the University yet to date no actions to correct the trend have been taken.

Until specific steps have been taken which indicate that average faculty workload is returning to its traditional levels, our office cannot support continued faculty augmentations based on projected increases in student enrollment.

We, therefore, recommend that the 22 new FTE faculty positions be eliminated from the budget for a General Fund savings of \$428,327. We want to make clear, however, that this recommended reduction includes only the new faculty positions. All other enrollment related workload increases, including the general support funds, are not affected.

It should be pointed out that we do not support a permanent departure from the 17.49/1 student/faculty ratio which has been in effect since 1971-72. On the contrary, our recommendation is made in the belief that a short-term budget reduction is the best way to insure that the 17.49/1 ratio is not permanently diluted by decreases in faculty workload. After corrective action is taken, faculty augmentations based on enrollment growth should begin anew and all temporary reductions should be rescinded.

Measures of Faculty Workload

In the above analysis, teaching has been discussed as if it were the only measure of faculty workload. This, of course, is not the case. Besides instruction, faculty are engaged in research, public service, and administrative activities. It may be that faculty are devoting proportionately more of their time to these other activities. To date, however, no one within the UC administration has presented us with data indicating that this is the case. Nor has anyone argued that it is an acceptable response, if true.

B. Workload Increases Caused by Changing Student Preferences

We recommend that the augmentation for workload increases resulting from changes in student academic program preferences be eliminated for a General Fund savings of \$500,000 in Item 311.

UC reports that each year the percentage of students in relatively high cost disciplines such as physical and natural sciences, mathematics, computer sciences, agricultural science and engineering has increased. Because of this pattern, the Governor's 1977-78 Budget provides an unspecified \$500,000 augmentation.

This augmentation represents a significant departure from the traditional method of budgeting resources to the university. Until this year the

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Department of Finance has provided resources on the basis of agreed upon general budget formulas. It was acknowledged, however, that the resource needs of individual departments varied and consequently the allocation of resources to campuses and academic departments was left to the university administration.

In this instance, the Department of Finance augmented the budget without detailed information indicating that additional resources are required. Specifically, this augmentation was provided without (1) any documentation on changes in student preferences, or (2) any documentation of the variation in costs between academic disciplines.

UC has provided us additional data which, while helpful, is still insufficient to fully document the shifting academic preferences of students. In fact the information raises several questions. How, for instance, can there be such a dominant overall shift to high cost disciplines when two of the fastest growing areas are psychology and economics, both relatively low cost social sciences? More importantly, what have been the long term shifts in student preferences and has the trend been cyclical, with UC allowed to retain and reallocate resources when students' preferences favored low cost disciplines?

Augmentation Not Warranted

The Regent's Budget stated that additional General Fund support was needed for (a) instructors, (b) equipment, (c) technical services, (d) classroom space and (e) research facilities. At present, however, we cannot recommend additional funds for any of these items even if a shift to higher cost disciplines can be documented.

In our analysis of faculty workload above, we reported the recent reductions in the amount of time UC faculty are spending in the classroom. Until this problem is corrected we do not believe additional faculty should be provided. Past experience clearly indicates that most of the requested increases would likely be used to further reduce faculty teaching time.

Additional funds for equipment or technical services should not be provided until UC can identify such costs and explain why they are needed. While CSUC has documented shifts in student discipline, they have not requested an augmentation for either equipment or technical services. At the undergraduate level, where the UC reported shifts in student preferences are taking place, the support needs of UC and CSUC should be relatively similar.

Operating budget support should not be provided to UC for either classroom space or research facilities. In classroom space, UC data, already adjusted for enrollment mix, shows an excess of space through at least the mid-1980's. In research facilities, some additional space may be required, but such space has always been funded through the capital outlay budget and this practice should continue.

C. Undergraduate Teaching Excellence Program (Item 313)

The Governor's Budget continues a special \$1 million appropriation to support a universitywide program to improve undergraduate instruction. The program was initiated in 1973-74 with a similar appropriation and has

been funded in each subsequent year. During this period, the special \$1 million program has supplemented ongoing instructional improvement projects financed from Regents' funds. The various funding sources and programs are summarized in Table 8.

Table 8
Instructional Improvement Program Funding

	1973-74	1974-75	1975-76	1976-77	Proposed 1977-78
General Fund:					
Undergraduate Teaching Excellence	\$1,000,000	\$1,000,000	\$999,999	\$1,000,000	\$1,000,000
Regents Funds:					
Innovative Projects in University Institutions	400,000	400,000	400,000	—	—
Regents Undergraduate Instructional Improvement Grants	300,000	300,000	300,000	—	—
Instructional Improvement Program	—	—	—	1,000,000	1,000,000
Educational Fee Funds:					
Regents TA Training Fund	—	150,000	150,000	—	—
Multi-campus Projects	—	150,000	150,000	—	—
TOTAL	\$1,700,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000

Supplemental Language Reports

The supplemental language accompanying the Budget Act of 1976 requested that:

The University prepare a comprehensive report on the special \$1 million program for teaching excellence, identifying all campus and project allocations and expenditures, and evaluating the results of these efforts, with respect to (a) the potential for improvement of undergraduate instruction, (b) the degree to which the data are utilized when making personnel decisions, (c) the impact on the balance between teaching and research in the promotion process, and (d) the degree to which indifference to the program by administrators and organized academic units has been mitigated. The report is to be submitted annually to the chairman of the fiscal committee of each house and the Joint Legislative Budget Committee by November 1 of each year commencing in 1976.

UC submitted a report on November 17, 1976, which addresses each of the points raised in the Supplemental Language. The report indicates that the Teaching Excellence Program is improving undergraduate instruction. Excerpts from campus reports are cited which document the growing number of faculty and students involved in or exposed to individual projects.

Excerpts from campus reports are also cited to illustrate that the information gained through the Teaching Excellence Program is influencing the balance between teaching and research in the promotion process. A number of campuses, however, candidly admitted that the value placed

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on teaching must be inferred. What the campuses guarantee is that the faculty promotion committees are required to collect data pertaining to the candidate's teaching ability. Depending on the campus, this data usually includes peer and student evaluations of teaching effectiveness.

The report suggests that the documented interest and involvement of many faculty and administrators amply demonstrates the commitment of UC to instructional improvement. Finally, the report concludes that:

"the facts that the University began to provide special funding for instructional improvement programs six years before the State made special funding available, and that total University funding allocated for this purpose to date exceeds the special state funding by a substantial margin, demonstrate that the university is committed to improving its performance of the instructional portion of its three part mission."

D. TA Training Program

We recommend that UC report by November 1, 1977 to the Joint Legislative Budget Committee on the nature and extent of current TA training programs and future plans for implementing such programs systemwide.

The quality of instruction provided by teaching assistants (TAs) is crucial to the educational process within UC. During the first two years of college most students have more direct contact with TAs than with regular faculty. For this reason, we believe TAs should be trained in the techniques of teaching. Some departments have used departmental funds for TA training and some campuses have central facilities and staff available to provide TA training on request. But none of the nine UC campuses has a systematic program which requires TA training. Thus, in many, if not most instances, TA's have no formal training prior to conducting their first class.

The UC administration has begun to recognize the need for more thorough and extensive TA training, in large part because of the lobbying efforts of UC student organizations. Thus, in addition to funds spent by individual campuses, \$150,000 from the Instructional Improvement Fund is allocated annually to the campuses for pilot programs in TA training. We support these pilot efforts. Departments have different needs and experimentation of the type fostered with these funds is essential. The long run goal, however, should be mandatory training for all TAs either prior to or concurrent with their first teaching assignment.

For any mandatory training program to be effective it must be well planned and operated by individuals who are committed to its success. Students, who have the most to gain from a successful program and the most to lose from an inferior one, should have an institutionalized role in reviewing and evaluating TA training programs.

We believe mandatory TA training should be phased in at UC. Therefore, we recommend that UC report to the Joint Legislative Budget Committee by November 1, 1977 on the nature and extent of current TA training programs and future plans for systemwide implementation.

E. Instruction vs. Research

The 1976 supplemental report recommended that UC report to the Legislature "on the approximate allocation of the instruction and departmental research budget among teaching, research and joint functions using the most recent faculty activity analysis."

The report submitted by UC listed the following findings for 1975-76: Instruction 48.9 percent, Research 16.0 percent, and Joint Products (activities that cannot be prorated) 35.1 percent as shown in Table 9.

Table 9
Allocation of Instruction and Departmental Research Budget
1975-76

	<i>Instruction</i>	<i>Research</i>	<i>Joint Products</i>	<i>Total</i>
Faculty Salaries	21.7%	11.2%	20.1%	53.0%
TA/TF Salaries	6.0%			6.0%
Subtotal	27.7%	11.2%	20.1%	59.0%
Support	21.2%	4.8%	15.0%	41.0%
Total	48.9%	16.0%	35.1%	100.0%

Unfortunately, the report had to rely on a 1969 study of faculty activity. UC maintains, however, that the results of the 1969 study are valid because they closely parallel those of a similar 1960 report. As another indication that the 1969 distribution of faculty activity is still valid, they point to the results of a statistical test which indicates that between 1969 and 1974 the variations in faculty/student contact hours for scheduled courses are explainable as "purely random phenomena".

It should be noted that no specific mention was made of Independent Study contact hours which declined by 7.5 percent in 1974 or Lower Division contact hours which declined by 12.7 percent in the same year. Because we are interested in the amount of time faculty spend with lower division students, we have requested additional detailed information on this subject.

F. Instructional Computing

We recommend that the augmentation for instructional computing be deleted for a General Fund savings of \$300,000 in Item 311. We further recommend that the Independent Advisory Group evaluate and report on current instructional computing policies.

The 1977-78 Governor's Budget includes a \$300,000 augmentation for instructional computing. These funds were provided although UC did not submit workload data to the Department of Finance justifying this increase. UC simply reported that an augmentation would move the current \$24/student level of expenditure closer to the \$65/student level which was recommended in 1967 by the President's Science Advisory Committee on Computers in Higher Education (PSAC)

This national average standard level of expenditure per pupil is outdated. Hard data are needed which demonstrate that the current level of instructional resources is insufficient for a sound educational program. The \$65 figure cited in the PSAC report is far too high according to a recent study prepared for the Carnegie Commission on Higher Educa-

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tion. This study argues that computer technology has advanced so rapidly that a dollar spent today will purchase much more than a dollar spent in 1967 when the PSAC report was written. The study estimates that an average expenditure per student of \$17 in 1974 provided much greater computer power than the \$65 per student recommended by PSAC in 1967. This result holds *after* adjustment is made for inflation. By contrast to the \$17 per student figure used in the Carnegie Commission study, the average expenditure per student in UC for 1976-77 is \$24.

Provision of Instructional Computing Resources

Prior to any augmentation for instructional computing UC should thoroughly evaluate its current procedures. Unlike CSUC, which has purchased mini-computers dedicated specifically to instructional computing, UC buys instructional computing time on computers leased or purchased for other purposes. This may not be cost effective. Many of the UC computers are used heavily for federally-sponsored research. One condition of federal support is that no one, including UC, can use the computer at a rate lower than that charged the federal government.

A study should be made to determine whether UC would be able to provide more services with the current level of support, if a policy similar to that of CSUC were adopted. Therefore, we recommend that the Independent Advisory Group established in response to Supplemental Language in the Budget Act of 1976 be charged with (1) reviewing current UC instructional computing policies and (2) recommending changes where appropriate. The group was created to advise UC on the most effective means for developing and utilizing computing facilities. Until its report is completed, we recommend against any augmentations for instructional computing.

3. HEALTH SCIENCE INSTRUCTION

Included under this subprogram is the cost of faculty, teaching assistants and related instructional support for the five health science centers. The budgeted increase of \$2.8 million over 1976-77 has two components: (1) \$2.7 million for workload increases associated with 1977-78 enrollment growth of 512 FTE students, and (2) \$89,000 for advanced faculty funding for the UCR/UCLA biomedical program.

Table 10 presents the health science instruction budget by program element.

Student/Faculty Ratios

The proposed budget increase is based on maintaining the current year level of state support for the anticipated 1977-78 enrollments. Consequently, the number of additional faculty was determined by applying university approved student/faculty ratios for each health science school to the planned total enrollment.

These approved ratios are shown in Table 11.

Table 10
INSTRUCTION—HEALTH SCIENCES
Summary of Expenditures and Personnel
(in thousands)

	<i>1976-77 Budget</i>			<i>1977-78 Gov. Budget</i>			<i>1977-78 Increase</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>Funds</i>	<i>General Funds</i>	<i>Restricted Total</i>
<i>Program Elements</i>									
Faculty.....	44,337	15,974	60,311	45,564	15,974	61,538	1,227	—	1,227
Instructional Support.....	36,533	2,975	39,508	37,695	2,983	40,678	1,162	8	1,170
Employee Benefits.....	10,530	1,671	12,201	11,930	1,671	12,601	400	—	400
<i>Program Total</i>	<i>\$91,400</i>	<i>\$20,620</i>	<i>\$112,020</i>	<i>\$94,189</i>	<i>\$20,28</i>	<i>\$114,817</i>	<i>\$2,789</i>	<i>\$8</i>	<i>\$2,797</i>
<i>Personnel</i>									
<i>Requirements (FTE)</i>									
Academic									
Faculty.....	—	—	1,826	—	—	1,888	—	—	62
Other Academic.....	—	—	104	—	—	104	—	—	—
Staff	—	—	2,403	—	—	2,459	—	—	56

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

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

Table 12 gives the allocation of the proposed increase by campus and program. The overall student/faculty ratios budgeted for each school are shown in Table 13.

A. Clinical Faculty Paid Higher Salaries than Regular Faculty

We recommend that the state-supported portion of the clinical faculty schedule be phased into conformity with the regular faculty schedule over a two-year period for a General Fund savings of \$550,000 in 1977-78 (Item 311) and approximately \$1.1 million in subsequent years.

Currently, as Table 14 indicates, state-supported salaries for UC clinical faculty are higher than those paid regular UC faculty members. Clinical faculty are practicing physicians who teach in UC medical education programs. Regular faculty includes everyone else, from professors of zoology and physics to professors of law and business administration.

During the 1960's UC began phasing out this dual salary schedule because there was no longer a justification for clinical faculty to receive

higher pay. However, this phase-out ended before the dual salary schedule was completely eliminated.

In recent testimony before a legislative committee, a university Health

Table 12
FTE Faculty Medical and Health Sciences

	1974-75 Budget	1975-76 Budget	1976-77 Budget	1977-78 Governor's Budget	
				Total	Increase
Berkeley					
Optometry	19.20	20.56	21.04	22.00	.96
Public Health	36.67	40.10	40.10	40.10	—
Total Berkeley	55.87	60.66	61.14	62.10	.96
Davis					
Medicine	183.83	189.03	205.02	213.72	8.70
Veterinary Medicine	87.78	91.52	91.95	92.57	.62
Total Davis	271.61	280.55	296.97	306.29	9.32
Irvine					
Medicine	135.18	151.22	155.47	161.19	5.72
Los Angeles					
Dentistry "	96.00	98.06	100.74	105.94	5.20
Medicine	358.81	395.58	398.47	407.17	8.70
Nursing	33.25	33.33	34.58	36.46	1.88
Public Health	45.83	46.88	49.49	51.05	1.56
Total Los Angeles	533.89	573.85	583.28	600.62	17.34
Riverside					
Medicine	1.00	1.00	4.00	9.00	5.00
San Diego					
Medicine	135.11	152.51	166.01	180.36	14.35
San Francisco					
Dentistry	100.87	104.15	104.15	104.15	—
Medicine	295.75	319.13	331.68	338.14	6.46
Nursing	73.48	70.31	75.23	75.23	—
Pharmacy	44.31	46.49	47.94	50.48	2.54
Total San Francisco	514.41	540.08	559.00	568.00	9.00
Total Health Sciences	1,647.07	1,759.87	1,825.87	1,887.56	61.69

" Includes 19 Instruction and Research basic sciences faculty teaching dentistry.

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

	1974-75 Budget	1975-76 Budget	1976-77 Budget	1977-78 Budget
Medicine	5.43:1	5.65:1	5.70:1	5.78:1
Dentistry	4.63:1	4.59:1	4.60:1	4.72:1
Nursing	7.74:1	7.76:1	7.75:1	7.77:1
Optometry	12.50:1	12.50:1	12.50:1	12.68:1
Pharmacy	10.38:1	10.37:1	10.30:1	10.30:1
Public Health	9.60:1	9.60:1	9.60:1	9.60:1
Veterinary Medicine	5.94:1	5.95:1	5.97:1	5.98:1
Overall	5.95:1	6.07:1	6.11:1	6.20:1

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Sciences spokesman could not explain why the phase-out ended prematurely. He added that it is difficult for the university to justify continuation of this dual schedule and that . . . "the burden of proof for maintaining the (salary schedule) differential rests with the university at this point."

Table 14
Salary Schedule Comparison

<i>Title and Step</i>	<i>Regular Ranks Faculty Fiscal-Year (11-months) 1976-77</i>	<i>Regular Ranks Faculty Fiscal-Year (11 months) Clinical 1976-77</i>	<i>Difference</i>
Instructor —	\$14,200	—	—
Assistant Professor I	16,600	\$18,100	\$1,500
II	17,400	19,200	1,800
III	18,300	20,400	2,100
IV	19,400	21,700	2,300
V	20,500	22,800	2,300
VI	21,600	24,000	2,400
Associate Professor			
I	20,600	22,900	2,300
I	21,700	24,100	2,400
III	22,800	25,300	2,500
IV	24,900	26,700	1,800
V	27,200	28,300	1,100
Professor			
I	25,000	26,800	1,800
II	27,300	28,400	1,100
III	30,200	30,400	200
IV	33,000	33,000	—
V	35,800	35,800	—
VI	38,700	38,700	—

Origin of Dual Salary Schedule

The higher salary schedule for clinical faculty was adopted when the UCLA medical school was established because high quality clinical faculty could not be recruited at the salaries being paid regular faculty. This special clinical faculty salary schedule is now in effect at all five medical schools as well as in the Berkeley and Fresno medical education programs.

In addition to the higher state salaries, each of the five medical schools has established special compensation plans which allow clinical faculty to supplement their base state salary substantially. Each medical school compensation plan is unique (some medical schools have more than one plan), but the underlying concepts are common to all. Clinical faculty are permitted to charge patient fees. These fees are placed in a pool managed by the medical school. After deductions for overhead and other charges are made from the pool, the remaining funds are distributed back to the clinical faculty. The distribution methodology varies by compensation plan, but some sample results for 1975-76 are shown in Table 15. The figures listed are total salaries, i.e., they include both the General Fund supported base salary and the additional salary provided by the compensation plan.

Table 15
Sample UC Clinical Faculty Salaries

<i>Medical Specialty</i>	<i>1975-76 Average UC Faculty Salary</i>
Anesthesiology	\$52,100
Medicine	44,200
Pediatrics.....	42,000
Psychiatry	53,200
General Surgery	49,400

No Further Need for Dual Salary Schedule

Given the salaries physicians can earn in public practice, special compensation is essential if UC is to continue attracting clinical faculty of the highest caliber. However, the special compensation plans of each medical school fulfill this need. There is no longer need to continue a dual state salary schedule—one for clinical faculty and another for everyone else. The special clinical faculty schedule was warranted when the UC medical schools were new and did not have an adequate supply of fee paying patients. But this is no longer the case. The University apparently agrees because, as we mentioned earlier, it started to phase out the special clinical base salary during the 1960's.

We recommend that the phase-out be completed over a two year period. The total savings from the phase-out is approximately \$1.1 million, therefore, we recommend that the budget be reduced by \$550,000 in 1977-78.

B. New Medical Education Programs

The Budget Act of 1974 provided three new UC medical education programs with state support for the first time. They were: The Berkeley-San Francisco Joint Medical Education program, the Riverside-UCLA Biomedical Program, and the Fresno-San Joaquin Medical Education Program. In subsequent years these programs have continued to receive state support. The funding history of each program is summarized in Table 16.

Table 16
Annual General Fund Support

	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78^a</i>
Berkeley-San Francisco Program	\$267,000	\$267,000	\$323,000	\$351,000
Riverside-UCLA Program	86,200	108,000 ^b	251,500	396,000
Fresno-San Joaquin Programs	70,000	70,000	70,000	79,000

^a Based on Governor's 1977-78 Budget

^b Funding was not included in the 1975-76 budget; it was provided by Chapter 863, Statutes of 1975.

The Legislature supported these programs after UC provided assurance that certain objectives, considered important to the Legislature, would be emphasized. In the 1974-75 supplementary report these objectives were clearly summarized as follows:

- a. The training of family physicians and other primary care physicians.
- b. The training of medical students and residents with other health personnel to develop appropriate health care delivery models.

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- c. An emphasis upon research into methods of improving the delivery of primary health services.
- d. The decentralization of the clinical training program into existing public and community hospitals and clinics in order to maximize the beneficial impact of the health care services provided pursuant to the teaching program.

The supplemental report also requested that each of these programs be evaluated periodically to determine the extent to which they are meeting the above objectives.

1. Berkeley-San Francisco Medical Program (Item 315)

We withhold recommendation pending the official UC response to the Joint Governing Board report on the UCB/UCSF Joint Medical Program.

Using federal and private grants, the Berkeley campus initiated a "medical option" program in Fall 1972. The program was built around existing campus offerings in the basic medical sciences and was designed for graduate students to parallel the first two years of a regular medical school. After two years in the program students would be fully prepared to transfer to existing medical schools where they would complete their 3rd and 4th years. The program was limited to 24 students, 12 in each class.

In 1973, the UCSF medical school joined with Berkeley and a joint Berkeley-San Francisco Medical Education Program was established. Partnership with UCSF was viewed as beneficial for a number of reasons. It greatly enhanced the available medical resources for Berkeley, it provided a medical school which would accept some of the students after their 2nd year in the program, and it made it possible to conduct the experimental program under the sponsorship of a fully accredited and well-respected medical school.

When state funds were first requested for the joint program in 1974-75, the Legislature was receptive because the program emphasized objectives it considered most important. For example, the student bulletin for 1975-76 describing the program stated that:

"The Medical Option is committed to promoting the output of the "primary-care" physician—in essence, a generalist (whether family physician internist, or pediatrician) who has first contact with the patient and assumes full responsibility for continuing care."

In addition, the program stressed the decentralization of clinical training into the surrounding community and the need to integrate the training of doctors with other health care specialists.

Changing Program Objectives

During 1975-76 the Joint Governing Board, which oversees the Joint Medical Program, recommended a "thorough revision and restructuring" of the program. Subsequently, the 1976 Supplemental Budget Act report requested our office and the Department of Finance to monitor developments in the program and report back to the Legislature.

In response to our request for detailed information on the revised pro-

gram, we received from the university a seven page draft of a general program statement prepared by the Governing Board. This report has neither received final approval of the Berkeley and San Francisco campus chancellors nor been reviewed by systemwide administration.

As described in the report, the revised Joint Medical Program would no longer be a two year graduate program paralleling the first two years of medical school. Instead, a 2-5-2 design would be substituted beginning in 1978-79. Students would be accepted to the program after their sophomore year of college and would receive the MD degree after satisfactory completion of all requirements. Two of the benefits of this approach, according to the report are:

"It provides an added year in what is referred to as the "middle years" for individualized advanced study in a discipline closely related to medicine and individual health . . . (and) . . . it permits students to return to the Berkeley campus and the East Bay community in the final year when they are required to focus on a particular issue related to their secondary area of interest (e.g., Economics, Genetics, Nutrition, Public Policy)."

We are concerned about the new program, as outlined in the Joint Governing Board report. It does not contain continued commitment to primary care or decentralization of the clinical training program, the two objectives which formed the main basis for legislative support in 1974-75. Primary care, in fact, is not mentioned in the report. While students may have the option of researching primary care services or working with primary care specialists in their "option" year, it is apparent that primary care will not be emphasized under the new program.

In addition, the existing program had been designed to search out older, mature college graduates who exhibited a sincere commitment to primary care medicine. The new program, by contrast, is specifically designed to "permit students to shift career goals at the bachelor's or master's degree exit points. . . ." With this orientation, the newly designed program would almost certainly result in fewer graduates entering primary care specialties.

In summary, the concept behind the original UCB-UCSF program was unique. At relatively low cost California was to gain physicians well-qualified to provide primary health care services. Although the new program as described would probably provide a high quality medical education it does not appear sufficiently unique to warrant continued state support. If the program's goal is simply to produce 12 additional MDs each year, it can be accomplished by minor expansions in existing medical schools.

2. Riverside-UCLA Biomedical Program (Item 316)

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

The program eliminates one year from the typical eight-year period required to obtain an MD degree. The Riverside campus provides the first

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

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

For 1977-78, \$396,000 in state support is provided. The funds are in a separate budget item rather than the UC general support item. This is because of legislative concerns about the cost implications of this program.

3. Fresno-San Joaquin Medical Education Program (Item 314)

This medical program was prompted by the March 1974 report of the Joint Committee on the Sitting of Teaching Hospitals. The program represents a legislative effort to increase the output of primary care specialists while simultaneously improving the physician-to-population ratio in California's central valley. State support began in 1974-75 with a \$70,000 appropriation for planning. The program also received a federal Veteran's Administration Grant which will help underwrite its costs in the first seven years.

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

The goal is to develop the Valley Medical Center and the Fresno VA Hospital as the principal training sites. As the program evolves, the residency program will be extended to include other community hospitals in Fresno and in the region. Residency training will also include clinical experience with other community health agencies, as is necessary in primary care training.

The 1977-78 Governor's Budget includes a \$79,000 special item for continued program planning. The ongoing support costs of the program are subsumed within the San Francisco campus portion of the regular health sciences budget.

C. Medical Residents

We withhold recommendation on budgeted increases in any nonprimary care specialty pending receipt of university data justifying the growth.

The training of interns and residents by UC medical schools is a low cost way of increasing the number of doctors in California. This is based on the fact that a high percentage of doctors practice in areas where they have

done their residencies. Thus, California obtains additional doctors without the expense of putting them through medical schools. However, certain recent medical studies indicate that California no longer has a general shortage of doctors. For example, a December 1976 report of the California Medical Association (CMA) indicates that statewide California now has 199 doctors per 100,000 population. By contrast, according to a number of health manpower studies, 138 to 154 doctors per 100,000 population represents an adequate supply.

While there may be an adequate supply of doctors statewide, California does have a *geographical distribution problem*, and a *shortage of primary care specialists* combined with an oversupply of certain other specialists. A comparison of the San Francisco Bay area with some rural California counties illustrates the maldistribution of doctors. Marin, San Francisco, and San Mateo counties average 360 doctors per 100,000 population. The comparable figure for Alpine, Amador, Calaveras, Merced, San Joaquin, Stanislaus and Tuolumne counties is 116 doctors per 100,000 population.

The shortage of primary care specialists does not appear acute when the supply of doctors in the four generally accepted primary-care specialties is added together.¹ However, when certain specialties are singled out the perspective changes. Most manpower studies have suggested an adequate supply of general/family practice doctors to be from 40-50 per 100,000 population. The December 1976 CMA report cited above indicates that California currently has 31 per 100,000 population, a slight decline (.3 percent) from the supply available in 1973.

By contrast, using the standards of many health manpower experts, California has an oversupply in such specialties as orthopedic surgery, neurology, and psychiatry.

It should be noted that UC is increasing the number of family practice and other primary care residents it trains. As Table 17 indicates, of the 247 residents UC is proposing to add in 1977-78, 234 or 95 percent are in family practice or other primary care specialties.

These data must be interpreted cautiously, however, because almost half of the increase (112) is in internal medicine. Many medical experts both within and outside the university argue that a very large proportion of internal medicine residents will never become primary care doctors because they will extend their residency training into a subspecialty, and later become cardiologists, gastroenterologists, etc.

Selective Expansion

The above data suggest that further expansion of UC residency programs should be selective. Increases in primary care specialties, especially family practice, are needed, but in all other specialties a case by case analysis is required.

UC believes that more than health manpower needs must be considered when determining the number and distribution of residents for each medical school. The following two points are usually stressed: (1) UC is sometimes required to provide non-UC hospitals with nonprimary care

¹ Internal medicine, pediatrics, obstetrics and gynecology, family practice and flexible.

Table 17
Medical School Housestaff by Specialty

	<i>Total Budgeted Housestaff 1976-77</i>	<i>1977-78 Increase by Campus</i>					<i>1977-78 Increase Total</i>	<i>Total Budgeted Housestaff 1977-78</i>
		<i>Davis</i>	<i>Irvine</i>	<i>Los Angeles</i>	<i>San Diego</i>	<i>San Francisco</i>		
Residents								
Family Practice	305	23	10	29	21	15	98	403
Internal Medicine	810	16	31	9	—	56	112	922
Obstetrics and Gynecology	166	1	3	26	1	4	35	201
Pediatrics	251	5	2	-21	1	14	1	252
Flexible	75	2	—	-14	—	—	-12	63
SUBTOTAL	1,607	47	46	29	23	89	234	1,841
Allergy and Immunology	12	—	—	—	—	-1	-1	11
Anesthesiology	160	2	3	-2	-1	—	2	162
Dermatology	57	2	—	—	1	-5	-2	55
Internal Medicine Specialties	282	1	—	28	-1	—	28	310
Neurological Surgery	34	—	—	-1	—	—	-1	33
Nuclear Medicine	13	—	2	—	—	—	2	15
Ophthalmology	86	-1	-1	-2	—	-1	-5	81
Orthopedic Surgery	135	—	-1	-3	-2	-8	-14	121
Otolaryngology	77	1	-1	-2	—	-6	-8	69
Pathology	148	1	—	6	—	-1	6	154
Pediatric Specialties	93	2	—	9	—	—	11	104
Physical Medicine & Rehabil.	21	-1	3	2	—	—	4	25
Plastic Surgery	17	2	-1	—	1	-1	1	18
Psychiatry and Neurology								
Psychiatry	315	-1	—	5	—	—	4	319
Child Psychiatry	46	2	—	-1	—	—	1	47
Neurology	90	—	-1	4	-2	-6	-5	85
Radiology								
Diagnostic Radiology	194	—	-2	5	—	—	3	197
Therapeutic Radiology	30	-1	2	-2	-1	—	—	30
Surgery—General	404	-1	-2	-9	—	—	-12	392
Thoracic Surgery	12	—	—	1	—	-1	—	12
Urology	51	-1	—	1	—	-1	-1	50
Other	1	—	—	—	—	—	—	1
SUBTOTAL	2,278	9	1	39	-5	-31	13	2,291
GRAND TOTAL	3,885	56	47	68	18	58	247	4,132

residents in order to place primary care residents and (2) all residents, including those in primary care, must be exposed to a wide variety of specialties as a part of their training.

Both of these points are valid. However, we do not believe they are generally sufficient to justify net increases in the number of nonprimary care residents. UC medical schools are sometimes required to provide nonprimary care residents in order to get affiliated hospitals to accept primary care residents. However, unless a statewide undersupply exists, the required nonprimary specialists should be transferred from hospitals which will not take primary care residents to those that will. As Table 17 illustrates, there are enough residents in most nonprimary care specialties to facilitate transfers both within and between the five UC medical schools.

It is true that all residents, including those in primary care, must be exposed to a wide variety of specialties. The required training, however, is provided by faculty not by residents. There is no need to provide additional residents in general surgery, for instance, simply because primary care residents need training in this specialty. If it is true that some primary care specialties, such as family practice, require more faculty resources because of their interdisciplinary nature, the appropriate solution is to enrich the ratio of faculty to residents in those disciplines.

A related argument is that each campus must have a "core" faculty in most nonprimary care specialties and good faculty cannot be acquired unless they are guaranteed a minimum number of residents. However, given the large number of residents systemwide in most specialties, it should be possible to transfer the required positions between medical schools. Anesthesiology on the Irvine campus is an example. For 1977-78, Irvine is requesting an increase from four to six in the number of Anesthesiology residents. Irvine argues that a minimum of six residents is required to offer a balance medical curriculum. Los Angeles, and San Francisco, however, each have over 50. We believe a transfer of one resident from each of these campuses to Irvine would not seriously disrupt their programs.

In summary, we believe the Legislature should carefully review the budgeted increase in UC medical residents. This information is included in the Budget at the request of the Legislature (1974-75 Supplemental Report).

At present, there seems to be a general consensus among health manpower experts that additional primary care doctors are needed. Therefore, we support the budgeted increases. In some other specialties, however, there does not appear to be a shortage and we have received no other information on which to recommend the increases. Therefore, we withhold recommendation on net increases in any nonprimary care specialty pending receipt of university data indicating that the growth is warranted.

UNIVERSITY OF CALIFORNIA—Continued

D. Residency Support in UC and Affiliated Hospitals and Clinics

We recommend that UC report to the fiscal committees on the amount of support received by affiliated hospitals and how the level of support varies by medical school and residency speciality.

We further recommend that UC report the amount of residency support received by Family Practice Programs within each medical school, and how it differs from that provided to other residency programs.

Existing state budgeting formulas provide UC with additional state support as the number of medical residents increases. For each additional resident added at a UC-owned hospital or clinic in 1977-78, the state will provide approximately \$11,600. For each additional resident added at a UC-affiliated hospital or clinic in 1977-78, the state will provide approximately \$4,200. Support is less for affiliated residents because (1) the state does not pay 40 percent of the resident stipend (salary) as it does for UC residents, and (2) the support formula is based on a 10:1 resident/faculty ratio rather than the 7:1 ratio used for UC residents.

State Support not Reaching Affiliated Hospitals

Apparently, in many instances the support generated by these state formulas is not reaching the affiliated hospitals, either as dollar grants or in-kind services. In fact, we are aware of one instance in which an affiliated hospital receives no support but is billed for the consulting services of medical faculty. In another case, the hospital receives no state support for its affiliated residents and provides instruction at hospital expense for 1st, 2nd, 3rd, and 4th year medical students. The problem appears to be most severe in family practice residency programs.

Our concern is that such cases might be typical. If so, it raises questions about the merits of affiliated medical programs. The major justification for these programs is that affiliation with UC medical schools will improve the quality of residency training in county and community hospitals and clinics. This presumes, however, that the medical schools make their expertise available. State support has traditionally been provided to make it financially possible for medical schools to work closely with affiliated hospitals.

If the affiliated residency funds received by UC are not being used for this purpose, perhaps budgeting procedures should be changed. All or a portion of the funds could be provided to the affiliated hospital directly and the hospital could contract with the medical schools for services provided.

We would emphasize that we are not recommending increases in the level of state support for affiliated residencies, only that existing support reach the hospitals for which it is intended. Residents in affiliated hospitals receive fewer state resources than residents in UC-owned hospitals, but they receive other important benefits:

- (1) Affiliation with a medical school is often a prerequisite for receiving federal and other grant funds.
- (2) Affiliation with a UC medical school makes it possible for hospitals to attract the highest quality residents from across the country.

- (3) Affiliation with a UC medical school enhances the reputation of the hospital and permits it to attract high quality volunteer physicians, who are often able to earn the distinction of being clinical faculty (unpaid) of the UC medical school.

Because we are concerned whether state support is reaching affiliated hospitals, we recommend that UC report to the fiscal committees on the amount of support received by affiliated hospitals and how the level of support varies by medical school and residency speciality.

Family Practice Residents Receive Less Support

Our preliminary review indicates that family practice residency programs seem to receive far less support than residency programs in other specialities. This disproportionate level of support appears to be much more severe at UC hospitals than at affiliated hospitals.

State support for residency programs is controlled and allocated by each medical school dean. The funds are allocated to the various departments within the medical school and these departments in turn allocate the funds to departments within the UC-owned and affiliated hospitals. At more than one UC medical school the complaint is voiced that family practice residency programs receive very little state support.

Family practice is a relatively new speciality and as such it can be expected to have difficulty competing for resources against the larger more established traditional specialities. In addition, there is a strong possibility that because family practice is service rather than research oriented, it may be viewed as less deserving of support in academically prestigious medical schools.

Support for family practice residents should be less than for other specialities because much of their training takes place in other departments. But even after allowing for this fact, it appears that family practice programs are under-supported by state funds. They are forced to rely almost entirely on outside grants and support from the hospitals and clinics.

We recommend that UC report to the fiscal committees on the amount of residency support received by family practice programs within each medical school and how it differs from that provided to other residency programs.

E. Sacramento Medical Center Negotiations

Based on an agreement between the University and Sacramento County, the Davis medical school assumed complete control of the Sacramento County Medical Center in July 1973. Since that time there have been continuing disagreements between the University and the county over the terms of the agreement.

In early 1976, the county and the University signed an interim agreement to be in effect for three years commencing retroactively on July 1, 1975. The terms of the interim agreement stipulate that if a permanent agreement is not signed by July 1, 1977, the medical center will revert to the county on June 30, 1978.

UNIVERSITY OF CALIFORNIA—Continued

Insufficient Clinical Facilities

If the negotiations between the University and the county are unsuccessful, the Davis Medical School will not have sufficient clinical facilities for its current students. In the 1976-77 Analysis we questioned whether a full 1st year medical class should be admitted in 1976 because the outcome of the negotiations were in doubt. In response to our concern the Legislature adopted Supplemental Language directing the University to (1) notify incoming medical students that they may be required to take their clinical training at another UC campus, and (2) develop a contingency plan for the placement of Davis medical students in the event negotiations over the Medical Center should fail. The University reports that all incoming Davis medical students have been so notified and a contingency plan is being developed.

At the time of this writing, agreement between the University and the county had not been reached.

4. SUMMER SESSION INSTRUCTION

Summer sessions are operated on all of the university campuses and offer regular degree credit courses to all qualified applicants. Program offerings generally reflect the course needs of regular university students and others seeking degree credit study.

The program was initiated in response to the master plan for higher education, which recommended that every public higher education institution able to offer academic programs in the summer months do so to make full use of the state's higher education physical facilities. No General Fund support, however, is provided. Student fees and extramural funds pay the incremental costs associated with the summer programs.

Table 18 provides the headcount enrollment by campus for the years 1973 through 1976. The proposed budget for 1977-78 is shown in Table 19.

Table 18
Summer Session Enrollments

<i>Campus</i>	<i>1973 Actual</i>	<i>1974 Actual</i>	<i>1975 Actual</i>	<i>1976 Actual</i>
Berkeley	9,442	5,749	5,868	5,253
Davis	2,141	2,274	2,739	2,950
Irvine	1,334	2,262	2,298	2,332
Los Angeles	7,465	8,325	9,021	8,315
Riverside	837	953	1,003	952
San Diego	719	637	773	950
San Francisco	771	1,055	1,035	953
Santa Barbara	1,994	2,285	2,652	2,585
Santa Cruz	780	907	1,001	869
Total	25,483	24,447	26,390	25,159
Percent	-3.0%	-4.1%	7.9%	-4.7%

5. EXTENSION INSTRUCTION

Like summer sessions, University Extension is self-supporting, primarily through student fees. All nine campuses offer extension programs, although the specific organization offering programs varies from campus to campus, depending upon the size of the program and the characteristics of the campus.

The goals of Extension are: (1) to provide educational opportunities for adults, (2) to promote participation in public affairs, and (3) to provide solutions to community and statewide problems.

Extension programs are open to everyone and are offered throughout the state. They have proven to be very popular. Table 20, which shows the proposed budget for 1977-78, indicates that 340,000 people will take part in Extension programs in 1976-77. By contrast, less than 25,000 people are expected to attend UC summer sessions.

Table 19
INSTRUCTION—SUMMER SESSION
Summary of Expenditures and Personnel
(in thousands)

	<i>1976-77 Budget</i>			<i>1977-78 Proposed</i>			<i>1977-78 Increase</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>
PROGRAM ELEMENTS									
Instruction									
Regular Sessions.....	—	\$4,130	\$4,130	—	\$4,280	\$4,280	—	150	150
Special Programs.....	—	351	351	—	432	432	—	81	81
Administration.....	—	562	562	—	602	602	—	40	40
Supporting Services	—	235	235	—	285	285	—	50	50
PROGRAM TOTAL	\$—	\$5,278	\$5,278	\$—	\$5,599	\$5,599	\$—	\$321	\$321
PERSONNEL REQUIREMENTS (FTE)									
Academic.....	—	—	4	—	—	4	—	—	—
Staff.....	—	—	319	—	—	320	—	—	1

Table 20
INSTRUCTION—UNIVERSITY EXTENSION
Summary of Expenditures and Personnel
(in thousands)

	<i>1976-77 Budget</i>			<i>1977-78 Proposed</i>			<i>1977-78 Increase</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>
PROGRAM TOTAL.....	\$—	\$31,023	\$31,023	\$—	\$32,243	\$32,243	\$—	\$1,220	\$1,220
PERSONNEL REQUIREMENTS (FTE)									
Academic	—	—	135	—	—	135	—	—	—
Staff	—	—	1,243	—	—	1,252	—	—	9
ENROLLMENTS (HEADCOUNT)	—	—	340,415	—	—	351,000	—	—	10,585

Table 21
Program II
Research
Summary of Expenditures and Personnel
(in thousands)

	1976-77 Budget			1977-78 Governor's Budget			1977-78 Increase		
	General Funds	Restricted Funds	Total	General Funds	Restricted Funds	Total	General Funds	Restricted Funds	Total
PROGRAM ELEMENTS									
Organized Research Units and Research Support									
General Campuses	\$12,128	\$2,652	\$14,780	\$12,128	\$2,675	\$14,803	—	\$23	\$23
Health Sciences	1,392	1,901	3,293	1,392	1,901	3,293	—	—	—
Agricultural Sciences	29,949	2,607	32,556	29,949	2,607	32,556	—	—	—
Marine Sciences	3,816	80	3,896	3,816	80	3,896	—	—	—
Individual Faculty Grants and Travel	2,929	220	3,149	2,929	220	3,149	—	—	—
Employee Benefits	6,078	389	6,467	6,078	389	6,467	—	—	—
PROGRAM TOTALS	\$56,292	\$7,849	\$64,141	\$56,292	\$7,872	\$64,164	—	\$23	\$23
PERSONNEL REQUIREMENTS (FTE)									
Academic	—	—	901	—	—	901	—	—	—
Staff	—	—	1,714	—	—	1,714	—	—	—

UNIVERSITY OF CALIFORNIA—Continued

II. RESEARCH

The state-supported activities included in the Governor's Budget under this program, and the budget for each, are shown in Table 21. The largest portion of the organized research budget (\$412 million) is received from private individuals, foundations and the federal government. These funds are not included in the support budget.

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

ORU'S are formal agencies established by action of the Regents to promote and coordinate research in a specified interdisciplinary area. Currently, there are approximately 130 ORU'S. Each unit is reviewed at intervals of five years or less by a special committee of the Academic Senate. Under this procedure, many ORU'S have been discontinued or reoriented, with accompanying reallocation of resources.

1. AQUACULTURE RESEARCH (ITEM 317)

This special appropriation is for research on the food production potential from aquatic species. State support was initiated in 1973-74 with a \$334,000 General Fund appropriation.

Program operations are centered in the Institute of Ecology, an organized research unit at Davis. Funds are transferred to a number of departments to support various research projects. The responsibility for administering the Bodega Bay laboratory, where marine aquaculture efforts are focused, is delegated to the Berkeley campus.

The sources of support for aquaculture research are summarized in Table 22. We recommend approval.

Table 22
Aquaculture Research Funding

	<i>1975-76 Actual</i>	<i>1976-77 Budget</i>	<i>1977-78 Proposed</i>
State			
General Funds	\$15,727	\$24,284	\$24,284
Other	338,544	343,088	343,088
Federal *	508,000	508,000	508,000
Total	\$862,271	\$875,372	\$875,372

* This is an estimate, as a variety of activities in several disciplines can be related in part to aquaculture research.

2. INSTITUTE OF TRANSPORTATION AND TRAFFIC ENGINEERING (ITEM 320)

The Governor's Budget contains a special appropriation of \$310,000 from the Transportation Planning and Research Account, Transportation Fund, for transportation oriented research through the Institute of Transportation and Traffic Engineering (ITTE) at Berkeley and Irvine.

ITTE was established by the Regents in 1947 in response to a legislative request. It was chartered to provide instruction and research related to the design, construction, operation and maintenance of highways, airports and related public transportation facilities.

In 1971, the Legislature recommended that the scope and responsibilities of the institute be expanded to enable it to cooperate in research and training with the State Business and Transportation Agency and other agencies with public transportation responsibilities.

The sources of support for the institute are summarized in Table 23. We recommend approval.

Table 23
ITTE Research

	<i>1975-76 Actual</i>	<i>1976-77 Estimated</i>	<i>1977-78 Projected</i>
General Fund	\$74,462	\$90,000	\$90,000 ^a
Special State Appropriations	553,175	593,300	132,100
State Contracts	11,715	12,697	22,000
Federal Funds	596,569	817,314	485,264 ^b
Other	196,099	164,488	152,720
TOTAL	\$1,432,020	\$1,677,799	\$1,382,084

^a In 1976-77 dollars.

^b Difficult to estimate accurately.

3. MOSQUITO CONTROL RESEARCH (ITEM 321)

The budget bill continues a special appropriation of \$100,000 from the California Water Fund for Research in mosquito control. This special appropriation was initiated in 1966-67 to supplement anticipated funding from other sources.

The Legislature expanded the program in 1972-73 with a separate \$200,000 General Fund appropriation. In 1973-74, the Governor approved a \$100,000 augmentation but placed all General Fund support for the program within the University's main lump-sum support appropriation. The 1977-78 budget continues that practice.

Table 24 summarizes the funding for this program. We recommend approval.

UNIVERSITY OF CALIFORNIA—Continued

Table 24
Mosquito Research

State	1975-76 <i>Actual</i>	1976-77 <i>Budget</i>	1977-78 <i>Proposed</i>
Water Fund	\$100,000	\$100,000	\$100,000
General Fund	336,000	353,000 ^a	353,000
Other	372,000	510,000	510,000
Federal	433,000	442,000	442,000
Mosquito Abatement Districts	11,000	13,000	13,000
Other Sources	17,000	5,000	5,000
Total	\$1,269,000	\$1,423,000	\$1,423,000

^a Increase over 1975-76 results primarily from improved reporting of research expenditures by program.

III. PUBLIC SERVICE

The Public Service Program includes four subprograms: campus public service, cooperative extension, the Drew Postgraduate Medical School and the California College of Podiatric Medicine. The budgets for each of these subprograms are provided in Table 25.

1. CAMPUS PUBLIC SERVICE

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

2. COOPERATIVE (AGRICULTURE) EXTENSION

Cooperative Extension applies the technology derived from research to solve specific, often local, problems. It is a cooperative endeavor between the University, county boards of supervisors and the U.S. Department of Agriculture. Operating from three University campuses and 56 county offices in rural and urban areas, it provides problem solving instruction and practical demonstrations.

3. CHARLES R. DREW POSTGRADUATE MEDICAL SCHOOL (ITEM 318)

The 1977-78 Budget Bill continues state support for a special program of clinical health sciences education, research and public service operated in conjunction with the Drew Postgraduate Medical School.

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

Budgeted state support for 1977-78 is \$1,986,000. This is an increase of \$130,500 or 7 percent over the level provided for 1976-77. The additional funds are for price increases and merit salary adjustments; no program expansion is included. We recommend approval.

Table 25
Program III
Public Service
Summary of Expenditures and Personnel
(in thousands)

<i>Activity</i>	<i>1976-77 Budget</i>			<i>1977-78 Governor's Budget</i>			<i>1977-78 Increase</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>
Campus Public Service.....	\$73	\$5,337	\$5,410	\$73	\$5,161	\$5,234	—	\$-176	\$-176
Cooperative Extension	14,618	6,437	21,055	14,618	6,477	21,095	—	40	40
Drew Medical School	1,856	—	1,856	1,986	—	1,986	\$130	—	130
California College of Podiatry Program	612	—	612	666	—	666	54	—	54
PROGRAM TOTAL	\$17,159	\$11,774	\$28,933	\$17,343	\$11,638	\$28,981	\$184	\$-136	\$48
PERSONNEL REQUIREMENTS (FTE)									
Academic	—	—	499	—	—	499	—	—	—
Staff	—	—	723	—	—	723	—	—	—

UNIVERSITY OF CALIFORNIA—Continued**4. CALIFORNIA COLLEGE OF PODIATRY MEDICINE (ITEM 319)**

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

Budgeted state support for 1977-78 is \$666,000. This is an increase of \$54,000 or 8 percent over the amount provided for 1976-77. The additional funds are for price increase and merit salary adjustments; no program expansion is included. We recommend approval.

5. STATE DATA PROGRAM (ITEM 312)

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

Prior to 1976-77, the program was supported through a combination of grant funds and state support funds. The Budget Act of 1976 specifically appropriated \$97,000. For 1977-78 the Budget Bill increases support to \$100,000 for anticipated price increases. We recommend approval.

IV. ACADEMIC SUPPORT

The academic support program includes three subprograms: 1.) libraries, 2.) organized activities—other and 3.) teaching hospitals.

1. LIBRARIES

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

Budgeted state support for libraries is presented in Table 26. The minor increase over 1976-77 is to meet the workload associated with the slight enrollment growth expected in 1977-78. Table 26 understates the total increase in state support because the funds budgeted for library volume price increases are contained in Provisions for Allocation.

2. ORGANIZED ACTIVITIES—OTHER

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

Table 26
Program IV
ACADEMIC SUPPORT
Libraries
Summary of Expenditures and Personnel
(in Thousands)

	<i>1976-77 Budget</i>			<i>1977-78 Governor's Budget</i>			<i>1977-78 Increase</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>
PROGRAM ELEMENTS									
Books and Binding	\$11,671	\$479	\$12,150	\$11,671	\$479	\$12,150	—	—	—
Acquisition-Processing	17,869	243	18,112	17,869	243	18,112	—	—	—
Reference-Circulation	15,956	185	16,141	16,069	185	16,254	113	—	\$113
Automation	310	—	310	310	—	310	—	—	—
PROGRAM TOTAL	\$45,806	\$907	\$46,713	\$45,919	\$907	\$46,826	\$113	—	\$113
PERSONNEL REQUIREMENTS (FTE)									
Academic	—	—	590	—	—	590	—	—	—
Staff	—	—	1,597	—	—	1,604	—	—	7

UNIVERSITY OF CALIFORNIA—Continued

Table 27
Program IV
ACADEMIC SUPPORT
Organized Activities—Other
Summary of Expenditures and Personnel
(in Thousands)

	<i>1976-77 Budget</i>			<i>1977-78 Governor's Budget</i>			<i>1977-78 Increase</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>
PROGRAM ELEMENTS									
Other Academic Support-General Campuses									
Museums and Galleries	\$457	\$188	\$645	\$457	\$188	\$645	—	—	—
Intercollegiate Athletics	—	740	740	—	740	740	—	—	—
Ancillary Support—									
General Campuses									
Demonstration Schools	658	428	1,086	658	428	1,086	—	—	—
Vivaria and Other	242	982	1,224	242	1,034	1,276	—	\$52	\$52
Employee Benefits	159	41	200	159	41	200	—	—	—
Ancillary Support—Health Sciences									
Dental Clinics	1,617	1,974	3,591	1,617	2,035	3,652	—	61	61
Neuropsychiatric Institutes	17,145	4,484	21,628	17,145	4,884	22,029	—	400	400
Optometry Clinic	—	450	450	—	450	450	—	—	—
Veterinary Medicine Teaching Facility	1,241	1,101	2,342	1,242	1,126	2,367	—	25	25
Vivaria and Other	570	11,309	11,879	570	11,309	11,879	—	—	—
Employee Benefits	1,909	—	1,909	1,909	—	1,909	—	—	—
PROGRAM TOTAL	\$23,998	\$21,697	\$45,695	\$23,998	\$22,235	\$46,233	—	\$538	\$538
PERSONNEL REQUIREMENTS (FTE)									
Academic	—	—	237	—	—	237	—	—	—
Staff	—	—	1,965	—	—	1,965	—	—	—

Budgeted state support for these activities is shown in Table 27. Other than price increase funds no new state support is provided for 1977-78.

3. TEACHING HOSPITALS

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

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

Budgeted state support for teaching hospitals is shown in Table 28.

Table 28
Academic Support
Teaching Hospitals

	<i>Est.</i>	<i>Budgeted</i>	<i>Change</i>	
	<i>1976-77</i>	<i>1977-78</i>	<i>Amount</i>	<i>Percent</i>
General Funds.....	\$27,850,790 ^a	\$28,153,790	\$303,000	1.1%
Restructured Funds	258,846,596	281,718,596	22,872,000	8.8%
TOTAL	\$286,697,386	\$309,872,386	\$23,175,000	8.1%

^a In addition, a one-time state appropriation of \$25 million for a working capital reserve was provided in 1976-77.

A. Clinical Teaching Support (CTS)

UC teaching hospitals are intended to be self-supporting through patient fees. A state subsidy, however, called Clinical Teaching Support (CTS) is provided for UC-owned hospitals and clinics. CTS funds are designed to provide UC hospitals with the financial resources to attract patients having the desired mix of health/illness necessary for the teaching program. When these patients and their third party sponsors are unable to pay the cost of the services, CTS funds are applied against their bill.

The proposed distribution of CTS funds for 1977-78 is provided in Table 29. The only increase is \$303,000 for the new clinic to be operated by the Irvine campus.

UNIVERSITY OF CALIFORNIA—Continued

Table 29
Clinical Teaching Support Allocations
1975-76 through 1977-78

	1975-76 <i>Actual</i>	1976-77 <i>Budgeted</i>	1977-78 <i>Proposed</i>	<i>Change</i>
University Hospitals:				
Irvine Medical Center	\$800,000	\$4,407,000	\$4,710,000	\$303,000
Los Angeles.....	7,041,000	7,133,000	7,133,000	—
Sacramento Medical Center	4,745,000	4,826,000	4,826,000	—
San Diego	3,882,000	4,348,000	4,348,000	—
San Francisco	6,980,000	7,137,000	7,137,000	—
Total	\$23,448,000 ^a	\$27,851,000	\$28,154,000	\$303,000

^a In addition, \$2,555,000 in State funds originally appropriated for operation of the Orange County Medical Center was released by the State for funding 1975-76 Medicare/Medi-Cal reimbursement shortfalls and utilized as follows: \$266,000 San Francisco, \$1,109,000 Sacramento Medical Center, \$1,180,000 San Diego.

B. Medical/Medi-Cal Underfunding (Section 28.92)

In an effort to curb the inflation of health care costs, state and federal controls have been imposed on Medical/Medi-Cal reimbursements. The projected impact of these controls upon university teaching hospitals has been significant. In only one teaching hospital is the maximum daily charge allowable under the regulations greater than the actual cost. At all other teaching hospitals, the routine cost of care is substantially greater than the maximum charge allowed, partially because of educational costs and the unique range of care these hospitals offer.

The University is appealing the appropriateness of these reimbursement limitations for teaching hospitals. To help finance the teaching hospitals until the appeals process has been completed, the 1976-77 Budget Act (Section 28.11) provided UC with a \$5 million loan to be repaid from the proceeds of successful appeals. An additional \$5 million is provided in the 1977-78 Budget Act (Section 28.92) raising to \$10 million the total amount of funds available to UC on an interim loan basis. We recommend approval.

V. STUDENT SERVICES

The Student Services program includes two subprograms: student services and student financial aid.

1. STUDENT SERVICES

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

The increase in budgeted state funds for 1977-78 is \$232,000. These funds were included to correct workload deficiencies in admissions and registrar's activities. Table 30 shows the budget for this subprogram by component.

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

	1976-77			1977-78 Gov. Budget			1977-78 Increase		
	General Funds	Restricted Funds	Total	General Funds	Restricted Funds	Total	General Funds	Restricted Funds	Total
PROGRAM ELEMENTS									
Cultural and Recreational Activities	\$192	\$8,226	\$8,418	\$192	\$8,351	\$8,543	—	\$125	\$125
Supplementary Educational Service	34	1,010	1,044	34	1,025	1,059	—	15	71
Counseling and Career Guidance	2,156	10,768	12,924	2,156	10,931	13,087	—	163	163
Financial Aid Administration	622	3,617	4,239	622	3,671	4,293	—	54	54
Student Admissions and Records	7,356	758	8,114	7,588	770	8,358	\$232	12	244
Student Health Services	—	13,420	13,420	—	13,623	13,623	—	203	203
Employee Benefits	1,209	1,856	3,065	1,209	1,856	3,065	—	—	—
PROGRAM TOTAL	\$11,569	\$39,655	\$51,224	\$11,801	\$40,227	\$52,028	\$232	572	\$804
PERSONNEL REQUIREMENTS (FTE)									
Academic	—	—	5	—	—	5	—	—	—
Staff	—	—	2,646	—	—	2,672	—	—	26

UNIVERSITY OF CALIFORNIA—Continued**A. Student Fees**

The two primary student fees within UC are the Registration Fee and the Educational Fee.

The Registration Fee

According to UC policy, the Registration Fee is designed to pay for services . . . "which benefit the student and which are complementary to, but not a part of, the instructional program." Since 1968, the Registration Fee has been \$300 per year for all students. The Regents, however, have approved a Registration Fee increase effective for 1977-78. The justification for this increase is discussed in a later section.

The activities supported by the Registration Fee vary somewhat from campus to campus because each Chancellor, in consultation with students and others, has the authority to allocate the funds. Some of the activities supported by the Registration Fee on all campuses are: health services, counseling, financial aid administration and student admissions and records. Examples of activities funded on some campuses but not others are: intercollegiate athletics, child care centers and campus museums. Campuses have also put registration fee funds into reserve accounts to finance facilities for student activities.

The Educational Fee

Unlike the Registration Fee which has existed in various forms since 1921, the Educational Fee was only established in 1970. It was raised in 1971-72 to its current level of \$300 per year for undergraduates and \$360 per year for graduates.

The allocation of the Educational Fee revenue is considered the prerogative of the Regents, not the state. But unlike the Registration Fee, the Regents did not have a clear policy on the activities to be funded from Educational Fee revenue until July 1976. As a result, Educational Fee funds have been used for a variety of purposes.

In the first few years the Educational Fee was primarily used to fund capital outlay projects. In subsequent years, however, the funding pattern has changed. Currently, most Educational Fee revenue is spent on student aid and related programs, laboratory costs, deferred maintenance, and student services, primarily placement and career counseling. In part this change was made to relieve pressure on the registration fee resulting from the increased cost of student services.

Regents Proposal on Student Fees

The Regents have approved a plan which raises the Registration Fee and significantly alters the programs and services for which students are charged. It is a complex proposal which, if fully implemented, would have a major impact on student fees, the state General Fund and the Regents Opportunity Fund, and the particular programs and services which each supports.

As proposed by the Regents, the plan would be implemented over three years with the first phase scheduled for 1977-78. Because the Regents

program, if implemented, would have significant fiscal and policy implications for the state and because no one phase of the program should be considered separately from the others, a description of the entire program has been provided.

Registration Fee Increase

At their July 1976 meeting, the Regents approved a Registration Fee increase from \$300 per year to \$348 per year effective for 1977-78. They further authorized each campus to raise the fee, as needed, up to a maximum of \$393 per year in 1979-80.

Each Chancellor has sole authority to recommend Registration Fee increases to the President. Guidelines, however, have been issued which require the Chancellors to confer with the campus Registration Fee committee. These committees are representative of the entire campus community, but in all cases have a majority of student members. All fee increases above the \$348 per year level must be approved by the President and included in the budget to insure that the Regents retain final review.

Proposed Funding Shifts

All of the program funding shifts in the Regents' proposal are summarized in Table 31 with footnotes indicating the budget year in which each shift would occur. The left half of the table indicates each program's current funding. With the exception of student aid, which is now supported through Regents Opportunity Funds, all of the programs are currently supported by the Educational Fee, the Registration Fee or a combination.

The right side of the table indicates how each program would be funded if the Regents' plan were fully implemented. In comparing the current practice with the Regents' proposal two significant changes are apparent. The state General Fund would assume support for programs costing \$10 million (in 1976-77 dollars). Conversely, the Regents Opportunity Fund, now supporting \$10.6 million in Student Aid, would have its costs reduced by \$8.4 million. The impact on the Educational Fee and Registration Fee by contrast is relatively minor. Educational Fee expenses would fall by \$2.4 million while Registration Fee expenses would increase by \$800,000.

The University emphasizes that Registration Fee expenses do not increase because of the addition of *new* programs. The increase occurs because Placement and Counseling and Disadvantaged Student Assistance, which were traditionally funded from the Registration Fee, are being returned to that source of support.

Proposed Phase In

During the first phase of the proposal, commencing in 1977-78, (a) laboratory costs (\$3.3 million) now paid through the Education Fee would be assumed by the General Fund, (b) Placement and Counseling (\$3.0 million) and Disadvantaged Student Assistance (\$200,000) which are also funded by the Educational Fee would be transferred to the Registration Fee, (c) Student Aid (\$10.6 million) would be shifted from Regents Opportunity Funds to the Educational Fee, and (d) the Opportunity Fund would assume interim support for those activities scheduled to be tran-

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Table 31
Program Funding Shifts Resulting from Proposed student Fee Policy Changes
 (in thousands)

	<i>Present</i>				<i>Proposed</i>			
	<i>Registration Fee</i>	<i>Educational Fee</i>	<i>State General Fund</i>	<i>Regents Opportunity Fund</i>	<i>Registration Fee</i>	<i>Educational Fee</i>	<i>State General Fund</i>	<i>Regents Opportunity Fund</i>
Laboratory Costs	—	\$3,343	—	—	—	—	\$3,343 ^a	—
Financial Aid Administration	\$1,378	2,014	—	—	—	—	3,392 ^b	—
Health Science Tuition Offset	—	732	—	—	—	—	732 ^c	—
Vice Chancellor Student Affairs	471	—	—	—	—	—	471 ^c	—
Admission and Registrar	551	—	—	—	—	—	551 ^c	—
Student Loan Collection	—	1,550	—	—	—	—	1,550 ^c	—
Placement and Counseling	—	2,970	—	—	\$2,970 ^a	—	—	—
Disadvantaged Student Assistance	—	200	—	—	200 ^a	—	—	—
Deferred Maintenance	—	1,500	—	—	—	—	—	\$1,500 ^a
Physical Planning Staff	—	675	—	—	—	—	—	675 ^a
Student Aid	—	—	—	\$10,595	—	\$10,595 ^a	—	—
TOTALS	\$2,400	\$12,984	—	\$10,595	\$3,170	\$10,595	\$10,039	\$2,175
<i>Net Changes</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>\$+ 770</i>	<i>\$2,369</i>	<i>\$+ 10,039</i>	<i>\$- 8,420</i>

^a Proposed for transfer in 1977-78

^b Proposed for transfer in 1978-79; interim financing by University Opportunity Fund.

^c Proposed for transfer in 1979-80; interim financing by University Opportunity Fund

ferred to the General Fund in 1978-79 and 1979-80. The net impact of these first year changes would be a \$3.3 million increase in General Fund costs and an \$800,00 increase in Registration Fee costs. These two cost increases make possible a \$2.4 million savings in Educational Fee funds and a \$1.7 million savings in Regent Opportunity Funds.

The second phase, occurring in 1978-79, would shift Financial Aid Administration expenses (\$3.4 million) to the General Fund, thus, freeing up an equal amount of Regents Opportunity Funds.

The third and final phase would take place in 1979-80. Four programs would be transferred to the General Fund, the Office of the Vice-Chancellor—Student Affairs (\$471,000), Admissions and Registrar (\$551,000), Health Science Tuition Offset (\$732,000), and Student Loan Collection (\$1.5 million). These four transfers would complete the proposed funding shift by reducing Regents Opportunity Fund costs an additional \$3.3 million.

Regents' Rationale for the Registration Fee Increase and Proposed Funding Shifts

The Registration Fee increase was required because fee income was no longer sufficient on most campuses to support existing programs. In fact, systemwide, \$2 million in Educational Fee funds were allocated by the President for support of Registration Fee programs in both 1975-76 and 1976.

Because enrollments have been relatively constant over the last few years, campus Registration Fee income has increased only marginally. Simultaneously, inflation has driven up the costs of student programs. These two factors have combined to cause funding deficits on a number of campuses. The severity of the problem, however, varies considerably from campus to campus. For this reason the President has been authorized to allow campuses to raise the Registration Fee higher than the new systemwide minimum of \$348 per year. As mentioned, however, no campus will be allowed to have a Registration Fee higher than \$393 per year in 1979-80.

A number of factors led the Regents to propose changes in funding certain programs. The first is their belief that a number of programs currently funded by the Registration Fee and Educational Fee are the responsibility of the state. Laboratory costs, financial aid administration, the Office of the Vice-Chancellor—student affairs, admission and registrar, and student loan collection all fall into a category which the Regents label "integral" to the instructional process.

The Regents also believe the Educational Fee should not pay the General Fund a Health Science Tuition Offset. This is a charge which began when the Educational Fee was established. Before the Educational Fee was initiated, medical students were required to pay a tuition fee, which was budgeted as a reimbursement to the General Fund. But when medical students began paying the Educational Fee, the Regents eliminated the previous tuition fee. Each year since, the state has required UC to reimburse the General Fund for the resulting loss of funds.

A second factor leading to the proposed funding shift was the Regents' desire to establish a permanent policy for use of the Educational Fee. After

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study by numerous committees, it was determined that student aid was an appropriate purpose for long-term use of Educational Fee revenue. This would provide student aid a stable source of continuing support, something the Regents Opportunity Fund might be unable to do because of possible reductions in federal indirect cost rates. Further, this policy "would identify the amount of student financial aid the university is able to provide from its own resources as the amount of income from the Educational Fee." Finally, "the Educational Fee could no longer be looked to for Registration Fee relief."

A third factor contributing to the Regents' decision was that the fee shift would make available over \$8 million in Opportunity Funds which are now being used for student financial aid. These funds could then be used for the support of academic programs.

1977-78, 1st Phase of the Regents' Student Fee Proposal

We recommend that UC report to the legislative fiscal committees during the budget hearings on the proposed changes in student fees and the programs the fees support, with particular attention given to the need for Registration Fee increases in 1977-78.

In the above sections, we outlined the Regents' proposal on student fees and their future use. As mentioned, the first phase requests the state to assume support in 1977-78 for the cost of instructional laboratory supplies currently funded from the Educational Fee. The \$3.3 million in General Funds required for this transfer is included in the Governor's 1977-78 Budget. We recommend approval. Laboratory supplies are essential to the instructional program and therefore are appropriate for state support. Moreover, the state is assuming this expense in the CSUC.

However, we have a number of concerns about the second and third phases of the Regents' proposal. Over the next few months, we will review the remainder of the proposal in detail. We also will analyze the way the CSUC funds a number of the programs the Regents have proposed for future state support.

Because the Regents' proposal is complex and would have a significant impact on a number of programs and their funding sources, we recommend that UC administrators discuss in detail the entire proposal with the legislative fiscal committees.

Particular attention should be directed to the Registration Fee increases proposed for 1977-78. Table 32 shows both the proposed campus Registration Fees and our estimate of the Registration Fees necessary to maintain the 1976-77 level of expenditures with a 6 percent inflation allowance. On six of the nine campuses the approved Registration Fee is higher than needed based on expenditure projections. Moreover, on each campus the required fee income would be even less than our estimate if: (1) a portion of the \$3.3 million in Educational Fee revenues previously budgeted for laboratory costs were used to subsidize the Registration Fee, or (2) the \$2 million in Educational Fee revenues previously budgeted for laboratory costs were used to subsidize the Registration Fee, or (2) the \$2 million in Educational Fee revenues used to subsidize Registration Fee expenses in

1975-76 and 1976-77 were continued.

According to the University, there are two reasons why the approved campus Registration Fees are higher than appear needed. First, the added cost of certain activities which will be shifted from the Educational Fee to the Registration Fee in 1977-78 have not been included. This is true, however, consideration of this information would actually reduce the required Registration Fee on five of the nine campuses. This occurs because on these five campuses the cost of programs shifted from the Registration Fee is greater than the cost of those shifted to it. Second, UC reports that because of inflation and limits on future Registration Fee increases it is necessary to raise more funds than needed in 1977-78 in order to have sufficient funds for 1978-79 and 1979-80.

B. Student Affirmative Action Program

We recommend that state support for Student Affirmative Action be increased by \$127,000, if matched by an additional \$104,000 in UC funds (Item 311).

The Student Affirmative Action Program is an attempt by UC to increase the enrollment of qualified students from underrepresented ethnic and economic groups and provide them the support necessary to successfully complete a college education. The program has five major components:

I. *Early Outreach/Junior High School Activities.* Staff members work with students, parents and teachers from junior high schools which have a significant enrollment of disadvantaged students. The program emphasizes direct, personal contact with students on a regular and frequent basis.

II. *High School and Community College Outreach.* Regular staff and part-time student workers identify qualified students, provide information on UC opportunities, encourage consideration of university-level education and provide personalized follow-up throughout the application process.

III. *Financial Aid.* For the majority of affirmative action enrollees, financial aid is a necessity. Grant awards average \$1,500 per student plus 10 percent for administrative costs.

IV. *Support Services.* Regular staff and graduate students provide academic support services for UC students enrolled in the program, including tutoring and general academic advisement.

V. *Coordination.* Systemwide staff coordinate the program activities of each of the campuses, collect and analyze data necessary for program evaluation and provide media services for the campuses.

Program Support

The affirmative action program was initiated in 1975-76 and the first class of students enrolled in 1976-77. Program expenditures in 1975-76 were \$408,000, all from UC funds. In 1976-77, program costs are estimated to be \$2.5 million with the university providing \$1.1 million (45 percent) and the state providing \$1.4 million (55 percent). For 1977-78, the second full year of the program, UC has estimated the cost at \$3.7 million.

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Table 32
1977-78 UC Registration Fee Information

<i>1977-78</i>	<i>Berkeley</i>	<i>Davis</i>	<i>Irvine</i>	<i>Los Angeles</i>	<i>Riverside</i>	<i>San Diego</i>	<i>San Francisco</i>	<i>Santa Barbara</i>	<i>Santa Cruz</i>
Registration Fee—\$300/ year									
Income	\$8,397,000	\$4,890,000	\$2,588,000	\$8,704,000	\$1,462,000	\$2,904,000	\$755,000	\$4,179,000	\$1,827,000
Expenditures *	10,464,066	5,561,460	2,851,381	11,115,069	1,625,738	3,080,983	989,543	4,557,355	2,013,262
Surplus (Deficit)	(\$2,067,066)	(\$671,460)	(\$263,381)	(\$2,411,069)	(\$163,738)	(\$176,983)	(\$234,543)	(\$378,355)	(\$186,262)
Registration Fee required to eliminate deficit.....	\$374	\$341	\$331	\$383	\$334	\$318	\$393	\$327	\$331
Approved Registration Fee	\$372	\$348	\$348	\$372	\$348	\$360	\$372	\$348	\$348
Uncommitted registration fee reserves available	\$1,416,000	\$635,000	\$1,012,000	\$735,000	\$57,000	\$423,000	\$42,000	\$957,000	\$376,000

* 1977-78 Expenditures are 1976-77 projected expenditures with 6 percent added for inflation

As Table 33 indicates, UC requested the state to assume the entire cost of the program. The Governor's Budget, however, funds the program at only \$3.3 million and requires UC to continue the shared funding of expenditures (45 percent UC and 55 percent state).

Table 33
Student Affirmative Action Program

<i>Component</i>	<i>1975-76</i>	<i>1976-77</i>	<i>UC Request 1977-78</i>	<i>Governor's Budget 1977-78</i>	<i>Legislative Analyst Proposal 1977-78</i>
1. Early Outreach.....	\$54,00	\$462,000	\$462,000	\$462,000	\$462,000
2. High School and Community College Outreach	292,000	292,000	292,000	292,000	292,000
3. Financial Aid—Administration	—	110,000	188,000	—	—
Grants	—	990,000	1,881,000	1,881,000	1,881,000
4. Support Services.....	—	550,000	781,000	550,000	781,000
5. Coordination	62,000	69,000	69,000	69,000	69,000
Total	\$408,000	\$2,473,000	\$3,673,000	\$3,254,000	\$3,485,000
<i>Support</i>					
UC.....	\$408,000	\$1,098,000	—	\$1,464,300	\$1,568,300
State	—	1,375,000	\$3,673,000	1,789,700	1,916,700

Two factors explain why the program as funded in the Budget is less than that requested by UC. First, funds for financial aid administration were not provided. This reduced the budget by \$188,000. Second, additional support service funds were not provided for new students entering the program. This reduced the budget by an additional \$231,000.

We agree that state funds should not be used for financial aid administration. In both UC and CSUC, all financial aid administration costs are currently paid through student fees. This is an appropriate use of student fees which should continue.

Additional Support for Student Services.

We disagree that an augmentation for Support Services is not needed. The number of students enrolled in the program will almost double in 1977-78, yet the Budget does not provide an increase for services. We believe that if UC is to enroll additional students it should provide sufficient services to ensure them every opportunity to complete a degree program successfully. For this reason, a budget augmentation of \$231,000 should be provided. This augmentation, however, should be shared between the state and UC on the same 55-45 percent basis as the rest of the program. Therefore, we recommend that state support be increased by \$127,000 contingent on additional UC support of \$104,000.

2. STUDENT FINANCIAL AID

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

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

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Table 34 shows budgeted student financial aid for 1977-78. This amount, however, is only a small portion of the total. UC estimates that total student financial aid, including state and federal grants and loans which are received directly by students, will be approximately \$105 million in 1977-78.

Table 34
Financial Aid
(in thousands)

	1975-76	1976-77	1977-78	1977-78 Increase
General Funds.....	\$29	\$1,346	\$1,789	\$443
Restricted Funds.....	31,507	33,399	37,534	4,135
TOTAL	\$31,536	\$34,745	\$39,323	\$4,578

A. Nonresident Tuition

We recommend that the budgeted number of nonresident FTE students be adjusted upwards for a General Fund savings of \$707,425 and a reimbursement increase of an equal amount. (Item 311).

Nonresident tuition is charged to UC students who are legal residents of foreign countries or states other than California. The nonresident tuition fee for 1976-77 is \$1,905 per year.

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

It is not possible to compute precisely the amount of reimbursements from nonresident tuition, but the estimate should be as accurate as possible. If the estimate of nonresident tuition is too high and the expected funds do not materialize, UC might be unable to provide required educational programs and services. Alternatively, if the estimate is too low, UC will receive funds in excess of its needs. The unused funds are eventually returned to the General Fund (or credited against future UC appropriations) but in the interim the UC budget is overstated and funds are tied-up which could be allocated to other state programs.

Nonresident Reimbursement Underbudgeted

We have reviewed the budgeted and actual level of reimbursements for recent years. Table 35 indicates that the estimated amount of nonresident tuition has continually been well below the amount of nonresident tuition finally received. In each of the last three years, the amount of nonresident tuition has exceeded the budgeted figure by more than \$1 million.

Our calculations indicate that unless the budgeted level of nonresident tuition for 1977-78 is increased, General Fund support for UC will be much greater than needed. This will occur because the number of nonresident students estimated to attend UC in 1977-78 has not been adjusted upwards based on the actual experience of the last three years.

Table 35
Nonresident Students

	<i>Nonresident Fee</i>	<i>Budgeted Income</i>	<i>Actual Income</i>	<i>Actual Income Com- pared to Budgeted Income</i>
1972-73	\$1,500	\$10,286,720	\$10,699,343	\$ + 412,623
1973-74	1,500	8,787,607	10,285,747	+1,498,140
1974-75	1,500	9,447,070	10,844,524	+1,397,454
1975-76	1,500	10,183,470	11,320,530	+1,137,060
1976-77	1,500	10,643,630		
1976-77 (revised)	1,905	12,837,790		
1977-78	1,905	12,542,575		

UC correctly assumed that when the nonresident tuition fee was raised from \$1,500 to \$1,905 in 1976-77, the number of nonresident students attending UC would decline. However, rather than use the most recent actual enrollment to compute the reduction, the previous year's budgeted figure was used. And, as we pointed out, the budgeted figures have been well below the actual nonresident enrollments.

Using actual data and the same methodology employed by UC, we have recalculated the estimated nonresident enrollment. We have also taken into consideration passage of AB 3147, which exempts certain aliens from payment of nonresident tuition. Our calculations indicate that \$13,250,000 is a more realistic estimate of nonresident income in 1977-78. This is \$707,425 higher than the UC estimate of \$12,542,575. Therefore, we recommend that the budgeted level of reimbursements from nonresident tuition be increased by \$707,425 for a General Fund savings of an equal amount.

B. Law School Educational Opportunity Program

In our 1976-77 Analysis, we presented data which indicated that a low percentage of the minority law school graduates at UCLA and Davis pass the bar exam on their first attempt. As a result, the Legislature adopted supplemental language requesting the Regents to examine the effectiveness of student support services to the UCLA and Davis Law School's Educational Opportunity Programs. A report was due by December 1, 1976, but UC was granted an extension until March 1, 1977. The report should be available in time for discussion during budget hearings.

VI. INSTITUTIONAL SUPPORT

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

1. GENERAL ADMINISTRATION AND SERVICES

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

Also included are a wide variety of supporting activities such as management, computing, police, accounting, payroll, personnel, materials man-

Table 36
Program VI
Institutional Support
General Administration and Services
Summary of Expenditures and Personnel
(in thousands)

	1976-77 Budget			1977-78 Governor's Budget			1977-78 Increase		
	General Funds	Restricted Funds	Total	General Funds	Restricted Funds	Total	General Funds	Restricted Funds	Total
PROGRAM ELEMENTS									
Executive Management	\$23,178	\$1,103	\$24,281	\$23,178	\$1,126	\$24,304	\$—	\$23	\$23
Fiscal Operations	9,669	4,172	13,841	9,669	4,188	13,857	—	16	16
General Administrative Services	11,757	5,545	17,302	11,757	5,768	17,525	—	223	223
Logistical Services	12,175	1,803	13,978	12,175	1,860	14,035	—	57	57
Community Relations	4,055	834	4,889	4,055	851	4,906	—	17	17
Employee Benefits	9,629	92	9,721	9,629	107	9,736	—	15	15
PROGRAM TOTAL	\$70,463	\$13,549	\$84,012	\$70,463	\$13,900	\$84,363	\$—	\$351	\$351
PERSONNEL REQUIREMENTS (FTE)									
Academic	—	—	10	—	—	10	—	—	—
Staff	—	—	5,851	—	—	5,856	—	—	5

agement, publications and federal program administration, as well as self-supporting services such as telephones, storehouses, garages and equipment pools.

As indicated in Table 36, a General Fund increase is not proposed. However, merit salary increases and price increases are budgeted as a lump sum within Provisions for Allocation.

A. Computing Activities Within the University

No new funds are provided in the Governor's Budget for either the acquisition of additional computers or the development of management information systems (MIS). However, \$483,500 for continued support of the MIS effort is included and Budget Bill language specifies that the University must match this amount from its own sources before the funds can be spent.

In last year's Analysis and in a supplemental analysis issued on April 20, 1976, we noted the University's failure in developing a master plan for acquiring and managing its computer resources. We also discussed numerous problems associated with developing improved management information systems and pointed out that the President of the University had established a high-level task force to review computer and MIS issues.

MIS Task Force Recommends Substantial Changes

The task force report, which was released in April 1976, concluded that UC's past efforts in developing information systems were primarily unsuccessful. Consequently, it recommended that information systems policies of the University be altered to include (1) greater involvement by senior systemwide and campus administrators in MIS planning, (2) a new definition of the needs for administrative information and (3) the development of a University Information System Plan.

In addition, the task force report recommended the establishment of a new organizational structure to implement its suggestions. The President has adopted the Task Force Report as University policy and considerable change has occurred since the beginning of the current year.

Outside Independent Advisory Group Appointed

The Supplementary Report of the Committee on Conference (Budget Bill of 1976) required that the university appoint an independent group, including non-UC members, to advise the university on the most effective means for developing and utilizing computing facilities.

This advisory group was appointed in December 1976 and includes five distinguished educators who are prominent in the field of computing and information systems (four are from institutions outside the UC system). The report of the group is expected to be completed in September 1977. Language in the Budget Bill of 1977 specifies that the university must wait 30 days after submission of the report before expending funds for medium or large scale computing resources.

Although it is too early to measure real progress, it appears that a concerted effort is now underway to (a) improve the process by which university information systems are designed and implemented, and (b)

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develop cost-effective procedures for using computing technology throughout the nine-campus system. We would emphasize, however, that more than a new organizational structure will be required to solve problems which have been evident for years. Rather than stress the diversity of the needs of individual campuses and their unique management styles (as the Task Force Report does), UC needs to recognize the systemwide commonality of information requirements and move towards a policy of centralized coordination and control over the development and implementation of information systems.

B. Regents' Staff

The University has 57 full-time equivalent (FTE) positions in 1976-77 which are responsible only to the Regents. All other UC staff are organized in a hierarchical pattern with final authority residing with the President of the University, who in turn is responsible to the Regents.

The Regents' staff is organized into three separate offices: General Counsel, Treasurer, and Secretary. Each of these offices is totally supported by the General Fund with the budgeted personnel cost in 1976-77 estimated to be \$1.2 million as shown in Table 37.

Table 37
Cost of Regents Staff—1976-77

<i>Office</i>	<i>Total Budget</i>	<i>FTE Positions</i>	<i>Personnel Cost</i>
General Counsel	\$742,411	31.0	\$669,931
Treasurer	456,465	18.0	401,456
Secretary	187,918	8.0	148,216
TOTALS	\$1,387,094	57.0	\$1,216,603

Regents' Staff Funding

We recommend that budget support for the Treasurer's Office and the Secretary's Office be shared by the Regents at a level of 25 percent for a General Fund savings of \$137,418. (Item 311).

We question the current state policy of total state General Fund support for the Treasurer and Secretary. One of the primary functions of the Treasurer's Office is the management of the Regents' own income and endowments. These are funds over which the state has no control. The Treasurer's Office should be partially supported by the income earned from the nonstate funds it manages.

In addition, the Treasurer's Office handles financial transactions for self-support functions such as housing, parking, dining facilities, etc. To be truly self-supporting, these functions should pay a portion of the Treasurer's Office budget.

The University has been unable to provide us with precise financial data on the operations of the Treasurer's Office. However, we conservatively estimate that the activities mentioned above constitute approximately 25 percent of the workload in the Treasurer's Office.

The Secretary's Office serves primarily as clerical staff to the Regents. While some state support for these eight positions is warranted, (four FTE

positions are provided to the Trustees of the California State University and Colleges), the Secretary's Office has a number of duties related only to the corporate responsibilities of the Regents.

Some of these duties are more appropriate for support from Regents funds than from state funds. For example, the Secretary processes some property permits, deeds and other contracts for the campuses and maintains an up to date land and contract file. Many of the agreements are never reviewed by the state because they involve actions over which it has no control.

Our review of the Secretary's Office also showed that some salaries are far in excess of those paid state employees with equivalent or greater responsibilities. The Secretary of the Regents for example, earns \$40,000 per year while the associate secretary receives \$30,000. By contrast, five state constitutional officers, including the State Superintendent of Public Instruction, earn \$35,000. The directors of most state departments, including General Services, Transportation and Benefit Payments, also earn less than \$40,000 annually.

If the Regents want to pay salaries in excess of state standards that is their prerogative. But such salary supplements should be provided from Regents funds, not the state General Fund.

Taking the duties of the Secretary's Office and the salaries paid into consideration, we estimate that, like the Treasurer's Office, 25 percent of the Secretary's Office budget should be supported with nonstate funds. Therefore, we recommend that General Fund support for both offices be limited to 75 percent of the estimated cost, for a General Fund savings of \$137,418 in 1977-78.

C. Campus Capital Outlay Staff

We recommend that state support for campus capital outlay staff be eliminated for a General Fund savings of \$726,000 (Item 311).

UC policy has been to provide each campus a core capital outlay staff of five FTE positions with one additional position for campuses with a health sciences center. The rationale for this core staff policy is that even with minimal new capital construction experienced personnel will be needed for campus planning and maintenance of the physical plant.

The core staff includes an architect, a campus planner, an educational facilities planner, an engineer and an administrative assistant or secretary. The cost of these positions in 1975-76 was approximately \$1.4 million with approximately half paid by the General Fund and half by the Educational Fee. (Beginning in 1977-78 UC proposes to use the Regents' Opportunity Fund for the portion now provided by the Educational Fee.)

Actual Campus Capital Outlay Staff

To evaluate the present need for a core capital outlay staff, we requested UC to provide data on current campus staffing patterns. UC was unable to do so. Therefore, we gathered the information ourselves from the Governor's Budget Salary and Wage Supplement. The results of that analysis are shown in Table 38.

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Table 38
1976-77 Campus Capital Outlay Staff (FTE)

	<i>Supported from Capital (Construction Funds)</i>	<i>Supported from General Funds & Educational Funds</i>	<i>UC Authorized</i>	<i>Total FTE Positions</i>
Berkeley.....	22.8	6.0	(5.0)	28.8
San Francisco	41.0	5.0	(5.0)	46.0
Davis.....	25.0	2.0	(6.0)	27.0
Los Angeles.....	21.5	4.0	(6.0)	25.5
Riverside	6.8	6.2	(5.0)	13.0
San Diego	33.9	5.4	(6.0)	39.3
Santa Cruz.....	10.0	5.0	(5.0)	15.0
Santa Barbara	17.6	3.4	(5.0)	21.0
Irvine	31.0	5.0	(6.0)	36.0
	209.6	42.0	(49.0)	251.6

For 1976-77, a total of 251.6 FTE capital outlay positions are funded on the nine UC campuses. The average number of positions per campus is 28, but individual campuses range from a low of 13 to a high of 46. Of the total positions, all except 42 are funded with capital outlay construction funds from state (COFPHE) and nonstate sources. Each of the campuses has more capital outlay positions funded from construction funds than the core staff of five UC believes to be essential.

The above data indicate there is no need for the state to partially fund a core staff on any UC campus at the present time. Some UC campuses appear to agree. As Table 38 indicates, five campuses currently use construction funds to support a portion of their core staff. Some General Fund and Educational Fee revenue budgeted for capital outlay staff is apparently used for other purposes.

Table 39 illustrates that the loss of General Fund support does not threaten the core professional staff UC believe is essential to each campus. It shows that every campus has at least three architects and two campuses have eight each. There are at least two engineers on every campus and only UCLA chooses to support less than two planners from among its 25.5 positions.

Table 39
1976-77 Campus Capital Outlay Staff (FTE)
Distribution of Positions by Campus

	<i>Architects</i>	<i>Engineers</i>	<i>Facility Planners</i>	<i>Total</i>
Berkeley.....	8.0	5.0	2.0	15
San Francisco	8.0	4.0	3.0	15
Davis.....	4.0	4.0	2.0	10
Los Angeles.....	7.0	3.0	1.0	11
Riverside	3.0	2.0	2.0	7
San Diego	7.0	5.0	2.0	14
Santa Cruz.....	4.0	2.0	3.0	9
Santa Barbara	3.0	2.0	3.0	8
Irvine	5.0	4.0	2.0	11
TOTALS.....	49.0	31.0	20.0	100

Because capital outlay staffing needs are being adequately met from construction funds, we believe there is no need for support from the General Fund or Regents' funds. Therefore, we recommend that state support for this function be eliminated. Conservatively estimating a 10 percent cost increase between 1975-76 and 1977-78, this results in a General Fund savings of \$726,000.

If UC does not agree that construction funds are adequate at present to meet capital outlay staffing needs, it can continue to spend Regents' funds for this function in 1977-78.

If construction funds fall sufficiently in the future that a particular campus is unable to support a core staff, a General Fund augmentation could be requested.

D. Systemwide Capital Outlay Staff

The above analysis described the large capital outlay staff maintained by UC campuses. Given the size of campus staffs, there would seem to be little reason for a large systemwide staff. But as Table 40 indicates, for 1976-77 the systemwide capital outlay staff listed in the Governor's Budget numbers 40.5 FTE positions. Included among these positions are six FTE architects, five FTE engineers and nine FTE planners, who supplement the 49 campuses architects, 31 campus engineers and 20 campus planners.

Table 40
Comparison of Capital Construction with
Systemwide Staff

	<i>Systemwide FTE Capital Outlay Staff</i>	<i>Total UC Capital Construction^{a, b} from state funds</i>
1973-74	40.5	\$88,588,000
1974-75	41.5	95,975,000
1975-76	41.5	37,680,000
1976-77	40.5	30,440,000

^a Includes COPHE Fund and Health Science Bond Funds.

^b Adjusted to 1973-74 price levels

One indication that the current systemwide staff is excessive can be obtained from a year to year comparison of staffing levels with the volume of capital construction.

As shown in Table 40 the amount of state funds available for capital construction has declined dramatically. However, over the same time period the level of state-supported systemwide staffing has remained virtually constant. If, as UC reports, workload is "primarily dependent upon the number, size, complexity, type and dollar volume of the projects in various stages of progress" it would seem logical that the size of systemwide staff should have been reduced in recent years.

Justification Lacking

It is our understanding that the UC administration will soon implement a reorganization in the systemwide office. If this reorganization does not reduce capital outlay staffing to a more defensible level prior to legislative budget hearings, we will submit a supplemental recommendation.

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E. General Fund Reimbursements

We recommend that (1) budgeted income from Student Fees-All Other be increased to \$4,000,000 and (2) budgeted income from Other Sources be increased to \$1,360,000 for a combined General Fund savings of \$494,902 and an increase in reimbursements of an equal amount (Item 311).

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

Our review of past budgeted and actual levels of reimbursement for each of these three categories has shown that in every instance the budgeted amount has been less than the final actual reimbursement figure (Table 41). Since 1970-71, the annual amount of underbudgeting has never been less than \$440,000 and in 1974-75 it was \$1.9 million.

Because consistent underbudgeting of this type overstates the need for General Fund support, we recommend that the budgeted level of reimbursement for 1977-78 be adjusted upwards to reflect more accurately the probable level of reimbursement. We recommend that the budgeted level of Student Fees-All Other be increased from \$3,706,808 to \$4,000,000. This is a realistic estimate because the actual amount of reimbursements has not been less than \$4,000,000 since 1970-71.

For the category "Other Sources", we recommend that the budgeted level of reimbursement be increased from \$1,158,290 to \$1,360,000. This also is a reasonable estimate. The actual amount of reimbursement has not been less than \$1,360,000 since 1972-73 and in 1973-74 and 1974-75 reimbursements were \$1.6 million and \$2.6 million respectively.

Although the above increases are conservative and fully justified, a margin of error is provided by the category—Sales and Services-Educational Departments. We have not recommended an increase for this category, even though an upward adjustment appears warranted. In 1975-76, the last year for which we have final data, actual reimbursements were \$72,000 higher than the budgeted amount. Further, the 1977-78 budget amount is over \$50,000 less than actual reimbursements in 1975-76. If either of our revised estimates proved to be too high, the excess funds in this category would help insure that there would be no overall shortage of General Fund support.

2. MAINTENANCE AND OPERATION OF PLANT

Maintenance and operation of plant is a supporting service to the University's primary teaching, research, and public service programs. These costs include such activities as fire protection, building and grounds maintenance, utilities, refuse disposal and other similar expenses.

As indicated in Table 42, the Governor's Budget contains an \$807,000 General Fund increase for 1977-78. The funds are needed for workload associated with new buildings.

UNIVERSITY OF CALIFORNIA—Continued

Table 42
Program VI
Institutional Support
Operation and Maintenance of Plant
Summary of Expenditures and Personnel
(in thousands)

<i>Program Elements</i>	<i>1976-77 Budget</i>			<i>1977-78 Governor's Budget</i>			<i>1977-78 Increase</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>
Administration	\$2,659	\$—	\$2,659	\$2,659	\$—	\$2,659	\$—	\$—	\$—
Building Maintenance.....	13,388	383	13,771	13,558	383	13,941	170	—	170
Fire Department	785	—	785	785	—	785	—	—	—
Grounds Maintenance.....	4,956	—	4,956	4,956	—	4,956	—	—	—
Janitorial Service	13,156	—	13,156	13,353	—	13,353	197	—	197
Refuse Disposal.....	1,335	—	1,335	1,355	—	1,355	20	—	20
Utilities	29,488	13	29,501	29,853	13	29,866	365	—	365
Employee Benefits.....	2,950	—	2,950	3,005	—	3,005	55	—	55
PROGRAM TOTAL	\$68,717	\$396	\$69,113	\$69,524	\$396	\$69,920	\$807	\$—	\$807
PERSONNEL REQUIREMENTS (FTE)									
Staff	—	—	3,067	—	—	3,092	—	—	25

A. Pauley Pavilion at UCLA

We recommend that state support for maintenance of Pauley Pavilion at UCLA be eliminated for a General Fund savings of \$238,000 (Item 311).

According to UC, Pauley Pavilion on the UCLA campus is used for two principal purposes: (1) intercollegiate sports, primarily basketball, and other income-producing special events, and (2) student supported cultural and recreational activities, primarily intramural sports. State General Fund support is used for maintenance and upkeep expenses associated with the second category of activities. The state cost in 1977-78 is estimated to be approximately \$238,000.

We question the use of any state funds for Pauley Pavilion. Traditionally, the state does not support facilities used exclusively for intercollegiate athletics and intramural sports. The Department of Finance recently refused to provide state support for a similar new facility on the Davis campus. We do not think an exception should be granted in this case.

The state permits intramural sports and other noninstructional activities to utilize instructional space if no additional costs are incurred. In fact, on the UCLA campus intramural sports account for 70 percent of the activity in the men's gym and 60 percent of the activities in the women's gym. However, both facilities are totally maintained with state funds.

Pauley Pavilion is not needed for instructional purposes. With the mens' and womens' gyms the UCLA campus is as well equipped to support physical education and related instructional programs as most other campuses. No justification exists for state support of a 3rd gym facility on the UCLA campus. Therefore, we recommend that the \$238,000 in state support for Pauley Pavilion be eliminated. We believe the UCLA campus can support all facility costs with the proceeds of income-producing intercollegiate athletics.

B. Deferred Maintenance

Between 1968 and 1975, \$500,000 was provided annually from the General Fund to assist UC in lowering its substantial backlog of deferred maintenance projects. Each year state funds were matched by an equal or greater amount of UC funds. In 1976-77, the \$500,000 in General Funds traditionally budgeted for deferred maintenance was used to augment the budget for on-going maintenance. Concurrently, a special one-time appropriation of \$500,000 from COFPHE was provided for deferred maintenance. The COFPHE funds were matched by \$2 million in UC funds.

The Governor's Budget carries forward from 1975-76 the \$500,000 provided for on-going maintenance expenditures. In addition, it proposes a \$500,000 augmentation from the COFPHE fund for deferred maintenance. The budget, however, was completed prior to learning that federal funds would be available for deferred maintenance.

Federal Public Works Employment Act of 1976

Under the federal Public Works Employment Act of 1976, California has received funds for expenditure on state capital outlay projects. The only constraints are that the funds (1) must be expended on labor costs only and (2) must supplement, not substitute for, past state expenditures.

The Governor's budget proposes that UC receive \$5 million to fund

UNIVERSITY OF CALIFORNIA—Continued

state-supportable deferred maintenance projects in the latter half of 1976-77 and in 1977-78. Because UC estimates that the cost of deferred maintenance projects averages approximately 70 percent labor and 30 percent materials, \$2.2 million in nonfederal matching funds must be available for material expenses in order to utilize the entire \$5 million for labor costs.

Of the \$2.2 million required for materials, \$2 million in Regents Opportunity Funds have already been budgeted for this purpose. (UC plans to accelerate the expenditure of these funds into 1976-77 as the federal funds became available.) The remaining \$200,000 can be taken from the \$500,000 in COFPHE funds budgeted for deferred maintenance. Together, these funds will permit a \$7.5 deferred maintenance program (\$5 million in federal funds, \$2 million in Regents Funds and \$500,000 in COFPHE funds).

Deferred Maintenance Backlog Increasing

In 1968, when state support was first provided for deferred maintenance, the backlog was reported to be \$5.3 million. But as Table 43 indicates, the backlog, in 1973-74 dollars, has grown to an estimated \$16.9 million. (In 1976-77 dollars the backlog is \$20 million according to UC.) We intend to review the list of campus projects to insure that only essential, state-supportive projects are included.

Table 43
Deferred Maintenance Projects and Expenditures

	1973-74	1974-75	1975-76	est. 1976-77	est. 1977-78
UC Approved Deferred Maintenance Projects ^a	\$7,896,510	\$8,734,294	\$12,243,344	\$14,676,900	\$16,870,000
Total Expenditures:.....	\$1,553,266	\$2,068,409	\$2,828,050	\$2,500,000	\$7,500,000
UC	\$932,838	\$1,487,387	\$2,351,670	\$2,000,000	—
State.....	\$570,428	\$584,022	\$476,355	\$500,000 ^b	\$500,000 ^c
Federal	—	—	—	—	\$5,000,000 ^d

^a In constant 1973-74 dollars.

^b One-time appropriation from COFPHE Fund. The \$500,000 in state General Funds budgeted for deferred maintenance each year from 1968-69 through 1975-76 was transferred to on-going maintenance in 1976-77.

^c From the COFPHE Fund

^d From Title II of the federal Public Works Employment Act of 1976.

VII. INDEPENDENT OPERATIONS

(Auxiliary Enterprises)

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

The largest element of this program is student housing with over 20,500 residence hall spaces and approximately 3,500 apartments as well as associated dining and recreation facilities. The second major element is the parking program which includes more than 53,000 spaces. Table 44 shows that the proposed budget for 1977-78 is \$5.1 million higher than the 1976-77 budget.

Table 44
Independent Operations
(Auxiliary Enterprises)
(in thousands)

	1976-77 Budget			1977-78 Budget			1977-78 Increase		
	Gen- eral Fund	Restric- ed Fund	Total	Gen- eral Fund	Restric- ed Fund	Total	Gen- eral Fund	Restric- ed Fund	Total
Auxiliary Enterprises.....	—	\$65,210	\$65,210	—	\$70,308	\$70,308	—	\$5,098	\$5,098

VIII. SPECIAL REGENTS' PROGRAMS

In accordance with Assembly Concurrent Resolution No. 66 of the 1976 legislative session, the Governor's Budget contains the planned programs to be financed from the University's share of federal overhead funds. This concurrent resolution continued the policy of equal division of overhead funds between the University and the state. The state's portion is assigned as operating income and the University's portion is budgeted as restricted funds to finance special Regents' programs.

The budget for 1977-78 is shown in Table 45. The two major changes are (1) a \$10,595,000 reduction for student aid, which was transferred to the Educational Fee and (2) a \$6,696,000 increase for interim support of activities currently supported by the Registration Fee and Educational Fee.

Table 45
Special Regents Programs
(in thousands)

Programs	Actual 1975-76	Estimated 1976-77	Proposed 1977-78	Increase in 1977-78
1. Student Aid	\$10,567	\$10,595	—	—\$10,595
2. Instruction	1,612	2,352	\$2,076	—276
3. Research and Public Services	3,842	4,327	4,403	76
4. Supporting Programs	3,144	6,098	7,187	1,089
PROGRAM TOTALS	19,195	23,372	13,666	—9,706
Provision for inflation	—	132	1,000	868
Interim funding	—	—	—	—
Student Fee Policy	—	—	6,696	6,696
Allocation for Urgent Needs	6,044	—	—	—
Special 1973-74 Salary Increase	384	—	—	—
TOTALS	\$25,592	\$23,503	\$21,362	—\$2,141
Less funds budgeted in other programs	—\$10,567	—\$10,596	—\$6,696	—

UNIVERSITY OF CALIFORNIA—Continued

IX. UNALLOCATED ADJUSTMENTS

This program serves as a temporary holding account for appropriations which eventually will be allocated from systemwide to the campuses and from the campuses to operating programs. Two subprograms are included: Provisions for Allocation and Fixed Cost and Economic Factors. The 1977-78 Budget for each is shown in Table 46.

Provisions for Allocation include 1976-77 base budget items which were unallocated as of July 1, 1976. Included are funds for merit and promotional increases, salary range adjustments, academic and staff position reclassifications, price increases, deferred maintenance and unallocated endowment income. Also included are incremental provisions for new programs related to more than one campus for which distribution remains under review.

Fixed costs and economic factors include salary adjustment funds and the funds needed in 1977-78 to maintain the university's purchasing power at 1976-77 levels for such items as utilities, library volumes, general supplies, and equipment.

Table 46
Unallocated Adjustments

	1976-77	1977-78	Change
A. Provisions for Allocation			
General Funds	\$26,463,763	\$22,953,692	-\$3,510,071
Restricted Funds	6,852,924	8,691,786	1,838,862
Total.....	\$33,316,687	\$31,695,478	-\$1,671,209
B. Fixed Costs and Economic Factors			
General Funds	—	\$33,818,884	\$33,818,884
Restricted Funds	—	—	—
Total.....	—	\$33,818,884	\$33,818,884
<i>General Funds</i>	<i>\$26,463,763</i>	<i>\$56,772,576</i>	<i>\$30,308,813</i>
<i>Restricted Funds</i>	<i>6,852,924</i>	<i>8,691,786</i>	<i>1,838,862</i>
<i>Total.....</i>	<i>\$33,316,687</i>	<i>\$65,464,362</i>	<i>\$32,147,675</i>

Table 47 provides a more detailed account of the items budgeted under Unallocated Adjustments.

Table 47
Unallocated Adjustments By Category

	1976-77	1977-78	Change
General Funds:			
Price Increase	\$3,381,900	\$20,322,900	\$16,941,000
Range Adjustment	9,635,075	\$9,635,075	—
Merits and Promotions	6,851,496	17,667,380	10,815,884
Unemployment Insurance	700,000	1,850,000	1,150,000
Malpractice Insurance	3,073,000	6,119,000	3,046,000
State Compensation Insurance	—	1,866,000	1,866,000
Employee Benefits	14,393,972	14,393,972	—
Undergraduate Teaching	1,000,000	1,000,000	—
Employee Affirmative Action	250,000	250,000	—
Other Provisions	78,610	-81,461	-160,071
Budgetary Savings Target	-12,900,290	-13,900,290	-1,000,000
Other Savings:			
Telephone	—	-310,000	-310,000
Utilities Staffing	—	-133,000	-133,000
Planned Purchasing Program	—	-307,000	-307,000
Academic Upgrading Program	—	-1,600,000	-1,600,000
Totals, General Fund	\$26,463,763	\$56,772,576	\$30,308,813
Restricted Funds:			
Deferred Maintenance—COFPE	\$500,000	\$500,000	—
Contract & Grant Administration	—	700,000	700,000
Registration Fee	-203,588	4,823,746	5,027,334
Educational Fee	3,885,857	—	-3,885,857
Endowments	2,799,063	2,799,063	—
Other Provisions	-128,408	-131,023	-2,615
Totals, Restricted Funds	\$6,852,924	\$8,691,786	\$1,838,862
Totals, Unallocated Adjustments	\$33,316,687	\$65,464,362	\$32,147,675

HASTINGS COLLEGE OF LAW

Item 323 from the General
Fund

Budget p. 848

Requested 1977-78	\$3,808,790
Estimated 1976-77	3,756,311
Actual 1975-76	2,968,278
Requested increase \$52,479 (1.4 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Hastings College of Law was founded in 1878. It is designated by statute as the law arm of the University of California governed by its own board of directors. (The University operates three other law schools governed by the Regents.) The Chief Justice of the Supreme Court of California is president of the eight-member board. All graduates of Hastings are granted the Juris Doctor degree by the Regents of the University of California. Hastings plans to enroll 1,500 students in 1977-78, compared to 1,518 in the current academic year.

HASTINGS COLLEGE OF LAW—Continued**ANALYSIS AND RECOMMENDATIONS**

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

Table 1
Hastings Budget Summary

<i>Programs</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>Amount</i>	<i>Percent</i>
I. Instruction program	\$1,790,737	\$1,990,937	\$2,019,658	\$28,721	1.4%
II. Public service program	89,061	126,815	224,882	98,067	77.3
III. Instructional support program	565,830	616,226	655,512	39,286	6.4
IV. Student service program	1,076,049	1,365,405	1,484,904	119,499	8.8
V. Institutional support program	1,455,482	1,770,509	1,698,519	-71,990	-4.1
TOTALS	\$4,977,159	\$5,869,892	\$6,083,475	\$213,583	3.6%
Funding Sources					
General Fund	\$2,968,278	\$3,756,311	\$3,808,790	\$52,479	1.4%
Reimbursements	1,407,054	1,350,411	1,511,515	161,104	11.9
Federal funds	601,827	763,170	763,170	0	0
TOTALS	\$4,977,159	\$5,869,892	\$6,083,475	\$213,583	3.6%
Positions	160.1	174.4	177.1	2.7	1.5%

Although Table 1 indicates a net increase of 2.7 positions, four new positions are actually being requested. The difference results from the proposed elimination of 0.3 positions and the administrative establishment of one new position during 1976-77 which is proposed for continuation.

The Governor's Budget also reflects a General Fund increase of \$52,479 (1.4 percent). However, included in the current year base are \$50,000 for minor capital outlay expenditures which have subsequently been transferred to the Capital Outlay budget. Consequently, the proposed increase in General Fund expenditures is actually \$102,479 (2.7 percent).

I. INSTRUCTION PROGRAM

Instruction, the primary program at Hastings, is designed to prepare students for the legal profession. Of the 409 students taking the bar examination in 1975-76, 338 or 82.6 percent passed on their first try. An additional three percent passed on their second attempt.

An increase in summer faculty is reflected in the current year budget and is proposed for continuation in 1977-78. The summer program, completely supported by student fees, will be increased from six to eight weeks.

II. PUBLIC SERVICE PROGRAM

Hastings recently implemented a program in Trial and Appellate Advocacy, designed to provide specialized training to lawyers, legal educators, and judges. At present, training is restricted to the field of civil law. The Governor's Budget proposes that \$98,792 be allocated for a new criminal advocacy program. Like the existing civil program, this will be completely self-supporting through fees.

III. INSTRUCTIONAL SUPPORT PROGRAM

The instructional support program is composed of the library and scholarly publications elements. It is proposed that \$10,000 be allocated for the addition of a computer-assisted legal research program and \$7,600 for the development, on a pilot basis, of two new scholarly publications. The college currently has two publications, the *Hastings Law Journal* and the *Hastings Constitutional Law Quarterly*.

IV. STUDENT SERVICE PROGRAM

The student service program is composed of (1) student health services, (2) financial aid, and (3) student placement. Proposed increases in this program result primarily from higher costs in the college's student health contract with the University of California and the addition of a student counselor.

The Governor's Budget also proposes a 6 percent inflation adjustment for 187 grants given to students in the Legal Education Opportunity Program (LEOP). In addition, an increase of \$8,256 is proposed for the Registration Fee Offset Grant program in order to compensate for the effect of a \$48 increase in the registration fee.

Table 2 summarizes the principal financial aid grant programs available to Hastings students.

Table 2
Hastings Financial Aid Grant Summary

	1975-76	1976-77	1977-78 (est.)
<i>LEOP</i>	\$126,633	\$182,355	\$193,265
Number of students	227	237	241
Number of grants	156	187	187
Awards/admitted	69%	79%	77%
Average grant	\$812	\$975	\$1,033
<i>Registration Fee Offset Grants</i>	\$43,075	\$51,650	\$59,906
Number of students	154	172	172
Average grant	\$280	\$300	\$348
<i>Bar Exam Preparation Grants</i>	0	\$15,298	\$15,298
Number of students	0	65	65
Average grant	0	\$235	\$235
<i>Graduate Fellowships</i>	\$6,147	\$7,700	\$7,700
Number of students	9	11	11
Average grant	\$683	\$700	\$700
<i>Hastings Scholarships</i> ^a	\$25,000	\$27,500	\$30,000
Number of students	80	90	90

^a Institutional funds. Not included in budget.

HASTINGS COLLEGE OF LAW—Continued**Legal Education Opportunity Program (LEOP)**

The Legal Education Opportunity Program, initiated at Hastings in 1969, permits the admission of a limited number of disadvantaged students who would not be admitted under normal selection processes. This program was instituted in recognition of the desirability of educating persons from minority-group backgrounds in the legal profession. The legality of such programs, however, is currently an issue before the courts.

In the past, about 75 percent of those students admitted under LEOP required a financial aid grant, with the average grant funded at 20 percent of total student costs. The proposal contained in the Governor's Budget is consistent with these expectations.

As noted in last year's Analysis, statistics compiled for the years 1970-73 revealed that minority graduates from each of the University of California law schools were experiencing significant difficulty in passing the state bar examination. Recent data indicate some improvement among the LEOP students at Hastings, although the results of the first examination in 1976 were identical to the 1973 figures. Table 3 summarizes the trend over the last four years.

Table 3
Hastings Student Success in the Bar Examination

	1973-74		1974-75		1975-76		1976-77	
	All	LEOP	All	LEOP	All	LEOP	All	LEOP
First try	81%	31%	81%	48%	83%	52%	81%	31%
Second try	95	50	90	43 ^a	86	62	—	—

^a Includes several LEOP students who graduated prior to 1974.

V. INSTITUTIONAL SUPPORT PROGRAM

The institutional support program is composed of the (1) executive management, (2) business services, (3) registrar, (4) admissions, (5) facilities operation, and (6) community relations elements. Proposed increases include the continuation of a watchman position which was administratively established in the current year and funds for two minor repair and maintenance projects.

Major Capital Outlay Proposal

Hastings is proposing a major capital outlay program to expand its facilities and services. We have reviewed this proposal in the Capital Outlay section of this Analysis.

Also under consideration is a new program to accommodate 300 advanced degree students. This proposal is presently being reviewed by the California Postsecondary Education Commission.

CALIFORNIA STATE UNIVERSITY AND COLLEGESItem 324 ^a from the General
Fund

Budget p. 857

^a There is no separate item for academic salary increases. Rather, CSUC salary increases are included in the unallocated total of \$99.8 million for statewide General Fund salary increases in Item 379.

Requested 1977-78	\$638,392,003
Estimated 1976-77	613,088,365
Actual 1975-76	537,990,163
Requested increase \$25,303,638 (4.1 percent)	
Total recommended reduction	\$1,915,436

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. Enrollment "Payback". Recommend Control Section 870
28.9 of the 1977-78 Budget Bill be amended to require authorization by the Director of Finance prior to the expenditure of any funds withdrawn from campuses pursuant to that section.
2. Redirection. Recommend Chancellor's Office submit a 872
report to the Joint Legislative Budget Committee by March 15, 1977 which complies with the legislative intent on redirection as expressed in the 1976-77 Supplementary Report of the Committee on Conference.
3. Enrollment Report. Recommend Budget Act language 873
be adopted to waive the 1977-78 reporting requirement on enrollment plans and admissions priorities (Education Code, Section 66204), and that legislation be enacted to eliminate the requirement in future years.
4. *Shift in Student Interest. Reduce \$1,395,157 from General 876
Fund.* Recommend that the \$2,790,314 augmentation for 142.9 additional faculty positions to reflect the shift of students from high student-faculty ratio disciplines to more costly, lower student-faculty ratio disciplines, be based upon shifts in mode of instruction only.
5. Growth in Administration and Instruction. Recommend 880
CSUC annually submit to the Joint Legislative Budget Committee the number of positions allocated to instruction, administration and "other" categories.
6. *San Diego Educational Television. Augment \$56,988.* 883
Recommend a General Fund augmentation of \$56,988 to support cost-of-living increases for San Diego Educational Television.
7. *Library Transactors. Delete \$157,950 from General 887
Fund.* Recommend support for expansion of library transactors to three additional campuses in 1977-78 be eliminated.
8. Transactor Report Needed. Recommend prior to installa- 888

- tion of library transactors beyond the pilot campus, the Chancellor's Office submit a report to the Joint Legislative Budget Committee which details savings associated with the installation of transactors, and contains estimates of the adjustments required in the library clerical staffing formula.
9. Computer Support. Recommend CSUC present to the fiscal committees recently developed data to support upgrading the campus minicomputers. 890
 10. Placement of Information Systems. Recommend Chancellor's Office evaluate the placement and organization of the Division of Information Systems and the reporting arrangements of its administrators. A report should be submitted to the Joint Legislative Budget Committee and the fiscal committees detailing the findings and recommendations by December 1, 1977. 890
 11. Student Services Fee. Recommend Chancellor's Office submit a plan to the Joint Legislative Budget Committee and the Department of Finance by November 1, 1977 describing the basis and procedures for increasing the Student Services Fee as a result of the General Fund buy-out of instructional supplies. 894
 12. Educational Opportunity Program (EOP). Recommend Chancellor's Office submit to the legislative fiscal committees by March 15, 1977 an interim report limited to (1) the actual number of EOP grants allocated in 1976-77, (2) the allocation of EOP positions in 1976-77 and (3) the number of EOP and non-EOP students receiving services from EOP-funded positions in 1976-77. 895
 13. Employee Benefits. Withhold recommendation on the Unemployment Insurance Compensation and Industrial Disability Leave programs pending receipt of revised estimates based upon more recent experience. 899
 14. *Initial Complement of Expendable Items. Reduce \$283,921 from General Fund.* Recommend reduction in initial complement of expendable items to reflect the actual decrease in workload. Further recommend that CSUC develop a formula to justify future funding of expendable items and submit a proposal to Joint Legislative Budget Committee and the Department of Finance by October 1, 1977. 900
 15. *Energy Conservation. Delete \$29,414 from General Fund.* Recommend deletion of proposed energy utilization engineer position in the Division of Physical Planning and Development. 901
 16. *Community Relations. Reduce \$105,982 from General Fund.* Recommend reduction of 9.5 positions in the technical/clerical staffing available for community relations. 904

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued**GENERAL PROGRAM STATEMENT**

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

Governance

The California State University and Colleges system is governed by a 23-member board of trustees. The original board of trustees, created by the Donahoe Act, consisted of 21 members: five ex officio members including the Governor, the Lieutenant Governor, the Superintendent of Public Instruction, the Speaker of the Assembly and the Chancellor plus 16 additional members appointed by the Governor subject to Senate confirmation who serve eight-year terms. Effective January 1, 1976, Chapter 1121, Statutes of 1975, authorizes the Governor to appoint one student trustee to serve a one-year term. Chapter 523, Statutes of 1976, revised the term of the student trustee to two years. Chapter 1098, Statutes of 1976, added an alumni member to the board.

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

The system presently includes 19 campuses with an estimated 1977-78 full-time equivalent (FTE) enrollment of 236,370.

Admissions

In accordance with the Master Plan of 1960, admission of incoming freshmen is limited to those graduating in the highest third of their high school class as determined by overall grade point averages and college entrance examination test scores. An exception permits admission of certain otherwise unqualified students, not to exceed 4 percent of the incoming freshman class.

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

Table 1
SOURCE OF FUNDS BY SUBPROGRAM
(1977/78 GOVERNOR'S BUDGET)

Program	General Fund		Total General Fund	Special Funds—Continuing Education		
	Net General Fund	Reimbursements		Summer Session	Extension	Total
I. Instruction						
Regular Instruction	\$407,336,086	\$12,835,340	\$420,171,426	—	—	—
Special Session Instruction	—	—	—	\$5,322,137	—	\$5,322,137
Extension Instruction (for credit)	—	—	—	—	\$5,039,909	5,039,909
Total Instruction	\$407,336,086	\$12,835,340	\$420,171,426	\$5,322,137	\$5,039,909	\$10,362,046
II. Research						
Individual or Project Research	—	153,342	153,342	—	—	—
III. Public Service						
Campus Community Service	—	363,958	363,958	—	—	—
IV. Academic Support						
Libraries	39,696,652	326,040	40,012,692	22,104	2,205	24,309
Audio-Visual Services	7,838,358	160,587	7,998,945	29,338	7,980	37,318
Computing Support	15,887,713	—	15,887,713	26,607	28,093	54,700
Ancillary Support	8,599,972	—	8,599,972	—	—	—
Total Academic Support	\$72,012,695	\$486,627	\$72,499,322	\$78,049	\$38,278	\$116,327
V. Student Service						
Social and Cultural Development	—	2,790,999	2,790,999	—	—	—
Counseling and Career Guidance	4,999,241	13,310,149	18,309,390	42,721	—	42,721
Financial Aid	8,022,890	51,684,060	59,706,950	9,800	—	9,800
Student Support	108,591	14,122,197	14,230,788	56,530	—	56,530
Total Student Service	\$13,130,722	\$81,907,405	\$95,038,127	\$109,051	—	\$109,051
VI. Institutional Support						
Executive Management	16,788,372	1,157,915	17,946,287	1,271,627	2,665,489	3,937,116
Financial Operations	7,281,855	3,926,578	11,208,433	177,116	136,634	313,750
General Administrative Services	16,317,120	5,538,173	21,855,293	126,988	206,734	333,722
Logistical Service	26,126,737	—	26,126,737	502,131	637,893	1,140,024
Physical Plant Operation	71,259,391	35,005	71,294,396	63,586	5,353	68,939
Faculty and Staff Services	5,897,683	—	5,897,683	—	—	—
Community Relations	2,241,342	262,346	2,503,688	214,075	185,349	399,424
Total Institutional Support	\$145,912,500	\$10,920,017	\$156,832,517	\$2,355,523	\$3,837,452	\$6,192,975
VII. Independent Operations						
Institutional Operations	—	11,261,472	11,261,472	—	—	—
Outside Agencies	—	9,467,948	9,467,948	—	—	—
Total Independent Operations	—	\$20,729,420	\$20,729,420	—	—	—
GRAND TOTALS	\$638,392,003	\$127,396,109	\$765,788,112	\$7,864,760	\$8,915,639	\$16,780,399

Item 324

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

<i>Special Funds</i>			<i>Auxiliary Organizations</i>				<i>Founda- tions</i>	<i>Grand Totals</i>
<i>Dormitory</i>	<i>Parking</i>	<i>Total Special Funds</i>	<i>(Activity)</i>	<i>(Activity)</i>	<i>(Activity)</i>	<i>Total</i>		
—	—	—	—	—	—	—	—	\$420,171,426
—	—	—	—	—	—	—	—	5,322,137
—	—	—	—	—	—	—	—	5,039,909
—	—	—	—	—	—	—	—	\$430,533,472
—	—	—	—	—	—	—	—	153,342
—	—	—	—	—	—	—	—	363,958
—	—	—	—	—	—	—	—	40,037,001
—	—	—	—	—	—	—	—	8,036,263
—	—	—	(Agriculture)	—	—	—	—	15,942,413
—	—	—	\$3,400,000	—	—	\$3,400,000	—	\$11,999,972
—	—	—	\$3,400,000	—	—	\$3,400,000	—	\$76,015,649
—	—	—	—	(Student Activities)	—	—	—	13,240,999
—	—	—	—	\$10,450,000	—	10,450,000	—	18,352,111
—	—	—	(Bookstore)	(Food Service)	(Housing)	—	—	59,716,750
\$1,965,236	—	\$1,965,236	32,200,000	18,600,000	\$975,000	51,775,000	—	68,027,554
\$1,965,236	—	\$1,965,236	\$32,200,000	\$29,050,000	\$975,000	\$62,225,000	—	\$159,337,414
—	—	—	(Special Projects Admin.)	—	—	—	—	21,883,403
—	—	—	—	—	—	—	—	13,982,714
399,633	\$380,898	780,531	1,680,000	—	—	1,680,000	—	22,189,015
1,044,866	1,968,774	3,013,640	1,120,000	—	—	1,120,000	—	31,400,401
5,782,159	868,949	6,651,108	—	—	—	—	—	78,014,443
—	—	—	—	—	—	—	—	5,897,683
—	—	—	—	—	—	—	—	2,903,112
\$7,226,658	\$3,218,621	\$10,445,279	\$2,800,000	—	—	\$2,800,000	—	\$176,270,771
—	273,742	273,742	—	(Other)	—	—	—	16,615,214
—	—	—	—	5,080,000	—	5,080,000	—	35,567,948
—	—	—	—	—	—	—	\$26,100,000	\$52,183,162
—	\$273,742	\$273,742	—	\$5,080,000	—	\$5,080,000	\$26,100,000	\$894,857,768
\$9,191,894	\$3,492,363	\$12,684,257	\$38,400,000	\$34,130,000	\$975,000	\$73,505,000	\$26,100,000	

1977-78 Budget Overview

The 1977-78 Governor's Budget (Item 324) proposes an appropriation from the General Fund of \$638,392,003 for support of the CSUC system. Unlike previous years, there is no separate item for academic salary increases. For 1977-78 the CSUC salary increase is included in Item 379 which proposes an unallocated total of \$99.8 million from the General Fund for statewide salary increases.

Table 1 reflects the total 1977-78 Governor's Budget by program and source of funds, while Table 2 provides a budget summary by program for the past, current and budget year.

The 1977-78 CSUC budget increase (exclusive of salary increases) over the 1976-77 budgeted support level is \$24,287,062. As detailed in Table 3, approximately \$21.6 million of this increase is attributable to price increases, baseline adjustments and workload increases. Another \$2.8 million results from an increase in the number of faculty positions to offset the shift of students from high student faculty ratio disciplines to low student faculty ratio disciplines. The remaining major increase of \$1.1 million reflects the continuation of the Library Development project.

Table 2

THE CALIFORNIA STATE UNIVERSITY AND COLLEGES BUDGET SUMMARY

SUMMARY OF PROGRAM REQUIREMENTS	Actual 1975-76	Estimated 1976-77	Proposed 1977-78
I. Instruction	\$377,517,559	\$418,991,263	\$430,533,472
II. Research	46,498	148,522	153,342
III. Public service	411,862	342,292	363,958
IV. Academic support	62,648,273	70,781,763	76,015,649
V. Student service	129,895,908	137,092,484	159,337,414
VI. Institutional support	147,741,166	169,305,612	176,270,771
VII. Independent operations	57,040,801	50,261,449	52,183,162
TOTALS, PROGRAMS	\$775,302,067	\$846,923,385	\$894,857,768
1976-77 Enrollment adjustment	—	-1,016,576	—
TOTALS	\$775,302,067	\$845,906,809	\$894,857,768
Reimbursements	-83,267,300	-78,435,492	-80,610,682
NET TOTALS, PROGRAMS	\$692,034,767	\$767,471,317	\$814,247,086
General Fund	537,990,163	613,088,365	638,392,003
Federal funds	33,057,405	27,881,27	46,783,427
Continuing Education Revenue Fund	14,777,402	15,648,090	16,780,399
Dormitory Revenue Fund	8,022,898	9,002,262	9,191,894
Parking Account, Dormitory Revenue Fund	3,158,562	3,416,373	3,492,363
Foundations—federal	17,767,550	18,000,000	18,000,000
Foundations—other	8,373,397	8,100,000	8,100,000
Auxiliary organizations—federal	2,265,600	2,240,000	2,240,000
Auxiliary organizations—other	66,621,790	70,055,000	71,265,000
Personnel years	32,223.4	32,732.1	32,923.4

Correct
Separate
down
379.2
\$28,952,000
for a
Salary
line

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Table 3
Proposed Budget Increase

	<i>Cost</i>	<i>Total</i>
		\$614,104,941
I. Base Line Adjustments		
<i>Increases of Existing Personnel Costs</i>		
1. Salary adjustments.....	\$6,524,384	
2. Full-year funding.....	2,496,594	
3. Faculty promotions.....	883,477	
4. OASDI.....	483,121	
5. Retirement.....	4,134,530	
6. Health Benefits.....	1,778,188	
7. Workers' Compensation.....	131,000	
8. Unemployment Compensation.....	500,000	
Total, Increase of Existing Personnel Costs.....		\$16,936,294
<i>Non-Recurring Items</i>		
1. Office Equipment.....	-801,242	
2. Space Rental.....	-282,563	
3. Chancellor's Office Moving Allowance.....	-280,000	
Total, Non-Recurring Items.....		-\$1,363,805
<i>Price Increases</i>		7,498,084
<i>Special Base Adjustments</i>		
1. Staff Benefits.....	-2,228,513	
2. Fresno Fire House Staffing.....	-40,977	
Total, Special Base Adjustment.....		-\$2,269,490
<i>Impact of Special Legislation</i>		\$783,740
Total Base Line Adjustments.....		\$21,584,823
II. Program Maintenance Proposals		
Enrollment Adjustment (-3,020 FTE).....		-2,873,834
<i>Special Cost Increases</i>		
1. Sabbatical Leaves.....	21,955	
2. Computing Support.....	136,862	
3. Financial Aid.....	-102,918	
4. Educational Opportunity Program.....	970,130	
5. Health Services.....	93,235	
6. Communications.....	222,682	
7. Admissions.....	339,350	
8. Physical Plant Operations.....	1,041,387	
9. Security Offices.....	72,776	
10. Reimbursements.....	-956,416	
11. Other Campus Items.....	70,407	
12. Systemwide Offices and Systemwide Provisions.....	778,553	
<i>Offices</i>		
a) Chancellor's Office.....	(50,338)	
b) Information Systems.....	(76,922)	
c) International Programs.....	(6,644)	
d) Trustee's Audit Staff.....	(840)	
e) Statewide Academic Senate.....	(3,270)	
f) Library Development.....	(1,127,875)	

<i>Provisions</i>		
g) External Degree Fee Waiver	(45,907)	
h) New Program Development and Evaluation	(208,053)	
i) General Service Charges	(33,912)	
j) Computing Support	(97,560)	
k) Instructional Faculty	(-170,180)	
l) Financial Aid Administration	(56,324)	
m) Instructionally Related Activities	(-4,157)	
n) Space Rental	(-50,000)	
o) Utilities	(-656,413)	
p) Nonresident Fees	(-105,120)	
q) PIMS	(35,975)	
r) Initial Complement of Expendable Items	(20,803)	
Total, Special Cost Increases		\$2,688,003
Total, Program Maintenance Proposals		-185,831
III. Program Change Proposals		
<i>Systemwide Proposals</i>		
Computing Support	69,297	
Shifts in Student Demand	2,790,314	
<i>Special Campus Instructional Program</i>		
Soda Springs Desert Studies Center	28,459	
Total, Program Change Proposals		\$2,888,070
Total, Support Budget Increase		\$24,287,062
Grand Total		\$638,392,003

Budget Presentation

The CSUC budget is separated into seven program classifications. The first three, Instruction, Organized Research, and Public Service, encompass the primary higher education functions. The remaining four, Academic Support, Student Services, Institutional Support and Independent Operations, provide the support services essential to the three primary programs (see Table 1 for an overall outline).

I. INSTRUCTION

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

Proposed expenditures for the 1977-78 instruction program are shown in Table 4.

1. ENROLLMENT

A. Regular Enrollment

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

Current year enrollment in the CSUC (1976-77) is now estimated to be 233,786 FTE students, a decrease of (a) 5,624 FTE (2.4 percent) from the amount originally budgeted for 1976-77 and (b) 2,281 FTE over the actual 1975-76 FTE enrollment.

Revised projection for 77-78

Table 6
Final Allocation of Annual Full-Time Equivalent Students^a, 1974-75 to 1984-85

<i>Campus Academic Year</i>	<i>Reported</i>		<i>Allocated</i>								
	<i>1974-75</i>	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>1980-81</i>	<i>1981-82</i>	<i>1982-83</i>	<i>1983-84</i>	<i>1984-85</i>
Bakersfield	2,268	2,300	2,400	2,490	2,560	2,610	2,650	2,680	2,700	2,690	2,670
Chico	11,612	12,100	12,100	12,400	12,660	12,900	13,100	13,280	13,400	13,500	13,500
Dominguez Hills	4,491	5,150	5,700	6,370	6,910	7,370	7,800	8,080	8,200	8,150	8,090
Fresno	13,041	13,000	13,000	12,900	12,900	12,900	12,900	12,900	12,900	12,880	12,860
Fullerton	14,005	14,700	15,400	16,210	16,820	17,310	17,740	18,050	18,170	18,180	18,070
Hayward	8,315	8,150	8,000	8,450	8,450	8,450	8,450	8,450	8,450	8,400	8,360
Humboldt	6,591	6,600	6,700	6,900	7,000	7,100	7,200	7,300	7,400	7,500	7,500
Long Beach	20,884	22,190	22,300	22,300	22,300	22,300	22,800	23,000	23,200	23,200	23,100
Los Angeles	15,026	15,800	15,900	16,270	16,670	17,010	17,130	17,150	17,180	17,030	16,890
Northridge	18,171	19,100	19,200	19,200	19,200	19,200	19,270	19,340	19,370	19,210	19,060
Pomona	9,249	10,200	10,700	11,200	11,700	12,100	12,400	12,600	12,800	12,900	13,000
Sacramento	15,225	15,800	16,400	16,700	16,940	17,150	17,350	17,470	17,520	17,420	17,280
San Bernardino	2,843	3,150	3,500	3,730	3,910	4,060	4,180	4,270	4,310	4,290	4,250
San Diego ^b	23,297	23,400	23,400	23,400	24,000	24,400	25,000	25,000	25,000	25,000	25,000
San Francisco	15,850	17,200	16,800	17,100	17,400	17,700	17,900	18,100	18,200	18,100	18,000
San Jose	19,337	19,600	19,600	19,840	20,040	20,200	20,350	20,450	20,480	20,370	20,210
San Luis Obispo	13,606	14,300	13,800	13,800	14,200	14,500	14,800	15,000	15,000	15,000	15,000
Sonoma	5,172	5,150	5,300	5,430	5,540	5,630	5,720	5,780	5,800	5,760	5,710
Stanislaus	2,302	2,450	2,500	2,630	2,740	2,830	2,920	2,980	3,000	2,990	2,970
Totals	221,285	230,340	232,700	237,320	241,940	245,720	249,660	251,880	253,080	252,570	251,520

^a Summer Quarter and International Programs not included.

^b Includes Calxico Center.

NOTE: Long range allocations were last revised in March 1976 and will be revised again in 1977 to reflect the enrollment experience of the 1976-77 allocations.

Does not reflect the downward enrollment projections based on the reported enrollment for the Fall of 1976.

As a result of the current year enrollment drop, the CSUC has revised downwards its 1977-78 enrollment projection by 7,910 FTE (-3.2 percent) to 236,370 FTE. This will represent a 2,584 FTE increase over 1976-77.

Table 5 gives the anticipated distribution of this enrollment among the 19 campuses.

The 1976-77 enrollment drop is not unique to the CSUC system. Preliminary data indicate that nationwide, postsecondary enrollments are up slightly over 1975-76 (0.4 percent) although enrollment at public four-year institutions is down slightly (2.1 percent). The "zero growth" for 1976-77 follows an unusually large increase in 1975-76 when total enrollment rose 10.4 percent above the previous year's totals.

Future Enrollments

From 1970 through 1975 the CSUC has continually revised downward its estimates of future enrollment growth. In 1970 CSUC was projecting 354,630 FTE students in 1980-81, but by 1975 this estimate had been reduced to 238,000. Because of last year's enrollment surge the estimates were revised upward with a projected enrollment of 249,660 in 1980-81. The most recent projection shows enrollment peaking in 1982-83 and then dropping slightly the following year.

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

B. Self-Support Enrollments

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

Table 7
Summer Session and Extension Program Enrollments

Year	Net Enrollment		Annual FTE	
	Extension	Summer Session	Extension	Summer Session
1966-67	43,758	72,663	4,718	11,578
1967-68	50,768	74,357	5,492	11,294
1968-69	56,680	76,744	6,391	11,567
1969-70	67,608	75,464	7,084	12,331
1970-71	76,881	72,947	7,724	11,768
1971-72	79,800	69,554	7,930	11,303
1972-73	81,025	63,132	7,143	10,056
1973-74	85,430	60,276	7,446	9,105
1974-75	85,824	56,305	7,558	8,232
1975-76	93,757	57,235	8,330	8,003
1976-77	101,609	54,866	9,088	8,398
1977-78	99,359	54,150	9,414	7,768

C. Unallocated Reserve—Enrollment "Payback"

We recommend that Control Section 28.9 of the 1977-78 Budget Bill be amended to require authorization by the Director of Finance prior to the expenditure of any funds withdrawn from campuses pursuant to that section in excess of the amount required to be repaid to the state.

Control Section 28.9 of the Budget Act of 1976 permits a systemwide deviation of plus or minus 2 percent between budgeted FTE and actual

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

FTE. Any deviation beyond two percent requires either a General Fund augmentation (for actual enrollment in excess of budgeted enrollment) or a "payback" (for actual enrollment below budgeted enrollment). As mentioned this year's (1976-77) revised systemwide enrollment is 5,624 FTE (2.35 percent) below budgeted enrollment. Based upon a marginal cost per FTE of \$1,216, CSUC must pay back \$1,016,576 to the General Fund.

In meeting the systemwide enrollment requirements of Section 28.9, CSUC makes campus by campus enrollment adjustments. In so doing, CSUC has not applied a direct percentage adjustment but rather permits deviations from budgeted enrollment on the basis of size as follows:

Campuses less than 10,000 FTE ± 150 FTE

Campuses 10,000 FTE or more ± 200 FTE

Table 8 displays the campus by campus adjustments made in the current year.

*g paid money to Chancellor
I received*

Table 8
1976-77 Campus by Campus Enrollment Adjustment

Campus	Budgeted FTE	Revised FTE	Differ- ence	Allowable Deviation	Required Adjustment	
					FTE	Dollars ^a
Bakersfield	2,400	2,260	-140	-150	0	\$0
Chico	12,000	11,900	-200	-200	0	0
Dominguez Hills	5,700	4,900	-800	-150	-650	-715,000
Fresno	13,000	12,500	-500	-200	-300	-330,000
Fullerton	15,400	14,820	-580	-200	-380	-418,000
Hayward	9,000	9,061	+61	+150	0	0
Humboldt	6,700	6,600	-100	-150	0	0
Long Beach	22,300	21,800	-500	-200	-300	-330,000
Los Angeles	18,900	17,984	-916	-200	-716	-787,600
Northridge	19,200	19,000	-200	-200	0	0
Pomona	11,750	11,850	+100	+100	0	0
Sacramento	16,400	15,800	-600	-200	-400	-440,000
San Bernardino	3,500	3,150	-350	-150	-200	-220,000
San Diego	23,400	23,200	-200	-200	0	0
San Francisco	16,800	16,800	0	-200	0	0
San Jose	19,600	19,200	-400	-200	-200	-220,000
San Luis Obispo	15,050	15,441	+391	+200	+191	+210,100
Sonoma	5,300	4,750	-550	-150	-400	-440,000
Stanislaus	2,500	2,400	-100	-150	0	0
International Prog.....	410	370	-40			
TOTAL	239,410	233,786	-5,624		-3,355	\$3,690,500

^a Dollar adjustment by campus is based upon \$1,100 marginal cost per FTE.

This year, as a result of this policy and because certain campuses have greater deviations than the systemwide average, the Chancellor's Office has collected \$3,690,500. After subtracting the required payback to the state (\$1,016,576), there is a resulting unallocated reserve of \$2,673,924 to the system. According to CSUC, this reserve is used to meet systemwide costs which (a) have not been fully funded in the Governor's Budget or (b) were unanticipated at the time the budget was considered.

This reserve is not a one year phenomenon. Table 9 indicates that in three of the past four years there have been internal adjustments resulting in a total unallocated reserve of \$7,400,062. Even in 1974-75 when there

was no pay back to the state required pursuant to Section 28.9, there were still internal adjustments resulting in an unallocated reserve of over \$2 million.

Table 9
Systemwide Unallocated Reserve, 1973-74 through 1976-77

	Section 28.9 Adjustment	Total Campus by Campus Adjustment	Unallocated Reserve
1973-74.....	\$-749,600	\$-3,448,000	\$2,698,400
1974-75.....	0	-2,027,738	2,027,738
1975-76 ^a	+2,195,000 ^a	+2,726,880 ^a	0
1976-77.....	-1,016,576	-3,690,500	2,673,924

^a In 1975-76 both systemwide and campus by campus enrollments exceeded budgeted enrollments. Consequently there was no unallocated reserve.

The existence of an unallocated reserve is essentially an unearned wind-fall to the system which is subject to internal reallocation without the normal fiscal controls applied to most budget appropriations. We believe that the existence of such an unallocated reserve is inconsistent with the implementation of program priorities established by the state budget.

There are several alternatives to correct this situation, including the possible return of the unallocated reserve to the General Fund. However, there may be need for additional funds to meet specific unanticipated increases not funded in the budget. For example, Chapter 980, Statutes of 1976, provides a waiver of nonresident tuition fees for certain aliens (primarily Vietnamese refugees). The legislation was enacted too late to be included in the Budget Act of 1976 and therefore the current year costs (approximately \$500,000) must be absorbed by the system.

To provide a mechanism for controlling such exceptional expenditures, we recommend that Section 28.9 be amended to require authorization by the Director of Finance prior to the expenditure of any funds withdrawn from campuses pursuant to that section and in excess of the amount required to be repaid to the state. V F 8

D. Redirection

We recommend that the Chancellor's Office submit a report to the Joint Legislative Budget Committee by March 15, 1977 which complies with the legislative intent on redirection as expressed in the 1976-77 Supplementary Report of the Committee on Conference.

In our 1976-77 *Analysis of the Budget Bill* we noted that while systemwide, CSUC has sufficient space to meet student needs into the 1990's there are significant differences between the physical capacities of individual campuses. Certain campuses are already overcrowded (San Luis Obispo) while others have excess physical capacity (Hayward). Consequently we recommended that the Chancellor's Office develop a plan of limited redirection for compacted campuses rather than construct new space on these campuses while leaving excess space at others. This recommendation was accepted by the Legislature and included in the Supplementary Report of the Committee on Conference as follows:

"The Chancellor's office determine procedures to facilitate better utili-

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

zation of existing CSUC physical facilities while continuing to meet the programatic and geographical needs of students and report to the Joint Legislative Budget Committee by November 15, 1976. The report should include, but not be limited to procedures for (a) sustaining or reducing enrollment on selected CSUC campuses which currently have a shortage of needed physical facilities (Chico and San Luis Obispo, for example), (b) redirecting some students in particular program areas from a campus with insufficient facilities when comparable programs and underutilized facilities are available at alternative CSUC campuses, and (c) reducing the five-year Capital Outlay Program to accord with implementation of the above two measures."

The report from the Chancellor's Office was due November 15, 1976. We received an "advance copy" of the report on January 15, 1977. Our preliminary review of the report indicates that it is not responsive to the supplemental language in that it provides no alternatives to existing policy. Consequently, we recommend that the Chancellor's Office submit a report by March 15, 1977 which complies with the Supplemental Language. In the meantime, we will be working with the Chancellor's Office staff to clarify our concerns and suggest alternatives.

E. Enrollment Report No Longer Necessary

We recommend that Budget Act language be adopted to waive the 1977-78 reporting requirement on enrollment plans and admissions priorities (Education Code Section 66204), and that legislation be enacted to eliminate the requirement in future years.

Chapter 1529, Statutes of 1970 (Education Code, Section 66204) requires that CSUC (and UC) report annually on "the progress made on the implementation of the enrollment plans and admissions priorities system and on the establishment of the information system and the findings that are made available." This legislation was enacted in response to the enrollment problems of the late 1960's when CSUC received more applications than it could accommodate.

The combination of slower enrollment growth and improved applications processing (Common Admissions Program) has reduced the problem to the point where the usefulness of the annual reports is not sufficient to justify the administrative effort required to submit them. Consequently, we recommend that Budget Act language be adopted to waive the reporting requirement for 1977-78 and legislation be introduced to eliminate the requirement for future years.

2. REGULAR INSTRUCTION

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

Instructional Administration

Positions for instructional administration up to but not including the vice president for academic affairs are included in the instruction program. Such positions are authorized according to specific formulas and

*Approved
4/25/77*

clude (a) deans of academic planning, deans of undergraduate studies, deans of instructional services, deans of graduate studies and deans of schools, (b) coordinators of teacher education, (c) academic planners, (d) department chairmen and (e) related clerical positions. Collegewide administration above the dean of school level is reported under the institutional support program.

A. Student Workload

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

Table 10 provides an estimate of the decline as a systemwide average for all CSUC students. The precise reasons for this decline are not known.

**Table 10—Average Student Workload
1970-71 to 1975-76**

Academic Year	Annual FTE	Average Term Enrollment	Average Student Workload	
			Academic Year ^a	Per Term
1970-71.....	197,454	242,474	24.43	12.22
1971-72.....	204,224	259,185	23.64	11.82
1972-73.....	213,974	273,465	23.47	11.74
1973-74.....	218,075	281,678	23.23	11.62
1974-75.....	221,285	289,072	22.96	11.48
1975-76.....	229,642	303,429	22.70	11.35

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

More importantly, the Chancellor's Office is unable to predict whether the trend will continue. Because head count students and full-time equivalent (FTE) students are crucial determinants of the level of General Fund support, the relationship between these two variables should be closely monitored.

B. Faculty Staffing

In each year since 1971-72, CSUC faculty positions have been budgeted on the basis of a single systemwide student-faculty ratio. Resources thus generated are then distributed to campuses where in turn they are allocated to the various disciplines to provide instruction in the 217 degree programs that are offered.

As Table 11 indicates, in each of the last four years, CSUC faculty have been budgeted on approximately a 17.8 to 1 ratio. While the Governor's Budget proposes to continue this ratio for 1977-78 as the basic determinant of systemwide faculty resources, it also proposes a one-time addition of 142.9 faculty positions to reflect a shift in student interest (discussed later in this analysis).

Faculty Staffing Method

The 1977-78 Budget continues the use of a budgeting technique designed to provide (a) a programmatic (output) oriented expression of resources requirements and (b) academic flexibility-permitting campuses to determine class size, mode of instruction, etc. The budgeting technique is based upon the 1972-73, 1973-74, and 1974-75 student credit units (SCU) per full-time-equivalent faculty (FTE) position (the SCU-FTEF ratio) with some adjustments based on 1973-74 experience.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Table 11—Student Faculty Ratios

Year	Faculty Positions		Student-Faculty Ratio	
	Budgeted	Actual	Budget	Actual
1967-68	8,842.9	8,545.8	16.38	17.21
1968-69	10,001.3	9,592.7	16.21	17.35
1969-70	11,333.1	11,176.1	15.98	16.67
1970-71	12,343.5	11,749.0	16.26	17.34
1971-72	12,081.3	11,785.3	18.25	17.91
1972-73	12,698.8	12,415.7	17.94	17.74
1973-74	13,068.1	12,846.0	17.82	17.45
1974-75	12,973.3	12,770.8	17.80	17.78
1975-76	12,900.6	12,644.8	17.80	18.64
1976-77	13,427.0	—	17.80	—
1977-78 Governor's Budget (proposed)	13,400.2	—	17.80 ^a	—

^a The Governor's Budget continues the 17.8 ratio for 1977-78, but proposes an addition of 142.9 faculty positions for the shift in student interest. This in effect reduces the student faculty ratio to 17.61:1 for 1977-78.

Table 12 summarizes the systemwide calculations by discipline category for 1973-74 through 1975-76, while Table 13 outlines faculty characteristics and workload indices.

Table 12
Student Credit Units Per Full Time Equivalent Faculty Positions
by Discipline Category and Academic Year

	1973-74		1974-75		1975-76	
	Number of Units/ Distri- bution	Percent	Number of Units/ Distri- bution	Percent	Number of Units/ Distri- bution	Percent
Agriculture and Natural Resources ..	248	1.65%	255	1.80%	259	1.91%
Architecture and Environmental Design	170	0.56	171	0.58	182	0.59
Area Studies	345	0.32	337	0.32	331	0.38
Biological Sciences	257	5.02	262	5.15	261	5.00
Business and Management	326	9.33	335	10.10	344	10.84
Communications	294	1.66	302	1.80	313	1.96
Computer and Information Sciences	225	0.30	232	0.32	241	0.39
Education	224	8.12	213	7.31	221	7.18
Physical Education	218	3.76	224	3.90	230	3.88
Industrial Education	216	1.39	180	1.33	226	1.30
Engineering	173	2.78	178	2.90	190	3.04
Fine and Applied Arts	219	7.49	223	7.58	226	7.43
Foreign Languages	232	2.83	233	2.80	243	2.75
Health Professions	300	1.84	294	2.00	312	2.06
Nursing	126	0.85	128	0.92	120	0.89
Home Economics	278	1.68	287	1.69	292	1.66
Letters	281	10.06	288	10.18	284	9.88
Library Science	228	0.15	219	0.14	225	0.14
Mathematics	265	4.50	276	4.63	285	4.61
Physical Sciences	243	5.69	248	5.75	252	5.72
Psychology	331	5.48	346	5.52	340	5.49
Public Affairs and Services	297	3.09	301	3.34	306	3.59
Social Sciences	326	19.45	326	18.45	338	17.80
Interdisciplinary Studies	251	1.41	288	1.47	297	1.47
ALL CATEGORIES	264		267		274	

Table 13
Faculty Workload Indicators *

	<i>Fall</i> <i>1973</i>	<i>Fall</i> <i>1974</i>	<i>Fall</i> <i>1975</i>	<i>Change</i>
Faculty FTE ^b	12,323.9	12,414.7	12,528.3	113.6
Percent of regular faculty with Ph.D.	65.9	67.0	68.1	1.1
Enrollment FTE ^c	223,259.0	223,901.0	235,811.0	11,910.0
Regular instruction section load per FTE faculty	3.7	3.8	3.8	0.0
Lecture and lab contact hours per faculty FTE ..	12.3	12.7	12.9	0.2
Independent study contact hours per faculty FTE	4.6	4.4	4.7	0.3
Total contact hours per faculty FTE	17.0	17.1	17.6	0.5
Average class size	28.3	27.6	28.6	1.0
✓ Lecture and lab WTU per faculty FTE	10.9	11.1	11.1	0.0
✓ Independent study WTU per faculty FTE	1.8	1.8	1.8	0.0
Total WTU per faculty FTE	12.7	12.8	13.0	0.2
SCU per WTU ^d	21.33	21.07	21.74	0.7
SCU per faculty FTE	271.7	270.4	282.0	11.6

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

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

^c Full-time-equivalent (FTE) student equals 15 student credit units.

^d Student credit units per reported weighted teaching units.

Shift in Student Interest

We recommend that the \$2,790,314 augmentation for 142.9 additional faculty positions to reflect the shift from high student-faculty ratio disciplines to more costly, lower student-faculty ratio disciplines, be based upon shifts in mode of instruction only, for a General Fund savings of \$1,395,157.

In the last three years it has been recognized both nationally and within CSUC that there is a shift in student interest from the liberal arts and social science areas into the more technical and occupationally oriented disciplines. As shown previously, table 12 indicates the shift in student interest from 1973-1974 through 1975-76 based upon distribution of student credit units.

The resource implications of these discipline shifts arise because of the different mode mixes required for instruction in the different disciplines. For example, instruction in the social sciences is typically in the lecture mode while nursing is more heavily weighted toward the laboratory mode. Instruction in the laboratory mode is inherently more expensive mainly because of limitations on class size.

Thus, because the more technical and occupationally oriented disciplines such as nursing and computer science require more faculty to teach a given number of students, the impact of the program shift has been a de facto drop in needed faculty resources, even though the budgeted student-faculty ratio has remained unchanged (17.8 to 1).

We acknowledged this problem in the 1976-77 Analysis and recom-

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

mended a General Fund augmentation of \$560,354 for 34 positions to partially offset the shift in student interest. This recommendation was accepted by the Legislature but vetoed by the Governor.

For 1977-78, the Governor's Budget is recognizing the shift in student interest by providing \$2,790,314 from the General Fund for an additional 142.9 faculty positions and 40.0 support positions.

We believe an adjustment for additional faculty positions is warranted. However, we question the method by which the adjustment is determined and consequently the size of the augmentation.

Factors Involved

As previously discussed, the primary justification for additional faculty has been the difference in the mode of instruction between disciplines. However, the method recognized in the Budget to adjust for the shift in student interest is based upon two factors, mode of instruction and *level* of instruction (lower division, upper division, and graduate). We do not believe that level of instruction is a valid consideration in adjusting for the shift in that there has been no consistent trend to justify this conclusion. Table 13 provides the percent distribution of student credit units by level of instruction from 1972-73 through 1975-76.

Table 13
Percent Distribution of Student Credit Units
1972-73 through 1975-76
Academic Year Only*

<i>Level of Instruction</i>	<i>1972-73</i>	<i>1973-74</i>	<i>1974-75</i>	<i>1975-76</i>
Lower Division	38.15%	38.53%	39.72%	39.82%
Upper Division	55.62	54.91	53.40	52.98
Graduate Division	6.24	6.56	6.89	7.20
	100.0%	100.0%	100.0%	100.0%

* Percentages may not total due to rounding.

As Table 13 indicates, there has been a minor increase in the percent of student credit units at the graduate level from 1972-73 through 1975-76. However, more importantly, there has been a greater offsetting relationship in the relative distribution between lower division and upper division, i.e., lower division has increased while upper division has decreased.

Additional arguments to support including a factor for level are based on two premises: (1) as the course level increases there is a corresponding increase in the necessary time and effort devoted to a course and (2) there is a de facto reduction in class size as course level increases which should be recognized. *specifically*

We find neither argument persuasive. A review of the relevant literature indicates disagreement over the relationship between course level and demands upon faculty. Secondly, the use of one systemwide ratio (17.8:1) does permit CSUC the flexibility to allocate positions differently according to level. The fact that CSUC has chosen to do so should not then be argued as a basis for recognition by the Legislature.

Because we believe that level should not be a factor, we are recommending only partial support of the budget augmentation. We have re-

quested CSUC to provide us with an estimate of the cost of a proposal based upon mode only. However, at this point the Chancellor's Office maintains that the two factors are so interrelated in their methodology that they are inseparable and a partial adjustment cannot be made. Consequently, we recommend only partial approval based upon 50 percent funding of the augmentation for a General Fund savings of \$1,395,157. This recommendation may be modified subject to review of additional information.

C. Faculty Promotions and Tenure

The 1977-78 Governor's budget provides \$883,477 for faculty promotions.

Table 15 shows the percentage of tenured faculty using budgeted faculty positions as the base. ✓ # 11

Table 15
CSUC Tenured Faculty as a Percentage of
Budgeted Faculty Positions
1973-74 to 1975-76

	1973-74	1974-75	1975-76
Bakersfield.....	21.8%	34.7%	46.5%
Chico.....	52.8	53.6	58.1
Dominquez.....	25.5	46.1	43.5
Fresno.....	58.2	66.6	70.1
Fullerton.....	40.9	50.0	49.9
Hayward.....	44.6	50.6	69.5
Humboldt.....	58.4	62.3	64.8
Long Beach.....	63.1	66.7	66.6
Los Angeles.....	50.3	55.7	61.0
Northridge.....	51.4	62.6	63.3
Pomona.....	43.9	63.3	63.9
Sacramento.....	63.1	67.0	69.6
San Bernardino.....	34.5	38.3	39.6
San Diego.....	62.8	65.4	64.3
San Francisco.....	64.9	63.0	61.9
San Jose.....	61.6	64.8	68.8
San Luis Obispo.....	49.3	57.0	56.7
Sonoma.....	55.7	69.0	67.9
Stanislaus.....	48.3	66.0	70.1
CSUC Average.....	54.2%	60.7%	62.6%

D. New Program Development and Evaluation (Innovative Projects)

See 100
\$1.1 The Budget Act of 1976 provided \$1,099,198 for support of New Program Development and Evaluation (excluding increases for salaries and benefits). This was a reduction of \$186,728 from 1975-76, as requested in the Board of Trustees' budget proposal.

See 100
-1/4/63
The 1977-78 Governor's Budget includes \$1,463,150 for innovative projects, an increase of \$363,952 over the current year. The increase will return the program to the 1975-76 support level (adjusted for salary and price increases).

See 100
-1/4/63
be reviewed in connection with
Table 16 identifies the 1976-77 funded proposals.

Trustee request
\$1,762,817

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Table 16
Innovative Project Grants 1976-77

<i>Campus</i>	<i>Project</i>	<i>Amount</i>	<i>Total Amount</i>
Bakersfield	✓ 1. Training in Basic Skills Instruction	\$16,622	\$16,622
Chico	1. Public Administration Internship Composition Laboratory	4,157	4,157
Fresno	1. Integrated Approach to College Level English Composition	6,247	
	2. Internships for Minors in Gerontology	10,294	
	Total Fresno		16,541
Fullerton	1. Audio-tutorials in General Education Science	10,480	
	✓ 2. Reading and Thinking Skills	16,761	
	Total Fullerton		27,241
Hayward	1. Auto-tutorial in International Relations	15,460	
Humboldt	1. Comprehensive Student Writing Skills Program	20,717	
	2. Basic Mathematical Skills-Teacher Education	12,657	
	Total Humboldt		33,374
Long Beach	1. Folklife Centers	12,643	12,643
Los Angeles	1. Capstone Course in Office Simulation	15,369	
	2. University Honors Program	7,176	
	3. Basic Skills in Writing for Bilingual Students	10,600	
	Total Los Angeles		33,145
Northridge	1. Computer-based, Self-paced Instruction in English Composition	12,673	
	2. Urban Anthropology Internships	15,637	
	Total Northridge		28,310
Sacramento	1. Solving Logical Problems	6,065	
	2. Integrated Learning Assistance Center (English and Mathematics)	19,587	
	Total Sacramento		25,652
San Bernardino	1. Teaching Counseling Skills via Media	12,255	12,255
San Diego	1. Computer-assisted Advising System (Speech Pathology, Audiology, Physical Education and Nursing)	17,582	17,582
San Jose	1. University Coordinator for Writing Skills	8,829	8,829
Stanislaus	1. Simulations in International Relations	11,179	11,179
Systemwide and Inter-Campus	1. Latin America Media Project (4 campuses)	31,180	
	2. Development of Faculty Skills in the Assessment and Experimental Learning (12 campuses)	30,217	
	3. Writing Adjunct (7 campuses)	54,348	
	4. Alternative Approach to Labor Studies (2 campuses)	20,816	
	5. Experiencing History (3 campuses)	30,851	
	6. CSUC Educational Registry/Advisory Service	18,916	
	7. English Equivalency Examination	68,594	
	8. Credit by Evaluation projects	81,406	
	9. Faculty Development projects	104,460	

10. Composition projects evaluation	17,857	
11. Joint CSUC/UC Conferences	20,000	
Total		\$478,645
Dissemination of project materials and findings (workshops, conferences, papers)	10,000	
Campus Mini-grant Program	\$205,555	
\$7,500-15,000 to campus on size basis		
Approximately 145 awards		
Program Administration and Evaluation	175,113	
Total Allocations as of December 1976		\$1,132,303
Pending Allocations and Reserve		(28,143)
Total Available Including Salary Increase Funds and Staff Benefits		\$1,160,446

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E) Growth in Administration and Instruction V = 6

We recommend that CSUC annually submit to the Joint Legislative Budget Committee the number of positions allocated to instruction, administration and "other". The information should be based on the most recent current and past year data and organized by classification as described in our January 1, 1977, report on the Growth in Expenditures for Administration compared to Growth for Instruction.

During legislative review of the 1976-77 Budget for the California State University and Colleges (CSUC), a question arose as to the relative priorities for state funding between administrative support and instructional support. In particular, it was suggested that over a period of time, state spending on administrative functions had increased much more rapidly than spending on instructional functions.

In discussions of this issue before the fiscal committees there was disagreement among various groups on both (a) the comparability of historical expenditure data and (b) the appropriate definition of "instruction" and "administration", i.e., which functions should be categorized solely as either instruction or administration, which functions are shared between the two and which functions belong in neither category.

There was insufficient time to resolve these differences and therefore the fiscal committees recommended further study. Consequently, the Supplementary Report of the Committee on Conference relating to the Budget Bill, 1976-77 (Item 360), provided that "The Legislative Analyst in cooperation with the Chancellor's Office report on or before January 1, 1977, the growth of CSUC expenditures for administration in the past ten years compared to the growth in enrollment and growth in expenditures for instruction."

The report prepared in compliance with the supplementary language was issued January 1, 1977. Table 17 is one of the tables included in the report and provides a summary of the growth in instruction, administration and "other" categories from 1971-72 through 1975-76. Also included for comparison is the annual change in student enrollment (FTE) (an explanation of the method and assumptions used in preparing the table is included in the report itself).

Table 17—Reported Number of Positions—Past Year Data 1971-72 through 1975-76

	FTE Positions 1971-72	FTE Positions 1972-73	Percentage Change in Positions 1971-72 to 1972-73	FTE Positions 1973-74	Percentage Change in Positions 1972-73 to 1973-74	FTE Positions 1974-75	Percentage Change in Positions 1973-74 to 1974-75	FTE Positions 1975-76	Percentage Change in Positions 1974-75 to 1975-76	Percentage Change in Positions 1971-72 to 1975-76
I. Instruction:										
Faculty.....	11,852.4	12,533.1	+5.7%	13,083.2	+4.4%	13,052.1	-0.2%	13,171.3	+0.9%	+11.1%
Tech./Cler.....	2,518.5	2,684.7	+6.6	2,809.9	+4.7	2,938.5	+4.6	2,890.1	-1.6	+14.8
Instruc.										
Admin.....	697.0	711.4	+2.1	761.0	+7.0	780.6	+2.6	784.2	+0.5	+12.5
Tech./Cler.....	324.4	335.4	+3.4	338.2	+0.8	387.9	+14.7	417.2	+7.6	+28.6
Ancillary										
Support.....	126.5	131.4	+3.9	135.6	+3.2	134.4	-0.9	154.5	+15.0	+22.1
Tech./Cler.....	134.9	164.8	+22.2	168.7	+2.4	174.5	+3.4	185.2	+6.1	+37.3
Total Instruc.....	15,654.0	16,560.8	+5.8%	17,267.1	+4.3%	17,468.0	+1.2%	17,602.5	+0.8%	+12.4%
II. Administration:										
Executive Mgt.....	220.8	223.8	+1.4%	238.9	+6.7%	241.9	+1.3%	246.8	+2.0%	+11.8%
Tech./Cler.....	200.7	207.7	+3.5	234.6	+13.0	245.1	+4.5	239.9	+2.1	+19.5
Financial Ops.....	55.6	58.6	+5.4	63.4	+8.2	70.7	+11.5	78.9	+11.6	+41.9
Tech./Cler.....	455.6	500.4	+12.3	527.7	+5.5	551.3	+4.5	569.8	+3.4	+27.9
Employee Pers. and Records.....	35.2	39.9	+13.4	44.2	+10.8	53.4	+20.8	57.5	+7.7	+63.4
Tech./Cler.....	78.7	87.2	+10.8	96.5	+10.7	99.9	+3.5	97.8	-2.1	+24.3
Commun. Relations.....	18.1	29.4	+62.4	33.3	+13.3	33.4	+0.3	33.3	-0.2	+84.0
Tech./Cler.....	21.6	25.6	+18.5	35.3	+37.9	37.5	+6.2	39.0	+4.0	+80.6
Total Admin.....	1,076.3	1,172.6	+8.0%	1,273.9	+8.6%	1,333.2	+4.7%	1,363.0	+2.2%	+26.6%
III. Other:										
Libraries.....	1,528.5	1,593.5	+4.3%	1,650.6	+3.6%	1,679.8	+1.8%	1,680.3	0.0%	+9.9%
Museum & Gal.....	2.6	2.9	+11.5	3.1	+6.9	3.0	-3.2	2.9	-3.3	+11.5
Audio-Visual.....	272.8	312.4	+14.5	330.4	+5.8	332.6	+0.7	335.5	+0.9	+23.0
Television.....	48.0	47.5	-1.0	56.5	+18.9	61.9	+9.6	56.5	-8.7	+17.7
Computing.....	261.9	295.9	+13.0	325.8	+10.0	380.6	+16.8	403.5	+6.0	+54.1
Ancillary.....	2.6	6.7	+157.7	4.6	-31.3	17.1	+271.7	18.1	+5.8	+596.2
Student Ser.....	1,408.7	1,582.9	+10.9	1,633.0	+4.5	1,740.9	+6.6	1,805.2	+3.7	+28.1
Admission & Rec.....	849.6	951.5	+12.0	997.2	+4.8	1,012.6	+1.5	1,061.9	+4.9	+25.0
Logistical.....	732.9	771.8	+5.3	791.7	+2.6	819.1	+3.5	831.4	+1.5	+13.4
Physical Plant.....	1,687.5	2,796.5	+4.1	2,867.4	+2.5	2,914.8	+1.7	2,979.9	+2.2	+10.9
Total Other.....	7,795.1	8,341.6	+7.0%	8,660.3	+3.8%	8,962.4	+3.5%	9,175.2	+2.4%	+17.7%
Total Positions.....	24,524.4	26,075.0	+6.3%	27,201.3	+4.3%	27,763.6	+2.1%	28,140.7	+1.4%	+14.7%
Student Enrollment (FTE).....	211,365	220,579	+4.4%	224,460	+1.8%	227,324		236,067	+3.8%	+11.7%

Over that five year period, position growth in all three categories exceeded the 11.7 percent growth in FTE. Instruction grew by 12.4 percent, administration by 26.6 percent and other by 17.7 percent for an increase in total General Fund positions of 14.7 percent.

The basic data used in the report were provided by CSUC. While we appreciate that such information is subject to oversimplification, we believe that it is helpful in that it indicates trends and raises questions for further analysis. Therefore, we recommend that CSUC annually submit to the Joint Legislative Budget Committee the most recent current and past year data on the number of positions allocated to instruction, administration and other (as defined in the January 1, 1977 report on the Growth in Expenditures for Administration compared to Growth for Instruction). In requesting this information, we are merely seeking the updating of a data base. If managed correctly, this requirement will not take unreasonable amounts of time.

F. Decline in Student Writing Skills

By almost any measure student writing skills have shown marked declines over the preceding decade. Results from the nationally administered scholastic Aptitude Test show an annual score decline in verbal skills from 478 in 1963 to 434 in 1975. CSUC estimates that approximately 40 percent of entering lower division students require remedial programs in writing skills.

In May 1976, the CSUC Board of Trustees authorized a systemwide examination to diagnose and identify entering lower division students who do not exhibit college-level writing ability. This examination is currently under development and is expected to be ready for administration in September 1977.

The 1977-78 budget proposal submitted by the Board of Trustees requested 206 faculty positions and 57.5 support positions to provide "remedial programs directed to the improvement of student writing skills." Under this proposal, totaling \$4,038,218 in 1977-78, the specific content of the program is left to the individual campuses subject to review by the Chancellor's Office.

The Trustee's request is not included in the 1977-78 Budget nor do we recommend additional funding for it. However, because the issue is of special significance, we believe it deserves review.

While we recognize the existence of the problem, we do not agree that the only alternative is a budget augmentation of more than \$4.0 million. Specifically, we believe that a remedial writing program can be accomplished by the colleges within existing resources by following a program similar to one already in existence. Basically, the program requires students to either pass an English proficiency test or take an English writing course in order to receive a baccalaureate degree. The English course is taken for credit and the three units are counted toward the total required for graduation.

If this general policy were adopted statewide, it would mean that some students would be required to take a remedial English course instead of

Questions # 3 & 13

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1977-78 Budget
1977-78 Budget
1977-78 Budget

Senate approved 5/12

Assembly 3-0 Student Language

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an elective. There would be some readjustment of faculty resources required on campuses but this could be partially alleviated by the additional positions provided through the augmentation resulting from the change in student interest. V # 1313

G. San Diego Education Television (ETV) — *Noncontroversial*

We recommend a General Fund augmentation of \$56,988 to support cost of living increases for San Diego Educational Television.

San Diego is the only CSUC campus licensed to operate an educational television station. Although a significant portion of the programming is devoted to public service, ETV plays an integral role in both the instructional program and the academic support program. For example, the curriculum in the Department of Telecommunications and Film relies heavily on ETV to afford students a professional setting in which to learn realistically the requirements of the television industry. Instructional Television (ITV), a separate activity, has the potential to increase the effectiveness of classroom education substantially, and the ITV staff at the San Diego campus makes extensive use of ETV facilities and personnel.

In recognition of its instructional value to the campus, ETV has received General Fund support since its inception in 1966. The 1977-78 Governor's Budget proposes \$511,945 in General Fund support for ETV (including support for the ITV component) which is \$56,988 less than the Trustees' request.

The \$56,988 requested by the Trustees does not represent an increase in the program level but results from cost of living increases such as higher utility and communication costs and a renegotiated lease for the television transmitter. We have received no information from the Department of Finance to explain the reduction. After reviewing the Trustees' request, we believe it is justified and recommend a General Fund augmentation of \$56,988 to support the ETV cost of living increase.

Complete Instructional Program

II. ORGANIZED RESEARCH

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

Table 18 shows the estimated expenditures for 1977-78. It should be noted that the organized research program contains only those projects awarded directly to individual campuses. Research projects awarded to foundations (estimated to be \$5.2 million in 1977-78) are not included.

III. PUBLIC SERVICE

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

Continuing education includes those activities established to provide an educational service to members of the community. Examples would be

Fortunate \$6.2 million expenditures

Table 18
Organized Research Expenditures
1975-76 to 1977-78

	Actual 1975-76	Estimated 1976-77	Proposed 1977-78	Change	
				Amount	Percent
Expenditures	\$46,498	\$148,522	\$153,342	\$4,820	3.2%
Personnel	3.4	10	10	0	0
Funding:					
General Fund	\$-1,437	-	-	-	-
Reimbursements	\$47,935	\$148,522	\$153,342	\$4,820	3.2

mini-courses in a variety of general interest subjects and professional growth classes such as those offered for classroom teachers.

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

Table 19 shows the estimated public service expenditures for 1977-78.

*continuing ed
D Public service*

Table 19
Public Service Expenditures
1975-76 to 1977-78

	Actual 1975-76	Estimated 1976-77	Proposed 1977-78	Change	
				Amount	Percent
Expenditures	411,862	\$342,292	363,958	\$21,666	6.3%
Personnel	-	16	16	0	0
Reimbursements	411,862	\$342,292	363,958	\$21,666	6.3

IV. ACADEMIC SUPPORT

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

Expenditures for the academic support program are shown in Table 20.

1. LIBRARIES

The library function includes such operations as (a) the acquisition and processing of books, pamphlets, periodicals and documents, (b) the maintenance of the catalog and indexing systems, (c) the distribution of reference services to students and faculty and (d) libraries, one on each campus. Table 21 shows the current library holding on each campus.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Table 20
Academic Support Program Expenditures

Program Elements	<i>Personnel</i>			<i>Expenditures</i>			<i>Change</i>	
	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>Amount</i>	<i>%</i>
1. Libraries	1,700.9	1,726.5	1,719.7	\$31,489,103	\$36,648,026	\$40,037,001	\$3,388,975	9.2%
2. Audiovisual services	394.5	400.2	396.9	7,374,141	7,812,542	8,036,263	223,721	2.9
3. Computing support	508.3	511.0	525.1	13,380,451	15,047,769	15,942,413	894,644	5.9
4. Ancillary support	375.3	375.6	393.8	10,404,578	11,273,426	11,999,972	726,546	6.4
Continuing program costs	2,979.0	3,013.3	3,035.5	\$62,648,273	\$70,781,763	\$76,015,649	\$5,233,886	7.4%
<i>General Fund</i>	<i>2,969.1</i>	<i>3,004.7</i>	<i>3,026.7</i>	<i>58,453,897</i>	<i>66,718,761</i>	<i>72,012,695</i>	<i>5,293,934</i>	<i>7.9</i>
<i>Reimbursements</i>	—	—	—	710,597	551,279	486,627	-64,652	11.7
<i>Continuing Education Revenue Fund</i>	<i>9.9</i>	<i>8.6</i>	<i>8.8</i>	90,977	111,723	116,327	4,604	4.1
<i>Auxiliary organizations</i>	—	—	—	3,392,802	3,400,000	3,400,000	—	—

Goal: 40 volumes per FTE by 1985

Table 21
CALIFORNIA STATE UNIVERSITY AND COLLEGES
LIBRARY COUNTABLE HOLDINGS

<i>Campus</i>	<i>Countable holdings as of 6/30/76</i>	<i>Volumes est. to be added by purchase 1976-77</i>	<i>Volumes Budgeted to be purchased 1976-77</i>	<i>Estimated Countable holdings 6/30/77^a</i>	<i>Estimated FTE 1976-77</i>	<i>Estimated holdings per FTE 1976-77</i>
Bakersfield	127,564	11,586	12,055	139,150	2,400	58.0
Chico	425,279	21,943	22,830	447,222	12,100	37.0
Dominquez Hills	167,580	14,703	15,298	182,283	5,700	32.0
Fresno	476,797	23,435	24,383	500,232	13,000	38.5
Fullerton	383,027	25,651	26,688	408,678	15,400	26.5
Hayward	503,514	17,666	18,380	521,180	9,000	57.9
Humboldt	206,561	16,094	16,745	222,655	6,700	33.2
Long Beach	617,040	33,069	34,406	650,109	22,300	29.2
Los Angeles	648,209	25,651	26,688	673,860	18,900	35.7
Northridge	592,948	29,076	30,252	622,024	19,200	32.4
Pomona	280,068	19,211	19,988	299,279	11,750	25.5
Sacramento	523,925	27,377	28,484	551,302	16,400	33.6
San Bernardino	236,988	12,230	12,725	249,218	3,500	71.2
San Diego ^b	558,122	35,413	36,845	593,535	23,400	25.4
San Francisco	495,613	28,382	29,530	523,995	16,800	31.2
San Jose	672,590	30,750	31,994	703,340	19,600	35.9
San Luis Obispo	396,951	23,693	24,651	420,644	15,050	28.0
Sonoma	228,776	14,703	15,298	243,479	5,300	45.9
Stanislaus	134,663	11,303	11,760	145,966	2,500	58.4
TOTAL	7,676,215	421,936	439,000	8,098,151	239,000	33.9

^a Based on volumes added, not volumes budgeted, and assumes 61,000 volumes withdrawn. Ignores losses.

^b Excludes Callexico Center.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

A. Library Development Program

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

The Governor's Budget provides a total of \$2,821,451 for library development in 1977-78, an increase of \$1,127,875 over the 1976-77 budgeted level. The major portion of this increase is to be used for the conversion of the current manual library inventory to a machine readable format.

Library Transactors

We recommend that budgeted support for expansion of library transactors to three additional campuses in 1977-78 be eliminated for a General Fund savings of \$157,950.

One phase of the Library Development Project calls for the automation of routine library functions such as the logging in and out of books and the placing of holds. To implement this phase a minicomputer, called a transactor, is scheduled for installation on each campus.

CSUC has encountered difficulties in its attempt to install transactors. The first transactor was scheduled for installation on the Sacramento campus in spring 1976, with the remaining transactors to be phased in over a two-year period. Unfortunately, the firm which initially won the bid to deliver the transactors was unable to meet the specifications set forth in the contract.

Consequently, CSUC revised its implementation schedule with the initial transactor to be installed at the Sacramento campus in spring 1977. This was the plan upon which funding was approved for the 1976-77 Budget. Under this plan, the Sacramento pilot was to operate for one year. If the pilot was then judged to be successful, transactors would be installed at three additional campuses in the last quarter of 1977-78.

Since enactment of the 1976-77 Budget, CSUC has again revised its implementation schedule and postponed installation of the Sacramento pilot project to fall 1977. Under the one year test agreement by which the plan was first authorized, this would have postponed expansion to three additional campuses beyond 1977-78. However, CSUC has also amended its plan to permit a six month test period rather than a full year, thus permitting the additional expansion in 1977-78.

Because the transactor system is an integral and expensive phase of the Library Development Project, thorough testing and evaluation is necessary. Considering the complications and delays which have already occurred prior to initial installation, we believe that CSUC should adhere to the original plan and provide a full year's testing of the pilot transactor before any expansion. Consequently, we recommend the elimination of \$157,950 in funds for expansion to three additional campuses in 1977-78.

Transactor Report Needed

We recommend that prior to installation of library transactors beyond the pilot campus, the Chancellor's Office submit a report to the Joint Legislative Budget Committee which details the savings associated with the installation of transactors. This report should contain estimates of the (a) adjustments required in the library clerical staffing formula due to the increased labor productivity and (b) yearly savings which will accrue from the reduced book loss rate.

The original CSUC library plan states that transactors offer "a potential labor savings of approximately 50 percent for the circulation clerical functions." CSUC has since revised this statement and pointed out that automation (transactors) will simplify check-out procedures, thereby increasing book use which in turn will raise the circulation rate. In short, "while less labor will be required for specific circulation control functions . . . , more labor will be required to maintain the order of and accessibility to the physical collection." Consequently, CSUC now predicts that automation will only lead to a transfer of positions from one function to another.

Because one of the major justifications initially offered for the transactors is a reduction in required clerical support, we recommend that the Chancellor's Office submit a report to the Joint Legislative Budget Committee prior to installing transactors beyond the pilot campus. The report should detail the effect upon clerical positions and recommend changes in the formula for library clerical staff.

In addition to the labor savings, the CSUC library plan states that transactors will significantly reduce the annual loss of books which was "... over 9.3 percent ... in at least one of the CSUC libraries ... ". The library plan estimates that "... even reducing the documented annual book loss rate by half for a library with 500,000 volumes would mean an annual direct dollar savings in excess of \$10,000 not including labor for file correction, cataloging, ordering, processing, etc." Consequently, we recommend that the report to the Legislature include an estimate of the systemwide yearly savings which will accrue from the reduced book loss rate.

2. COMPUTING SUPPORT

The installation of a new central time sharing computer during the current year and the acquisition of new minicomputers for student instruction on each of the 19 campuses over the past two years has increased very significantly the capability for computer support within the CSUC system. Therefore, the Governor's Budget reflects the relatively small increase of \$460,641 over the current year with \$69,297 of this amount proposed for new programs. The remainder of the increase represents price increases, workload increases and full-year funding of previously authorized activities.

Table 22 shows that the total CSUC expenditures for computing is estimated to be \$17.0 million. Approximately \$5.4 million (31%) of this amount is for instructional computing with the remainder budgeted for support of administrative activities.

Table 22
1977-78 Cost of Computing Support in the CSUC^a
(in thousands)

<i>Function</i>	<i>Personnel- Years</i>	<i>Personnel</i>	<i>Equipment Rental</i>	<i>Other</i>	<i>Total Cost</i>	<i>Percent</i>
Administrative Computing	415.5	\$6,086	\$3,099	\$2,454	\$11,639	68.5%
Instructional Computing	115.0	2,799	1,425	1,128	5,352	31.5
Total	530.5	\$8,885	\$4,524	\$3,582	\$16,991	
Percent		52.3%	26.6%	21.1%		100%

^a As current cost accounting practice does not distinguish between administrative computing costs and instructional computing costs, estimated 1977-78 fiscal year expenditures were prorated based upon estimated computer utilization percentages when the item encompassed both areas.

Cost/Effective Approach to Computing

We believe that in general, CSUC has approached its requirements for computing support in a most cost/effective manner. Our office has commented extensively in a 1968 special report and in each Analysis thereafter on this subject. During the initial phases of the program, we were most concerned that systems would be developed in a fragmented and uncoordinated manner leaving computer plans and policies up to each individual campus for implementation. Therefore, we recommended over the years that the Chancellor's Office provide control and coordination for computing within the CSUC and that a hierarchy of computing resources be established to support both administrative and instructional needs. To a large extent this has now been accomplished.

The Division of Information Systems (DIS) within the Chancellor's Office (under a division director) exerts central leadership and coordination over computing policies, systems design projects and equipment procurements. Various advisory committees with substantial campus representation are an integral part of this process.

The DIS also operates the CSUC Data Center in Los Angeles which provides both systemwide administrative computing support on one computer complex and a central timesharing service in support of the instructional program on the new timesharing computer. This system supports 134 terminals (over 104 in the previous system) and has a capacity to be expanded to 192 terminals.

The division maintains a staff of systems analysts and programmers with some personnel assigned to the campuses for development of common systems to support the various student record and financial applications required for day-to-day operation of the institutions.

A. Justification For Minicomputer Upgrades

We recommend that CSUC present to the fiscal committees recently developed data to support upgrading campus minicomputers.

The Department of Finance deleted \$261,400 from the Trustees' Budget request because supporting data were not available for upgrading the campus minicomputers. We are informed that such data are now being prepared and will be available before the budget hearings. Currently, these local minicomputers support from 8 to 32 terminals per campus or 412 systemwide. The machines could be upgraded to support up to 2,000 terminals with adequate justification.

The Trustees request would increase terminal availability by 152. Although we can make no judgment as to instructional requirements at this time, we believe the Legislature should be apprised of these workload data in order to determine whether the budget should be augmented.

B. Chancellor Should Evaluate Placement of Information Systems

We recommend that the Chancellor's Office evaluate the placement and organization of the Division of Information Systems and the reporting arrangements of its administrators. A report should be submitted to the Joint Legislative Budget Committee and the fiscal committees detailing

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

the findings and recommendations by December 1, 1977.

The division of Information Systems has grown into a large and complex organization serving all 19 campuses and the Chancellor's Office. The plans and policies which evolve and the information systems developed play an integral part in both the management and academic program of the institutions.

The placement of the Division and the reporting arrangements of the administrators have remained static for a number of years. It should be reviewed by the Chancellor's Office to determine if the existing arrangement is satisfactory and realistic in view of responsibilities within CSUC and the experience of other institutions.

The University of California for example has recently gone through a complete reorganization in order to make its information systems management and computer planning more effective. This new structure and related issues are discussed under Item 311.

C. Workload Projection Model

*Senate
accepted
language*
In our 1975-76 Analysis we recommended that CSUC and the Department of Finance develop a formula for determining proper staffing to adequately carry out computing and data processing activities within the CSUC system. This was approved in the Budget Act of 1975. A proposal was developed by CSUC as required but Finance has not agreed to the formula or provided an alternative for consideration.

We continue to believe that such an approval is required to put an end to the yearly discussion over what constitutes adequate staffing. The use of the formula would at least provide a common ground on which to evaluate campus and DIS needs. It is therefore recommended that CSUC and Finance comply with the requirement of the Supplementary Language Report (Budget Act of 1975).

D. Coordination of Instructional Computing

New pilot funds totaling \$69,297 were approved in the Budget to provide for the position—Coordination of Instructional Computing—on three of the campuses most critically in need of support in this area. The Trustees budget requested 15 such positions to assist faculty in making greater and improved use of the computer in the instructional program.

We concur with the Department of Finance decision to pilot test this concept on three campuses. The need for this new function has not been adequately demonstrated or tested and the budget-year experience should help in this regard. It appears to us that faculty initiative may be the ideal way to develop the program or perhaps a limited number of coordinators might serve the entire system, specializing in the use of the computer in support of various academic disciplines.

E. Data Communication Network

A new flexible statewide data communications network is being installed to replace existing obsolete facilities. The network, designated ATSS/DS (Data Service) by the Department of General Services, will serve CSUC as the principal customer during the first few years of opera-

tion.

The prime vendor in the effort, Pacific Telephone Company, was scheduled to have the network operational in the fall of 1976. However, significant delays have occurred and the ability of the network to function adequately is in question at this time. The success of data communications CSUC plans and the ability to meet other critical state data communication requirements is dependent on a reliable and modern network. If Pacific Telephone cannot provide this service within a reasonable period, we believe the state must consider alternative approaches.

STUDENT SERVICES SUPPORT PROGRAM

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

Table 23 displays the estimated expenditures for 1977-78.

1. STUDENT SERVICES FEE

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

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

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

In 1975-76 the Legislature augmented the Governor's Budget by the \$2.5 million necessary to fully implement the first stage of the Trustee's proposal. The Budget Act of 1976 provided \$8.2 million to implement the second stage. The 1977-78 Budget proposes a General Fund expenditure of \$10.6 million (exclusive of 1977-78 salary increases) to continue the phase-in. Full conversion to General Fund support, according to Chancellor's Office estimates, will be completed in 1978-79.

Table 24 shows the annual fee and General Fund cost through 1978-79.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Table 23
Student Services Program Expenditures

Program Elements	<i>Personnel</i>			<i>Expenditures</i>			<i>Change</i>	
	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>1975-76</i>	<i>1976-77</i>	<i>1977-78</i>	<i>Amount</i>	<i>Percent</i>
1. Social and cultural development	166.8	146.8	147.1	\$12,183,204	\$12,885,250	\$13,240,999	\$355,749	2.8%
2. Counseling and career guidance	839.3	1,079.3	1,090.2	13,833,127	17,588,417	18,352,111	763,694	4.3
3. Financial aid	252.9	297.8	305.8	41,821,973	39,854,826	59,716,750	19,861,924	49.8
4. Student support	764.8	788	831.5	62,057,604	66,763,991	68,027,554	1,263,563	1.9
Continuing program costs	2,023.8	2,311.9	2,374.6	\$129,895,908	\$137,092,484	\$159,337,414	\$22,244,930	16.2%
<i>General Fund</i>	1,820	2,138	2,152.7	8,708,716	12,066,662	13,130,722	1,064,060	8.8
<i>Reimbursements—other</i>	—	—	—	29,877,220	34,096,573	35,121,978	1,025,405	3.0
<i>Reimbursements—federal</i>	—	—	—	31,809,575	27,881,227	46,785,427	18,904,200	67.8
<i>Dormitory Revenue Fund</i>	199.2	170.6	213.2	1,491,106	1,832,458	1,965,236	132,778	7.2
<i>Auxiliary organizations—other</i>	—	—	—	57,933,380	61,175,000	62,225,000	1,050,000	1.7
<i>Continuing Education Revenue Fund</i>	4.6	3.3	8.7	75,911	40,564	109,051	68,487	168.8

Table 24
Student Service Fee
Projections of Expenditures and Revenue
1975-76 to 1978-79

Expenditures	1975-76	1976-77	1977-78	1978-79
(1) Instructional Supplies and Services	\$13,219,590	\$14,343,401	\$15,012,908	\$16,000,000
(2) Student Services ^b	32,370,239	37,621,754	38,358,724	43,000,000
Total Expenditures	45,589,829	51,965,155	53,371,632	58,000,000
Revenues and Fees				
Student Service Fee	\$144	\$144	\$144	\$144
Fee Revenue	\$42,327,478	\$43,728,798	\$42,800,826	\$43,000,000
General Fund Expenditure	\$3,262,351	\$8,236,357	\$10,570,806 ^a	\$16,000,000

^a Does not include potential salary increases for 1977-78.

^b Federal Administration Allowance deducted from student services expenditures.

A. Revision of Fee Structure

For 1976-77, the second year of this phasing program, the Board of Trustees changed the Student Services Fee structure from a four-tier system to a two-tier system. CSUC maintains that with the gradual absorption of the cost of instructional supplies by the General Fund, a four tier differentiation was no longer necessary.

Table 25 displays the change from the four-tier to the two-tier system.

Table 25
Student Services Fee Structure

<i>Four-Tier System</i>		<i>Two-Tier System</i>	
<i>Units</i>	<i>Fee</i>	<i>Units</i>	<i>Fee</i>
0 - 3.9	\$102	0 to 6.0	\$114
4.0- 7.9	114	6.1 or more	144
8.0-11.9	126		
12.0+	144		

B. Future Student Services Fee Increase

We recommend that the Chancellor's Office submit a plan to the Joint Legislative Budget Committee and the Department of Finance by November 1, 1977 describing the basis and procedures for increasing the Student Services Fee as a result of the General Fund buy-out of instructional supplies.

As noted previously, CSUC estimates that the General Fund "buy-out" for the cost of instructional supplies will be completed in 1978-79. Once the buy-out is completed, the Student Services Fee will be increased to cover the costs of price increases, salary increases, etc. in the Student Services Program. Because fee increases have a direct effect upon both student costs and General Fund costs, we believe the Chancellor's Office should develop a basis and procedure for implementing student fee increases and submit a report to the Joint Legislative Budget Committee and the Department of Finance by November 1, 1977. Included in the report should be a separate breakdown of costs to be covered by the Student Services Fee and the General Fund.

Small amount to fund

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

2. EDUCATIONAL OPPORTUNITY PROGRAM

The Budget Act of 1976 included an augmentation of \$3,039,043 to the Educational Opportunity Program (EOP). Of this total, \$1,518,691 was allocated to grants and \$1,520,352 to staffing increases in counseling/tutoring, clerical, student assistants and temporary help positions. The major objectives of the augmentation were (a) to improve retention of entering as well as continuing students; (b) to improve access of disadvantaged students; and (c) to improve program evaluation.

The 1977-78 Budget provides a total of \$11,427,942 for EOP, an increase of \$1,245,804 distributed as follows: (a) \$275,674 for base adjustments, (b) \$132,941 for an additional 14.3 positions reflecting an increase in the estimated number of students served, (c) \$439,442 to continue the increased number of grants established in 1976-77, and (d) \$397,747 for an approximate 6 percent inflation adjustment to the grant level.

Table 26 provides a detailed display of estimated EOP grants and administration costs from 1975-76 through 1977-78.

A. Report Needed on EOP

We recommend that the Chancellor's Office submit to the legislative fiscal committees by March 15, 1977 an interim report limited to (1) the actual number of EOP grants allocated in 1976-77, (2) the allocation of EOP positions in 1976-77 and (3) the number of EOP and non-EOP students receiving services from EOP funded positions.

The 1976-77 EOP augmentation included \$182,696 for two years to design and implement an expanded information and evaluation system. The Budget Act of 1976 (Item 360) required that the evaluation design "address the issues of maintenance of academic standards, persistence to graduation and success in locating employment." The Chancellor's Office estimates that the evaluation will be completed by March 1978. This date is reasonable in view of the comprehensive nature of the evaluation. However, we believe that an interim report limited to enrollment data and allocation of positions is necessary to provide the Legislature with basic information to review the 1977-78 EOP budget enrollment data proposal.

One of the important considerations in the legislative approval of the 1976-77 EOP augmentation was the understanding that it would increase the number of grants received and students served. However, as the footnotes to Table 26 indicate, none of the figures for the grant recipients is based on current actual data. (The projections for 1976-77 and 1977-78 are based upon data collected in 1974-75.) Without such information, we cannot accurately assess the impact of the 1976-77 augmentation on the number of students served nor can we adequately review the 1977-78 proposal which includes \$572,383 in funds premised upon continued program growth (\$132,941 for additional positions and \$439,442 to continue the growth in the EOP grants). Consequently, we recommend that the Chancellor's Office report to the legislative fiscal committees by March 15, 1977 on the actual number of EOP grants allocated in 1976-77.

Table 26
Educational Opportunity Program Expenditures
1975-76 through 1977-78

	<i>Actual Year^a</i> <i>1975-76</i>			<i>Current Year</i> <i>1976-77^b</i>			<i>Budget Year</i> <i>1977-78</i>		
	<i>Number of Grants</i>	<i>Average Dollar Grant</i>	<i>Total Grant Dollars</i>	<i>Number of Grants</i>	<i>Average Dollar Grant</i>	<i>Total Grant Dollars</i>	<i>Number of Grants</i>	<i>Average Dollar Grant</i>	<i>Total Grant Dollars</i>
1st year.....	4,187	\$525	\$2,198,025	4,817	\$700	\$3,371,900	4,817	\$740	\$3,564,580
2nd year.....	3,679	275	1,011,766	1,888 ²⁷¹⁵	700	1,321,600	2,239	740	1,656,860
3rd year.....	2,303	275	633,289	1,437 ¹¹⁰⁵	600	862,200	1,518	640	971,520
4th year.....	1,529	275	420,353	697 ⁷²⁵	500	348,500	980	530	519,400
5th year.....	—	—	—	503 ³⁰⁵	477	224,841	479	530	253,870
TOTALS	<u>11,698</u>	<u>—</u>	<u>\$4,263,433</u>	<u>9,342</u>	<u>—</u>	<u>\$6,129,041</u>	<u>10,033</u>	<u>—</u>	<u>\$6,966,230</u>
Totals, Administration and Counseling	<u>—</u>	<u>—</u>	<u>\$2,200,705</u>	<u>—</u>	<u>—</u>	<u>\$4,053,097</u>	<u>—</u>	<u>—</u>	<u>\$4,461,712</u>
TOTALS, PROGRAM COSTS			\$6,464,138			\$10,182,138			\$11,427,942

^a The 1975-76 grant totals and averages reflect construct figures which were used for budgeting purposes only. They are not based on actual or projected grant recipients.

^b The 1976-77 grant totals and grant savings used for budgeting purposes are based upon a projection of grant recipients and the average grant awarded. The current budgetary procedure incorporates the augmentation in grant funds and a projection of the impact of the grant ceiling increase from \$700 to \$1,000.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued**B. Allocation of Positions**

The 1976-77 Budget Act augmentation provided \$1.5 million to strengthen the EOP counseling/tutoring component. We understand that the allocation of new positions established by these funds has become an issue on certain campuses. At least initially, efforts have been made to establish positions within the academic program rather than the EOP. Such a transfer of control is not in keeping with the priorities of the program in that the positions could then be used for general tutoring rather than focusing on EOP students.

We attempted to determine the actual allocation of the new positions in November 1976, but at that time many of the positions had not yet been established or filled. Because the allocation of EOP funds is a controversial issue, especially during a time of falling enrollments, we believe it is important that the new positions be allocated as intended. Consequently, we recommend that CSUC monitor the allocation of all EOP positions and report to the Legislature by March 15, 1977. The report should include the actual allocation of all positions and the number of EOP and non-EOP students served.

VI. INSTITUTIONAL SUPPORT

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

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

Financial operations includes the fiscal control functions, both for the Chancellor's Office and the 19 campuses, and investment management.

General administrative services consists of all control management support functions. Included in the subprogram are administrative data processing, student admissions, and record management.

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

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

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

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

Table 27 shows the estimated expenditures for 1977-78.

Table 27
Institutional Support Program Expenditures

Program Elements	Personnel			Expenditure			Change	
	1975-76	1976-77	1977-78	1975-76	1976-77	1977-78	Amount	%
1. Executive management	807.8	801.1	815.4	\$19,743,934	\$21,170,769	\$21,883,403	\$712,634	3.4%
2. Financial operations	740.3	759.2	798.4	12,218,246	13,011,225	13,982,714	971,489	7.5
3. General administrative services	1,261.7	1,332.9	1,356.6	19,411,628	21,962,486	22,189,015	226,529	1.0
4. Logistical services	1,013.2	1,023.6	1,035.1	26,847,369	29,919,070	31,400,401	1,481,331	4.9
5. Physical plant operations	3,243.8	3,553.4	3,565.1	62,567,109	73,263,843	78,014,443	4,750,600	6.5
6. Faculty and staff services	—	—	—	4,542,271	7,273,218	5,897,683	-1,375,535	-18.9
7. Community relations	86.2	77.6	77.8	2,410,609	2,705,001	2,903,112	198,111	7.3
Continuing program costs	7,153.0	7,547.8	7,648.4	\$147,741,166	\$169,305,612	\$176,270,771	\$6,965,159	4.1%
General Fund	6,475.9	6,860.2	6,928.9	121,629,498	140,903,041	145,912,500	5,009,459	3.6
Reimbursements—other	—	—	—	9,232,472	10,136,186	10,920,017	783,831	7.7
Parking Account, Dormitory Revenue Fund	182.2	184.2	961.1	2,943,400	3,176,694	3,218,621	41,927	1.3
Dormitory Revenue Fund	267.4	272.6	278.3	6,531,792	7,169,804	7,226,658	56,854	0.8
Auxiliary organizations—other	—	—	—	566,400	560,000	560,000	—	—
Auxiliary organizations—federal	—	—	—	2,265,600	2,240,000	2,240,000	—	—
Continuing Education Revenue Fund	227.5	230.8	245.1	4,572,004	5,119,887	6,192,975	1,073,088	21.0

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

1. EMPLOYEE BENEFITS

A. Unemployment Compensation

We withhold recommendation on the Unemployment Insurance Compensation and Industrial Disability Leave programs pending receipt of revised estimates based upon more recent experience.

Under provisions of the California Unemployment Insurance Code, CSUC must make unemployment compensation payments to eligible former employees. State costs for this program have increased consistently since 1972-73.

Table 28 compares the amount budgeted with the actual program cost.

Table 28
Unemployment Compensation

Year	Budgeted	Actual Cost	Deficit (-) or Surplus (+)
1972-73	0	\$179,000	-\$179,000
1973-74	\$750,000	619,000	+131,000
1974-75	750,000	1,200,345	-450,000
1975-76	1,300,000	1,805,444 ^a	-505,444 ^a
1976-77	1,300,000	2,000,000 ^a	-700,000 ^a
1977-78	1,800,000	—	—

^a Estimated

The 1977-78 Governor's Budget provides \$1.8 million to cover the cost of unemployment compensation, an increase of \$500,000 over 1976-77. The cost estimates in the Governor's Budget are based upon actual costs through March 1976 which were the latest data then available. CSUC informs us that actual experience for all of fiscal year 1975-76 should be available for our review by April 1, 1977. Because the budget increase is substantial we recommend that the decision on the necessary funding level be deferred until revised cost estimates, based upon more recent experience, are available.

B. Industrial Disability Leaves (IDL)

The Berryhill Total Compensation Act (Chapter 374, Statutes of 1974), provides for industrial disability leaves for state employees who are members of the Public Employees' Retirement System or the State Teachers Retirement System. Because this is a relatively new program (January 1, 1975), it has been difficult for the Chancellor's Office to estimate what the actual costs will be. Table 29 compares the amount budgeted with the actual program cost.

Table 29
Industrial Disability Leaves

	Budgeted	Actual Cost	Deficit (-) or Surplus (+)
1974-75	\$138,000	\$81,000	+\$57,269
1975-76	500,000	188,102	+311,898
1976-77	500,000	—	—
1977-78	500,000	—	—

The 1977-78 Governor's Budget proposes to continue the 1976-77 support level of \$500,000. Based upon 1975-76 actual costs of \$188,102, the proposed funding level appears to be excessive. However, because the program is new, we recognize that costs may be increasing in 1976-77. Therefore, we withhold recommendation until we review the actual cost experience from the first six months of 1976-77. Again, CSUC informs us that this information will be available by April 1, 1977.

2. INITIAL COMPLEMENT OF EXPENDABLE ITEMS

We recommend a General Fund reduction of \$283,921 in amounts budgeted for the initial complement of expendable items to reflect the actual decrease in workload. We further recommend that CSUC develop a formula to justify future funding of expendable items and submit a proposal to the Joint Legislative Budget Committee and the Department of Finance by October 1, 1977.

The 1977-78 Budget provides \$483,921 for initial complement of expendable items. These funds provide basic inventories of expendable items (such as custodial supplies), for new buildings or for existing space which has been modified to accommodate an entirely different function or activity.

The 1977-78 support level proposed by the Governor's Budget is \$20,803 above the amount requested by the Board of Trustees. We understand that the increase is not related to the item but rather is a "rounding factor" to balance the budget.

The amount budgeted for expendable items is not based on any formula, cost per unit or any other standard of justified need. As well as we can determine, the amount budgeted is based simply upon an arbitrary adjustment to the amount budgeted in the previous year. Once approved in the budget, this amount is allocated to campuses on the basis of weighted square feet (a varying weight is assigned depending upon the function of the building).

Table 30 provides a summary of the amount budgeted and the amount allocated from 1972-73 through 1977-78.

Table 30
Initial Complement of Expendable Items

	<i>Amount Budgeted</i>	<i>Amount Allocated to Campuses</i>
1972-73.....	\$200,000	\$175,000
1973-74.....	208,000	208,000
1974-75.....	216,238	182,131
1975-76.....	420,100	420,100
1976-77.....	436,904	451,904 ^a
1977-78.....	483,921 (proposed)	—

^a An additional \$15,000 has been allocated from systemwide savings.

The 1977-78 budget request is based upon the 1976-77 support level as adjusted for inflation and the \$20,803 balancing factor. In evaluating the request, the only available workload standard is a comparison of the amount budgeted and total square footage allocation in 1976-77 with the amount budgeted and total square footage projected in 1977-78.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

In 1976-77 \$436,904 in funds for expendable items were budgeted and allocated to 17 new or converted buildings at a total gross square footage of 1,974,839. In 1977-78, there are only seven new or converted buildings scheduled for completion (and eligible for funding for expendable items) with only 27.6 percent (296,683 square feet) of the total gross square footage the previous year.

With this substantial decrease in square footage in 1977-78, the need for expendable items should be reduced comparably. Therefore, we recommend that the amount budgeted be reduced to \$200,000 for a General Fund savings of \$283,921. This amount is approximately 45 percent of the amount budgeted in 1976-77 (compared to 27.6 percent needed) and thus should still provide adequate funds for inflation and an actual increase in the funds allocated per square foot.

We further recommend that CSUC develop a formula for future funding of expendable items and submit their proposal to the Joint Legislative Budget Committee and the Department of Finance by October 1, 1977.

3. ACADEMIC SENATE

The Academic Senate is the official organization representing the CSUC faculty. The full-time faculty on each campus selects its representatives, who total 52 systemwide. The full Academic Senate meets on the average of five times each year. Selected representatives regularly attend meetings of the Board of Trustees and are consulted on various matters affecting academic policy.

The 1977-78 Budget provides \$386,370 for support of the Academic Senate. These funds primarily provide for release time from teaching duties for the Senate's principal officers. Release time is essential because members of the Senate are expected to participate actively in CSUC administrative affairs and attend numerous Academic Senate committee meetings each year.

4. CHANCELLOR'S OFFICE

The Chancellor is the chief executive officer of the CSUC Board of Trustees. He is responsible for the implementation of all policies enacted by the board. Other responsibilities of the Chancellor and his staff include:

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

Table 31 lists the major divisions in the Chancellor's office and shows a net increase of 2.3 General Fund positions excluding information systems.

A. Energy Conservation

We recommend that the proposed energy utilization engineer position in the Division of Physical Planning and Development be deleted for a General Fund savings of \$29,414. We further recommend that the activities of the position be absorbed within the division by redistribution of existing facility planning workload.

During the current year (1976-77), the Chancellor's Office has administratively established a new position for an energy utilization engineer in the Division of Physical Planning and Development. The 1977-78 Budget

Table 31
Chancellor's Office Expenditures
Governor's Budget

	1976/77		1977/78		Change	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
General Fund						
Chancellor's Office						
Personnel						
Executive Office	14.5	\$396,163	14.5	\$397,395	—	\$1,232
Legal Services	16.5	437,404	16.5	454,866	—	17,462
Academic Affairs	57.8	1,518,883	57.1	1,471,823	-0.7	-47,060
Faculty and Staff	28.0	725,626	28.0	737,621	—	11,995
Business Affairs	58.4	1,374,875	59.4	1,420,579	1.0	45,704
Physical Planning	20.8	523,155	21.8	560,263	1.0	37,108
Government Affairs	9.0	197,627	9.0	203,139	—	5,512
Institutional Research	13.0	317,629	13.0	319,698	—	2,069
Public Affairs	5.0	130,590	5.0	131,091	—	501
Administrative Office	56.1	939,330	57.1	996,651	1.0	57,321
Subtotal	279.1	6,561,282	281.4	6,693,126	2.3	131,844
Operating Expense and						
Equipment	—	2,311,079	—	2,103,334	—	-207,745
Total	279.1	\$8,872,361	281.4	\$8,796,460	2.3	\$-75,901
Audit Staff						
Personnel	11.0	281,640	11.0	291,640	—	10,000
Operating Expense and						
Equipment	—	73,884	—	83,782	—	9,898
Total	11.0	\$355,524	11.0	\$375,422	—	\$19,898
Information Systems						
Personnel	119.0	2,265,722	118.0	2,307,466	-1.0	41,744
Operating Expense and						
Equipment	—	3,897,743	—	4,090,742	—	192,999
Total	119.0	\$6,163,465	118.0	\$6,398,208	-1.0	\$234,743
Total General Fund	409.1	\$15,391,350	410.4	\$15,570,090	1.3	\$178,740
Special Funds						
Parking						
Personnel	0.4	4,950	0.4	5,101	—	151
Operating Expense and Equip-						
ment	—	1,578	—	—	—	-1,578
Total	0.4	\$6,528	0.4	\$5,101	—	\$-1,427
Continuing Education						
Personnel	11.0	239,158	10.0	229,727	-1.0	-9,431
Operating Expense and Equip-						
ment	—	126,600	—	198,277	—	71,677
Total	11.0	\$365,758	10.0	\$428,004	-1.0	\$62,246
Total Special Funds	11.4	\$372,286	10.4	\$433,105	-1.0	\$60,819
Grand Total	420.5	\$15,763,636	420.8	\$16,003,195	0.3	\$239,559
Funding Sources						
General Fund						
Reimbursements	—	13,867,843	—	14,078,599	—	210,756
Parking Revenue Fund	—	1,523,507	—	1,491,491	—	-32,016
Continuing Education Revenue	—	6,528	—	5,101	—	-1,427
Fund	—	365,758	—	428,004	—	62,246

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CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

proposes to continue the position in the budget year. The position is responsible for formulating basic policies and developing procedures and guidelines covering the establishment and implementation of an energy utilization program for the CSUC. The position is also proposed to work with staff from the Division of Budget Planning and Administration in developing expenditure needs and budgetary requirements for utilities and other energy resources.

While we strongly support the implementation of a systemwide energy conservation program in the CSUC, we believe that such a program can be accomplished through existing resources by redistributing the existing workload with the Division of Physical Planning and Development.

Included in the Division of Physical Planning and Development are four positions for facility planning. Facility planners are used primarily to "review and evaluate the facility and equipment needs of assigned campuses to meet the approved and projected educational programs." A major component of their workload has been the review of plans for new construction rather than modification of existing facilities. Historically, the majority of capital outlay expenditures has been for the construction of new facilities reflecting the systemwide growth in student enrollment. Table 32 summarizes CSUC capital expenditures from 1973-74 through 1977-78.

Table 32
Capital Outlay Expenditures, 1973-74 through 1977-78^a

1973-74	\$60,641,000
1974-75	\$41,700,000
1975-76	\$19,396,000
1976-77	\$26,500,000
1977-78 (Governor's Budget)	\$12,600,000

^a Dollar values have been adjusted to 1973-74 base.

As Table 32 indicates, there has been a decline of \$48 million or 79.2 percent in annual capital outlay expenditures from 1973-74 to 1977-78. However, while the capital outlay program was declining significantly, the number of facility planners remained constant (one position that had been vacant for five years was terminated in 1976).

As previously discussed (Table 6), CSUC projects that student enrollment will continue in a "steady state" well into the 1980's. As a result, we do not anticipate any major increase in the capital outlay program during that period. Because of the decline in workload since 1973-74 and the anticipated continuation of the trend in the near future, we conclude that the activities of the energy utilization engineer can be absorbed by redistributing the existing workload of the facility planners. Consequently, we recommend that the new position be eliminated for a General Fund savings of \$29,414.

B. Community Relations

We recommend a reduction of 9.5 positions in the technical/clerical staffing available for community relations for a General Fund savings of \$105,982.

The campus community relations program consists of those functions related to public affairs, public information, school relations and various governmental relations. Table 33 lists the number of technical/clerical positions in campus community relations as provided by formula, as budgeted and as actually filled for fiscal 1975-76.

Table 33
Campus Community Relations
Technical/Clerical Staffing, 1975-76

a) Relations with schools
b) Public Affairs

<i>Campus</i>	<i>Formula level</i>	<i>Budgeted level</i>	<i>Actual</i>	<i>Difference between actual and budgeted</i>
Bakersfield	1.5	0.5	—	-0.5
Chico	1.5	3.0	5.0	+2.0
Dominguez Hills	1.0	1.0	3.4	+2.4
Fresno	1.5	—	0.2	+0.2
Fullerton	1.5	0.5	1.0	+0.5
Hayward	2.0	3.0	2.2	-0.8
Humboldt	1.0	1.0	1.1	+0.1
Long Beach	2.0	2.0	4.8	+2.8
Los Angeles	2.0	—	0.7	+0.7
Northridge	1.0	1.5	5.8	+4.3
Pomona	2.0	1.0	1.3	+0.3
Sacramento	1.5	1.5	1.1	-0.4
San Bernardino	2.0	2.1	3.6	+1.5
San Diego	2.0	2.0	2.0	—
San Francisco	1.0	1.5	1.0	-0.5
San Jose	2.0	2.0	2.5	+0.5
San Luis Obispo	2.0	1.0	1.3	+0.3
Sonoma	1.0	1.0	1.0	—
Stanislaus	1.0	1.0	1.0	—
Total	29.5	25.6	39.0	+13.4

The number of budgeted positions is based on the approved level of support as funded by the Budget Act. This figure may vary slightly from the formula derived number. The number of positions actually used reflects the transfer of additional positions from other institutional support cost centers into the community relations cost center.

As Table 33 indicates, there were 13.4 more positions actually used in community relations in 1975-76 than were budgeted. While most campuses can operate at the budgeted level, significant differences occur at Northridge (+4.3 positions), Long Beach (+2.8 positions), Dominguez Hills (+2.4 positions), Chico (+2.0 positions) and San Bernardino (+1.5 positions). Although we do not have similar data for 1976-77, Table 34 indicates that there has been an excess in positions actually filled compared to positions budgeted in every year since 1971-72.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—Continued

Table 34
Campus Community Relations Technical/Clerical Staffing
1971-72 through 1977-78

	<i>Positions as Budgeted</i>	<i>Actual Positions</i>
1971-72.....	13.5	21.6
1972-73.....	18.0	25.6
1973-74.....	27.5	35.3
1974-75.....	26.6	37.3
1975-76.....	25.6	39.0
1976-77.....	24.6	— ^a
1977-78.....	24.8	— ^a

^a Actual data not yet available.

This leads us to two conclusions: (1) community relations is being staffed at a level higher than that which was approved when the staffing formula was established and (2) certain cost centers are overbudgeted in that they are transferring unneeded positions into the community relations activity. We are aware of no special circumstances which justify such a consistent overstaffing. Consequently, we recommend a reduction of \$105,982 in funds which have been made available for community relations technical/clerical staffing. The reduction represents the elimination of 9.5 positions (clerical assistant III, first step) in those cost centers losing positions to community relations (as determined by CSUC).

We believe this reduction is conservative in that it is based on (1) the difference between actual and formula figures (+9.5 positions) rather than actual and budgeted (+13.4 positions) and (2) the differential as it existed in 1975-76 (as Table 34 indicates, the differential is increasing annually).

VII. INDEPENDENT OPERATIONS

The independent operations program contains a variety of auxiliary organizations and special projects performed by college employees for private and public agencies which are not an integral part of the primary instructional function. Included are dining halls, book stores, college unions and campus foundations. No direct General Fund support is provided.

Table 35 shows the estimated expenditures for 1977-78.

Table 35
Independent Operations Expenditures

Program Elements	1975-76	Personnel 1976-77	1977-78	Expenditures			Change	
				1975-76	1976-77	1977-78	Amount	%
1. Institutional operations.....	649.4	557.4	609.5	\$17,113,916	\$15,389,060	\$16,615,214	\$1,226,154	8.0%
2. Outside agencies.....	943.4	631.6	638.7	39,926,885	34,872,389	35,567,948	695,559	2.0
Continuing program costs.....	1,592.8	1,189.0	1,248.2	\$57,040,801	\$50,261,449	\$52,183,162	1,921,713	3.8%
General Fund.....	—	—	—	— 859,815	—	—	—	—
Reimbursements.....	1,575.8	1,185.4	1,243.3	26,518,850	18,961,770	20,729,420	1,767,650	9.3
Parking Account.....	—	—	—	—	—	—	—	—
Dormitory Revenue Fund.....	2.4	3.6	4.9	215,162	239,679	273,742	34,063	14.2
Foundations—federal.....	—	—	—	17,767,550	18,000,000	18,000,000	—	—
Foundations—other.....	—	—	—	8,373,397	8,100,000	8,100,000	—	—
Auxiliary organizations—other.....	—	—	—	4,729,208	4,960,000	5,080,000	120,000	2.4
Continuing Education								
Revenue Fund.....	14.6	—	—	296,449	—	—	—	—

CALIFORNIA MARITIME ACADEMYItem 325 from the General
Fund

Budget p. 894

Requested 1977-78	\$2,113,035
Estimated 1976-77	2,072,056
Actual 1975-76	1,798,547
Requested increase \$40,979 (2.0 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. *Federal Aid. Augment by \$102,146.* Recommend expenditures be increased for student financial aid; to be offset by increased federal funds of the same amount. 908

GENERAL PROGRAM STATEMENT

The California Maritime Academy (CMA), located at Vallejo, was established in 1929 and is one of six institutions in the United States providing a program for students who seek to become licensed officers in the U.S. Merchant Marine. The academy receives some federal support for this program.

In response to legislation (Chapter 1069, Statutes of 1972), CMA prepared a five-year academic plan designed to expand the curriculum, provide accredited degrees in marine and maritime sciences and increase the number of graduates. This plan was reviewed and approved by the Legislature and Governor for its initial year of funding in 1974-75.

The academy has accelerated its enrollment plans and expects to reach its full complement of 468 students by the fall of 1977. Its four-year academic program includes three 10-week sea training periods, a two-week internship and a final seminar to prepare for license board examinations. Students major in either Marine Engineering Technology or Nautical Industrial Technology.

Sea training periods are conducted each year aboard a merchant-type ship loaned to California by the Federal Maritime Administration (MARAD). Students, upon successful completion of the entire program, must pass a U.S. Coast Guard examination for either a third mate or third assistant engineer license before they receive a bachelor of science degree.

CMA is governed by an independent seven member board of governors appointed by the Governor for four-year terms. Two members are educators, three are public members and two represent the maritime industry. The board sets admission standards and appoints a superintendent who is the chief administrative officer of the academy.

ANALYSIS AND RECOMMENDATIONS

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

Table 1
MARITIME ACADEMY BUDGET SUMMARY

Programs	Actual	Estimated	Proposed	Change	
	1975-76	1976-77	1977-78	Amount	Percent
I. Instruction	\$736,006	\$812,501	\$916,378	\$103,877	12.8%
II. Academic support	455,337	486,022	493,779	7,757	1.6
III. Student services	584,545	860,910	1,031,697	170,787	19.8
IV. Institutional support	997,248	1,102,445	1,059,165	-43,280	-3.9
TOTALS	\$2,773,136	\$3,261,878	\$3,501,019	\$239,141	7.3%
Funding Sources					
General Fund	\$1,798,547	\$2,072,056	\$2,113,035	\$40,979	2.0%
Reimbursements	622,394	801,904	984,578	182,674	22.8
Federal funds	352,195	387,918	403,406	15,488	4.0
TOTALS	\$2,773,136	\$3,261,878	\$3,501,019	\$239,141	7.3%
Positions	104	110.7	121.2	10.5	9.5%

Table 1 reflects substantial increases in instructional costs and in the student services program. These increases are largely offset by increased reimbursements from tuition and federal subsidies. As indicated in the table, a total of 10.5 new positions are proposed in the Governor's Budget.

The Governor's Budget also reflects a General Fund increase of \$40,979, or 2.0 percent. Included in the current year base, however, are \$60,000 for minor capital outlay expenditures which have subsequently been transferred to the capital outlay budget. Consequently, the proposed increase in General Fund expenditures is actually \$100,979, or 5.0 percent.

Federal Aid Underestimated

We recommend that expenditures be increased by \$102,146 for student financial aid, to be offset by increased federal funds of the same amount.

The Governor's Budget, in the Student Services program element, includes \$392,288 in expenditures for student financial aid. Of this amount, \$317,854 is for student aid payments, offset by an equal amount of estimated federal reimbursements. However, CMA projects \$420,000 in federal monies for student financial assistance, and we concur with this estimate. Therefore we recommend that total expenditures and federal funds be increased to reflect this projection, with no impact on the General Fund.

Enrollment

Table 2 summarizes CMA applications, enrollment and graduates for a five-year period. It indicates that enrollment is scheduled to increase by 54 students, or 13.0 percent, in 1977-78.

Table 2
CMA ENROLLMENT STATISTICS

	1973-74	1974-75	1975-76	1976-77	1977-78 (est.)
Applications	230	320	374	402	468
Admissions	132	152	146	180	140
Budgeted Enrollment	240	313	360	414	468
Average Enrollment	240	312	349	414	468
Graduates	52	58	99	8 ^a	97

^a Interim class, most students converted to new four-year program.

CALIFORNIA MARITIME ACADEMY—Continued**Progress Toward Accreditation**

The Committee on Conference for the Budget Act of 1972 recommended the "instructional program be redesigned to provide an accredited degree in marine or maritime sciences or other related academic areas . . ." CMA has recently been granted "candidate" status by the Western Association of Schools and Colleges, the Engineers' Council for Professional Development, and the National Association of Industrial Technology. A combined final accreditation review was conducted in October 1976, and a decision should be known prior to the 1977 budget hearings.

Improved Budget Format

Last year the Conference Committee requested that a separate budget element be established for continuing education, and that the budget format "reflect the costs and level of student fee reimbursement for (a) maintenance and cleaning of housing, (b) health services, and (c) food services." The Governor's Budget now reflects expenditures for these separate elements, but corresponding subdivisions for reimbursements are not shown.

BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES

Items 326-328 from the General Fund, Item 327 from the Credentials Fund

Budget p. 899

Requested 1977-78	\$556,464,301
Estimated 1976-77	515,009,700
Actual 1975-76	414,269,191
Requested increase \$41,454,601 (8.0 percent)	
Total recommended reduction	None

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	<i>Analysis page</i>
326	Board of Governors support	General	\$2,176,029	911
328	Extended Opportunity Program	General	13,983,157	913
—	Local District Apportionments	General	540,305,115	915
	Total		\$556,464,301	
327	Community Colleges Credentials	Credentials	\$486,425	911

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

	<i>Analysis page</i>
1. Extended Opportunity Programs and Services (EOPS). Recommend "program effectiveness" be phased out of the allocation formula, beginning with a reduction of 10 percent in 1977-78.	913
2. Apportionments. Recommend survey to revise ADA projections and analyze enrollment trend.	916
3. Apportionments. Recommend development of a user's guide for the computer model used in estimating apportionments.	919
4. District Reserves. Recommend study of community college district reserves.	919

General Program Statement

The Board of Governors of the Community Colleges was created by Chapter 1549, Statutes of 1967, to provide leadership and direction for the continuing development of community colleges within the overall structure of public postsecondary education in California. The board is composed of 15 members appointed by the Governor for four-years terms.

The Chancellor's office is the administrative staff of the board. Small regional offices working under the occupational education unit are located in Los Angeles, Oakland, and Sacramento. The board serves primarily as a planning, coordinating, reporting, advising and regulating agency. It directly administers a credentialing program, the state-funded Extended Opportunity Programs and Services (EOPS), certain aspects of federally funded occupational programs and, since July 1, 1974, state apportionments to the 70 local community college districts.

ANALYSIS AND RECOMMENDATIONS**Enrollment**

Table 1 shows enrollment and average daily attendance (ADA) statistics since 1969. Community colleges are projecting an increase of 30,500 ADA (3.8 percent) for 1977-78.

Table 1
Student Enrollment and ADA in Community Colleges

Year	Total enrollment	Fall graded Students		Ungraded students	Total ADA	Percent increase ADA
		Full-time	Part-time			
1969-70.....	704,768	258,998	343,919	101,851	464,565	10.9%
1970-71.....	825,129	282,388	269,553	173,188	517,339	11.3
1971-72.....	873,784	295,646	399,590	178,548	552,208	6.7
1972-73.....	921,953	281,740	429,216	210,997	573,593	3.9
1973-74.....	1,010,823	306,070	546,747 "	158,006 "	609,459	6.3
1974-75.....	1,137,668	324,281	635,426	171,961	695,374	14.1
1975-76.....	1,284,407	374,473	727,075	182,859	768,860	10.6
1976-77 (est.).....	1,337,820	390,643	757,206	189,971	793,600	3.2
1977-78 (est.).....	1,397,860	408,175	791,189	198,496	824,100	3.8

" Major change due to elimination of adult permissive tax (Chapter 209, Statutes of 1973).

Board of Governors Budget Summary

The board's total General Fund budget as proposed in the Governor's Budget is \$556,464,301. This includes \$2,176,029 (Item 326) for the support of the board, \$13,983,157 (Item 328) for the Extended Opportunity Programs and Services, and \$540,305,115 for apportionments to local community college districts.

In addition to these General Fund monies, the budget proposes to transfer \$486,425 from the Community College Credentials Fund (Item 327) for support of the credentialing activity, \$100,000 from a Special Deposit Fund to support a real estate education program, and \$450,000 from the State School Fund. Thus, a combination of all of these funding sources plus \$1,364,991 in reimbursements provides the board a total of \$558,865,717 for expenditure and apportionment in 1977-78.

The board has decided to withhold a portion of its budget proposal (primarily new positions and contract funds) until the appointment of a new chancellor. A request for an augmentation to the support budget can therefore be anticipated.

Table 2 sets forth total program expenditures, funding sources, positions and proposed changes.

I. BOARD OF GOVERNORS SUPPORT PROGRAM (Item 326)**New Positions**

Although Table 2 indicates no net increase in the number of positions in 1977-78, the Governor's Budget proposes 7.5 new positions. All of these positions were administratively established during the current year and are proposed for continuation.

Of the 7.5 new positions proposed for continuation in 1977-78, five are required to support the Regional Adult Vocational Education Councils created by Chapter 1269, Statutes of 1975; 1.5 positions to carry out pro-

BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—Continued

Table 2
Board of Governors Program Budget Summary

<i>Programs</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>	<i>Change Amount</i>	<i>Percent</i>
I. Board of Governors support	\$3,308,264	\$4,008,373	\$4,127,445	\$119,072	3.0%
II. Extended Opportunity Programs and Services	7,654,879	11,484,027	13,983,157	2,499,130	21.8
III. Community College apportionments	405,393,623	501,876,256	540,755,115	38,878,859	7.7
TOTALS	\$416,356,766	\$517,368,656	\$558,865,717	\$41,497,061	8.0%
<i>Funding sources</i>					
<i>General Fund</i>					
1. Support budget appropriations	\$1,647,446	\$2,099,417	\$2,176,029	\$76,612	3.6%
2. EOP appropriations	7,654,879	11,484,027	13,983,157	2,499,130	21.8
3. Community college apportionments	404,966,866 ^a	501,426,256 ^a	540,305,115 ^a	38,878,859	7.8
GENERAL FUND					
SUBTOTALS	\$414,269,191	\$515,009,700	\$556,464,301	\$41,454,601	8.0%
<i>Special Deposit Fund</i>	\$12,662	\$100,000	\$100,000	0	0
<i>Credentials Fund</i>	392,861	469,703	486,425	16,722	3.6
<i>State School Fund</i>	426,757	450,000	450,000	0	0
<i>Reimbursements</i>	1,224,065	1,339,253	1,364,991	25,738	1.9
<i>Federal funds</i>	31,230	0	0	0	0
TOTALS	\$416,356,766	\$517,368,656	\$558,865,717	\$41,497,061	8.0%
<i>Positions</i>	123.0	128.3	128.3	0	0

^a State share only. Does not include federal, county, district or student funded expenditures.

gram review functions mandated by Chapter 323, Statutes of 1976 (SB 1641); and one federally funded specialist in fire science education who was transferred to the Chancellor's office from the Department of Education.

The Governor's Budget also includes \$77,700 for an integrated data-base management information system for the Chancellor's office. Development of this system is scheduled as a five-year project, originally funded in the 1976-77 budget.

Public Works Employment Act of 1976 (PWEA)

As discussed in our analysis of the Employment Development Department (Item 257), the federal government has made funds available to California under the provisions of Title II of the Public Works Employment Act of 1976. Included in this program is an allocation of \$83,144 (seven positions) for the current fiscal year and \$124,716 (ten positions) in fiscal 1977-78 for the California Community Colleges. These funds will be utilized to employ additional clerical personnel in the Credentials Section of the Chancellor's office.

It is estimated that without these funds, the backlog of unprocessed teaching and administrative credentials will increase to approximately

15,000 by the end of the current fiscal year and could increase to 25,000 by the end of fiscal 1977-78. The additional clerks funded by the Public Works Employment Act could result in the complete elimination of the backlog and a corresponding reduction of turnaround time, which is presently about four months.

Because the cost of these credentials is borne by the applicants, this project will have no net impact on the state General Fund. The benefits of the federal funding therefore fall primarily on the credential applicants and, of course, the new employees. There should be no need to fund the new positions subsequent to the expiration of the federal program.

II. EXTENDED OPPORTUNITY PROGRAMS AND SERVICES (Item 328)

The Extended Opportunity Programs and Services (EOPS), implemented by Chapter 1579, Statutes of 1969, is designed to provide financial aid grants and services for disadvantaged students in community colleges. A total allocation of \$13,983,157 is proposed in the Governor's Budget, an increase of 21.8 percent over the previous year. This will allow the colleges to serve the same number of entering students as in 1976-77 as well as those who are eligible to continue in the program.

Table 3 summarizes the funding history of the program.

Table 3
Extended Opportunity Program Summary

<i>Fiscal Year</i>	<i>Annual appropriation</i>	<i>Total students served</i>	<i>Average expenditure/ student</i>
1969-70	\$2,870,000	13,943	\$206
1970-71	4,350,000	19,725	221
1971-72	3,350,000	19,459	172
1972-73	4,850,000	19,800	245
1973-74	6,170,500	25,083	246
1974-75	6,170,500	23,917	258
1975-76	7,656,018	27,149	282
1976-77	11,484,027	40,724	282
1977-78 (est.)	13,983,157	48,679	287

EOPS Evaluations

An evaluation of the community colleges EOPS program was completed in early 1976 by the Evaluation and Training Institute, a private organization under contract to the Board of Governors. The evaluation concluded that "EOPS is a success, both with respect to meeting the objectives and intent of SB 164 and in terms of reasonable expectations for the students' perceptions and performance." A separate evaluation is presently being conducted by the Department of Finance.

Allocation of Funds

We recommend that the use of "program effectiveness" in the EOPS allocation formula be phased out, beginning with a reduction of 10 percent in 1977-78.

EOPS funds are presently distributed to the colleges according to a formula which includes two basic criteria: "need", weighted 60 percent, and "program effectiveness," weighted 40 percent. The inclusion of pro-

BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—Continued

gram effectiveness in the formula is based on the argument that it will allocate funds where they are utilized most efficiently and that it will provide an incentive for college administrators to upgrade the quality of their EOPS programs. However, its use in the formula in fact has an adverse effect—there will inevitably be a less efficient allocation of funds according to the important criterion of need.

We believe there will be a diminishing need to use this so-called program quality formula as the Chancellor's office implements alternative methods of ensuring effective EOPS programs in the community colleges. By providing regional training workshops for EOPS directors, conducting on-site visits on a "management by exceptions" basis, and developing an EOPS manual, the Chancellor's staff is presently moving toward this goal.

We would also encourage the Board of Governors and the Chancellor's office to exercise more authority in requiring the colleges and districts to take corrective actions in order to bring their EOPS programs up to specific standards. This might include, for example, requirements that colleges with a certain level of EOPS-eligible student population employ a director on a full-time basis; that colleges adopt specified methods to identify and recruit students with need for EOPS services; and that tutorial and counseling services be implemented on a scale which will satisfy the needs of the students.

With progress toward uniformity in program quality, it will become increasingly apparent that the use of program effectiveness in the allocation formula results in a misallocation of resources. Equal allocations for program effectiveness will not be consistent with the variations in need for EOPS funds among the colleges. By phasing out this mechanism, its beneficial effects could be retained during a period when it will do the most good, severe disruptions in the colleges' EOPS funding could be avoided, and an optimal allocation of resources could be achieved.

It should be noted that our recommendation would not eliminate the Board of Governors' discretionary authority over the colleges' EOPS funds. This authority could still be used as a tool of last resort, as part of a procedure whereby colleges or districts would be placed on probation for failing to take certain specified actions to maintain an effective EOPS program. Such a mechanism has recently been instituted, and we advocate its retention.

Grants Versus Services

Last year we recommended that at least 70 percent of all EOPS funds be expended for student services, with the remaining 30 percent expended for grants. The Conference Committee on the Budget Act recommended a 50-50 split. This has been virtually achieved, according to Chancellor's office estimates, although significant variation exists among the individual colleges.

We hold to the position that the need for services generally exceeds the need for grants among EOPS students at the community college level. This position is reinforced by recent increases in state-funded College

Opportunity Grant awards and by regulations which require all EOPS students to apply for a federal Basic Educational Opportunity Grant.

The Governor's Budget projects that financial assistance to community college students, other than EOPS grants, will increase 19.1 percent in 1977-78, compared with an enrollment increase of about 5 percent. There are some recent developments, however, which indicate that federal aid provided through campus-based programs might decrease in the next fiscal year. We therefore withhold any recommendation pending the receipt of additional information on the impact of federal financial assistance to community college students.

III. COMMUNITY COLLEGE APPORTIONMENTS

New Financing System

Chapter 323, Statutes of 1976, substantially changed the system of financing community colleges. Previously, the state support system was based on the foundation program concept. Students were classified either as defined adults—those students past the age of 21 who attended classes for less than 10 hours per week—or as other than defined adult. Because of a rapid increase in adult enrollments, a limit was placed on the growth in adult student units eligible for state aid in 1975-76.

Chapter 323 eliminated the category of defined adult and removed the cap. With the new law, each community college will receive the same state funds in 1976-77 as it received in 1975-76. For each additional student above the 1975-76 base, the state will pay the average per unit state aid paid in 1975-76 adjusted by an equalization factor. The equalization factor is equal to the quotient of state assessed property value per student unit divided by the district assessed value per student unit. The purpose of this mechanism is to equalize state aid.

The state unit aid formula will be increased by 6 percent per year statewide for districts with average assessed value per student. The 6 percent adjustment will be altered by the equalization factor for districts below or above this range.

In regard to local support, the new law has replaced the revenue limit mechanism with a tax rate control system. Under the new system, local revenue will be based on either (1) the prior year's tax rate times the current year's assessed valuation or (2) the prior year's tax revenue increased by the total of the percent increase in the prior year's California Consumer Price Index and the prior year's population increase in the district. The tax rate ceiling can be increased at any time by a majority vote of the electorate in the district.

Under the new financing system, state support is primarily a function of the number of student units, while local revenue is primarily a function of property values. If in the future there is a substantial increase in property values, there will be corresponding increases in local revenues for community colleges.

Table 4 shows the estimated effect of the new financing system by comparing the increases in state aid per ADA and in local revenue per ADA. For 1976-77, it is estimated that local revenue per ADA will increase by 6.8 percent and that state apportionments will increase by 13.8 percent.

BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—Continued

It should be noted that the total state apportionments include handicapped apportionments and special apportionments. Regular apportionments per ADA will increase by 16.4 percent in 1976-77 and 7.9 percent in 1977-78.

It also should be noted that based on our review of key districts, (1) the ADA projections for 1976-77 and 1977-78 appear too high and (2) the projected assessed valuation growth of 9 percent for 1977-78 is too low. Consequently, the total income per ADA and the property tax revenue per ADA figures in Table 4 for both 1976-77 and 1977-78 should increase. We will discuss this issue more fully later in this Analysis.

Table 4
Summary of Fiscal Support (General Fund) Per
ADA for Community Colleges Since 1971^a

Year	ADA	Percent Change	Total ^b		Total Property Tax		Total	
			Income Per ADA	Change	Income Per ADA	Change	State Aid Per ADA	Change
1971-72.....	552,208		\$1,092		\$615		\$368	
1972-73.....	573,593	3.9%	1,175	7.6%	671	9.1%	385	4.6%
1973-74.....	609,459	6.3	1,371	16.7	656	-2.2	572	48.6
1974-75.....	695,374	14.1	1,439	5.0	655	-2	617	7.9
1975-76.....	768,860	10.6	1,480	2.8	660	.8	639	3.6
1976-77 (est.).....	793,600	3.2	1,632	10.3	705	6.8	727	13.8
1977-78 (est.).....	824,100	3.8	1,726	5.8	749	6.2	756	4.0

^a From State Controller's reports: financial transactions concerning school districts of California.

^b Includes federal and miscellaneous income.

State and Local Sharing

Table 5 shows the relationship since 1971 between state support, local property tax revenue, and total income for the community colleges. It has frequently been recommended that the state should contribute 45 percent of the cost of education. Setting aside the discussion of the rationale behind this arbitrary goal of 45 percent, we can see that in regard to comparing state aid to local property tax revenue we have exceeded that figure. The figures for 1974-75 through 1977-78 are respectively 48.5 percent, 49.2 percent, 50.8 percent and 50.2 percent. The reason for the decline in 1977-78 is not due to a slacking in state aid (estimated to increase at almost 8 percent) but is due to a 10.2 percent increase in local revenue.

The 1976-77 and 1977-78 Apportionments

We recommend that prior to May 1977, the Chancellor's office undertake a survey in order (a) to revise its 1976-77 and 1977-78 ADA projections and (b) to analyze the reasons for the unexpected leveling off in enrollments.

Table 6 presents a summary of the community colleges apportionments. Regular apportionments for 1976-77 and 1977-78 are estimated to be \$456,-

Table 5
Summary of Support (General Fund) for Community Colleges Since 1971
(Thousands)

<i>Income</i>	<i>Actual 1971-72</i>	<i>Actual 1972-73</i>	<i>Actual 1973-74</i>	<i>Actual 1974-75</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Estimated 1977-78</i>
Local property tax	\$339,585	\$384,898	\$399,937	\$456,126	\$507,293	\$560,027	\$617,420
State apportionments.....	181,783	186,530	286,862	369,433	423,740	501,876	540,755
Other state income	21,366	34,109	61,715	59,495	67,585	75,118	82,241
Total state and local income	\$542,734	\$605,536	\$748,513	\$885,054	\$998,618	\$1,137,021	\$1,240,416
Percent of total state income to total state and local income	37.4%	36.4%	46.6%	48.5%	49.2%	50.8%	50.2%
Federal aid	\$40,844	\$45,589	\$51,936	\$66,016	\$90,353	\$109,044	\$133,033
Miscellaneous income	19,337	23,003	35,111	49,329	48,861	48,861	48,861
Total income	\$602,915	\$674,128	\$835,561	\$1,000,399	\$1,137,832	\$1,294,926	\$1,422,310
Percent of total state income to total income	33.7%	32.7%	41.7%	42.9%	43.2%	44.5%	43.8%

BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—Continued

332,478 and \$508,896,031 respectively. The accuracy of these estimates is largely dependent on the accuracy of the ADA projections which were presented in Table 1.

The ADA is projected to increase by 3.2 percent in 1976-77, and 3.8 percent in 1977-78. At this time, these estimates appear too high. In fact, many districts are experiencing a leveling off in enrollments. Such leveling has a positive impact on the General Fund. For example, Los Angeles is now projecting an actual decline in ADA. Their most recent estimate of state aid is approximately \$4.0 million below that of the Governor's Budget. We have roughly estimated that a 1 percent decrease statewide in projected ADA, for 1977-78, will result in a state savings of approximately \$7.6 million in apportionments. It is for this reason we are recommending the study. A May 1977 due date is necessary in order to calculate the impact on 1977-78 General Fund surpluses.

Table 6
Summary of Community College Apportionments
From State General Fund

	<i>Actual</i> 1975-76	<i>Estimated</i> 1976-77	<i>Estimated</i> 1977-78	<i>Change</i> Amount	<i>Percent</i>
Apportionments—Regular:					
Grades 13-14 basic aid.....	\$90,304,750	\$99,200,000	\$103,012,500	\$3,812,500	3.8%
Grades 13-14 equalization aid	294,878,237	359,754,268	411,068,631	51,314,363	14.3
Demographic factor	—	4,000,000	4,000,000	—	—
Totals, Regular Apportionments	\$385,182,987	\$462,954,268	\$518,081,131	\$55,126,863	11.9%
Apportionments—Special Education					
Special facilities	—	\$1,405,937	\$1,451,098	\$45,161	3.2%
Special education materials	—	1,405,937	1,451,098	45,161	3.2
Special education assistance	—	3,749,168	3,869,594	120,426	3.2
Mobility assistance	—	937,291	967,398	30,107	3.2
Transportation	—	937,291	967,398	30,107	3.2
Program development services	—	937,292	967,398	30,106	3.2
Total, Handicapped Apportionments	\$6,799,217	\$9,372,916	\$9,673,984	\$301,068	3.2%
Prior year adjustments	\$1,089,170	\$1,000,000	\$1,000,000	—	—
Special allowances—1975-76 Budget Act	3,872,419	—	—	—	—
Totals, per Education Code 17303.1, 17303.6, 17668, and per Budget Act	\$396,943,791	\$473,327,184	\$528,755,115	\$55,427,931	11.7%
Special apportionments					
State teachers' retirement ..	\$6,321,007	\$11,000,000	\$12,000,000	\$1,000,000	9.1%
Assistance to new community colleges	2,128,825	17,549,072	—	-17,549,072	-100%
Totals, special apportionments	\$8,449,832	\$28,549,072	\$12,000,000	-\$16,549,072	-6.0%
TOTALS, APPORTIONMENTS	\$405,393,623	\$501,876,256	\$540,755,115	\$38,878,859	7.7%

Computer Model Used in Making Apportionments Estimates

We recommend that the Chancellor's office develop a user's guide describing the existing computer model for estimating apportionments.

The Chancellor's office has developed a computerized model to simulate the current financing system. This model has proven to be an invaluable tool, not only for projecting the current system but also in analyzing the effects of changes to that system. However, it is important for those agencies who use the results of the model to thoroughly understand it. For this reason we are recommending that the Chancellor's office prepare a user's guide designed for the laymen containing (1) a description of the input data, including the assumptions used in making the district by district forecast, and an explanation of when and how these data are updated, (2) a general description of how the computer model works, and (3) a description and explanation of the computer output.

Evaluation of Community College Finance Alternative

In our 1975-76 Analysis, we recommended that the California Postsecondary Education Commission (CPEC) undertake a study of alternative methods for financing community colleges. In our 1976-77 Analysis, we recommended that the study include an examination of the merits and feasibility of a method of state support similar to that used for the University of California and the California State University and Colleges. This study was to be completed by December 1, 1976. Unfortunately, because of staff changes in CPEC and new legislation affecting community college finance (Chapter 323, Statutes of 1976), the findings and recommendations had to be delayed. They will be reported to the Legislature by March 17, 1977.

District Reserves

We recommend that the Chancellor's office undertake a study to determine the reasons community college districts have district reserves totaling approximately \$250 million and to determine a reasonable amount for districts to carry over as year-end balances.

The community colleges reserves as of 1975-76, range from \$42,409,669 (Los Angeles Community College District) to \$10,299 (Lake Tahoe Community College District). As a percentage of 1975-76 expenditures, they range from 72.8 percent (West Valley Community College District) to .89 percent (Lake Tahoe Community College District). In some districts these reserves include money set aside for capital construction. However, other districts seem to be in a rather precarious financial position because their balances are such a small percentage of their expenditures. It is for these reasons that we are recommending this study.

STUDENT AID COMMISSION

Items 329-331 from the General
Fund and Item 332 from the
Guaranteed Loan Fund

Budget p. 913

Requested 1977-78	\$71,153,015
Estimated 1976-77	61,335,403
Actual 1975-76	53,629,584
Requested increase \$9,817,612 (16.0 percent)	
Total recommended increase	\$251,517

1977-78 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	Analysis page
329	Commission Administration	General	\$2,749,167	923
330	Cal Grant Program Awards	General	65,538,848	924
331	Other Award Programs	General	2,515,000	930
	Special Appropriation (Chapter 978, Statutes of 1976)	General	350,000	
		TOTAL	\$71,153,015	
332	Guaranteed Loan Program	Guaranteed Loan	\$44,305	932

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- | | |
|--|-----|
| 1. <i>State Scholarship Program. Augment Item 330 by \$308,406.</i> | 927 |
| Recommend adjustment to be consistent with the commission's methodology for estimating average award and number of awards. | |
| 2. <i>College Opportunity Grant Program. Reduce Item 330 by \$626,280.</i> | 928 |
| Recommend using Student Aid Commission's estimate of full funding for COG recipients. | |
| 3. <i>College Opportunity Grant Program. Recommend legislation to eliminate quota for community college students.</i> | 929 |
| 4. <i>Occupational Training Grant Program. Augment Item 330 by \$569,391.</i> | 929 |
| Recommend adjustment to be consistent with the commission's methodology for estimating average award and number of awards. | |
| 5. <i>Graduate Fellowships. Recommend legislation to limit awards to first two years of graduate study.</i> | 931 |

GENERAL PROGRAM STATEMENT

Formerly, statewide student financial assistance was provided through the State Scholarship and Loan Commission, established in 1955. Chapter 1270, Statutes of 1975, renamed the commission to the Student Aid Commission, changed its composition and expanded its responsibilities.

When all vacancies are filled, the commission will be composed of 12 members, decreasing to 11 by 1980. As prescribed by Chapter 1270, the 11 commissioners will consist of (1) one representative each from (a) a public, proprietary, or nonprofit postsecondary school, (b) an independ-

ent college or university and (c) the three public segments; (2) two students; (3) three public members; and (4) one representative of a secondary school. Chapter 343, Statutes of 1976, gives to the Governor the exclusive authority to appoint members, subject to confirmation by the Senate.

The commission presently administers eight aid programs. Additional responsibilities include research projects and a program for distributing information about financial aid opportunities.

ANALYSIS AND RECOMMENDATIONS

The commission's proposed General Fund budget for 1977-78 is \$71,153,015. This includes \$2,749,167 (Item 329) for administrative and support expenses, \$65,538,848 (Item 330) for the three Cal Grant programs, \$2,515,000 (Item 331) for other grant programs, and \$350,000 appro-

Table 1
Student Aid Commission Budget Summary

<i>Programs</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>	<i>Change Amount</i>	<i>Percent</i>
I. Cal Grant Program:					
a. Scholarships.....	\$42,188,181	\$48,512,031	\$54,452,620	\$5,940,589	12.2%
b. College Opportunity Grants.....	9,454,210	14,786,079	20,370,987	5,584,908	37.8
c. Occupational Educa- tion Training Grants.....	1,258,849	2,159,276	2,713,378	554,102	25.7
II. Graduate Fellowship Program	1,938,670	2,129,198	2,135,018	5,820	0.3
III. Bilingual Teacher De- velopment Pro- gram	—	44,944	359,260	314,316	699.4
IV. Law Enforcement Per- sonnel Dependents Program	14,792	24,294	24,610	316	1.3
V. Medical School Con- tract Program	1,537,813	—	—	0	0
VI. Supervised Clinical Training Grant Program	300,495	410,475	510,882	100,407	24.5
VII. Real Estate Scholarship Program	6,350	—	—	0	0
VIII. Guaranteed Loan Pro- gram.....	34,352	48,112	53,547	5,435	11.3
IX. Student Aid Informa- tion Program	—	40,000	80,000	40,000	100.0
X. Research and Report Program	68,819	107,501	116,437	8,936	8.3
TOTALS	\$56,802,531	\$68,261,910	\$80,816,739	\$12,554,829	18.4%
<i>Funding Sources</i>					
General Fund	\$53,629,584	\$61,335,403	\$71,153,015	\$9,817,612	16.0%
Special Deposit Fund ..	5,700	—	—	0	0
State Guaranteed Loan Reserve Fund	29,947	39,276	44,305	5,029	12.8
Federal funds.....	3,137,300	6,887,231	9,619,419	2,732,188	39.7
TOTALS	\$56,802,531	\$68,261,910	\$80,816,739	\$12,554,829	18.4%
Positions	107.7	139	145.3	6.3	4.5%

STUDENT AID COMMISSION—Continued

priated by Chapter 978, Statutes of 1976, for the Bilingual Teacher Development Grant Program.

In addition to these General Fund monies, \$44,305 (Item 332) would be transferred from interest earned on federal deposits to offset administrative costs of the Guaranteed Loan Program. The combination of these funding sources plus \$9,619,419 in federal funds would provide the commission with a total of \$80,816,739 for expenditure and awards in 1977-78.

A summary of expenditures by program, funding sources, personnel positions and proposed changes is set forth in Table 1.

As indicated in Table 1, the Governor's Budget proposes 6.3 new positions for the commission. These positions are mainly clerical and are workload related, associated with expansion of existing programs.

It should be noted that Table 1, taken from the Governor's Budget program summary, combines administrative costs with award costs for each program. The following table separates these cost elements. We believe this table is more informative for assessing the amount of money going to students and the commission's administrative costs.

Table 2
Summary of Administrative and Award Expenditures

<i>Programs</i>	<i>Actual 1975-76</i>	<i>Estimated 1976-77</i>	<i>Proposed 1977-78</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
I. Administration.....	\$2,060,420	\$2,576,081	\$2,828,472	\$252,391	9.8%
II. Awards:					
State Scholarship.....	41,075,206	47,228,304	53,046,126	5,817,822	12.3
College Opportunity Grant	8,851,686	14,036,261	19,565,630	5,529,369	39.4
Occupational training ..	1,137,026	2,006,264	2,546,511	540,247	26.9
Graduate fellowship.....	1,848,958	2,000,000	2,000,000	—	0
Bilingual program.....	—	—	315,000	315,000	—
Law enforcement offi- cers dependents	13,935	15,000	15,000	0	0
Clinical training	300,000	400,000	500,000	100,000	25.0
TOTAL, AWARDS.....	\$54,742,111	\$65,685,829	\$77,988,267	\$12,302,438	18.7%
GRAND TOTALS.....	\$56,802,531	\$68,261,910	\$80,816,739	\$12,554,829	18.4%

Table 2 indicates an increase of 9.8 percent in the commission's administrative costs. This increase is due primarily to normal workload increases, the participation of part-time students in the Cal Grant programs, and expansion of the financial aid information program.

Table 2 also reflects an increase of 18.7 percent in the amount awarded to students through the various scholarship and grant programs. These increases and our recommendations are discussed in the individual program analyses which follow.

Master Plan

With the assistance of a special advisory committee, the commission has proceeded with the development of Phase II of the Master Plan for the Administration and Coordination of Publicly Funded Student Aid in California. In this second phase, the commission concentrated on the goals of

achieving greater simplification, efficiency, equity, and consistency in the process of distributing financial assistance.

Some of the specific actions taken by the commission include the adoption of common need analysis and program eligibility forms, as mandated by Chapter 1270, Statutes of 1975; the initiation of research on the development of standard student expense budgets; and the development of procedures to verify information submitted by applicants for financial aid. In addition, the commission authorized the establishment of one or more advisory groups to assist in the review and evaluation of the recommendations contained in the Master Plan.

Unmet Financial Need

Chapter 1270 assigned to the commission the responsibility to "report on or before January 1, 1977, and every other year thereafter, the aggregate financial need of all individuals seeking access to postsecondary education and the degree to which current student aid programs meet this legitimate financial need." While the commission has yet to submit this report, a data processing system has been developed to carry out the measurement of aggregate financial need. The required analysis, however, must await entry of the appropriate data.

I. ADMINISTRATION (Item 329)

The Governor's Budget proposes a total General Fund appropriation of \$2,749,167 for the commission's 1977-78 administration and support services. An additional \$79,305 is also available for administration in 1977-78: \$35,000 appropriated by Chapter 987, Statutes of 1976, for administrative support of the Bilingual Teacher Development Grant program and \$44,305 transferred from the Guaranteed Loan Fund.

A. Student Financial Aid Information Program

Chapter 1270, Statutes of 1975, assigned a new function to the commission, directing it to disseminate information about financial aid programs to potential applicants. An expenditure of \$6 for each Cal Grant is authorized.

Technically, only the 23,062 new awards offered in 1977-78 under the scholarship, COG, and OETG programs can be classified as "Cal Grants." Thus, a total of \$138,372 is authorized for the information program. The Governor's Budget proposes an allocation of \$80,000, doubling the amount provided in the current year. This includes the addition of an information officer and a new clerical position.

Last year, the Committee on Conference for the Budget Act recommended that the Student Aid Commission develop a plan for implementing the information dissemination requirements of Chapter 1270. The commission has indicated that it intends to submit this plan on April 1.

Because this program is still in a developmental stage, we believe the Governor's Budget includes an adequate amount. We might alter our recommendation, however, after reviewing the commission's implementation plan.

STUDENT AID COMMISSION—Continued**B. Research and Report Program**

This program provides the Governor and Legislature with reports and information on student financial aid. Included among the required reports are the Student Resources Survey and the Student Financial Aid Inventory. Additional requirements mandated by Chapter 1270 are reports on (a) the impact and effectiveness of state-funded programs; (b) the degree to which existing programs meet the aggregate financial need among students seeking access to postsecondary education; and (c) the criteria utilized in distributing available student aid funds.

The Governor's Budget proposes \$116,437 for this program element in 1977-78. This includes a small workload-related increase.

C. Automation of Administrative Processing

Last year we expressed our concern about the lack of a comprehensive approach toward the automation of administrative processing of applications, awards, payments and reports. Our proposed augmentation for the development of an automation master plan, however, was vetoed by the Governor because the budget included funds for the Department of General Services to conduct a similar study.

General Services has subsequently prepared for the commission a "Three Year Data Processing Master Plan Study," and is currently proceeding with a follow-up feasibility study. The Governor's Budget includes \$75,000 for the implementation of recommendations contained in the data processing master plan. This amount, however, is subject to revision pending the results of the feasibility study.

II. STUDENT AWARD PROGRAMS (Items 330-332)**Overview of Procedural Assumptions in Cal Grant Recommendations**

As we discuss each Cal Grant program (State Scholarships, College Opportunity Grants, and Occupational Training Grants), we will make recommendations which differ significantly from the Governor's Budget proposal. It is important to recognize, however, that this situation stems primarily from procedural rather than policy differences. These procedural differences involve the manner in which (1) the average award is calculated and (2) the total number of awards is estimated.

General Fund allocations for the Cal Grant programs are determined by multiplying the desired average award by the estimated number of awards. The commission calculates its proposed average award for each program by establishing a base figure—the current year average award—and adding an amount necessary to cover the cost of such factors as (a) an increase in the statutory limit for the award, (b) a change in the proportion of award winners at independent colleges, and (c) inflation. It is estimated that the resulting figure will be sufficient to satisfy the financial needs of the award recipients.

Average Award

Most of the difference between the commission's budget request for fiscal 1977-78 and the Governor's proposals is due to the fact that the current year average award (the base figure) was calculated differently. The Governor's Budget assumes that the average award utilized in the 1976-77 Budget is an appropriate base. The commission, in its fiscal 1977-78 budget request, utilized an updated estimate of the actual average award as of September 1976. These two figures are likely to differ because the projected need of the students will generally vary from the actual amount as subsequently calculated.

Although the Governor's Budget does not utilize the commission's base figures, the proposed augmentations were derived from commission projections of future funding needs. As will be seen in our discussion of the individual programs, this has resulted in budget proposals which are inconsistent with their underlying policy rationales. In order to avoid this problem, we have utilized the commission's base figures.

The following table illustrates the differences between the base levels used by the commission and the budget.

Table 3
Average Cal Grant Award Base Figures

<i>Programs</i>	<i>Governor</i>	<i>Commission</i>	<i>Governor's Difference in Dollars/Award</i>
1. State Scholarship	\$1,172	\$1,182	-\$10
2. COG	1,098	1,084	+14
3. OETG	1,096	1,419	-323

Number of Grants

The second half of the equation in calculating the dollar allocation for each program involves an estimate of the total number of grants or scholarships to be awarded. Because the number of new awards is specified by statute, the key variable is the number of renewals. Again, the Governor's Budget projections differ from the commission's estimates. We believe the commission's most recent figures, provided in its formal budget request of December 2, are more likely to be accurate. Table 4 summarizes the differences.

Table 4
Estimated Total Number of Cal Grant Awards

<i>Program</i>	<i>Governor</i>	<i>Commission</i>	<i>Governor's Difference</i>
1. State Scholarship	43,022	42,924	+98
2. COG	16,646	16,469	+177
3. OETG	2,090	2,022	+68

The combined effect of these two procedural differences accounts for the entire funding variation between our recommendations and the Governor's Budget proposals for the Scholarship and OETG programs, and a major part of the variation in the College Opportunity Grant program.

STUDENT AID COMMISSION—Continued

A. State Scholarship Program (Item 330)

The State Scholarship program (Cal Grant program A) was established in 1955. Scholarships are granted to academically able students who are in need of financial assistance to meet their tuition and fee costs at four-year institutions. The commission determines the award levels for each student based on standardized need assessment formulas and procedures. Once an initial award is granted, a student may apply for annual renewal if he or she maintains academic eligibility and continues to meet financial need standards. Awarded scholarships are held in reserve for students if they are attending a community college.

Chapter 1270, Statutes of 1975, increases the number of scholarships from 14,395 to 14,900 for 1977-78 and raises the maximum award from \$2,500 to \$2,700 beginning in the current year.

Table 5 summarizes the program since 1971-72.

Table 5
State Scholarship Program Summary

<i>Year</i>	<i>Applicants</i>	<i>New Awards</i>	<i>Total Awards</i>	<i>Average Award</i>	<i>Expenditures^a</i>
1971-72.....	38,363	9,214	20,201	\$829	\$16,770,866
1972-73.....	41,949	9,526	23,090	940	22,010,918
1973-74.....	43,684	11,193	27,403	972	27,496,037
1974-75.....	43,383	13,221	32,185	1,056	34,975,925
1975-76.....	60,847	13,261	36,180	1,129	42,188,181
1976-77.....	54,885	14,395	39,111	1,208	48,512,031
1977-78 (est.)	71,000	14,900	43,022	1,233	54,452,620

^a Program expenditures include administrative costs.

Cost of State Scholarships

The growth of the State Scholarship program brings into focus the issue of state subsidization of private colleges and universities. In 1976-77, the state awarded \$41,932,700 to students at these institutions through the scholarship program. This figure represents 83 percent of the total amount of funds distributed. It is estimated that 26 percent of the full-time undergraduate enrollment at independent colleges are state scholarship recipients.

This subsidization of the private segment, it is argued, is beneficial to the state because it provides students with more options in selecting the college of his or her choice, and because it provides the state with a greater diversity of education. Representatives of the independent colleges have also contended that there is virtually no net cost to the state from the provision of state scholarships. The argument is that the award recipients at independent colleges would have attended one of the public segments if they had not received a scholarship, and that the average cost to the state of educating an undergraduate student at the public segments equals or exceeds the average award to the independent college student (\$2,275 in 1976-77).

This argument neglects two important considerations. Studies have shown that a significant number of state scholarship recipients at inde-

pendent colleges—about 25 percent—were not diverted from the public segments. More important, the argument outlined above mistakenly relies on an average cost figure where marginal or incremental cost would be more appropriate. There is evidence that the marginal cost of educating a relatively small increment of students at the public segments is only about half the average cost.

While a precise calculation of the net cost of providing a state scholarship is impossible at this time, existing data indicate that the state assumes a fiscal burden in providing scholarships to students who attend independent colleges. Given present award procedures, this net cost is likely to remain significant as long as excess capacity exists within the public segments.

There remains, of course, the difficult question of whether the cost of awarding state scholarships is worth the benefits. We recognize that the scholarship program has enhanced the educational opportunities of a large number of students in California. Thus, we believe that currently authorized scholarship winners should be adequately funded.

Augmentation Recommended

We recommend that the State Scholarship program be augmented by \$308,406 from the General Fund to be consistent with the commission's methodology for estimating average award and number of awards (Item 330).

The Governor's Budget proposes an increase in the scholarship program which would account for part of the rising costs incurred by award recipients—the fee increase at the University of California and an increase in the proportion of students attending independent colleges. Additional funding for “general inflation” would not be included. This decision is reasonable.

Last year we argued against providing general inflation allowances for this program because of the trend toward increases in award recipients from higher income families. This trend has leveled off, but we remain concerned about the large number of scholarship recipients from families with relatively high incomes. An estimated 10 percent of the new award winners in 1976-77, for example, come from families with a net income of \$22,000 or more. By contrast, only 2 percent of the new College Opportunity Grant recipients come from families with net incomes above \$12,000.

While we agree with the budget's intentions, we would adjust for the procedural problem discussed previously. Without the augmentation required by this adjustment, the program is not properly funded to accommodate the policy assumptions underlying the budget proposal. Our recommendation would fund an average award of \$1,243, as follows:

	Awards	Average Grant	Total
Governor's Budget.....	43,022	\$1,233	\$53,046,126
Legislative Analyst.....	42,924	1,243	53,354,532
Difference			\$308,406

STUDENT AID COMMISSION—Continued**B. College Opportunity Grant Program (Item 330)**

The College Opportunity Grant program (COG, or Cal Grant program B), authorized by Chapter 1410, Statutes of 1968, has the goal of increasing access to higher education for disadvantaged students. Unlike the State Scholarship program, COG awards include support for living expenses up to \$1,100 as well as tuition and fees.

Chapter 343, Statutes of 1976, increased the number of new awards from 4,550 to 6,825 and raised the maximum amount from \$3,400 to \$3,600. This legislation provided for the implementation of a 50 percent increase in budgeted funds for the COG program in the current fiscal year.

Table 6 summarizes COG participation since 1971-72.

Table 6
College Opportunity Grant Program Summary

<i>Year</i>	<i>Applicants</i>	<i>New Awards</i>	<i>Total Awards</i>	<i>Average Award</i>	<i>Expenditures^a</i>
1971-72	n/a	1,000	2,293	\$941	\$2,282,534
1972-73	n/a	2,000	3,811	1,043	4,193,912
1973-74	n/a	2,000	4,757	1,116	5,642,620
1974-75	12,700	3,100	6,695	1,032	7,330,468
1975-76	17,769	3,100	8,162	1,084	9,454,210
1976-77	22,629	6,825	12,783	1,098	14,786,079
1977-78 (est.)	28,964	6,825	16,646	1,175	20,370,987

^a Program expenditures include administrative costs.

Funding Beyond Needs

We recommend that the Student Aid Commission's estimate of full funding for COG recipients be accepted for a General Fund savings of \$626,280 (Item 330).

According to the most recent estimates of the Student Aid Commission, the budget proposal for the COG program provides \$626,280 beyond what will be required to meet the needs (within statutory limits) of all authorized award winners. The variation between the commission's request and the budget proposal results from (a) the procedural differences in calculating an average award base figure and total number of awards, as discussed previously, and (b) a difference in the size of the annual increase in average award which will be necessary to fund the COG program. These differences are illustrated in the following table.

Table 7
Budget Assumptions for COG Proposals

	<i>Department of Finance</i>	<i>Legislative Analyst and Commission</i>	<i>Difference</i>
1976 Average Award Base.....	\$1,098	\$1,084	—
1977 Funding Increment.....	+77	+66	—
Proposed 1977 Average Award	\$1,175 ^a	\$1,150	—
Estimated Total Number of Awards	× 16,646	× 16,469	—
Requested Appropriation	\$19,565,630	\$18,939,350	\$626,280

We have explained our support of the commission's average award base level and total number of awards. Correcting for these procedural differences, the budget proposal would reflect an average award of \$1,161 (\$1,084 + \$77) and a total of 16,469 awards. This yields an appropriation of \$19,120,509, a reduction of \$445,121 in the budget request.

The remaining difference between our recommendation and the budget proposal (\$181,159) is due to a policy decision by the Governor to propose an annual increase (\$77) which exceeds the commission's estimate of what will be needed to fully fund the COG program. In its budget request, the commission calculated that an increase of \$66 (6.1 percent) will, in conjunction with federal Basic Educational Opportunity Grants, be sufficient to accommodate the projected needs of all COG winners. We believe it is appropriate to rely on the commission's estimates.

It must be emphasized that our recommendation is consistent with full support of the COG program. The needs of low income students can best be served by increasing the number of COG awards (which would require legislation) rather than over-funding the currently authorized winners.

Quota for Community College Students

We recommend corrective legislation to eliminate the COG program's quota for community college students.

The law requires that COG awards "be initiated primarily on the public community college level." (Education Code, Section 69538). This language has been interpreted by the Attorney General to mean that at least 51 percent of the new awards go to students attending community colleges.

In order to meet this quota, the commission has had to notify a large number of students that their award might depend on attendance at a community college. The result is that the quota operates as an incentive for these students to attend community colleges when they might otherwise choose four-year colleges or universities. Because of this adverse effect, we feel the quota is unnecessarily arbitrary and contrary to the goal of increasing the educational opportunities of low income students.

C. Occupational Education Training Grant program (Item 330)

The Occupational Education Training Grant program (OETG, or Cal Grant program C) was established by Chapter 987, Statutes of 1972. Its objectives include assistance to financially needy students who desire to undertake postsecondary occupational training. Grants up to \$2,000 for tuition and \$500 for related training costs may be awarded.

Chapter 983, Statutes of 1976, increased the number of new OETG awards by 362 for a total of 1337 new grants annually, beginning in 1976-77. Table 8 provides a program summary since 1973-74 and shows the proposed changes.

Augmentation Recommended for Occupational Training Grant Program (OETG)

We recommend that the OETG program be augmented by \$569,391 from the General Fund to be consistent with the commission's methodology for estimating average award and number of awards (Item 330).

STUDENT AID COMMISSION—Continued

Table 8
Occupational Education Training Grant Program Summary

<i>Year</i>	<i>Applicants</i>	<i>New Awards</i>	<i>Total Awards</i>	<i>Average Award</i>	<i>Expenditures^a</i>
1973-74	2,081	500	500	\$870	\$526,983
1974-75	2,953	700	977	867	1,084,092
1975-76	5,177	700	1,054	1,078	1,258,849
1976-77	12,326	1,337	1,736	1,156	2,159,276
1977-78 (est.)	12,326	1,337	2,090	1,218	2,713,378

^a Program expenditures include administrative costs

The OETG program clearly illustrates the implications of relying on the budget methodology of calculating average award. During the current year the commission found that it had originally underestimated the number of OETG recipients who would attend tuition-charging proprietary schools. Consequently, a significant upward adjustment in average award was made in order to adequately fund the students. The budget, however, does not reflect this adjustment.

Because of this, the requested appropriation contained in the budget is inconsistent with its underlying policy rationale. Rather than granting an increase to OETG recipients and accommodating the increasing number of students who desire to attend proprietary schools, as stated in the budget, it would require a cut in the actual average award and would not be sufficient to meet student expenses. As a result, a large number of award winners would not be able to attend tuition-charging proprietary schools.

Our recommendation would prevent the commission from having to choose between cutting awards or incurring a large deficit in the program in order to carry out the intent of the budget proposal. We agree with the intent, and would adjust only for the procedural problems discussed previously. This calls for an augmentation of \$122 to the average award in order to accommodate a larger proportion of OETG students attending proprietary schools and provide an augmentation for inflation. The two proposals differ as follows:

	<i>Awards</i>	<i>Average Grant</i>	<i>Total</i>
Governor's Budget	2,090	\$1,218	\$2,546,511
Legislative Analyst	2,022	\$1,541	3,115,902
Difference			\$569,391

D. Graduate Fellowship Program (Item 331)

Financial assistance to graduate students began in 1965 with the establishment of the Graduate Fellowship program. Chapter 1597, Statutes of 1971, redesigned the program to parallel the objectives of the State Scholarship program and to consider critical manpower needs in making student awards. This program was changed further by Chapter 451, Statutes of 1974, which required consideration of (1) parent's income in determining financial need and (2) a student's "disadvantaged" characteristics.

Table 9 provides a program summary since 1973-74.

Table 9
Graduate Fellowship Program Summary

<i>Year</i>	<i>Applicants</i>	<i>Total Awards</i>	<i>Average Award</i>	<i>Award Expenditures</i>
1973-74.....	4,072	638	\$1,507	\$961,525
1974-75.....	4,253	578	1,730	1,000,000
1975-76.....	5,636	1,080	1,852	2,000,000
1976-77.....	4,132	1,080	1,852	2,000,000
1977-78 (est.).....	6,500	1,080	1,852	2,000,000

Since 1975-76, the Legislature has provided \$2,000,000 for a total of 1,080 fellowship awards. The budget proposes to maintain this level of funding. This continues an historical pattern of not funding the Graduate Fellowship program at the authorized level of 2 percent of the baccalaureate degrees awarded by accredited California institutions. Based on the belief that undergraduate programs should be fully funded before considering increases in graduate programs, we support the budget proposal.

Limit Ph.D. Graduate Support

We recommend legislation to limit Graduate Fellowship awards to the first two years of graduate study, with a waiver provision for hardship cases.

Last year we argued that the need for graduate financial assistance is greatest in the initial years of training. We continue to believe that alternative sources of support—notably teaching and research assistantships—are more readily available to advanced Ph.D. students than to doctoral and Master's degree students in their first two years of study.

Because our recommendation would not affect the total number of available fellowships, it would result in a greater number of new awards with a corresponding reduction in renewals. Table 10, extracted from the budget, displays the class level of fellowship winners.

Table 10
Class Level of Fellowship Recipients

<i>Year of Graduate Study</i>	<i>1975-76</i>	<i>1976-77 (est.)</i>
First	575	270
Second.....	363	508
Third	69	248
Fourth	58	43
Fifth or more.....	15	11

E. Bilingual Teacher Development Grant Program

Chapter 978, Statutes of 1976, establishes the Bilingual Teacher Development Grant program, to be administered by the Student Aid Commission. Under this program, grants are awarded to students and teachers who are studying to obtain a certificate of competence for bilingual-cultural instruction. Chapter 978 appropriates \$350,000 for the commission in fiscal 1977-78, of which \$35,000 may be expended on administration.

STUDENT AID COMMISSION—Continued**F. Dependents of Deceased or Disabled Peace Officers (Item 331)**

This program was authorized by Chapter 1616, Statutes of 1969. The program goal is to assure a college education for financially needy dependent children of peace officers totally disabled or killed in the line of duty. Awards of \$1,500 are authorized to cover the cost of tuition and living expenses. The budget includes \$15,000 for this program.

G. Supervised Clinical Training Program (Item 331)

This program, authorized by Chapter 196, Statutes of 1975, provides one year of supervised clinical training in California to U.S. citizens who are graduates of foreign medical schools. The purpose of the training is to prepare participants for licensing to practice medicine in the state.

Chapter 985, Statutes of 1976, increases the number of grants authorized under this program from 30 to 50 per year and extends institutional eligibility to medical schools of independent colleges. An allocation of \$500,000 is proposed in the Governor's Budget to provide funds for 50 grants at the authorized maximum of \$10,000 per award.

H. Guaranteed Loan Program (Item 332)

This program was authorized in 1966 to provide state administration for a federal loan program. The program was designed to provide low-interest loans to college students. All federal funds were encumbered in 1967 and since that time the commission has been unable to guarantee additional loans. The federal government has directly administered its subsequent loan programs.

The present function of the state program is to provide necessary administrative services for collecting outstanding loans. Recent federal legislation, however, contains incentives for states to increase their participation in the administration of the Guaranteed Loan Program. It is estimated that the program would have an annual loan volume of \$75 to \$125 million. A special study group has been appointed by the commission in order to examine the impact of state administration.