

an unallocated reduction of \$12,777 to the commission's budget. The commission should be prepared, during the budget hearings, to identify the specific reductions necessary to avoid a deficit so that the Legislature may have a voice in how a balanced budget is to be achieved.

The problem will become even more serious if state salary or staff benefit increases are granted. The commission has no reserves to pay for such increases. Consequently, internal reallocations would have to be made, again without legislative input. The commission should also be prepared to discuss this at the budget hearing.

Table 2
Teacher Credentials Fund

	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Projected 1981-82</i>	<i>Projected 1982-83</i>	<i>Projected 1983-84</i>
Accumulated surplus, July 1	\$1,707,558	\$1,052,461	\$602,825	-\$12,777	-\$840,649
Revenues:					
Credential fees	2,322,452	2,760,000	2,700,000	2,700,000	2,700,000
Teacher examination fees	76,570	60,000	45,000	45,000	45,000
Income from surplus money investments	118,490	73,672	42,133	—	—
Miscellaneous income	3,938	—	—	—	—
Total Revenue	<u>\$2,521,450</u>	<u>\$2,893,672</u>	<u>\$2,787,133</u>	<u>\$2,745,000</u>	<u>\$2,745,000</u>
Total Resources	<u>\$4,229,008</u>	<u>\$3,946,133</u>	<u>\$3,389,958</u>	<u>\$2,732,223</u>	<u>\$1,904,351</u>
Expenditures ^a	<u>\$3,176,547</u>	<u>\$3,343,308</u>	<u>\$3,402,735</u>	<u>\$3,572,872</u>	<u>\$3,751,516</u>
Accumulated surplus, June 30	\$1,052,461	\$602,825	-\$12,777	-\$840,649	-\$1,847,165

^a Expenditures in 1982-83 and 1983-84 assume a 5 percent expenditure increase over the previous year.

Credential Revocation Procedures

The Supplemental Report to the Budget Act of 1980 directed the commission to adopt specific regulations modifying its procedures for credential revocation. These regulations were adopted by the commission in December 1980.

The report also directed the commission to study the advisability of adopting an adversary hearing procedure in its credential revocation process. The commission intends to consider such procedures during its scheduled meeting in January 1981. We will comment further on this issue during the budget hearings.

Items 642-798

POSTSECONDARY EDUCATION

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OVERVIEW OF POSTSECONDARY EDUCATION

Postsecondary education consists of formal instruction, research, public service, and other learning opportunities offered by educational institutions which are eligible for state fiscal support. Postsecondary education primarily serves persons

who have completed their secondary education or who are beyond the age of compulsory school attendance.

This section presents data which relate to all postsecondary education in California. Its purpose is to provide historical information and comparative statistics to supplement individual agency and segmental budget analyses. Information on postsecondary education organizations, functions, enrollments, expenditures, source of support, and student charges follows.

1. Organization

California's system of public postsecondary education is the largest in the nation and consists of 135 campuses serving approximately 1.5 million students. This system is separated into three distinct public segments—the University of California (UC), the California State University and Colleges (CSUC), and the California Community Colleges (CCC).

In addition to the public system, the California Postsecondary Education Commission (CPEC) reports that there are approximately 300 independent colleges and universities which serve an estimated 195,000 students. Enrollments in the independent colleges and universities range from a law school with five students to a comprehensive university enrolling over 27,000 students in fall 1979.

2. Enrollment

Table 1 shows the distribution of enrollment among the three public segments, based on fall 1979 data. UC enrollments represented 9 percent of the state total, CSUC enrolled 20 percent, and the CCC enrolled the remaining 71 percent. Part-time enrollees represented 74 percent of CCC enrollment but only 8 percent of UC enrollment.

Table 1
California Public Postsecondary Education Enrollment (Head Count)^a
Fall 1979

Segment	Full-time		Part-Time		Totals	
	Number	Percent	Number	Percent	Number	Percent
University of California:						
Undergraduate	85,258	91%	8,665	9%	93,923	100%
Graduate	36,216	96	1,717	4	37,933	100
Subtotals.....	121,474	92%	10,382	8%	131,856	100%
					(9%)	
California State University and Colleges:						
Undergraduate	170,321	71%	70,563	29%	240,884	100%
Graduate	14,665	22	51,252	78	65,917	100
Subtotals.....	184,986	60%	121,815	40%	306,801	100%
					(20%)	
					1,100,220	
California Community Colleges.....	286,017	26%	814,203	74%	(71%)	100%
Totals	592,447	39%	946,400	62%	1,538,877	100%

^a Source: CPEC, Postsecondary Education in California Digest, 1980, pages 40-41.

Table 2 compares historical headcount and FTE (ADA for the CCC) enrollment figures for the three segments. The table shows a 2.4 percent increase in headcount enrollment and a 2.5 percent FTE enrollment increase for the three segments in 1981-82. CSUC projects an increase of 2.6 percent in FTE enrollments, while UC projects a 1.9 percent FTE increase in 1981-82 over 1980-81 budgeted levels. CCC head count and ADA are projected to increase by 2.5 percent.

Table 2
California Enrollment in Public Higher Education
1976-77 to 1981-82

	<i>Community College</i>		<i>CSUC</i>		<i>UC</i>		<i>Total</i>	
	<i>headcount</i>	<i>ADA</i>	<i>headcount</i>	<i>FTE</i>	<i>headcount</i>	<i>FTE</i>	<i>headcount</i>	<i>FTE/ADA</i>
1976-77	1,257,754	721,884	327,189	231,604	123,056	119,369	1,705,592	1,072,504
1977-78	1,321,739	718,303	333,348	234,074	121,719	117,940	1,776,775	1,070,332
1978-79	1,159,819	635,112	326,513	229,371	123,462	119,628	1,609,794	984,111
1979-80	1,248,459	670,115	328,654	232,936	127,857	122,681	1,704,970	1,025,732
1980-81 (budgeted)	1,397,356	714,300	328,060	230,750	126,552	121,354	1,851,968	1,066,404
1981-82 (estimated)	1,432,653	732,400	334,120	236,850	130,057	123,666	1,896,830	1,092,916
Percent Change 1980-81 to 1981-82	2.5%	2.5%	1.8%	2.6%	2.8%	1.9%	2.4%	2.5%

Ethnic Composition

Table 3 shows the latest available information on the racial and ethnic make-up of students within each of the three public segments. These data, compiled by CPEC, reflect voluntary self-designations made by students. Many students choose not to report their racial or ethnic status. (For example, no response was received from 23.9 percent of CSUC undergraduate males.) The incidence of these "no responses" is shown in the table. CPEC reports that these data may exhibit significant abnormalities due to high nonresponse rates, and advises that they be used with caution. More discussion on the historical trends in the racial and ethnic make-up of public higher education students are discussed with each segment's budget.

Table 3
Percent of Undergraduate/Graduate Students Enrolled by Ethnicity and Sex
Fall 1979

	<i>CSUC</i>		<i>UC</i>		<i>CCC</i>	
	<i>Male</i>	<i>Female</i>	<i>Male</i>	<i>Female</i>	<i>Male</i>	<i>Female</i>
<i>Undergraduate:</i>						
White	50.5%	53.1%	68.6%	70.5%	60.9%	64.9%
Black	4.6	6.5	3.0	4.3	8.5	8.3
Hispanic	6.8	6.5	5.5	5.0	10.5	9.0
Asian	6.7	6.7	11.7	11.6	5.7	4.6
American Indian	1.0	1.0	0.5	0.5	1.3	1.2
Other	2.4	2.4	1.3	1.0	2.6	2.1
Nonresident alien	4.1	1.5	3.4	1.8	2.4	1.4
No response	23.9	22.3	6.1	5.3	8.0	8.5
<i>Graduate:</i>						
White	47.1%	53.2%	60.8%	65.7%	—	—
Black	3.0	4.1	2.3	4.1	—	—
Hispanic	4.9	4.6	4.0	4.0	—	—
Asian	6.0	4.5	5.8	6.0	—	—
American Indian	0.8	0.8	0.3	0.4	—	—
Other	2.2	2.0	0.8	0.7	—	—
Nonresident alien	5.9	2.2	14.0	7.5	—	—
No response	30.1	28.6	11.9	11.6	—	—

Source: CPEC, Postsecondary Education in California Information Digest, 1980, page 53.

3. Expenditures

Expenditures proposed in the Governor's Budget for 1981-82 are summarized in Table 4. Total support for all higher education is proposed at \$6.9 billion in the budget year. Of the total support budget, the state General Fund will provide \$3.1 billion, or 45.4 percent. The only segment of higher education receiving local support is the community college system. This segment will receive an estimated \$460 million from property tax revenues (included in column labeled "Other" in Table 4) in 1981-82.

The second largest single source of support for higher education is the federal government (22.9 percent)—primarily as a result of the support provided by the U.S. Department of Energy to three laboratories (\$898 million) within the UC system.

Table 4
Summary of Proposed 1981-82 Budget for Higher Education
(in thousands)

	<i>General Fund^a</i>	<i>Other State</i>	<i>Federal</i>	<i>Other^b</i>	<i>Total</i>
California Postsecondary Education Commission	\$2,199	—	\$1,050	\$6	\$3,255
University of California	1,081,234	\$34,340	1,349,548	1,232,488	3,697,610
Hastings College of Law	7,438	—	982	1,935	10,355
California State University and Colleges	928,670	7,952	92,770	329,955	1,359,347
California Maritime Academy	3,284	—	857	1,503	5,644
Community Colleges	1,017,046 ^c	9,964	116,500 ^d	563,200 ^{d, e}	1,706,710
Student Aid Commission	84,982	5,059	11,800	—	101,841
Totals.....	\$3,124,853	\$57,315	\$1,573,507	\$2,129,087	\$6,884,762
Percent of Total.....	45.4%	0.8%	22.9%	30.9%	100%

^a Excludes salary and benefit increase funds.

^b Includes hospital fees, student fees, local property tax, and miscellaneous fees.

^c Includes \$48 million in state property tax subventions.

^d These amounts are not reflected in the Governor's Budget.

^e Includes \$460 million in local property taxes and fees.

Table 5 shows state General Fund and local support for public higher education from 1974-75 to 1981-82. State General Fund and local support is budgeted to increase by 1.7 percent in 1981-82, prior to salary and benefit increase adjustments. State General Fund support for UC is budgeted to increase by 3.9 percent. The budget proposes to reduce state General Fund support for CSUC and CCC. In the case of CSUC, the decrease is due to several factors, including higher reimbursements from the Student Service Fee and nonresident tuition and the Governor's proposed undesignated program reductions. The CCC decrease is primarily due to the proposed substitution of local property tax support for state General Fund support. This is reflected in Table 5 as a 10 percent reduction in state General Fund support for CCC and in 1981-82 and an increase of 41.5 percent in local property tax support.

The UC and CSUC amounts shown in Table 5 will go up significantly if the Legislature approves a salary or staff benefit increase for the budget year. The Department of Finance currently estimates that each 1 percent of salary increase will cost \$9.2 million for UC and \$8.3 million for CSUC.

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

	<i>University of California State</i>		<i>California Community Colleges</i>		<i>Other Higher Education</i>		<i>Totals</i>	
	<i>California State General Fund</i>	<i>University and State General Fund</i>	<i>State General Fund^b</i>	<i>Local</i>	<i>Total State and Local</i>	<i>Agencies^c State General Fund</i>	<i>State General Fund</i>	<i>State and Local</i>
1974-75.....	\$515	\$482	\$410	\$334	\$744	\$48	\$1,455	\$1,789
1975-76.....	586	538	485	367	852	59	1,668	2,035
1976-77.....	684	605	508	481	989	66	1,863	2,344
1977-78.....	737	666	570	667	1,237	78	2,051	2,718
1978-79.....	767	683	847	307	1,154	80	2,377	2,684
1979-80.....	902	814	1,029	289	1,318	84	2,829	3,118
1980-81.....	1,041	933	1,133	325	1,458	94	3,201	3,526
1981-82 Governor's Budget	1,081 ^d	929 ^d	1,017	460	1,477	98 ^d	3,125 ^d	3,585 ^d
1981-82 Change over 1980-81.....	3.9%	-0.5%	-10.2%	41.5%	1.3%	4.3%	-2.4%	1.7%

^a Excludes all capital outlay and state special fund support. State special fund support is proposed at \$57.3 million for 1981-82.

^b Includes state property tax subventions totaling \$32 million in 1978-79, \$29 million in 1979-80, \$45 million in 1980-81, and \$48 million in 1981-82.

^c Includes Hastings College of Law, California Maritime Academy, Student Aid Commission, and the Postsecondary Education Commission.

^d Excludes salary and benefit increase funds.

4. Tuition and Fees

Tuition and fees are the two types of student charges utilized by California's system of higher education. 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 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 charge on students who are not legal residents of California, including foreign students. The California Maritime Academy (CMA) is an exception to the no tuition policy for state residents. Tuition income usually is expended for instructional services at the academy, resulting in a direct offset of state funding requirements.

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

Table 6
Basic Academic Year Student Charges, 1981-82
 (estimated)

<i>Fee</i>	<i>UC</i>	<i>CSUC</i>	<i>CCC</i>	<i>CMA</i>
Tuition—nonresident/foreign	\$2,880	\$2,340	—	\$2,100
Education fee:				
Undergraduate	300	—	—	645
Graduate	360	—	—	—
Registration fee.....	442	189	—	—
Application fee	25	25	—	15
Campus mandatory fees	30-102	10-60	—	157
Auxiliary service fees:				
Room and board	1,750-2,406	1,760-2,364	—	2,580
Parking	42-180	45	0-40	—
Health	—	—	1-10	120

Table 7 shows the average cost of tuition and fees nationally as well as the average for the three California higher education segments in 1980-81. The figures do not include the costs of nonresident tuition or auxiliary service fees.

Table 7
Tuition and Fees, 1980-81

California:

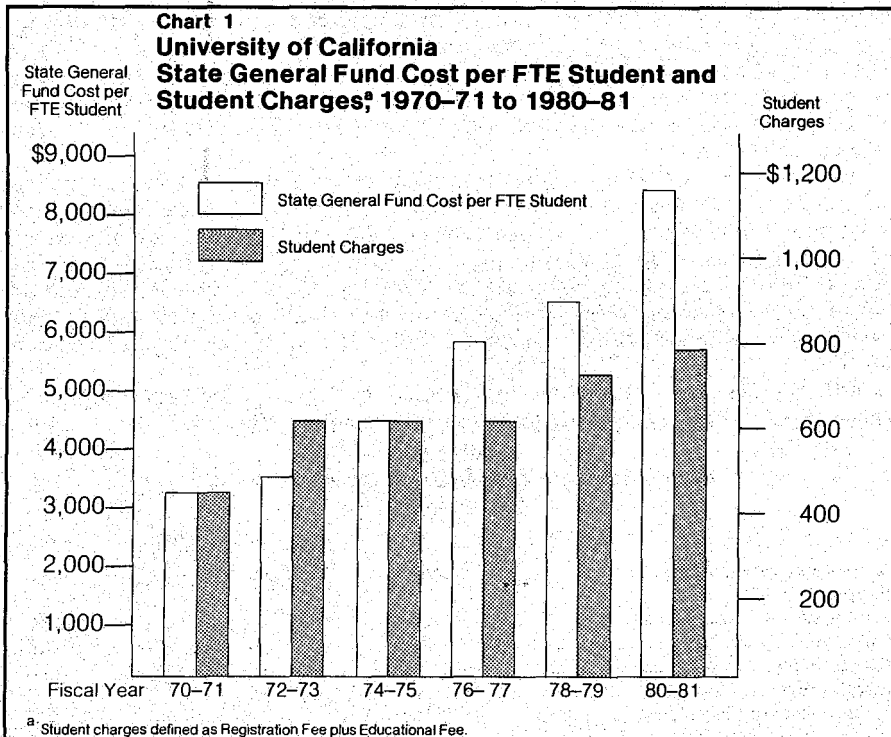
Community Colleges.....	—
CSUC.....	\$209
UC	762

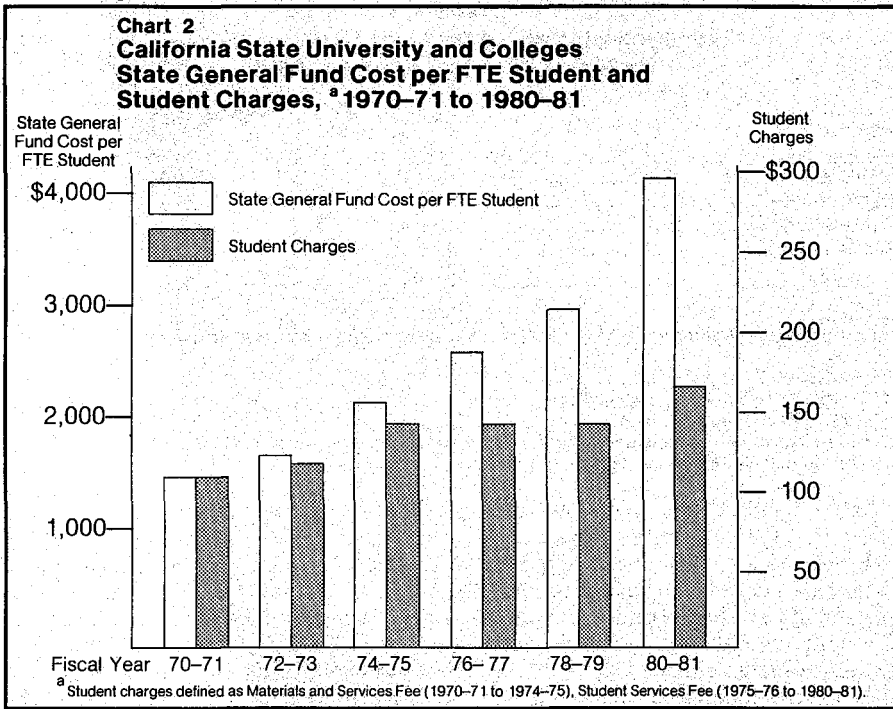
National:

Public two-year.....	\$464
Private two-year.....	2,079
Public four-year	706
Private four-year	3,279
Proprietary.....	2,342

Source: CEEB, *The College Cost Book, 1980-81*.

Of the three higher education segments, two segments—UC and CSUC—charge fees to California residents. The third segment, the community colleges, usually charges nominal fees only for certain non-credit courses. By any measure, however, the increase in fees charged resident students at UC and CSUC has failed to keep pace with the rate of growth in state support of these segments, as shown in Charts 1 and 2.





Charts 1 and 2 compare for UC and CSUC, respectively, the growth of total state support per full-time equivalent (FTE) student with the growth of resident student fees. (Total state support, as defined in the charts, includes support of some functions, such as research and public service, which benefit students only indirectly. Figures on the growth of instructionally-related costs only are not available for both UC and CSUC; their growth, however, would parallel the growth in total state support.)

The charts show that, from 1970-71 to 1980-81, total state costs per FTE student grew by 150 percent and 170 percent in UC and CSUC, respectively. During this same time period, fees charged resident students grew by only 65 percent in UC and 50 percent in CSUC. Put another way, in 1970-71, student fees as a percentage of total state costs per FTE student averaged 15 percent in UC and 7 percent in CSUC; by 1980-81, these figures had declined to 9 percent and 4 percent. Thus, Charts 1 and 2 show that, over the past decade, the burden of supporting public higher education at UC and CSUC has increasingly shifted from the student to the California taxpayer.

Charts 1 and 2 also show that the total state subsidy per student is much greater at UC than at CSUC—\$7,535 per FTE student versus \$3,873 per FTE student in 1980-81. (Again, these figures include the costs of some functions, such as research and public service, which benefit students only indirectly.) At the same time, dependent students in UC typically come from families that are better able to bear the costs of higher education, as shown in Table 8.

Table 8
Total Family Income of Dependent Undergraduates
By Higher Education Segment, 1980^a

<i>Family Income</i>	<i>Higher Education Segment</i>			
	<i>UC^b</i>	<i>CSUC^c</i>	<i>CCC^d</i>	<i>Private^e</i>
Less than \$12,000	12.0%	17.6%	39.7%	16.5%
\$12,000-\$23,999	23.9	27.5	30.0	27.3
\$24,000-\$35,999	27.8	29.7	18.8	26.5
\$36,000-\$47,999	14.8	12.3	6.0	10.3
\$48,000 or more	21.5	12.8	5.5	19.4
Totals.....	100.0%	99.9% ^f	100.0%	100.0%

^a As determined by California definition of dependency; figures for students reporting total family income only.

^b University of California.

^c California State University and Colleges.

^d California Community Colleges.

^e Private colleges and universities in California (does not include proprietary institutions).

^f Details do not sum to 100 percent due to rounding.

Table 8 shows that, while 39.7 percent of the dependent undergraduates enrolled in the community colleges come from families with incomes less than \$12,000, only 12 percent of the dependent students enrolled in the University of California come from such families. Conversely, the table shows that only 5.5 percent of dependent undergraduates in the community colleges come from families with incomes greater than \$48,000 while fully 21.5 percent of dependent undergraduates enrolled in UC come from families in this income category.

As part of its ongoing planning efforts, CPEC is charged with examining "the impact of various types and levels of student charges on students and on post-secondary educational programs and institutions." In response to this charge, the commission last year developed a planning model to estimate the impacts of changes in student fees on state revenues and on student enrollments. Table 9 summarizes the CPEC model's revenue predictions, based on a variety of increases in student charges, expressed as a percentage of the marginal cost per student (the marginal cost is the cost per additional student above or below the budgeted enrollment level in each segment). The table provides separate estimates of the impacts on undergraduate and graduate students.

Table 9 shows the student charges that would be required to cover various percentages of the marginal cost per student. For example, reading down the second column and across the second row shows the total student charges if (1) tuition and fees for undergraduates were to equal 25 percent of the marginal cost per student (\$823 in UC and \$469 in CSUC) and (2) tuition and fees for graduate students were to equal 40 percent of the marginal cost per student (\$1,316 in UC and \$750 in CSUC). For undergraduates, these amounts would represent tuition (increase in current student charges) of \$48 in UC and \$250 in CSUC; for graduate students, tuition would equal \$496 and \$531, respectively.

Table 9 also shows the additional state revenues generated by the various student charges; the figures represent net General Fund savings after accounting for increased student financial aid required under current law. The table shows that, in general, higher student charges generate greater General Fund savings. Using the previous example, Table 9 shows that, with undergraduate charges equal to 25 percent of the marginal cost per student and with graduate student charges equal to 40 percent of the marginal cost per student, state General Fund savings would equal \$102.3 million after accounting for additional student financial aid required under current law. These savings would be composed of a total of \$11.925 million at UC (\$4.205 million from undergraduates plus \$7.720 million from graduate students) and \$90.375 million at CSUC (\$59.124 million from undergraduates and \$31.251 million from graduate students).

Table 9
Student Charges and General Fund Savings
Under Alternative Tuition Scenarios^a
(Increases Over 1981-82 Charges in Parentheses)

		Undergraduate Charges as a Percent of Marginal Cost Per Student								Graduate Charges as a Percent of Marginal Cost per Student	
		12.5%			25.0%			50.0%			
		Charges	General Fund Savings (Millions)		Charges	General Fund Savings (Millions)		Charges	General Fund Savings (Millions)		
UC:	Undergraduate	\$775 ^b (—)	— —	— —	\$823 (48)	— —	— —	\$1,646 (871)	— —	— —	20%
	Graduate	820 ^b	—	—	820 ^b	—	—	820 ^b	—	—	
CSUC:	Undergraduate	\$234 (15)	\$3.232	— \$14.361	\$469 (250)	\$59.124	— \$70.253	\$938 (719)	\$118.325	— \$129.454	40.0%
	Graduate	375 (156)	11.129	\$14.162	375 (156)	11.129	\$74.458	375 (156)	11.129	\$191.684	
UC:	Undergraduate	\$775 ^b (—)	— —	— \$7.521	\$823 (48)	— —	— \$11.925	\$1,646 (871)	— —	— \$69.950	40.0%
	Graduate	1,316 (496)	7.720	—	1,316 (496)	7.720	—	1,316 (496)	7.720	—	
CSUC:	Undergraduate	\$234 (15)	\$3.232	— \$34.843	\$469 (250)	\$59.124	— \$90.375	\$938 (719)	\$118.325	— \$149.576	80.0%
	Graduate	750 (531)	31.251	\$42.004	750 (531)	31.251	\$102.300	750 (531)	31.251	\$219.526	
UC:	Undergraduate	\$775 ^b (—)	— —	— \$27.830	\$823 (48)	— —	— \$32.234	\$1,646 (871)	— —	— \$90.259	80.0%
	Graduate	2,633 (1,813)	28.029	—	2,633 (1,813)	28.029	—	2,633 (1,813)	28.029	—	
CSUC:	Undergraduate	\$234 (15)	\$3.232	— \$60.866	\$469 (250)	\$59.124	— \$116.758	\$938 (719)	\$118.325	— \$175.959	80.0%
	Graduate	1,500 (1,281)	57.634	\$88.696	1,500 (1,281)	57.634	\$148.992	1,500 (1,281)	57.634	\$226.218	

^a Based on CPEC Tuition Model. Includes increases in General Fund revenues due to increased charges and decreases in General Fund expenditures due to enrollment losses; all figures net of increased student financial aid.

^b Actual charges, 1981-82.

As noted, the CPEC model also predicts the estimated magnitude of enrollment losses associated with various levels of student charges. The results (not shown here) indicate that, at the same levels of student charges noted previously (for undergraduates, 25 percent of marginal cost and for graduate students, 40 percent of marginal cost), the total headcount enrollment loss would equal 35,916 students, with all of this loss concentrated in CSUC. According to the CPEC model, CSUC would lose 20,247 undergraduates (8.4 percent of actual 1979-80 headcount enrollment) and 15,569 post-baccalaureate and graduate students (23.6 percent of actual 1979-80 headcount enrollment). These impacts, however, could be mitigated by using some of the additional revenues generated by tuition for increased student financial aid.

Graduate Students

In the four-year segments, graduate students pay virtually the same fees as undergraduates (UC charges graduate students slightly higher fees; the differential is \$60 in 1981-82). This practice however, is not typical of the practice followed in those public institutions defined as comparable to UC and CSUC for salary purposes, as shown in Table 10.

Table 10 shows that, for 1979-80 (the latest year for which data are available), all four of the UC public comparison institutions and 15 of the 18 CSUC comparison

Table 10
Resident Tuition and Fees Charged by UC and CSUC
Public Comparison Institutions
(Undergraduate and Graduate), 1979-80

I. University of California Comparison Institutions

	<i>Undergraduate</i>	<i>Graduate</i>
State University of New York (Buffalo)	\$929 ^a	\$1,504
University of Illinois	916	962
University of Michigan (Ann Arbor)	1,372	1,868
University of Wisconsin at Madison	870	1,237
Average, UC Comparison Institutions	\$1,022	\$1,393
University of California	\$735	\$795

II. California State University and Colleges Comparison Institutions

	<i>Undergraduate</i>	<i>Graduate</i>
State University of New York (Albany)	\$1,035 ^a	\$1,610
SUNY College, Buffalo	1,005	1,510
University of Hawaii	475	578
University of Wisconsin (Milwaukee)	898	1,258
University of Nevada	690	720
University of Oregon	860	1,295
Portland State University	780	1,197
University of Colorado	892	926
Illinois State University	788	804
Northern Illinois University	847	780
Southern Illinois University	753	747
Indiana State University	975	960
Iowa State University	816	951
Wayne State University	1,121 ^a	1,425
Western Michigan University	892	948
Bowling Green State University	1,086	1,431
Virginia Polytechnic Institute	792	852
Miami University (Ohio)	1,190	1,340
Average, CSUC Comparison Institutions	\$883	\$1,074
California State University and Colleges	\$207	\$207

^a Average of lower division and upper division fees.

institutions charged graduate students higher tuition and fees. In that year, graduate student tuition and fees exceeded those of undergraduates (1) by an average of \$371 (36 percent of undergraduate charges) at the UC public comparison institutions and (2) by an average of \$191 (22 percent of undergraduate charges) at the CSUC public comparison institutions. The table also shows that, in 1979-80, graduate student charges at UC averaged 57 percent of graduate student charges at the UC public comparison institutions; at CSUC, graduate student charges averaged a mere 19 percent of charges at its public comparison institutions.

As we note in the analyses of the UC and CSUC budgets (below), the Legislature may wish to consider increasing charges in the near future for California residents enrolled in graduate studies. Such action could be justified on three grounds:

1. **Higher costs of graduate education.** Because of the specialized nature of graduate education and the typically low student-faculty ratios, the cost to the state of educating a graduate student greatly exceeds the cost of educating undergraduates. In CSUC, the cost of instruction per FTE undergraduate is \$3,766 (average of upper- and lower-division costs) while the cost of instruction per FTE graduate student is \$7,587 in 1980-81. Comparable figures are not available for UC; because UC offers doctoral programs while CSUC does not, however, the differential is probably even greater.

2. **Greater private benefits of graduate education.** Unlike undergraduate education, education at the graduate level typically provides specialized knowledge and skills. This knowledge is more likely to translate into a higher income for the student than knowledge acquired as an undergraduate, although the income-enhancing value of graduate education varies by discipline.

3. **Low cost to students, encouraging societal over-investment in graduate education.** Finally, many economists maintain that minimal tuition charges at the graduate level lead to an inefficient over-investment in graduate education. With financial barriers to graduate education (in the form of tuition) very low or nonexistent, there is a proliferation of workers who are over-educated for the jobs to which they are hired. The solution, argue these economists, is to raise tuition to more closely reflect the true societal cost of investment in graduate education.

Our analysis of the practices of the UC and CSUC public comparison institutions indicates that an increase of total graduate student charges to 40 percent of the marginal cost per student in each of the two segments would yield charges closely reflecting those of the respective comparison groups. Setting charges at this level would imply an annual graduate tuition of \$496 in UC and \$531 in CSUC for 1981-82. Because of (1) the lead time necessary to plan for tuition and (2) the magnitude of these increases, it would appear justified to defer the imposition of graduate tuition until 1982-83 and then phase in the tuition over a period of several years.

Nonresident Graduate Students

In the four-year segments, nonresident graduate students pay the same tuition as nonresident undergraduates. In the UC system, nonresident students are especially concentrated at the graduate level. Table 11 shows that, in 1979-80, 16.4 percent of all graduate students enrolled in UC were nonresidents and, of these, 60 percent were foreign students.

Because of (1) the greater costs of instruction associated with graduate education and (2) the greater financial rewards typically accruing to individuals who pursue graduate education, legislation to increase nonresident graduate student tuition should be considered. It is possible however, that if graduate nonresident tuition were increased to reflect fully the actual costs of graduate instruction, the

Table 11
CSUC and UC Student residency
(Headcount), 1979-80

	<i>CSUC</i>		<i>UC</i>	
	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
Undergraduate				
California	230,678	95.8%	86,733	95.6%
Nonresident	10,206	4.2	3,992	4.4
Other U.S.	(3,476)	(1.4)	(1,734)	(1.9)
Foreign	(6,730)	(2.8)	(2,258)	(2.5)
Total undergraduate	240,884	100.0%	90,725	100.0%
Graduate				
California	62,084	94.2%	31,030	83.6%
Nonresident	3,833	5.8	6,102	16.4
Other U.S.	(1,288)	(2.0)	(2,450)	(6.6)
Foreign	(2,545)	(3.9)	(3,652)	(9.8)
Total graduate	65,917	100.0%	37,132	100.0%
Grand Totals	306,801	100.0%	127,857	100.0%

numbers of outstanding students applying for graduate admission from out-of-state might decline significantly. A more modest increase, setting graduate nonresident tuition at 150 percent of proposed 1981-82 nonresident tuition, would increase General Fund revenues without adversely affecting nonresident enrollments. The new nonresident tuition for graduate students would total \$4,320 at UC and \$3,510 at CSUC. Assuming that nonresident graduate students continued to attend UC and CSUC in their current numbers, the increased revenue to the General Fund would exceed \$10 million in 1981-82.

The Determination of Residency

Under the current statutory definition of residency, virtually all nonresident students from other states are eligible for resident status after one year. All a student need do to obtain residency is live in the state one year (the first year of academic attendance plus the summer months) and show intention to remain in California through such actions as registering to vote in California, obtaining a California driver's license, and joining local organizations. Consequently, most nonresident students from other states within the U.S. are only "technical nonresidents" who are in the process of establishing California residency. As a result, they usually pay nonresident tuition for only one year.

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

We do not have the data to determine the precise savings which would result if California adopted a financial independence test for residency status. However, in 1976-77 (the latest year for which data are available), there were over 6,000 undergraduates and 7,500 graduate students who were from other states at the time of their admission to UC or CSUC. If 2,000 of these students (e.g., one-third of the undergraduates and none of the graduate students) were not financially independent and continued in attendance, the annual savings to the General Fund in 1981-82 would exceed \$5.2 million, with a corresponding increase in reimbursements. Legislation in this area appears justified.

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

Item 642 from the General
Fund

Budget p. E 76

Requested 1981-82	\$2,198,867
Estimated 1980-81	2,102,413
Actual 1979-80	1,824,288
Requested increase (excluding amount for salary increases) \$96,454 (+4.6 percent)	
Total recommended increase	\$125,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. **Eligibility Study.** Recommend CPEC study impact of new standards for admission to UC and CSUC. (Augment item by \$125,000). 1245
2. **Faculty Compensation Study.** Recommend CPEC, in consultation with the Legislative Analyst's Office and the Department of Finance, develop proposals for alternative methods of reporting the value of fringe benefits paid faculty at UC, CSUC and their respective comparison institutions. 1246

GENERAL PROGRAM STATEMENT

The California Postsecondary Education Commission (CPEC) is composed of 15 members. It is an advisory body to the Legislature and the Governor with responsibility for postsecondary planning, evaluation and coordination. No person who is regularly employed in any administrative, faculty, or professional position by an institution of public or private postsecondary education may be appointed to the commission; however, postsecondary institutions advise the commission through a special committee.

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes an appropriation of \$2,198,867 from the General Fund for support of the commission in 1981-82. This is \$96,454, or 4.6 percent, more than estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

Table 1 presents a summary of expenditures and funding sources for the commission.

Table 1 shows that, while CPEC is budgeted for an increase of 4.6 percent from the General Fund, total expenditures from all funding sources will increase by only 3.2 percent due to the following factors: (1) federal support will grow only slightly (1.4 percent), (2) one-time funding provided during the current year by the Board of Medical Quality Assurance for a study of the board's Loans for Medical Students Program will not be continued in 1981-82, and (3) reimbursements will be reduced by \$2,000.

Table 2 shows in detail the General Fund budget changes proposed for 1981-82.

**CALIFORNIA POSTSECONDARY
EDUCATION COMMISSION—Continued**

Table 1
CPEC Expenditures and Funding Sources

Program	Actual	Estimated	Proposed	Change	
	1979-80	1980-81	1981-82	Amount	Percent
1. Information Systems	\$353,372	\$397,601	\$413,830	\$16,229	4.8%
2. Coordination and Review	263,391	278,998	291,449	12,451	4.5
3. Planning and Special Projects	510,880	572,739	580,007	7,268	1.3
4. Federal Programs	1,489,574	1,105,182	1,146,096	40,914	3.7
5. Executive	312,603	383,162	391,651	8,489	2.2
6. Staff Services	255,472	326,159	336,462	10,303	3.2
7. Commission Activities	34,511	48,824	48,824	-	-
8. W.I.C.H.E.	39,000	42,500	46,300	3,800	8.9
Totals	\$3,258,803	\$3,155,165	\$3,254,619	\$99,454	3.2
General Fund	1,824,288	2,102,413	2,198,867	96,454	4.6
Federal funds	1,427,015	1,034,752	1,049,752	15,000	1.4
Contingent Fund of the Board of Medi- cal Quality Assurance	-	10,000	-	-10,000	-100.0
Reimbursements	7,500	8,000	6,000	-2,000	-25.0
Positions	51.3	58.4	57.1	-1.3	-2.2

A. Transfer of Position

We recommend approval.

The Governor's Budget proposes that an existing Associate Governmental Program Analyst position, currently supported with federal funds, be transferred to state support, for an increased General Fund expenditure of \$32,380. The duties of this analyst include monitoring continuing student affirmative action efforts in the three public segments of higher education, as directed by the Legislature in ACR 151 (1974). Our analysis indicates that the transfer is justified.

Table 2
California Postsecondary Education Commission
Proposed 1981-82 General Fund Budget Changes

	Cost	Total
1980-81 Current Year Revised		\$2,102,413
1. Base Line Adjustments		
A. Increase in Personnel Costs		
1. Salary Adjustments	\$25,123	
Subtotal		\$25,123
B. Nonrecurring Items		
1. Equipment	-\$18,500	
2. CSUC Student Affirmative Action Study	10,000 ^a	
Subtotal		-\$8,500
C. Price Increase		
1. Price Increase of Operating Expense	\$41,901	
2. Teale Data Center	1,750	
Subtotal		\$43,651
D. WICHE Dues Increase		\$3,800
Total, Base Line Adjustments		\$67,074
2. Budget Change Proposal		
A. Position Funding	\$32,380	
Total, Budget Change Proposal		\$32,380
Total, 1981-82 Proposed Expenditures		\$2,198,867

^a The 1980 Budget Act appropriated \$50,000 for the evaluation of the CSUC Student Affirmative Action Program. The Department of Finance subsequently approved a study plan whereby \$20,000 of this amount would be spent in 1980-81 and \$30,000 would be spent in 1981-82, resulting in a net increase of \$10,000 in 1981-82.

B. Eligibility Study

We recommend an augmentation of \$125,000 to enable CPEC to study the current admissions standards of the University of California (UC) and the California State University and Colleges (CSUC) in relation to the admission guidelines established in the Master Plan for Higher Education, giving special attention to (1) the effects of the recent added emphasis on standardized entrance examination test scores and (2) eligibility rates by sex, ethnicity, and income. The report should be presented to the legislative budget committees by February 15, 1982.

Although the UC Regents have the power to establish their own admission standards, both UC and CSUC have adopted standards that are consistent with guidelines established in the 1960 Master Plan for Higher Education in California. UC attempts to limit freshman admissions to the top 12.5 percent of California's high school graduates. CSUC attempts to limit freshman admissions to the top 33.3 percent of California's high school graduates.

CPEC last reviewed eligibility rates in 1976, based on 1975 high school graduates. The review indicated that UC was admitting students from the top 14.8 percent and CSUC was admitting students from the top 35 percent. In response to this review, both UC and CSUC took action to reduce the eligibility pool. In both segments, admissions policies were changed to place greater emphasis on the results of standardized test scores.

The current admission standards warrant restudy at this time because:

- there has been no follow-up study to show if the changes prompted by the 1976 review have brought the two public institutions into compliance with the state Master Plan, and
- better data are needed to monitor the effectiveness of student affirmative action efforts on the part of UC and CSUC.

Information on the pool of ethnic minorities who would be eligible, under regular admission standards, to attend the two segments is crucial to the evaluation of student affirmative action efforts. We do not know, for example, if increased enrollments of ethnic minorities are due primarily to (1) normal (demographic-related) increases in the pool of eligible minority students, (2) efforts to increase the size of the eligible pool beyond the normal growth due to demographic changes, or (3) efforts to increase the number of students enrolling from an eligibility pool of a given size. The proposed eligibility study will provide information related to these concerns and enable the segments to target more effectively their affirmative action efforts.

Last year, we recommended that CPEC conduct a new eligibility study using existing resources. During budget hearings, CPEC representatives maintained that, due to the highly labor-intensive nature of the eligibility study (involving evaluations of approximately 15,000 high school transcripts), the requested study could not be performed without additional resources. The Legislature directed that this matter be reviewed for action in the 1981-82 budget. Based on data submitted by CPEC, our analysis indicates that an augmentation of \$125,000 will provide the necessary resources to undertake the eligibility study. This amount will provide funding for (1) CPEC administration of the study and the interpretation of its results (\$55,000), and (2) partial reimbursement for (a) the high schools involved to cover their transcript postage and handling (\$40,000) and (b) UC and CSUC to cover the cost of transcript evaluations (\$30,000).

Given the importance of monitoring the impact of admissions standards and the effectiveness of affirmative action programs, we recommend an augmentation of \$125,000 to enable CPEC to conduct this study.

**CALIFORNIA POSTSECONDARY
EDUCATION COMMISSION—Continued****C. Faculty Compensation Study**

We recommend that CPEC be directed to develop, in consultation with the Legislative Analyst's Office and the Department of Finance, alternative methods of reporting the value of fringe benefits paid faculty in the salary comparison groups used for the University of California (UC) and the California State University and Colleges (CSUC). Specifically, CPEC should develop by November 1, 1981 at least three proposed alternatives, providing comparable information on total faculty compensation, and report these alternatives and their respective costs to the legislative budget committees.

Senate Concurrent Resolution 51 (1965) directed the Coordinating Council on Higher Education (later CPEC) to submit annually a faculty salary and welfare benefits report including:

“...essential data on the size and composition of the faculty, the establishment of comprehensive bases for comparing and evaluating faculty salaries, *the nature and cost of existing and desired fringe benefits, the nature and extent of total compensation to the faculty*, special privileges and benefits, and a description and measurement of supplementary income, all of which affect the welfare of the faculties and involve cost implications for the state. . .” (emphasis added).

In response to this requirement, CPEC has annually submitted information on salaries and the employer cost of fringe benefits paid at 28 institutions of higher education which compete in the same labor markets as UC and CSUC for their faculty.

Data Now Used to Compare Fringe Benefits are Meaningless

Unfortunately, the data on faculty fringe benefits provided by CPEC—the employer's cost—are useless for purposes of comparing the value to the employee of the actual fringe benefits he or she receives. This is because the employer's cost often bears little relationship to the value of the fringe benefits received by the employee. This is a particularly serious problem in the case of employee pensions, which comprise 80 percent of all countable fringe benefits at UC and 70 percent of such benefits at CSUC.

The major reason why the employer cost of pensions is not a good indication of the value of the pension benefits provided is that the extent to which these benefits are funded by the employer, as well as the actuarial methods used by employers, differ widely. Thus, it is possible that two faculty members at different institutions could be earning entitlements to identical pension benefits while, because of differences in actuarial funding practices, the respective employers' costs would be vastly different. For this reason, the annual CPEC report cautions that its figures on the employer cost of fringe benefits should be regarded with circumspection, “since the employer's cost of providing a retirement program may bear only an indirect relationship to the eventual benefits received by the employee.”

Valid Comparisons Now Possible

In the past, little could be done to improve the quality of data used to make fringe benefit comparisons. Recently, however, research in public employee compensation has made significant strides toward developing a common methodology of reporting pension costs. A major improvement has been the use of actuaries to develop employer cost figures for comparable positions, making cost calculations as if all employers were using the same pension funding method (with uniform assumptions regarding rates of separation and promotion, salary increases, rates of return on pension funds, and inflation).

The results of such studies show that the rankings of employers based on salary

alone may differ considerably from rankings based on total compensation (salary plus appropriate measures of the value of fringe benefits). Consequently, use of salary comparisons alone in setting compensation for faculty at UC and CSUC may give a misleading picture of the relative attractiveness of the California public segments in hiring qualified faculty. If, as seems reasonable, potential faculty members weigh both salary and fringe benefits in their decisions to seek employment in UC or CSUC, then total faculty compensation in UC and CSUC should be competitive with total compensation offered by their respective comparison institutions. For this reason, it is vital that the Legislature have truly comparable information on the value of fringe benefits paid at these institutions.

There exists, however, a range of possible approaches to comparing the value of faculty fringe benefits, some of which are relatively superficial and some of which are extremely detailed. For example, comparisons may focus on faculty by various ranks (assistant professor step 3) or by seniority levels (typical compensation five years after being hired). In addition, fringe benefit comparisons may be limited to pensions only or may include the value of other benefits such as vacations, sick leave and health insurance.

The more detailed the comparison, the more information will be provided—but at a higher cost. Recognizing this fact, we recommend that CPEC be directed to develop, in consultation with the Legislative Analyst's Office and the Department of Finance, at least three proposed alternative approaches to reporting the value of faculty fringe benefits—representing a range of survey costs—and that CPEC present such alternatives, with the estimated cost of each, to the legislative budget committees for their consideration by November 1, 1981.

D. Status of Legislative Reports

Student Affirmative Action. Last year, the Legislature appropriated \$50,000 to CPEC so that it could "design, administer, and interpret an evaluation of the CSUC core student affirmative action programs." The final report will not be completed until 1982; however, CPEC representatives have indicated that they will present a preliminary report covering the following areas:

- an examination of the CSUC pilot affirmative action projects undertaken in 1979–80,
- a report on the status of implementation of core affirmative action programs on all 19 campuses, and
- a case study of selected components of the core programs.

This preliminary report will be submitted to the Legislature prior to budget hearings. At that time, we will review the report and make comments as appropriate.

Cost of Instruction. As of January 1981, the *Cost of Instruction Study*, requested in the 1979 Budget Act for submission in March 1980, had not been submitted. This report, which is intended to provide information on comparable costs of instruction for the three public higher education segments, will be provided sometime before 1981–82 budget hearings. Remaining CPEC reports required by the Legislature have been, or will be, submitted on schedule.

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION—REAPPROPRIATION

Item 642-490 from the General
Fund

Budget p. E 76

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Last year, the Legislature directed that \$50,000 included in the CSUC budget for evaluation of core student affirmative action programs be transferred to CPEC. The CPEC evaluation plan extends over two fiscal years, with \$20,000 to be expended in 1980-81 and the balance, \$30,000, to be expended in 1981-82 (Item 642-490). Our analysis indicates that this plan is reasonable and consistent with legislative intent expressed in appropriating the original \$50,000. Accordingly, we recommend approval.

UNIVERSITY OF CALIFORNIA

Item 644 from the General
Fund and various funds

Budget p. E 81

Requested 1981-82	\$1,098,570,230
Estimated 1980-81	1,057,315,759
Actual 1979-80	902,589,695
Requested increase (excluding amount for salary increases) \$41,254,471 (+3.9 percent)	
Total recommended reduction	\$29,527,443

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
644-001-001—Support		General	\$1,078,800,356
644-001-046—Institute of Transportation Studies		Transportation	704,272
644-001-144—Research in Mosquito Control		California Water	100,000
644-001-146—Equipment Replacement and De- ferred Maintenance		COFPHE	15,884,830
644-001-188—Energy Institute, Utilities conserva- tion, Appropriate Technology		Energy and Resources	647,080
644-011-001—Medicare/Medi-Cal Loan		General	2,333,692
Total			\$1,098,570,230

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Enrollment projections. Recommend the Legislature request the university to review its enrollment projections for 1981-82. 1260
2. Faculty time use. Recommend the Legislature request the Regents, the President, and the Faculty Senate to report on recent decline in regularly scheduled classes. 1265
3. *Graduate enrollments. Reduce Item 644-001-001 by \$1,322,676.* 1265
Recommend no increase in 1981-82 over 1980-81 budgeted gen-

- eral campus graduate enrollment pending submission of an enrollment plan.
4. Graduate tuition. Recommend the Legislature request the Regents to charge tuition to all general campus graduate students in 1982-83. 1266
 5. Undergraduate teaching excellence program. Recommend the Legislature request the Regents to report on their cost-of-living policy. 1267
 6. Graduate medical education. Recommend the Legislature request UC, CPEC, and the Division of Health Professions to review recent federal report on health personnel supply and demand. 1271
 7. Medical residents. Recommend the Legislature request UC to budget the same number of medical residents in 1982-83 as in the 1981-82 year. 1272
 8. Affiliated hospitals. Recommend the Legislature request UC to submit report on affiliated medical resident support provided to the UCLA campus. 1275
 9. *Graduate academic students. Reduce Item 644-001-001 by \$367,049.* Recommend state support for the proposed increase in health science graduate academics be deleted. 1276
 10. Health science tuition. Recommend the Legislature request the Regents to charge the same tuition to health science graduate students in 1982-83 as general campus graduate students, plus an additional amount in the case of medicine and dentistry students. 1277
 11. *Health science tuition offset. Reduce Item 644-001-001 by \$116,000.* Recommend the Legislature request the Regents to increase their budgeted health science General Fund tuition offset from \$732,000 to \$848,000 in 1981-82. 1279
 12. *Faculty research. Reduce Item 644-001-001 by \$1,000,000.* Recommend deletion of augmentation for additional individual faculty research. 1283
 13. *Microelectronics research. Reduce Item 644-001-001 by \$5,000,000.* Recommend deletion of augmentation for microelectronics research. 1284
 14. *California Space Institute. Reduce Item 644-001-001 by \$250,000.* Recommend deletion of augmentation for the Space Institute. 1286
 15. Integrated pest management. Recommend progress report with special attention to development of criteria that will be used to evaluate program. 1287
 16. *Institute of Transportation Studies. Reduce Item 644-001-001 by \$103,677 and increase Item 644-001-046 by \$103,677.* Recommend all support for this institute come from the Transportation Fund. 1287
 17. Energy Institute. Recommend the Legislature request the Regents to provide the same price adjustment increase in 1981-82 to their share of this institute's budget that the state provides. 1288
 18. *Teaching hospitals. Increase savings in Control Section 19.13 by \$15 million.* Recommend teaching hospitals repay additional \$15 million of their state loan from their one-time windfall profits of 1979-80. 1297
 19. *Medicare/Medi-Cal loan. Reduce Item 644-011-001 by \$2,333,692.* Recommend that funds for a loan contingency not be appropriated, but be made available if needed through the deficiency appropriation process. 1297
 20. Orange County receivables. Recommend the Legislature re- 1298

UNIVERSITY OF CALIFORNIA—Continued

- quest UC to report on its progress on the accounts receivable problem at Orange County Hospital.
21. Disabled students. Recommend the Legislature direct the Department of Finance to report on the administration's plan for support of disabled students who will attend UC in 1981-82. 1301
 22. Faculty affirmative action. Recommend the Legislature request UC and CPEC to report during budget hearings on recruitment and retention of minority faculty and staff. 1303
 23. Student affirmative action. Recommend the Legislature request faculty committee to report on its student affirmative action review. 1305
 24. *Federal overhead. Reduce Item 644-001-001 by \$4,138,026.* Recommend the state's share of the current-year unanticipated increase in federal overhead receipts be applied to the 1981-82 budget rather than the 1982-83 budget. 1310
 25. Utilities price increase. Recommend the Legislature request UC and the Department of Finance to review the proposed utility price increase for 1981-82. 1312

Summary of Legislative Analyst's Recommended Fiscal Changes

Activity	Program Changes	Funding Impact	
		General Fund	Other Fund
Graduate enrollments	-\$1,322,676	-\$1,322,676	
Graduate academic students	-367,049	-367,049	
Health science tuition offset	-116,000	-116,000	
Faculty research	-1,000,000	-1,000,000	
Microelectronics research.....	-5,000,000	-5,000,000	
California Space Institute	-250,000	-250,000	
Institute of Transportation Studies		-103,677	+\$103,677
Teaching Hospital Loan		-15,000,000	
Medicare/Medi-Cal loan.....		-2,333,692	
Federal overhead		-4,138,026	
Totals	-\$8,055,725	-\$29,631,120	+\$103,677

Recommendation Overview

We are recommending reductions to the UC budget totaling \$29.5 million. Of this amount, however, \$21.4 million can be achieved without cutting programs or reducing services within UC. These savings can be achieved by using revenues available to UC that are not needed in 1981-82. Specifically, we have identified the following funds that could be used in 1981-82: (1) \$15 million in windfall hospital profits, (2) \$2.3 million in loan funds that may not be needed, and (3) \$4.1 million in revenue that the state normally would receive in 1982-83. The remaining \$8 million in recommended reductions relates to program increases above the current-year levels, primarily in research support.

GENERAL PROGRAM STATEMENT

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

The university encompasses eight general campuses and one health science campus. A broadly based undergraduate curriculum leading to the baccalaureate degree is offered at each general campus. The university is the primary state-

supported academic agency for research, and has sole authority to award doctoral degrees in all disciplines, although it may award joint doctoral degrees with the California State University and Colleges. 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. There are three law schools, five medical schools, two dental schools, and one school of veterinary medicine.

Administrative Structure

Overall responsibility for policy development, planning, and resource allocations rests with the president of the university, who is directly responsible to the Regents. Primary responsibility for individual campus management has been delegated to the chancellor of each campus. This includes the management of campus resource allocations as well as campus administrative activities.

The academic senate has the delegated authority to determine admission and degree requirements and to approve courses and curricula.

Admissions

Admission as a first-year student is limited to the top one-eighth (12½ percent) of California's high school graduates. Nonresident freshmen applicants must be in the upper one-sixteenth of their state's high school graduates to be admitted. The university is permitted to waive the admission standards for up to 6 percent of the newly admitted undergraduates.

Unless they were eligible for admission at the time they graduated from high school, California transfer students are required to have at least a 2.4 average in prior academic work to be eligible for admission to advance standing. The minimum requirement for admission to a graduate program is possession of a valid four-year degree from an accredited institution.

1981-82 Budget Overview

Table 1 shows the total UC budget for the 1980-81 and 1981-82 fiscal years. The 1981-82 budget, which totals \$3.69 billion, has three components: (1) the support budget (\$2.13 billion), (2) sponsored research and other activities (\$665 million), and (3) the three Department of Energy Laboratories (\$897 million).

The sources of funding for the support budget are shown in Table 2. The total increase proposed for the UC base support budget is \$129.4 million, or 6.5 percent more than estimated current-year expenditures.

The proposed increase of \$129.4 million is budgeted from the following sources:

- state General Fund appropriations: \$40.2 million (3.9 percent),
- university general funds: \$8.1 million (28.4 percent),
- other funds used as income: \$8.6 million (23.0 percent)
- state restricted appropriations: \$1.0 million (6.4 percent), and
- university restricted sources: \$72.1 million (8.3 percent).

The proposed state General Fund increase does *not* include an amount for salary or staff benefit increases. Currently, the university estimates that each 1 percent increase in UC salaries will cost \$4.7 million for academics and \$4.4 million for nonacademics. (See the discussion of faculty salaries under Item 980.) The large percentage increase in university general funds (28.4 percent) results from both increased nonresident enrollment and a proposed 20 percent increase in nonresident tuition in 1981-82 (from \$2,400 to \$2,880 per academic year). The increase of \$8.6 million in other funds used as income (primarily federal overhead) results from an increased level of federal contracts in 1981-82.

Table 3 shows the source of funds for individual programs. For example, the state General Fund contribution to general campus instruction provides \$411.1 million of the \$425.7 million proposed for that purpose. Similarly, the state contribution to teaching hospitals provides \$44.6 million of \$572.9 million proposed. Patient charges for services will contribute \$528.2 million, and endowments will contribute another \$0.1 million.

Table 1
Proposed UC Expenditure Budget for 1981-82
(Excluding salary and benefit increases)

<i>Support Budget</i>	<i>Personnel</i>			<i>Expenditures</i>			
	<i>1980-81</i>	<i>1981-82</i>	<i>Change</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Changes</i>	
						<i>Amount</i>	<i>Percent</i>
1. Instruction							
A. General Campuses	12,837.53	13,083.61	246.08	\$420,153,863	\$425,777,819	\$5,623,956	1.3%
B. Health Sciences	4,905.78	4,984.78	79.00	180,770,018	183,339,687	2,569,669	1.4
C. Summer Sessions	414.36	414.36	—	6,395,899	6,642,162	246,263	3.9
D. University Extension	1,502.06	1,502.06	—	50,827,426	50,938,918	111,492	0.2
2. Research	2,812.04	2,812.04	—	96,027,509	102,251,509	6,224,000	6.5
3. Public Service	1,218.51	1,225.51	7.00	44,493,550	44,761,358	267,808	0.6
4. Academic Support							
A. Librarians	2,251.72	2,271.72	20.00	75,873,490	76,301,487	427,997	0.6
B. Organized Activities—Other	2,406.29	2,406.29	—	68,236,322	69,787,841	1,551,519	2.3
C. Teaching Hospitals' Clinics	14,381.76	14,381.76	—	514,392,000	572,917,600	58,525,600	11.4
5. Student Services and Financial Aid							
A. Activities	2,894.63	2,894.63	—	81,569,169	82,002,311	433,142	0.5
B. Financial Aid	—	—	—	37,592,246	38,953,945	1,361,699	3.6
6. Institutional Support							
A. General Administration and Services	6,519.78	6,526.78	7.00	135,299,502	136,495,988	1,196,486	0.9
B. Operation and Maintenance of Plant	3,306.61	3,347.61	41.00	131,180,134	132,831,134	1,651,000	1.3
7. Independent Operations (Auxiliary Enterprises)	1,772.51	1,772.51	—	102,388,465	109,647,836	7,259,371	7.1
8. Special Regents' Programs	—	—	—	34,733,000	31,074,000	-3,659,000	10.5
9. Unallocated Adjustments							
A. Provisions for Allocation	-949.00	-924.00	25.00	24,863,447	36,461,494	11,598,047	46.6
B. Fixed Costs and Economic Factors	—	-180.00	-180.00	—	41,584,215	41,584,215	—
10. "A" Pages Reductions	—	—	—	—	-7,500,000	-7,500,000	—
Totals, Support Budget	56,274.58	56,519.66	245.08	\$2,004,796,040	\$2,134,269,304	\$129,473,264	6.5%
Sponsored Research and Other Activities	—	—	—	622,768,000	665,626,000	42,858,000	6.9
Department of Energy Labs	—	—	—	897,715,000	897,715,000	—	—
Grand Totals	56,274.58	56,519.66	245.08	\$3,525,279,040	\$3,697,610,304	\$172,331,264	4.9%

Table 2
UC Revenues—Total Support Budget

	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
1. General Funds:				
A. State Appropriations	\$1,041,020,700	\$1,081,234,048	\$40,213,348	3.9%
B. University General Funds:				
1. Nonresident tuition	20,605,882	27,960,000	7,354,118	35.7
2. Other student fees	4,705,040	4,955,040	250,000	5.3
3. Other current funds	3,223,300	3,723,300	500,000	15.5
Subtotals	\$28,543,222	\$36,638,340	\$8,104,118	28.4%
C. Funds Used As Income:				
1. Federal overhead	30,305,000	38,584,139	8,279,139	27.3
2. Department of Energy— overhead and management	1,911,865	2,040,894	129,029	6.7
3. Prior year balances	4,745,606	4,363,571	-382,035	-8.1
4. Other	712,326	1,342,075	629,749	88.4
Subtotals	\$37,674,797	\$46,330,679	\$8,655,882	23.0%
Subtotals, General Funds	\$1,107,229,719	\$1,164,203,067	\$56,973,348	5.1%
2. Restricted Funds:				
A. State Appropriations:				
1. Transportation research	\$683,796	\$704,272	\$20,476	3.0%
2. Mosquito research	100,000	100,000	—	—
3. Deferred maintenance	5,000,000	5,000,000	—	—
4. Instructional equipment	9,895,300	10,884,830	989,530	10.0
5. Energy research	615,963	647,080	31,117	5.1
Subtotals	\$16,295,059	\$17,336,182	\$1,041,123	6.4%
B. Federal Appropriations	9,689,646	9,689,646	—	—
C. Federal Grants	4,095,114	3,438,558	-656,556	16.0
D. University Sources:				
1. Student fees	151,424,370	157,823,125	6,398,755	4.2
2. Sales and services	30,631,222	32,131,222	1,500,000	4.9
3. Teaching hospitals	470,162,517	526,572,517	56,410,000	12.0
4. Organized activities	27,428,656	28,364,175	935,519	3.4
5. Endowments	17,906,034	18,667,827	761,793	4.3
6. Auxiliary enterprises	101,485,978	108,745,349	7,259,371	7.2
7. Other	17,407,363	18,911,085	1,503,722	8.6
8. Prior year balances	16,307,362	17,312,551	1,005,189	6.2
9. Special Regents' programs ..	34,733,000	31,074,000	-3,659,000	-10.5
Subtotals	\$867,486,502	\$939,601,851	\$72,115,349	8.3%
Subtotals, Restricted Funds	\$897,566,321	\$970,066,237	\$72,499,916	8.1%
Totals, Revenue (Support Budget) ..	\$2,004,796,040	\$2,134,269,304	\$129,473,264	6.5%

Table 3
Source of Funds by Program
(1981-82 Governor's Budget)

	General Funds	Federal Funds	Student Fees and Tuition	Sales and Services			Endowments	Other Sources	Totals
				Teaching Hospitals	Educational Activities	Auxiliary Enterprises			
Instruction:									
General campuses	\$411,164,747	\$336,299	\$296,050	—	\$226,285	—	\$1,591,215	\$12,163,223	\$425,777,819
Health sciences	156,610,437	3,461,968	—	—	20,858,438	—	757,543	1,651,301	183,339,687
Summer session	—	—	6,642,162	—	—	—	—	—	6,642,162
University extension	—	—	50,938,918	—	—	—	—	—	50,938,918
Total Instruction	\$567,775,184	\$3,798,267	\$57,877,130	—	\$21,084,723	—	\$2,348,758	\$13,814,524	\$666,698,586
Research	\$89,549,996	\$2,591,850	—	—	\$904,783	—	\$5,226,257	\$3,978,623	\$102,251,509
Public Services:									
Community service	\$1,014,859	—	\$2,614,728	—	\$4,622,340	—	\$635,257	\$1,374,543	\$10,261,727
Cooperative extension	24,262,792	\$6,758,797	—	—	215,000	—	4,768	—	31,241,357
Drew Postgraduate Medical School	2,479,682	—	—	—	—	—	—	—	2,479,682
California College of Podiatric Medicine	778,592	—	—	—	—	—	—	—	778,592
Total Public Service	\$28,535,925	\$6,758,797	\$2,614,728	—	\$4,837,340	—	\$640,025	\$1,374,543	\$44,761,358
Academic Support:									
Libraries	\$75,130,435	—	—	—	25,500	—	\$960,702	\$184,850	\$76,301,487
Museums and galleries	1,315,060	—	—	—	6,782	—	167,042	—	1,488,884
Intercollegiate athletics	—	—	\$946,992	—	168,218	—	—	—	1,115,210
Ancillary support-general campus	2,962,948	—	261,667	—	—	—	—	2,105,189	5,329,804
Ancillary support-health sciences	36,389,368	—	—	—	479,779	—	4,600	24,980,196	61,853,943
Total Academic Support	\$115,797,811	—	\$1,208,659	—	\$680,279	—	\$1,132,344	\$27,270,235	\$146,089,328
Teaching Hospitals	\$44,575,330	—	—	528,235,314	—	—	\$106,956	—	\$572,917,600
Student Services:									
Social and cultural activities	\$749,767	—	\$11,672,334	—	\$96,291	—	\$29,279	\$499,963	\$13,047,634
Supplement educational services	756,022	—	2,123,929	—	—	—	—	480,000	3,359,951
Counseling and career guidance	4,580,115	—	11,848,537	—	—	—	—	1,496,796	17,925,448

Financial aid administration	624,276	—	7,703,744	—	—	—	—	215,247	8,543,267
Student admissions and records	11,492,887	—	—	—	—	—	—	2,655,822	14,148,709
Student health services	—	—	15,619,247	—	—	—	—	1,202,053	16,821,300
Employee benefits	2,681,348	—	5,474,654	—	—	—	—	—	8,156,002
Total Student Services	\$20,884,415	—	\$54,442,445	—	\$96,291	—	\$29,279	\$6,549,881	\$82,002,311
Institutional Support:									
Executive management	\$32,858,842	—	—	—	—	—	\$220,154	\$745,879	\$33,824,875
Fiscal operations	14,275,581	—	—	—	\$922,412	\$216,510	—	3,671,897	19,086,400
General administrative services	23,857,042	—	\$1,218,404	—	2,393,232	—	17,267	9,420,026	36,905,971
Logistical services	18,946,970	—	12,740	—	—	—	—	2,753,923	21,713,633
Community relations	5,876,175	—	—	—	—	116,498	682,243	225,359	6,900,275
Employee benefits	17,844,477	—	—	—	—	7,925	61,416	151,016	18,064,834
Total Institutional Support	\$113,659,087	—	\$1,231,144	—	\$3,315,644	\$340,933	\$981,080	\$16,968,100	\$136,495,988
Operation and maintenance of plant	\$127,119,195	—	—	—	—	—	\$358,533	\$5,353,406	\$132,831,134
Student financial aid	\$398,812	—	\$34,379,743	—	—	\$2,000	\$3,913,112	\$260,278	\$38,953,945
Auxiliary enterprises	—	—	\$1,071,241	—	—	\$108,573,202	\$3,393	—	\$109,647,836
Unallocated Adjustments:									
Provisions for allocation	\$22,864,220	—\$20,710	\$4,998,035	—\$1,662,797	\$1,212,162	—\$170,786	\$3,928,090	\$5,313,280	\$36,461,494
Program maintenance:									
Fixed Costs and Economic Factors	40,543,092	—	—	—	—	—	—	1,041,123	41,584,215
Total Unallocated Adjustments	\$63,407,312	—\$20,710	\$4,998,035	—\$1,662,797	\$1,212,162	—\$170,786	\$3,928,090	\$6,354,403	\$78,045,709
"A" Pages Reductions	—\$7,500,000	—	—	—	—	—	—	—	—\$7,500,000 ^a
Special Regents' Programs	—	—	—	—	—	—	—	\$31,074,000	\$31,074,000
Totals, Budgeted Programs	\$1,164,203,067	\$13,128,204	\$157,823,125	\$526,572,517	\$32,131,222	\$108,745,349	\$18,667,827	\$112,997,993	\$2,134,269,304
Sponsored and Other Restricted Activities	—	\$438,705,000	—	—	—	—	\$81,434,000	\$145,487,000	\$665,626,000
Department of Energy Laboratories	—	\$897,715,000	—	—	—	—	—	—	\$897,715,000
Totals, Budgeted and Extramural Programs	<u>\$1,164,203,067</u>	<u>\$1,349,548,204</u>	<u>\$157,823,125</u>	<u>\$526,572,517</u>	<u>\$32,131,222</u>	<u>\$108,745,349</u>	<u>\$100,101,827</u>	<u>\$258,484,993</u>	<u>\$3,697,610,304</u>

^a Some totals will be less due to unallocated "A" pages reductions.

UNIVERSITY OF CALIFORNIA—Continued

Table 4 shows the individual components of the proposed \$40.2 million state General Fund increase. Note that these increases are partially offset by \$16.7 million in new income (item A-7)—principally from nonresident tuition (\$7.3 million) and federal overhead (\$8.2 million). Consequently, the real increase in the university's base budget is \$56.9 million (5.5 percent).

Significant expenditure increases are proposed for merit and promotion increases (\$16.9 million); price increase adjustments (\$23.5 million); and increases in the budgeted level of general campus and health science students (\$6.7 million—\$4.2 million for the general campus and \$2.5 million for the health sciences).

Table 4
UC General Fund Support
Summary of Changes from 1980-81 Budget.
(excluding salary and benefit increases)

1980-81 Base Budget		\$1,041,020,700
Program Changes		
A. To Maintain Existing Budget		30,367,145
1. Merit increases and promotions	\$16,948,322	
2. Price increases	23,547,153	
3. Social security	1,289,000	
4. Federal capitation funds replacement	656,556	
5. Medi-Cal/Medicare loan	2,115,600	
6. Occupational health care centers	2,570,514	
7. UC income adjustment	-16,760,000	
B. Workload Changes		7,230,953
1. General campus instruction	4,242,953	
2. Health sciences instruction	2,513,000	
3. Operations and maintenance of plant	651,000	
4. Vet Med—CTS	150,000	
5. Scheduled reductions		
—Valley fever	-300,000	
—CPER	-26,000	
C. Budget Change Proposals		10,115,250
1. Basic skills instruction ^a	1,377,000	
2. Instructional use of computers ^a	400,000	
3. Math skills-EQUALS ^a	230,000	
4. Student affirmative action ^a	1,728,250	
5. Faculty basic research	1,000,000	
6. California space institute	250,000	
7. Microelectronic research	5,000,000	
8. CTS—optometry and dental ^a	466,000	
9. Collective bargaining ^a	270,000	
10. Operations and maintenance of plant ^a	1,000,000	
11. Budgetary savings	-647,000	
12. Workers' compensation insurance	-959,000	
D. "A" pages reductions		-7,500,000
Total Change (Amount/Percent)		\$40,213,348 (3.9%)
Total 1981-82 Support		\$1,081,234,048

^a In the "A" pages of the Governor's Budget, these proposals are deleted from the proposed budget. They total \$5.5 million. These deletions, coupled with a \$2.0 million reduction in the amount budgeted for utilities, constitute the "A" pages reduction of \$7.5 million shown in (D) of this table. Note also that the "A" pages propose that UC use \$10 million of its hospital reserves to repay part of its current \$25 million hospital working capital advance.

"A" Pages Reductions

The Governor's Budget document detail includes funding for several budget change proposals (BCPs) that later were deleted in the "A" pages of the same document. As noted in Table 4, the BCPs for which funding was deleted include the following: (1) basic skills instruction, (2) instructional use of computers, (3) math skills-equals, (4) student affirmative action, (5) Clinical Teaching Support (CTS)—optometry and dental, (6) collective bargaining, and (7) operation and maintenance of plant. These BCPs total \$5.5 million. In addition, the "A" pages indicate that \$2 million was deleted from the university's utilities budget. Lastly, the Governor's Budget proposes in a new control section (Control Section 19.13) that the university repay \$10 million of its current \$25 million hospital working capital advance. This repayment comes from hospital revenues and as such does not affect the totals shown in Tables 1 through 4.

Faculty and Staff

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

Table 5 shows estimates of the number of faculty and staff for the past, current, and budget years. The Governor's action in the "A" pages results in reductions of 100 teaching assistants and 80 staff positions. Consequently, the proposed budget provides sufficient funds for 76 new general campus faculty, 42 new health science faculty, 21 new teaching assistants, and 106 new staff positions.

Table 5
Estimated UC Faculty and Staff^a

	<i>Estimated 1979-80</i>	<i>Budgeted 1980-81^b</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
				<i>Number</i>	<i>Percent</i>
General campus faculty.....	6,655	6,266	6,342	76	1.2%
Health science faculty	2,028	2,079	2,121	42	2.0
Teaching assistants	1,650	1,937	2,058	121	6.2
Staff.....	46,000	45,993	46,179	186	0.4
"A" Pages Reductions ^a	—	—	-180	-180	—
	56,333	56,275	56,520	245	0.4%

^a The Governor's "A" page reductions of 180 positions include 100 teaching assistants and 80 staff positions.

^b Included in the 1980-81 position count are 44 FTE faculty, 16.23 teaching assistants, and 34.85 staff which were added to the 1980-81 budget by action of the Department of Finance in accordance with Control Section 28.9 of the 1980 Budget Act due to overenrollment. See text for more detail.

ANALYSIS AND RECOMMENDATIONS

Budget Presentation

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

UNIVERSITY OF CALIFORNIA—Continued

1. INSTRUCTION

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

ENROLLMENT

Overview

Table 6 shows the recent trends in UC enrollment, expressed in full-time equivalent (FTE) students. A full-time undergraduate student in UC takes an average of 15 units during each of three quarters. Thus, one FTE equals one student attending full time, two students each attending one-half time, etc. In practice, most UC students attend full time, although their average course load has decreased slightly in recent years.

Table 6
Full-time Equivalent Students (FTE)
(Three Quarter Average)

				<i>Governor's Budget</i>		
				<i>Change From</i>		
	<i>Actual</i>	<i>Budgeted</i>	<i>(Revised)</i>	<i>Proposed</i>	<i>Budgeted 1980-81</i>	
	<i>1979-80</i>	<i>1980-81</i>	<i>1980-81</i>	<i>1981-82</i>	<i>Number</i>	<i>Percent</i>
BERKELEY						
General Campus						
Undergraduate	19,430	18,850	(19,689)	18,826	-24	-0.1%
Graduate	7,912	7,498	(7,709)	7,601	103	1.4
Health Sciences	655	711	(811)	818	7	0.9
Subtotals	28,108	27,159	(28,209)	27,245	86	0.3%
DAVIS						
General Campus						
Undergraduate	12,581	12,300	(13,170)	12,700	400	3.3%
Graduate	2,944	2,955	(2,948)	2,966	11	0.4
Health Sciences	1,862	1,946	(1,946)	1,991	45	2.3
Subtotals	17,387	17,201	(18,064)	17,657	456	2.7%
IRVINE						
General Campus						
Undergraduate	7,390	7,486	(7,410)	7,441	-45	-0.6%
Graduate	1,210	1,236	(1,301)	1,269	33	2.7
Health Sciences	1,021	1,044	(1,044)	1,068	24	2.3
Subtotals	9,621	9,766	(9,755)	9,778	12	0.1%
LOS ANGELES						
General Campus						
Undergraduate	17,870	17,468	(18,470)	18,097	629	5.3%
Graduate	7,345	7,369	(7,463)	7,478	109	1.5
Health Sciences	3,858	3,879	(3,879)	3,924	45	1.2
Subtotals	29,073	28,716	(29,812)	29,499	783	2.7%
RIVERSIDE						
General Campus						
Undergraduate	3,036	2,963	(3,037)	3,028	65	2.2%
Graduate	1,296	1,298	(1,308)	1,312	14	1.1
Health Sciences	46	48	(48)	48	—	—
Subtotals	4,378	4,309	(4,393)	4,388	79	1.8%

SAN DIEGO						
General Campus						
Undergraduate	8,433	8,450	(8,650)	8,568	118	1.4%
Graduate	1,243	1,248	(1,222)	1,261	13	1.0
Health Sciences	1,019	1,061	(1,061)	1,092	31	2.9
Subtotals	10,695	10,759	(10,933)	10,921	162	1.5%
SAN FRANCISCO						
Health Sciences	3,753	3,792	(3,792)	3,861	69	1.8%
Subtotals	3,753	3,792	(3,792)	3,861	69	1.8%
SANTA BARBARA						
General Campus						
Undergraduate	11,992	11,905	(12,393)	12,231	326	2.7%
Graduate	1,805	1,886	(1,991)	1,972	86	4.6
Subtotals	13,797	13,791	(14,383)	14,203	412	3.0%
SANTA CRUZ						
General Campus						
Undergraduate	5,486	5,442	(5,700)	5,650	208	3.8%
Graduate	383	419	(454)	494	75	17.9
Subtotals	5,869	5,861	(6,154)	6,144	283	4.8%
TOTAL UNIVERSITY						
Undergraduate	86,218	84,864	(88,518)	86,511	1,647	1.9%
Graduate	24,138	23,909	(24,396)	24,353	444	1.9
General Campus	110,356	108,773	(112,914)	110,864	2,091	1.9%
Health Sciences	12,325	12,581	(12,581)	12,802	221	1.8%
Totals	122,681	121,354	(125,495)	123,666	2,312	1.9%

Enrollment Up in Current Year

Each fall, UC surveys the nine campuses to determine how actual enrollment compare to enrollment estimates on which the current-year budget is based. Table 6 shows that UC general campus enrollment for 1980-81 was budgeted at 108,773. The revised estimate, based on the fall survey, indicates that actual enrollment will be 112,914, or 3.8 percent (4,141 students) above the budgeted level. (CSUC enrollments are also up an estimated 3.5 percent above the budgeted level.)

The Department of Finance has notified us that in 1980-81 it will seek a deficiency appropriation of \$5 million to cover the marginal costs related to the additional students in UC and CSUC pursuant to Control Section 28.9, with \$2.5 million going to UC and \$2.5 million going to CSUC. Control Section 28.9 of the annual Budget Act permits the Director of Finance to authorize the accelerated expenditure of budget funds by UC and CSUC (not to exceed \$5 million total) when actual systemwide enrollments exceed budgeted enrollments by 2 percent. This is done in anticipation of a General Fund deficiency appropriation. If there were no limit, UC and CSUC would have each qualified to seek authorization for accelerated expenditures of \$6.4 million, or a total of \$12.8 million. Both segments have agreed to absorb the excess costs over the \$5 million authorized in Section 28.9.

1981-82 Budgeted Enrollment

Table 6 also shows the enrollment for each campus in 1980-81 and the proposed level for 1981-82. An increase of 221 students (1.8 percent) is expected in the health sciences, with an additional 2,091 students (1.9 percent) at the general campuses. Total projected enrollment is 2,312 students (1.9 percent) above the 1980-81 *budgeted* level and 1,829 students (1.5 percent) below the *revised* 1980-81 level. The projected number of general campus students in 1981-82—both undergraduate and graduate—is 2,050 less than the revised estimate for 1980-81. UC anticipates a decline of 2,007 undergraduate students (-2.3 percent) and 43 graduate students (-0.2 percent).

UNIVERSITY OF CALIFORNIA—Continued

Potential Liability of \$5 Million

We recommend that the Legislature request the university and the Department of Finance to review their enrollment projections for 1981-82 and report on the need for any changes to the budget levels during budget hearings.

In developing its budget for 1979-80, UC anticipated a decline of 574 general campus students. Instead, enrollment of general campus students increased by 1,989. The Legislature eventually passed a deficiency appropriation of \$1.2 million in 1979-80 to cover the marginal costs related to overenrollments in that year.

In the formation of the 1980 Budget Act, UC anticipated a decline of 1,583 general campus students in 1980-81. Instead, in the current year, UC has experienced an increase of 2,558 general campus students. As mentioned, the Department of Finance has already approved the accelerated expenditure of \$2.5 million for UC in the current year to help cover the marginal costs related to the additional students.

In the budget year UC is again anticipating a decline in general campus students from the actual number on the campuses this year. The budgeted levels show a decline of 2,007 undergraduate students and 43 graduate students. While enrollment may well decline, we recommend that the Legislature request UC and the Department of Finance to review their 1981-82 projections based on the experience of the last two years. If enrollments turn out to be higher than the level budgeted for 1981-82, the General Fund could be faced with an unanticipated increase in expenditures of as much as \$5 million under Control Section 28.9. Given the precarious state of the General Fund, such an increase would be considerably more difficult than in past years.

Student Ethnic Data

The ethnic composition of UC's undergraduate and graduate students is shown in Table 7.

Table 7
University of California
Undergraduate and Graduate Domestic Student Enrollment

	1976	1977	1978	1979
<i>Undergraduate:</i>				
Black	4.1%	4.1%	4.0%	3.9%
Chicano/Latino	5.3	5.5	5.6	5.7
Asian	9.6	10.3	10.8	11.5
Filipino	0.8	0.9	1.1	1.2
American Indian	0.5	0.6	0.6	0.5
White/Other	79.6	78.6	78.1	77.1
<i>Graduate:</i>				
Black	4.4%	4.3%	4.0%	3.9%
Chicano/Latino	5.3	5.4	5.3	5.6
Asian	6.6	6.8	7.0	7.4
Filipino	0.4	0.4	0.4	0.4
American Indian	0.6	0.5	0.5	0.5
White/Other	82.8	82.6	82.7	82.1

Data supplied by UC. Details may not add to 100 percent due to rounding.

Table 7 shows that over the period 1976-1979 Blacks as a percent of total enrollment decreased slightly (-0.2 percent) at the undergraduate level while Chicano/Latinos increased from 5.3 percent to 5.7 percent. Because UC's enrollment has increased, however, the actual number of Blacks on the campuses has increased.

The ethnic group showing the largest increase at the undergraduate level during this period was Asians. They increased from 9.6 percent of total enrollment to

Table 8
Instruction—General Campus^a
(in thousands)

<i>Elements:</i>	<i>1980-81 Budget^b</i>			<i>1981-82 Governor's Budget</i>			<i>Change</i>	
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>Amount</i>	<i>Percent</i>
1. Faculty	\$199,774	—	\$199,774	\$201,324	—	\$201,324	\$1,550	0.7%
2. TAs	26,679	—	26,679	28,345	—	28,345 ^a	1,666 ^a	6.2
3. Instructional support	115,585	\$3,058	118,643	116,904	\$3,058	119,962	1,319	1.1
4. Other	—	2,234	2,234	—	2,234	2,234	—	—
5. Equipment replacement program	—	9,321	9,321	—	9,321	9,321	—	—
6. Instructional computing	4,065	—	4,065	4,465	—	4,465 ^a	400 ^a	9.8
7. Employee benefits	59,438	—	59,438	60,127	—	60,127	689	1.2
Totals	\$405,541	\$14,613	\$420,154	\$411,165	\$14,613	\$425,778	\$5,624	1.3%
"A" pages reductions ^a	—	—	—	-1,700	—	-1,700	-1,700	N/A
Adjusted totals	—	—	—	\$409,465	\$14,613	\$424,078	\$3,924	0.9%
<i>Personnel (FTE)</i>								
<i>Academic</i>								
Faculty	—	—	6,266	—	—	6,342	76	1.2%
TAs	—	—	1,937	—	—	2,058 ^a	121 ^a	6.2
Other Academic	—	—	371	—	—	371	—	—
Staff	—	—	4,264	—	—	4,313	49	1.1
Totals	—	—	12,838	—	—	13,084	246	1.9%
"A" pages reductions ^a	—	—	—	—	—	-100	-100	N/A
TAs	—	—	—	—	—	—	—	—
Adjusted totals	—	—	—	—	—	12,984	146	1.1%

^a The Governor's "A" page reductions eliminate \$1.4 million of the proposed \$1.7 million increase for TAs. As a result, funding for 100 TAs was deleted from the proposed budget in the "A" pages. Also eliminated in the "A" pages is the \$400,000 increase in instructional computing.

^b Included in the 1980-81 position count are 44 FTE faculty, 16.23 teaching assistants and 34.85 staff which were added to the 1980-81 budget by action of the Department of Finance in accordance with Control Section 28.9 of the 1980 Budget Act due to overenrollment. See text for more detail.

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11.5 percent by 1979. At the graduate level, Black students have declined on a percentage basis, from 4.4 percent to 3.9 percent, as well as on an enrollment basis. The Chicano student percentage increased from 5.3 percent to 5.6 percent between 1976 and 1979. Further discussion of the student body's ethnic composition, including campus-by-campus data, appears later in this analysis as part of the section covering UC's student services and financial aid programs.

GENERAL CAMPUS INSTRUCTION**1. Overview**

Included under the General Campus Instruction subprogram is the cost of faculty (excluding any allowance for 1981–82 pay or fringe benefit increases), teaching assistants (TAs), and related instructional support for the eight general campus programs.

Table 8 shows the general campus instruction budget by program element. The Governor's "A" pages reduce the augmentation for TAs from \$1.6 million to \$300,000. The reduced amount will support only 21 TAs, rather than 121 as proposed in the budget detail. Also deleted in the "A" pages is a \$400,000 increase in instructional computing.

Taking these deletions into account, the general campus instruction budget shows an increase of \$3.9 million (0.9 percent) prior to salary and staff benefit increases. The \$3.9 million increase is based on workload adjustments related to a budgeted increase of 1,647 undergraduate and 444 graduate students. After allowing for the deficiency proposed for the current year (\$2.5 million), the addition of these students in 1981–82 generates:

- 76 new faculty positions (\$1.6 million),
- 21 new TA positions (\$300,000), and
- 49 new staff positions and related instructional support (\$1.3 million).

Faculty

Table 9 shows the 1980–81 budgeted general campus instructional faculty, the percentage with tenure, and the student/faculty ratio on the eight general campuses. Although the state budgets one additional faculty for each 17.48 students systemwide, the ratio on individual campuses is determined by UC, and ranges from a low of 13.72 at Riverside to 19.00 at San Diego.

Table 9
FTE Faculty Tenure and Student/Faculty Ratios
General Campus 1980–81 Budget

	<i>Total Instructional Faculty FTE^a</i>	<i>Total Tenure FTE</i>	<i>Percent Tenure FTE</i>	<i>Student/ Faculty Ratios</i>
Berkeley	1,594.06	1,172.54	73.56%	16.53
Davis	815.87	563.71	69.09	18.70
Irvine	461.13	342.72	74.32	18.91
Los Angeles	1,467.47	1,092.29	74.43	16.93
Riverside	310.51	236.53	76.17	13.72
San Diego	510.46	363.97	71.30	19.00
Santa Barbara	730.75	541.98	74.17	18.87
Santa Cruz	331.75	243.60	73.43	17.67
Totals	6,222.00	4,557.34	73.25%	17.48

^a This table does not include 44 FTE faculty related to the proposed augmentation to the 1980–81 budget for overenrollment in the current year.

Table 10 shows the changes in (1) general campus enrollment (undergraduate and graduate FTE), (2) faculty FTE, and (3) student/faculty ratios since 1970-71. The systemwide budgeted student/faculty ratio has remained essentially unchanged over the last seven years.

Table 10
UC Student/Faculty Ratio as Budgeted *

	<i>Students</i>	<i>Faculty</i>	<i>Student/Faculty Ratios</i>
1970-71	94,780	5,752.02	16.48
1971-72	98,441	5,656.16	17.40
1972-73	98,949	5,679.59	17.42
1973-74	99,637	5,721.75	17.41
1974-75	104,203	5,959.50	17.49
1975-76	106,672	6,098.09	17.49
1976-77	108,001	6,174.76	17.49
1977-78	108,374	6,199.01	17.48
1978-79	107,909	6,172.01	17.48
1979-80	107,136	6,128.46	17.48
1980-81	108,773	6,222.00	17.48

* This table does not include the 1980-81 overenrollment of 4,141 FTE students and the proposed increase of 44 FTE faculty in the current year.

Faculty and Administrator Salary

Faculty salary is discussed separately in this analysis (see Item 980). The California Postsecondary Education Commission (CPEC) prepares an annual report on faculty salaries. In the analysis of CPEC's budget we recommend the CPEC also annually collect information on administrator salaries. A table which shows the past- and current-year salaries of UC's top administrators is shown with the CPEC analysis. Without comparative information from other institutions the Legislature has less basis on which to determine the appropriateness of UC administrator salaries. For example, the Secretary of the Regents annual salary was increased from \$49,300 to \$56,000 in the current year. Without comparative information from other governing boards the Legislature is less able to determine the appropriateness of this salary level.

2. Faculty Time Use Study

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

The Legislature agreed to forego action based on the data, if UC would conduct a comprehensive annual survey of faculty workload. (The discarded data had been collected by UC each year since 1972 in response to a similar state request.) UC agreed, and contracted with a private research firm for a new survey in 1977-78 and for annual follow-up surveys thereafter. The same firm conducted the 1977-78, 1978-79, and 1979-80 surveys.

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Regularly Scheduled Courses Decline Again

The results of the 1979–80 survey show that faculty time spent teaching regularly scheduled courses declined for the third year in a row. Table 11 shows that faculty time devoted to regularly scheduled courses declined from 5.8 hours per week in 1977–78 to 5.3 hours in 1979–80, a decline of 8.6 percent. Table 12 shows that the decline in scheduled class time has occurred at the lower- and upper-division levels (undergraduate level), while the scheduled class time reported at the graduate level has increased. (Comparable data for 1977–78 was not collected.)

Table 11
Summary of Instructional Activities Among Regular Faculty^a
1977–78 to 1979–80
(average hours per week)

	<i>Academic Year</i>			<i>Significance of Trend^b</i>
	<i>1977–78</i>	<i>1978–79</i>	<i>1979–80</i>	
Total, All Instructional Activities.....	28.4	27.6	27.5	n.s.
Regularly Scheduled Course Instruction.....	5.8	5.5	5.3	sig.
Supervising Independent/Special Study.....	2.4	2.3	2.7	n.s.
Course Preparation.....	10.8	10.7	10.1	n.s.
Other Instructional Activities ^c	9.5	9.2	9.4	n.s.

^a Source: Faculty Time-Use Study Report for 1979–80 Academic Year, page 35. These data are for full-time regular faculty members paid only from "Instruction and Research" funds.

^b Significant trends are indicated by "sig"; where the data do not show a significant trend, this is indicated by "n.s.". Significant trends are indicated for those activities that meet the following criteria: (1) the activity shows a consistent increase or decrease in mean hours over the three years; (2) the means of the first year (1977–78) and the third year (1979–80) show a statistically significant difference; and (3) the slope of the trend line fitted to the data by the least-squares method shows a statistically significant deviation from zero. Significance of difference and significance of deviation have been estimated at the 0.05 significance level.

^c In this table, the category "Other Instructional Activities" includes noncredit instruction, student advising, and giving oral examinations. Because these activities were not reported separately in the fall quarter of 1977–78, full-year comparisons cannot be made on the detailed summary of instructional activities.

Table 12
Regularly Scheduled Course Instruction^a
(Including Lab and Field Work)
Among Regular Faculty
1978–79 and 1979–80
(average hours per week)

	<i>Academic Year</i>		<i>Significance of Difference^a</i>
	<i>1978–79</i>	<i>1979–80</i>	
Undergraduate Level.....			
Lower division.....	1.1	1.0	n.s.
Upper division.....	2.7	2.4	n.s.
Subtotals.....	3.8	3.4	n.s.
Graduate Level.....	1.7	1.9	n.s.
Total, All Levels.....	5.5	5.3	n.s.

^a Source: Faculty Time-Use Study Report for 1979–80 Academic Year, page 45. These data are for full-time regular faculty members paid only from "Instruction and Research" funds.

^b Significance of difference is estimated at the 0.05 significance level. Significant differences are indicated by "sig"; where the difference is not significant, this is indicated by "n.s.".

Report on Response to the Survey Needed

We recommend that the Legislature request the Regents, the President, and the Faculty Senate of the university to report to the legislative budget committees by March 16, 1981, on the reasons for the apparent decline in scheduled classes and on any actions they plan on taking to deal with this situation.

In October, the president of UC notified the chancellors that a statistically significant decline in average scheduled class hours had occurred over the past three years. He indicated that the reasons for the decline were not known yet. He indicated, however, that he was seriously concerned about the decline and believed it prudent to respond directly and positively to the situation because it might have important consequences for the university. He asked the chancellors to:

- work with the deans, department chairpersons, and faculty on each campus to increase scheduled class hours and restore the pattern of faculty instructional activities to at least the average time levels reported in the 1977-78 Time Use Study.
- make a careful study of the reasons for the apparent decline in average scheduled class hours and report the results to him by December 1, 1980 (it is hoped that the results of these studies would bring a further understanding of the causes of the decline and aid in determining what steps need to be taken to reverse it), and
- develop and implement a faculty teaching workload policy for each academic department or equivalent unit by the end of the 1980-81 academic year.

We believe the president's requests to the chancellors were appropriate, and that the 1979-80 Faculty Use Survey results need to be thoroughly reviewed. Consequently, we recommend that the Legislature request the Regents, the President, and the Academic Senate of the university to report to the legislative budget committees by March 16, 1981, on the reasons for the apparent decline in scheduled classes and the actions they plan to take in order to deal with the situation. We believe that all three bodies need to review the results and advise the Legislature of their findings because each has a different perspective on the matter.

3. Graduate Enrollments

The Supplemental Report to the 1980 Budget Act directed UC to submit a systemwide graduate and professional school enrollment plan for the period 1981-82 through 1983-84. This report is to be submitted to the Legislature by February 1, 1981. The graduate enrollment plan is supposed to specify the societal and discipline needs, student demands, and other factors which are the basis for the level of enrollments, in each academic area. Any increase in graduate enrollment requested for 1981-82 is supposed to be based on this plan.

Enrollment Plan Not Available

We recommend deletion of funds for increased graduate enrollments in 1981-82 on the basis that such an increase has not been justified by data contained in an official UC enrollment plan, for a General Fund savings of \$1,322,676 (reduce Item 644-001-001a by \$1,322,676).

The Governor's Budget proposes an increase of 444 graduate students in 1981-82 at a state General Fund cost of \$1,322,676. Table 13 shows the proposed increases by campus.

In the past, the Legislature has taken the position that graduate enrollments can and should be controlled by UC. Beyond the undergraduate level, it is no more appropriate to base UC funding on student demand than it would be to fund other state programs on the basis of client demand.

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Table 13
Comparison of Budgeted Graduate FTE Enrollment
1979-80 to 1980-81

	1979-80	1980-81	<i>Proposed 1981-82</i> <i>Increase over</i> <i>1980-81</i>	
Berkeley	7,567	7,498	7,601	103
Davis	2,927	2,955	2,966	11
Irvine	1,223	1,236	1,269	33
Los Angeles	7,136	7,369	7,478	109
Riverside	1,239	1,398	1,312	14
San Diego	1,225	1,248	1,261	13
Santa Barbara	1,741	1,886	1,972	86
Santa Cruz	347	419	494	75
Totals	23,405	23,909	24,353	444

As we did in the 1980-81 Analysis, we recommend that expansion of graduate enrollments be funded only when such an expansion is justified on a program-by-program basis. Because the UC enrollment plan report was not available at the time this analysis was prepared, we have no basis on which to recommend additional expansion of graduate enrollment. Accordingly, at this time we recommend that \$1,322,676 contained in the Governor's Budget for expansion of graduate enrollments not be approved. In the event the UC plan justifies an increase in graduate enrollments, we will submit a supplemental analysis to the budget subcommittees that modifies our recommendation as appropriate.

4. Graduate Tuition

We recommend that the Legislature request the Regents to charge tuition in 1982-83 to all general campus graduate students. We further recommend that the Regents prepare a plan to implement tuition charges and related financial aid. This plan should be submitted to the appropriate legislative budget committees by December 1, 1981.

Earlier in this analysis, we indicate that a tuition charge at the graduate level is a viable policy option because of:

- the higher General Fund cost per student of graduate programs relative to the per-student costs of undergraduate programs,
- the higher private benefits of graduate education relative to undergraduate education,
- the incentives for inefficient over-investment in graduate education created by minimal student charges, and
- the widespread practice at comparable public institutions of charging higher tuition for graduate programs versus undergraduate programs.

We also showed that in 1979-80, UC's public comparison institutions charged on the average \$371 (36 percent) more for graduate instruction than for undergraduate instruction. Given these considerations, plus the likelihood that significant cuts will be necessary in many high-priority state programs as a result of the current fiscal problems facing the state, we believe that the Legislature should request the Regents to charge tuition to all general campus graduate students. Because of the lead time necessary to plan for tuition, however, we recommend that tuition not be charged until 1982-83. We further recommend that the Legislature request the Regents to prepare a plan for implementing tuition charges by December 1, 1981. This plan should propose a phased-in tuition level that would at a minimum place tuition for UC graduate students at the same level as tuition charged by UC's comparison institutions over a five-year period. This plan should also address the impact of the proposed tuition policy on the need for financial aid for low-income students.

5. Undergraduate Teaching Excellence Program (Item 644-001-001e)

The Governor's Budget again requests a special appropriation to support a university-wide program begun in 1973-74 for the improvement of undergraduate education. Since 1973-74, the General Fund support has supplemented ongoing instructional improvement projects financed from Regents' funds. For 1978-79, a special \$300,000 augmentation was provided to improve undergraduate education by expanding teaching assistant (TA) training programs. The funding sources and programs are shown in Table 14.

Table 14
Undergraduate Teaching Excellence Program

	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>
General Fund:			
Undergraduate teaching excellence.....	\$1,381,700	\$1,571,263	\$1,677,956
TA training	318,000	344,300	367,712
Regents' Fund:			
Instructional Improvement Program.....	1,000,000	1,000,000	1,000,000
Totals	\$2,699,700	\$2,915,563	\$3,045,668

Is a Cost-of-Living Adjustment Needed for the Program?

We recommend that the Legislature request the Regents to report on why they have not added cost-of-living adjustments to their share of the Undergraduate Teaching Excellence Program since its inception in 1973-74, and why no increase is budgeted for 1981-82.

The initial state appropriation for this program was \$1 million in 1973-74. In each subsequent year, normal cost-of-living adjustments have been added to this appropriation resulting in a request for state support of \$1.67 million in 1981-82.

In 1973-74, UC provided \$1 million to match the state's \$1 million, for a total program level of \$2 million. UC's share was initially made up of \$700,000 in Regent's Special Program funds and \$300,000 in Educational Fee support. In 1976-77, the Educational Fee support of \$300,000 was deleted, and the Regents added that amount to their share in order to keep UC support at \$1 million. Regents' support for the program has remained at the \$1 million level ever since, even though Regents' Special Program funds increased from a level of \$24.8 million in 1976-77 to an estimated \$31.0 million in 1981-82, an average annual increase of 6 percent per year.

The net result of this differential policy toward cost-of-living adjustments is that the original one-for-one match has become a 1.67 to 1.0 match. We recommend that the Legislature request the Regents to provide during budget hearings their rationale for not providing cost-of-living adjustments for the program.

6. Instructional Equipment Replacement (Item 644-001-146a)

We recommend approval.

In the 1980 Budget Act, the Legislature switched support for the Instructional Equipment Replacement Program from the General Fund to the Capital Outlay Fund for Public Higher Education (COFPE). These funds are used by UC to replace obsolete instructional equipment. UC's current equipment inventory is valued at \$270 million. UC has determined an annual need for \$12.9 million (in 1981-82 dollars) for instructional equipment replacement. The Governor's Budget proposes a 10 percent price increase in this program for 1981-82, from the current-year level of \$9.8 million to \$10.8 million.

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HEALTH SCIENCE INSTRUCTION

1. Overview

This subprogram includes the cost of faculty, teaching assistants, and related instructional support for the five health science programs. Table 15 shows the health science instruction budget by program element. The General Fund increase of \$3.22 million is for costs related to an enrollment growth of 221 students. The addition of these students generates the need for 42 additional health science faculty positions and 37 related staff positions.

Enrollment

Table 16 shows projected health science enrollment, by broad specialty, from 1980-81 through 1985-86. In 1982-83, health science enrollments are projected to increase by 375 students, with 298 of those students enrolling in medicine. Health science enrollments will peak in 1985-86, at which time enrollment will have increased from 8,559 in 1972-73 (the first year of a planned phased increase in health science enrollments) to 13,268, an increase of 55 percent.

The Supplemental Report of the 1980 Budget Act directed UC to submit a report to the legislative budget committees not later than March 1, 1981, on progress made toward the goals of its long-range health science education plan. This report is also required to contain UC's recommendations as to whether a new or modified plan should be adopted. We will review that report when it is submitted.

Table 16
Health Science Head Count Enrollment

			Change From				
	1980-81	1981-82	1980-81	1982-83	1983-84	1984-85	1985-86
1. Medicine							
M.D. Curriculum.....	2,626	2,674	48	2,702	2,726	2,726	2,726
Other Medicine	5,452	5,488	36	5,758	5,764	5,764	5,764
2. Veterinary Medicine.....	688	733	45	735	735	735	735
3. Dentistry	1,053	1,088	35	1,130	1,155	1,168	1,168
4. Pharmacy.....	568	571	3	571	571	571	571
5. Nursing.....	931	963	32	972	979	979	980
6. Public Health	965	982	17	1,004	1,019	1,019	1,019
7. Optometry.....	298	303	5	305	303	305	305
Totals	12,581	12,802	221	13,177	13,252	13,267	13,268

The overall student/faculty ratios budgeted for each health science school are shown in Table 17. The average health science student/faculty ratio is 6 to 1 in 1981-82. The cost of health science education relative to the cost of general campus instruction can be seen by comparing this ratio to the ratio budgeted for the general campuses—17.48 to 1. *On the average, health science instruction is three times more expensive than general campus instruction in terms of faculty requirements.*

Table 15
Instruction—Health Sciences Program
Summary of Expenditures and Personnel
(in thousands)

	<i>1980-81 Budget</i>			<i>1981-82 Governor's Budget</i>			<i>Change</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>
<i>Program Elements</i>									
1. Faculty	\$74,946	\$20,528	\$95,474	\$75,967	\$20,528	\$96,495	\$1,021	-	\$1,021
2. Instructional support	57,131	4,469	61,600	58,841	3,813	62,654	1,710	-\$656	1,054
3. Employee benefits	21,307	2,389	23,696	21,802	2,389	24,191	495	-	495
Totals	\$153,384	\$27,386	\$180,770	\$156,610	\$26,730	\$183,340	\$3,226	-\$656	\$2,570
<i>Personnel (FTE)</i>									
1. Faculty			2,079			2,121			42
2. Other academic			112			112			-
3. Staff			2,715			2,752			37
Totals			4,906			4,985			79

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Table 17
Overall Student—Faculty Ratios
Health Sciences Schools

<i>Program</i>	<i>Budgeted 1979-80</i>	<i>Budgeted 1980-81</i>	<i>Proposed 1981-82</i>
Medicine	5.76:1	5.65:1	5.62:1
Dentistry	4.74:1	4.72:1	4.73:1
Nursing	7.78:1	7.82:1	7.89:1
Optometry.....	12.59:1	12.58:1	12.58:1
Pharmacy.....	10.29:1	10.24:1	10.22:1
Public health	8.71:1	8.68:1	8.80:1
Veterinary medicine.....	5.97:1	5.94:1	5.94:1
Overall	6.12:1	6.05:1	6.04:1

Faculty Affirmative Action Report

Table 18 shows how the proposed faculty increase of 42 positions would be allocated in 1981-82. The increases occur at Irvine, Davis, San Diego, and San Francisco in accordance with planned program expansion.

The Supplemental Report of the 1980 Budget Act directed UC to make a greater effort to recruit and promote qualified minorities to become tenured health science faculty. No report requirement was included with this directive. We have asked UC to be prepared to comment on its efforts in response to this directive during budget hearings. In particular, we have recommended that UC be prepared to discuss (1) the ethnic mix of the 52 health science faculty that were added to the budget in the current year and (2) the ethnic mix of those faculty added in the previous two years. A further discussion on faculty and staff affirmative action is included in the student affirmative action section of this analysis.

2. Graduate Medical Education National Advisory Committee (GMENAC) Report

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

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

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

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

Table 18
FTE Faculty—Health Sciences

	<i>Budgeted 1979-80</i>	<i>Budgeted 1980-81</i>	<i>1981-82 Governor's Budget</i>	
			<i>Total</i>	<i>Change</i>
Berkeley				
Health and medical sciences	13.86	15.36	15.36	—
Optometry	23.28	23.68	24.08	.40
Public health	47.72	48.61	48.82	.21
Totals, Berkeley	84.86	87.65	88.26	.61
Davis				
Medicine	216.92	217.18	217.18	—
Veterinary medicine	208.97	115.73	123.49	7.76
Totals, Davis	325.89	332.91	340.67	7.76
Irvine				
Medicine	176.52	184.29	193.67	9.38
Los Angeles				
Dentistry	101.70	102.34	103.20	.86
Medicine	435.48	451.62	451.62	—
Nursing	41.09	43.59	46.59	3.00
Public health	59.67	62.52	64.08	1.56
Totals, Los Angeles	637.94	660.07	665.49	5.42
Riverside				
Medicine	12.85	14.00	14.00	—
San Diego				
Medicine	200.48	208.05	216.91	8.86
San Francisco				
Dentistry	114.54	120.84	126.84	6.00
Medicine	345.81	338.96	342.59	3.63
Nursing	75.61	75.41	75.46	.05
Pharmacy	53.46	55.46	55.89	.43
Totals, San Francisco	589.42	590.67	600.78	10.11
Provision for allocation	—	1.40	1.40	—
Grand Totals	2,027.96	2,079.04	2,121.18	42.14

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

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

State Review of GMENAC Report Needed

We recommend that the Legislature request UC, the California Postsecondary Education Commission, and the Division of Health Professions Development within the Office of Statewide Health Planning to review the findings and recommendations contained in the GMENAC report in the context of California's health personnel needs and UC's projected enrollments, and report their findings to the appropriate legislative budget committees by December 1, 1981.

Given the major implications that the GMENAC report has for federal policy regarding health personnel, the Legislature should be given a comprehensive report on how the findings and conclusions of the GMENAC study relate to the state's policy on UC enrollments. UC has already indicated to the Legislature that it plans to examine the GMENAC report. Moreover, under existing law, both CPEC and the Division of Health Professions Development have the responsibility to monitor and report on health personnel needs in California. Consequently, we do not believe that this review would require a budget augmentation.

UNIVERSITY OF CALIFORNIA—Continued**3. UC Medical Residents**

In the 1980 Budget Act, the Legislature deleted \$800,000 in state support for 99 medical students and directed that UC:

- honor its commitments to the 4,475 persons admitted to medical residency programs for 1980–81,
- budget for only 4,376 residents in 1981–82, and
- submit a detailed annual report by December 1 on its plans, policies, and proposed changes in medical residencies for the forthcoming year.

These reports are to be submitted to CPEC and the Division of Health Professions Development within the Office of Statewide Health Planning and Development. The latter agencies are directed to review the report and make related recommendations to the Legislature by January 8 of each year.

UC has complied with the legislative directives. The 1981–82 budget proposes support for 4,376 medical residents, the number of residents in the current year is 4,502 (27 more than anticipated in the budget approved by the Legislature), and the first annual report on medical residencies was submitted on time.

Although the Governor's Budget proposes no increase in medical residents for the budget year, the budget document shows a proposed increase of 250 medical residents for 1982–83. All of the new residents are proposed for the Drew/UCLA program. The Drew program is being phased-in, and the state is already funding enough FTE faculty at Drew to support 49 medical residents (as well as 48 medical students).

In the Supplemental Report to the 1980 Budget Act, the Legislature directed the California Postsecondary Education Commission to report to the appropriate legislative budget committees not later than December 1, 1980, on the need to add some or all of the proposed 250 residents at Drew. CPEC has provided an initial report on this matter, but a final report has been delayed due to data problems. We will review the final CPEC report at the budget hearings.

Decision Needed Now on 1982–83 Planned Support

We recommend that the Legislature request UC to budget state support for medical residents in 1982–83 at the level proposed for the current and budget year, and to allow the total budgeted number of residents to increase from 4,376 to 4,425 to reflect current- and budget-year support of 49 residents at Martin Luther King, Jr. Hospital.

In each of the past two years, our analysis has indicated that an increase in the number of UC medical residents is not warranted for the following reasons:

- Using any generally accepted standard California has more than an adequate supply of physicians.
- While some specialties should be increased, the increase can and should come about through reductions in those specialties where there is an oversupply.
- The total supply of residents can be increased reasonably quickly in the future, should the supply of physicians in California begin to fall below generally accepted standards.

In acting on UC's 1981–82 budget, the Legislature should give UC a target medical resident figure to budget for in 1982–83 because the university has to accept residents for 1982–83 early in 1982, prior to budget hearings on the 1982–83 budget. Although we have not as yet received the reviews of the UC resident report from CPEC and the Office of Statewide Health Planning and Development (OSHDP), all available information strongly suggests that a budget augmentation to support an increase in the number of residents in 1982–83 is not warranted. This information includes the findings and conclusions of the GMENAC report (dis-

cussed above) as well as the most recent reports of CPEC and OSHPD. The most recent CPEC and OSHPD reports recommend, at the very least, that no action be taken to increase the overall supply of physicians in California.

We also reviewed data on the number of residents in UC's five medical schools relative to the number in UC's comparison schools. These data are shown in Table 19. The ratio of residents to medical students is 1.7 (875/505) for UC, while it is only 1.0 (697/688) for the eight comparison institutions. These data show that, from a medical education perspective, UC has more than an adequate number of medical residents.

Table 19
Medical School Enrollment Comparisons^a
(figures in parentheses are proposed increases for 1981-82)

	Medical Students	Medical Residents	Medical Graduate Academics
<i>University of California</i>			
Davis	400	596	85
Irvine	381 (13)	606	57 (11)
Los Angeles	656	1,586	220
San Diego	481 (31)	430	120
San Francisco	606	1,158	251 (29)
Totals	2,524	4,376	733
Average, UC	505	875	147
<i>Comparison Eight Schools</i>			
Stanford	380	394	74
Cornell	425	1,216	119
Harvard	661	1,276	168
SUNY (Buffalo)	560	610	176
Illinois	1,394	796	242
Michigan	993	523	124
Wisconsin	652	441	125
Yale	437	322	108
Totals	5,502	5,578	1,136
Average, Comparison Eight	688	697	142

^a Data for UC is for 1980-81, data for all other schools is for 1978-79. Data for the comparison eight schools was taken from *The Journal of the American Medical Association*, March 7, 1980, pages 949-951. The SUNY (Buffalo) medical resident enrollment was obtained from the medical school at SUNY (Buffalo).

Accordingly, we recommend that the Legislature request UC to budget state support for medical residents at a level of 4,425 in 1982-83. The number of residents proposed for 1982-83 is an increase of 49 over 1981-82, but it will not require an increase in state support because sufficient funds to support the 49 additional residents are already in the budget for the Drew program. The available information indicates that if more than 49 residents are needed at Drew from an educational, public service, or other standpoint, the increase should come from reallocation of resident support from within the existing base.

4. Charles R. Drew Postgraduate Medical School (Item 644-001-001(i))

We recommend approval of the Drew medical education program as budgeted.

The Charles R. Drew Postgraduate School, founded in 1966, is a private, non-profit corporation which conducts educational and research programs in south central Los Angeles, in collaboration with the nearby Martin Luther King, Jr. County Hospital. State General Fund support is provided to Drew under two separate contracts, each administered by UC.

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As shown in Table 20 the Governor's Budget proposes \$3.8 million for Drew programs in 1981-82—\$1.35 million for medical planning and development and \$2.47 million for a separate public service program. Both of these amounts reflect normal price increases. The public service program is discussed with other UC public service programs later in this analysis.

Table 20
Funding for UC/Drew Programs

	<i>Actual</i> 1979-80	<i>Estimated</i> 1980-81	<i>Proposed</i> 1981-82	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Drew/UCLA Medical					
Budget Act appropriation	\$512,350	\$1,266,700	\$1,355,369	\$88,669	7.0%
Statutory appropriation	(241,216)	—	—	—	—
2. Public Service	2,165,860	2,317,460	2,479,682	162,222	7.0
Totals	\$2,678,210	\$3,584,160	\$3,835,051	\$250,891	7.0%

The Drew medical program is intended primarily to provide clinical training for 24 third-year and 24 fourth-year UCLA medical students. UC proposes to enroll the first class of 24 in 1982-83. In 1983-84 the medical school class will enroll 24 additional students, for a total medical student enrollment of 48 students. In addition, 250 medical residents are planned. Because state support to Drew is being phased-in so that faculty can be hired now to plan the curriculum, the current-year budget contains sufficient funds to support 48 medical students and 49 medical resident positions.

As noted above, the Legislature has directed CPEC to report on the need for 250 residents at Drew. We have not yet received CPEC's final report. Based on available information, however, we have recommended that if more than 49 residents are needed at Drew from an educational, public service, or other standpoint, the increase should come from reallocation of residents from within the existing base.

5. Affiliated Hospitals

Existing state budgeting formulas provide sufficient funds to support one FTE faculty for every seven residents at UC-operated (including two neuropsychiatric institutes—NPI) or county-operated facilities, and one FTE faculty for every 10 residents at V.A. or community hospitals. In addition, the state pays for 40 percent of the resident stipend at the university-owned hospitals. In 1980-81, the marginal cost to the state of supporting each UC hospital resident will average \$15,120, while the marginal cost of supporting residents at other affiliated hospitals will average \$5,431.

Table 21
Medical Residents
1979-80

	<i>University</i> <i>Operated</i>	<i>VA</i> <i>Hospital</i>	<i>County</i>	<i>NPI</i>	<i>Community</i>	<i>Totals</i>
Davis	314	90	—	—	193	597
Irvine	277	200	—	—	130	607
Los Angeles	474	329	427	53	308	1,591
San Diego	221	150	—	—	60	431
San Francisco	280	119	203	48	512	1,162
Totals	1,566	888	630	101	1,203	4,388
	(35.7%)	(20.2%)	(14.4%)	(2.3%)	(27.4%)	
Resident/Faculty Ratio	7:1	10:1	7:1	7:1	10:1	

Table 21 shows the distribution of medical residents between university-owned or -operated hospitals and affiliated hospitals. The difference in the resident/faculty ratios used for UC-owned or -operated hospitals and affiliated hospitals is not based on a detailed comparison of needs in each type of facility. Instead, it is the product of historical evolution, and is justified by UC on the basis that more "effort" is expended on university and county hospital residents.

State Support at Affiliated Hospitals Needs Clarification

We recommend that, beginning September 15, 1982, the Legislature request UC to submit an annual report to the appropriate legislative budget committees that details the state support for medical residents going to each medical school and to each residency program in the school. We further recommend that each UC medical school make this report available to each of its affiliated hospitals.

We further recommend that, by September 15, 1981, UC submit this report for the UCLA campus.

Each medical school dean has the prerogative to allocate all, some, or none of the faculty positions and support money generated by the medical residents at an affiliated institution to that institution. These allocations vary widely. For example, all generated positions are allocated on a full-time basis to the Charles Drew Medical Residency program, 11 out of 53 generated positions are allocated on a full-time basis to Harbor General in Los Angeles, and none of the 2.3 generated positions are allocated on a full-time basis to Santa Monica Hospital. UC states that in addition to the full-time faculty located at these sites there is a significant amount of faculty time and other support provided to these programs.

UC officials maintain that this policy is appropriate. They indicate that the affiliates receive an amount of support equal to or greater than the faculty positions generated through the use of UC libraries, UC faculty rounds, telephone consultations, medical conferences available at the UC campus, curriculum review, UC faculty appointments and review process for rank decisions, and administrative services involved in establishing and maintaining an affiliation. Overall, UC maintains that while some programs receive less support money than the formula generates, others need and receive more support.

Recurring Problem

Some hospitals are satisfied with their affiliation arrangements, while others are dissatisfied and wish to extract more of their "share" from their UC medical school. The issue of how state funds for medical residencies should be distributed was the subject of considerable correspondence between the California Academy of Family Physicians and UC this past fall. Most complaints have been made by directors of Family Practice Residency Training programs associated with either the Los Angeles or San Francisco medical schools. Similar complaints have been made in the past.

The Supplemental Report to the 1977 Budget Act required a UC report on the average level of support provided the UCLA medical school to its Family Practice-affiliated medical residents. This report stated that ratios are *not* the basis used for allocating resources to the individual residency training programs. UC maintains that state General Fund support received for residency positions on the basis of student/faculty ratios are retranslated at the campus level within a framework that integrates all resources available to programs. Individual residency programs, however, are often unaware of this translation.

For this reason, we believe UC should report to each affiliated hospital the net results of the translation process. Accordingly, we recommend that UC annually report the total state residency funds received per campus (for all programs, not

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just family practice) and the distribution of dollars and in-kind services to the programs that these residency funds support. UC would not have to initiate a new process to comply with this recommendation. Data for the report would be generated by its current process for allocating resources.

We recommend, however, that only the UCLA campus be required to submit this report in 1981–82. This will allow a pilot test of the actual workload requirements involved in preparing the report and will indicate the value of the information contained in it. We recommend that the report be submitted by September 15 to allow legislators and legislative staff time to (1) review the final report with the UCLA campus and (2) visit some of UCLA's residency programs to assess their reaction to this report.

6. Graduate Academic Students

Health science graduate academic students are enrolled in masters' degree or Ph.D. programs. They obtain degrees in a wide variety of disciplines—from Scientific Nutrition to Biochemistry—but the largest percentage of students are enrolled in basic physical and biological sciences programs. The Governor's Budget proposes funding for a total of 1,270 graduate academics in 1981–82, an increase of 52 over the current year. Table 22 shows that of the 52 additional students, 40 are in medicine.

Table 22
Health Science Graduate Academics

	<i>Budgeted</i> <i>1979-80</i>	<i>Budgeted</i> <i>1980-81</i>	<i>Proposed</i> <i>1981-82</i>	<i>Change</i>
Medicine.....	801	789	829	40
Optometry.....	25	21	23	2
Public Health	195	193	195	2
Veterinary Medicine	115	111	115	4
Nursing	23	23	23	—
Dentistry	16	16	20	4
Pharmacy	65	65	65	—
Totals.....	1,240	1,218	1,270	52

Unjustified Augmentation

We recommend the deletion of state support for the proposed increase in health science graduate academic students, for a General Fund savings of \$367,049. (Reduce Item 644-001-001(a) by \$367,049.)

In 1979, the Legislature directed UC to budget support for 41 less health science graduate academic students in 1980–81 than the number supported in 1979–80. UC, however, proposed a reduction of only four students in 1980–81.

The Legislature in the 1980 Budget Act deleted support for 22 graduate academics, as shown above in Table 22.

The 1981–82 Governor's Budget proposes funds to restore the 22 positions deleted by the Legislature last year and add 30 additional students. The average state cost of supporting each graduate academic student in 1981–82 is estimated to total \$7,058, resulting in a request for \$367,049 to support the additional 52 students.

UC maintains that:

- most of these students will be in disciplines where future employment possibilities are good and student demand is high,
- additional students are needed in emerging medical science areas,
- this type of student attracts high-quality faculty to the school, and

- these programs foster medical research work with young students, the next generation of researchers.

Our analysis indicates that increases in health science graduate academic programs have not been justified. Specifically:

- While it may be true that the employment prospects of these graduate students are good, this would not seem to provide a compelling reason for supporting them at taxpayers expense. The very fact that their employment prospects are good should provide these students with all of the encouragement needed to invest in their own future.
- Needs in emerging medical science areas can be met by reallocating slots from traditional areas which are declining in importance.
- UC enrollment of medical graduate academics (Table 19) compares very well with enrollment figures for their comparison institutions. The UC campuses average 147 medical graduate academics, compared to an average of 142 for the eight comparison institutions. Consequently, UC should be able to attract quality faculty in competition with these schools.
- It is not clear that the state's obligation to provide educational access also obligates it to support those holding bachelor's degrees wishing to pursue advanced degrees.

The requested increases in optometry, public health, and veterinary medicine would restore positions deleted by the Legislature last year. No new information has been presented that would warrant reversal of this decision.

Accordingly, we recommend that state support of \$367,049 for 52 health science graduate academic students be deleted from the budget.

7. Health Science Tuition

Until 1970-71, a special resident tuition was charged to students in medicine (\$250) and students in dentistry and pharmacy (\$200). This income was credited to UC as an offset to state General Fund support. When the Regents imposed the Educational Fee in 1970-71, they terminated these charges effective with the 1971-72 academic year so that health science students would pay the same fees as all other graduate students. Because the effect of this decision was to eliminate over \$500,000 in annual revenue to the state General Fund, the Legislature has required the Regents to allocate annually to the General Fund an amount of Regents' funds equal to the lost revenue. As discussed later in this analysis, in recent years the Regents have not complied with this requirement, resulting in a net loss to the General Fund totaling \$116,000 in 1981-82.

Reinstatement of Health Science Tuition Proposed

We recommend that the Legislature request the Regents to charge tuition in 1982-83 to all health science graduate students with an additional amount charged per quarter for medicine and dentistry students.

We further recommend that the Regents prepare a plan that would allow for forgiveness of the additional tuition charge for medicine and dentistry in the case of students who elect to practice primary care medicine and general dentistry in an area designated by the Office of Statewide Health Planning and Development as a medically underserved area. This plan should be submitted to the appropriate legislative budget committees by December 1, 1981.

Earlier in this analysis, we recommended that tuition be charged in 1982-83 to general campus graduate students because of:

- the relatively higher General Fund cost per student of graduate programs relative to undergraduate programs,
- the larger benefits accruing to the individual student as a result of graduate education relative to undergraduate education,
- the incentives for inefficient over-investment in graduate education created by minimal student charges, and

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- the widespread practice at comparable public institutions of charging higher tuition for graduate programs versus undergraduate programs.

These same reasons apply to health science graduate students as well. Therefore, we recommend that they be charged the same tuition as the general campus graduate students.

Similar reasoning supports the appropriateness of a higher tuition for those students enrolled in medicine and dentistry. Namely:

- the extremely high General Fund cost of supporting these students relative to the cost of supporting students in other disciplines,
- the larger private benefit accruing to the individual as measured by relative incomes earned by different professions, and
- the level of fees charged by other public universities for these two programs.

High Per-Student Cost. The high cost of these programs can be seen by comparing the incremental General Fund cost of additional students in various disciplines. Table 23 shows that in 1981–82 the incremental cost of each additional medical student is 2.3 times the cost of other health science graduate academics or professions. Dentistry is 2.0 times more costly.

Table 23
Incremental Cost of Additional Students in 1981–82

Medical Curriculum	\$16,202
Dentistry Curriculum	14,200
Health Science Graduate Academic	7,058
Health Science Graduate Professional	7,058
General Campus Undergraduate	3,291

The amounts shown in Table 23 actually underestimate the true cost differential because the medicine and dentistry programs have other support costs which are much higher than the average in other programs. In 1981–82, \$14,682 per student in state General Fund support is budgeted for clinical support for medical students, while \$6,250 is budgeted per dentistry student.

High incomes for medicine and dentistry practitioners. According to the American Medical Association, the average net income of physicians in the Pacific region in 1978 was \$63,600. The American Dental Association (ADA) reports that the average net income of dentists in the Pacific region in 1977 was \$44,706. Because these figures are simple averages, they can obscure significant variations in income within each profession. But these figures nevertheless indicate that upon graduation, students entering these professions will begin to earn annual incomes well in excess of what most other individuals earn.

Table 24
UC Public Comparison Institute
1979–80 Tuition and Fee Level

<i>Comparison Group:</i>	<i>Undergraduate</i>	<i>Graduate</i>	<i>Dentistry</i>	<i>Medicine</i>
University of Michigan (Ann Arbor)	\$1,372	\$1,886	\$2,808	\$3,153
University of Wisconsin (Madison)	870	1,237	—	2,620
State University of New York (Buffalo)	929	1,504	3,380	3,431
University of Illinois (Champaign-Urbana)	916	962	1,446	1,852
Average	\$1,022	\$1,393	\$2,545	\$2,764
University of California	735	795	773	781
Difference Comparison to UC	+\$287	+\$598	+\$1,772	+\$1,983

Health science tuition and fees in other states. Unlike UC, many other institutions already charge fees for medicine and dentistry that exceed the fees charged for other graduate students and undergraduates. Table 24 shows that UC fees are lower at each level than the fees charged by the comparison group of public universities that UC relies on for faculty salary comparisons. The differential is much higher for medicine (\$1,938) and dentistry (\$1,772) than for graduate students (\$598) and undergraduate students (\$287).

Given these considerations, we recommend that the Legislature request the Regents to institute a health science tuition in 1982-83. In doing so, the Regents should provide for (1) a larger tuition for students in the fields of medicine and dentistry, (2) appropriate financial aid, and (3) forgiveness provisions for those who practice in specialties and areas that have been designated as medically underserved. The plan should, at a minimum, propose a phase-in tuition level that would place UC tuition at the same level as UC's comparison institutions over a five-year period.

Increase Health Science Tuition Offset in 1981-82

We recommend that the Legislature request the Regents to increase their budgeted health science General Fund tuition offset from \$732,000 to \$848,000 in 1981-82. (Reduce Item 644-001-001(a) by \$116,000.)

As mentioned earlier, the Regents have not complied with the requirement that they reimburse the General Fund for lost revenue resulting from their 1970-71 decision to eliminate a special resident tuition charge to students in medicine, dentistry, and pharmacy. The net loss totals \$116,000 in the current year. We recommend that this offset be increased by that amount in 1981-82 to reflect current enrollments, which will allow a savings of \$116,000 to the General Fund.

SUMMER SESSION AND EXTENSION INSTRUCTION

We recommend approval.

Summer sessions are operated on all of the university campuses and offer regular degree-credit courses to all qualified applicants. The program was initiated in order to make full use of the state's higher education physical facilities. No General Fund support, however, is provided. Student fees and extramural funds pay the incremental costs associated with the summer programs.

In 1981-82, an estimated 32,000 students are expected to enroll in summer programs resulting in a program level of \$6.6 million.

Like summer sessions, University Extension is self-supporting, primarily through student fees. The goals of this program 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. In 1981-82, an estimated 400,000 people will enroll in one or more extension offerings, resulting in a program level of \$50.9 million.

II. RESEARCH

1. Overview

UC is California's primary state-supported agency for research. Organized research is the term UC uses to designate a budget category that includes all research activities separately budgeted and accounted for. Department research, unlike organized research, is not separately budgeted and accounted for. Expenditures for departmental research are limited primarily to that portion of faculty salaries corresponding to the time spent on research carried out as a part of the faculties' normal university duties.

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Table 25
Research Program
Summary of Expenditures and Personnel
(in thousands)

<i>Elements</i>	<i>1980-81 Budget</i>			<i>1981-82 Governor's Budget</i>			<i>Change</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>
1. Organized Research Units and Research Support									
General campuses.....	\$16,085	\$4,040	\$20,125	\$21,309	\$4,040	\$25,349	\$5,224	—	\$5,224
Health sciences	2,270	3,254	5,524	2,270	3,254	—	—	—	—
2. Agricultural sciences	45,083	3,700	48,783	45,083	3,700	48,783	—	—	—
3. Marine sciences	5,357	—200	5,157	5,357	—200	5,157	—	—	—
4. Individual faculty grants and travel	2,641	305	2,946	3,641	305	3,946	1,000	—	1,000
5. Employee benefits	11,890	1,603	13,493	11,890	1,603	13,493	—	—	—
Totals	\$83,326	\$12,702	\$96,028	\$89,550	\$12,702	\$102,252	\$6,224	—	\$6,224
<i>Personnel (FTE)</i>									
Academic			943.18			943.18			
Staff			1,868.86			1,868.86			
Totals			2,812.04			2,812.04			

Table 25 shows the state General Fund budget for organized research. A total of \$89.5 million is proposed for 1981-82, excluding any funds for salary increases. The Governor's Budget proposes a \$6.22 million net General Fund increase in organized research support. The net increase reflects:

- \$1 million for additional individual faculty grants,
- \$5 million to fund industry/academic joint research projects in microelectronics,
- \$250,000 to augment current support for the California Space Institute, and
- \$26,000 reduction for the California Public Employee Relations program.

Table 26 shows other research funding which UC has budgeted for 1981-82, but which is not included in the Governor's Budget totals. These extramural funds (\$424.9 million) are received from the federal government, private individuals, and foundations. In addition, Table 27 shows that the Regents plan to use \$8.3 million in federal overhead charges to fund faculty research in 1981-82.

Table 26
Extramural Expenditures for Research

<i>Actual</i> <i>1979-80</i>	<i>Budgeted</i> <i>1980-81</i>	<i>Budgeted</i> <i>1981-82</i>	<i>Change</i>		
			<i>Amount</i>	<i>Percent</i>	
	\$358,639,666	\$393,471,000	\$424,941,000	\$31,500,000	8.0

Table 27
Regents' Special Program Fundings for Research

	<i>Actual</i> <i>1979-80</i>	<i>Budgeted</i> <i>1980-81</i>	<i>Budgeted</i> <i>1981-82</i>
Regents' Research Program	\$3,142,673	\$4,551,580	\$4,551,580
Energy Institute	53,567	100,000	100,000
Intercampus Exchange Programs:			
Faculty and Graduate Student Research	149,202	173,400	173,400
Other	126,663	168,200	168,200
Research Seed Money (UCI, UCSB, UCSC)	354,151	335,000	335,000
Research Support	—	3,500,000	3,000,000
Cory Hall Equipment—matching funds	—	3,500,000	3,000,000
Research Equipment	—	2,000,000	—
Totals	\$3,826,256	\$11,328,180	\$8,328,180

Approximately 57 percent of the General Fund support for Organized Research is spent on research in the agricultural sciences. The next largest component of the research budget (37 percent) is spent in Organized Research Units (ORUs) with emphases other than agriculture. The remaining research funds (6.0 percent) are used for faculty research grants and travel to professional meetings.

Organized Research Units (ORUs)

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

UNIVERSITY OF CALIFORNIA—Continued**1. University Study of ORUs—McElroy Report**

The university began a comprehensive systemwide study of Organized Research within UC in 1978. The study, referred to as the McElroy report, was completed by a committee in May 1980 and is now being reviewed by various other organizations within UC. The study focused on three major areas:

- how to improve the management of resources available for organized research,
- existing policies for establishment, review, and continuance or discontinuance of ORUs, and
- how best to coordinate and consolidate the many projects supported and directed by ORUs, and to recognize and encourage new and promising research areas.

The committee identified the following issues that it felt needed to be addressed:

- inadequate implementation of existing policies and procedures governing ORUs,
- nonresearch activities classified as ORUs, with the result that present policies and procedures concerning ORUs often are ignored or circumvented,
- possible overreliance on the historical funding pattern of support for ORUs,
- lack of adequate faculty input into the preparation and justification of the Regents' budget for support of Organized Research, and
- a lack, in the current approach to preparation of the Organized Research budget, of (a) specific information regarding present research activities and (b) detailed justification of their financial needs.

The committee made recommendations to deal with each of these issues. Specifically, the committee recommended:

- a new organization structure for ORUs,
- a new life cycle for ORUs and ORU directors,
- a new Research Council to advise the president of the university on organized research,
- establishment of a new assistant vice president for research, and
- establishment of a new revolving fund to support new research initiatives.

The committee recommended that the revolving fund be allocated at least \$3–\$4 million, with the funds coming from three sources: (1) Regents' Special Program Funds, (2) redirected funds from existing ORUs, and (3) state funds.

2. Augmentation for Individual Faculty Research

In their 1981–82 budget document, the Regents requested that the state provide an augmentation of \$3 million to match \$3 million that the Regents plan to allocate from the Regents' Special Program funds for individual faculty research. The total funding of \$6 million in 1981–82 would be the first year of a multi-year effort to increase support from state and UC sources for individual faculty research.

The Regents support their request with the following justifications:

- "Research is essential to education (an investigator who is alive to the mysteries of his or her discipline plays a critical role in providing instruction of the high quality expected of the university)."
- "Research is essential to the well-being of the state and nation."
- State support for organized research has declined by over 20 percent between 1966–67 and 1978–79 in constant dollars.
- Adequate funding for faculty research must be maintained in order for the

university to recruit and retain outstanding scholars and teachers.

The Governor's Budget proposes a \$1 million augmentation for this purpose to match the Regents' \$3 million. The Governor's Budget maintains that the augmentation is needed:

- for faculty in fields where there is little or no possibility of extramural funding,
- to enable more rapid progress on projects than otherwise would have been possible, and
- for seed money to facilitate the acquisition of extramural research grants.

\$1 Million Request Not Justified

We recommend that the \$1 million requested to support additional individual faculty research be deleted. We further recommend that the Legislature request UC to submit an annual report to the appropriate legislative budget committees by December 1 on the sources of support for each UC Organized Research Unit (ORU) and on the ratio of state support to other support for each ORU, each campus, and the university as a whole. (Reduce Item 644-001-001 (a) by \$1 million.)

Based on our review of the UC research budget, we recommend that the proposed \$1 million augmentation not be approved. Our recommendation is based on three considerations:

- The university has not shown a commitment to make internal reallocation within the existing ORUs as recommended by the McElroy report.
- State support for organized research within UC has kept much closer pace with inflation (in terms of the GNP Deflator) than that cited in the Regents' budget document.
- Augmentation to the current organized research budget should be considered only after the recommendations of the McElroy report have been considered and acted upon.

Internal reallocation needed. As mentioned above, the McElroy report recommended a new \$3 million–\$4 million revolving fund for research, supported by (1) the Regents' Special Program funds, (2) redirected funds from existing ORUs, and (3) state funds. The report specifically recommends that consideration should be given to providing one-fourth to one-third of the \$3 million to \$4 million from existing ORUs. Our review of ORUs this fall also found, as did the McElroy committee, a reliance on historical funding patterns and nonresearch activities, primarily public service activities being supported with ORU funds. We also found that the university did not routinely review the overall return rates of other funds to state-invested dollars on a per-ORU basis.

We agree with the McElroy report that revitalization of organized research should in part be financed by reallocating funds from within the existing base. UC's budget proposal, however, makes no provision for such a reallocation.

Has research support kept pace with inflation? The Regents' budget document states that a decline of over 20 percent in support for UC Organized Research, on a constant-dollar basis, has occurred between 1966–67 and 1978–79. UC used their own internally developed price index, which incorporates state salary increases and a U.S. Consumer Price Index adjustment for nonsalary-related costs to adjust for constant dollars. The Regents' budget document, however, does not provide a complete picture of trends in state support for research. Specifically, it makes no allowance for the 21 percent increase in 1979–80 or the 9.7 percent budget increase in 1980–81. If the 1966–67 funding level of \$32.6 million for Organized Research is adjusted for changes in the GNP Deflator for state and local government purchases through 1980–81, it would indicate the need for \$89.2 million in 1980–81. That is, \$89.2 million would buy the same amount of research that \$32.6 million supported in 1966–67. The 1980–81 budget provides \$83.3 million in state General Fund support for Organized Research, which is only 7.1 percent (\$5.9

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million) less than the GNP Deflator price-adjusted level of 1966-67.

McElroy Report review. Lastly, we believe that the university should complete its review of the McElroy report and act on the recommendations contained in the report before a funding change is made. Once the university has reacted to this report, the Legislature would be in a better position to evaluate the need for an augmentation to the current level.

For these reasons we recommend that the Governor's proposed augmentation of \$1 million for individual faculty research be denied. In addition, we recommend that the Legislature direct UC to submit an annual report by December 1 on the sources of support for each UC Organized Research Unit (ORU) and on the ratio of state support to other support for each ORU, each campus, and the university as a whole. This report will help the Legislature evaluate new research proposals, such as this one and the Pest Management and Space Research proposals that were sought in recent years, by providing information on the type and level of UC's current research efforts. This report should not require any additional data gathering by UC.

3. Microelectronics Research

The Governor's Budget proposes a \$5 million augmentation for a matching program aimed at advancing appropriate research and graduate education in microelectronics, including innovative research in microelectronics technology, its applications in computer and information sciences, and its necessary antecedents in other physical science disciplines. Proposed Budget Act Language specifies that:

- no more than \$250,000 of the \$5 million may be used for administrative and related costs,
- no more than \$500,000 may be used to support graduate student education and related professional teaching support, and
- the balance shall be used to fund industry/academic joint research projects in the areas noted above, with each state dollar to be matched by industry (this would allow for \$9.25 million in projects to be supported).

Total state and private expenditures under the program would total \$10.0 million in 1981-82.

The research supported under this program would be subject to the oversight and policy direction of a committee to be appointed by the president of the university. The committee would consist of equal numbers of state government, university, and electronics and/or semiconductor industry representatives.

Lack of Program Justification

We recommend that the Governor's proposed augmentation of \$5 million for microelectronics research be deleted until adequate information on the feasibility and benefits of the proposal is provided. (Reduce Item 644-001-001(a) by \$5 million.)

The McElroy report on ORUs, discussed earlier, cited several problem areas with the current approach to organized research requests. Specially, the report noted that:

- The current approach to the preparation of the organized research portion of the Regents' budget often lacks specific information regarding present research activities and detailed justification of their financial needs.
- Preparation and justification of the Regents' budget for support of organized research lack adequate faculty input.

This \$10.0 million microelectronics research proposal is an example of the problems cited in the McElroy report: it was not part of the Regents' budget. The

administration provided some information on this proposal after publication of the Governor's Budget, but too late in the process for review at the time this analysis was prepared.

Before a proposal of this type is funded, the state should have adequate information on:

- the ability of UC to manage a \$10.0 million research effort in this area in 1981-82,
- the microelectronic industry's investment in research, and
- other California universities' investment in microelectronics research.

UC's Capacity for a new \$10.0 million research program. There is currently an Electronics Research Laboratory (ERL) organized research unit on the Berkeley campus. This is the only major facility in the UC system, although more limited microelectronics-related research is conducted on some of the other campuses. Total support for the ERL was \$3.5 million in 1978-79, of which \$126,710 came from the state. The 1980 Budget Act provided \$39,000 in state funds for the preparation of preliminary plans for alterations to this laboratory. Last fall the Regents amended their 1980-81 budget when an unanticipated \$9.5 million in additional Regents' Special Program funds became available. Of that amount, \$500,000 was budgeted for microelectronics equipment for ERL.

The Regents' budget proposal for 1981-82 includes a request for \$2,667,000 in state funds for alterations and equipment for ERL. In addition the Regents' plan includes an additional \$500,000 from other nonstate sources to match the \$500,000 that they budgeted for ERL equipment in the current year. Thus, if the capital outlay request is approved, \$3,667,000 would be provided to the ERL for improvements in 1980-81 and 1981-82. Construction, however, would not begin until February 1982 and would extend through November 1982. Considering these facts, it does not appear feasible for UC to undertake as much as \$10 million worth of related research activity in 1981-82 given the information that we currently have available.

The electronics industry. Although the electronics industry is important to the California economy, so are many other industries. The importance of this industry, by itself, does not provide sufficient justification for greater *state* support for research that would improve the industry's market position and profits. If the state is going to fund research benefiting individual industries, it needs to first collect comparative data on profits, industry-funded research, and investment for all industries of importance to the state. Such data has not been presented to the Legislature. We recommend that the Legislature request data from both the university and the administration that justifies the need for increased public investment in this private sector program.

Other universities. The Regents' capital outlay request for ERL notes that Stanford University and the California Institute of Technology also have microelectronics research capabilities. To evaluate the need for additional *state* involvement in microelectronics research, the extent of research supported by these private universities should be known. It may be that, given Stanford's and Cal Tech's locations and their prior program investments in microelectronics research, the return from investing public funds in their programs might be higher than what it would be on UC campuses which currently do not have developed programs in this area.

Justification Needed

Because the specific data supporting this proposal is not adequate to justify a \$5 million augmentation, we recommend that the Legislature delete these funds from the budget for a General Fund savings.

UNIVERSITY OF CALIFORNIA—Continued**4. Space-Related Research (Item 644-001-001(c))**

The 1979 Budget Act appropriated a total of \$455,000 for the establishment of two new UC research units: (1) a systemwide California Space Institute (Cal Space) which helps coordinate the space-related research efforts of all eight general campuses and (2) an Astro Physics and Space Center. Both are located on the San Diego campus. The Legislature provided an augmentation of \$520,000 in the 1980 Budget Act for Cal Space in addition to price-level adjustments, for a total support level of \$956,276.

The 1981-82 Governor's Budget includes another augmentation of \$250,000 for Cal Space, in addition to price-level adjustments. Table 28 shows the current year and proposed budget-year expenditures for space-related research.

Table 28
Space-Related Research

	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
California Space Institute:				
Program.....	\$956,276	\$1,206,276	\$250,000	26.1%
Unallocated salary and price adjustments	-	55,013	55,013	-
Subtotals	\$956,276	\$1,261,289	\$305,013	31.9%
Astro Physics and Space Science Center:				
Program.....	\$87,479	\$87,479	-	-
Unallocated salary and price adjustments	-	3,296	\$3,296	-
Subtotals	\$87,479	\$90,775	\$3,296	3.8%
Totals	\$1,043,755	\$1,352,064	\$308,309	29.5%

Program Evaluation Due in March

We recommend that the Cal Space augmentation be deleted, for a General Fund savings of \$250,000 in 1981-82. (Reduce Item 644-001-001(c) by \$250,000).

The Cal Space program is now in its second year of operation. It has expanded to include research coordinators at Los Angeles, Santa Barbara, and Berkeley that supplement work of the institute's director at San Diego. In 1981-82, Cal Space plans to increase the number of research projects supported, add to the group of research scientists who serve as campus coordinators, and begin special projects in selected areas.

In seeking state support for the program last year, UC stated that small-scale state-supported studies would attract federal funding for further research. In its first year of operation Cal Space funded 24 projects; in the current year, a total of 31 projects have been awarded on seven of the general campuses.

In last year's Analysis we stated that this program had not been in operation long enough to assess its potential for attracting federal funding on an ongoing basis. We concluded that, while state core support for Cal Space was warranted, the lack of any experience with or evaluations of the program gave us no basis on which to recommend approval of the augmentation requested for 1980-81. The Legislature approved the 1980-81 augmentation request but asked UC to report on the effectiveness and benefits of the program by March 1, 1981.

While we continue to believe that core support of this program is appropriate, we maintain the current-year support level of \$1.2 million is sufficient for this purpose. We recommend that before additional resources are committed to this project, it show an ability to attract outside resources and to yield benefits. The

March 1 report should address these issues.

Without information on the effectiveness and benefits of the program, we have no basis on which to recommend an augmentation for 1981-82. Consequently, we recommend that the \$250,000 augmentation for this program be deleted, for a General Fund savings.

5. Integrated Pest-Management Program (Item 644-001-001(b))

We recommend approval.

The 1979 Budget Act provided \$1,125,000 for initial support of an Integrated Pest-Management Program (IPM). The goal of IPM research is the establishment of pest-control programs that are economically and environmentally appropriate and beneficial. In 1980 the Legislature approved an augmentation request of \$375,000 for this program. There is no augmentation request this year. Total General Fund support is proposed at a level of \$1,730,081 for 1981-82, an increase of 7 percent above the \$1,616,898 estimated to be expended in the current year. The increase is intended to offset higher costs due to inflation.

Follow-up Report

We recommend that the Legislature request UC to report to the appropriate legislative budget committees by December 15, 1981, on the progress of the IPM program, giving special attention to the development of criteria that will be used to evaluate the program.

The Supplemental Report to the 1980 Budget Act directed UC to submit a report on this program by December 15, 1980. We have reviewed a preliminary draft of this report and have asked UC to (1) better describe how the computer system will be used by growers in the coming year and (2) provide a more definite evaluation plan for the program, including development of evaluation criteria. We recommend that UC provide an updated report on this program to the Legislature by December 15, 1981, and that this update include a detailed discussion of program evaluation.

6. Institute of Transportation Studies (Item 644-001-046)

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

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

A total of \$807,949 in state funds is requested for support of this program in 1981-82, 2.6 percent above the 1980-81 level. The 1981-82 amount does not include any funds for salary and benefit increases. Nonstate support is projected to total \$649,499, for an overall program level of \$1,457,488.

Technical Funding Issue

We recommend that all state support for the Institute of Transportation Studies be provided from the State Transportation Fund rather than the General Fund. (Delete General Fund support of \$103,677 in Item 644-001-001 and increase State Transportation Fund by \$103,677 in Item 644-001-046.)

In the 1980 Budget Act, the Legislature switched state support for this program from the General Fund to the State Transportation Fund. The salary and benefit increases for the program, however, were carried in a separate budget item with the result that \$103,677 from the General Fund was appropriated for this program in 1980-81. We recommend that the State Transportation Fund support the full

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costs of this program. We therefore recommend that the General Fund amount budgeted for this program in 1980-81 (\$103,677) and carried forward in 1981-82 be deleted and that funds from the State Transportation Fund be increased by the same amount. We also recommend that future salary and benefit increases for this program be provided from the State Transportation Fund.

7. Energy Institute (Item 644-001-188(a))**Technical Funding Issue**

We recommend that the Legislature request the Regents to provide the same price adjustment increase in 1981-82 to their share of the Energy Institute's budget as the state provides.

In the 1980 Budget Act, the Legislature appropriated \$150,000 to provide initial state support for a new UC Energy Institute. In addition, the Regents provided \$100,000 from Special Programs funds to support this institute. The institute's purpose is to bring together faculty expertise from throughout the university for research efforts in the development, production, distribution, and use of energy.

The Governor's Budget proposes \$155,250 in state funds for the institute in 1981-82, an increase of 3.5 percent. The Regents plan to provide at least \$100,000 to the institute in 1981-82—the same amount as in the current year. The Regents' budget, however, does not indicate if an inflation adjustment will be added to their share of this program in 1981-82. We recommend that the Regents' support for this institute be increased by the same percentage as the state's share. If Regents' support is not increased in line with state support, the original matching agreement will deteriorate over time, as has happened in the case of the Teaching Excellence Program.

It should be noted that this institute is supported from the Energy and Resources Fund (ERF). The ERF was created by the Legislature in Chapter 899, Statutes of 1980. Chapter 899 expresses the Legislature's intent that funds from the ERF be used only for short-term projects and not for any ongoing program. The budget year would be the second year of support from the ERF for this program.

8. Institute of Appropriate Technology (Items 644-001-001(k) and 644-001-188(c))

We recommend approval as budgeted.

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

State support for 1981-82 is proposed at \$277,295, which is \$18,140 (7 percent) more than the current year. It should be noted that this institute is supported in part from the General Fund (\$46,215) and in part from the Energy and Resources Fund (ERF) (\$231,080). The ERF was created by the Legislature in Chapter 899, Statutes of 1980. Chapter 899 expresses the Legislature's intent that funds from the ERF be used only for short-term projects and not for any ongoing programs. The budget year would be the second year of support from the ERF for this program.

9. Mosquito Control Research (Item 644-001-144)

We recommend approval as budgeted.

The Governor's Budget proposes a special appropriation of \$100,000 from the California Water Fund for research in mosquito control. This special appropriation was initiated in 1966-67 to supplement anticipated funding from other sources.

State General Fund support for this program is proposed at a level of \$602,650 in 1981-82. The General Fund portion is included within the university's main appropriation (Item 644-001-001(a)).

Program support in 1981-82 will total \$2.0 million, with federal support equal to \$855,000.

III. PUBLIC SERVICE

The Public Service Program includes: campus public service, cooperative extension, the Drew Postgraduate Medical School, and the California College of Podiatric Medicine. The budgets for each of these subprograms are shown in Table 29.

CAMPUS PUBLIC SERVICE

We recommend approval.

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

State General Fund support for Campus Public Service Programs includes continuing support for the following programs, among others:

- the California Writing Project,
- the UC San Diego Teratogen Registry,
- Mesa and Mesa-like programs, and
- an Aquarium-Museum at UC San Diego.

The level of General Fund support proposed in the budget detail—\$1,015,000—is reduced by \$230,000 in the "A" pages of the budget document. These funds would have been used for a program (called EQUALS) offering workshops for secondary school classroom teachers, counselors, and administrators to provide them with methods to increase the participation of women students in math courses. Taking this into account, net state General Fund support for campus public service will decline by \$300,000 between 1980-81 and 1981-82. This reduction results from a one-time statutory appropriation of \$300,000 in 1980-81 for a program to aid research on valley fever (Chapter 1293, Statutes of 1980).

COOPERATIVE (AGRICULTURE) EXTENSION

We recommend approval.

Cooperative Extension applies the technology derived from research to solve specific agriculture problems. These problems are usually of a local, rather than a statewide, nature. 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 54 county offices in rural and urban areas, it provides problem-solving instruction and practical demonstrations. State General Fund support for this program in 1981-82 is proposed at the current level of \$24.2 million.

Report Required on Affirmative Action

The 1980 Budget Act required UC to provide the Legislature with an affirmative action plan for the Cooperative Extension. This plan is to contain specific affirmative action hiring objectives and information on the race and sex of individuals hired by the Cooperative Extension during 1979-80. No date for submission of this

Table 29
Public Service Program
Summary of Expenditures and Personnel ^a
(in thousands)

<i>Elements</i>	<i>1980-81 Budget</i>			<i>1981-82 Governor's Budget</i>			<i>Change</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 ^a	\$1,085	\$9,102	\$10,187	\$1,015	\$9,246	\$10,261	-\$70	\$144	-\$74
Cooperative agricultural extension	24,263	6,979	31,242	24,263	6,979	31,242	—	—	—
Drew Medical School	2,317	—	2,317	2,480	—	2,480	163	—	163
California College of Podiatry Program	747	—	747	778	—	778	31	—	31
Totals	\$28,412	\$16,081	\$44,493	\$28,536	\$16,225	\$44,761	\$124	\$144	\$268
"A" pages reductions ^a	—	—	—	-\$230	—	-\$230	-\$230	—	-\$230
Adjusted totals	—	—	—	\$28,306	\$16,225	\$44,531	-\$106	\$144	\$38
<i>Personnel (FTE)</i>									
Academic	—	—	506.03	—	—	511.03	—	—	5
Staff	—	—	712.48	—	—	714.48	—	—	2
Totals	—	—	1,218.51	—	—	1,225.51	—	—	7
"A" pages reductions ^a	—	—	—	—	—	-7.00	—	—	-7
Adjusted totals	—	—	—	—	—	1,218.51	—	—	—

^a In the "A" pages of the Governor's Budget this program area is reduced by \$230,000. Deleted is a campus public service program request of \$230,000 to fund 5 academic positions and 2 staff positions for a program (called EQUALS) which would have offered workshops for secondary school classroom teachers, counselors, and administrators to provide them with methods to increase the participation of women students in math courses.

plan was specified. We have asked UC to be prepared to discuss this requirement during budget hearings.

THE DREW MEDICAL SCHOOL PUBLIC SERVICE PROGRAM

(Item 644-001-001(i))

We recommend approval.

Chapter 1140, Statutes of 1973, provided state General Fund support of \$1.2 million to UC for specific programs of clinical health science education, research, and public service to be carried out in conjunction with the Charles R. Drew Postgraduate Medical School located in the south-central portion of Los Angeles. The public service component is analyzed in this section of UC's budget, while the medical component is analyzed as part of the UC health science budget.

Table 30 shows the budgeted amounts for the individual health public service programs at Drew in 1980-81. The 1981-82 allocation is not yet known. Drew annually prepares a report on its previous year's programs and submits the report, along with a scope-of-work proposal for the following year, to UCLA. The public service program proposal is jointly agreed to by Drew and UCLA. There is also an annual fiscal audit of the public service budget by an independent public accountant firm. The Governor's Budget proposes an inflation adjustment of \$163,000, for a total 1981-82 program level of \$2.5 million.

Table 30
Proposed 1980-81 Program Budget
For University of California/
Charles R. Drew Postgraduate Medical School
Public Service Program

1. Continuing professional education.....		\$233,837
2. Community medicine		267,992
3. Graduate education, including family medicine		822,430
4. Interdisciplinary programs.....		330,377
a. Hypertension prevention, education, and control	\$72,581	
b. Diabetes.....	3,183	
c. Myocardial infarction	4,461	
d. Child development programs	95,149	
e. Perinatal regionalization	155,003	
5. Educational policy and curriculum development		392,166
6. Consumer health education.....		40,650
7. Allied health programs		230,008
Total.....		\$2,317,460

IV. ACADEMIC SUPPORT

Overview

The academic support program includes: (1) libraries, (2) organized activities, and (3) teaching hospitals.

Table 31 shows a proposed General Fund support level of \$160.4 million for these programs in 1981-82. The "A" pages of Governor's Budget, however, deletes \$466,000 of the proposed \$3.16 million increase in state General Fund support. The proposed General Fund increase after the "A" pages reductions, thus, is \$2,694,000, or 1.7 percent above the 1980-81 level. This amount excludes any amount for salary and staff benefit increases, which will be provided through another item of the budget.

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Table 31
Academic Support Program
 (in thousands)

<i>Elements</i>	<i>1980-81 Budget</i>			<i>1981-82 Governor's Budget</i>			<i>Change</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>
1. Libraries	\$74,702	\$1,171	\$75,873	\$75,130	\$1,171	\$76,301	\$428	—	\$428
2. Organized activities ^a	40,051	28,185	68,236	40,667	29,121	69,788	616	936	1,552
3. Teaching hospitals ^{b,c}	42,460	471,932	514,392	44,546	528,342	572,918	2,116	56,410	58,526
Totals	\$157,213	\$501,288	\$658,501	\$160,373	\$558,634	\$719,007	\$3,160	\$57,346	\$60,506
"A" pages reductions ^a				— \$466	—	— \$466	— \$466	—	— \$466
Adjusted totals				\$159,907	\$558,634	\$718,541	\$2,694	\$57,346	\$60,040
<i>Personnel (FTE)</i>									
1. Libraries			2,251.72			2,271.72			20.00
2. Organized Activities			2,406.29			2,406.29			—
3. Teaching Hospitals			14,381.76			14,381.76			—
Totals			19,039.77			19,059.77			20.00

^a In the "A" pages of the Governor's Budget \$466,000 of the proposed \$616,000 in increased clinical teaching support is deleted from the Organized Activities budget. Deleted are proposed increases of \$286,000 for dental clinics and \$180,000 for the UCB optometry clinic. The \$150,000 that remains as an increase in Organized Activities is for a clinical teaching support augmentation for the UC Davis veterinary medicine facility.

^b The \$2,116,000 increase shown in this Teaching Hospital budget is increased by \$217,000 in the Unallocated Adjustment section of the proposed Governor's Budget. The \$2,333,000 is for state loan funds to UC's 5 hospitals in the event of shortfalls in Medicare/Medi-Cal reimbursements.

^c The Governor's "A" pages also propose that the university repay \$10 million of its current \$25 million hospital working capital loan advance. This repayment is proposed in a new Control Section to the budget (Control Section 19.13) but is not credited to reductions in the UC budget in the Governor's "A" pages.

The \$2.69 million increase proposed for 1981-82 consists of:

- \$428,000 for workload increases related to the enrollment of 2,091 general campus and 221 more health science students in 1981-82,
- \$150,000 for the UC Davis veterinary medicine clinical teaching facility (increased support is requested due to an enrollment increase of 34 students in 1981-82), and
- \$2,333,692 in state loan funds to cover potential shortfalls in Medicare/Medical inpatient reimbursements for the five UC hospitals (\$2.1 million in this subprogram and \$217,000 in Unallocated Adjustments).

The augmentations which were deleted in the "A" pages of the Governor's Budget would have provided:

- \$286,000 in increased clinical teaching support for on-campus dental clinics at UCSF and UCLA (\$216,000) and a satellite clinic in Venice (\$70,000) and
- \$180,000 in initial state clinical teaching support for the UCB optometry clinic.

The "A" pages also propose that the university repay \$10 million of the outstanding \$25 million hospital working capital loan advance from the General Fund. This repayment is proposed in a new control section to the budget (Control Section 19.13) but is not credited to reductions within the UC budget in the Governor's "A" pages.

LIBRARIES

We recommend approval.

Support for the university's campus, 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.

Table 31 shows a proposed state General Fund support level of \$75.1 million in 1981-82 which is \$428,000 (0.5 percent) more than current-year support. This increase, which makes no allowance for salary and staff benefit increases, is based on workload increases related to budgeted enrollment growth of 2,091 general campus students and 221 more health science students in 1981-82. In accordance with accepted formulas, the reference and circulation staff will increase by 20 positions in 1981-82.

ORGANIZED ACTIVITIES

We recommend approval.

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

Table 32 shows the budgeted amounts for the various subprograms of Organized Activities. The "A" pages of the Governor's Budget delete a proposed dental clinic increase of \$286,000 and \$180,000 in the state support proposed for the optometry clinics. The only proposed state General Fund change, therefore, is \$150,000 for the UC Davis veterinary medical teaching facility. This increase is related to the added animal patient load required for an additional 34 students in 1981-82.

Table 32
Organized Activities^a
(in thousands)

<i>Elements</i>	<i>1980-81 Budget</i>			<i>1981-82 Governor's Budget</i>			<i>Change</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>
1. Other Academic Support—General Campuses									
Museums and galleries	\$1,315	\$174	\$1,189	\$1,315	\$174	\$1,489	—	—	—
Intercollegiate athletics	—	1,115	1,115	—	1,115	1,115	—	—	—
Ancilliary support—general Campuses									
Demonstration schools	744	317	1,061	744	317	1,061	—	—	—
Vivaria and other (incl. empl. benefits)	2,219	2,050	4,269	2,219	2,050	4,269	—	—	—
2. Ancilliary Support—Health Sciences									
Dental clinics	3,378	2,821	6,199	3,664	2,929	6,593	\$286	\$108	\$394
Neuropsychiatric institutes	25,178	12,752	37,930	25,178	13,239	38,417	—	487	487
Optometry clinics	—	650	650	180	675	855	180	25	205
Veterinary Medicine Teaching Facility	2,538	1,939	4,477	2,688	2,012	4,700	150	73	223
Vivaria and other (incl. empl. benefits)	4,679	6,367	11,046	4,679	6,610	11,289	—	243	243
Totals	\$40,051	\$28,185	\$68,236	\$40,667	\$29,121	\$69,788	\$616	\$936	\$1,552
"A" pages reductions ^a				—466	—	—466	—466	—	—466
Adjusted Totals				\$40,201	\$29,221	\$69,322	\$150	\$936	\$1,086

^a The Governor's "A" pages budget reductions delete the proposed increases of \$286,000 for the dental clinics and the \$180,000 proposed for the optometry clinics.

TEACHING HOSPITALS

1. Overview

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

In addition to their role in the university's clinical instruction program, the university teaching hospitals serve as a community resource for highly specialized (tertiary) care. 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.

San Diego Hospital Purchase

Chapter 1016, Statutes of 1980, appropriated \$17.0 million from the Capital Outlay Fund for Public Higher Education (COFPHE) to the Regents for purchase of the buildings and grounds of the San Diego County Medical Center. The act also appropriated \$250,000 from the COFPHE for planning and working drawings for seismic corrections to that hospital. At the time this analysis was written, agreement between UC and San Diego County had been reached on the purchase, although the purchase was not final. Once the purchase is final, the university will own all five hospitals which it operates.

Patient and Financial Activity

Table 33 shows a summary of patient activity at each of the five hospitals. Average bed availability ranges from a low of 374 at Sacramento to a high of 692 at UCLA. In 1979-80, 878,885 patients were served by UC's clinics, and another 201,140 patients were served in emergency rooms.

Table 33
Teaching Hospitals and Clinics
Summary of Patient Activity
For Year Ended June 30, 1980

	<i>Sacramento County</i>	<i>Orange County</i>	<i>Los Angeles</i>	<i>San Diego</i>	<i>San Francisco</i>	<i>Totals</i>
Inpatient:						
Average number of beds available	374	441	692	386	560	2,453
Percent Occupancy	79.6%	78.3%	67.7%	75.3%	75.1%	74.3%
Outpatient:						
Clinic Visits	184,869	175,012	197,895	138,388	182,721	878,885
Emergency Visits	36,312	53,756	55,759	33,246	22,067	201,140

Table 34 summarizes each hospital's revenues and expenditures in 1979-80. State General Fund support for teaching (clinical teaching support) is shown on the first line of Table 34. This support totaled \$37.9 million, or approximately 8.5 percent of total operating expenses, in 1979-80. The net operating gains (excess of revenues over costs) for all five hospitals in 1979-80 totaled \$39.8 million and ranged from \$1.9 million at Orange County to \$18.9 million at Sacramento. The 1979-80 net gains are unusually high because of a favorable judgment in litigation involving Medi-Cal reimbursement limitations. The effect of this case was to increase revenue available by \$27.3 million. Below we make recommendations regarding the disposition of these windfall profits.

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Table 34
Teaching Hospital Financial Activity and Reserve Fund Balances
For the Year Ended June 30, 1980
(in millions)

	<i>Sacramento County</i>	<i>Orange County</i>	<i>Los Angeles</i>	<i>San Diego</i>	<i>San Francisco</i>	<i>Totals</i>
Revenue and Other Nonoperating Income:						
State Clinical Teaching Support	\$6.8	\$6.2	\$9.5	\$6.1	\$9.2	\$37.9
Other Gross Revenue	86.6	100.0	136.6	72.7	85.5	481.3
Adjustment for Medi-Cal Court Case	8.9	—	10.2	4.7	3.5	27.3
Other Nonoperating Adjustments	3.6	2.6	-1.5	1.3	0.3	6.3
Subtotals, Revenue and Other Nonoperating Income ..	\$105.9	\$108.8	\$154.8	\$84.8	\$98.5	\$552.8
Expenses and Other Nonoperating Offsets:						
Deductions from Revenue	\$9.4	\$20.8	\$14.0	\$12.4	\$5.6	\$62.2
Operating Expenses	77.0	86.1	130.1	66.1	85.7	444.9
Repayment of State Medi-Cal Loan	0.6	—	—	4.3	0.9	5.9
Subtotals, Expenses and Other Nonoperating Offsets ..	\$87.0	\$106.9	\$144.1	\$82.8	\$92.2	\$513.0
Net Gain, 1979-80	\$18.9	\$1.9	\$10.7	\$2.0	\$6.3	\$39.8
Prior-Year Balances and Other Reserve Fund Transactions ..	-\$0.5	\$2.4	\$4.0	-\$0.5	\$1.3	\$6.7
Reserve Funds, June 30, 1980	\$18.4	\$4.3	\$14.7	\$1.5	\$7.6	\$46.5
Unexpended Plant Fund	\$9.1	\$2.4	\$0.6	\$0.4	\$4.9	\$17.4

2. Teaching Hospital Working Capital

The Budget Act of 1976 provided UC with a \$25 million Teaching Hospital Revolving Fund. This fund was intended to cover hospital costs during the interval before reimbursement for hospital services is obtained from third-party sponsors such as Medicare and Medi-Cal. As shown in Table 34, the five UC teaching hospitals reported total operating expenses of \$444.9 million in 1979-80 or about \$1.2 million per day.

The Governor's Budget Proposal

The Governor's Budget (Control Section 19.13) proposes that UC repay \$10 million of the \$25 million Teaching Hospital Revolving Fund loan. The budget also proposes, however, that \$2,333,692 from the General Fund be made available for a loan to UC to cover potential Medicare/Medi-Cal reimbursement shortfalls in 1981-82.

We recommend that:

- UC repay all \$25 million of the Hospital Revolving Fund loan from its windfall profits of 1979-80,
- as an alternative to appropriating \$2.3 million from the General Fund for Medicare/Medi-Cal reimbursement shortfall, the Legislature add a budget control section similar to the one (Control Section 28.9) dealing with over-enrollment at UC and CSUC that would make this amount available through the deficiency appropriation process if, and only if, it was needed, and
- UC report on its progress in resolving the accounts receivable problem at the Orange County Hospital.

One-Time Profit Recovery

We recommend that UC repay an additional \$15 million of the Teaching Hospital Revolving Fund loan from the state and finance future revolving fund needs from the hospitals' reserve using its one-time windfall profits generated in 1979-80.

We further recommend that the Legislature request UC to report during budget hearings on the revenue and expense experience of each hospital during the current year, and on its latest projection of net gain or loss for each hospital in 1980-81.

During 1979-80, revenues received by the five university teaching hospitals exceeded expenditures by \$39.8 million. When added to prior-year balances and other reserve fund transactions, reserves for the hospitals totaled \$46.5 million as of June 30, 1980. Table 34 shows the net gains realized by each of the hospitals.

The university realized this income because of its decision to increase hospital charges in anticipation of an adverse federal court decision in the California Hospital Association v. Mario Obledo case involving Medi-Cal reimbursements. The case, however, was decided in August 1979 in the university's favor. If it had been decided against the university, the maximum net liability to UC would have been \$27.3 million.)

UC would like to retain this gain. UC maintains that hospital reserves are needed for contingencies, equipment replacement, and capital facilities.

There is no precise way to estimate what UC needs as a prudent reserve to meet unusual operating needs and contingencies. If UC sought to maintain a reserve equal to between 1 percent and 2 percent of the 1981-82 hospitals' \$573 million operating budget, it would need a reserve amounting to between \$5.7 million and \$11.5 million. While it is clear that the hospitals require a prudent reserve, we believe that the current level—\$46.5 million—is much too high. Given the severe pressures that the General Fund budget for 1981-82 is faced with, and what we consider to be an excess amount in reserve, we believe the time has come for the university to fully repay the \$25 million General Fund loan from the state. The Governor's Budget proposes that \$10 million of the loan be repaid. Repayment of the full \$25 million loan would still leave UC with \$21.5 million to meet contingency, equipment, and capital needs. We believe this amount is adequate; and, accordingly, we recommend that the loan be repaid, for a General Fund savings of \$15 million.

Alternative Proposal for Shortfall Loan

We recommend that \$2,333,692 for a loan to cover Medicare/Medi-Cal reimbursement shortfalls be deleted. As an alternative, we recommend that the Legislature add a budget control section similar to the one covering UC overenrollment (Section 28.9) that would make this same amount available through the deficiency appropriation process. (Delete Item 644-011-001, reduce General Fund by \$2,333,692, and add a new Control Section.)

In addition to Clinical Teaching Support (CTS), state loan funds have been made available to UC for its hospitals. Since 1976-77, each year's budget has contained an appropriation for loans to UC to help finance Medicare/Medi-Cal inpatient reimbursement shortfalls. The budget acts for the past three years have made these loans contingent on proof of demonstrated need.

Table 35 shows the loan availability and the actual amounts loaned since 1976-77. The loans made in 1976-77 and 1977-78 have been repaid. No loan was needed in 1978-79 and 1979-80, and it does not appear that one will be needed in the current year.

The 1976-77 and 1977-78 loans were made through a control section that allowed the Director of Finance to approve the accelerated expenditures of up to \$5 million in anticipation of a supplementary General Fund appropriation to fund the deficiency. (This is the same process relied on by Control Section 28.9 which

UNIVERSITY OF CALIFORNIA—Continued

Table 35
Medicare/Medi-Cal Reimbursement Shortfall Loan

<i>Year</i>	<i>Maximum Authorized Loan</i>	<i>Actual Loan</i>
1976-77.....	\$5,000,000	\$3,187,000
1977-78.....	5,000,000	3,326,000
1978-79.....	4,000,000	None
1979-80.....	3,919,600	None
1980-81.....	4,115,600	None
1981-82.....	2,333,692	—

relates to deficiency appropriations for overenrollments.) The 1978 Budget Act switched from the control section process to the appropriation method in order to streamline administrative and legislative procedures. While the appropriation method is simpler, it has a drawback: it can result in unneeded funds being appropriated to UC which might be required for a different state need.

Table 35 shows that UC has not used the loan provision in each of the last three years. While the financing of hospital receivables continues to be a problem, we believe that it is not reasonable to tie up substantial amounts of cash in reserve for such a contingency when other programs and activities are being cut back because of a funding shortage. Accordingly, we recommend that this item be eliminated and that a new control section be established as outlined above, for a General Fund savings of \$2,333,692.

Orange County Receivables Problem

We recommend that the Legislature request UC to report during budget hearings on its progress in resolving the accounts receivable problem at the Orange County Hospital.

The Supplemental Report to the 1976 Budget Act directed UC to prepare an annual report on the hospital working capital problem including:

- a summary of the activity and status of the Teaching Hospital Revolving Fund,
- a discussion of the steps taken to finance accounts receivable,
- an assessment of future accounts receivable financing needs, and
- suggested alternatives for financing unmet needs.

The report for the 1979-80 fiscal year noted a continuing dispute with Orange County on allowable cost reimbursement.

In 1976, UC purchased the Orange County Medical Center and entered into a contract with the county which calls for it to provide medical services to county residents. This arrangement is similar to those in Sacramento and San Diego Counties. Since July 1978, Orange County and UC have been involved in a dispute over reimbursement for medical services to county patients. In July 1979, the dispute between UC and the county was submitted to an arbitration process. The university's working capital report of December 1980 states that:

"During the 1979-80 fiscal years, disputes with Orange County involving approximately \$17 million were submitted to arbitration. While several important issues have been resolved, those remaining under arbitration amount to 30 percent of the total receivables at the Irvine Hospital. The prospects for concluding the arbitration by the end of the 1980-81 fiscal year are not promising."

The Orange County Hospital's receivables at the end of 1979-80 totaled \$42.4 million, which means that the dispute as of December 1980 totaled \$12.7 million. The amount in dispute, however, is growing daily. Table 36 shows more clearly the impact of the Orange County dispute on receivables throughout the UC hospital system. Including Orange County, the average days of revenue in accounts receivable on June 30, 1980, was 97 days, up from 82 days in 1979 and 79 days in 1978.

If Orange County is excluded, the average for the hospitals was 83 days in June 1980, only 1 day higher than in June 1979.

Table 36
Days of Revenue in Accounts Receivable
At Each Quarter End 1979-80

<i>Hospital</i>	<i>June 1979</i>	<i>September 1979</i>	<i>December 1979</i>	<i>March 1980</i>	<i>June 1980</i>
Sacramento	61	65	63	69	67
Orange County (OCH)	113	117	137	150	145
Los Angeles	84	92	102	108	98
San Diego	77	88	100	97	83
San Francisco	70	76	77	82	84
Averages, with OCH	82	89	97	103	97
Averages, without OCH	73	80	86	89	83

Because the Irvine dispute is have a significant fiscal impact on UC's hospital operations and needs for working capital, we recommend that the Legislature request UC to report during budget hearings on its progress in resolving the dispute.

3. Clinical Teaching Support (CTS)

We recommend approval

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

The proposed distribution of CTS funds in 1981-82 is shown in Table 37. No increase is proposed over the \$42.4 million budgeted in the current year.

Table 37
Clinical Teaching Support Allocations *
(in thousands)

	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>
University Hospitals:			
Sacramento Medical Center	\$6,817	\$7,573	\$7,573
Orange County Center and Clinics	6,270	6,917	6,917
Los Angeles	9,502	10,542	10,542
San Diego	6,134	7,323	7,323
San Francisco	9,232	10,105	10,105
Totals	\$37,975	\$42,460	\$42,460

* Does not include state funds appropriated for Medicare/Medi-Cal inpatient reimbursement shortfalls.

UNIVERSITY OF CALIFORNIA—Continued

Table 38
Student Services Program
 (in thousands)

<i>Elements</i>	<i>1980-81</i>			<i>1981-82 Governor's Budget</i>			<i>Change</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>General Total</i>	<i>Restricted Funds</i>	<i>General Funds</i>	<i>Restricted Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>
1. Cultural and recreational activities.....	\$750	\$12,301	\$13,051	\$750	\$12,298	\$13,048	—	—\$3	—\$3
2. Supplementary educational services.....	756	1,691	2,447	756	2,604	3,360	—	913	913
3. Counseling and career guidance.....	4,580	14,181	18,761	4,580	13,345	17,925	—	—836	—836
4. Financial aid administration.....	624	7,534	8,158	624	7,919	8,543	—	385	385
5. Student admissions and records.....	11,493	2,374	13,867	11,493	2,656	14,149	—	282	282
6. Student health services.....	—	17,129	17,129	—	16,821	16,821	—	—308	—308
7. Employee benefits.....	2,681	5,475	8,156	2,681	5,475	8,156	—	—	—
Totals.....	\$20,884	\$60,685	\$81,569	\$20,884	\$61,118	\$82,002	—	\$433	\$433
<i>Personnel (FTE)</i>									
1. Academic.....			3			3			—
2. Staff.....			2,892			2,892			—
Totals.....			2,895			2,895			—

V. STUDENT SERVICES AND FINANCIAL AID

STUDENT SERVICES

Overview

The Student Services subprogram includes expenditures for social and cultural activities, counseling and career guidance, health services, and admissions and records—services that are complementary to, but not a part of, the instructional program. The major source of support for this subprogram is the university registration fee. The registration fee will be approximately \$156 per quarter in 1981–82 and will yield income estimated at \$56.7 million during that year.

Table 38 shows the proposed budget for each element of the student services subprogram. No changes are proposed in the level of state General Fund support, although any employee salary or staff benefit increase approved for the budget year will increase General Fund costs through another budget item.

Item expenditures for this subprogram are estimated at \$82 million in 1981–82, of which \$20.8 million is from the General Fund.

Governor's Budget Appears to Underfund Services to Disabled Students

We recommend that the Department of Finance report during budget hearings on the administration's plan for providing support services to the estimated 1,236 disabled students who will attend UC in 1981–82.

Funds budgeted for support services to disabled students provide administrative staff, equipment, and various elements of general assistance such as readers, interpreters, and drivers. Support for these students in the current year is provided through the UC budget (\$515,685 from the state General Fund) and the Department of Rehabilitation's budget (\$513,000 from state and federal funds).

The Governor's 1981–82 Budget proposes deleting \$513,000 in Department of Rehabilitation's services but proposes no increase in the UC budget to offset this loss. In addition, UC estimates that an additional 127 disabled students will be on its campuses in 1981–82. The proposed budget includes no funds for services to these students. At the 1981–82 support rate of \$570 per student, the 127 students would cost an additional \$72,390.

We recommend that the Department of Finance report during budget hearings on the adequacy of the administration's 1981–82 proposal for support of UC's disabled students. The potential underfunding for these services is approximately \$585,390 (\$513,000 + \$72,390) if no price adjustment is needed for the Department of Rehabilitation's current-year support level.

STUDENT FINANCIAL AID

Overview

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

Table 39 shows financial aid to UC students from all sources. Total financial aid increased by \$39.8 million (30.6 percent) between 1978–79 and 1979–80. No estimates of financial aid from nonuniversity sources are available for 1980–81 and 1981–82.

The source of funds for the university-supported program is the University Educational Fee. Established in 1971, it is a charge made to each registered student to support financial aid and related programs. The fee has remained at \$100 per quarter for undergraduates and \$120 per quarter for graduate students since its establishment. The projected income from the fee in 1981–82 is \$43.1 million. The income from the fee also supports the university's Student Affirmative Action Program.

UNIVERSITY OF CALIFORNIA—Continued

Table 39
University of California Student Financial Aid
(in millions)

	1977-78	1978-79	1979-80	1980-81	1981-82
University Aid.....	\$30.4	\$33.1	\$34.4	\$37.5	\$38.9
Other Aid.....	88.2	96.6	135.1	N/A	N/A
Totals.....	\$118.6	\$129.7	\$169.5	N/A	N/A

N/A—not available.

Student Affirmative Action Program

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

The program was initiated in 1975-76, and the first class of students enrolled in 1976-77. Program expenditures in 1975-76 were \$408,000, all of which came from UC funds. Between 1976-77 and 1979-80, expenditures were shared on a 55 percent state/45 percent university basis.

In each of the last two years, the university has sought full state funding for the program. In last year's Budget Act, the Legislature denied 100 percent state funding but increased the state share to 75 percent. Budget Act Language directed that the dollar difference between the 55 percent support level and the 75 percent level be used solely for student financial aid in 1980-81.

The Governor's 1981-82 Budget Proposal

The Regents' 1981-82 budget proposal again seeks 100 percent state support for this program. The Governor's Budget detail prior to changes made in the "A" pages included funds for 100 percent state support of this program, plus funds to cover a workload increase for services provided to new and continuing student affirmative action students on the various UC campuses.

Table 40
Student Affirmative Action
(in dollars)

	1979-80 <i>Actual</i>	1980-81 <i>Estimated</i>	1981-82 <i>Proposed</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Early outreach (partnership— junior high level)	\$945,570	\$1,110,638	\$1,110,638	—	—
Early outreach (university part- ners—high school level)	640,000	777,700	777,700	—	—
High school and community col- lege outreach	401,446	412,446	457,446	\$45,000	10.9%
Academic support services	1,014,366	1,056,606	1,640,606	584,000	55.3
Financial aid	900,000	800,000	800,000	—	—
Central coordination	295,618	239,610	239,610	—	—
Totals	\$4,197,000	\$4,397,000	\$5,026,000	\$629,000	14.3%
State General Fund	\$2,308,000	\$3,297,750	\$5,026,000	+ \$1,728,250	52.4%
University	\$1,889,000	\$1,099,250	—	— \$1,099,250	—100.0%
"A" pages changes					
State General Fund			— \$1,728,250	— \$1,728,250	N/A
University			1,099,250	1,099,250	N/A
Adjusted Program Totals			\$4,397,000	—	—

The workload increase budgeted at \$629,000 and the \$1,099,250 to buy-out UC's 25 percent match are deleted in the "A" pages of the Governor's Budget. The Governor's Budget therefore proposes no increase for this program. Table 40 shows the actual and proposed expenditures and funding for the Student Affirmative Action program.

1. Several Reports are Due on Progress of Affirmative Action

In the 1980 Budget Act, the Legislature directed UC to submit several reports on affirmative action. Among these are:

- an assessment of student affirmative action programs by faculty committees (date of submission March 1),
- a graduate and professional student affirmative action plan (date of submission March 1 to CPEC, April 1 to the Legislature),
- a report on efforts to recruit and promote qualified minority health science faculty (no due date),
- an affirmative action plan for the Cooperative Extension (no due date), and
- a review by the CPEC of all existing and proposed state-funded outreach, support service, and development programs for ethnic minorities and women (no due date).

In addition other reports that will be available this spring include:

- a UC reexamination of current faculty affirmative action recruitment practices (date of submission January 1) and
- a CPEC report on the sex and ethnicity of faculty and staff in UC and CSUC. This report should be available by February 1981.

2. Faculty and Staff Ethnic Distribution

We recommend that during budget hearings UC and CPEC report on UC's efforts in recruiting and retaining minority faculty and staff.

In discussing student affirmative action programs with students, faculty members, and administrators, we were told that minority students are attracted to campuses which have good representation of minority faculty, administrators, and professionals. Table 41 shows the 1977 ethnic distribution of UC faculty and professional staff. These data were compiled by CPEC in response to legislation which requires CPEC to report this information every two years through 1984. Data for 1979 will be reported this spring.

Table 41 shows that 6.3 percent of the 1,724 executive/management positions in UC were held by Blacks in 1977; 2.8 percent were held by Hispanics. Blacks held 2.1 percent of the 13,339 faculty positions; Hispanics held 2.5 percent. Women held 32.3 percent of the executive/management positions and 17.8 percent of the faculty positions. Because this data is so dated, we recommend that during budget hearings UC and CPEC report on the recent efforts of UC to recruit and retain minority faculty and staff on both the general and health science campuses.

3. Student Ethnic Distribution

Table 42 shows the ethnic distribution, by campus, of UC's undergraduate and graduate students for the fall 1979. For undergraduates, Black systemwide enrollment averaged 3.9 percent, ranging from a low of 2.3 percent at Santa Barbara to a high of 6.3 percent at Riverside. Chicano undergraduate systemwide enrollment averaged 5.7 percent, ranging from a low of 3.7 percent at Berkeley to a high of

Table 41
University of California Selected Full-Time Staff
By Occupational Activity^a

<i>Category</i>	<i>White</i>	<i>Black</i>	<i>Hispanic</i>	<i>Asian</i>	<i>American Indian</i>	<i>Total</i>	<i>Male</i>	<i>Female</i>
1. Executive/Managerial ^b								
Number	1,521	109	49	40	5	1,724	1,168	556
Percent	88.2%	6.3%	2.8%	2.3%	0.3%	100%	67.7%	32.3%
2. Faculty ^c								
Number	11,794	275	328	884	58	13,339	10,962	2,377
Percent	88.4%	2.1%	2.5%	6.6%	0.4%	100%	82.2%	17.8%
3. Professional/Nonfaculty								
Number	9,557	528	397	1,331	48	11,861	4,200	7,661
Percent	80.6%	4.5%	3.3%	11.2%	0.4%	100%	35.4%	64.6%

^a Data compiled from CPEC AB 105 Study, July 1979.

^b CPEC reports that these figures may overestimate true number of executives because the reported salary ranged from \$30,000 and above to \$7,500 and below.

^c This category includes instructors and lecturers or the equivalent. Table 5 presented earlier shows 8,464 faculty in the general and health science areas. The difference is due to inclusion of these other categories.

10 percent at Riverside. Asian undergraduate systemwide enrollment averaged 11.5 percent, ranging from a low of 3.4 percent at Santa Cruz to a high of 19 percent at Berkeley. Black systemwide undergraduate enrollment has declined by 0.2 percent since 1976 while Chicano enrollment has increased by 0.4 percent (see Table 7).

Black and Chicano percentage enrollment at the graduate level is just about the same as at the undergraduate level. Black graduate systemwide enrollment averaged 3.9 percent, and ranged from a low of 1.5 percent at San Diego to a high of 5.3 percent at Los Angeles. Chicano graduate systemwide enrollment averaged 5.6 percent, and ranged from a low of 3.0 percent at Davis to a high of 8.5 percent at Santa Barbara. Black systemwide graduate enrollment has declined by 0.5 percent since 1976, while the Chicano percentage has increased by 0.3 percent (see Table 7).

Table 42
University of California Undergraduate and Graduate
Domestic Student Enrollment*
Fall 1979

	<i>White/ Other</i>	<i>Black</i>	<i>Chicano/ Latino</i>	<i>Asian</i>	<i>Filipino</i>	<i>American Indian</i>
<i>Undergraduate:</i>						
Systemwide.....	77.1%	3.9%	5.7%	11.5%	1.2%	0.5%
Berkeley.....	71.9	3.5	3.7	19.0	1.5	0.4
Davis.....	82.3	3.2	3.8	9.2	0.9	0.5
Irvine.....	72.3	6.0	9.1	10.7	1.3	0.6
Los Angeles.....	72.1	5.0	6.6	14.6	1.3	0.4
Riverside.....	76.4	6.3	10.0	5.6	0.8	0.9
San Diego.....	80.1	4.2	6.3	6.6	2.4	0.3
San Francisco.....	73.4	4.1	5.1	13.3	3.5	0.5
Santa Barbara.....	86.0	2.3	6.0	4.4	0.6	0.7
Santa Cruz.....	86.9	2.4	6.4	3.4	0.4	0.5
<i>Graduate:</i>						
Systemwide.....	82.1%	3.9%	5.6%	7.4%	0.4%	0.5%
Berkeley.....	83.3	4.2	4.5	7.1	0.3	0.6
Davis.....	89.0	1.6	3.0	5.8	0.2	0.4
Irvine.....	82.9	2.6	8.0	6.0	0.3	0.1
Los Angeles.....	79.5	5.3	6.7	7.6	0.4	0.5
Riverside.....	87.5	2.7	5.7	3.5	0.2	0.4
San Diego.....	86.9	1.5	4.1	6.3	0.5	0.6
San Francisco.....	70.4	5.0	8.0	14.8	1.2	0.6
Santa Barbara.....	83.2	2.0	8.5	5.5	0.1	0.7
Santa Cruz.....	90.8	2.0	3.9	2.6	0.3	0.3

* Data provided by UC. Details may not add to 100 percent due to rounding.

Faculty Report Presentation

We recommend that during budget hearings the faculty systemwide student affirmative action advisory committee report on its overall and individual campus assessment of student affirmative action programs within UC.

The 1980 Budget Act directed UC to establish, at each campus, a student affirmative action advisory committee comprised predominately of minority faculty. These committees were directed to review and report on the graduate and undergraduate student affirmative action plan of its campus, giving specific attention to numerical goals and timetables. The committees were also asked to review existing programs and prior evaluations of the campus plan. UC was also directed to form a systemwide committee made up of representatives from the campus committees

UNIVERSITY OF CALIFORNIA—Continued

to review the overall graduate and undergraduate student affirmative action plans. Both committees were asked to make suggestions on improving and strengthening current plans.

The language directed UC to send copies of the reports of both the campus and systemwide committees to the Legislature by March 1, 1981. At this writing, each campus has a committee, a systemwide committee has been formed, and the effort appears to be on schedule. We recommend that during budget hearings the faculty systemwide committee report on its efforts.

4. Graduate Student Affirmative Action

The Supplemental Report of the 1980 Budget Act directed UC to prepare a student affirmative action plan for the university's graduate and professional schools. This directive asked for:

- a specific statement of the policy goals and objectives by each discipline on a systemwide basis,
- a proposed timetable for the achievement of each goal and objective,
- a specific statement of the new programs and actions necessary to achieve these goals and objectives, and
- a proposed timetable for the implementation of each program and action.

An initial draft of the plan, which appears to substantially meet the intent of the language, is available. The final plan is to be submitted to the Legislature and CPEC by March 1. CPEC will review the plan and make recommendations to the Legislature by April 1.

VI. INSTITUTIONAL SUPPORT

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

GENERAL ADMINISTRATION AND SERVICES

We recommend approval.

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 in this subprogram are a wide variety of supporting activities such as management, computing, police, accounting, payroll, personnel, materials management, publications, and federal program administration, as well as self-supporting services such as telephones, storehouses, garages, and equipment pools.

Table 43 shows the Governor's Budget proposed support for this program. The "A" pages of the budget document delete a \$270,000 augmentation included in the budget detail that would have added \$270,000 (seven positions) to the currently budgeted \$511,600 for collective bargaining, related to anticipated workload increases.

OPERATION AND MAINTENANCE OF PLANT (OMP)

We recommend approval.

Operation and maintenance of plant is a supporting service to the university's primary teaching, research, and public service programs. The Governor's Budget proposes an increase of \$651,000 (0.5 percent) in this subprogram for 1981-82. This augmentation is for workload related to additional square footage. The budget detail shows another augmentation of \$1 million to provide 41 additional building

Table 43
General Administrative Services^a
 (in thousands)

<i>Elements</i>	<i>1980-81 Budget</i>			<i>1981-82 Governor's Budget</i>			<i>Change</i>		
	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>	<i>General Funds</i>	<i>Restricted Funds</i>	<i>Total</i>
1. Executive management	\$32,860	\$965	\$33,825	\$32,860	\$965	\$33,825	—	—	—
2. Fiscal operations	14,275	4,667	18,942	14,275	4,811	19,086	—	\$144	\$144
3. General administrative services	23,654	12,336	35,990	23,854	13,062	36,906	\$200	716	916
4. Logistical services	18,952	2,696	21,648	18,952	2,762	21,714	—	66	66
5. Community relations	5,870	1,030	6,900	5,870	1,030	6,900	—	—	—
6. Employee benefits	17,778	217	17,995	17,848	217	18,065	70	—	70
Totals	\$113,389	\$21,911	\$135,300	\$113,659	\$22,837	\$136,496	\$270	\$926	\$1,196
"A" pages reduction ^a				—\$270	—	—\$270	—\$270	—	—\$270
Adjusted totals				\$113,389	\$22,837	\$136,226	—	\$926	\$926
Personnel (FTE)									
1. Academic			5			5			—
2. Staff			6,515			6,522			7
Totals			6,520			6,527			7
"A" pages reductions ^a						—7			—7
Adjusted totals						6,520			—

^a In the "A" pages of the Governor's Budget this program area is reduced by \$270,000. Deleted is the general administration services request for \$200,000 and related employee benefits of \$70,000 for seven staff positions for workload related to collective bargaining.

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Table 44
Operation and Maintenance of Plant
(in thousands)

<i>Elements</i>	<i>1980-81 Budget</i>			<i>1981-82 Governor's Budget</i>			<i>Change</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	\$4,438	—	\$4,438	\$4,450	—	\$4,450	\$12	—	\$12
Building maintenance.....	23,305	\$365	23,670	24,441	\$365	24,806	1,136	—	1,136
Grounds maintenance.....	7,577	—	7,577	7,577	—	7,577	—	—	—
Janitorial services.....	23,962	—	23,962	24,100	—	24,100	138	—	138
Utilities operations.....	7,279	263	7,542	7,308	263	7,571	29	—	29
Utilities purchases	55,561	84	55,645	55,884	84	55,968	323	—	323
Refuse disposal	1,950	—	1,950	1,962	—	1,962	12	—	12
Fire protection	1,396	—	1,396	1,397	—	1,397	1	—	1
Deferred maintenance	—	5,000	5,000	—	5,000	5,000	—	—	—
Employee benefits.....	(6,621)	(—)	(6,621)	(6,654)	(—)	(6,654)	(33)	—	(33)
Totals.....	\$125,468	\$5,712	\$131,180	\$127,119	\$5,712	\$132,831	\$1,651	—	\$1,651
"A" pages reductions ^a	—	—	—	—1,000	—	—1,000	—1,000	—	—1,000
Adjusted totals	—	—	—	\$126,119	\$5,712	\$131,831	\$651	—	\$651
<i>Personnel (FTE)</i>									
Staff and General Assistance.....			3,320			3,361			41
"A" pages reductions ^a			—			—41			—41
Adjusted totals			—			3,320			—

^a In the "A" pages of the Governor's Budget this program area is reduced by \$1 million. Deleted is \$1 million to provide support for 41 additional building maintenance personnel.

maintenance personnel. This augmentation, however, was deleted in the "A" pages of the same budget document.

Table 44 shows the amounts budgeted for each element in this program. Note that price increase funds for some elements in this table are displayed in the Unallocated Adjustments section discussed later in this analysis. For example, a budgeted price increase adjustment of \$7.2 million for utilities is displayed with Unallocated Adjustments.

1. Utilities Conservation (Item 644-001-188(b))

We recommend approval.

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

The Energy and Resources Fund (ERF) was created by the Legislature in Chapter 899, Statutes of 1980. Chapter 899 expresses the Legislature's intent that funds from the ERF be used only for short-term projects and not for any ongoing program. The budget year would be the second year of support from the ERF for this program.

2. Deferred Maintenance (Item 644-001-146(b))

We recommend approval.

In the 1980 Budget Act, the Legislature provided UC with \$5 million from the Capital Outlay Fund for Public Higher Education (COFPHE) to help cover a portion of UC's deferred maintenance backlog. The Governor's Budget proposes continuation of the same level of funds from the COFPHE account.

VII. INDEPENDENT OPERATIONS (Auxiliary Enterprises)

We recommend approval.

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

The largest element of this program is student housing, which covers over 20,500 residence hall spaces and approximately 3,500 apartments. The second major element is the parking program which includes more than 53,000 spaces. The UC budget provides for a program level of \$109.6 million in 1981-82.

VIII. SPECIAL REGENTS' PROGRAMS

The state has historically allowed the Regents to retain a portion of overhead charges received from federal contracts and grants. The Regents use these funds to support special programs and projects. Table 45 shows the use of Special Regents' Program funds by broad category.

In the current year receipts from federal funds increased substantially due to increased federal contract and grant activity. The result is a \$13.4 million (62.9 percent) increase in funding for Special Regents' Programs between 1979-80 and 1980-81. This level will decline by \$3.7 million in the budget year, as shown in Table 45. Since the state receives a portion of federal overhead receipts, it will also receive more money than anticipated in the current year.

UNIVERSITY OF CALIFORNIA—Continued

Table 45
Special Regents' Programs
(in thousands)

<i>Programs</i>	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>
1. Extension of research opportunities	\$3,826	\$11,328	\$8,328	—\$3,000
2. Instructional innovations and improvements	4,936	10,165	8,665	—1,500
3. Sound administrative planning.....	4,359	5,610	5,470	—140
4. Mandated and other recognized university respon- sibilities	4,039	5,228	4,993	—235
5. Interim funding	3,887	2,129	2,129	—
6. Provisions for increases.....	—	273	1,489	1,216
7. Other needs.....	275	—	—	—
Totals	\$21,322	\$34,733	\$31,074	—\$3,659

Federal Overhead

Since 1967 the university and the state have had memoranda of understanding on the disposition of federal funds received for overhead on federal contracts and grants to the university. The current memorandum (dated September 1979) also provides for the division of the management fee received for operating the three Department of Energy labs between the state and the university. According to the current agreement, after deductions for administration of contract and grant activity, support for a Washington, D.C. office, and other minor expenses, the balance of the overhead shall be divided 45 percent to the university and 55 percent to the state. In 1979-80, overhead receipts totaled \$70.1 million, deductions totaled \$12.3 million, with the state's share equal to \$31.7 million and the universities' share equal to \$26 million.

The agreement further stipulates that the portion of overhead receipts to be divided shall be estimated one year in advance, and that the difference between actual net receipts and the earlier estimates will be assigned in the next proposed budget year.

Recommend Early Recovery of Overhead

We recommend that the current-year unanticipated increase of \$4,138,026 in federal overhead funds scheduled to be returned to the state in 1982-83 instead be applied in the budget year, for a General Fund savings of that amount in 1981-82. (Reduce Item 644-001-001 (a) by \$4,138,026.)

In 1979-80, the state's share of federal overhead in 1980-81 was expected to be \$27,466,000. Because of increased federal contract and grant activity, the state share in the current year was underestimated by \$4,138,026. Under the current agreement, this amount would be applied to the 1982-83 budget year. These funds, however, will be in the bank by August 1981. We do not believe that it is reasonable to hold this amount of cash in the bank when other programs and activities are being cut because of funding shortages. Accordingly, we recommend that these unanticipated overhead funds be applied to the 1981-82 UC budget, for a General Fund savings of \$4,138,026. We do not, however, recommend a permanent change in the federal overhead recovery process. Policy in subsequent fiscal years should be based on the particular circumstances that exist at that time.

Report on Regents' Treasurer's Office

The Supplemental Report to the 1980 Budget Act expressed the Legislature's intent that support for the UC Treasurer's Office be provided primarily from income from investments managed by the Treasurer's Office rather than state appropriations. The Legislature also reduced state support for the Treasurer's

Office by \$252,961 in the 1980 Budget Act thereby reducing the state share of support for the Treasurer's Office from 75 percent to 33 percent. UC was also directed to analyze the General Fund benefits derived from the Treasurer's Office operations and report to the legislative budget committees by January 1, 1981. We will report on our review of that report during budget hearings.

IX. UNALLOCATED ADJUSTMENTS

Overview

The Unallocated Adjustment Program serves as a temporary holding account for appropriations which eventually will be allocated by the system to the campuses, and from the campuses to the operating programs. This program includes two subprograms (1) Provisions for Allocation and (2) Fixed Cost and Economic Factors.

Table 46
Unallocated Adjustments

	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>
A. Provisions for Allocation			
General Funds:			
Price increases	\$8,479,358	\$8,479,358	—
1980-81 salary funds	31,497,071	31,497,071	—
Employee benefits	9,107,291	9,107,291	—
Budgetary savings target	-36,152,000	-36,799,000	-\$647,000
Student affirmative action	—	1,728,250	1,728,250
Occupational health centers	—	2,570,514	2,570,514
Other provisions	6,280,736	6,280,736	—
Subtotals	\$19,212,456	\$22,864,220	\$3,651,764
Restricted Funds:			
Educational Fee	-\$253,873	-\$941,123	-\$687,250
Registration Fee	287,103	5,916,103	5,629,000
Endowments	3,428,746	3,928,090	499,344
Contract and Grant Administration	3,266,780	4,271,969	1,005,189
Other provisions	-1,077,765	422,235	1,500,000
Subtotals	\$5,650,991	\$13,597,274	\$7,946,283
B. Fixed Costs and Economic Factors			
General Funds:			
General price increases	—	\$10,906,092	\$10,906,092
Library price increases	—	2,404,000	2,404,000
Utilities price increases	—	9,318,000	9,318,000
Merit salary increases	—	16,940,000	16,940,000
Malpractice insurance	—	645,000	645,000
Social security	—	1,289,000	1,289,000
Workers' compensation insurance	—	-959,000	-959,000
Subtotals	—	\$40,543,092	\$40,543,092
Restricted Funds:			
General price increases	—	\$1,025,367	\$1,025,367
Merit salary increases	—	15,756	15,756
Subtotals	—	\$1,041,123	\$1,041,123
Totals	\$24,863,447	\$78,045,709	\$53,182,262
<i>General Funds</i>	<i>\$19,212,456</i>	<i>\$63,407,312</i>	<i>\$44,194,856</i>
<i>Restricted Funds</i>	<i>5,650,991</i>	<i>14,638,397</i>	<i>8,987,406</i>
"A" pages reduction:			
Utilities price increase	—	-\$2,028,750	-\$2,028,750
Adjusted totals		\$76,016,959	\$51,153,512
<i>General Funds</i>		<i>\$61,378,562</i>	<i>\$42,116,106</i>
<i>Restricted Funds</i>		<i>\$14,638,397</i>	<i>\$8,987,406</i>

UNIVERSITY OF CALIFORNIA—Continued

The Provisions for Allocation subprogram includes 1980–81 base budget items which were unallocated as of July 1, 1980. Among these items are funds for merit and promotional increases, salary range adjustments, academic and staff position reclassifications, price increases, deferred maintenance, and unallocated endowment income. Also included are incremental provisions for new programs related to more than one campus which have not been allocated.

The fixed costs and economic factors subprogram includes salary adjustment funds and the funds needed in 1981–82 to maintain the university's purchasing power at 1980–81 levels for such items as utilities, library volumes, general supplies, and equipment.

Table 46 shows a detailed account of the items budgeted under Unallocated Adjustments. The Governor's Budget detail had proposed a price increase of \$9,318,000 for utilities. In the "A" pages of the same budget document, the utilities price increase is reduced by \$2,028,750 to a level of \$7,289,250.

1. Review of Utilities Price Increase Needed

We recommend that the Legislature request UC and the Department of Finance to reassess the utility price increase adjustment for 1981–82 and report on their findings during budget hearings.

The university's state General Fund utilities budget in the current year totals \$55,561,000. Increased space in 1981–82 would increase this total to \$55,884,000. The Regents' Budget projected a utilities price increase need of \$11,762,000 (20.7 percent) in 1981–82, based on price increase alone with no allowance for additional reductions in energy consumption. The Governor's Budget detail reduced the Regents' request to \$9,318,000 (16.7 percent above 1980–81), based primarily on the Department of Finance's estimate of utility price increases in 1981–82. The Governor's "A" pages further reduce the price increase amount by \$2,028,750, based on increased utility conservation.

Last year the Legislature augmented the Governor's Budget, at the Governor's request (letter dated March 21, 1980), by \$10.3 million because of revised estimates of utility rate increases. While we believe that UC should reduce its energy consumption in 1981–82 due to (1) state-supported conservation efforts within UC's budget (Item 644-001-188(b)) and (2) physical plant alterations supported in the recent past with state funds, we are concerned that the revised utility price increase for 1981–82 may be unreliable. The price estimates on which the budget was based were made last July. Accordingly, we recommend that UC and the Department of Finance reassess these matters and report to the Legislature during budget hearings on the utility conservation target and price increase need.

2. Occupational Health Centers

We recommend approval.

The budget proposes a transfer of \$2,570,514 currently budgeted in the Department of Industrial Relations (DIR) to UC for the development of occupational health centers, one in the northern part of the state and one in the southern part. UC currently contracts with DIR for these centers. The primary function of these centers is the training of occupational physicians and nurses, toxicologists, epidemiologists, and industrial hygienists. This is a transfer of funds with no net state General Fund increase for 1981–82.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY

Item 644-301 from various funds

Budget p. E 104

Requested 1981-82	\$25,950,250
Recommended approval	10,281,000
Recommended reduction	3,491,250
Recommendation pending	12,178,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Food and Agricultural Sciences Building I—Davis Campus. Reduce by \$972,000.* Recommend deletion of preliminary planning funds for a food and agricultural science building at Davis, because less expensive alternatives are available. 1318
2. *Thimann Laboratory Alterations—Santa Cruz. Reduce by \$27,000.* Recommend deletion of preliminary plans and working drawings for alteration of the Thimann laboratory building for research space, because of the availability of existing research space. 1321
3. *Northern Regional Library Facility—Universitywide. Reduce by \$70,000.* Recommend that equipment funds for the northern regional library facility be reduced by deleting various unnecessary equipment items and overstated expenses for moving. 1322
4. *Schoenberg Hall Addition—Los Angeles. Reduce by \$27,000.* Recommend that equipment funds for Schoenberg Hall addition be reduced by deleting equipment unrelated to the construction of new space. 1323
5. *Social Ecology Building—Irvine.* Withhold recommendation on construction funds for the social ecology building, pending receipt of additional information. 1324
6. *Cory Hall, Microelectronics Fabrication Laboratory—Berkeley Campus.* Withhold recommendation on working drawings and construct alterations for microelectronics, pending receipt of additional information. 1324
7. *Cory Hall, Microelectronics Fabrication Laboratory Equipment—Berkeley Campus. Reduce by \$544,000.* Recommend that the requested equipment amount be reduced by deleting funds to replace existing equipment. 1324
8. *Animal Quarters Addition—Santa Cruz.* Withhold recommendation on working drawings and construct animal quarters addition, pending receipt of additional information. 1324
9. *Nematode Isolation/Quarantine Facility—Riverside. Reduce by \$612,000.* Recommend deletion of working drawings, construction and equipment funds, because the university has a significant amount of space that the university should reconsider assigning to this program. The university has not justified the construction of new space. 1325
10. *Organic Chemistry Laborator Conversion—Irvine Campus. Reduce by \$205,00.* Recommend deletion of working drawings and construction funds because the Irvine campus has excess space in the physical sciences and should consider assigning this space to other disciplines. 1325

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

11. Seawall Extension, Step 2—San Diego. Withhold recommendation on working drawings and construct, pending receipt of additional information. 1326
12. CAC Deficiencies, Handicapped, Step 2—Berkeley Campus. Withhold recommendation on construction funds, pending receipt of additional information. 1326
13. CAC Deficiencies, Handicapped, Step 1—San Diego Campus. Withhold recommendation on construction funds, pending receipt of additional information. 1326
14. CAC Deficiencies, Handicapped, Step 2—Davis Campus. Withhold recommendation on working drawings and construction funds, pending receipt of additional information. 1326
15. Handicapped Access Alterations, Step 2—Riverside Campus. Withhold recommendation on working drawings and construction funds, pending receipt of additional information. 1326
16. CAC Deficiencies, Handicapped, Step 2—Santa Cruz Campus. Withhold recommendation on working drawings and construction funds, pending receipt of additional information. 1326
17. CAC Deficiencies, Elevators, Step 2—Berkeley Campus. Withhold recommendation on working drawing and construction funds, pending receipt of additional information. 1327
18. CAC Deficiencies (Cal/OSHA), Step 3, Health Sciences, UCIMC—Irvine Campus. Withhold recommendation on working drawings and construction funds, pending receipt of additional information. 1328
19. CAC Deficiencies (Fume Hoods)—Los Angeles Campus. Recommend adoption of Budget Bill language directing the university to maximize the use of administrative procedures for the state's maintenance/use of fume hoods and to minimize alterations to the fume hoods. 1329
20. CAC Deficiencies, Elevators, (Fire, Seismic and Handicapped)—San Francisco Campus. Withhold recommendation on working drawing and construction funds, pending receipt of additional information. 1330
21. Natural Gas Service, Electrical Cogeneration Facility—Davis Campus. Withhold recommendation on working drawings and construction funds, pending receipt of additional information. 1330
22. *Energy Conservation, Building Retrofit—Riverside Campus. Reduce by \$499,000.* Recommend deletion of working drawings and construction funds because the university has not provided adequate cost/benefit information and the Riverside campus has a central control system for energy conservation measures. 1330
23. *Gas Turbine Generator—Berkeley Campus. Reduce by \$323,000.* Recommend deletion of preliminary plans because no information has been provided regarding this project. 1331
24. *Combustion Turbine Cogeneration System—San Diego Campus. Reduce by \$192,000.* Recommend deletion of preliminary plans, because no information has been provided regarding this project. 1331
25. *Cogeneration Facility—San Francisco Campus. Reduce by \$12,250.* Recommend deletion of preliminary planning funds because no information has been provided regarding this project. 1331
26. Veterinary Medicine Expansion, San Joaquin Valley Clinical Facility—Davis Campus. Withhold recommendation on construction 1332

funding, pending receipt of additional information.

27. *Health Science Center Alterations—Los Angeles Campus. Reduce by \$8,000.* Recommend deletion of equipment excess to the amount of study room and staff conference needs. 1333
28. Medical Center Diagnostic Service Module, UCIMC—Irvine Campus. Recommend adoption of Budget Bill language requiring that future funding requirements for construction and equipment be provided from the University Hospital Reserve Fund. 1334

ANALYSIS AND RECOMMENDATIONS

The University of California Capital Outlay Program in the Budget Bill includes \$24,016,250 in new appropriations plus reappropriation of \$410,000 previously approved. The program is summarized in Table 1.

Table 1
University of California
Summary of Capital Program in 1981-82 Budget Bill

<i>Item</i>	<i>Budget Bill Amount</i>	<i>Fund^a</i>
644-301-145.....	\$22,561,000	COFPHE
644-301-188.....	527,250	ERF
644-301-718.....	2,618,000	Bonds
644-301-994.....	244,000	HRA
Total	\$25,950,250	
644-490-146.....	410,000 ^b	COFPHE

^a COFPHE—Capital Outlay Fund for Public Higher Education
ERF—Energy and Resources Fund
Bonds—Health Science Facilities Program Fund
HRA—Hospital Reserve Account

^b Reappropriation of funds in 1980 Budget Act.

Table 2
University of California
General Capital Improvements Projects—
Initial Planning

<i>Item</i> <i>644-301-146</i> <i>Project Title</i>	<i>Phase^a</i>	<i>Campus</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Cost^b</i>
(1) Project programming and preliminary plans	p	University-wide	\$250,000	\$250,000	—
(2) General and advance planning studies	s	University-wide	60,000	60,000	—
(5) Southern regional library facility	pw	University-wide	512,000	512,000	\$11,524,000
(14) Food and agriculture sciences building I	p	Davis	972,000	—	47,613,000 ^c
(17) Thimann Laboratory building alterations	pw	Santa Cruz	27,000	—	359,000
Totals			\$1,821,000	\$822,000	\$59,496,000

^a Phase symbols indicate: s—studies; p—preliminary planning; w—working drawings.

^b University estimate.

^c Includes \$33,613,000 university estimate for food/agriculture sciences building I plus \$14 million Analyst estimate for secondary effects.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

For discussion purposes, we have divided the university's program into six categories. A description of each category and our recommendation for the individual projects follows.

A. Initial Planning Projects

This category contains requests for five projects for which either no funds or only study funds have been previously appropriated. These requests and our recommendation for each are summarized in Table 2.

Universitywide Project Planning

We recommend approval of Item 644-301-146(1), project programming and preliminary plans.

This budget item provides \$250,000 for project programming and preliminary plans for major capital outlay projects on the university's general and health sciences campuses. Budget Bill language provides that (a) a maximum of \$100,000 will be available for expenditure on July 1, 1981, for utility and site development projects and Environmental Impact Reports and for development of benefit/cost analyses of planning alternatives for proposed 1983-84 capital outlay projects, and (b) \$150,000 plus any balance of the \$100,000, will be available for preliminary planning for those working drawings or working drawing/construction projects which are in the 1982-83 Governor's Budget. This language, which has been included in each Budget Act since 1975, provides improved project programming and expedites approved projects. The requested amount is reasonable and we recommend approval.

Universitywide—Planning Studies

We recommend approval of Item 644-301-146(2), engineering and environmental planning studies.

Studies under this category are funded on a universitywide basis because they are not related to individual capital projects. This request includes three proposed studies.

Universitywide—Asbestos Hazards in State Funded Buildings (\$25,000). Until 1972, asbestos was a common material used for ceilings and pipe insulation on university campuses. The asbestos was usually sealed with paint or canvas covering, but over the years this protection has, in some cases, deteriorated and exposed the asbestos. Because airborne asbestos can pose a serious health hazard, the university plans to undertake a comprehensive survey of campus buildings to identify any such hazards. The funds provided by this item will finance such a survey of state-funded buildings as well as establish priorities for corrections, recommend corrective steps, and provide estimated costs to eliminate identified hazards.

Universitywide—Storm Drain Water Storage and Irrigation Systems (\$30,000). These funds would be used to determine the feasibility of developing storm drain water storage and irrigation systems. The study would include, but not be limited to, (a) consideration of a system which would enable use of domestic water for cooling equipment and draining the utilized water to storm drain systems for subsequent use, and (b) utilization of storm drain water from the hills above the Berkeley, Los Angeles and Riverside campuses, including the domestic irrigation runoff. The completed study will include estimated costs and "pay-back" calculations for all systems evaluated.

Irvine—Bikeway Study (\$5,000). These funds will enable the Irvine campus to evaluate the development of a campus bicycle path system in coordination with city and county paths that have either been constructed or are planned for construction. The Irvine campus has experienced both an increase in on-campus student residents and a continued growth around the campus of housing, shopping, and employment areas. The Irvine campus and surrounding areas are easily traversed by bicycle, and the development of a bicycle path system would facilitate access to campus and off-campus facilities.

Universitywide—Southern Regional Library Facility

We recommend approval of Item 644-301-146(5), preliminary plans and working drawings, southern regional library compact storage facility.

This proposal is for \$512,000 to develop preliminary plans and working drawings for a 102,458 assignable square foot (asf) regional library storage facility. The facility—to be located on the UCLA campus—will house 3.67 million volumes of “seldom” used library material. According to the university’s library plan, this capacity will provide adequate storage for approximately 5.3 years after occupancy. The preliminary plans, however, will be developed for an ultimate expansion to house a total of 11 million volumes. Hence, the initial design will take into consideration efficient expansion if additional capacity is required in the future.

The impetus for this proposal is the evergrowing universitywide library holdings, which total over 16 million volumes and increase by more than 600,000 annually. Under the university’s plan, “less expensive” off-campus storage facilities would house “seldom” used volumes from throughout the system. Compared to general campus library space, the proposed storage facilities should be less expensive to construct and operate, and should eliminate any need to construct additional library space on the various university campuses.

The university has indicated that the number of volumes to be placed in the facility is approximately equal to the number which would be stored, using a criterion of 7 or 8 years since the last circulation. On this basis, the university expects to initially deposit 2,900,000 volumes in the southern facility and 145,000 volumes annually thereafter. The university is in the process of providing a breakdown, by campus, for the initial and annual deposit requirements in the southern facility. These figures should be available prior to budget hearings.

A major thrust of the university’s library plan to provide storage facilities is the cost benefit of construction and operation of such facilities. If this benefit is to be realized, the individual campuses must maximize the use of the central facility by sending all seldom-used volumes to central storage. The university has provided written assurance that “no additional campus library space will be requested for any of these volumes, and construction funds will not be scheduled for any additional campus library shelving space until these initial and annual estimates are met.” With this understanding, the Legislature appropriated \$255,000 in the 1980 Budget Act for development of an environmental impact report and initial planning for the southern facility. In addition, \$6,782,000 was appropriated to construct a similar facility at the university’s Richmond field station near the Berkeley campus.

Southern Facility Design. The proposed southern storage facility consists of a single-story, high-density book and archives storage facility, and includes staff and user space. The facility will utilize a three-tier stacking shelf system, with each tier providing eight levels of double-depth book storage. The structure will be constructed partially subterranean in order to minimize its visual impact upon the adjacent community and to conserve energy. In this regard, the Environmental Impact Report has gone through the public review process and there were no negative comments from the community or others. The current estimated construction cost for this facility is \$73 per asf, and the total future cost, including

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

architectural fees, shelving and moveable equipment, is \$11,524,000.

The proposal for development of the Southern California regional library facility is consistent with prior legislative action and the anticipated costs are reasonable. We recommend approval.

Davis—Food/Agricultural Sciences Building I

We recommend deletion of Item 644-301-146(14), preliminary plans for a food and agricultural science building I, for a savings of \$972,000. The university should consider less expensive alternatives to this project.

This \$972,000 request is for development of preliminary architectural/engineering drawings and specifications for a building of 129,800 assignable square feet (asf) on the Davis campus. The building—with a current estimated construction cost of \$27 million (\$208 per asf)—would provide research, teaching and extension activities for the Departments of Animal Sciences, Avian Sciences, Environmental Toxicology and Nutrition plus space for the Food Protection and Toxicology Center. Included in the building would be areas to be shared by the respective building occupants. The space in the proposed building would be allocated as shown in Table 3.

Table 3
University of California—Davis Campus
Food and Agricultural Sciences Building I

Department	Space Allocation (asf)					Total
	Research Activities	Administrative/ Faculty Offices	Teaching Laboratories	Computer/ Autotutorial	Laboratory Animal	
Animal Sciences	24,550	15,180	—	—	5,690	45,420
Avian Sciences	9,660	4,490	—	—	6,780	20,930
Environmental Toxicology ..	12,180	3,685	—	—	4,900	20,765
Nutrition	10,480	5,820	—	—	3,080	19,380
Food Protection/Toxicology Center	3,595 ^a	830	—	—	—	4,425
Common Areas ^b	4,370	1,565	8,425	1,600	2,120	18,080
Totals	64,835	31,570	8,425	1,600	22,570	800
Percent of Total	50	24	7	1	17	—
Storage						800
Building Total						129,800

^a Includes a 1,900 asf documentation center.

^b For joint use of Departments of Animal Sciences, Avian Sciences, Environmental Toxicology and Nutrition.

Upon completion of the food/agricultural sciences building I, in mid-1985, the university plans to undertake major remodeling of space vacated by the departments moving to the new building. This major remodeling will entail alterations of over 110,000 as in six buildings. We estimate that this alterations program will cost an additional \$14 million, excluding inflation which could increase the construction cost by 40 percent. This cost also does not include movable equipment, if required. Thus, allowing for inflation and the secondary effects, the total costs related to the food and agricultural sciences building I could range from \$49 million to \$58 million.

While there appear to be some physical space deficiencies on the Davis campus, our analysis indicates that the proposed construction program should not proceed.

Marginal Benefit Compared to Project Cost. As shown in Table 3, 74 percent of the proposed building provides research activity and academic/faculty offices.

Table 4
University of California
Food/Agricultural Sciences Building I
Existing and Projected space (asf) Needs of Occupant Departments

<i>Department</i>	<i>Current Assignment</i>		<i>Current-Projected Need^a</i>		<i>Surplus (Deficit)</i>	
	<i>Research Activities</i>	<i>Administrative/ Faculty Offices</i>	<i>Research Activities</i>	<i>Administrative/ Faculty Offices</i>	<i>Research Activities</i>	<i>Administrative/ Faculty Offices</i>
Animal Sciences	24,581 ^b	12,486 ^c	23,815-26,330	12,101-12,980	735-(1,780)	745-(494)
Avian Sciences	9,647	2,146	10,120- 9,789	3,780- 4,236	(473)-(142)	(1,634)-(2,090)
Environmental Toxicology	8,431	1,700	9,455-11,589	2,695- 3,981	(1,024)-(3,158)	(995)-(2,281)
Nutrition	5,939	5,100	10,265-12,290	3,178- 4,897	(4,328)-(6,351)	(1,922)-(203)
Totals	48,598	21,432	53,646-59,998	21,754-26,094	(5,090)-(11,431)	38-(4,662)

^a Does not include space for Cooperative Extension Academic staff—the university has no space standard for this staff.

^b Includes 11,961 asf of research activity space classified as non-standard.

^c Includes 487 asf classified as non-standard.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

Table 4 compares space currently assigned to the various departments with the current and projected space needs in research activities and administration/faculty offices. This information is based on the university's physical space and enrollment projections.

As reflected in Table 4, the aggregate need in these space categories—based on current and projected data—range from 5,052 asf (5090–38 asf) to 16,093 asf (11,431 + 4662 asf). Thus, the *maximum* aggregate need of 16,093 asf represents approximately 17 percent of the amount of space to be constructed for research activities and administrative/faculty offices in the new building. In view of the fact that 83 percent of the space in the proposed project would *not* be needed to satisfy space needs in these categories, we suggest that the university revise its plans in order to maintain maximum use of existing space—as currently assigned—by undertaking alterations or minor additions as required.

Additional Space Not Fully Justified. As shown in Table 5, laboratory animal space comprises approximately 17 percent of the new building. There are no "space standards" for laboratory animal facilities, and, the university has not adequately justified the need to add 22,570 asf of laboratory animal space to the Davis campus. The material submitted by the university maintains that there is insufficient/inadequate space, but it does not substantiate this with the data provided. Moreover, the university does not adequately address the possibility of altering space to upgrade the existing facilities.

The Davis campus has 30,000 asf in laboratory animal space, excluding veterinary medicine and the primate center. Of this amount, 17,800 asf is assigned to the departments to be housed in the food and agricultural sciences building I. The university has not indicated how this space is utilized, nor has it justified the need to increase animal space on the campus by 75 percent and within the departments to be housed in the new building by 127 percent.

Laboratory animal space is very expensive to construct and maintain, and every attempt should be made to make maximum use of existing space prior to requesting construction of new facilities. Our analysis indicates that the university has not adequately addressed the utilization of existing space or justified the need to construct new space for laboratory animals.

The remaining areas—teaching laboratories and computer/auto tutorial—represent a small portion of the proposed building but also represent a marginal increase in available space. For example, the teaching laboratories currently assigned to the subject departments total 6,126 asf. The university's projected need ranges from 8,716 to 12,397 asf. Although the projected need is nearly double the existing space, the proposed building only includes 8,425 asf for these departments—68 percent of the projected maximum need. The existing teaching laboratories would be assigned to other departments.

The indicated need of 8,716 asf represents a current deficit of approximately 1,500 asf, the majority of which is in environmental toxicology and nutrition. The university should consider altering existing space to meet this need in class laboratories. Future needs, if they develop, could be met in a similar manner.

The 1,600 asf proposed for computer/auto tutorial is a small component of the proposed building. The university's data does not indicate if similar space is currently available. In view of the small amount of space required, however, existing space could be utilized on a priority basis to accommodate this need.

In summary, although the Davis campus appears to have some physical space needs in various departments, the proposal in the Budget Bill appears to be an expensive solution to this need. Consequently, we recommend deletion of the requested planning money, and suggest that the university make maximum use

of existing space with minor (if any) addition of new space.

Santa Cruz—Thimann Laboratory Alterations

We recommend deletion of Item 644-301-146 (17), preliminary plans and working drawings for Thimann laboratory building alterations, Santa Cruz, a savings of \$27,000 because of the availability of existing research laboratories.

This proposal would alter 1,990 asf in the Thimann laboratory building on the Santa Cruz campus. The altered space—currently a stockroom—would provide two biology research laboratories and two chemistry research laboratories. The estimated future cost to complete this project is \$359,000.

The need for additional research laboratories in biology and chemistry has not been demonstrated. According to the university's data, existing research space assigned to these departments exceeds the amount of space that could be justified under state space guidelines. For example, based on current enrollments, biology

Table 5
University of California
General Campus Improvement Projects—
Construction/Equipment

<i>Item 644-301-146</i>	<i>Project Title</i>	<i>Phase^a</i>	<i>Campus</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Cost</i>
(3)	Minor capital outlay	wc	University-wide	5,000,000	5,000,000	—
(4)	Northern regional library facility	e	University-wide	\$375,000	\$305,000	—
(7)	Schoenberg Hall—alterations	c	Los Angeles	888,000	888,000	—
(8)	Schoenberg Hall—addition	e	Los Angeles	225,000	198,000	—
(9)	Social Ecology Building	c	Irvine	3,625,000	pending	\$475,000
(10)	Cory Hall—Alterations/microelectronics fabrication laboratory	wc	Berkeley	1,136,000	pending	—
(11)	Cory Hall—Alterations/microelectronics fabrication laboratory	e	Berkeley	1,477,000	933,000	—
(12)	Cory Hall—utilities systems/handicapped improvements	c	Berkeley	917,000	917,000	—
(15)	Animal quarters addition	wc	Santa Cruz	410,000	pending	—
(16)	Nematode isolation/quarantine facility	wce	Riverside	612,000	—	—
(18)	Organic chemistry laboratory conversion	wc	Irvine	205,000	—	—
(31)	Seawall extension, step 2	wc	San Diego	335,000	pending	—
Totals				\$15,205,000	\$8,241,000	\$475,000

^a Phase symbols indicate: w—working drawings; c—construction; e—equipment.

^b University estimates.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

has nearly 7,000 asf excess space and chemistry has nearly 2,800 asf excess space. Further, existing space exceeds the university's projected 1983 space needs by 3,600 asf in biology and 1,650 asf in chemistry. In view of the availability of adequate research laboratories, the requested project is not justified and we recommend deletion of the \$27,000 proposed for preliminary plans and working drawings.

B. General Campus Improvement Projects

This category contains nine projects at five campuses plus two universitywide proposals for capital improvements on the university's general campuses. Table 5 summarizes the projects and our recommendations for each.

Minor Capital Outlay

We recommend approval of Item 664-301-146(e), minor capital outlay universitywide.

This request is for \$5 million for minor capital outlay (\$100,000 or less per project) to be allocated to each of the general and health science campuses and agricultural field stations. The requested amount represents a lump-sum appropriation to be allocated by systemwide administration.

The Supplemental Report of the 1980 Budget Act included directives to the university specifying the methods for allocating funds for this purpose. The language also requires the university to provide, on an informational basis, the proposed minor capital outlay program, and further requires the university to provide an annual post-audit report to the Department of Finance and the Legislature. The university has established procedures consistent with the legislative directives, and has provided the informational copy of the minor capital improvement program. Based on the information received and the procedures established by the university, the requested \$5 million is reasonable and we recommend approval of this amount.

Universitywide—Northern Regional Library Facility

We recommend that Item 644-301-146(4), equip northern regional library facility, be reduced by \$70,000, by deleting various unnecessary items and reducing moving expenses.

The 1980 Budget Act included \$6,782,000 for working drawings and construction of a compact storage facility to house 3 million "seldom used" library volumes. The building is being designed for potential expansion to house 11 million such volumes. Working drawings are currently being prepared for this project, and construction should begin near the end of this fiscal year. The Budget Bill contains \$375,000 to equip the new facility.

The budget proposes funding for (1) equipment items which are not required for the initial number of volumes to be stored, (2) items which are not directly related to the new facility and should be provided in the support budget equipment allotment, and (3) expenses for moving books from the current storage facility to the new facility which are overstated. The total amount of funding these in categories is \$70,000. We recommend that Item 644-301-146(4) be reduced by this amount.

Los Angeles—Schoenberg Hall, Alterations

We recommend approval of Item 644-301-146(7), construct Schoenberg Hall alterations.

The budget requests \$888,000 to alter the music building—Schoenberg Hall—at Los Angeles. The alteration project is the secondary effect of constructing a 43,200 square foot addition to Schoenberg Hall. This project will alter approximately 25,000 square feet, and will make the older building and the addition compatible

and functional. This project was anticipated at the time the addition was approved. Thus, funds for preliminary plans and working drawings have been previously approved, enabling the alterations project to be designed concurrently with the new addition. The construction cost estimates are based on the architect's drawings and the anticipated cost is reasonable. We recommend approval.

Los Angeles—Schoenberg Hall, Addition

We recommend that Item 644-301-146(8), equip Schoenberg Hall addition, be reduced by \$27,000 which was requested for equipment unrelated to construction of new space.

The 43,200 square foot addition to Schoenberg Hall music building is currently under construction and should be completed in the budget year. Consequently, equipment for the incremental increase in music teaching space will be required in the budget year. The proposed equipment, however, includes items unrelated to the construction of additional space. The need for the new addition was based on the overcrowded conditions of the existing building and the need for additional music practice rooms. The proposed equipment list includes several musical instruments, such as a marimba, tomtom, snare drum, bongos, etc. These items may be part of the music program but they are not related to the construction of new space. Items of this nature, if required, should be purchased through the university's support budget equipment allotment. Consequently, we recommend that equipment for Schoenberg Hall addition be reduced by \$27,000.

Irvine—Social Ecology

We withhold recommendation on Item 644-301-146(9), construct social ecology building, pending receipt of additional information.

The budget requests \$3,625,000 for construction of a building to house the Department of Social Ecology on the Irvine campus.

The Budget Act of 1980 contained \$294,000 to develop preliminary plans and working drawings for a 28,820 assignable square foot building to house the social ecology program at Irvine. Social ecology is an interdisciplinary academic program—unique to the Irvine campus—which focuses on contemporary problems of the physical and social environment. The faculty participating in the program are multidisciplinary and include psychologists, criminologists, planners, social ecologists, public health biologists and lawyers.

Although preliminary plans and working drawing funds were provided in the 1980 Budget Act, preliminary plans have not been completed. The university has indicated that the plans should be available prior to budget hearings. Until the preliminary plans and specifications are available, we cannot recommend approval of the amount requested for construction.

Berkeley—Cory Hall, Microelectronics Fabrication Laboratory

We withhold recommendation on Item 644-301-146(10), working drawings and construct Cory Hall alterations for microelectronics fabrication laboratory, pending receipt of additional information.

The budget requests \$1,136,000 for development of architectural working drawings and construction to remodel approximately 8,700 assignable square feet on the fourth floor of Cory Hall to provide controlled environment laboratory space for microelectronics fabrication teaching and research activities. The 1980 Budget Act included \$39,000 to prepare preliminary plans for this project.

According to the university's project schedule, preliminary plans should have been completed by November 1, 1980. However, the plans and associated specifications have not been completed. Until this information is available, we cannot recommend approval of the amount requested.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**Berkeley—Cory Hall, Microelectronics Fabrication Laboratory, Equipment**

We recommend that Item 644-301-146(11), equip Cory Hall, alterations for microelectronics fabrication laboratory, be reduced by \$544,000 by deleting funds for replacement of existing equipment.

The budget requests funds for equipment in connection with the construction project discussed above. According to the university's project schedule, construction of the alterations project should begin early in 1982, and would be completed prior to December 1982. Assuming the university develops the necessary planning specification information to allow funding construction of the project in 1981-82, equipment funds should be appropriated in the budget year. This will enable the university to order long lead-time equipment and occupy the laboratories at the earliest possible time.

The equipment list submitted by the university totals \$2,477,000. Of this amount, the university proposes to obtain \$1 million from nonstate sources and \$1,477,000 from the Capital Outlay Fund for Public Higher Education. The university's equipment list, however, includes \$1,544,000 to replace existing equipment. Funding for replacement equipment and equipment unrelated to a construction/alteration project should be funded from other sources available to the university—the support budget equipment allotment, Regents' funds, grants, gifts, etc. Consequently, we recommend that this item be reduced to fund only that equipment related to the Cory Hall alterations project. This amounts to \$933,000, or \$544,000 less than the amount requested.

Berkeley—Cory Hall, Utility Systems/Handicapped Improvements

We recommend approval of Item 644-301-146(12), construct Cory Hall, utility systems and handicapped improvements, (California Administrative Code Deficiencies).

This \$917,000 proposal will improve the utility systems and correct code deficiencies with respect to fire and life safety and for access by the physically handicapped. The project has been coordinated with the proposed alteration of the fourth floor for the microelectronics fabrication laboratory. The work includes the installation of fire sprinklers in areas required by code, improved exiting, smoke/heat detectors and other corrective measures required to meet fire and life safety code requirements. Corrections for access by the physically handicapped include toilet facility remodeling, ramps, and handrails. Preliminary plans and working drawings have previously been approved for this project. The proposed work is appropriate and we recommend approval.

Santa Cruz—Animal Quarters Addition

We withhold recommendation on Item 644-301-146(15), working drawings and construct animal quarters addition at Santa Cruz, pending receipt of additional information.

This \$410,000 proposal would alter 6,100 asf consisting of 911 asf for animal rooms and 689 asf for cage washing facilities and storage. The animal rooms will be located in vacant space in the Thimann laboratory building, and the cage washing facilities, etc., will be located in the adjacent Thimann shop building. Location of the cage washing facilities in the shop building requires relocation of the machine shop/stockroom to the basement of the applied science building.

The proposed relocation of the machine shop and alteration of existing space for animal quarters, is based on the campus evaluation of several alternatives for solving animal quarter problems. The existing animal facility is overpopulated and in violation of National Institute of Health guidelines. The most serious of these violations is the lack of space to receive and quarantine new animals, the lack of space for deceased animals or for the diagnosis and handling of such animals and

the lack of space to separate the storage of soiled equipment and accumulated waste from the cleaning and sanitizing operations. The proposed solution corrects these violations in the most economical manner.

The university is utilizing planning funds appropriated in the 1980 Budget Act to develop preliminary plans and specifications for this project. Until this information is available, the adequacy of the requested amount cannot be substantiated. Consequently, we withhold recommendation, pending receipt of the university's data.

Riverside—Nematode Isolation/Quarantine Facility

We recommend deletion of Item 644-301-146(16), working drawings, construct and equip nematode isolation and quarantine facility, Riverside, for a savings of \$612,000. The university should reconsider assigning existing space to this program rather than constructing new space.

This proposal is for the development of architectural plans, construction, and equipment for a 4,700 assignable square foot greenhouse facility for nematology research. The project includes a 3,400 asf glasshouse and 1,300 asf headhouse service space.

This proposal is for the development of architectural plans, construction, and equipment for a 4,700 assignable square foot greenhouse facility for nematology research. The project includes a 3,400 asf glasshouse and 1,300 asf headhouse service space.

Preliminary plans for this project have not been developed, and the estimated construction cost—\$103 per asf—cannot be substantiated. The university has indicated that planning funds included in the 1980 Budget Act will be used to develop the plans, but according to the university's project schedule, the plans will not be completed until July 1981.

The proposed facility will be utilized for specific projects such as:

- Research on quarantine nematode pests attacking subtropical and tropical crops.
- Research on biological control of nematodes and other invertebrate pests.
- Development of germ plasm tolerant or resistant to soil borne pathogens.

The Riverside campus has 85,201 asf of glasshouse/headhouse space for carrying out its programs in instruction and research. Of this amount, 5,816 asf is specifically assigned to nematology activities. The university has not adequately addressed the alternatives of—on a priority basis—assigning a portion of existing campus space or the nematology space for the proposed research activities. Construction of glasshouse/headhouse space should not be required each time a research program is initiated or an existing program modified. Prior to requesting construction of new space, the university should thoroughly evaluate utilization of existing space and the priority of the programs assigned to that space. In view of the possibility that existing space can be assigned to this program, coupled with the lack of adequate justification for construction of new space, we recommend deletion of the requested \$612,000.

Irvine—Organic Chemistry Laboratory Conversion

We recommend deletion of Item 644-301-146(18), working drawings and construct organic chemistry laboratory conversion at Irvine, for a savings of \$205,000. Under state space guidelines, the Physical Sciences at Irvine have excess space. The space to altered should be considered for assignment to other departments.

This \$205,000 project would alter 1,575 asf in the physical sciences unit I building. Space currently used as a physics research laboratory would be converted into a synthetic organic chemistry laboratory.

The Irvine campus is constructing a new physical sciences research facility with

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

nonstate funds. Completion of the new building is scheduled for the spring of 1982, at which time the physics research activity will move from the physical sciences building. The university proposes to alter the vacated space to provide for the continued development of synthetic organic chemistry on the Irvine campus. According to the university, five professors in chemistry are involved in the synthetic organic chemistry program and a sixth professor was to be added in the summer of 1980. Currently there are four organic chemistry laboratories devoted to this research.

Renovation of the vacated space includes demolition of partitions, fabrication/installation of four chemical workbenches and the acquisition/installation of five fumehoods. The university is preparing preliminary plans and specifications to verify the adequacy of the requested amount.

Our analysis indicates that the Irvine campus has excess space in the physical sciences. Based on university space data, the physical sciences have excess capacity of approximately 3,500 asf in 1980-81, and are projected to sustain that excess capacity through 1983-84. On the other hand, space deficits exist in the area of mathematical sciences (-1,700 asf), computer sciences (-19,600 asf), and classroom/seminar space (-14,600 asf). In view of the apparent space needs in disciplines other than the physical sciences, the university should reconsider assigning the vacated space to another discipline.

Based on this discrepancy in space needs, we recommend deletion of the requested \$205,000 to alter the space for an organic chemistry laboratory.

San Diego—Seawall Extension, Step 2

We withhold recommendation on Item 644-301-146(31), working drawings and construct seawall extension, step 2 at San Diego, pending receipt of additional information.

This \$335,000 proposal would provide 300 feet of extension to existing seawalls at Scripps Institute of Oceanography. The proposed reinforced concrete wall will range in height from approximately 8 feet to 12 feet and will match the existing walls. In order to minimize loss of beach area, the walls will be located as close as possible to the bluff.

The need for this seawall has been substantiated by a detailed engineering and geologic study of the University of California coastal property at Scripps Institute of Oceanography. The seawall will ensure that no additional land will be eroded, and will also eliminate the possibility of damage to existing buildings. The university is in the process of developing preliminary plans for this project, and adequate information regarding project costs should be available prior to budget hearings. Consequently, we withhold recommendation on the proposed amount, pending receipt of the necessary information.

C. Projects to Remove Architectural Barriers to the Handicapped

This category contains five projects to remove architectural barriers to the handicapped at five campuses. A summary of the projects and our recommendations for each are provided in Table 6.

Additional Project Cost Information Required

We withhold recommendation on Items 644-301-146(19) through 644-301-146(23), pending receipt of additional information.

We withhold recommendation on the five requests in this category because the information needed to substantiate the requested amounts is being developed.

The university is utilizing planning funds provided in the Budget Act of 1980 to prepare planning documents and develop adequate information regarding the

Table 6
University of California
Projects to Remove Architectural Barriers
to the Handicapped

<i>Item</i>	<i>Project Title</i>	<i>Phase^a</i>	<i>Campus</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Cost^b</i>
644-301-146						
(19)	CAC deficiencies—handicapped, step 2	c	Berkeley	\$202,000	pending	—
(21)	CAC deficiencies—handicapped, step 1	c	San Diego	222,000	pending	—
(21)	CAC deficiencies—handicapped, step 2	wc	Davis	410,000	pending	—
(22)	Handicapped access—alterations, step 2	wc	Riverside	248,000	pending	—
(23)	CAC deficiencies—handicapped, step 2	wc	Santa Cruz	320,000	pending	—
	Total.....			\$1,402,000	pending	—

^a Phase symbols indicate: w—working drawings; c—construction.

^b University estimate.

^c California Administrative Code.

cost of the projects at Davis, Riverside, and Santa Cruz. This is the normal budget procedure for new projects contained in the Governor's Budget, and the necessary information should be available prior to budget hearings.

Preliminary planning and working drawing funds were included in the 1980 Budget Act for the projects at Berkeley and San Diego. Under this funding procedure, preliminary plans should be completed, working drawings should be underway and adequate cost information should be available before the Legislature is asked to appropriate funds for the projects themselves. The projects, however, have not proceeded in a timely manner and the necessary information has not been developed. We hope the university will complete the information prior to budget hearings.

We withhold recommendation on this project category pending receipt of the information.

D. Projects to Correct Code Deficiencies

This category includes four projects to correct building code deficiencies at three campuses. A summary of the projects in this category and our recommendations for each is provided in Table 7.

Berkeley Campus

We withhold recommendation on \$673,000 in Item 644-301-146 (24), working drawings and construct, CAC deficiencies—elevators, step 2, Berkeley, pending receipt of additional information.

We recommend approval of the \$42,000 in Item 644-301-146 (27), preliminary plans and working drawings, CAC deficiencies—high-rise fire and life safety, Berkeley.

CAC Deficiencies—Elevators, Step 2. This \$673,000 proposal will correct code deficiencies related to fire and life safety, seismic protection and access for the physically handicapped, in 45 elevators in 28 Berkeley campus buildings. The proposed work is required by California Administrative Code regulations and should proceed. The university is utilizing planning funds provided in the Budget Act of 1980 to prepare preliminary documents to develop adequate information regarding the cost of this project. This is the normal budget procedure for new

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

Table 7

**University of California
Projects to Remove Architectural Barriers
to the Handicapped**

Item 644-301-146	Project Title	Phase ^a	Campus	Budget Bill Amount	Analyst's Proposal	Estimated Future Cost ^b
(24)	CAC ^c deficiencies—elevators, step 2.....	wc	Berkeley	\$673,000	pending	—
(25)	CAC deficiencies—(Cal OSHA), step 3 health sciences, UCIMC ^d	wc	Irvine	318,000	pending	—
(26)	CAC deficiencies—(fume hoods).....		Los Angeles	23,000	\$23,000	\$596,000
(27)	CAC deficiencies—high-rise fire/life safety.....	pw	Berkeley	42,000	42,000	400,000
(28)	CAC deficiencies—elevators (fire seismic, and handicapped).....	wc	San Francisco	528,000	pending	—
Totals				\$1,584,000	\$65,000	\$996,000

^a Phase symbols indicate: c—construction; p—preliminary planning; w—working drawings.

^b University estimate.

^c California Administrative Code.

^d University of California, Irvine Medical Center.

projects contained in the Governor's budget, and the necessary information should be available prior to budget hearings. Consequently, we withhold recommendation pending receipt of the documents.

CAC Deficiencies—High-Rise Fire/Life Safety. This \$42,000 proposal would provide funds to develop preliminary plans and working drawings to meet California Administrative Code regulations concerning high-rise buildings (over 75 feet in height) in five state-funded buildings on the Berkeley campus. The work includes providing an adequate number of exits, protection of exit corridors and exit stair enclosures, emergency operation of air circulation systems and the installation of various fire alarm/protection items. The proposed work is required under California Code regulations, and we recommend approval of the requested amount for preliminary plans and working drawings.

Irvine Campus

We withhold recommendation on \$318,000 in Item 644-301-146 (25), CAC deficiencies (Cal OSHA), step 3, health sciences, UCIMC, Irvine, pending receipt of additional information.

This request for \$318,000 represents the third and final phase of a project to bring existing buildings at the University of California, Irvine Medical Center, into compliance with the California Administrative Code regulations. The work involves correction of various electrical, fire safety, and health code requirements in 11 buildings. The university is utilizing planning funds provided in the Budget Act of 1980 to prepare preliminary plans and develop adequate information regarding the cost of this project. We withhold recommendation on the requested amount, pending receipt of this information.

Los Angeles Campus

We recommend approval of \$23,000 in Item 644-301-146(26), preliminary plans for CAC deficiencies (fume hoods), Los Angeles.

We further recommend adoption of Budget Bill language directing the university to maximize the use of administrative procedures for the safe maintenance/use of fume hoods and to minimize alterations to the fume hoods.

This \$23,000 request would develop preliminary plans for a project which would modify approximately 760 fume hoods on the Los Angeles campus. Included within the proposed project is a proposal to provide 7 foot extensions on 646 fume hood exhaust stacks.

The 7 foot extensions are costly, and are required by code only when the responsible agency cannot, through administrative procedures, maintain a safe condition. The university's proposal does not include consideration of improvements in administrative procedures which would avoid the need for costly capital improvements. Thus, we recommend that during development of preliminary plans, the university reevaluate its administrative procedures, and establish appropriate measures in order to minimize the required capital expenditures. To accomplish this, we recommend adoption of the following Budget Bill language.

"Provided that the funds appropriated under Item 644-301-146(26) shall not be allocated until the University of California, Los Angeles campus, has implemented administrative procedures to assure safe maintenance/operation of fume hoods and at the same time reduce to a minimum the need to modify/extend fume hood exhaust stacks."

Table 8
University of California
Energy Conservation Proposals

Capital Outlay Fund for Public Higher Education:

Item 644-301-146	Project Title	Phase ^a	Campus	Budget Bill Amount	Analyst's Proposal	Estimated Future Cost ^b
(29)	Natural gas service— electrical cogeneration facility	wc	Davis	\$540,000	pending	—
(30)	Energy conservation— building retrofit, phase I	wc	Riverside	499,000	—	—
	Subtotal			\$1,039,000	pending	—

Energy and Resources Fund:

Item 644-301-188	Project Title	Phase ^a	Campus	Budget Bill Amount	Analyst's Proposal	Estimated Future Cost ^b
(1)	Energy conservation— cogeneration	p	Berkeley	\$323,000	—	c
(2)	Energy conservation— cogeneration	p	San Diego	192,000	—	c
(3)	Energy Conservation— cogeneration	p	San Francisco	12,250	—	c
	Subtotal			\$527,251	—	c
	Total			\$1,566,250	pending	unknown

^a Phase symbols indicate: p—preliminary planning; w—working drawings; c—construction.

^b University estimate.

^c Not part of the university's budget request—estimate unavailable.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**San Francisco Campus**

We withhold recommendation on the \$528,000 requested in Item 644-301-146 (28), working drawings and construct CAC deficiencies, elevators (fire, seismic, and handicapped), San Francisco, pending receipt of additional information.

This \$528,000 request will correct code deficiencies in 15 elevators in four building at the San Francisco campus. The work is related to code requirements for fire and life safety, seismic protection and access for the physical handicapped. The university is utilizing planning funds provided in the Budget Act of 1980 to prepare preliminary plans to develop adequate information regarding the cost of this project. We withhold recommendation pending receipt of these documents.

E. Energy Conservation Proposals

This category contains five projects related to energy conservation at four campuses. A summary of this category and our recommendations for each project are shown in Table 8.

Davis—Natural Gas Service, Electrical Cogeneration Facility

We withhold recommendation on the \$540,000 under Item 644-301-146 (29), working drawings and construct natural gas service, electrical cogeneration facility, pending receipt of additional information.

The Davis campus recently completed the first electrical cogenerating facility installed at a state-owned institution. The facility, constructed at a cost of approximately \$1.6 million, provides an electrical generating capacity of 2,500–3,000 kilowatts, and produces steam at the rate of 30,000 pounds per hour. This production will provide approximately 15–20 percent of the campus electric and steam utility requirements.

The proposed \$540,000 project would modify the new facility to allow the use of natural gas, rather than diesel oil, as the fuel for the generating equipment. Based on current and projected costs for natural gas and diesel fuel, the conversion to natural gas is economically justified. In fact, the university had originally planned to use natural gas but was prevented from doing so by Public Utility Commission regulations. Since then the Public Utility Commission has changed its rules and now encourages rather than discourages the use of natural gas for cogeneration facilities.

Adequate Project Cost Information Needed. We withhold recommendation on this proposal because adequate information to substantiate the requested amount is not available. The university is utilizing planning funds provided in the Budget Act of 1980 to prepare planning documents and develop adequate information regarding this project. The 1980 Budget Act appropriation was provided specifically for development of the necessary cost information for legislative review of projects included in the 1981–82 Governor's Budget. The information should be available prior to budget hearings. We withhold recommendation, pending receipt of this information.

Riverside—Energy Conservation, Building Retrofit

We recommend deletion of Item 644-301-146 (30), working drawings and construct energy conservation—building retrofit, phase I, for a savings of \$499,000. The Riverside campus has a central control system for energy conservation measures and this project should not be needed.

This project would modify the heating, ventilating and air conditioning systems in an attempt to reduce energy consumption in 14 campus buildings. The proposed modification consists primarily of installing controls so that no heating or cooling will take place when outside air temperature is between 65°–75° F.

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

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

Berkeley/San Diego/San Francisco—Energy Conservation

We recommend deletion of Item 644-301-188(1), preliminary plans for a gas turbine generator at Berkeley, for a savings of \$323,000. No information is available on this project.

We recommend deletion of Item 644-301-188(2), preliminary plans for a combustion turbine cogeneration system, at San Diego, for a savings on \$192,000. No information is available on this project.

We recommend deletion of Item 644-301-188(3), preliminary plans for a cogeneration facility at San Francisco, for a savings of \$12,250. No information is available on this project.

The energy cogeneration proposals at Berkeley, San Diego and San Francisco were not included in the university's 1981-82 budget request. The university's 1981-84 Capital Improvement program indicates a potential request for planning funds, in 1981-82, for an \$8.9 million cogeneration project at Berkeley. The 1981-84 program, however, does not indicate any such proposal for the San Diego or San Francisco campus. At the time this analysis was written, the Regents had not approved these projects for inclusion in the 1981-82 budget request.

Further, the 1979 Budget Act appropriated funds to provide for a study of cogeneration feasibility within the universitywide system. These funds were to be matched by the State Energy Commission. The results of this study, if completed, have not been made available. Moreover, there is no information regarding the specific proposals at Berkeley and San Diego.

For these reasons, we recommend deletion of planning funds for the generation/cogeneration projects at Berkeley, San Diego and San Francisco.

Fund Source. These projects are proposed for funding from the Energy and Resources Fund (ERF). The university and the other segments of higher education have an exclusive fund—the Capital Outlay Fund for Public Higher Education (COFPHE)—from which all capital improvement projects should be funded. At the beginning of each fiscal year, the COFPHE has \$125 million available to meet the high priority needs within the three segments of higher education. The Governor's Budget requests an appropriation in the General Fund, of \$90.9 million from the COFPHE plus a \$22 million transfer to the Special Account for Capital Outlay, leaving a \$12.1 million balance available for appropriation. Consequently, if these projects are approved, there is no apparent reason to use funds from the ERF to finance them. Funding these projects from the COFPHE would maximize legislative flexibility.

F. Health Science Projects

This category contains five projects related to health sciences at three campuses. A summary of the projects and our recommendation for each are contained in Table 9.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

Table 9
University of California
Health Science—Projects

<i>Capital Outlay Fund for Public Higher Education</i>	<i>Item</i>	<i>Project Title</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Cost^b</i>
644-301-146						
(6)		Purchase—Sacramento Medical Center	a Davis	\$200,000	\$200,000	\$1,800,000
(13)		Veterinary Medicine expansion, San Joaquin Valley	c Davis	1,310,000	pending	289,000
		Subtotals		\$1,510,000	\$200,000	\$2,089,000
Bond Funds:						
644-301-718						
(1)		Health science center alterations	e Los Angeles	\$51,000	\$43,000	—
(2)		Library module, UCIMC ^c ..	c Irvine	666,000	666,000	\$72,000
(3)		Veterinary Medicine expansion, San Joaquin Valley	c Davis	1,901,000	pending	—
		Subtotals		\$2,618,000	\$709,000	\$72,000
Hospital Reserve Funds:						
644-310-994						
(1)		UCIMC—Medical center diagnostic service module	p Irvine	154,000	154,000	—
(2)		UCIMC—Medical center diagnostic service module	w Irvine	90,000	90,000	\$5,611,000
		Subtotals		\$244,000	\$244,000	\$5,611,000
		Total		\$4,372,000	\$1,153,000	\$7,772,000

^a Phase symbols indicate: a—acquisition; p—preliminary plans; w—working drawings; c—construction; e—equipment.

^b University estimate.

^c University of California Irvine Medical Center.

Davis Campus

We recommend approval of \$200,000 in Item 644-301-146(6), purchase Sacramento Medical Center.

We withhold recommendation on the \$1,310,000 under Item 644-301-146(13), and the \$1,901,000 under Item 644-301-718(3), construct veterinary medicine expansion, San Joaquin Valley clinic facility pending receipt of additional information.

The proposal for the Davis campus consists of two projects totaling \$3,411,000. The first proposal represents the fourth of ten installments to purchase the Sacramento Medical Center, and the second proposal is for construction of the veterinary medicine expansion facility in the San Joaquin Valley.

Purchase—Sacramento Medical Center. Item 644-301-146(6) includes \$200,000 to provide the fourth installment to purchase the county's interest in the Sacramento Medical Center (SMC) land and buildings. The requested amount is in accord with the agreement between the County of Sacramento and the university, providing for the university's continued operation, ownership and control of the SMC. The agreement, which is effective July 1, 1978 through June 30, 1988, provides that the university must purchase the county's interest (base value of \$10 million) if the agreement is terminated on or before June 30, 1988. The agreement

also provides that the university may make prepayments to the county for the county's interest at the rate of \$200,000 each fiscal year. If the university makes all 10 annual prepayments, the value of the county's interest which the university would have to pay if the agreement is terminated June 30, 1988, would be \$6,687,942. This amount is based on the value of the annual prepayments at a rate of 9 percent per year, compounded. The agreement also provides that if a new or amended agreement is entered into by June 30, 1987, the county's interest would be decreased by 10 percent for each fiscal year between June 30, 1988 and the termination date of the new or amended agreement. Consequently, the university could become the sole owner of the SMC by June 30, 1995 if all prepayments are made and a new agreement effective through 1995 is entered into by June 30, 1987. Under these conditions the university, through the state, would pay the county a total of \$2 million for the county interest in the SMC land and buildings.

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

Veterinary Medicine Expansion, San Joaquin Valley Clinical Facility. The budget includes \$3,211,000 for construction of a veterinary clinic in the San Joaquin Valley. This facility would serve as the main clinical teaching resource for the food animal health programs at the Davis School of Veterinary Medicine. The university has indicated that the volume of food animal medical cases currently presented to the campus teaching hospital is below the levels required for the teaching program. According to the university the absence of adequate food animals in the Davis area is one reason few veterinary medicine graduates presently enter careers in food animal practice. The university estimates that with the San Joaquin facility, the number of graduates entering food animal practice will increase from the current 8 or 9 to 20 or more per year. This end result is desirable and the state should encourage the development of this program.

The Governor's 1980 Budget, as presented to the Legislature, contained \$90,000 for preliminary plans for the proposed facility. The Legislature, in an attempt to expedite this project, appropriated \$200,000 in Health Science Bond funds in the 1980 Budget Act to provide adequate funds to complete working drawings in 1980-81 so that construction could commence early in 1981-82. The university's project schedule indicates that construction should start in September 1981, with completion scheduled for December 1982. Thus, addition of working drawing funds in 1980 appears to have had the desired effect of expediting completion of this project.

The amount requested in the Budget Bill is not based on completed preliminary plans. Data recently submitted by the university indicates that the project has increased by over 3,000 assignable square feet. This space increase has not been justified. The university is aware of the need to provide additional information and is in the process of developing the data. Thus, adequate construction cost information based on preliminary plans and additional information regarding any change in space needs should be available prior to budget hearings. Pending receipt of this data, we withhold recommendation on the requested construction funds for the San Joaquin Valley clinical facility.

Los Angeles Campus

We recommend that Item 644-301-708(1), equip health science center alterations at Los Angeles, be reduced by \$3,000 by deleting excess equipment.

This item requests funds to equip biomedical library space which is to be vacated by the School of Nursing. The 1980 Budget Act contained construction funds to remodel this space to provide areas for reading/study/typing and a staff conference room. The construction phase of this project should be completed in the budget year. Consequently, equipment funds for the new space will be required. The requested amount, however, should be reduced. Based on the remodeling

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

project as approved by the Legislature, the proposed equipment is in excess of what is needed for the study room and staff conference room. We recommend deletion of \$8,000 related to this excess. The remaining \$43,000 will adequately equip the remodeled area.

Irvine Campus

We recommend approval of Item 644-301-718(2), construct, library module, UCIMC, Irvine.

We recommend approval of Item 644-301-994(1) and (2), preliminary plans and working drawings, UCIMC medical center diagnostic service module.

We further recommend adoption of budget language requiring that future funding requirements for construction and equipment be provided from university Hospital Reserve Funds.

The budget program for the Irvine campus totals \$910,000 for projects at the University of California, Irvine Medical Center. The proposal includes one construction project and funds for development of architectural/engineering drawings and specifications for a diagnostic service module building.

Library Module. The proposed library module is part of a 13,500 asf building planned for construction at the University of California, Irvine Medical Center (UCIMC). This building is the initial component of a modular facility which has been planned to accommodate future construction at the center, on a project-by-project basis. The current estimated total project cost, including equipment for the initial component, is \$2,649,000. Of this amount, the university is proposing state funding of \$769,000, with the remaining \$1,880,000 to come from hospital reserves and nonstate sources. The state's participation would provide a 7,000 asf library within the initial component. The 1980 Budget Act included \$25,000 for the state's share of the cost to prepare preliminary plans and working drawings. The amount requested in the Budget Bill represents the state's share of the construction cost related to the library.

The proposed amount of library space falls within the university's space guidelines for medical libraries. The library will be capable of housing the medical center's need for (1) 31,500 volumes and (2) reader stations necessary to serve 443 students and 70 faculty. The proposal in the Budget Bill is reflective of the project as approved by the Legislature in the 1980 Budget Act. Preliminary plans have been completed and working drawings are underway. According to the university's project schedule construction should begin by October 1981.

The proposed project scope is appropriate and the requested amount is reasonable. We recommend approval.

Medical Center Diagnostic Service Module. This proposal represents the second phase in the development of the university's proposed modular facility system. The second phase will provide 17,010 asf for three major functional areas:

- Diagnostic laboratories on the first floor (7,290 asf).
- Patient service-related staff offices on the second floor (6,480 asf).
- Departmental offices for clinical faculty on the third floor (3,240 asf).

The diagnostic laboratories to be accommodated in the module are (1) electrodiagnostic, (2) non-invasive cardiology, (3) pulmonary function, (4) gastroenterology and (5) dermatopathology. The majority of patients served in this module are expected to be out-patients but the laboratories will also provide services to in-patients. Construction of the diagnostic service module will enable the UCIMC to:

- Deintensify the utilization of the main hospital building and provide code compliance space within the main hospital, by relocating out-patient func-

- tions currently located in the central court areas on in-patient floors.
- Separate in-patient and out-patient service functions.
- Consolidate patient service and related administrative offices in a centrally located accessible facility.
- Provide faculty and departmental support space adjacent to clinical areas.

Upon completion of the proposed diagnostic service module, the UCIMC should provide improved and more efficient service to both in-patients and out-patients.

The Budget Bill proposes funding the development of preliminary plans and working drawings from hospital reserve funds. We believe this is an appropriate fund source for this purpose, and we recommend approval. The university budget, however, indicates that approximately \$4.4 million in future construction and equipment costs will be requested from state funds other than hospital reserve funds. In our analysis of the university's support/operations budget, we have recommended that the university's Hospital Reserve Fund be reduced from \$46.5 million to \$21.5 million by transferring \$25 million to the General Fund to repay a 1976 loan. The remaining \$21.5 million should provide a "prudent" reserve plus funds necessary for equipment and capital improvements. Included within the \$21.5 million is approximately \$2 million from the Irvine campus. We recommend that the university set aside sufficient hospital reserves from within the \$21.5 million amount and from additional amounts received in the future, to fund the construction and equipment related to this project. Accordingly, we recommend that the following language be included under Item 644-301-994:

"Provided that future costs for construction and equipment for the medical center diagnostic service module at UCIMC shall be provided from university Hospital Reserve Funds."

UNIVERSITY OF CALIFORNIA—REAPPROPRIATION

Item 644-490 from the Capital
Outlay Fund for Public High-
er Education

Budget p. E 104

ANALYSIS AND RECOMMENDATIONS

We recommend deletion of Item 644-490, reappropriation of previously appropriated funds for the University of California.

This item proposes reappropriation of the following planning funds which were included in the 1980 Budget Act:

(1) Chapter 510, Statutes of 1980, Item 549(3)—general and advance planning studies of seismic safety in university facilities (\$500,000).

The subject appropriation, contained in the 1980 Budget Act was subject to Budget Act language which provided that:

- A maximum of \$90,000 would be available to the university for participation in the Seismic Safety Commission's Statewide Building Evaluation program concerning building rehabilitation for seismic safety.
- The remaining \$410,000 would be available for allocation only upon submission of the Seismic Safety Commission's Statewide Evaluation Report and upon approval by the Department of Finance and 30-days written notification to the Chairman of the Joint Legislative Budget Committee or his designee, that the university buildings are of significant statewide priority ranking to substantiate release of the \$410,000.

UNIVERSITY OF CALIFORNIA—REAPPROPRIATION—Continued

The university has utilized the \$90,000 for participation in the Seismic Safety Commission's evaluation program. The remaining \$410,000 has not been allocated because the commission's evaluation report has not been completed. Commission staff indicate that the report should be completed and transmitted to the Legislature by March 1981. Consequently, if any university buildings are of a significant statewide priority ranking, the \$410,000 can be utilized in the current year. On the other hand, if university buildings are not of significant statewide priority, then the \$410,000 should not be allocated. Consequently, reappropriation of the remaining amount is not necessary.

HASTINGS COLLEGE OF LAW

Item 660 from the General
Fund and Federal Trust Fund

Budget p. E 116

Requested 1981-82	\$7,438,485
Estimated 1980-81	6,799,742
Actual 1979-80	5,251,234
Requested increase (excluding amount for salary increases) \$638,743 (+9.4 percent)	
Total recommended change	None

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
660-001-001—Hastings College of Law		General	\$7,438,485
660-001-890—Hastings College of Law		Federal	(980,921)
Total			\$7,438,485

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Affirmative Action. Recommend the Legislature direct Hastings to report on its faculty, staff, and student affirmative action programs during budget hearings. 1339

GENERAL PROGRAM STATEMENT

Hastings College of Law was founded in 1878. It is designated by statute as a law school of the University of California, although it is governed by its own board of directors. Chapter 1155, Statutes of 1980, made several change to the governance of Hastings. Specifically, these changes:

- increased the number of directors from 8 to 11,
- provided that vacancies on the board of directors after January 1, 1981, shall be filled by the Governor with the approval of the majority of the state Senate. Previously the board selected its own replacements. (The act, however, continues the requirement that at least one director be a heir or representative of S.C. Hastings.),
- designated a term of 12 years for directors (previously the term on the board was for life), and
- removed the requirement that the Chief Justice of the California Supreme Court be president of the board.

ANALYSIS AND RECOMMENDATIONS

Table 1 shows proposed expenditures and funding sources for Hastings in the past, current, and budget years.

The budget proposes an appropriation of \$7,438,485 from the General Fund for support of the Hastings College of Law in 1981-82. This is an increase of \$638,743, or 9.4 percent, above estimated current-year expenditures. The proposed increase in state General Fund support does *not* include an amount for salary or staff benefit increases. Currently, Hastings estimates that each 1 percent salary increase would cost \$67,528. (See our analysis of salaries under Item 980.) The budget proposes total expenditures from all sources of \$10.3 million, which is \$753,919 (7.9 percent) more than total expenditures in the current year. The proposed increase of \$753,919 is budgeted from the following sources:

- State General Fund—\$638,743 (9.4 percent)
- Federal funds—\$83,751 (9.3 percent)
- Reimbursements—\$31,425 (1.7 percent)

Reimbursements consist primarily of student charges for fees. Hastings stuents pay the same annual Registration Fee (\$418) and Educational Fee (\$360) as that paid by graduate students of the University of California. Table 1 shows that Hastings' budgeted enrollment for 1981-82 is 1,500 regular session students and 300 summer session students. Due to renovations of facilities no summer session will be held in 1981.

Table 1
Hastings Budget by Program and Student Enrollment

Program	Actual 1979-8	Estimated 1980-81	Proposed 1981-82	Change	
				Amount	Percent
1. Instruction.....	\$2,581,974	\$3,360,594	\$3,400,495	\$39,901	1.2%
2. Public and professional services ..	144,704	199,689	169,689	-30,000	-15.0
3. Academic support.....	968,420	1,259,807	1,757,784	497,977	39.5
4. Student services.....	1,882,663	1,643,596	1,729,482	85,886	5.2
5. Institutional support.....	2,614,233	2,393,171	2,521,336	128,165	5.4
6. Provisions for allocation	—	744,033	776,023	31,990	4.3
Totals	\$8,131,994	\$9,600,890	\$10,354,809	\$753,919	7.9%
General Fund	\$5,251,234	\$6,799,742	\$7,438,485	\$638,743	9.4%
Federal funds	1,038,822	897,170	980,921	83,751	9.3
Reimbursements.....	1,841,938	1,903,978	1,935,403	31,425	1.7
Student Enrollment					
Regular students.....	1,468	1,500	1,500	—	—
Summer session	300	— ^a	300	—	—

^aNo summer session planned for Summer 1981 due to renovations of facilities.

1981-82 Budget

We recommend approval.

Table 2 shows the individual components of the state General Fund increase of \$638,743. The major increases include:

- \$158,871 for merit, promotion, and price increases to maintain the current-year budget at the same level in 1981-82,
- \$372,059 for books and technical services for the new law library, which opened in January 1981, and
- \$65,471 to increase the security staff by four positions due to the expansion of the physical plant of the school.

Hasting's law library request related to its recent expansion totaled \$1,383,179.

HASTINGS COLLEGE OF LAW—Continued

Of the \$372,059 for the law library included in the Governor's Budget, \$306,463 is for acquisitions, \$25,600 is for automated information systems, and \$39,996 is for a staff increase of two positions.

The major offset to these augmentations is a proposed increase in nonresident tuition of 20 percent (\$2,400 to \$2,880 per year) in 1981-82. The increased tuition will result in increased revenues of \$36,000. This nonresident fee increase is the same as that proposed by the University of California.

Table 2
Hastings College of Law
Proposed 1981-82 General Fund Budget Changes

1980-81 Base Budget		\$6,799,742
Program Changes		158,871
A. To maintain existing budget		
1. Merit increases and promotions	\$77,553	
2. Price increases	220,657	
3. Social security	25,340	
4. Reduction for one-time expenses	-164,679	
B. Budget change proposals		479,872
1. Law library	372,059	
2. Security	65,471	
3. LEOP	25,550	
4. Student health	42,185	
5. Faculty equipment	28,039	
6. Reorganization—deletion of position	-15,432	
7. Nonresident tuition	-36,000	
8. Library fee	-2,000	
Total Change (amount/percent)		\$638,743 (9.4%)
Total 1981-82 Support		\$7,438,485

Table 3 shows the Hastings faculty and staff totals for the past, current, and budget years. There are no proposed increases in faculty positions. There is a proposed net increase of 6.9 positions composed of:

- 4.0 positions for security,
- 1.9 positions for the Legal Educational Opportunity Program (LEOP),
- 2.0 for the new law library, and
- -1.0 for scholarly publications.

Table 3
Hastings Faculty and Staff
(FTE basis)

	<i>Actual</i> <i>1979-80</i>	<i>Estimated</i> <i>1980-81</i>	<i>Proposed</i> <i>1981-82</i>	<i>Change</i>
Faculty	52.1	62.1	62.1	—
Staff	126.3	157.4	164.3	6.9
Salary savings	—	-4.4	-4.4	—
Totals	178.4	215.1	222.0	6.9

Faculty and Student Affirmative Action

We recommend that the Legislature direct Hastings to report during budget hearings on its faculty, staff, and student affirmative action programs.

Table 4 shows the current ethnic and sex composition of the Hastings faculty. Approximately 78 percent of the faculty are white males. Women hold 11 positions and ethnic minorities hold 7 positions.

Table 4
Ethnic and Sex Composition of Hastings Faculty
1980-81
(head-count basis)

	<i>Men</i>		<i>Women</i>	
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
Ethnicity:				
White.....	60	78%	10	13%
Black.....	1	1	1	1
Hispanic.....	4	5	—	—
Filipino.....	1	1	—	—
Totals.....	66	86%	11	14%

Table 5 shows the ethnicity and sex of Hastings students for the period 1975-76 through 1980-81. Since 1975-76, Black enrollment has increased by 0.2 percent while Hispanic enrollment has declined by 0.6 percent. Black and Hispanic enrollment declined between 1979-80 and 1980-81 by 1.0 percent and 1.7 percent, respectively. Enrollment of women has increased from 31.4 percent in 1975-76 to 43.4 percent in the current year.

Table 5
Hastings Student Composition

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Ethnic Composition:						
Black.....	4.7%	4.1%	5.0%	5.5%	5.9%	4.9%
Hispanic.....	5.3	5.1	5.3	6.3	6.4	4.7
Asian.....	8.9	8.6	9.1	6.8	9.3	9.2
American Indian.....	0.7	1.2	1.2	0.9	0.7	0.7
White/Other.....	80.4	81.0	79.3	80.4	77.8	80.6
Women.....	31.4%	32.0%	31.7%	35.5%	38.9%	43.4%
Total number of students.....	1,540	1,536	1,501	1,513	1,470	1,519

The 1980 Budget Act directs the University of California to report on the impact of its affirmative action programs. Because of the (1) overall lack of progress in student affirmative action and (2) decline in minority enrollment at Hastings in the current year, we recommend that Hastings report during hearings on its faculty, staff, and student affirmative action efforts.

Public Interest Law Programs

The Supplemental Report of the 1980 Budget Act expressed the Legislature's intent that Hastings conduct a comprehensive public interest law program. Hastings was directed to provide information to the legislative budget committees by March 1, 1981, on its efforts to establish a legal clinic to serve the elderly, minority, and low-income residents of San Francisco's Tenderloin district.

Hastings submitted an interim report on this program on January 1, as required by the Legislature, that describes a clinical program. The cost of the proposed program is estimated at \$407,776. The program will be presented to the faculty for

HASTINGS COLLEGE OF LAW—Continued

its consideration in January. Hastings will then submit its March 1 report to the Legislature. We will review that report and comment on it during budget hearings.

Hastings Tuition

Earlier in this analysis, we indicate that a tuition charge at the graduate level is a viable policy option because of:

- the higher General Fund cost per student of graduate programs relative to the per-student costs of undergraduate programs,
- the higher private benefits of graduate education relative to undergraduate education,
- the incentives for inefficient over-investment in graduate education created by minimal student charges, and
- the widespread practice at comparable institutions of charging higher tuition for graduate programs versus undergraduate programs.

We recommend in Item 644 that the Regents of the University of California prepare a plan for tuition charges by December 1, 1981. The plan would propose a graduate tuition that would, at a minimum, place UC tuition at the same level as UC's comparison institutions over a five-year period. Because the charges for Hastings students are set at the same level as UC's, this plan would also apply to the Hastings College of Law.

CALIFORNIA STATE UNIVERSITY AND COLLEGES

Item 661 from the General
Fund and various funds

Budget p. E 128

Requested 1981-82 *	\$936,622,095
Estimated 1980-81	936,521,673
Actual 1979-80	814,453,008
Requested increase (excluding amount for salary increases) \$100,422 (+0.01 percent)	
Total recommended increase	\$36,249

* Salary increase funds are not included in the total. Provisions for salary increase are discussed in the Analysis under Item 980.

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
661-001-001—Support		General	\$928,670,026
661-001-146—Instructional Equipment Replacement, Special Repair and Maintenance	Replace-	COFPHE	7,272,420
661-001-188—Energy Conservation		Energy and Resources	679,649
Total			\$936,622,095

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Joint Doctoral Programs. Recommend phase-out of programs by (1) allowing no new enrollments in 1981-82 and (2) budgeting programs in a special Budget Act item so that resulting savings will accrue to the General Fund.

1357

2. Campus Supplies and Services. Recommend that the Legislature direct the Chancellor's Office and Department of Finance to discuss consequences of an apparent \$1.9 million underfunding of the supplies and services budget. 1359
3. *Library Volume Acquisition Rate. Augment by \$128,058 from the General Fund.* Recommend augmentation to enable CSUC to acquire 3,948 additional volumes, based on operation of a new library volume acquisition rate formula. 1364
4. *Associated Clinics, CSULA. Reduce by \$45,382 from General Fund.* Recommend deletion of one administrative position, one clerical support position, and related operating expenses and equipment, because additional General Fund support for the clinics is not needed. 1369
5. Graduate Tuition. Recommend that the Board of Trustees be directed to (1) charge graduate tuition in 1982-83 and (2) submit a plan for tuition charges and related financial aid needs to the legislative budget committees by December 1, 1981. 1374
6. *Chancellor's Office Staff—Technical Adjustment. Reduce by \$46,427 from General Fund.* Recommend deletion of funding for vacant position, as specified in 1980 Budget Act language. 1382
7. San Jose Public Safety. Recommend that (1) the proposed \$223,291 augmentation be provided for one year only, to enhance accountability and efficient use of funds and (2) because of the crime problem in areas surrounding the campus, the Chancellor's Office report on joint efforts between CSUC and the City of San Jose to reduce campus crime to the legislative budget committees by November 30, 1981. 1389
8. Contra Costa Campus Site. Recommend enactment of legislation to sell the site of a proposed campus because it will not be needed before the year 2000, if ever, for a General Fund revenue increase of \$3,918,813. 1391
9. Utilities Costs. Recommend that the Legislature direct the Chancellor's Office and Department of Finance to discuss consequences of an apparent \$1.5 million underfunding of the utilities budget. 1394

**Summary of Legislative Analyst Recommended
Fiscal Changes to the 1981-82 CSUC Budget**

	<i>Program Changes</i>		<i>Funding Impact</i>
	<i>Reductions</i>	<i>Augmentations</i>	<i>General Fund</i>
Library Volumes		\$128,058	\$128,058
Associated Clinics	—\$45,382		—45,382
Chancellor's Office Staff	—46,427		—46,427
Totals	—\$91,809	\$128,058	\$36,249

GENERAL PROGRAM STATEMENT

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

Governance

The CSUC system is governed by a 23-member board of trustees.

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

The system currently includes 19 campuses with an estimated 1981-82 full-time equivalent (FTE) enrollment of 236,850.

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

Table 1
Source of Funds by Subprogram
(1981-82 Governor's Budget)

	<i>General Fund</i>			<i>Continuing Education</i>
	<i>Net</i>	<i>Reimburse- ments</i>	<i>Totals</i>	
1. Instruction				
Regular Instruction	\$576,059,209	\$25,426,440	\$601,485,649	—
Special Session Instruction	—	—	—	\$6,703,470
Extension Instruction	—	—	—	3,775,962
Totals, Instruction	\$576,059,209	\$25,426,440	\$601,485,649	\$10,479,432
2. Research				
Individual or Project Research	—	\$82,050	\$82,050	—
3. Public Service				
Campus Community Service ..	—	\$593,137	\$593,137	—
4. Academic Support				
Libraries	\$58,645,629	\$466,614	\$59,112,243	\$21,224
Audiovisual Services	11,868,560	—	11,868,560	41,469
Computing Support	32,340,442	—	32,340,442	32,009
Ancillary Support	12,009,273	—	12,009,273	—
Totals, Academic Support	\$114,863,904	\$466,614	\$115,330,518	\$940,702
5. Student Service				
Social and Cultural Develop- ment	\$297,155	\$3,795,176	\$4,092,331	—
Supplemental Educational Services—EOP	14,284,405	—	14,284,405	—
Counseling and Career Guid- ance	3,889,108	17,994,465	21,883,573	36,906
Financial Aid	—686,533	65,205,532	64,518,999	—
Student Support	1,702,639	19,923,255	21,625,894	45,318
Totals, Student Services	\$19,486,774	\$106,918,428	\$126,405,202	\$82,224
6. Institutional Support				
Executive Management	\$24,371,593	\$1,157,273	\$25,528,866	\$4,978,254
Financial Operations	13,278,984	5,640,866	18,919,850	476,740
General Administrative Serv- ices	29,571,716	7,989,123	37,560,839	213,249
Logistical Services	38,743,194	—	38,743,194	597,981
Physical Plant Operations	109,402,239	60,897	109,463,136	33,694
Faculty and Staff Services	9,509,027	—	9,509,027	—
Community Relations	3,383,386	357,296	3,740,682	552,434
Totals, Institutional Support	\$228,260,139	\$15,205,455	\$243,465,594	\$6,852,352
7. Independent Operations				
Institutional Operations	—	\$21,222,680	\$21,222,680	—
Outside Agencies	—	24,206,994	24,206,994	—
Totals, Independent Opea- tions	\$228,260,139	\$45,429,674	\$45,429,674	—
8. Foundations and Auxiliary Or- ganizations	—	—	—	—
9. "A" Pages Reduction	—\$10,000,000	—	—\$10,000,000	—
Grand Totals	\$928,670,026	\$194,121,798	\$1,122,791,824	\$17,508,710

<i>Special Funds</i>						
<i>Dormitory</i>	<i>Parking</i>	<i>COFPHE</i>	<i>Energy & Resources Fund</i>	<i>Totals Special Funds</i>	<i>Foundations and Auxiliary Organizations</i>	<i>Grand Totals</i>
—	—	\$4,159,750	—	\$4,159,750	—	\$605,645,399
—	—	—	—	6,703,470	—	6,703,470
—	—	—	—	3,775,962	—	3,775,962
—	—	\$4,159,750	—	\$14,639,182	—	\$616,124,831
—	—	—	—	—	—	\$82,050
—	—	—	—	—	—	\$593,137
—	—	—	—	\$21,224	—	\$59,133,467
—	—	—	—	41,469	—	11,910,029
—	—	—	—	32,009	—	32,372,451
—	—	—	—	—	—	12,009,273
—	—	—	—	\$94,702	—	\$115,425,220
—	—	—	—	—	—	\$4,092,331
—	—	—	—	—	—	14,284,405
—	—	—	—	\$36,906	—	21,920,479
—	—	—	—	—	—	64,518,999
\$3,026,363	—	—	—	3,071,681	—	24,697,575
\$3,026,363	—	—	—	\$3,108,587	—	\$129,513,789
—	—	—	—	\$4,978,254	—	\$30,507,120
\$538,130	\$442,071	—	—	1,556,941	—	20,476,791
—	—	—	—	213,249	—	37,774,088
1,293,194	2,886,798	—	—	4,777,973	—	43,521,167
9,876,839	1,137,391	\$3,112,670	\$679,649	14,840,243	—	124,303,379
—	—	—	—	—	—	9,509,027
—	—	—	—	552,434	—	4,293,116
\$11,808,163	\$4,466,260	\$3,112,670	\$679,649	\$26,919,094	—	\$270,384,688
—	\$693,710	—	—	\$693,710	—	\$21,916,390
—	—	—	—	—	—	24,206,994
—	\$693,710	—	—	\$693,710	—	\$46,123,384
—	—	—	—	—	\$191,100,000	\$191,100,000
—	—	—	—	—	—	—10,000,000
\$14,834,526	\$5,159,970	\$7,272,420	\$679,649	\$45,455,275	\$191,100,000	\$1,359,347,099

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued**Admission**

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

Transfer students may be admitted from other four-year institutions or from community colleges if they have maintained at least a 2.0 grade point or "C" average in prior academic work. To be admitted to upper-division standing, the student must also have completed 56 transferable semester units of college courses. To be admitted to a graduate program, the minimum requirement is a bachelor's degree from an accredited four-year institution.

ANALYSIS AND RECOMMENDATIONS**1981-82 Budget Overview**

The budget proposes an appropriation of \$928,670,026 from the General Fund for support of the CSUC system in 1981-82, which is a decrease of \$3,932,308 (0.4 percent) from estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The Department of Finance estimates that each 1 percent of salary increase will cost \$5.2 million for academic personnel and \$3.4 million for nonacademic personnel (see discussion of faculty salaries under Item 980).

Table 1 shows total expenditures proposed in the budget for the CSUC system in 1981-82, by program and source of funds.

Table 2 provides a budget summary by program for the past, current, and budget years. This table indicates that, while General Fund support will amount to \$928.7 million, total funds available to CSUC will be \$1,221,495,731, which is an increase of \$25,076,680 (2.0 percent) over total expenditures in the current year.

Table 2**The California State University and Colleges Budget Summary**

Summary of Program	Actual 1979-80	Estimated 1980-81	Proposed 1981-82	Change	
				Amount	Percent
1. Instruction	\$532,978,237	\$603,764,038	\$616,124,831	\$12,360,793	2.0%
2. Research	48,981	81,704	82,050	346	0.4
3. Public Service	739,669	476,614	593,137	116,523	24.4
4. Academic Support	95,525,699	112,806,958	115,425,220	2,618,262	2.3
5. Student Service	119,726,547	127,047,249	129,513,789	2,466,540	1.9
6. Institutional Support	226,235,154	256,001,107	270,384,688	14,383,581	5.6
7. Independent Operations	38,203,374	39,472,254	46,123,384	6,651,130	16.9
8. Foundations and Auxiliary Organizations	168,630,539	180,300,000	191,100,000	10,800,000	6.0
Totals, Programs ..	\$1,182,088,200	\$1,319,949,924	\$1,369,347,099	\$49,397,175	3.7%
1980-81 Enrollment Adjustment	—	2,500,000	—	-2,500,000	NA
Totals	\$1,182,088,200	\$1,322,449,924	\$1,369,347,099	\$46,897,175	3.5%
Reimbursements	-108,937,522	-116,030,873	-137,851,368	-21,550,495	18.6
"A" Pages Reduction	—	—	-10,000,000	-10,000,000	NA
Net Totals	\$1,073,150,678	\$1,206,419,051	\$1,221,495,731	\$15,076,680	1.2%

<i>General Fund</i>	<i>\$814,453,008</i>	<i>\$932,602,334</i>	<i>\$928,670,026</i>	<i>-\$3,932,308</i>	<i>-0.4%</i>
<i>Federal funds.....</i>	<i>55,655,508</i>	<i>55,094,386</i>	<i>56,270,430</i>	<i>1,176,044</i>	<i>2.1</i>
<i>Capital Outlay Fund</i> <i>for Public Higher</i> <i>Education</i>	<i>—</i>	<i>3,272,054</i>	<i>7,222,420</i>	<i>4,000,366</i>	<i>122.3</i>
<i>Energy and Re-</i> <i>sources Fund</i>	<i>—</i>	<i>647,285</i>	<i>679,649</i>	<i>32,364</i>	<i>5.0</i>
<i>Parking Account,</i> <i>Dormitory Reve-</i> <i>nue Fund</i>	<i>4,685,578</i>	<i>4,970,822</i>	<i>5,159,970</i>	<i>189,148</i>	<i>3.8</i>
<i>Dormitory Revenue</i> <i>Fund.....</i>	<i>11,996,887</i>	<i>13,208,977</i>	<i>14,834,526</i>	<i>1,625,549</i>	<i>12.3</i>
<i>Continuing Educa-</i> <i>tion Revenue</i> <i>Fund.....</i>	<i>17,729,158</i>	<i>16,323,193</i>	<i>17,508,710</i>	<i>1,185,517</i>	<i>7.3</i>
<i>Foundations and Aux-</i> <i>iliary Organi-</i> <i>zations:</i>					
<i>Federal</i>	<i>34,000,000</i>	<i>36,500,000</i>	<i>36,500,000</i>	<i>—</i>	<i>—</i>
<i>Other</i>	<i>134,630,539</i>	<i>143,800,000</i>	<i>154,600,000</i>	<i>10,800,000</i>	<i>7.5</i>
<i>Personnel-Years.....</i>	<i>32,910.8</i>	<i>33,003.1</i>	<i>32,912.5</i>	<i>-90.6</i>	<i>-0.3%</i>

1981-82 Budget Changes

As detailed in Table 3, CSUC's budget for 1981-82 contains several offsetting budget increases and decreases. Included in the \$14.8 million increase for *baseline adjustments* are \$13.4 million for inflation, \$2.9 million for increased contributions to Social Security (OASDI), and \$1.9 million for merit salary increases and faculty promotions. A decrease of \$5.4 million reflects, in part, nonrecurring expenditures during the current year, such as the additional funding provided for unanticipated enrollment increases (\$2.5 million) and the one-time reappropriation in 1980-81 of funds provided in the 1979 Budget Act for the systemwide computer replacement program (\$1.7 million).

Program maintenance proposals decrease by a net \$9.4 million, reflecting, in part, the offsetting impacts of (1) an \$11.4 million increase for projected enrollment growth of 6,100 FTE students and (2) an increase of \$14.2 million in reimbursements from the Student Services Fee and nonresident tuition.

The third major category of budget changes, *program change proposals* (new programs), shows an increase of \$614,582, with increases for the public safety program at San Jose State University (\$223,000), enhanced student affirmative action retention programs (\$200,000), and affirmative action programs for disabled employees (\$115,000).

The fourth category shown in the table is a "special adjustment" reflecting a \$10 million reduction in General Fund support. As described in the "A" pages of the Governor's Budget, this adjustment includes: (1) increased nonresident tuition (\$5 million), (2) unspecified reductions (\$4.4 million), (3) increased late registration fees (\$400,000), (4) reductions in employee specialized training (\$103,000) and (5) elimination of external degree fee waivers (\$97,000).

Table 3
Proposed 1981-82 General Fund Budget Changes

	<i>Cost</i>	<i>Total</i>
1980-81 General Fund appropriations.....		\$932,602,334
1. Baseline adjustments		
A. Increase of existing personnel cost		
1. Salary adjustments	\$848,008	
2. Full-year funding	1,653,244	
3. Faculty promotions.....	1,062,364	

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

4. Retirement	-93,662	
5. OASDI	2,884,054	
6. Disability compensation	<u>450,000</u>	
Total, Increase of existing personnel costs		\$6,804,008
B. Nonrecurring items		
1. Computer replacement (Section 10.18)	-\$1,705,290	
2. Special appropriation (Chapter 884)	-199,690	
3. School district staff development	-214,504	
4. Unallocated salary increase	-137,967	
5. Office equipment	-594,415	
6. 1980-81 enrollment adjustment	<u>-2,500,000</u>	
Total, Nonrecurring items		-\$5,351,866
C. Price increase		\$13,382,567
Total, Baseline adjustments		<u>(\$14,834,709)</u>
2. Program maintenance proposals		
A. Enrollment growth (6,100 FTE)		\$11,388,305
B. Special cost		
Instruction		
1. Change in student mix	-\$1,429,946	
2. Department chair conversions	-97,790	
3. Sabbatical leave replacement	-273,178	
4. Master teacher contracts	-54,100	
5. Other	-17,029	
Academic Support		
6. Libraries	-\$58,231	
7. Computing support	627,910	
8. Ancillary support	-73,212	
9. Other	26,888	
Student Services		
10. Supplementary educational services—Educational Opportunity Program	\$749,753	
11. Disabled students	-114,715	
12. Financial aid	81,665	
13. Other	18,633	
Institutional Support		
14. Financial operations	\$152,487	
15. Space management	61,778	
16. Student admissions and records	327,896	
17. Employee personnel and records	-53,034	
18. Logistical service	-189,386	
19. Physical plant operations	1,230,133	
20. Faculty and staff services	-73,309	
21. Other	8,218	
Reimbursements		
22. General	-\$14,229,130	
23. Student financial aid	-1,045,739	
Systemwide		
24. Systemwide offices	-\$1,410,240	
25. Systemwide provisions	<u>-4,936,226</u>	
Total, Special cost increases		-\$20,769,904
Total, Program maintenance proposals		<u>(-\$9,381,599)</u>

3. Program change proposals		
A. Augmentations		
1. Student affirmative action	\$200,000	
2. Disabled employees	115,000	
3. Associated Clinics—Los Angeles	45,382	
4. Mt. Laguna Observatory—San Diego	30,909	
5. Public safety—San Jose	223,291	
Total, Program change proposals		\$614,582
4. Special adjustment		—\$10,000,000
Total, General Fund Budget Changes		—\$1,850,308
Total 1981-82 General Fund budget		\$928,670,026

Budget Presentation

The CSUC budget is separated into eight program classifications. The first three—Instruction, Organized Research, and Public Service—encompass the primary educational functions. The remaining five—Academic Support, Student Services, Instructional Support, Independent Operations, and Foundations and Auxiliary Organizations—provide support services to the three primary programs (see Table 1 for an overall outline).

I. INSTRUCTION

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

Proposed expenditures for Instruction in the past, current, and budget years are shown in Table 4.

ENROLLMENT

A. Regular Enrollment

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

As shown in Table 5, the revised current year enrollment in the CSUC (1980-81) is estimated to be 238,775 FTE students. This is an increase of 8,025 FTE (3.5 percent) over the amount budgeted for 1980-81 and (2) an increase of 5,839 FTE (2.5 percent) over the actual 1979-80 enrollment.

The Governor's Budget projects a 1981-82 enrollment of 236,850 FTE, a decrease of 1,925 FTE (0.8 percent) compared to the revised enrollment estimate for 1980-81, but an increase of 6,100 FTE (2.6 percent) over the amount budgeted for 1980-81.

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

Table 4
Instruction Program Costs

	<i>Personnel</i>			<i>Expenditures</i>			<i>Change</i>	
	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Amount</i>	<i>Percent</i>
	<i>1979-80</i>	<i>1980-81</i>	<i>1981-82</i>	<i>1979-80</i>	<i>1980-81</i>	<i>1981-82</i>		
1. Regular Instruction	17,933.7	17,420.6	17,366.1	\$521,731,573	\$593,810,160	\$605,645,399	\$11,835,239	2.0%
2. Special Session Instruction	529.7	405.8	425.6	7,194,337	6,348,980	6,703,470	354,490	5.6
3. Extension Instruction.....	220.6	191.8	192.6	4,052,327	3,604,898	3,775,962	171,064	4.7
Totals	18,684.0	18,018.2	17,984.3	\$532,978,237	\$603,764,038	\$616,124,831	\$12,360,793	2.0%
General Fund	17,933.7	17,420.6	17,366.1	\$503,712,586	\$573,482,400	\$576,059,209	\$2,576,809	0.4%
Reimbursements—other	—	—	—	18,018,987	20,327,760	25,426,440	5,098,680	25.1
Continuing Education Revenue Fund	750.3	597.6	618.2	11,246,664	9,953,878	10,479,432	525,554	5.3
Capital Outlay Fund for Public Higher Education	—	—	—	—	—	4,159,750	4,159,750	NA

Table 5

**Annual Full-Time Equivalent Students
1977-78 to 1981-82**

<i>Campus</i>	<i>Actual</i>			<i>1980-81</i>		<i>1981-82</i>
	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>Budget</i>	<i>(Revised)^a</i>	<i>Proposed</i>
Academic Year						
Bakersfield.....	2,322	2,239	2,219	2,220	(2,240)	2,300
Chico.....	11,785	11,706	12,190	12,000	(12,474)	12,300
Dominguez Hills	4,808	4,778	4,909	4,800	(5,372)	5,300
Fresno.....	12,405	11,968	12,114	12,000	(12,738)	12,700
Fullerton	14,438	14,424	14,886	14,700	(15,369)	15,300
Hayward	7,588	7,315	7,459	7,450	(7,543)	7,700
Humboldt	6,573	6,475	6,587	6,530	(6,611)	6,600
Long Beach.....	22,018	21,221	21,137	21,050	(21,462)	21,450
Los Angeles.....	15,277	14,344	13,757	14,300	(13,585)	13,800
Northridge.....	19,106	18,856	19,405	19,000	(19,697)	19,100
Pomona	11,147	11,335	11,853	11,750	(12,620)	12,600
Sacramento	15,919	15,682	16,217	16,000	(16,942)	16,600
San Bernardino	3,222	3,038	3,030	2,950	(3,277)	3,250
San Diego	22,697	22,567	23,896	23,450	(25,168)	24,500
San Francisco	17,385	17,128	17,377	17,400	(17,529)	17,400
San Jose	19,623	18,875	18,417	18,000	(17,994)	18,000
San Luis Obispo.....	14,248	14,213	14,500	14,200	(14,617)	14,200
Sonoma	4,605	4,362	4,276	4,100	(4,396)	4,500
Stanislaus	2,513	2,474	2,564	2,550	(2,872)	2,900
Totals	227,679	223,000	226,793	224,450	(232,506)	230,500
Summer Quarter						
Hayward	931	972	928	940	(941)	950
Los Angeles.....	2,681	2,597	2,478	2,520	(2,494)	2,500
Pomona	1,059	1,043	1,096	1,150	(1,196)	1,220
San Luis Obispo.....	1,349	1,327	1,257	1,270	(1,275)	1,300
Totals	6,020	5,939	5,759	5,880	(5,906)	5,970
College Year Totals.....	233,699	228,939	232,552	230,330	(238,412)	236,470
International Programs	375	432	384	420	(363)	380
Grand Totals.....	234,074	229,371	232,936	230,750	(238,775)	236,850
Change						
FTE.....	2,470	-4,703	3,565	-2,186	(5,839)	-1,925
Percent.....	1.07%	-2.01%	1.55%	-0.94%	(2.51%)	-0.81%

^a Based on Fall 1980 Opening Term Enrollment Report.

Enrollment Up In Current Year

Each fall, CSUC surveys the 19 campuses to determine how actual enrollments compare to enrollment estimates on which the budget for the current year is based. Table 5 shows that CSUC systemwide enrollment for 1980-81 was budgeted at 230,750 FTE students. The revised estimate, based on the fall survey, indicates that actual enrollment will be 238,775, or 3.5 percent (8,025 FTE students) above the budgeted level. (UC enrollments are up an estimated 3.8 percent above the budgeted level.)

Control Section 28.9 of the annual Budget Act permits the Director of Finance to authorize the accelerated expenditure of budget funds by UC and CSUC (not to exceed \$5 million total) when actual systemwide enrollments exceed budgeted enrollments by 2 percent. This may be done in anticipation of a General Fund deficiency appropriation. The Department of Finance has notified us that in 1980-81 it will seek a deficiency appropriation of \$5 million to cover the marginal costs related to the unbudgeted enrollment in excess of 2 percent in UC and CSUC. Of this amount, \$2.5 million will go to UC and \$2.5 million will go to CSUC. If there were no limit on the accelerated expenditure of budget funds, UC and CSUC would have each qualified to seek authorization for accelerated expenditures of \$6.4 million, or a total of \$12.8 million. Both segments have agreed to absorb the excess costs over the \$5 million authorized in Section 28.9.

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued**B. Self-Support Enrollment**

Additional enrollment occurs in extension and special session courses, as shown in Table 6. The special session category is comprised of enrollment in self-supporting courses which grant credit towards a degree, including external degree programs and summer sessions. Extension courses, also self-supporting, are predominantly non-credit. These funding policies, however, are being examined and changed pursuant to the Legislature's statement of intent last year that General Fund support be directed towards off-campus courses which are part of programs leading to a degree (see discussion of off-campus instruction, below).

Table 6
Special Session and Extension Program Enrollment

	<i>Net Enrollment</i>			<i>Annual FTE</i>		
	<i>Special Session</i>	<i>Extension</i>	<i>Totals</i>	<i>Special Session</i>	<i>Extension</i>	<i>Totals</i>
1975-76.....	64,235	86,757	150,992	10,040	6,750	16,790
1976-77.....	61,866	94,609	156,475	9,519	6,680	16,199
1977-78.....	61,611	80,977	142,588	8,986	6,112	15,098
1978-79.....	56,654	73,526	130,180	8,389	5,693	14,082
1979-80.....	73,762	68,636	142,398	5,749	8,941	14,690
1980-81 (est.).....	49,962	61,038	111,000	4,942	7,398	12,340
1981-82 (proj.).....	67,225	62,475	129,700	5,125	8,157	13,282

C. Student Composition

The composition of the CSUC student body changed significantly during the 1970's, as Table 7 shows. During the past decade, the proportion of undergraduates represented by students age 25 and over grew from 19.4 percent in 1970 to 29.2 percent in 1976; the proportion has since declined slightly to 27.5 percent in 1979. Over the same period, the proportion of graduate students composed of those age 25 or older grew steadily, from 69.0 percent in 1970 to 82.8 percent in 1979. Also during this period, the number of part-time students increased relative to the number of full-time students, partially reflecting this changing age composition. The ratio of full-time to part-time students fell from 2.23 in 1970 to 1.52 in 1976, where it has since remained.

Table 7
CSUC Comparative Student Data
1970, 1976, and 1979

	<i>1970</i>	<i>1976</i>	<i>1979</i>
Students age 25 and over as a percent of all <i>undergraduates</i>	19.4%	29.2%	27.5%
Students age 25 and over as a percent of all <i>graduate students</i>	69.0%	79.3%	82.8%
Students age 25 and over as a percent of <i>all students</i>	34.2%	40.7%	39.4%
Participation rates (Rate per 1,000 population) of undergraduate students 25 and over.....	11.99	13.86	11.64
Participation rates of all students 25 and over ^a	21.5	25.1	22.1
Ratio of full-time to part-time students, all levels.....	2.23 to 1	1.52 to 1	1.52 to 1

^a Participation rates based on 25 to 39 year old population.

Ethnic Composition

The ethnic composition of CSUC students has also changed during the past decade, as shown in Table 8.

Table 8
CSUC Ethnic Group Distribution ^a

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

^a Percentage distribution based on students responding, fall term.

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

As Table 8 shows, the proportion of CSUC students represented by Hispanics, blacks, and other minority students has increased as the proportion of whites has declined. Hispanics accounted for 8.9 percent of CSUC's enrollment in fall 1979—an increase of 2.6 percentage points over fall 1972. Similarly, the proportion of black students within the system increased from 6.1 percent to 7.4 percent during the 1972–1979 period. Two factors appear to explain this trend: (1) the increasing proportion of minority group members among those eligible to attend CSUC and (2) increased student affirmative action efforts on the part of CSUC (described later in this analysis).

REGULAR INSTRUCTION

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

A. Student Workload

During most of the past decade, student workload in the CSUC system was declining. In 1978–79 and 1979–80, however, this trend reversed as the average student workload increased slightly. Simply put, students are beginning to take more course units per academic year. Table 9 shows the trend in student workload over the past 10 years.

Table 9
Average Student Workload

	<i>Annual FTE</i>	<i>Average Term Enrollment</i>	<i>Student Workload</i>	
			<i>Academic Year^a</i>	<i>Per Term</i>
1970–71	197,454	242,474	24.43	12.22
1971–72	204,224	259,185	23.64	11.82
1972–73	213,974	273,465	23.47	11.74
1973–74	218,075	281,678	23.23	11.62
1974–75	221,285	289,072	22.96	11.48
1975–76	229,642	303,429	22.70	11.35
1976–77	225,358	298,604	22.64	11.32
1977–78	227,679	303,946	22.47	11.24
1978–79	223,000	296,875	22.53	11.26
1979–80	226,793	299,987	22.68	11.34

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

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued**B. Faculty Staffing**

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

As Table 10 shows, from 1974-75 through 1976-77, CSUC faculty were budgeted on a student-faculty ratio of 17.8:1. Since 1977-78, the student-faculty ratio has been adjusted to reflect shifts in student demand among academic disciplines (described below). Thus, the 1979-80 budgeted student-faculty ratio of 17.72:1 reflects the impact of (1) an increase of 147.5 faculty positions resulting from shifts in student demand and (2) a net change of zero faculty positions resulting from (a) a decrease of 192.5 faculty positions due to mandated reductions and (b) a one-time increase of an equal number of faculty positions through special legislation (Chapter 1176, Statutes of 1979).

In 1980-81, the Legislature approved the Governor's Budget proposal to augment faculty resources, effectively restoring them to the student-faculty ratio prevailing prior to 1979-80 (17.8:1); this ratio was then adjusted for shifts in student demand, resulting in a budgeted student-faculty ratio of 17.67:1 in 1980-81. The Governor's Budget for 1981-82 continues the practice of budgeting for shifts in student demand, which results in a student-faculty ratio of 17.75:1.

Table 10
CSUC Student-Faculty Ratios

	<i>Faculty Positions</i>		<i>Student-Faculty Ratio</i>	
	<i>Budgeted</i>	<i>Actual</i>	<i>Budgeted</i>	<i>Actual</i>
1967-68	8,842.9	8,545.8	16.38	17.21
1968-69	10,001.3	9,592.7	16.21	17.35
1969-70	11,333.1	11,176.1	15.98	16.67
1970-71	12,343.5	11,749.0	16.26	17.34
1971-72	12,081.3	11,783.3	18.25	17.91
1972-73	12,698.8	12,415.7	17.94	17.74
1973-74	13,068.1	12,846.0	17.82	17.45
1974-75	12,973.3	12,770.8	17.80	17.78
1975-76	12,900.6	12,902.3	17.80	18.27
1976-77	13,427.0	13,157.9	17.80	17.58
1977-78	13,364.5	13,211.2	17.66	17.23
1978-79	13,431.0	13,090.2	17.63	17.49
1979-80	12,918.6	12,930.4	17.72	17.98
1980-81	13,034.2	-	17.67	-
1981-82 ^a (proposed)	13,320.3	-	17.75	-

^a The 1981-82 budget was prepared by a method utilizing the mode and level SCU distribution reported for the 1979-80 Academic Year. This yields a student-faculty ratio of 17.75:1.

Shift in Student Demand

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

The Budget Acts of 1978 and 1979 continued the policy by providing an additional 129.1 and 147.2 faculty positions, respectively. The 1980 Budget Act, however, reflected the impact of a shift in student demand in the opposite direction, resulting in an increase of only 84.6 positions (62.6 positions less than the 1979-80 adjustments). This shift back towards lower-cost disciplines is projected to continue in 1981-82. The Governor's Budget therefore provides a student demand adjustment of only 27.4 positions (57.2 positions less than the 1980-81 adjustments).

Table 11 shows the effects of these adjustments on faculty positions since 1979-80. The table also shows that a total of 13,320.3 faculty positions are budgeted in 1981-82.

Table 11
CSUC Faculty Positions, Showing
Effects of Student Demand Adjustments

	<i>Budgeted 1979-80</i>	<i>Budgeted 1980-81</i>	<i>Requested 1981-82</i>
Prior year base	13,238.5 ^a	12,811.6	13,034.2
Enrollment change adjustment	-445.0	+86.2	+343.3
Shift in student demand adjustment	+18.1	-62.6	-57.2
Total requested	12,811.6	12,835.2	13,320.3
Budget changes	107.5 ^b	199.0	-
Total budgeted	12,918.6	13,034.2	-

^a Includes reduction of 192.5 from prior year allocation.

^b One year allocation.

Table 12
Faculty Workload Indicators

<i>Indicator</i>	<i>Fall 1977</i>	<i>Fall 1978</i>	<i>Fall 1979</i>	<i>Change</i>
1. General descriptors				
Faculty FTE ^a	12,813.3	12,799.9	12,459.8	-340.1
Enrollment FTE ^b	234,704	229,697	231,395	1,698
Lecture and Laboratory sections per faculty FTE	3.9	3.9	4.0	0.1
Average lecture class size	27.4	27.0	27.6	0.6
Average laboratory class size	20.1	19.7	20.0	0.3
Percent of regular faculty with PhD	69.6%	70.2%	71.3%	1.1%
2. Faculty contact hours per week				
Lecture and laboratory contact hours per faculty FTE	12.9	12.9	12.8	0.1
Independent study contact hours per faculty FTE	4.3	4.1	4.5	0.4
Total contact hours per faculty FTE	17.2	17.0	17.3	0.3
3. Weighted Teaching Units (WTU)				
Lecture and laboratory WTU per faculty FTE	11.2	11.2	11.3	0.1
Independent study WTU per faculty FTE	1.7	1.6	1.7	0.1
Total WTU per faculty FTE	12.9	12.8	13.0	0.2
SCU ^c per WTU	21.24	21.02	21.47	0.45
SCU per faculty FTE	274.8	269.5	278.7	9.5

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

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

^c Student credit units.

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued**Faculty Workload Data**

Some of the basic measures of faculty workload are average class size, the number of student-faculty contact hours, the number of weighted teaching units (WTU) taught by faculty and the number of student credit units (SCU) generated. Table 12 shows these measures, which for the most part remained rather static during the 1977-1979 period.

Part-Time and Temporary Faculty

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

Since the early 1970s the mix of these four types of appointments has changed as shown in Table 13.

Table 13
Composition of CSUC Faculty
By Type of Appointment, Fall 1972 to Fall 1979

	<i>Tenured</i>	<i>Probationary</i>	<i>Subtotal Tenured and Probationary</i>	<i>Full-Time Temporary</i>	<i>Part- Time</i>	<i>Subtotal Full-Time Temporary and Part-Time</i>
1972	52.1%	30.1%	(82.2%)	5.8%	11.9%	(17.8%)
1973	55.4	24.3	(79.7)	7.0	13.3	(20.3)
1974	60.8	17.9	(78.7)	7.1	14.2	(21.3)
1975	61.5	14.7	(76.2)	9.4	14.4	(23.8)
1976	62.5	12.7	(75.2)	9.1	15.6	(24.8)
1977	62.5	13.0	(75.5)	7.8	16.7	(24.5)
1978	63.5	12.0	(75.5)	8.0	16.5	(24.5)
1979	65.7	10.0	(75.7)	8.3	16.0	(24.3)

In fall 1972, 17.8 percent of the positions were filled by either full-time or part-time faculty appointments. By fall 1976, this proportion had increased to 24.8 percent. The full-time temporary and part-time percentage has since declined slightly, to 24.3 in 1979.

C. State Support of Off-Campus Instruction

Prior to 1976, CSUC policy provided that off-campus instruction degree programs must be (1) separate and apart from the regular instruction programs and (2) self-supporting, to the extent that instructional costs were supported from student fees rather than from the General Fund. In May 1976, the Board of Trustees revised the policy on the basis that, when enrolled in regular degree programs, matriculating students should not be forced to pay instructional fees solely on the basis of where they take their instruction. The intent of this policy revision was to shift the financing of off-campus instruction from the student to the state.

The 1978-79 Governor's Budget, as introduced, proposed to phase in this funding shift. The budget requested General Fund support for off-campus degree programs so that fees for off-campus students ultimately would be no greater than those charged comparable students in regular, on-campus instruction programs. The Legislature, however, did not approve this request and instead directed CPEC to study various kinds of extended education all three higher education segments.

The CPEC report, submitted in March 1980, recommended that, in providing funding for off-campus programs of UC and CSUC, priority be given to: (1) degree

programs, in preference to courses not leading to a degree, (2) upper division courses, in preference to graduate courses, and (3) geographic areas and educational needs not currently served by accredited institutions. With respect to CSUC, the CPEC report specifically recommended that state support for external degree programs be phased in, with support limited to: 1,600 FTE students in 1980-81, 2,100 FTE students in 1981-82, and 2,600 FTE students in 1982-83.

The Legislature directed in the 1980 Budget Act that state support for off-campus courses in CSUC be provided in accordance with these recommendations. The Legislature further directed that, beginning January 1981, CSUC report annually on the current and projected off-campus FTE students, according to the following categories:

- Consortium
- External degree programs
- Miscellaneous courses
 - (1) Those part of external degree programs
 - (2) Those not part of external degree programs
- Major centers

This information has been submitted to the Legislature.

In addition, the Legislature directed that CSUC report by January 1, 1983 on progress made in directing General Fund support to off-campus programs, within the limitations and guidelines recommended by the CPEC report. The Chancellor's Office indicates that it will be prepared to comment on such progress made to date during budget hearings.

WRITING SKILLS

By almost any measure, writing skills, both nationally and within CSUC, have shown a marked decline in recent years. In 1978, the Legislature took the following steps to help reverse this trend:

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

The Legislature continued these policies in the 1980 Budget Act, appropriating \$450,408 for the administration of the English Placement Test and \$2,157,136 for the differential cost of remedial writing programs. The differential cost is based on the assumption that (1) all students scoring below 150 on the English Placement Test will be placed in a remedial writing program and (2) the remedial programs will be staffed at an enriched student-faculty ratio of 12:1.

Because of campus problems in implementing the English Placement Test and remedial writing programs, noted in last year's *Analysis of the Budget Bill*, the Legislature included the following language in the 1980 Budget Act:

Provided further, that \$1,967,068 appropriated by this item for the differential costs of the writing skills program shall not be expended until the Chancellor of the California State University and Colleges certifies to the Department of Finance that he has approved a plan for each campus which, commencing in 1980-81, describes how such campus shall ensure that incoming students take the English Placement Test (EPT) and required such students scoring below 150 on the EPT to be placed in a remedial writing program.

The 1981-82 Governor's Budget provides a total of \$2,503,510 to continue the writing skills program. Of this amount, \$619,437 is for the administration of the

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

English Placement Test and \$1,884,073 is for the differential cost of remedial writing programs.

We withhold recommendation, pending receipt of additional information from the Chancellor's Office.

English Placement Test (EPT)

The EPT was developed in 1976 by CSUC faculty and the Educational Testing Service to diagnose and identify entering freshmen who lack college-level writing ability. The EPT exam was to be taken by all freshmen, with transfer students tested for the first time in 1979-80. It consists of three multiple choice sections, totaling two hours in testing time, and a written essay section requiring approximately 45 minutes.

Unlike most standardized tests of writing skills, the EPT is specifically designed to differentiate among students scoring in the lower levels. As a result, the standard distribution of scores on the EPT does not describe a normal (bell-shaped curve) distribution; instead, the distribution of test scores is skewed to the left, as Chart 1 shows.

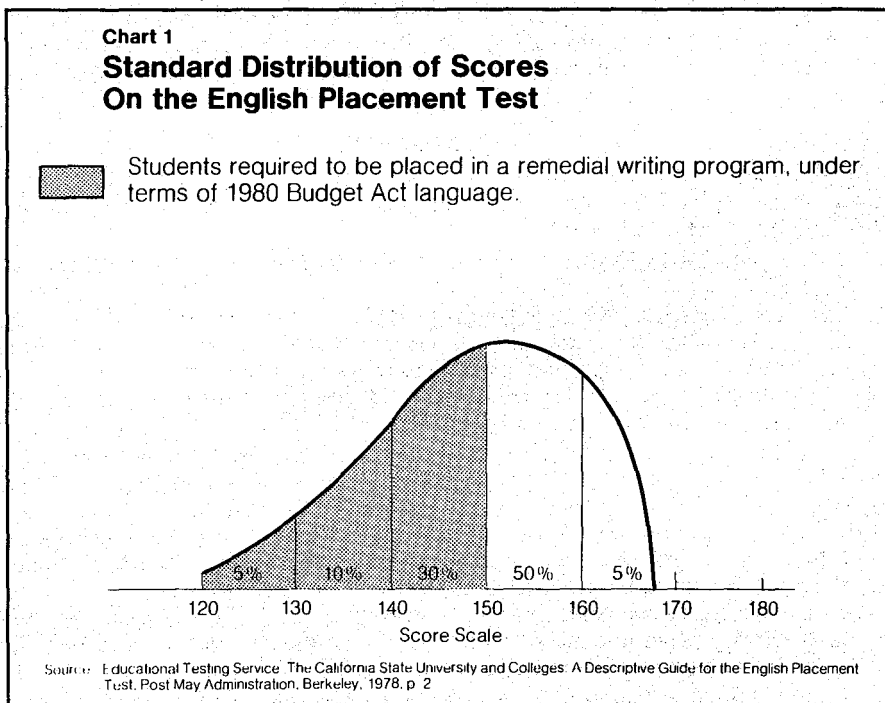


Chart 1 shows that, while the higher 55 percent are confined to less than a 20 point range, the lower 45 percent of students tested encompass a 30 point range in scores (120 to 150). Thus, the score distribution facilitates finer distinction among low-scoring students. The chart also shows those students who were required to be placed in remedial writing programs, under the terms of the 1980 Budget Act language (shaded area).

Campus Implementation Inadequate

As of mid-January 1981, definitive information on the status of campus writing skills programs was not available. Preliminary information provided by the Chancellor's Office, however, indicates that the majority of campuses are not in compliance with the Budget Act language. Specifically, the information shows that (1) up to 11 of the 19 CSUC campuses either use *no* specific cut-off score or use a cut-off score *below* 150 on the EPT for placing students in remedial writing programs and (2) up to 11 campuses fail to require students scoring below their respective cut-off scores to receive some form of remedial assistance. As a result, the Chancellor's Office had not released to the campuses the funds appropriated in the 1980 Budget Act. We understand that the Chancellor's Office is considering two alternatives with regard to these funds: (1) release funds only to campuses in compliance with the Budget Act language, or (2) withhold funds from all campuses pending certification of systemwide compliance.

Based on the preliminary information provided by the Chancellor's Office, it is possible that the amount of funding requested for writing skills programs in the Governor's Budget may exceed justifiable campus needs. The funding provided in the Governor's Budget is based on two assumptions: (1) that campuses will use a score of 150 on the English Placement Test as the cut-off score for placement in remedial writing programs and (2) that all students scoring below the cut-off score of 150 will, in fact, receive remedial assistance at an enriched student-faculty ratio. As noted above, however, CSUC campuses apparently have not been operating within these assumptions. Instead, many campuses (1) fail to require that low-scoring students receive remedial assistance and (2) adopt cut-off scores below 150.

Because of the distribution of scores on the EPT shown in Chart 1, a reduction of a few points in the cut-off score results in a substantial decrease in the number of students identified as in need of remedial assistance. Some campuses, in fact, have adopted cut-off scores as low as 140, thereby effectively denying 30 percent of the target group an opportunity to receive needed remedial assistance.

The Chancellor's Office has indicated that more definitive information will be submitted to the Legislature sometime prior to budget hearings. We will advise the fiscal subcommittees of our recommendations once we have analyzed this information. In light of the apparent problems with the writing skills program, however, we withhold recommendation on this item at this time.

JOINT DOCTORAL PROGRAMS

Phase-Out Recommended

We recommend that the CSUC joint doctoral programs be phased out by (1) allowing no new enrollments in 1981-82 and (2) budgeting the programs in a special budget act item so that related savings will accrue to the General Fund. Short-run savings in 1981-82 are indeterminable; long-run savings will equal approximately \$825,000 per year.

At the time the Master Plan for Higher Education was being developed, representatives of the California State Colleges (later CSUC) argued that, with the research function assigned to UC, the State Colleges needed the authority to award doctoral degrees. Otherwise, they maintained, the system would be relegated to second-rate status. Consequently, a compromise was struck wherein the Master Plan granted CSUC the authority to award the doctorate *jointly* with UC. At present, six joint doctoral programs (chemistry, ecology, genetics, multicultural education, and two in special education) are supported at three CSUC campuses (Los Angeles, San Diego, and San Francisco). The Governor's Budget proposes \$824,643 for support of the joint doctoral programs in 1981-82.

The joint doctoral programs, however, have failed to live up to their promise of

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becoming an integral part of CSUC's educational mission. In fact, in the 14 years since the first joint doctoral degree was conferred in 1967 through 1980, only 77 additional degrees have been awarded—an average of fewer than six degrees per year. Given such a minimal output of degrees, we must seriously question whether CSUC's ability to grant the doctorate jointly with UC serves any meaningful purpose in enhancing the system's educational status. Our analysis indicates that the joint doctoral programs have remained a group of programs characterized by modest enrollments, low output of degrees, and extremely high costs. For these reasons, we recommend that funding for the joint doctoral programs be phased out.

High Cost, Low Output

From 1974-75 through 1979-80 (the most recent year for which data are available), CSUC expenditures for the joint doctoral programs totaled \$3,900,156. During this same time period, 47 doctorates were awarded, resulting in a cost per doctorate awarded of approximately \$83,000. The total state cost per doctorate awarded, however, was higher because:

- This figure does not reflect support provided for joint doctoral students in residence at UC. (Typically, the student spends half of his enrollment on a UC campus and half on a CSUC campus.) Figures for UC expenditures associated with the joint doctoral programs are not available.
- During this time period (1974-75 to 1979-80), joint doctoral students were routinely counted as being in residence simultaneously at UC and CSUC, effectively resulting in "double-funding". (This practice, noted in a recent CPEC report on the joint doctoral programs, has since been terminated.)

CPEC Examination of Joint Doctoral Programs

Because of the perceived problems with the joint doctoral programs, in 1979 the Legislature directed CPEC to conduct a comprehensive examination of the program.

The CPEC report was submitted in February 1980. It concluded in part that:

- Average enrollments in all programs, except those in Special Education, have fallen short of the number projected when the programs were initiated.
- Enrollments and degree production in two of the six programs (Ecology and Genetics) have been minimal.
- Although most students report satisfaction with their programs, there were frequent complaints regarding poor coordination between UC and CSUC.
- Only programs in Special Education are supplying a need that could not be met by existing, single campus programs.

Thus, on the basis of this information, there is little justification for any joint doctoral programs other than those in Special Education.

Enrollments in the Special Education programs do, in fact, indicate a moderate demand for these programs. In 1980-81, for example, enrollments in the Special Education doctoral programs at Los Angeles and San Francisco total 43.3 FTE students, or 52 percent of total FTE enrollments in all joint doctoral programs. An examination of the productivity of the joint doctoral programs in Special Education, however, indicates that these programs are also characterized by a high cost per doctorate awarded.

Table 14 shows that, between the time each of the joint doctoral programs in Special Education were established and 1979-80, 47 doctoral degrees were awarded. Looking at the years for which cost data are available, 1974-75 to 1979-80, the

Table 14
Productivity of Joint Doctoral Programs in Special Education
1966-67 to 1979-80

	<i>Doctoral Degrees Awarded</i>		<i>CSUC Expenditures</i>
	<i>Los Angeles^a</i>	<i>San Francisco^b</i>	
1966-67 to 1973-74	5	7	NA ^c
1974-75	0	3	\$262,607
1975-76	2	3	292,402
1976-77	2	6	333,869
1977-78	2	5	338,113
1978-79	5	5	346,640
1979-80	1	1	393,674
Totals	17	30	\$1,967,305 ^d
Average cost per doctorate awarded, 1974-75 to 1979-80			\$56,209

^a Established 1968.

^b Established 1967.

^c Data not available.

^d Total for 1974-75 to 1979-80.

table shows that the CSUC expenditure per doctorate awarded averaged \$56,209. Again, the total state cost was greater than this amount, for the two reasons noted above.

Given the high cost and low output of the joint doctoral programs, we conclude that the programs are not cost-effective and should be phased out by allowing no new enrollments in 1981-82. If a continuing need for doctoral programs in Special Education exists, it can be met through the University of California. Finally, we recommend that the joint doctoral programs be budgeted in a special Budget Act item so that the savings resulting from phasing out these programs will accrue to the General Fund.

CAMPUS SUPPLIES AND SERVICES

Apparent Underfunding

We recommend that the Legislature direct the Chancellor's Office and the Department of Finance to discuss the consequences of an apparent \$1.9 million underfunding of the CSUC 1981-82 campus supplies and services budget.

The Governor's Budget proposes an expenditure of \$34,417,378 for supplies and services in 1981-82. This amount was determined by applying a 5 percent price increase to the amount budgeted in the current year, as adjusted for such factors as changes in enrollments and in the size of the physical plant. The increase in the supplies and services budget thus calculated totals \$2,615,907 (5.8 percent) over the amount budgeted in the current year.

The Chancellor's Office maintains that the 5 percent price increase provided by the Governor's Budget does not adequately compensate for the impacts of inflation on the supplies and services budget. In support of this argument, the Chancellor's Office cites the performance of the supplies and materials component of the Higher Education Price Index (HEPI), which shows an annual price increase of 18.1 percent in 1979-80. HEPI data for 1980-81 and 1981-82 are not yet available; however, the Chancellor's Office estimates inflation in the supplies and services budget to be 12 percent for these two years. The costs of petroleum-based chemicals and other supplies used in CSUC laboratories have risen especially rapidly in recent years. In recognition of the extraordinary impact that inflation has had on the purchasing power of the supplies and services budget, the Governor's Budget

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last year provided a special 10 percent price increase for 1980-81.

If the price increases cited by the Chancellor's Office are representative of CSUC's experience, what the Governor's Budget characterizes as "program maintenance" may in fact be a substantial program cut. Our analysis indicates that, if the 12 percent price increase estimated by the Chancellor's Office is correct, the Governor's Budget falls short of maintaining existing program levels by approximately \$1.9 million. In view of this possibility, we recommend that the Legislature direct the Chancellor's Office and the Department of Finance to comment on (1) the amount of the apparent underfunding in the supplies and services budget and (2) how any deficit in this budget will be met.

II. RESEARCH

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

Table 15 shows the estimated research expenditures in the prior, current, and budget years. This table covers only those projects awarded directly to individual campuses. Research projects awarded to campus foundations (estimated to be \$10.5 million in 1981-82) are not included.

Table 15
Organized Research Expenditures*

	<i>Actual</i> <i>1979-80</i>	<i>Estimated</i> <i>1980-81</i>	<i>Proposed</i> <i>1981-82</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Expenditures	\$48,981	\$81,704	\$82,050	\$346	0.4%
Personnel	2.9	5.1	5.1	—	—

* Does not include approximately \$10.5 million for research administered through foundation programs.

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. Mini-courses are offered in a variety of general interest and professional growth subjects.

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

Table 16 shows Public Service expenditures in the prior, current, and budget years.

Table 16
Public Service Expenditures

	<i>Actual</i> <i>1979-80</i>	<i>Estimated</i> <i>1980-81</i>	<i>Proposed</i> <i>1981-82</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Expenditures	\$739,669	\$476,614	\$593,137	\$116,523	24.4%
Personnel	—	16	16	—	—

Table 17
Academic Support Program Expenditures

<i>Elements</i>	<i>Personnel</i>			<i>Expenditures</i>			<i>Change</i>	
	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Amount</i>	<i>Percent</i>
1. Libraries	1,639.6	1,655.0	1,624.9	\$47,944,767	\$57,815,055	\$59,133,467	\$1,318,412	2.3%
2. Audio-visual services	389.6	390.1	387.2	10,565,586	11,594,172	11,910,029	315,857	2.7
3. Computing support	553.8	564.9	576.2	24,515,220	31,402,348	32,372,451	970,103	3.1
4. Ancillary support.....	478.8	383.7	365.3	12,500,126	11,995,383	12,009,273	13,890	0.1
Totals.....	3,061.8	2,993.7	2,953.6	\$95,525,699	\$112,806,958	\$115,425,220	\$2,618,262	2.3%
General Fund	3,055.7	2,987.5	2,947.7	\$94,878,404	\$112,239,970	\$114,863,904	\$2,623,934	2.3%
Reimbursements.....	-	-	-	567,298	471,111	466,614	-4,497	-1.0
Continuing Education Revenue Fund	6.1	6.2	5.9	79,997	95,877	94,702	-1,175	-1.2

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued**IV. ACADEMIC SUPPORT**

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

Expenditures for the Academic Support program in the past, current, and budget years are shown in Table 17.

LIBRARIES

The library function includes (1) the acquisition and processing of books, pamphlets, periodicals and documents, (2) the maintenance of the catalog and indexing systems, (3) the provision of reference services to students and faculty, and (4) campus libraries.

A. Library Development

The Governor's Budget provides \$2,385,854 for the continuation of a library improvement plan in 1981-82. This plan, which was begun in 1973-74, seeks to improve campus library utilization through interlibrary cooperation and automation.

Two major improvement projects have been designed and fully implemented on all CSUC campuses. The first, the Union List of Periodicals, is a computer-supported publication maintained at the system level which displays all library periodicals holdings and locations throughout the 19 campuses. The second, automated cataloging support, was implemented by contracting with OCLC (Ohio College Library Center). The installation of computer terminals at all CSUC libraries links them to a nationwide network of thousands of academic and public libraries to assist in the cataloging and classification of books.

Circulation Control Transactors

We recommend approval.

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

The installation of circulation control transactors on all CSUC campuses is scheduled to be completed in 1981-82. The Governor's Budget provides \$1,611,881 to complete these installations.

B. Library Staffing Report Delayed

In last year's *Analysis*, we noted that the installation of the OCLC automated cataloging support system on all CSUC campuses had resulted in a major improvement in the libraries' capabilities to process newly acquired volumes. This increased capability, however, had not been reflected in the CSUC formula relating library staffing needs to the number of volumes acquired. Accordingly, the 1980 Budget Act directed that the Chancellor's Office report (1) by November 1, 1980,

on recommended changes in the allocation of library technical processing positions and (2) by December 1, 1981, on recommended changes in library staffing formulas resulting from automation.

As of mid-January 1981, only a preliminary report had been submitted. We have been informed that the Chancellor's Office will combine the first report with the second and submit both in final form by February 1. Accordingly, we will review both reports prior to budget hearings and make comments as appropriate.

C. Library Acquisitions

The 1972-73 Legislature took the following two interrelated actions affecting the CSUC library system: (1) it approved a modified form of the Trustees' Library Development Plan (described above) and (2) it established a total holdings goal equal to 40 volumes per FTE student by 1985. To achieve this goal, the Legislature approved funding for a volume acquisition rate of 500,000 volumes per year.

In 1974-75, it became apparent that, because of declining enrollments, the 40 volume per FTE goal would be achieved much earlier than expected. Consequently, the acquisition rate was reduced to 439,000 volumes per year, where it remained until 1979, when the Legislature approved an increase in the acquisition rate to 465,200 volumes per year. Last year, the Legislature approved a further increase in the acquisition rate of 20,000 volumes per year, thereby bringing the total annual volume acquisition rate to 485,200.

Whether CSUC will achieve the objective of 40 volumes per FTE in 1985 depends on (1) the annual number of volumes acquired and (2) the total number of FTE students in 1984-85. In fact, CSUC met the goal in 1978-79 when estimated holdings reached 40.7 volumes per FTE student. Since all projections point to a decreased systemwide enrollment in 1985, it is virtually certain that the goal will be exceeded in that year, even if no more volumes are acquired.

Table 18 shows the current systemwide holdings, by campus. As the table shows, systemwide holdings currently average 42.1 volumes per FTE student.

Table 18
CSUC Library Holdings

<i>Campus</i>	<i>Countable Holdings as of 6/30/80</i>	<i>Volumes Budgeted to be Purchased 1980/81</i>	<i>Estimated Countable Holdings 6/30/81</i>	<i>Estimated FTE 1980/81</i>	<i>Estimated Holdings per FTE 1980/81</i>
Bakersfield	206,425	12,649	219,074	2,240	97.8
Chico	536,447	25,116	561,563	12,474	45.0
Dominguez Hills	247,006	16,203	263,209	5,372	48.9
Fresno	608,051	25,662	633,713	12,738	49.7
Fullerton	492,376	29,267	521,643	15,369	33.9
Hayward	603,887	19,961	623,848	8,484	73.5
Humboldt	265,906	18,082	283,988	6,611	42.9
Long Beach	738,077	37,799	775,876	21,462	36.1
Los Angeles	746,794	29,280	776,074	16,079	48.2
Northridge	723,340	34,981	758,321	19,697	38.4
Pomona	350,199	24,976	375,175	13,816	27.1
Sacramento	668,583	32,048	700,631	16,942	41.3
San Bernardino	319,194	13,652	332,846	3,277	101.5
San Diego	761,257	41,367	802,624	25,168	31.8
San Francisco	580,907	34,041	614,948	17,529	35.0
San Jose	683,793	34,257	718,050	17,994	39.9
San Luis Obispo	539,962	27,820	567,782	15,892	35.7
Sonoma	303,893	15,073	318,966	4,396	72.5
Stanislaus	202,426	12,966	215,392	2,872	74.9
Totals	9,578,523	485,200	10,063,723	238,775	42.1

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued**D. Volume Acquisition Rate Formula**

We recommend an augmentation of \$128,058 to enable CSUC to acquire an additional 3,948 library volumes in 1981-82, based on the operation of a new library volume acquisition rate formula. (Augment Item 661-001-001 by \$128,058.)

As noted above, the acquisition rate of 500,000 volumes per year approved in 1972-73 was established to enable CSUC to achieve a holdings goal of 40 volumes per FTE student in 1985. Now that the objective has, for all practical purposes, been achieved, the question becomes: What is an appropriate annual acquisition rate needed to maintain the collection and keep up with expansions in knowledge? Recognizing last year that sufficient information was not available to justify a particular acquisition rate, the Legislature directed that a committee be convened to examine the issue of an appropriate library volume acquisition rate for CSUC.

Alternative Approaches. The report of the library volumes task force, which was submitted in January 1981, discusses three alternative approaches to library volume acquisition, each of which is based on an examination of library volume budgeting practices at 191 public, nondoctoral-granting institutions nationwide. These alternative approaches are as follows:

Alternative #1 (Regression Line): This formula describes the line which best relates the budgeting practices of the 191 comparison institutions to their respective student enrollments. The formula is:

$$V = 3,065 + 1.73 S$$

where V represents the annual number of volumes acquired and S represents the enrollment of full-time equivalent (FTE) students. Using CSUC's budgeted 1981-82 campus enrollments. This formula generates an annual acquisition rate of 467,330 volumes, which is 17,870 volumes fewer than the current rate of 485,200 volumes.

Alternative #2 (CSUC Proposal): This formula describes a line which provides an enhanced library volume acquisition rate at all levels of enrollment, in comparison to the regression line. In addition, special enrichment is provided for smaller campuses with enrollments below 10,000 FTE students. The formula is:

For campuses with fewer
than 10,000 FTE students:

$$V = 13,500 + 1.0 S$$

For campuses with 10,000
to 14,999 FTE students:

$$V = 23,500 + 1.5 (S \text{ over } 10,000)$$

For campuses with 15,000
or more FTE students:

$$V = 31,500 + 1.5 (S \text{ over } 15,000)$$

Based on 1981-82 budgeted enrollments, this formula generates an annual acquisition rate of 538,955 volumes, which is 53,755 volumes greater than the current rate.

Alternative #3 (Legislative Analyst's Proposal): This formula describes a line which closely follows the regression line in the enrollment range of 10,000 or more FTE students. In addition, some enrichment is provided for smaller campuses with enrollments below 10,000 FTE students. The formula is:

For campuses with fewer than
10,000 FTE students:

$$V = 10,000 + 1.0 S$$

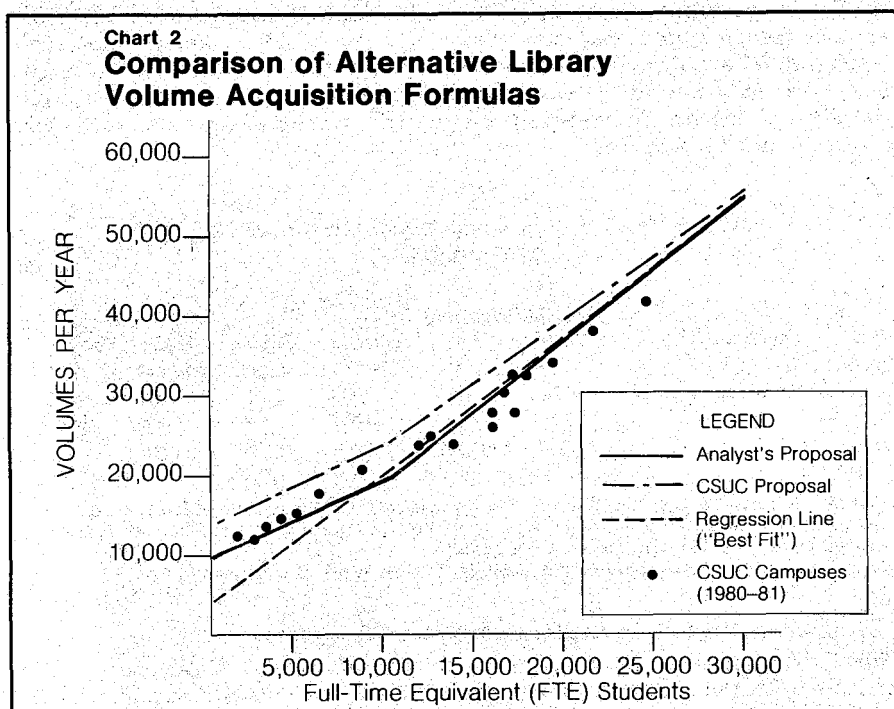
For campuses with 10,000 or
more FTE students:

$$V = 20,000 + 1.75 (S \text{ over } 10,000)$$

Based on 1981-82 budgeted enrollments, this formula generates an annual acquisition rate of 489,148 volumes, which is 3,948 volumes greater than the current rate.

From a purely statistical standpoint, it might be argued that the regression line represents the "best" formula. This approach, however, makes no allowance for the fact that the smaller CSUC campuses have historically been budgeted at a richer level than their counterparts nationwide. Thus, a total reliance on the regression approach could lead to significant reductions in the library volume acquisition rates of these smaller CSUC campuses. As noted, both CSUC's proposed formula and the Analyst's proposal provide an enriched level of funding for the smaller campuses—the difference between the two is the degree of enrichment.

Chart 2 presents a graphic comparison of the regression line of best fit, CSUC's proposed formula, and the Legislative Analyst's proposal. As the chart shows, our (Legislative Analyst) formula closely follows the regression line of best fit in the range of 10,000 FTE students and above. Below this level, the formula provides adequate support for the smaller campuses to continue to maintain their previous, enriched level of acquisitions. In addition, the Legislative Analyst's proposal provides some enrichment for the larger campuses in comparison to their 1980-81 budgeted volume acquisitions (the most recent year for which data are available). In contrast, the line described by the CSUC formula lies consistently above both the regression line and the data points for the 19 CSUC campuses.



Our analysis does not identify any reason why funding for volume acquisitions should be higher for CSUC than for other nondoctoral-granting institutions of public higher education. At the same time, our analysis suggests that the formula

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described by the regression line would require a reduction in the rate of growth of library collections systemwide, until such time as enrollments at all of the small campuses were to exceed 10,000 FTE. Our proposal avoids both of these consequences—it closely conforms to the budgeting practices of the 191 public, nondoctoral-granting institutions, while providing an enriched level of funding for the smaller CSUC campuses.

Accordingly, we recommend an augmentation of \$128,058 to enable CSUC to implement our proposed formula by acquiring 3,948 additional volumes in 1981–82. This amount does not include support for technical processing staff. Last year, the Legislature directed CSUC to report by November 1, 1980, on the impact of library automation on technical processing staffing needs. At the time this analysis was written, this report had not been submitted to final form. Consequently, we are unable to recommend an augmentation for additional technical processing staff at this time.

COMPUTING SUPPORT*We recommend approval.*

The Governor's Budget requests \$33.2 million for computing support in the budget year. Table 19 shows that \$12.2 million (36.7 percent) of this amount is for instructional computing. Administrative computing is allocated \$16.4 million (49.5 percent), and the remaining \$4.6 million is budgeted to continue a computer replacement program authorized in 1979–80. The replacement program will result in the acquisition over a four-year period of (1) a modern computer for each campus and (2) a major computer at the State University Data Center (SUDC).

The \$33.2 million is an increase of \$0.7 million over estimated current year expenditures. This increase consists primarily of funds to procure new computers and adjustments for workload.

Table 19
1981–82 Cost of Computing Support in the CSUC*
(in thousands)

Function	Equipment				Total	Percent
	Personnel Years	Personnel Costs	Maintenance	Other		
Instructional Computing	192.8	\$5,118	\$3,750	\$3,298	\$12,166	36.7%
Administrative Computing	401.1	10,629	3,069	2,698	16,396	49.5%
Batch rebid	—	—	3,644 ^b	944	4,588	13.8%
Totals	593.9	\$15,747	\$10,463	\$6,940	\$33,150	—
Percent	—	47.5%	31.6%	20.9%	—	100%

* As current cost accounting practice does not distinguish between administrative and instructional computing costs, estimated 1980–81 expenditures were prorated based upon computer utilization percentages when the items encompassed both areas.

^b Technical and training support are provided within the framework of vendor contract.

A. Continuing Program to Replace Obsolete Computers

The CSUC computer replacement program was implemented last year with the award of a \$47.5 million, seven-year contract to Control Data Corporation (CDC). The terms of the contract specify the lease (with option to purchase) of modern, small-sized computers on each of the five smaller campuses, medium-sized computers on the remaining 14 campuses, and a large computer at the State University Data Center in Los Angeles. As a result of the carefully planned Request for Proposal process developed by CSUC, the system achieved an overall discount of

64 percent below the cost of procuring the computers individually.

The CSUC conversion plan calls for the installation of two conversion centers, one located at the State University Data Center in Los Angeles and the other located at CSU Sacramento. Each campus will be connected to one of the conversion centers by dedicated, leased lines to facilitate conversion of existing computer programs and to provide parallel processing to the extent needed. As of mid-January, the first campus installation (at Bakersfield) had been completed. Campus installations are to be phased in over the next year with the last campus scheduled for installation in July 1982.

The requested appropriation (\$4,588,293) is to support the conversion centers and the increased equipment rental costs for the new equipment.

B. Computer Staffing Formula

In our *Analysis of the 1975 Budget Bill*, we recommended the joint development of a staffing formula by CSUC and the Department of Finance for campus computing staff. This formula was completed last year. The CSUC Trustees' Budget for 1981-82 requested 28 new positions, based on the application of the computer staffing formula. While acknowledging the validity of the formula-based staffing requirement, the Governor's Budget includes funding for only 14 positions (\$358,684) due to fiscal constraints; it is anticipated that the staffing formula will be fully phased in as fiscal conditions permit.

C. Integrated Business System

Last year the Legislature approved \$134,670 to enable CSUC to begin the process of acquiring a modern accounting system. The Governor's Budget proposes \$234,000 to continue the acquisition of the new accounting system (Integrated Business System) in 1981-82. A feasibility study has been approved by the Department of Finance, and the schedule calls for a contract for purchasing the necessary computer programs to be signed by the end of the current fiscal year. After the new system is installed on a pilot campus and favorably evaluated in 1981-82, it will be installed on the remaining 18 campuses. Ongoing maintenance responsibilities will then be absorbed by existing staff.

RURAL NURSING PROGRAM

In March 1976, the Rural Clinical Nurse Placement (RCNP) program was established at the Chico campus using funds provided by the U.S. Department of Health, Education and Welfare. Under the terms of the federal funding, the RCNP program was charged with developing, implementing, evaluating and disseminating a model of a rural nursing internship program, in an effort to attract nurses to rural communities.

From March 1976 through June 1980, the RCNP program placed 239 nursing students in rural clinical settings at 60 northern California medical facilities; of these students, 58 were placed in the most recent academic year (1979-80). The students are drawn from some 28 California nursing programs, 10 of which are operated by CSUC.

Because federal funding was due to expire in June 1980, CSUC last year requested that the RCNP program be continued with state General Fund support. Due to a lack of information on the effectiveness of the RCNP program in encouraging students who would not have otherwise done so to practice nursing in a rural area, we recommended in last year's *Analysis* that funding be provided for a limited time only, pending the results of an evaluation. Accordingly, the Legislature directed that (1) funding be provided for the RCNP program during 1980-81 only, and (2) the Chancellor's Office present to the budget committees an evaluation of the RCNP program by March 1, 1981.

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The Governor's Budget proposes \$119,646 for the continuation of the program in 1981-82.

Data Needed

We withhold recommendation on the Rural Clinical Nurse Placement program, pending receipt of additional information from the Chancellor's Office.

As noted above, the final report of the Chancellor's Office on the Rural Clinical Nursing Placement program is not due until March 1, 1981. Our examination of preliminary information provided by the Chancellor's Office, however, indicates three potential problems with the request for additional funds to continue the program in 1981-82:

1. *Effectiveness of program has not been conclusively demonstrated.* In last year's *Analysis*, we noted that the primary criterion for evaluating the effectiveness of the RCNP program is the number of participants who decide to practice nursing in a rural area and would not have done so otherwise.

Unfortunately, the data collected by the Chancellor's Office regarding the program's effectiveness are not conclusive. The Chancellor's Office cites the results of a survey of program participants showing that, of those participants responding to the survey, 93 percent are practicing health professionals; of these health professionals, 32 percent are practicing in rural areas. The data also show that 40 percent of all participants in the RCNP program originally come from rural areas and, presumably, are predisposed to return to such communities.

What is needed to evaluate this program—but has not been provided by CSUC—are data for both RCNP participants and the nursing population in general showing their respective rates of practice in rural communities, broken down by (1) those who originally come from rural areas, and (2) those who do not. If the rates of practice in rural areas for *both* types of RCNP participants were higher than the rates for their counterparts in the nursing profession in general, this would be an indication of the RCNP program's success. Without such comparative data, however, a meaningful evaluation of the RCNP program is not possible.

2. *RCNP program budget overstates program's justifiable needs.* As noted, federal funding for the RCNP program from 1976 through 1980 was predicated on the accomplishment of several tasks: development, implementation, evaluation and dissemination of the rural nursing internship model. In contrast, the continuing state General Fund support sought last year was to sustain the ongoing costs of the program's operation—which primarily consists of fieldwork placement—only. Yet the amount proposed by the Governor's Budget has not been adjusted to reflect these reduced needs.

As noted, the RCNP program is primarily a fieldwork coordination function (students receive credit only through their home campuses; no credit is provided by CSU Chico). Last year, CSUC requested state support for fieldwork coordinators, requesting \$712,762 (which was later reduced by the Governor and denied by the Legislature) to assist in the placement of some 20,000 students—or an average cost of \$36 per student. Based on the amount provided in the Governor's Budget for the Rural Clinical Nurse Placement Program and assuming that 60 students will be placed in internships during 1981-82, our analysis indicates that the cost per student for this fieldwork placement program will average \$1,994. Even allowing for the RCNP program's smaller scale of operations, we must question whether such a high cost per student placed is reasonable.

3. *Appropriateness of budgeting program within CSUC is unclear.* Finally, even if the Legislature should decide to continue funding for the RCNP program, it is not clear that such funding should be provided within the CSUC budget as

a separate line item. As noted above, the RCNP program primarily involves coordinating fieldwork placements; as such, it generates no support of its own through student enrollments.

As expressed in the 1980 Budget Act, the Legislature's general policy has been that special funding for the fieldwork coordination function should not be provided. CSUC, however, requests that an exception to the general policy be made in this one instance, and that special funding for these coordination activities be provided. We know of no special circumstances to justify an exception from this policy, which is applied uniformly to other academic departments within CSUC, for the RCNP program.

Further complicating the issue is the fact that participation in the RCNP program is not limited to students enrolled at CSU Chico or even at a CSUC campus. In fact, of the 239 students placed since the program's inception, 111 (46.4 percent) have come from institutions outside the CSUC system; of these, 57 (234.8 percent of the total) were students at private colleges or universities. Because these students earn course credit at their home campuses for participating in RCNP, it may be argued that funding provided CSUC is being used, in part, to subsidize the costs of education for students at private colleges and universities. Conceivably, such subsidization of students in various California higher education segments could be justified in terms of meeting statewide health needs, and therefore could be funded through the Department of Health Services or the Office of Statewide Health Planning and Development. The current funding mechanism, however, is awkward at best and probably unjustifiable.

In summary, our examination of preliminary information provided by the Chancellor's Office raises serious concerns regarding the advisability of continuing the current funding practices, either in amount or in method. Because the final report is not due until March 1, 1981, however, it is inappropriate for us to make specific recommendations at this time. Accordingly, we withhold recommendation on this item, pending analysis of the final report.

ASSOCIATED CLINICS, CSULA

Administrative Costs

We recommend that the proposed augmentation for one administrative position, one clerical support position, and related operating expenses and equipment at the Associated Clinics, CSU Los Angeles, be denied because additional General Fund support is not needed, for a General Fund savings of \$45,382. (Reduce Item 661-001-001 by \$45,382.)

The Associated Clinics of California State University, Los Angeles (CSULA) provide diagnostic, therapeutic and remedial services to the public, both adults and children; these clinics are composed of seven separate facilities: (1) Guidance Clinic, (2) Hearing Clinic, (3) Psychology Clinic, (4) Reading Clinic, (5) Speech Clinic, (6) Social Service Clinic, and (7) Early Childhood Projects.

Funding Problem

The clinics are a nonprofit facility, funded in part by nominal user charges, federal grants, and a limited amount of funding from charitable organizations. The bulk of the clinics' funding, however, has been provided in the past by academic departments within CSULA whose students use the clinics for internships. The participating departments have provided this support by assigning to the Associated Clinics some of the resources generated by student enrollments. The Associated Clinics' total budget for 1980-81 is \$198,969, of which \$148,330 (74.5 percent) is derived from resources contributed by academic departments and \$50,639 (25.5 percent) is from reimbursements (mostly client fees).

With CSULA experiencing declining enrollments and a concomitant decline in

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

funding for faculty positions, the participating departments have been less willing to allocate scarce resources to the clinics' operation. Most vulnerable, according to the Chancellor's Office, are the positions of the Clinic Director and associated administrative support staff. For this reason, the Governor's Budget requests \$45,382 to fund directly these positions and related operating expenses and equipment. By providing explicit state support for the clinics' administrative costs, the Governor's Budget proposal would return to the participating academic departments \$45,382 in funds which would otherwise have been assigned by them to the clinics. Thus, the Governor's Budget proposal would, in effect, continue the current level of support for the Associated Clinics while at the same time enriching the budgets of the participating departments. The balance of the clinics' 1981-82 budget of \$209,763 would be supported by other state-funded, departmental resources (\$114,381) and income from client fees (\$50,000).

Value of the Clinics Not an Issue

Our examination of the clinics' operation indicates that they provide important benefits to three groups:

- *Clients* from the community surrounding CSULA are the primary beneficiaries, receiving clinic services at a very modest cost.
- *Students* enrolled in participating academic departments at CSULA use the clinics as an internship setting for their professional training.
- *Faculty* from participating academic departments maintain their skills through contacts with real clients; in addition, the interdisciplinary nature of the clinics facilitates sharing of knowledge.

Thus, our analysis indicates that the value of the clinics is not at issue. Rather, the issue is: How should the costs of operating the clinics be distributed among these benefiting groups?

Additional General Fund Support Not Justified

As noted above, the primary burden of supporting the Associated Clinics' operation has, in the past, been sustained by the General Fund, through its support of faculty positions in participating academic departments. Now that enrollments—and faculty funding—at CSULA are beginning to decline, the question is: Should the General Fund (and state taxpayers) be asked to shoulder more of CSULA's costs by (1) providing explicit General Fund support for the clinics' administration, and (2) indirectly providing an enrichment of support for the participating academic departments? Our analysis indicates that additional General Fund support is not justified, for three reasons:

1. *Because problems of declining enrollment are not unique to CSULA, providing direct state support for special programs will lead to similar demands from other campuses.* While CSU Los Angeles was one of only two CSUC campuses to experience enrollment declines during the current (1980-81) year, enrollments at most other institutions of higher education in California will show declining trends within the next few years as the traditional, college-age population shrinks. At that time, other campuses with special programs whose funding is tied to enrollment levels will also approach the Legislature for special consideration. If the Legislature grants special budgetary recognition to the Associated Clinics on the basis of enrollment-related stringencies, it will be hard not to do the same for all other special programs. This will place even greater demands on limited General Fund resources.
2. *Legislative policy has been to deny special funding for administrative positions.* The Legislature generally has refused to grant special budgetary recogni-

tion of administrative positions beyond the amounts generated by student enrollments. Last year, for example, the Legislature turned down a request by CSUC to fund administrative positions for fieldwork coordinators, directing instead that this function be funded from existing resources provided to departments using fieldwork as part of their curriculum.

3. *Increased client fees or reduced administrative costs are justified.* Most importantly, our analysis indicates that the Associated Clinics have not given adequate consideration to the possibility of adjusting to the realities of declining enrollments by either reducing administrative costs, increasing client fees, or both.

As noted, the primary beneficiaries of the clinics' services are the clients. And, while many clients appear to have relatively low incomes, it is not the case that all of the clinics' clients are poor. In fact, a survey conducted by the clinics indicates that, while 34 percent of those responding reported incomes of less than \$10,000, 43 percent reported incomes in excess of \$14,000 (the highest cut-off point in the survey).

An examination of the Associated Clinics' fee structure, presented in Table 20, shows that the fees charged clients are consistently lower than fees charged for similar services provided by private practitioners.

Table 20
Comparison of Associated Clinics' and Private
Practitioners' Fees for Comparable Services

	<i>Associated Clinics' Fees</i>	<i>Private Practitioners' Fees</i>	<i>Associated Clinics' Fees As a Percent of Private Practitioners' Fees</i>
1. Guidance Clinic			
a. Counseling-personal and family	\$7	\$50	14%
b. Career counseling and testing	7	25	28
c. Diagnostic	40	150-200	20-27
Average, clinic fees as percent of private fees	—	—	22%
2. Hearing Clinic			
a. Hearing evaluation	\$40	\$160	25%
b. Hearing aid evaluation	40	160	25
c. Aural rehabilitation	40	200	20
Average, clinic fees as percent of private fees	—	—	23%
3. Psychology Clinic			
a. Counseling-personal and family	\$7	\$35- 50	14-20%
b. Psychological testing	40	150-200	20-27
Average, clinic fees as percent of private fees	—	—	20%
4. Reading Clinic			
a. Diagnostic	\$40	\$100	40%
b. Therapy	40	90	44
Average, clinic fees as percent of private fees	—	—	42%
5. Social Service Clinic			
a. Biofeedback	\$5-20	\$25-100	5-80%
b. Psychotherapy	5-20	25- 60	8-80
c. Enuresis (bed-wetting)	5-20	25- 75	7-80
Average, clinic fees as percent of private fees	—	—	43%
6. Speech Clinic			
a. Therapy	\$40	\$720-900	4- 6%
b. Evaluation	25-35	100	13-18
Average, clinic fees as percent of private fees	—	—	10%
Grand Average, clinic fees as percent of private fees ..	—	—	27%

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

Table 20 shows that the fees charged by the Associated Clinics average only 27 percent of the fees charged by private practitioners, ranging from 4 percent to 80 percent of private fees. As noted, total income from client fees in 1981-82 is projected to be \$50,000 or 23.8 percent of the clinics' total 1981-82 budget.

The Chancellor's Office cautions against comparing directly the services provided by the clinics with those provided by private practitioners because the services of the former are mostly provided by students in training while those of the latter are provided by experienced professionals. Nevertheless, our analysis indicates that students in the Associated Clinics provide services under the direct guidance and supervision of certified professionals who are in turn responsible for maintaining high quality standards. Under such circumstances, we must question whether clinic fees averaging 27 percent of charges for comparable, privately-provided, services are reasonable.

The Chancellor's Office also maintains that any fee increase would necessarily lead to an increase in the use of fee waivers, thereby resulting in no net increase in revenues. This is not a persuasive argument. While it is true that, in order to maintain access to the clinics for low-income persons, a certain increase in fee waivers might be necessary, it does not thereby follow that the clinics would generate no new revenue. In fact, the data on clients' incomes, cited above, indicate that a substantial number of the clinics' clients could afford to pay higher fees. In order to minimize the impact of fee increases on low-income clients, the clinics could adopt a sliding fee scale based on income (at present, waivers of clinic fees are granted on an ad hoc basis). Finally, while an increase in fees accompanied by the adoption of an income-based, sliding fee scale will probably result in some reduction in the numbers of *higher-income* clients served, it should be noted that three of the six clinics currently have waiting lists of from 75 to 150 persons each—an indication that fees could be raised for higher-income clients without reducing the *total* number of clients served by the Associated Clinics.

In sum, our analysis indicates that, by increasing client fees and adopting a sliding fee scale based on income, the Associated Clinics could raise additional revenues without adversely affecting the number or types of clients served. With these additional revenues, the clinics could fund the administrative positions currently included in the Governor's Budget.

For the reasons given above, we recommend that funding for these positions be deleted, for a General Fund savings of \$45,382.

MT. LAGUNA OBSERVATORY*We recommend approval.*

The Governor's Budget proposes an appropriation of \$30,909 to provide General Fund support for a permanent director of the Mt. Laguna Observatory.

The Mt. Laguna Observatory is a unique educational facility of San Diego State University and the CSUC system. Located 50 miles east of the San Diego campus in the Cleveland National Forest, the observatory occupies one of the best sites for astronomical observation in the country and was recently rated as one of the top five such sites in the nation by the National Science Foundation. It is used extensively by CSUC students and faculty (primarily from San Diego State University) and the general public. In return for free use of National Forest land, the observatory conducts a summer visitors program which recently served 1,500 people. The Chancellor's Office estimates that the observatory represents a total investment of \$2 million.

At present, the functions of the observatory director are discharged on an ad

hoc, voluntary basis by a member of the San Diego State University faculty. The current arrangement is unsatisfactory for two reasons. First, because of the faculty member's duties at the San Diego campus, he is unable to provide the kind of extensive supervision necessary to adequately protect and maintain the facility. Second, the faculty member has indicated that he will be unable to continue the current arrangement of providing supervision in his spare time.

Our analysis indicates that a permanent director is warranted for the observatory. Give (1) the unique nature of the facility, (2) the value of the observatory to CSUC students and faculty and to the people of California, and (3) the lack of other suitable sources of support for the position, General fund support is appropriate.

V. STUDENT SERVICES

The Student Services program is funded partially from revenues generated by the Student Services Fee (formerly titled the Materials and Services Fee). Additional support is furnished by reimbursements 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 21 shows the estimated expenditures and personnel for the past, current, and budget years.

STUDENT SERVICES FEE

We recommend approval.

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

The maximum Student Services Fee remained constant at \$144 from 1973-74 through 1977-78 (during the phase-out of support for instructional supplies and services). The fee was increased to \$146 for 1978-79 to provide additional pharmacy services on CSUC campuses. In 1979-80, the fee was decreased slightly to \$144, reflecting a surplus of revenues over expenditures.

In 1980-81, the fee was increased to \$160. The Chancellor's Office is proposing to increase the Student Services Fee by \$29, based on the methodology approved by CSUC, the Department of Finance, the Legislature and the student organization, thereby raising the fee to \$189.

GRADUATE TUITION

Plan Needed

We recommend that the Legislature direct the Board of Trustees to charge tuition in 1982-83 to all post-baccalaureate and graduate students. We further recommend that the Legislature direct the Trustees to prepare a plan for tuition charges and related financial aid needs and submit such plan to the legislative budget committees by December 1, 1981.

Earlier in this analysis, we indicated that a tuition charge at the graduate level may be justified because of:

- the higher General Fund cost per student of graduate programs relative to the per-student costs of undergraduate programs,

CALIFORNIA STATE UNIVERSITY AND COLLEGES — Continued

Table 21
Student Services Program Expenditures

Elements	Personnel			Expenditures			Change	
	Actual	Estimated	Projected	Actual	Estimated	Projected	Amount	Percent
	1979-80	1980-81	1981-82	1979-80	1980-81	1981-82		
1. Social and cultural develop- ment	159.5	145.5	143.9	\$3,830,441	\$4,108,483	\$4,092,331	—\$16,152	—0.4%
2. Supplemental educational services—EOP	311.6	351.6	365.8	11,831,399	13,460,955	14,284,405	823,450	6.1
3. Counseling and career guid- ance	739.5	746.2	758.6	19,289,921	21,352,382	21,920,479	568,097	2.7
4. Financial aid	312.6	368.2	389.9	63,986,517	64,276,478	64,518,999	242,521	0.4
5. Student support	868.7	928.1	944.3	20,788,269	23,848,951	24,697,575	848,624	3.6
Totals	2,391.9	2,539.6	2,602.5	\$119,726,547	\$127,047,249	\$129,513,789	\$2,466,540	1.9%
General Fund	2,152.7	2,273.5	2,330.7	\$23,052,850	\$27,299,885	\$19,486,774	—\$7,813,111	—28.6%
Reimbursements—other	—	—	—	38,776,667	41,748,234	50,647,998	8,899,764	21.3
Reimbursements—federal	—	—	—	55,426,081	55,094,386	56,270,430	1,176,044	2.1
Dormitory Revenue Fund	232.1	261.7	267.5	2,353,750	2,821,464	3,026,363	204,899	7.3
Continuing Education Revenue Fund	7.1	4.4	4.3	117,199	83,280	82,224	—1,056	—1.3

- the higher private benefits of graduate education in relation to undergraduate education,
- the incentives for inefficient over-investment in graduate education created by minimal student charges, and
- the widespread practice at comparable public institutions of charging higher tuition for graduate programs versus undergraduate programs.

Our analysis indicates that in 1979-80, CSUC's public comparison institutions charged an average of \$191 (22 percent) more for graduate instruction than for undergraduate instruction. Further, our analysis shows that, in order to raise graduate charges to a level commensurate with those of the public comparison institutions, total student charges equal to 40 percent of the state marginal cost per student are justified. Setting charges at this level would imply a CSUC graduate tuition of \$531 in 1981-82.

Because of the lead time necessary to plan for tuition, we recommend that tuition not be charged until 1982-83. We further recommend that the Legislature direct the Board of Trustees to prepare a plan for implementing tuition and submit it by December 1, 1981. The plan should propose specific recommendations for phasing in graduate tuition over a five-year period; at the end of the phase-in period, total charges to graduate students should be commensurate with those of CSUC's public comparison institutions. Finally, the plan should address financial aid needs related to graduate tuition, specifying the type of aid needed (grants, loans, or tuition deferrals) and the available funding sources (federal or state).

STUDENT AFFIRMATIVE ACTION

The Governor's Budget provides \$19,162,330 for the support of four programs related to student affirmative action: (1) Core Student Affirmative Action (\$2,131,366), (2) Educational Opportunity Program (\$14,284,405), (3) Mathematics, Engineering, Science Achievement (MESA) program (\$249,953), and (4) a program for Disabled Students (\$2,496,606). Expenditures for these items in the past, current, and budget years are shown in Table 22.

In addition, many programs within CSUC, such as the campus offices of relations with schools and campus counseling centers, provide services which contribute to student affirmative action efforts; figures on the expenditures of these offices for affirmative action-related activities are unavailable.

Table 22
Student Affirmative Action Expenditures

	<i>Actual</i> 1979-80	<i>Estimated</i> 1980-81	<i>Budgeted</i> 1981-82	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Core Student Affirmative Action	\$386,220	\$1,875,878	\$2,131,366	\$255,488	13.6%
Educational Opportunity Program ..	11,831,399	13,460,955	14,284,405	823,450	6.1
MESA	120,000	238,050	249,953	11,903	5.0
Disabled Students	1,578,826	2,460,135	2,496,606	36,471	1.5
Totals	\$13,916,445	\$18,035,018	\$19,162,330	\$1,127,312	6.3%

A. Core Student Affirmative Action

We recommend approval.

The Governor's budget proposes \$2,131,366 for Core Student Affirmative Action programs aimed at increasing the representation of ethnic minorities within CSUC. Of this total, \$1,931,366 is to continue core programs approved by the Legislature last year; the remainder, \$200,000, is to support enhanced efforts to retain minority students on CSUC campuses once enrolled.

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued**Background: ACR 151**

In 1974, the Legislature passed ACR 151, directing all public segments of California postsecondary education:

"To prepare a plan that will provide for addressing and overcoming, by 1980, ethnic, economic, and sexual underrepresentation in the makeup of public higher education as compared to the general ethnic, economic, and sexual composition of recent California high school graduates."

ACR 151 does not give consideration to "eligibility pools"—the number of ethnic minority high school graduates actually eligible to be admitted to the higher education segments.

CSUC has made substantial progress toward meeting the broad goal of increasing the representation of minority students. Hispanics, however, continue to be underrepresented relative to their proportion of 1978-79 high school graduates. Ethnic group representation within CSUC, both systemwide and by campus, is shown in Table 23.

Table 23
CSUC Ethnic Group Distribution *
Fall 1979

<i>Campus</i>	<i>Asian</i>	<i>Black</i>	<i>Hispanic</i>	<i>Other Minority</i>	<i>White</i>
Bakersfield	1.7%	7.3%	11.3%	7.8%	71.9%
Chico	1.5	2.4	3.8	1.5	90.8
Dominguez Hills	6.8	37.8	8.0	3.7	43.7
Fresno	5.4	4.0	12.6	2.3	75.7
Fullerton	4.3	3.4	8.6	1.7	82.0
Hayward	7.4	13.7	6.1	3.8	69.0
Humboldt	1.8	0.8	2.6	2.4	92.4
Long Beach	9.2	8.9	8.2	3.4	70.3
Los Angeles	17.2	14.8	22.1	4.3	41.6
Northridge	5.7	6.2	9.0	2.4	76.7
Pomona	7.8	3.5	11.6	2.7	74.4
Sacramento	7.6	6.1	5.7	2.7	77.9
San Bernardino	2.1	12.4	17.8	3.2	64.5
San Diego	3.0	4.0	8.4	3.6	81.0
San Francisco	14.4	9.6	6.1	5.4	64.5
San Jose	10.6	7.4	9.0	4.5	68.5
San Luis Obispo	3.6	1.7	3.4	2.5	88.8
Sonoma	1.4	3.5	4.7	3.0	87.4
Stanislaus	2.2	6.1	9.3	2.8	79.6
Systemwide	7.1%	7.4%	8.9%	3.2%	73.4%
High school graduates, statewide (1978-79)	4.6	9.3	15.0	1.6	69.5
Difference	2.5%	-1.9%	-6.1%	1.6%	3.9%

* Percentage distribution based on students responding.

Table 23 shows two important facts: (1) CSUC ethnic group enrollments vary widely by campus and (2) the degree of systemwide under- or over-representation varies by ethnic group. Thus, the representation of whites as a proportion of total campus enrollment varies from a high of 92.4 percent at Humboldt to a low of 41.6 percent at Los Angeles. Hispanics, who are under-represented systemwide, nonetheless account for 22.1 percent of total enrollment at Los Angeles and 17.8 percent at San Bernardino. Asians, in contrast, are over-represented in comparison

to their proportion of the twelfth grade population, accounting for 7.1 percent of total systemwide enrollment. Because of the continuing systemwide under-representation of Hispanics and, to a lesser extent, blacks, the Chancellor's Office proposes the student affirmative action programs described below.

Continuation of Present Programs

Last year, the Legislature approved a major augmentation of \$1,000,000 to provide funding for new, "core" student affirmative action programs on all 19 CSUC campuses. In addition, the Legislature provided funding for pilot programs approved in the Budget Acts of 1978 and 1979 which were to be continued as part of the core approach, thereby bringing total funding for Core Student Affirmative Action programs to \$1,757,456 (prior to salary increases). After adjusting for salary increases, estimated expenditures for Core Student Affirmative Action in 1980-81 are \$1,875,878.

As approved by the Legislature last year, Core Student Affirmative Action programs on each campus include the following major components:

- (1) Intensive outreach at the undergraduate and graduate levels including:
 - a. student/parent/family outreach,
 - b. community/university relations, and
 - c. counselor/staff intersegmental cooperation between high schools, community colleges and the University of California.
- (2) Retention including:
 - a. reconfiguration of existing retention resources to make them more applicable to minority students, and
 - b. in-service training for CSUC faculty and staff.
- (3) Improved counselor and teacher preparation including:
 - a. preparation of current CSUC students, and
 - b. in-service training of practicing professionals.

Because the Core Student Affirmative Action programs were first funded in 1980-81, it is too early for meaningful evaluation of their accomplishments. The results of outreach projects undertaken in 1978-79 on eight CSUC campuses, however, appear to indicate that they assisted in generating a substantial number of new applications from ethnic minority students. Information provided by the Chancellor's Office shows that the nine projects on eight campuses were responsible for generating approximately 4,160 new applications to higher education institutions, of which 3,261 (78.4 percent) resulted in offers of admission. Approximately 47.8 percent of the 4,160 applications were for admission to CSUC, while the remainder were distributed among community colleges (36.6 percent) and UC or other higher education institutions (15.6 percent). Finally, reflecting the projects' focus on helping to eliminate the under-representation of Mexican-Americans in higher education, 70 percent of the applications were from this group.

The Legislature last year appropriated \$50,000 for CPEC to conduct an in-depth evaluation of the CSUC Core Student Affirmative Action programs. The final report will not be completed until 1982; however, CPEC representatives have indicated that they will be prepared to present to the legislative budget committees a preliminary report covering the following areas:

- an examination of the CSUC pilot affirmative action projects undertaken in 1979-80,
- a report on the status of Core Student Affirmative Action programs on all 19 campuses, and
- a case study of selected components of the core programs.

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued**Enhanced Retention Efforts***We recommend approval.*

The Trustees' Budget for 1981–82 requested an augmentation of \$2,010,369 for (1) expanded retention efforts directed at low income students and students from ethnic minorities (\$1,580,517), (2) community college-based "upreach centers" to increase the transfer of ethnic minority students to four-year institutions (\$190,542), (3) enhanced affirmative action efforts directed at graduate students (\$142,013), and (4) systemwide coordination and research (\$97,297). As noted, the Governor's Budget provides only \$200,000 in funding for expanded retention efforts.

Given the \$1 million augmentation granted CSUC affirmative action programs last year, we believe that it is reasonable to await the findings of the CPEC evaluation—which will be submitted in 1982—before approving a second augmentation in excess of \$2 million, as requested by the Trustees. At the same time, our analysis indicates that a modest enhancement of current retention efforts, such as that provided by the Governor's Budget, is justified, given the apparent success of the pilot projects in recruiting additional students. Accordingly, we recommend approval as budgeted.

It should be noted, however, that the Legislature last year approved the total \$1.9 million appropriation for Core Student Affirmative Action with the understanding that CSUC would implement a *balanced* program, addressing the areas of (1) outreach, (2) retention, and (3) improved counselor and teacher preparation. Implicit in this approval was the further understanding that CSUC would budget its resources responsibly, so that students recruited through the outreach component could be reasonably assured of receiving adequate retention services. If these obligations cannot be met within the portion of total Core Student Affirmative Action funds currently allocated by CSUC for retention efforts, then the system should reallocate its resources in 1981–82, as augmented by the \$200,000, to provide relatively more emphasis on retention and less on outreach.

B. Educational Opportunity Programs*We recommend approval.*

The 1981–82 Governor's Budget provides a total of \$14,284,405 for the Educational Opportunity Program (EOP). This level of funding represents a continuation of the level authorized for 1980–81. Staffing in the EOP is based upon the projected number of first-year students. Table 24 shows a detailed display of EOP grants, number of students served in tutorials, and support costs for the past, current, and budget years.

C. MESA*We recommend approval.*

The Governor's Budget provides \$249,953 for support of the Mathematics, Engineering, Science Achievement (MESA) program in 1981–82. This level of funding will support approximately 2,750 students in local MESA centers—the same number authorized for support in the current year.

The MESA program, whose headquarters are in Berkeley at the UC Lawrence Hall of Science, is a statewide program to encourage high school students from ethnic minorities to prepare for college careers in the sciences. Under the terms of language contained in the Supplemental Reports of the 1979 and 1980 Budget Acts, state funding provided MESA in the UC and CSUC budgets is to be matched by an equivalent amount from nonstate funds.

Table 24
Educational Opportunity Program Expenditures

	<i>Actual 1979-80</i>			<i>Budgeted 1980-81</i>			<i>Budgeted 1981-82</i>			<i>Average Dollar Grant</i>
	<i>Number of Grants</i>	<i>Total Dollar Amounts</i>	<i>Students Served</i>	<i>Number of Grants</i>	<i>Total Dollar Amounts</i>	<i>Students Served</i>	<i>Number of Grants</i>	<i>Total Dollar Amounts</i>	<i>Students Served</i>	
1st Year.....	3,394	\$2,511,898	6,392	4,660	\$3,448,400	6,369	4,958	\$3,668,920	6,779	\$740
2nd Year.....	2,460	1,820,320	3,804	2,118	1,567,320	3,963	2,255	1,668,700	4,220	740
3rd Year.....	1,896	1,213,540	2,485	1,654	1,058,560	2,063	1,762	1,127,680	2,197	640
4th Year.....	1,366	724,209	1,297	947	501,910	784	942	499,260	781	530
5th Year.....	480	254,452	819	427	266,310	—	471	249,630	—	530
Totals, grants.....	9,596	\$6,524,419	14,797	9,806	\$6,802,500	13,179	10,388	\$7,214,190	13,977	—
Administration and counseling	—	\$5,306,980	—	—	\$6,658,455	—	—	\$7,070,215	—	—
Grand Totals.....	—	\$11,831,399	—	—	\$13,460,955	—	—	\$14,284,405	—	—

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

The Trustees' Budget requested \$301,400 for support of MESA in 1981-82, which is an increase of \$63,350 (26.6 percent) over the 1980-81 budgeted amount of \$238,050. The augmentation was requested to provide partial support of local MESA centers serving CSUC campuses. MESA administrators indicate that, with increased funding from UC and CSUC, they will be able to serve 3,000 students in 1981-82 at a cost of approximately \$350 per student; because MESA expects to serve 2,750 students in 1980-81, the requested augmentation would partially fund an increase of 250 students (19.1 percent) over the current-year level.

Our analysis of CSUC's MESA budget raises three concerns regarding the program. First, the \$350 cost per student cited by MESA is misleading. This cost is based only on funds handled by MESA's statewide administration in Berkeley, which total \$962,500 in 1980-81. It does not reflect an approximately equal amount of funds, provided by various foundations directly to MESA centers, which are used for various center expenses and "incentive awards." (All MESA students who have completed two years of college preparatory mathematics are eligible to earn up to \$400 per academic year through these cash awards, which are based on academic performance.) When the direct contributions (approximately \$1 million) to MESA centers are included, the total cost per student doubles, to about \$700.

Second, although the MESA program has been in existence since 1968, no rigorous evaluation of its results has been undertaken. At present, for example, the program has no empirical evidence to refute charges that the successes reported by MESA are the results of self-selection. That is, it may be argued that MESA programs simply provide additional sources for minority students with demonstrated aptitudes in science and mathematics, a substantial number of whom would have continued their study of these fields, even without MESA. To the extent this occurs, MESA gets credit for "successes" which it did not cause. Because the MESA programs have not been evaluated in a rigorous manner, the validity of the argument is unresolved.

Our third concern is addressed to the MESA program's longer-range budgeting practices. Our analysis indicates that in 1980-81, total funds from all sources available to MESA will amount to \$1,020,550. Of this amount, only \$962,500 will be used for MESA operations in 1980-81. The balance, \$58,050, will be carried forward for support of MESA in 1981-82. MESA administrators maintain that such a practice is necessary because of the expected loss of a major source of support from a non-profit foundation (per prior agreement) in 1981-82. In order to compensate for the reduction in foundation support, the MESA program again plans to carry forward to 1982-83 approximately \$246,650 in funds raised for the 1981-82 budget year.

While the practice of setting aside funds now in anticipation of future budgetary constraints is unarguably a prudent one from the point of view of MESA administrators, we must question whether the financial support of such practices is prudent from the state's point of view, particularly in light of the budgetary constraints which it faces.

In light of these three concerns, our analysis indicates that any further expansion of MESA programs, such as the 250 student increase envisioned by the CSUC Trustees and the directors of MESA, would be imprudent at this time.

Table 25
Institutional Support Program Expenditures

<i>Element</i>	<i>Personnel</i>			<i>Expenditures</i>			<i>Change</i>	
	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Projected 1981-82</i>	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Projected 1981-82</i>	<i>Amount</i>	<i>Percent</i>
1. Executive management	799.5	749.7	750.5	\$26,997,060	\$29,384,929	\$30,507,120	\$1,122,191	3.8%
2. Financial operations	817.1	833.0	830.9	18,821,525	19,681,231	20,540,621	859,390	4.4
3. General administrative serv- ices	1,318.4	1,439.7	1,446.9	30,221,087	35,679,668	37,774,088	2,094,420	5.9
4. Legislative services	1,053.3	1,105.6	1,089.7	37,151,595	41,974,170	43,461,971	1,487,801	3.5
5. Physical plant operations	3,220.4	3,551.4	3,505.7	96,057,775	115,973,235	124,198,745	8,325,510	7.2
6. Faculty and staff services	—	—	—	12,803,097	9,105,761	9,509,027	403,266	4.4
7. Community relations	101.7	84.8	82.8	4,183,015	4,202,113	4,293,116	91,003	2.2
Totals	7,310.4	7,764.2	7,706.5	\$226,235,154	\$256,001,107	\$270,384,688	\$14,383,581	5.6%
<i>General Fund</i>	6,612.5	7,043.2	6,988.2	\$193,370,217	\$217,080,079	\$228,260,139	\$11,180,060	5.2%
<i>Reimbursements-other</i>	—	—	—	12,817,619	13,870,135	15,205,455	1,335,320	9.6
<i>Parking Account, Dormitory Revenue Fund</i>	186.9	205.7	194.4	4,214,663	4,553,883	4,466,260	-87,623	-1.9
<i>Dormitory Revenue Fund</i>	308.4	330.5	328.5	9,643,137	10,387,513	11,808,163	1,420,650	13.7
<i>Continuing Education Revenue Fund</i>	202.6	184.8	195.4	6,189,518	6,190,158	6,852,352	662,194	10.7
<i>Capital Outlay Fund for Public Higher Education</i>	—	—	—	—	3,272,054	3,112,670	-159,384	-4.9
<i>Energy and Resources Fund</i>	—	—	—	—	647,285	679,649	32,364	5.0

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued**D. Disabled Students**

We withhold recommendation pending receipt of additional information.

The Governor's Budget provides \$2,496,606 for support of the Disabled Students program, which provides supportive services and special equipment to assist these students in pursuing education within CSUC. The Governor's Budget amount, which represents an increase of \$36,471 (1.5 percent) over estimated 1980-81 expenditures, has not been adjusted to reflect the impacts of three factors:

- increases in enrollments of verified disabled students,
- increases in the costs of providing services to disabled students, and
- increases in the service needs of disabled students due to a proposed reduction in the services provided disabled college students by the state Department of Rehabilitation in 1981-82.

As a result, CSUC will probably be faced with funding needs substantially above the amount provided in the Governor's Budget. We have been informed that the Department of Finance is likely to submit a letter amending the Governor's Budget prior to the time of budget hearings. Accordingly, we withhold recommendation on this item.

VI. INSTITUTIONAL SUPPORT

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

Table 25 shows estimated personnel and expenditures for the past, current, and budget years.

CHANCELLOR'S OFFICE

The Chancellor is the chief executive officer of the CSUC Board of Trustees and is responsible for the implementation of all policies enacted by the board. Table 26 shows the major divisions in the Chancellor's Office and the expenditures proposed by these division in the current and budget years.

Director of Learning Services Development—Technical Adjustment

We recommend that funding for the Director of Learning Services Development be deleted because the position no longer exists, for a General Fund savings of \$46,427. (Reduce Item 661-001-001 by \$46,427.)

In last year's *Analysis*, we noted that the position of the Director of Learning Services Development, located within the Chancellor's Office, had been held vacant since February 1979. Accordingly, we recommended that funding for this position be deleted.

The Legislature, in Item 379 of the Budget Act, imposed the following restriction on funding for this position:

Provided further, that the \$44,723 appropriated by this item for the position of Director of Learning Services Development within the Chancellor's Office shall revert to the General Fund on January 1, 1981 if, prior to that date, such position is not filled.

Because the Director of Learning Services Development position remained unfilled on January 1, 1981, these funds will be reverted to the state General Fund. The Chancellor's Office decision to hold the position vacant, however, occurred

Table 26
Chancellor's Office Expenditures

	<i>Estimated</i> <i>1980-81</i>		<i>Proposed</i> <i>1981-82</i>		<i>Change</i>	
	<i>Positions</i>	<i>Dollars</i>	<i>Positions</i>	<i>Dollars</i>	<i>Positions</i>	<i>Dollars</i>
General Fund						
Chancellor's Office						
Personnel						
Executive Office	15.0	\$652,444	15.0	\$652,176	—	—\$268
Legal Services	18.5	711,985	18.5	726,232	—	14,247
Academic Affairs	52.6	2,021,652	52.6	2,031,926	—	10,274
Faculty and Staff Affairs	31.0	1,147,239	27.0	1,028,480	-4.0	-118,759
Collective Bargaining	19.0	739,347	19.0	758,392	—	19,045
Business Affairs	53.4	1,839,537	53.4	1,841,168	—	1,631
Physical Planning	14.0	578,621	14.0	577,358	—	-1,263
Government Affairs	9.0	305,350	9.0	308,394	—	3,044
Institutional Research	12.0	468,173	12.0	464,121	—	-4,052
Public Affairs	6.0	237,474	6.0	234,598	—	-2,876
Administrative Office	57.1	1,241,783	57.1	1,260,216	—	18,433
Subtotals	287.6	\$9,943,605	283.6	\$9,883,061	-4.0	—\$60,544
Operating expense and equipment	—	\$3,294,838	—	\$7,612,177	—	\$4,317,339
Totals	287.6	\$13,238,443	283.6	\$17,495,238	-4.0	\$4,256,795
Audit Staff						
Personnel	11.0	\$411,055	11.0	\$421,277	—	10,222
Operating expense and equipment	—	113,433	—	105,398	—	-8,035
Totals	11.0	\$524,488	11.0	\$526,675	—	2,187
Information Systems						
Personnel	121.0	3,639,533	125.0	3,784,471	4.0	144,938
Operating expense and equipment	—	5,736,801	—	6,620,909	—	884,108
Totals	121.0	\$9,376,334	125.0	\$10,405,380	4.0	\$1,029,046
Total, General Fund	419.6	\$23,139,265	419.6	28,427,293	—	\$5,288,028
Special Funds—Parking						
Personnel	0.4	\$6,871	0.4	\$7,197	—	\$326
Operating expense and equipment	—	3,725	—	3,700	—	-25
Total, Special Funds	0.4	\$10,596	—	\$10,897	—	\$301
Grand Totals	420.0	\$23,149,861	420.0	\$28,438,190	—	\$5,288,329
General Fund	371.6	\$20,850,282	375.6	\$22,130,404	—	\$1,280,122
Reimbursements	43.0	2,288,983	44.0	6,296,889	—	4,007,906
Parking Revenue Fund	0.4	10,596	0.4	10,897	—	301

too late to be reflected in the Governor's Budget; consequently, the position of Director of Learning Services Development is funded at \$46,427 in the budget. We therefore recommend that funding for this position be deleted, for a General Fund savings of \$46,427.

EMPLOYEE AFFIRMATIVE ACTION

The Governor's Budget provides \$1,315,580 for the support of three programs related to employee affirmative action within CSUC: (1) the Faculty Development Program (\$626,419), (2) the Administrative Fellows Program (\$513,733) and (3) a program for Disabled Employees (\$175,428).

A. Faculty Development Program

We recommend approval.

The Legislature added funding for the Faculty Development Program to the 1978-79 Governor's Budget to assist "women, minorities and other qualified probationary and tenured faculty in the lower academic ranks in meeting the qualifica-

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tions for retention, tenure or promotion." The budget proposes \$626,419 to continue the present level of support for this program.

The Faculty Development Program includes three major components:

- (1) Release Time (\$553,661). This component provides release time of up to six units per term for selected faculty members to (a) undertake (or complete) publication of instructional studies, (b) do research or (c) prepare to teach a greater variety of courses.
- (2) Mini-grants (\$46,391). This component allocates grants (a) to help support the purchase of equipment and materials needed for research projects or (b) for support as a summer stipend.
- (3) Support for Presentation of Papers at Professional Meetings (\$26,367). This component provides funds for travel per diem, registration expenses and clerical expenses for the presentation of papers at professional meetings.

Table 27 shows a profile of participants in the Faculty Development Program from 1978-79 to 1980-81. The table shows that the annual number of participants in the program has declined by about one-fifth over these years, from 227 in 1978-79 to 179 in 1980-81. This downward trend reflects a decision by the campuses and the Chancellor's Office to provide more support per participating faculty member. The Chancellor's Office indicates, however, that this trend is not expected to continue in 1981-82 and that the number of participating faculty members should stabilize at a level equal to, or slightly greater than, that of the current year. (The Chancellor's Office also notes that the figure of 179 participants in 1980-81 is based on preliminary data and will probably increase somewhat.) The table also shows that, of the 606 faculty members who participated in the Faculty Development Program from 1978-79 to 1980-81, 490 (80.9 percent) were women or members of ethnic minorities.

Table 27
Profile of Faculty Development Program, 1978-79 to 1980-81

	1978-79	1979-80	1980-81
Total program participants.....	227	200	179
Females	137 (60.4%)	113 (49.8%)	117 (65.4%)
Minority group members	82 (36.1%)	66 (33.0%)	50 (27.9%)
Total persons, women or minorities	190 (83.7%)	150 (75.0%)	150 (83.8%)

In evaluating the outcomes of the Faculty Development Program, it would be desirable to compare data on promotion rates of eligible faculty members for the years both prior to and following the inception of the Faculty Development Program. Unfortunately, such data are difficult to compile, for two reasons. First, the definition of the term "eligible" is problematic because some faculty members, while technically eligible to be considered for promotion or tenure, may nonetheless request that action on such decisions be deferred for a year or more. Second, the Chancellor's Office notes that it is very difficult to obtain historical data in matters affecting promotion or tenure decisions.

A preliminary survey conducted by the Chancellor's Office, however, indicates that, at every one of six campus surveyed, ethnic minorities and women represented a greater percentage of those promoted over the last two years, as compared to the two years prior to the Faculty Development Program's inception. In the earlier years, faculty from these groups represented from 18 to 34 percent of all promotions; after the inception of the Faculty Development Program, these groups represented a range of from 34 to 56 percent. These figures, it should be noted, have not been adjusted to reflect the increasing proportion of all faculty

members eligible for promotion represented by ethnic minorities and women. Nonetheless, the figures, in conjunction with statements made by campus officials familiar with the program, indicate that the Faculty Development Program is having a beneficial impact on the promotion and tenure rates of faculty members who are women or members of ethnic minorities.

The Chancellor's Office notes that a comprehensive report, detailing specific outcomes of the Faculty Development Program, will be available for review shortly after the fall term 1981. At that time, we will review the report and make recommendations to the legislative budget committees as appropriate. In the interim, our analysis indicates that a continuation of the current level of support for the Faculty Development Program is reasonable. Accordingly, we recommend approval as budgeted.

B. Administrative Fellows Program

We recommend approval.

The 1978 Budget Act provided \$345,120 to establish an employee affirmative action program "aimed at ensuring that women and minorities are given equal opportunity for placement and advancement in administrative and managerial positions in the CSUC." Underlying this proposal was the assumption that traditional career ladders leading to top administrative positions in higher education have not been equally available to women and minorities. To address this inequity, CSUC proposed the creation of an Administrative Intern Program (the title was later changed to Administrative Fellows Program to avoid confusion with student internships). The budget proposes \$513,733 to continue the current level of support for 19 fellows.

Table 28 presents a profile of the Administrative Fellows Program from its inception to 1980-81. The table shows that, of the 57 administrative fellows appointed to date, all but two have been women or minority group members.

Table 28
Profile of Administrative Fellows Program, 1978-79 to 1980-81

	1978-79	1979-80	1980-81
A. Applicants	54	100	43 ^a
B. Offers of appointment	20	19	21
C. Offers accepted	19	19	19
D. Sex	16 F, 3 M	14 F, 5 M	13 F, 6 M
E. Minority group members	14 (12 F, 2 M)	11 (7 F, 4 M)	10 (4 F, 6 M)
F. Total persons, women or minorities	18	18	19
G. Previous position			
1. Faculty	13	7	14
2. Academic-related	4	5	2
3. Administrative	0	5	3
4. Support staff	2	2	0

^a Nominations by campuses to Chancellor's Office.

This is the first year for which data are available on the sex and ethnicity of the persons filling the positions vacated by the administrative fellows during their one-year appointments. The data show that, in 1980-81, the 19 full-time positions vacated have been filled by 37 individuals. Of these 37, 19 are women and 18 are men. Further, 13 of the 37 are members of ethnic minorities (6 women and 7 men). Further, 13 of the 37 are members of ethnic minorities (6 women and 7 men); thus, 26 of the 37 replacements are women or members of an ethnic minority.

Last year, we expressed concern that the Administrative Fellows Program may not have been fully capitalizing on opportunities to place graduates of the program in administrative positions within CSUC. In response to this concern, the Chancel-

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lor's Office noted that (1) the Administrative Fellows program is intended to be evaluated in terms of its longer-range impacts on the fellows' career development and (2) there is no presumption on the part of either the fellows or CSUC that, simply by virtue of having been chosen to participate in the program, they are guaranteed an administrative position within CSUC. In any case, our analysis of the placement of graduates of the Administrative Fellows program indicates that a substantial number of the program's graduates have since made progress toward meeting their career objectives.

Of the 38 graduates of the Administrative Fellows program since its inception, 27 have made progress towards meeting longer-range career objectives. Of these, 14 have received permanent or acting appointments to administrative positions within CSUC, and four have received promotions or expanded assignments. Examples of positions within CSUC filled by graduates of the program include an assistant vice president for academic affairs, an associate dean of school and a director of special programs. Of the graduates who have since left CSUC, one was appointed assistant dean of a law school within UC, another is assistant to the dean of students at a private university within California and a third received a fellowship from a major university on the east coast to study for a doctorate.

Therefore, while it is not possible to know what the career pattern of graduates might have been in the absence of the Administrative Fellows program, it appears that the program has had a beneficial impact. We will continue to monitor the longer-range impacts of the Administrative Fellows program; based on the short-term impacts noted above, we recommend approval.

C. Disabled Employees

We recommend approval.

The Governor's Budget proposes a total of \$175,428 in support of an affirmative action program for disabled employees. Of this amount, \$60,428 represents a continuation of funding provided in the 1980 Budget Act for a systemwide coordinator (\$34,178) and special equipment to assist the disabled (\$26,250). The balance, \$115,000, represents an augmentation to provide (1) additional special equipment (\$75,000) and (2) support for (a) a systemwide review of job classifications, (b) additional recruitment efforts, and (c) clerical and research support (\$40,000).

The Trustees' Budget requested a total augmentation for the budget year of \$365,937 for (1) additional special equipment such as braille writers, magnification devices, and telecommunications machines (\$220,500), (2) additional personnel for support services, consultation on health needs of the disabled, and secretarial and research assistance (\$120,387), (3) a systemwide review of job classifications (\$13,500), and (4) additional recruitment efforts (\$11,550). As noted, the Governor's Budget provides partial funding for this request. The major difference occurs in the area of special equipment, where the Governor's Budget provides \$75,000, which is \$145,500 less than the Trustees' request.

AB 1309 (Chapter 1196, Statutes of 1977) established as the policy of the State of California that "qualified disabled persons shall be employed in state service in the political subdivisions of the state, in public schools, and in all other employment supported in whole or in part by public funds." In addition, several federal laws mandate the development of affirmative action programs for the disabled. Among the more significant are Sections 503 and 504 of the Rehabilitation Act of 1973 and Section 402 of the Vietnam Era Veterans Readjustment Act of 1974. A preliminary employment survey conducted during 1979 revealed 422 employees with various types of disabilities employed by CSUC—1.5 percent of the current CSUC workforce. In contrast, the State Personnel Board has established 6.3 per-

cent as the estimated labor force parity figure for disabled persons in California.

In our *Analysis of the 1980 Budget Bill*, we noted two factors which made it difficult to assess expenditures proposed for an affirmative action program for disabled employees. First, the costs of providing services depend on the specific type and degree of disability involved. And, second, the extent of the state's obligation in providing assistance has not been well-defined. Accordingly, we withheld recommendation, pending receipt of a report from the State Personnel Board which was to delineate the state's appropriate responsibilities, service levels, and funding for disabled employees.

Unfortunately, the State Personnel Board report, submitted in February 1980, shed little light on these issues. Instead, the report merely summarized existing law and reviewed past affirmative action efforts for the disabled. It concluded that most agencies lacked adequate plans for complying with the law. The report did not address the crucial issues of what levels of accommodation and what special recruitment efforts are *needed* to comply with existing law. Nor did the report attempt to address the issue of how best to coordinate resources statewide to ensure that all agencies proceed apace with affirmative action efforts. Thus, there is currently a lack of authoritative information regarding the extent of the state's responsibilities in providing services to the disabled.

Our analysis therefore indicates that a gradual approach—phasing in supportive services as needs are identified and substantiated—such as the one proposed in the Governor's Budget, is reasonable. Accordingly, we recommend approval as budgeted.

IN-SERVICE PILOT PROGRAMS (SCHOOL STAFF DEVELOPMENT)

The Legislature last year augmented the Governor's Budget for 1980–81 by \$219,352 to test a workload formula for generating CSUC faculty positions assigned to school staff development resource centers. The augmentation enables faculty from CSUC education departments to explore means of providing in-service training to public school personnel.

In the 1980 Budget Act, the Legislature directed that "the Legislative Analyst shall evaluate the CSUC pilot program designed to facilitate CSUC faculty involvement in staff development programs for elementary and secondary school teachers at existing resource centers and shall report the findings to the legislative budget committees in the Analysis of the 1981–82 budget." Due to the relatively short period that the projects have been operating, a complete evaluation is not possible. Accordingly, we are presenting a report on the status of the in-service pilot projects as of mid-January.

Status Report

Planning for implementing the pilot in-service projects began in July 1980, shortly after the enactment of the 1980 Budget Act. At that time, the Chancellor's Office selected five campuses (Bakersfield, Hayward, Los Angeles, Sacramento and San Bernardino) for participation in the pilot program. These campuses were chosen according to three criteria: (1) location close to a school resource center, (2) geographic distribution, and (3) size and quality of existing programs.

The funding provided in the 1980 Budget Act generated 10.7 full-time equivalent (FTE) faculty positions, which were distributed such that larger campuses received more positions than did smaller ones. To the amounts provided in the Budget Act, campuses added in-kind contributions (supplies, clerical support, etc.). Table 29 shows the estimated expenditures for the in-service pilot projects in the current year.

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Table 29
In-Service Pilot Projects Expenditures
(Estimated) 1980-81

	<i>1980 Budget Act Amounts</i>		<i>Campus In-Kind Contributions^a</i>	<i>Totals</i>
	<i>Faculty Positions</i>	<i>Travel and Expenses</i>		
Bakersfield	\$35,655	\$2,270	\$8,955	\$46,880
Hayward	39,384	1,616	4,653	45,653
Los Angeles	51,250	-	19,770	71,020
Sacramento	50,000	1,250	9,846	61,096
San Bernardino	34,852	3,075	3,400	41,327
Totals	\$211,141	\$8,211	\$46,624	\$265,976

^a Does not include difference between actual salary of participating faculty members and entry-level salary supported by project funds.

Table 29 shows that the majority of funding provided by the 1980 Budget Act will be used to provide direct support of faculty involvement in the pilot projects; \$211,141 (96 percent) of the \$219,352 appropriation is being used for this purpose. The table also shows that campuses will expend an estimated \$46,624 (21 percent of the appropriation amount) in in-kind contributions. Total resources available for the pilot projects in 1980-81 are estimated at \$265,976.

Following are capsule descriptions of projects undertaken by the five participating CSUC campuses:

- **California State College, Bakersfield:** The School of Education is working with three schools in the state School Improvement Program (SIP). Examples of planned activities include refining school science programs, assisting teachers in applying Piaget's research, preparing multicultural lessons, and selecting methods to prepare students for the transition from a rural elementary school to an urban high school. Because Kern County currently has no school resource center, state college faculty are assisting the county office of the superintendent of schools in developing a proposal for such a center.
- **California State University, Hayward:** The School of Education is working with the Alameda-Contra Costa School Resource Center to provide in-service training in the areas of bilingual education and improving the school environment. One state university faculty member is working with teachers in eastern Contra Costa County to assist them in earning bilingual certificates of competence, while a team of four faculty members is assisting a local school district in the general area of improving the school environment.
- **California State University, Los Angeles:** The School of Education is involved in several projects developed through consultation with the School Resource Center of the Los Angeles County Superintendent of Schools and with other local educational agencies. Some of the activities include providing management and curriculum development assistance, facilitating training for racial integration, assisting in the implementation of the state master plan for special education, and assisting high schools in the areas of bilingual education, classroom applications of microcomputers, and basic skills instruction.
- **California State University, Sacramento:** Based on discussions with personnel at the Delta School Resource Center and local school districts, projects involving six faculty members from the School of Education were undertaken. The projects include workshops for teachers on the metric system, a leadership and management workshop for school principals, assisting in the establishment of a basic occupational training program for students with special needs, assisting school personnel to develop appropriate instruction programs for

Indochinese students, providing consultant services in mathematics for eight teachers involved in educating gifted and talented students, and providing communication support services to students, parents, teachers, and administrators on ethnic and racial diversity.

- **California State University, San Bernardino:** The School of Education has agreed to provide assistance to the Riverside County Teacher Resource Center in the areas of basic skills instruction, development of bilingual/multicultural curricula, and implementation of "mainstreaming" requirements. In addition, the School of Education is working with several local school districts in the areas of language arts curricula development, programs for gifted and talented students in junior high and high schools and the development of bilingual/multicultural programs for both Hispanic and Southeast Asian students.

Our analysis indicates that an evaluation component is an integral part of the pilot projects on all five campuses. Among the methods to be utilized are individual faculty logs, participants' objective and subjective comments, campus supervisors' evaluations, and assessments by other campus evaluators. The Chancellor's Office indicates that these final evaluations should be available prior to hearings on the 1982-83 budget. Accordingly, we will continue to monitor the results of the in-service pilot programs and will make further comments to the legislative budget committees as appropriate.

SAN JOSE PUBLIC SAFETY

Report Needed

We recommend that the proposed \$223,291 augmentation for the San Jose State University public safety program be provided for one year only, to enhance accountability and efficient use of funds. We further recommend, because of the crime problem in the environment surrounding the San Jose campus, that the Chancellor's Office (1) explore joint efforts between CSUC and the City of San Jose to reduce campus crime and (2) report the results of such efforts to the legislative budget committees by November 30, 1981.

San Jose State University, located in the center of downtown San Jose, has in recent years experienced high rates of violent crime, as Table 30 shows. The table indicates that, of California's public four-year campuses for which the FBI reports crime data, San Jose ranked in the top three from 1977 through 1979.

As a result of the high crime rate, the Chancellor's Office claims that (1) potential and current students have been discouraged from attending the San Jose campus (San Jose State was one of two CSUC campuses to experience an enrollment decline during 1980-81) and (2) potential and current employees are threatened by the prevailing atmosphere of high crime. Recognizing these problems, the Legislature enacted special legislation (Chapter 884, Statutes of 1980) granting San Jose State \$507,296 to be used for additional public safety equipment (a one-time expense) and personnel. The Governor's 1981-82 Budget proposes an expenditure of \$223,291 to continue funding for the additional public safety personnel.

Our analysis indicates that, in light of the extraordinary crime situation at San Jose State, this expenditure is justified. Nevertheless, we have two concerns regarding this proposal. First, because the funding is to be used to meet an extraordinary need, these funds should not be built into the CSUC base budget. Rather, accountability and efficient use of funds will be enhanced if the funding is provided year-by-year, as needed, with the Chancellor's Office reporting to the legislative budget committees on the status of the crime problem at the San Jose campus.

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Table 30

Violent Crimes per 1,000 Students^a
UC and CSUC, 1977 to 1979

Campus	Year		
	1977	1978	1979
University of California			
Berkeley.....	N/R ^b	1.0	1.5
Davis.....	0.2	0.4	0.1
Irvine.....	0.2	0.2	0.6
Los Angeles.....	N/R	N/R	N/R
Riverside.....	0.4	1.3	3.6
San Diego.....	0.8	1.0	1.3
San Francisco.....	N/R	N/R	N/R
Santa Barbara.....	0.4	0.8	2.1
Santa Cruz.....	1.2	1.7	—
Average ^c , UC campuses reporting.....	0.5	0.9	1.3
California State University and Colleges			
Bakersfield.....	—	2.1	0.9
Chico.....	0.4	0.4	0.7
Dominguez Hills.....	1.1	0.6	1.9
Fresno.....	0.4	0.7	0.4
Fullerton.....	0.4	0.1	0.4
Hayward.....	0.4	—	0.6
Humboldt.....	0.6	0.5	0.3
Long Beach.....	N/R	N/R	0.3
Los Angeles.....	N/R	N/R	N/R
Northridge.....	N/R	N/R	N/R
Pomona.....	0.9	0.3	0.3
Sacramento.....	0.8	0.2	0.3
San Bernardino.....	—	0.4	—
San Diego.....	0.8	0.5	0.4
San Francisco.....	0.8	0.9	0.9
San Jose.....	1.6	1.7	1.5
San Luis Obispo.....	0.4	0.2	0.6
Sonoma.....	N/R	N/R	0.9
Stanislaus.....	0.9	1.4	—
Average ^c , CSUC campuses reporting.....	0.6	0.7	0.6

^a Source: FBI Uniform Crime Reports. Violent crimes include murder, non-negligent manslaughter, forcible rape, robbery and aggravated assault.

^b N/R—not reported.

^c Simple (unweighted) average.

Our second concern relates to the nature of the crime problem at San Jose. Unlike most CSUC campuses, San Jose State University is located in the center of a deteriorating urban environment. The justification for additional funding submitted by the Chancellor's Office describes this environment as follows:

The San Jose State University environment, unlike any others in the CSUC system, is characterized by the presence of drunks, drug addicts and pushers, hard-core criminal offenders, parolees, mental patients, prostitutes, juvenile gangs, and other undesirable groups. The proximity of these groups makes students and employees of the campus vulnerable to criminally related activities.

Therefore, the San Jose State University public safety program, acting alone, is relatively powerless to reduce problems of campus crime because these problems reside not on the campus itself but, rather, in the surrounding environs. Given this

situation, it is appropriate that the City of San Jose, for whom San Jose State University represents a major social and economic resource, take efforts commensurate with those of CSUC to protect and preserve the safety of university staff and students. Accordingly, we recommend that (1) funding for the San Jose State University public safety program be provided on a year-by-year basis and (2) the Chancellor's Office report to the legislative budget committees by November 30, 1981, on the status of joint efforts with the City of San Jose to reduce campus crime.

CONTRA COSTA CAMPUS SITE

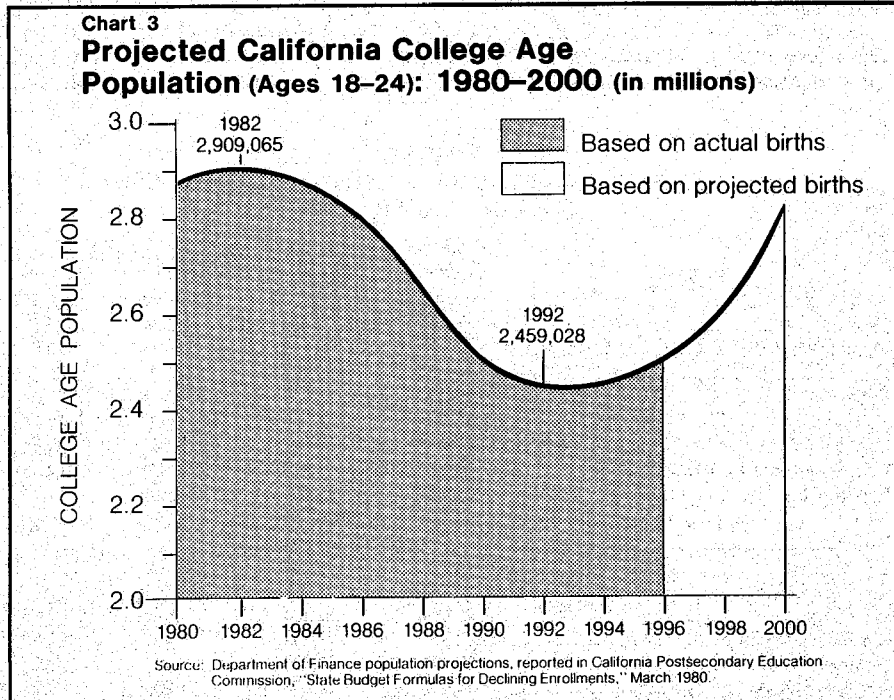
Sale Recommended

We recommend that legislation be enacted to sell the site of a proposed campus in Contra Costa County, because it will not be needed before the year 2000, if ever, for a General Fund revenue increase of \$3,918,813.

In August 1969, the state purchased from the Newhall Land and Farming Company a 380 acre site in Contra Costa County, to be used for a proposed campus that would be part of the CSUC system. The terms of the deed of sale specify that, should the state decide not to develop the site as an institution of higher education, Newhall Land and Farming Company shall have the right to purchase the property from the state for the original sale price (\$1,740,000) plus 7 percent per annum interest. As of August 1981, this repurchase price equals \$3,918,813.

Decline in College Age Population

Although the Contra Costa County site was purchased under the assumption that the state might at some future time wish to develop it as a campus, it soon became apparent that the era of higher education enrollment growth was rapidly



CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

drawing to an end. Consequently, CSUC never requested—and the Legislature never approved—funding for the development of a Contra Costa campus. More recently, it has become apparent that not only has the era of growth ended but an era of decline in higher education enrollments, both nationally and in California, will soon set in, as illustrated in Chart 3.

Chart 3 shows that the size of California's traditional college age population (18 to 24 years) will peak around 1982 at approximately 2.9 million persons. Thereafter, this population will decline precipitously, reaching a low of approximately 2.5 million persons in 1992—a decline of 15 percent. Based on the best information currently available, the college age population will not again reach present levels until at least the year 2000. Barring any major changes in the age structure of CSUC students, therefore, it is reasonable to conclude that CSUC enrollments will show a similar declining trend.

No Apparent Justification

The Legislature has stated that it will not authorize funds for the construction of new campuses by the public segments of higher education without the favorable recommendation of the California Postsecondary Education Commission (CPEC). On the issue of approving new CSUC campuses, the Commission's guidelines state:

Projected statewide enrollment demand on the California State University and Colleges should exceed the planned enrollment capacity of existing State University and Colleges unless there are compelling regional needs.

In order to justify development of a new campus in Contra Costa County, therefore, CSUC would have to demonstrate either (1) a compelling regional need in Contra Costa County for a new campus or (2) that enrollments at CSUC campuses will substantially *exceed* current enrollment levels. This second condition is necessary because the system currently has significant excess capacity, as shown in Table 31.

Table 31
Comparison of Campus FTE Enrollment Ceilings (Academic Year)
With 1981-82 Allocations

<i>Campus</i>	<i>Enrollment Ceiling</i>	<i>1981-82 Allocation</i>	<i>Excess Capacity</i>	
			<i>Amount</i>	<i>Percent</i>
Bakersfield.....	12,000	2,300	9,700	80.8%
Chico.....	14,000	12,300	1,700	12.1
Dominguez Hills.....	20,000	5,300	14,700	73.5
Fresno.....	20,000	12,700	7,300	36.5
Fullerton.....	20,000	15,300	4,700	23.5
Hayward.....	18,000	7,700	10,300	57.2
Humboldt.....	10,000	6,600	3,400	34.0
Long Beach.....	25,000	21,450	3,550	14.2
Los Angeles.....	25,000	13,800	11,200	44.8
Northridge.....	25,000	19,100	5,900	23.6
Pomona.....	20,000	12,600	7,400	37.0
Sacramento.....	25,000	16,600	8,400	33.6
San Bernardino.....	12,000	3,250	8,750	72.9
San Diego.....	25,000	24,500	500	2.0
San Francisco.....	20,000	17,400	2,600	13.0
San Jose.....	25,000	18,000	7,000	28.0
San Luis Obispo.....	15,000	14,200	800	5.3
Sonoma.....	10,000	4,500	5,500	55.0
Stanislaus.....	12,000	2,900	9,100	75.8
Totals.....	353,000	230,500	122,500	34.7%

Table 31 shows that, of the 19 CSUC campuses, 17 have projected 1981-82 enrollments which are more than 10 percent below the capacities of those campuses as stated in their respective enrollment ceilings. Moreover, the system as a whole has excess capacity of 122,500 full-time equivalent (FTE) students, 34.7 percent of the systemwide enrollment ceiling. Thus, any excess regional demand at a particular campus can easily be met by redirecting students to another, underutilized, campus within the system. In fact, the campus nearest the Contra Costa site, CSU Hayward, is among the more severely underenrolled campuses, with excess capacity equal to 57.2 percent of its enrollment ceiling.

Based on the best information currently available, including informal consultation with CPEC staff, our analysis indicates that CSUC will be unable to demonstrate either condition (1) or (2), above, prior to the year 2000, at the earliest. The choices confronting the Legislature, therefore, are the following:

- sell the Contra Costa site now and use the \$3.9 million in additional General Fund revenues to fund current, high priority projects,
- sell the Contra Costa site at some future date, with the state essentially earning 7 percent on a \$3.9 million "savings account" in the interim, or
- retain the Contra Costa site under the assumption that either CSUC systemwide enrollments or regional needs in Contra Costa County will at some future date justify the construction of a twentieth CSUC campus on the site.

As stated, our analysis indicates that within the foreseeable future, construction of a new CSUC campus on the Contra Costa site cannot be justified. Our analysis further indicates that it is not wise to set aside funds when they can either be better invested or utilized for service programs that are suffering program reductions due to the lack of sufficient state revenues in 1981-82. Accordingly, we recommend that the Legislature designate the Contra Costa site as surplus state land and enact legislation calling for its sale, for a General Fund revenue increase of approximately \$3,918,813.

SPECIAL REPAIR AND DEFERRED MAINTENANCE

We recommend approval.

The Governor's Budget requests \$3,112,670 from the Capital Outlay Fund for Public Higher Education (COFPE) for special repair and deferred maintenance projects in 1981-82. The proposed amount continues the second year of a three-year, \$9 million plan to substantially reduce or eliminate the backlog of these projects. Last year, the Legislature approved funding for the first year of this plan, appropriating \$2,964,448 from the COFPE.

CSUC requested funding for \$5,671,225 in special repair and deferred maintenance projects; in accordance with the plan agreed to last year by the Department of Finance and CSUC, the Governor's Budget provides funding for approximately \$3 million of this request. Included in the list of projects, totaling \$3,112,670, to be implemented in 1981-82 are \$1,957,829 in various projects related to health and safety including the replacement of natural gas lines and the repair of buckled sidewalks, dangerously worn stairways, and tennis courts. The remainder is proposed to be expended as follows: \$249,849 for emergencies, \$418,135 for roof repairs, and \$485,857 for street repairs.

We have examined CSUC's list of projects and believe that the proposed \$3,112,670 is reasonable in light of the system's needs. Accordingly, we recommend approval as budgeted.

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued**Preventive Maintenance**

The Legislature adopted language in the Supplemental Report of the 1979 Budget Bill which directed CSUC to submit a preventive maintenance plan by November 1979. In response, the Chancellor's Office submitted in November 1979 an interim report on the status of preventive maintenance which (1) proposed that a pilot project be undertaken at one CSUC campus and (2) stated that a systemwide task force would be convened to study the problem of preventive maintenance and recommend solutions.

Following discussions between representatives of the Legislative Analyst's Office, the Department of Finance, and the Chancellor's Office, a one-year, pilot preventive maintenance project for San Francisco State University was approved. Major tasks of the project involved compiling a thorough inventory of items requiring preventive maintenance and creating an automated work order system for servicing the items on a regular basis. The project has since been successfully completed.

Drawing extensively on the knowledge gained through the San Francisco State University pilot project, the systemwide preventive maintenance task force submitted its report to the Chancellor in November 1980. The report recommends that the Chancellor approve a specific preventive maintenance system, described in the report, as CSUC's approach to plant operations. Other recommendations include (1) establishing a formal function for plant operations within the Chancellor's Office and (2) establishing a budgetary differentiation between the categories of special repairs, on the one hand, and deferred maintenance, on the other.

As of mid-January, the task force report was in the process of being reviewed by the Chancellor; therefore, no systemwide action with respect to preventive maintenance had been proposed. We will continue to monitor this area and will report any developments to the legislative budget committees, as appropriate.

ENERGY CONSUMPTION**A. Utilities Costs**

We recommend that the Legislature direct the Chancellor's Office and the Department of Finance to discuss the consequences of an apparent \$1.5 million underfunding of the CSUC 1981-82 utilities budget.

Expenditures for utilities are a major expense in the CSUC budget, amounting to \$36.1 million for 1981-82. This amount represents a 17.5 percent increase over the current year budgeted amount of \$30.8 million. While most items in the CSUC budget are based on formulas, utility expenditures are based upon a variety of factors such as campus projections for the rate of consumption, cost increases, and changes resulting from construction of new facilities. In the past, the cost increases thus calculated by CSUC have been routinely used as the basis for the Governor's Budget amount for CSUC utilities.

Price Increases Underestimated

In the 1981-82 budget, the Department of Finance has departed from past practices and, as a result, the estimated utilities expenditure presented in the Governor's Budget is lower than the estimate made by CSUC. Using the CSUC methodology, the Governor's Budget falls short of the amount needed by \$1,523,628. This figure reflects a deficit of \$4,238,527 in the electricity budget and surpluses of \$1,744,265 and \$970,634 in the oil and gas budgets, respectively.

Our analysis indicates that the methodology used by CSUC to calculate projected energy costs is quite detailed, encompassing the following steps:

1. The calculation of actual 1979-80 utilities consumption (expressed in energy units), adjusted for unusual weather patterns,
2. The addition of increases in utilities consumption due to (a) new buildings and (b) new computers,
3. The subtraction of decreases in utilities consumption due to energy conservation,
4. The calculation of costs associated with energy consumption thus indicated, using actual utilities rates as of July 1, 1980, and
5. The application of price increase factors for each utility company serving CSUC, based on information provided by the companies and on an analysis of rate cases before the Public Utilities Commission.

Application of this methodology yields systemwide price increases of 24.5 percent for electricity, 22.0 percent for gas, and 16.0 percent for oil.

In contrast, the Department of Finance methodology reflected in the 1981-82 Governor's Budget applies a 16 percent across-the-board price increase to the amount budgeted for 1980-81 (adjusted for new buildings) and ignores such important cost factors as (1) actual 1979-80 consumption, (2) the impact of the installation of large computers as part of the systemwide computer procurement, (3) the impact of CSUC's energy conservation efforts, (4) the level of current utility rates, and (5) the variations in these rates among the eight utilities serving CSUC.

Our analysis indicates, therefore, that the Governor's Budget apparently fails to provide funding sufficient to enable CSUC to maintain current levels of utilities consumption (as adjusted to reflect conservation efforts). Instead, the impact of inflation appears to result in a de facto reduction of approximately \$1.5 million in the CSUC utilities budget. Accordingly, we recommend that the Chancellor's Office and the Department of Finance be prepared to discuss this matter at the budget hearings.

B. Energy Conservation

We recommend approval.

Acting on our recommendation that CSUC reduce systemwide energy consumption, the Legislature provided \$616,461 in 1979-80 and \$647,285 in 1980-81 to fund energy conservation projects. The Governor's Budget proposes to continue conservation efforts in 1980-81 by funding \$679,649 in additional energy-saving projects from the Energy and Resources Fund. Also, the Governor's Budget provides \$5,516,550 for capital outlay projects related to energy conservation (described under Item 661-301-146).

The projects proposed to be funded from the Energy and Resources Fund, like those approved by the Legislature last year, require no engineering support, are of a one-time nature, and may be implemented by physical plant personnel either through in-house or contract labor. Examples of these projects are:

- Lighting efficiency improvement through relamping with energy-saving lamps or delamping to avoid waste.
- Energy efficiency improvement through installation of time clocks, locking thermostat covers, reflective solar film, etc.

In all, CSUC proposes to implement 21 energy-savings projects, with simple payback periods of from one to 4.6 years. Allowing for a phased implementation schedule, CSUC will realize an estimated cost savings in 1981-82 of \$364,000. These cost savings have been assumed in the construction of CSUC's proposed \$36.1 million utilities budget for 1981-82.

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued**Status of Energy Conservation**

Because of continuing efforts to conserve energy, CSUC's 1981-82 utilities budget is based on a systemwide reduction in energy consumption per gross square foot of 2.5 percent under estimated 1980-81 consumption. Estimated consumption for 1980-81, in turn, presupposes a reduction of 2.5 percent under actual 1979-80 consumption (which was 18.3 percent below actual 1978-79 consumption). In other words, CSUC's 1981-82 utilities budget assumes (1) a reduction of 22.4 percent in energy consumption compared to actual 1978-79 consumption and (2) a reduction of 4.9 percent compared to actual 1979-80 consumption, as shown in Table 32.

Table 32
CSUC Systemwide Utility Usage

	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Projected 1981-82</i>
Electricity Usage			
Total KWH ^a (Million)	356.5220	362.0328	364.5705
KWH/GSF ^b	13.3329	13.3363	13.2274
	—	13.2719 ^d	12.9611 ^d
Gas & Oil Usage			
Total Therms (Million)	18.2219	18.4673	18.1743
Therms/GSF	0.6814	0.6802	0.6594
Total Energy Usage			
Total BTU ^c (Billion)	3039.0075	3082.3507	3061.7157
BTU/GSF (Thousands)	113.6500	113.5456	111.0862
	—	113.3259 ^d	110.1770 ^d

^a Kilowatt-hours

^b Gross square feet

^c British Thermal Units

^d Without additional electrical loads of new computers.

CSUC reports the actual systemwide decreases in consumption shown in Table 33. As the table shows, in 1979-80 CSUC achieved an overall reduction in energy consumption per gross square foot of 18.3 percent compared to the previous year. This 18.3 percent reduction equates to a \$3.8 million cost avoidance, based on the average utility prices at each campus during 1979-80. In comparison to energy expenditures in 1978-79, the 1979-80 expenditures increased by \$1.9 million, due to rapid increases in utility prices; without the conservation efforts, however, the increase in the 1979-80 utilities budget would have been much greater.

Table 33
CSUC Energy Conservation^a

	<i>Fiscal 1978-79</i>	<i>Fiscal 1979-80</i>	<i>Percent Change</i>
Electricity Usage			
KWH/GSF	15.083	13.332	-11.61%
Gas and Oil Usage			
Therms/GSF	0.887	0.681	-23.22%
Total Energy Usage			
BTU/GSF	139,158	113,650	-18.33%

^a For a description of measures of energy usage, refer to Table 32.

The Chancellor's Office notes that future reductions in energy consumption will

probably be less dramatic because (1) the 1979-80 results partially reflect the impact of unusually favorable weather conditions, (2) the installation of major new computers on all 19 campuses will increase electricity consumption, and (3) the general phenomenon of diminishing marginal returns implies that additional reductions in consumption, to the extent they are achieved, will only be achieved at greater cost per unit. Nonetheless, the reductions shown in Table 33 reflect a real effort on the part of CSUC to conserve energy.

ACADEMIC SENATES

CSUC faculty participate in the system's governance through 19 local academic senates which elect a 52-member, statewide academic senate. The local senates vary in organization but share the common objective of providing policy advice on academic matters.

Seats in the statewide senate are determined by campus FTE—two for campuses with less than 10,000 FTE, three for campuses with 10,000 FTE to 20,000 FTE and four for campuses with over 20,000 FTE. Members serve for three year terms.

Operations of the statewide senate are conducted by a six-member executive committee. In addition, there are three standing committees and ad hoc committees as needed. The executive committee meets six to ten days per month, the other committees meet once a month and the full statewide senate meets five times per year.

Expenses of the CSUC academic senate in the past, current, and budget years are shown in Table 34.

Table 34
CSUC Academic Senate Expenses

	<i>Actual</i> 1979-80	<i>Estimated</i> 1980-81	<i>Proposed</i> 1981-82 ^a	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Statewide	\$497,804	\$553,559	\$551,002	-\$2,557	-0.5%
Local	N/A ^b	1,007,646	1,011,360	3,714	0.4
Totals	N/A	\$1,561,205	\$1,562,362	\$1,157	0.1%

^a Does not include salary increase funds.

^b N/A: not available.

VII. INDEPENDENT OPERATIONS

The Independent Operations program includes all program elements that benefit independent financing agencies, faculty, and students but are not directly related to the objectives of an institution of higher education. An example would be research, not directly related to the university's educational mission, performed by CSUC on contract to a government agency. Independent operations receive no direct General Fund support. Table 35 shows the estimated personnel and expenditures for the past, current, and budget years.

VIII. FOUNDATIONS AND AUXILIARY ORGANIZATIONS

Foundations and Auxiliary Organizations are separate legal entities authorized by the Legislature to perform functions that contribute to the educational mission of the CSUC, as well as providing services to students and employees. Most of these organizations can be grouped into four major categories: associated student organizations, special educational projects administered by foundations, student union operations and commercial activities. All operations of the Foundations and Auxiliary Organizations are self-supporting; they receive no General Fund support. Table 36 shows the proposed expenditures for the past, current, and budget years.

CALIFORNIA STATE UNIVERSITY AND COLLEGES —Continued

Table 35
Independent Operations Expenditures

	<i>Personnel</i>			<i>Expenditures</i>			<i>Change</i>	
	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Amount</i>	<i>Percent</i>
Program Totals	1,459.8	1,666.3	1,644.5	\$38,203,374	\$39,472,254	\$46,123,384	\$6,651,130	16.9%
General Fund	—	—	—	—444,493	—	—	—	—
Reimbursements—other	1,436.8	1,660.3	1,630.8	37,851,745	39,055,315	45,429,674	6,374,359	16.3%
Reimbursements—federal	—	—	—	229,427	—	—	—	—
Parking Account, Dormitory Revenue Fund.....	21.3	6.0	13.7	470,915	416,939	693,710	276,771	66.4
Continuing Education Revenue Fund	1.7	—	—	95,780	—	—	—	—

Table 36
Foundations and Auxiliary Organizations Expenditures

	<i>Actual</i> 1979-80	<i>Estimated</i> 1980-81	<i>Projected</i> 1981-82	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Program Totals.....	\$168,630,359	\$180,300,000	\$191,100,000	\$10,800,000	6.0%
Reimbursements—other	134,630,539	143,800,000	154,600,000	10,800,000	7.5%
Reimbursements—federal	34,000,000	36,500,000	36,500,000	—	—

CALIFORNIA STATE UNIVERSITY AND COLLEGES—CAPITAL OUTLAY

Item 661-301 from the Capital
 Outlay Fund for Public High-
 er Education and the Energy
 and Resources Fund

Budget p. E 150

Requested 1981-82	\$22,052,650
Recommended approval	16,891,150
Recommended reduction	1,264,500
Recommendation pending	3,897,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Statewide Planning. Recommend adoption of Budget Bill language to increase expenditure limits on energy studies from \$15,000 to \$25,000. 1401
2. *Statewide Minor Capital Outlay. Reduce by \$500,000.* Recommend funds for low priority projects be deleted. 1402
3. Statewide—Removal of Architectural Barriers to the Handicapped, Chico, Hayward, Humboldt, San Jose and San Luis Obispo. Withhold recommendation on \$1,559,400, pending receipt of additional information. 1403
4. Hayward. Withhold recommendation on \$177,000 for working drawings and construction to modify fine arts building pending receipt of additional information. 1405
5. Long Beach. Withhold recommendation on \$172,000 for working drawings and construction to modify elevators to meet fire and safety code, pending receipt of additional information. 1406
6. *Fullerton. Reduce by \$216,000.* Recommend deletion of working drawings and construction funds to modify letters and science building because project scope is not justified. 1407
7. Los Angeles. Withhold recommendation on \$263,000 for working drawings and construction to modify elevators to meet safety code, pending receipt of additional information. 1407
8. *San Diego. Reduce by \$150,500.* Recommend equipment funds be reduced to state supportable level. 1408
9. Humboldt. Recommend that prior to budget hearings, the Department of Finance explain how equipment for the new green-

CALIFORNIA STATE UNIVERSITY AND COLLEGES—CAPITAL OUTLAY—Continued

- house will be acquired.
10. *Northridge. Reduce by \$52,000.* Recommend construction funds for new faculty office addition be reduced by deleting unnecessary project elements. 1409
 11. *Pomona.* Withhold recommendation on \$3,285,000 for construction funds for new faculty office building, pending receipt of additional cost information. 1409
 12. *Northridge. Reduce by \$26,000.* Recommend construction funds for energy management system be reduced by deleting excess project contingency funds. 1411
 13. *San Luis Obispo. Reduce by \$58,000.* Recommend preliminary planning funds for cogeneration plant be deleted because the electrical energy provided by the project substantially exceeds the campus need. 1412
 14. *Northridge. Reduce by \$55,000.* Recommend preliminary planning funds for cogeneration plant be deleted because the electrical energy provided by the project substantially exceeds the campus need. 1412
 15. *Pomona. Reduce by \$137,000.* Recommend preliminary planning funds for cogeneration plant be deleted, because adequate information is not available on which to evaluate this project. 1412
 16. *San Jose. Reduce by \$70,000.* Recommend preliminary planning funds for cogeneration plant be deleted because adequate information is not available on which to evaluate this project. 1412

ANALYSIS AND RECOMMENDATIONS

The budget proposes a capital outlay program of \$22,052,650 for the California State University and Colleges (CSUC) in 1981-82. The budget proposes that funding for the program come from two sources—\$21,845,650 from the Capital Outlay Fund for Public Higher Education (COFPHE) and \$207,000 from the Energy and Resources Fund. In addition, the budget proposes that funds for four previously approved projects be reverted to the COFPHE fund. Finally, the budget proposes that funds approved in Item 561 (3) of the Budget Act of 1980, preliminary plans for federal energy conservation project proposals, be reappropriated.

1981-82 Capital Improvement Program Not Prioritized

The State Administrative Manual (Section 6137) requires that the priority position in the department's five-year improvement program be given for each project proposed for inclusion in the budget. The priority ranking of projects is needed so that the Administration and the Legislature may establish the relative priority of a project with respect to other programs.

The Trustees' request for 1981-82 includes 77 projects totaling \$46,119,000. The program, however, does not assign a priority to all projects proposed for funding in the budget year. Funds proposed for energy related projects, planning and minor capital outlay (projects costing less than \$100,000) are not included in the priority listing. Consequently, the Department of Finance has assigned the priority for these projects. In order for the Legislature to evaluate the total program requested by the CSUC, prior to legislative hearings on the budget, the Trustees should provide a revised listing indicating the priority of each project proposed for funding in 1981-82.

1981-82 Capital Outlay Program

Item 661-301-146 requests \$21,845,650 from the Capital Outlay Fund for Public Higher Education (COFPE) and Item 661-301-188 proposes \$207,000 from the Energy and Resources Fund for CSUC Capital Outlay projects. For legislative review purposes, we have separated the proposals into seven categories. A description of each category and our recommendations on specific projects follow.

A. Statewide Planning

We recommend approval of Item 661-301-146(1), architectural and engineering planning and studies and Item 661-301-146(2), preliminary planning—1982-83 projects. We further recommend that Budget Bill language be modified to increase the expenditure limit on energy studies from \$15,000 to \$25,000.

This category includes two systemwide elements—architectural and engineering planning and studies (\$150,000) and preliminary planning—1982-83 projects (\$125,000).

Architectural and Engineering Planning and Studies. This element would provide funds for campus master planning, consulting services and technical studies. Up to \$15,000 of these funds is available for development of technical studies and engineering studies of energy conservation projects anticipated to be included in subsequent budgets. The funds appropriated under this item will be distributed by the Chancellor's Office to the various campuses, based upon priority needs.

Our review of the Chancellor's Office distribution of these funds in the current year indicates that approximately \$70,000 was allocated so that each campus could acquire the services of a consulting architect. The consulting architect provides services to the campus for proposed new facilities and revisions to the campus master plans.

Our review of the CSUC five-year capital improvement program indicates that several campuses are anticipating very little new construction in the next few years. Table 1 shows the number of projects and proposed funds included in the five-year plan for four selected campuses.

Table 1
California State University College
Five-Year Capital Outlay Program for Selected Campuses

<i>Campus</i>	<i>Number of Projects</i>	<i>Proposed Funds</i>	<i>1980-81 Expenditure Consulting Architect</i>
Bakersfield	2	\$3,976,000	\$2,500
Dominguez Hills	3	1,050,000	3,000
San Bernardino	2	3,339,000	2,500
Stanislaus	3	2,555,400	3,200
	10	\$10,920,400	\$11,200

In view of the fact that these four campuses are anticipating a very low level of improvements over the next few years, the need for consulting architect services for revisions to master plans is not apparent. Any consulting workload relating to these four campuses should be administered directly by the Chancellor's Office utilizing the chief architect position in the Physical Planning and Development Office. The resulting savings that could be achieved in the architectural and engineering planning and studies program could then be redirected to higher priority needs, particularly studies for energy conservation.

To allow for an increase in energy conservation studies, we recommend that the Budget Bill language which limits the amount of funds available under this item

CALIFORNIA STATE UNIVERSITY AND COLLEGES—CAPITAL OUTLAY—Continued

for these studies to \$15,000 be increased to \$25,000.

Preliminary Planning—1982-83 Projects. This element provides \$125,000, of which a maximum of \$30,000 would be available July 1, 1981 for utility and site development projects. The remaining \$95,000 would be available for development of preliminary plans for working drawings and/or working drawing/construction projects which are included in the budget for 1982-83. This funding mechanism has been utilized since the Budget Act of 1975 in order to improve project programming and expedite approved projects. The proposed level of funding will support planning for approximately \$8.5 million in construction. A planning program of this magnitude is reasonable.

B. Minor Capital Outlay**Statewide**

We recommend that Item 661-301-146(3) provide funding only for high-priority minor capital improvement needs, for a savings of \$500,000.

This request is for a lump-sum appropriation of \$4 million for minor capital outlay (\$100,000 or less per project). The funds would be allocated by the Chancellor's Office to the 19 CSUC campuses. The Chancellor's Office has submitted a list of projects to the Department of Finance and the Legislature for review totaling \$5 million.

Supplemental Report Language. The Supplemental Report of the 1980 Budget Act expressed legislative intent that:

1. Minor capital improvements shall not be used for maintenance work, for work deleted from major capital outlay projects or for phasing of projects costing in excess of \$100,000. The CSUC shall develop a minor capital outlay program following, in general, the priority categories approved by the Trustees for the capital improvement program. "Judgment and prudence shall be exercised in the allocation of funds to the remaining projects on a *needs* basis."

2. The Chancellor's Office shall provide the Department of Finance and Legislative Analyst copies of proposed minor capital outlay improvements.

3. The Chancellor's Office shall provide an annual post-audit report no later than October 1, each year on all minor capital outlay projects funded in the preceding year, and

4. The Trustees shall approve minor capital outlay projects.

The supplemental report language was adopted in order to alleviate the substantial workload that the Department of Finance incurred in approving minor capital outlay projects. The objective of the language was to assign more responsibility to the Chancellor's Office for allocation of funds.

Allocation of Funds By the Chancellor's Office. Our review of the proposed projects for minor capital outlay at the CSUC indicates that the Chancellor's Office has not exercised "judgment and prudence" in allocating funds on a *needs* basis. The allocation method used by the Chancellor's Office continues to be based primarily on the full-time equivalent (FTE) enrollment at each campus rather than on the individual need of each campus. Table 2 shows the Chancellor's Office minor capital outlay allocation plan and the percent of funds proposed for each campus in comparison to the FTE enrollment on the various campuses. With few exceptions, the proposed allocation method for minor capital outlay is closely aligned with the FTE allocation. It would be sheer coincidence if an allocation method reflective of the relative need for improvements at each campus produced such a distribution of funds, particularly given the varying ages of the campuses'

physical plants.

Table 2
California State University and Colleges
Minor Capital Outlay Funds
and Full-Time Equivalent (FTE) Enrollment
Allocation Per Campus

<i>Campus</i>	<i>Minor Capital Outlay Proposed 1981-82</i>	<i>Percent of Campus Total</i>	<i>1981-82 FTE Allocation</i>	<i>Percent of Total</i>
Bakersfield	\$66,700	1.5%	2,220	1.0%
Chico	216,800	4.8	12,000	5.3
Dominguez Hills	108,500	2.4	4,800	2.1
Fresno	247,000	5.4	12,000	5.3
Fullerton	314,200	6.9	14,700	6.5
Hayward	160,000	3.5	7,450	3.3
Humboldt	159,600	3.5	6,530	2.9
Long Beach	430,000	9.4	21,050	9.4
Los Angeles	254,400	5.6	14,300	6.4
Northridge	343,000	7.5	19,000	8.5
Pomona	235,500	5.2	11,750	5.2
Sacramento	262,950	5.8	16,000	7.1
San Bernardino	82,000	1.8	2,950	1.3
San Diego	456,700	10.0	23,450	10.4
San Francisco	389,000	8.5	17,400	7.8
San Jose	315,500	6.9	18,000	8.0
San Luis Obispo	324,000	7.1	14,200	6.3
Sonoma	111,000	2.4	4,100	1.8
Stanislaus	74,900	1.6	2,550	1.8
Subtotal	\$4,551,750	100.0%	224,450	100.0%
Statewide	448,250	—	—	—
Total	\$5,000,000	100.0%	224,450	100.0%
(Budget Bill Amount)	(4,000,000)			

* Percent columns may not total due to rounding.

Moreover, our review of the projects proposed for funding by the Chancellor's Office indicates that many projects seem to be low priority in relation to system-wide needs. Several projects are for maintenance and equipment projects which are more properly funded in the support budget. An example of such projects are (1) construction of an "information kiosk" at San Diego (\$34,500) (2) repair to the theater at Los Angeles (\$59,000), and (3) laboratory equipment at San Luis Obispo (\$70,000).

Our review of the Chancellor's Office list indicates that \$3.5 million should be adequate to fund high-priority minor capital outlay projects in the budget year. Consequently, we recommend that Item 661-301-146(3) be reduced to \$3,500,000, for a savings of \$500,000.

Removal of Architectural Barriers to the Handicapped

We withhold recommendation on \$1,559,400 proposed in Item 661-301-146(4), (5), (6), (7), and (8), pending receipt of additional information.

A summary of the five projects proposed for removal of architectural barriers to the handicapped is provided in Table 3.

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Table 3
California State University and Colleges
Program to Remove Architectural Barriers to the Handicapped

<i>Item 661-301-146</i>	<i>Campus</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Cost</i>
(4)	Chico	\$375,000	pending	—
(5)	Hayward	270,000	pending	—
(6)	Humboldt	160,000	pending	—
(7)	San Jose	434,400	pending	—
(8)	San Luis Obispo	320,000	pending	—
Totals		\$1,559,400	pending	—

The Trustees have established priorities for removal of architectural barriers to the handicapped. The priorities, which were developed by the Chancellor's Office in consultation with the Statewide Disabled Students Coalition, the Chancellor's Council of Presidents and the Department of Rehabilitation, are as follows:

1. Access to the campus as a whole.
2. Access to facilities to meet the basic needs of the physically handicapped.
3. Access to main level of building with high student use.
4. Access to floors above and below main level.
5. Automatic doors and lower drinking fountains.
6. Other barrier projects.

Since 1973, the state has provided \$6.2 million to CSUC for removal of campus architectural barriers to the handicapped. In addition, a federal grant in the amount of \$1,854,000 was received for these purposes. The previous funding has

Table 4
California State University and Colleges
Projects to Correct Code Deficiencies
1981-82

<i>Item</i>	<i>Project Title</i>	<i>Phase^a</i>	<i>Campus</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Cost^b</i>
(9)	Modify fine arts lab—safety code requirements	wc	Hayward	\$177,000	pending	—
(10)	Modifications to science building—Fire Marshal requirements	c	San Francisco	163,000	163,000	—
(11)	Modifications to administration building—safety code requirements	c	Hayward	156,000	156,000	—
(12)	Modify existing elevators—safety code requirements	c	San Jose	376,000	376,000	—
(13)	Modifications to science building—safety code requirements	c	Long Beach	947,000	947,000	—
(14)	Modify existing elevators—safety code requirements	wc	Long Beach	172,000	pending	—
(15)	Modifications to letters and science building—Fire Marshal requirements	wc	Fullerton	216,000	—	—
(16)	Modify existing elevators—safety code requirements	wc	Los Angeles	263,000	pending	—
Totals				\$2,470,000	\$1,642,000	—

^a Phase symbols indicate: c—construction; w—working drawings.

^b CSUC estimate.

enabled the CSUC to eliminate the accessibility problems in priority categories 1 through 3. The projects proposed in the Budget Bill address accessibility problems in category 4 by installing new elevators, modifying existing elevators and providing wheelchair lifts in areas where elevators are impractical.

Planning Funds Should be Allocated in Current Year. The Budget Act of 1980 provided \$125,000 for preparation of preliminary plans for projects to be included in the 1981-82 budget. This amount was based on the need to provide planning funds for projects with construction values totalling \$8 million. However, the budget for 1981-82 does not include new projects with a construction cost of this magnitude. Consequently, there are adequate funds available at this time to prepare preliminary plans for the proposed projects to remove architectural barriers to the handicapped. Allocation of these funds would accelerate completion of the project, and would provide additional cost information to the Legislature prior to hearings on the Budget Bill. Consequently, we recommend that the Chancellor's Office allocated a portion of the funds to prepare preliminary plans for these projects. Pending completion of the needed preliminary plans, we withhold recommendation on the proposed amounts for removal of architectural barriers to the handicapped.

D. Projects to Correct Code Deficiencies

A summary of the eight projects included in this category and our recommendation for each is provided in Table 4.

Hayward

We withhold recommendation Item 661-301-146(9), \$177,000 for working drawings and construction to modify the fine arts building to meet safety code requirements, pending receipt of additional information.

This project would modify the ventilation system in the fine arts building at Hayward State University to meet safety code requirements. At the present time the ventilation system is not capable of exhausting noxious fumes which are generated by activities in the fine arts program. The proposed project would revise and increase the exhaust rate of the existing ventilation system to correct this deficiency.

The work proposed in this project is warranted. The \$177,000 requested for working drawings and construction, however, is based on adequate information. This project was previously funded (\$114,000) for working drawings and construction in the Budget Act of 1979. The Office of State Architect (OSA), which was the architect for this project, initially prepared the 1979 estimate based on completed preliminary plans. After the working drawings were completed, the State Architect revised the cost estimate to \$373,200, an increase of 229 percent. Because available funds were inadequate to fund the work as designed by the OSA, the project has not proceeded and the previously appropriated funds have reverted. The Chancellor's Office indicates that a new consulting architect will be assigned to this project, and that many features included in the OSA's design will be deleted because they are not needed to meet code requirements. The Chancellor's Office indicate that the new preliminary plans for this project should be available prior to legislative hearings on the budget. Pending receipt of the revised plans, we withhold recommendation on Item 661-301-146(9).

San Francisco

We recommend approval of Item 661-301-146(10).

This request is for \$163,000 for construction to make improvements to the science building required by the State Fire Marshal. The project includes modifi-

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cation of the fire alarm system and ventilation system. The project also proposes installation of fire sprinklers in hazardous areas and improvement of the exiting system. Working drawings for the proposed modifications have been completed and the requested funds are based on the current estimate of costs. The proposed construction fund level is reasonable and we recommend approval.

Hayward

We recommend approval of Item 661-301-146(11), \$156,000 for construction funds for modifications to the administration building to meet safety code requirements.

The Hayward State University administration building is a multi-story structure 150 feet in height. It is therefore, subject to the State Fire Marshal's regulations governing "high-rise" buildings. The State Fire Marshal has surveyed the building and has identified several needed modifications including installation of fire communication systems and revision of the ventilation system. Planning funds for the proposed modification were appropriated in the Budget Act of 1980. The proposed project scope and estimated costs are reasonable, and we recommend approval of the proposed construction funds.

San Jose

We recommend approval of Item 661-301-146 (12), construction funds to modify existing elevators to meet safety code requirements.

This \$376,000 project will bring all elevators in state-funded buildings at this campus into compliance with elevator safety orders concerning seismic safety and fireman's services. The project would also modify the controls in these 19 elevators to meet handicapped access requirements.

Preliminary plans for this project have been completed and working drawings are currently underway. Thus, construction funds for the proposed elevator improvements will be needed in the 1981-82 fiscal year, and we recommend approval.

Long Beach

We recommend approval of Item 661-301-146(13), construction funds to modify the science building to meet safety code requirements.

The budget requests \$947,000 for construction of improvements to the science building at Long Beach. The proposed improvements are required by the Health and Safety Code, and include upgrading the heating and ventilation system with an energy efficient system, providing adequate air circulation capacity to exhaust toxic chemical fumes, and renovation of two organic chemistry laboratories. Preliminary plans for the proposed project have been completed, and working drawings are currently underway and should be completed prior to the end of the current fiscal year. The proposed construction amount and project scope is reasonable and we recommend approval of the requested funds.

Long Beach

We withhold recommendation on Item 661-301-146(14), working drawings and construction to modify elevators to meet safety code, pending receipt of additional information.

This \$172,000 project would modify 15 existing elevators to meet safety code requirements pertaining to seismic safety and firemen's service requirements. The elevators to be modified are located in 11 state funded buildings at this campus.

The proposed schedule for this project indicates that statewide funds are available in the current year for preparation of preliminary plans. The preliminary design will evaluate the particular improvements needed so that each elevator

complies with seismic code and fire emergency service requirements. The preliminary plans for this project should be available prior to legislative hearings on the budget. We withhold recommendation, pending review of the plans.

Fullerton

We recommend deletion of Item 661-301-146(15), working drawings and construction of modifications to the letters and science building, because less costly alternatives are available, a reduction of \$216,000.

This proposal is to modify the letters and science building to correct deficiencies noted in a recent survey by the State Fire Marshal. A major portion of the project involves the installation of doorways at the existing escalator lobbies on the first through third floors of the building. The project also proposes installation of fire sprinklers in hazardous areas, panic hardware on existing exists and installation of smoke detectors to actuate fire doors.

Our review of the State Fire Marshal's survey of this building indicate that there are less expensive means of modifying this building to meet the Fire Marshal's requirements. For example, the Fire Marshal recommends installation of doors to isolate the existing escalator lobby from the corridor system. The proposed project, however, includes installation of automatic closing fire doors at 20 locations, at a cost of over \$120,000. The State Fire Marshal's office has advised us that automatic doors are not required by code. Consequently, this project should be reduced in scope to include only those modifications noted by the Fire Marshal. Given the fact that a less costly alternative is feasible, funds should be allocated from the current year minor capital outlay appropriations on a priority basis to fund the proposed modifications. On this basis, we recommend deletion of the proposed funds for this project, a reduction of \$216,000.

Los Angeles

We withhold recommendation on Item 661-301-146(16), working drawings and construction to modify elevators to meet safety code, pending receipt of additional information.

This \$263,000 proposal would modify 26 existing elevators in the state-funded buildings at California State University, Los Angeles to meet safety code requirements. This project would be combined with a nonstate funded project to modify elevators at the university-student union facility.

The proposed modifications to elevators in state-owned facilities are needed to meet code requirements. The Chancellor's Office intends to allocate preliminary planning funds in the current year to develop additional cost information for the project. The completed preliminary plans should be available prior to legislative hearings on the budget. We, therefore, withhold recommendation on the proposed funds, pending receipt of the completed preliminary plans.

E. Equipment Projects

This category includes six projects to provide equipment for previously approved construction projects. A summary of the various projects and our recommendations for each are shown in Table 5.

With the exception of funds proposed for the conversion of the old library addition at San Diego State University, and for the Science Building at Humboldt State University the proposals represent a reasonable funding level for equipment necessary to make the new or converted facilities functional. The proposed amounts are within state cost guidelines for the various functions to be housed in the facilities. Our review of the individual equipment list indicates that the requested items are consistent with existing state policy guidelines, and we recommend approval of four projects at Long Beach, Los Angeles, Northridge and San Jose.

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Table 5
California State University and Colleges
Equipment Projects

<i>Item</i>	<i>Project Title</i>	<i>Campus</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Cost</i>
(17)	Science building	Humboldt	\$447,000	\$494,000	—
(18)	Music building	Long Beach	480,000	480,000	—
(19)	Computer facility	Los Angeles	20,000	20,000	—
(20)	Art and design center	Northridge	214,000	214,000	—
(21)	Conversion of old library addition	San Diego	407,200	256,700	—
(22)	Library	San Jose	939,500	939,500	—
	Totals		\$2,507,700	\$2,404,200	—

San Diego

We recommend Item 661-301-146(21), equipment for conversion of the old library addition, be reduced by \$150,500.

This item proposes equipment funds in the amount of \$407,200 to equip the recent conversion of the old library addition at San Diego State University. This project provided additional space for the Departments of Public Administration, Journalism, Recreation, Education, Family Studies/Consumer Sciences and Zoology.

Our review of the Chancellor's request indicates that the equipment funds for Family Studies/Consumer Sciences and for studies skill labs are excessive. In the case of Family Studies, the requested equipment is based on a cost guideline substantially in excess of the state-supported level for this discipline. Application of the state-supported guideline for the space being provided for this discipline results in a reduction of \$94,190 in the requested equipment funding. The campus also proposed \$101,460 to equip study skills labs included in the project. Again, the cost guideline used for equipping this area substantially exceeds the state guideline for education space. Application of the cost guideline in this instance results in a reduction of \$56,310 in equipment funding.

Based on the level of state support for equipping these two areas, the campus should reevaluate the requested equipment lists and reduce the total requests by \$150,500. (Our review of the list indicates that many items are not needed to make the building operable but are requested for purposes of program enhancement.) We, therefore, recommend that Item 661-301-146(21), be reduced to reflect state cost guidelines, for a reduction of \$150,500.

Humboldt

We recommend approval of Item 661-301-146(17), equipment for the Humboldt science building. Further, we recommend that prior to legislative hearings on the budget, the Department of Finance provide an explanation of how equipment needed for the new greenhouse will be acquired or otherwise funded.

The budget includes \$447,000 to equip the new science building at Humboldt State University. The proposed amount, however, does not include any funds to equip the new greenhouse included in this project. The CSUC submitted a list of equipment needed for the greenhouse totaling \$59,792.

Our analysis of the CSUC equipment request for this project indicates that \$47,000 of the \$59,792 requested to equip the greenhouse is needed to make this

facility operable. Given the fact that the Governor's Budget does not include *any* funds for equipping this portion of the project, we recommend that prior to legislative hearings on the budget, the Department of Finance explain how the needed equipment will be acquired or otherwise funded.

F. General Capital Improvement Projects

This category includes two projects for construction of two faculty office buildings. The two requests in this category and our recommendations for each are contained in Table 6.

Table 6
California State University and Colleges
General Campus Improvement Projects

<i>Item</i>	<i>Project Title</i>	<i>Phase^a</i>	<i>Campus</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Future Cost^b</i>
661-301-146						
(23)	Faculty office addition	c	Northridge	\$2,469,000	\$2,417,000	\$20,000
(24)	Faculty office building	c	Pomona	3,285,000	pending	26,000
	Totals			\$5,754,000	\$2,417,000	\$46,000

^a Phase symbol indicates: c—construction.

^b CSUC estimate.

Northridge

We recommend Item 661-301-146(23), construction funds for a faculty office addition, be reduced by \$52,000 by deleting unnecessary project elements.

This request is for \$2,469,000 for construction of a new faculty office building at the Northridge campus. The project will provide 100 faculty offices and associated space for department chairmen. The estimated total project cost for this facility, including previously appropriated funds and proposed funds for equipment, is \$2,703,000.

Preliminary plans for the proposed faculty office addition were recently completed and working drawings are underway. Our review of the preliminary plans indicate that the project includes several elements which are costly and not needed for this facility to function adequately. These elements and associated costs include:

- coating on the exterior walkways of the buildings (\$23,000).
- windows over a portion of the exterior facade. These windows would not penetrate into any occupied areas (\$24,000).
- ceramic patio tiles in the interior courtyard of the facility (\$5,000).

These elements are not essential for proper operation of this building and should be deleted from the project. We, therefore, recommend that Item 661-301-146(23) be reduced by \$52,000, for a revised total of \$2,417,000. This amount should be adequate for construction of the needed facility.

Pomona

We withhold recommendation on Item 661-301-146(24), construction of a new faculty office building, pending receipt of additional information.

This proposal is for \$3,285,000 for construction of a new faculty office building at the Pomona campus. The building will contain 120 faculty offices, 8 offices and associated space for department chairmen and office space for the EOP director and staff. The new facility will replace faculty and staff offices located in temporary trailers. The trailers were acquired in 1969-70 and will be removed upon completion of this project.

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Preliminary plans for the proposed new faculty office building were recently completed. However, the Chancellor's Office has not provided a detailed cost estimate to justify the proposed construction funds. The Chancellor's Office indicates that the cost estimate is being reevaluated in light of new information concerning the buildings structural requirements. Until the Chancellor's Office has completed this reevaluation, we withhold recommendation on the proposed construction funds for this project.

G. Energy Conservation Projects

This category includes seven projects from two funding sources—the Capital Outlay Fund for Public Higher Education and the Energy and Resources Fund. Table 7 summarizes the requests and our recommendations.

Table 7
California State University and Colleges
Energy Conservation Projects

*Capital Outlay Fund for Public
Higher Education (Item 661-301-
146):*

	<i>Project Title</i>	<i>Phase^a</i>	<i>Campus</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Cost^b</i>
(25)	Energy conservation retrofits	pwc	Statewide	\$1,201,550	\$1,201,550	—
(26)	Cogeneration plant.....	wc	San Diego	3,604,000	3,604,000	—
(27)	Energy management system	c	Northridge	361,000	335,000	—
(28)	Cogeneration plant.....	p	San Luis Obispo	58,000	—	\$3,192,000
(29)	Cogeneration plant.....	p	Northridge	55,000	—	2,941,000

*Energy and Resources Fund
(Item 661-301-188):*

(1)	Cogeneration plant.....	p	Pomona	137,000	—	unknown
(2)	Cogeneration plant.....	p	San Jose	70,000	—	unknown
				<u>\$5,486,550</u>	<u>\$5,140,550</u>	<u>\$6,133,000</u>

^a Phase symbols indicate: c—construction; p—preliminary planning; w—working drawings.

^b CSUC estimate.

Statewide

We recommend approval of Item 661-301-146 (25), preliminary plans, working drawings and construction of energy conservation retrofit.

This request is for \$1,201,550 for preliminary plans, working drawings and construction of 19 energy conservation projects at various campuses. The Chancellor's Office has evaluated and ranked these projects based on project cost, anticipated cost avoidance in the first year and the estimated "payback" period. These projects range in cost from \$9,600 to extend the Energy Management System at Fresno to the library building, to \$99,000 to extend an Energy Management System at San Diego State University to eight major buildings. All the projects have a payback period of less than five years. The estimated total cost avoidance in the first year after completion of the project is \$463,400. Based on our analysis of the CSUC information, we recommend approval of the requested amount. Further, we suggest that the CSUC expedite completion of these projects on a statewide basis so that the energy savings noted in the proposals can be realized at the earliest

possible date.

In addition to these projects, "quick-fix" energy conservation measures (projects not requiring detailed design) are proposed for funding in the CSUC support budget. Based on the anticipated savings of all proposed projects, and other conservation measures, the CSUC support budget request for 1981-82 utilities assumes (1) a 22.4 percent reduction in energy consumption compared to actual consumption in 1978-79, and (2) a 4.9 percent reduction compared to actual consumption in 1979-80. Clearly, the CSUC has demonstrated a substantial commitment to reducing energy consumption, and its effort in this area is commendable.

San Diego

We recommend approval of Item 661-301-146(26).

This \$3,604,000 request is for working drawings and construction for a cogeneration plant at San Diego State University. The proposed project would provide for installation of natural gas turbines to produce electricity for the campus. The waste heat from the turbines would be utilized to operate a chiller or boiler to provide for space conditioning of the campus facilities. The Chancellor's Office indicates that the cogeneration facility would produce 22 million kilowatt hours of electricity per year, which would provide essentially 100 percent of the campus requirement. Natural gas purchased to operate the cogeneration facility would be available at a reduced rate in accordance with recent California Public Utilities Commission rate decisions. Based on the anticipated capacity of the cogeneration facility, and the advantageous fuel supply pricing, this project will save \$1.7 million in fuel costs in the first year of operation. This savings equates to an approximate two-year payback for the estimated total project cost of \$3,771,000. This savings is based on *on-site usage* of all electricity generated by this cogeneration plant. It is not anticipated that electrical power will be sold to the utility company serving the campus.

Preliminary plans for the proposed cogeneration facilities were recently completed. The Chancellor's Office proposes that the project be implemented in two phases. The first phase, for which working drawings are currently being prepared, would provide for design of the major equipment components of the cogeneration plant. Phase II of the project would include construction of all ancillary and support facilities needed to make the cogeneration equipment operable. Working drawings for the phase II portion of the project would not commence until a construction contract has been awarded for the phase I equipment. In this way, the ancillary/support facilities can be designed to meet the specific requirements of the successful bidder on the cogeneration equipment portion.

Our analysis of the proposed project indicates that the campus will realize a substantial savings in utility costs by implementing this project. Furthermore, the proposed phasing of the equipment and support facilities requirements is advantageous to the state in allowing more flexibility to the equipment bidders and thus, improving bidding competition.

Based on the completed preliminary plans for this project and the estimated cost savings we recommend approval of the requested funds.

Northridge

We recommend that Item 661-301-146(27), construction funds for an energy management system, be reduced by \$26,000 by deleting excess funds for project contingencies.

The budget requests construction funds in the amount of \$361,000 for installation of a central computer control system to monitor and control major energy consumption on the Northridge campus. The project includes installation of control points in 13 major buildings. Upon implementation of the system the campus will

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be able to reduce energy consumption and manage the peak power demands that account for a major portion of electrical costs. The Chancellor's Office calculations indicate that the anticipated cost avoidance would be \$150,000 in the first year after installation is completed.

Based on the energy savings anticipated from this project, the estimated pay-back period is under three years. On this basis, we recommend that the project be approved. However, the amount requested in the budget includes an excessive amount for project contingencies. The budget includes \$41,000, or 13.6 percent of the estimated construction, to fund contingency expenses which may arise during the construction of the project. The usual state-supported level for contingencies is 5 percent of the estimated construct costs, which equates to \$15,000 for this project. Consequently, we recommend that this item be reduced by \$26,000, by deleting the excess funds for contingencies.

Cogeneration Facilities—San Luis Obispo, Northridge, Pomona and San Jose

We recommend deletion of Items 661-301-146(28) and (29) and Items 661-301-188(1) and (2), \$320,000 for planning cogeneration facilities at four campuses, because the projects would provide electrical energy substantially in excess of the campus' needs and because adequate information is not available to evaluate the projects.

In addition to the construction funds for cogeneration facilities at San Diego, the budget requests planning funds for installation of cogeneration facilities at four other campuses.

San Luis Obispo. This request is for \$58,000 from the Capital Outlay Fund for Public Higher Education (COFPE) to prepare preliminary plans for a cogeneration facility. The proposal includes installation of twin 3 megawatt generator units for generation of electricity and reuse of the waste heat for steam generation. The estimated total project cost is \$3,250,000, with the anticipated first year energy savings and utility credits amounting to \$1 million. The request is based on a feasibility study prepared by consulting engineers in February 1980.

Northridge. Preliminary planning funds in the amount of \$55,000 are proposed from the COFPE for installation of a 5 megawatt cogeneration facility at this campus. The estimated total project cost is \$3,024,000. The request is based on a preliminary study prepared by the campus. Various equipment configurations are being evaluated and it is not known at this time what the ultimate cost or configuration will be.

Pomona. The budget requests \$137,000 from the Energy and Resources Fund to prepare preliminary plans for cogeneration facilities at Pomona. We have not received any information delineating the basis of the requested funds, and the Department of Finance staff indicates that no information is available at this time. This project is *not* part of the capital outlay program for the 1981-82 fiscal year approved by the Board of Trustees.

San Jose. The budget includes \$70,000 for preliminary plans from the Energy and Resources Fund for cogeneration facilities at this campus. Project scope and cost information is not available, and this project is also not included in the Trustees' request.

Given the fact that no information has been provided in support of the requests for the projects at Pomona and San Jose, we recommend deletion of the proposed planning funds included in Item 661-301-188 from the Energy and Resources Fund.

Moreover, our analysis of the limited information available on the San Luis Obispo and Northridge projects indicates that the proposed generation capacity for these facilities will substantially exceed the campuses' electrical usage requirements. This is a substantial deviation from the project scope for the cogeneration

facility at San Diego, where the electrical generation capacity is closely aligned with on-site electrical requirements. The economic viability of these two projects is dependent upon the local utility company purchasing a substantial portion of the electricity generated. The electrical energy would be purchased at a rate substantially higher than the current utility rate schedule because the utility company would purchase this power on the basis of its "avoided cost"—the savings made possible by not having to construct new electrical generation capacity.

Approval of the proposed project would establish the state as an energy supplier to utility companies. In view of the fact that previously approved projects have been limited to on-site utilization of energy produced by cogeneration facilities, the Legislature should evaluate—through legislation other than the Budget Bill—the policy of the state becoming an energy supplier. Until the Legislature has evaluated this major policy, we do not recommend approval of the proposed projects at the scope currently proposed. We, therefore, recommend deletion of Item 661-301-146(28) and (29) a reduction of \$113,000.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—REAPPROPRIATIONS

Item 661-490 from the Capital
Outlay Fund for Public High-
er Education

Budget p. E 150

ANALYSIS AND RECOMMENDATIONS

Planning for Federal Energy Projects

We recommend approval.

This request is for reappropriation of \$25,000 provided in Item 561 (3), Budget Act of 1980, for preliminary plans for federal energy conservation project proposals. Budget Act language indicates that these funds shall be allocated by the Department of Finance only for specific proposals submitted by the Chancellor's Office for approval.

According to the Department of Finance, these funds will not be fully expended in the current year. Consequently, reappropriation of funds will allow the Chancellor's Office to submit additional proposals during the 1981-82 fiscal year for Department of Finance approval and allocation of planning funds. Such request will be dependent upon the availability of federal grant funds for energy conservation projects.

Approval of the requested appropriations will allow the CSUC to effectively pursue grant funding of energy proposals, and we recommend approval of this item.

CALIFORNIA STATE UNIVERSITY AND COLLEGES—REVERSIONS

Item 661-495 from the Capital
Outlay Fund for Public High-
er Education

Budget p. E150

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. Reversion of Previously Appropriated Funds. Withhold recommendation on Item 661-495, reversion of planning funds for previously approved projects, pending reevaluation of project scope and cost estimates by the CSUC.

1414

ANALYSIS AND RECOMMENDATIONS

Reversion of Previously Appropriated Funds

We withhold recommendation on Item 661-495, reversion of funds appropriated in the Budget Act of 1980 for four projects, pending reevaluation of the project scope and cost estimates by CSUC.

This item proposes that the unencumbered balance of four appropriations contained in the Budget Act of 1980 be reverted to the surplus of the Capital Outlay Fund for Public Higher Education. In essence, approval of the proposed reversions would prevent allocation of any additional funds towards planning of these projects.

According to the Department of Finance, the reversions are proposed because the most recent project scope and/or cost estimate provided by the Chancellor's Office substantially exceeds the level anticipated by the Legislature when planning funds were appropriated for these projects. Table 1 shows the funds appropriated for these projects and the original and revised future costs for construction.

Table 1
California State University and Colleges
Proposed Reversion of Previously Appropriated Funds
1981-82

<i>Item (Budget Act of 1980)</i>	<i>Project</i>	<i>Campus</i>	<i>Phase^a</i>	<i>Funds Appropriated</i>	<i>Original Estimated Future Cost^b</i>	<i>Revised Estimated Future Cost^c</i>
558(21)	Science building, conversion	San Francisco	pw	\$69,000	\$930,000	\$1,305,000
558(22)	Library conversion	San Luis Obispo	pw	100,000	1,372,000	2,100,000
558.1(16)	Marine Labora- tory I	Moss Landing	pw	130,000	2,356,000	2,655,000
558.1(17)	Relocate dairy unit	Fresno	pw	46,000	828,000	unknown
Totals				\$345,000	\$5,486,000	\$6,060,000

^a Phase symbols indicate: p—preliminary planning; w—working drawings.

^b CSUC estimate when preliminary planning and working drawing funds appropriated.

^c CSUC most recent estimate.

San Francisco—Convert Science Building. This project would modify 76,904 assignable square feet for nursing, anthropology, journalism, art and archeology.

The anticipated future costs for construction has increased \$375,000 (37.5 percent) since the time funds were appropriated for preliminary plans and working drawings for this project. The CSUC should reevaluate the proposed modifications to this facility and reduce the costs to within the level originally anticipated by the Legislature when planning funds were appropriated.

San Luis Obispo—Library Conversion. This project would modify 59,400 square feet of existing library space to provide a capacity of 201 laboratory FTE in architectural and environmental design and art. The project also includes 256 FTE lecture capacity and 68 faculty offices. The estimated future cost has increased by approximately 50 percent since approval of planning funds. This project should also be evaluated for potential costs reductions.

Moss Landing—Marine Laboratory, I. This project was originally approved to provide 19,625 assignable square feet of laboratory and support space for a capacity of 50 FTE at this field facility. The project anticipated remodeling of existing laboratory facilities, with construction of 2,800 square feet of new laboratories and approximately 5,000 square feet of new support facilities. The most recent information provided by the Chancellor's Office indicates that the project scope has changed, and that 6,450 assignable square feet of new laboratory facilities would be constructed and only 2,800 square feet of existing laboratories would be remodeled and retained. In addition, support facilities previously proposed for new construction have been deleted from the project.

We have not received adequate information to justify the proposed change in scope for this project. It is our understanding that the Chancellor's Office intends to provide additional information to support a change in scope to this previously approved project.

Fresno—Relocate Dairy Unit. This project, approved for planning funds in the Budget Act of 1980, includes construction of new dairy barns and milking facilities located some distance from the central campus, and it would allow abandonment of the similar dairy facility located adjacent to the academic campus. Chancellor's Office staff and campus personnel have indicated that the proposed project will not go forward in favor of the less expensive alternative of modifying the existing dairy unit to provide adequate facilities. Based on the decision to retain the dairy in its present location, the campus is developing a new program which will address the specific improvements needed and estimated costs of the alternate proposal. The revised proposal should result in significant cost savings over the original proposal to construct entirely new facilities at this campus. The campus administration should be commended on its efforts to reduce state costs related to improving this facility.

Given the fact that the campuses and the Chancellor's Office are currently reevaluating the cost and project scope of these four projects, we have no basis on which to recommend that previously appropriated planning funds be reverted at this time. Additional information on all of these projects should be available prior to budget hearings, and we withhold recommendations pending review of that information.

CALIFORNIA MARITIME ACADEMY

Item 686 from the General
Fund

Budget p. E 170

Requested 1981-82	\$3,284,392
Estimated 1980-81	3,180,364
Actual 1979-80	2,659,724
Requested increase (excluding amount for salary increases) \$104,028 (+3.3 percent)	
Total recommended reduction	\$72,174

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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- | | |
|--|------|
| 1. <i>Reimbursements. Reduce Item 686-001-001 by \$19,124.</i> Recommend increase in estimated reimbursements from tuition and fees, with a corresponding reduction in General Fund support. | 1417 |
| 2. <i>Nonresident Tuition. Reduce Item 686-001-001 by \$13,050.</i> Recommend 8.3 percent increase in out-of-state tuition. | 1417 |
| 3. <i>Radar System. Reduce Item 686-001-001 by \$40,000.</i> Recommend deletion of radar system from allowance for equipment purchases. | 1418 |
| 4. <i>Fuel Oil.</i> Recommend budget control language to reduce General Fund support by the amount of federal funds received for purchase of fuel oil. | 1418 |

GENERAL PROGRAM STATEMENT

The California Maritime Academy (CMA), located at Vallejo, was established in 1929 and is one of six institutions in the United States providing a program for students who seek to become licensed officers in the U.S. Merchant Marine. The four-year academic program includes three 10-week sea training periods, a two-week internship, and a final seminar to prepare for license board examinations. Students major in either Marine Engineering Technology or Nautical Industrial Technology.

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

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$3,284,392 from the General Fund for support of the Maritime Academy in 1981-82, which is an increase of \$104,028, or 3.3 percent, over estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The academy also receives federal funds and reimbursements for support of its activities. Table 1 presents a summary of expenditures and funding sources for the academy.

The budget proposes two new positions for support of the academy's Adult Education Maritime Program, at a cost of \$48,126. This will be funded entirely from reimbursements (fees) generated by expansion of the program.

Table 1
Maritime Academy Budget Summary

<i>Programs</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1979-80</i>	<i>1980-81</i>	<i>1981-82</i>	<i>Amount</i>	<i>Percent</i>
Instruction	\$1,216,494	\$1,389,061	\$1,476,747	\$87,686	6.3%
Academic Support	715,912	1,063,445	1,089,496	26,051	2.4
Student Services	1,377,752	1,493,831	1,512,691	18,860	1.3
Institutional Support	1,465,725	1,459,277	1,565,519	106,292	7.3
Totals	\$4,775,883	\$5,405,614	\$5,644,453	\$238,839	4.4%
General Fund	\$2,659,724	\$3,180,364	\$3,284,392	\$104,028	3.3%
Federal funds	845,194	857,035	857,035	—	—
Reimbursements	1,270,965	1,368,215	1,503,026	134,811	9.9
Personnel-years	120.2	129.1	131.1	2.0	1.6%

Increases in Student Fees

Because of increasing costs, the academy imposed student fee increases in 1980-81 and will raise fees again in 1981-82. Table 2 summarizes the changes in fees.

Table 2
Maritime Academy Student Fees*

<i>Fee</i>	<i>1979-80</i>	<i>1980-81</i>	<i>Increase</i>		<i>Increase</i>		<i>Percent</i>
			<i>Amount</i>	<i>Percent</i>	<i>1981-82</i>	<i>Amount</i>	
Tuition	\$645	\$645	—	—	\$645	—	—
Out-of-state tuition	1,290	2,100	\$810	62.8%	2,100	—	—
Room	705	795	90	12.8	900	\$105	13.2%
Board	1,395	1,605	210	15.1	1,680	75	4.7
Athletic	30	36	6	20.0	42	6	16.7
Medical	96	105	9	9.4	120	15	14.3

* Certain minor fees are excluded.

Reimbursements Underestimated

We recommend that reimbursements be increased by \$19,124, resulting in a corresponding General Fund savings of \$19,124. (Reduce Item 686-001-001 by \$19,124.)

The Governor's Budget assumes that the academy will receive \$1,306,891 in reimbursements from student tuition and fees. Based on more recent fee data supplied by the academy, however, we estimate that CMA will receive \$19,124 in excess of the budgeted amount. These funds can be used in lieu of General Fund support for the academy. Consequently, we recommend that reimbursements be increased by \$19,124 and that General Fund expenditures be reduced by a corresponding amount. Total budgeted expenditures for the academy would not be affected by this change in funding source.

Nonresident Tuition

We recommend that out-of-state tuition be increased by 8.3 percent, to be commensurate with the increase proposed for CSUC, for a General Fund savings of \$13,050. (Reduce Item 686-001-001 by \$13,050.)

As Table 1 indicates, the Board of Governors increased out-of-state tuition to \$2,100 in 1980-81. According to the academy, this figure was based on the out-of-state tuition established in 1980-81 at the California State University and Colleges (CSUC), less a minor adjustment for federal subsidies.

The Trustees of CSUC have proposed an increase of 8.3 percent for out-of-state tuition in 1981-82. Consequently, we recommend that the academy follow the policy it established in 1980-81 by implementing the same percentage increase adopted in CSUC. This would increase reimbursements by an estimated \$13,050, allowing a corresponding reduction in General Fund support.

CALIFORNIA MARITIME ACADEMY—Continued**Radar System**

We recommend that a radar system (automatic relative motion analyzer) be deleted from the academy's schedule of equipment purchases, for a General Fund savings of \$40,000. (Reduce Item 686-001-001 by \$40,000.)

In a budget change proposal, the academy requested \$40,000 for purchase of an automatic relative motion analyzer. This equipment works in conjunction with a radar unit to assist in collision avoidance. It would be interfaced with the academy's radar simulator for classroom instruction.

This request was disapproved by the Department of Finance. The academy, however, subsequently included the radar system in its schedule of equipment purchases for 1981-82.

Our analysis indicates that the simulator is not needed, and we recommend that the system be deleted for the following reasons:

- The academy's training ship is equipped with a relative motion analyzer, which is utilized by the students during the annual cruise.
- Simulation-based instruction can be provided by linking the shipboard system to the academy's radar simulator. This could be accomplished with existing budget resources.

Federal Funds for Fuel Oil

We recommend budget control language to provide that General Fund support for the academy be reduced by the amount of federal funds received for purchase of fuel oil, for an estimated savings of \$170,000.

The Governor's Budget includes \$357,787 from the General Fund for the purchase of fuel oil for the academy's annual training cruise in 1981-82. No provision is made for federal funds which might become available to offset the General Fund monies. Congress, however, appropriated \$850,000 to reimburse five maritime academies, including CMA, for the purchase of fuel oil in 1981-82.

If the funds are distributed equally to the five eligible institutions, as estimated by the academy, CMA will receive \$170,000. The amount actually allocated, however, will not be known until the latter part of 1981-82. Rather than reduce budgeted operating expenses, we recommend control language to provide that the Department of Finance reduce General Fund support upon receipt of the federal funds.

CALIFORNIA MARITIME ACADEMY—CAPITAL OUTLAY

Item 686-301 from the Capital
Outlay Fund for Public High-
er Education

Budget p. E 174

Requested 1981-82	\$277,500
Recommended reduction	277,500

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. *Wind Generator. Reduce by \$277,500.* Recommend deletion of funds for wind turbine electric power generator. 1419

ANALYSIS AND RECOMMENDATIONS

Wind Turbine Electric Power Generator

We recommend Item 686-301-146(1), preliminary plans, working drawings and construction for a wind turbine electric power generator for the California Maritime Academy at Vallejo, be deleted, for a savings of \$277,500.

The budget requests \$277,500 for preliminary plans, working drawings and construction for a wind turbine electric power generator for the California Maritime Academy at Vallejo. The requested amount is *not* based on engineering design and specifications. Thus, the adequacy of the requested funds is not substantiated. The proposed project includes construction of a vertical axis wind turbine and a 300 kilowatt electrical generator. The academy indicates that installation of the proposed system would provide on-site generation of approximately 680,000 kilowatt hours of electricity per year. Based on current costs of electricity, the proposed project would save approximately \$28,000 per year in electricity purchased from the utility. The academy does not indicate what the current demand is for electricity at the academy. It anticipates, however, that the excess electrical power generated by the facility would be purchased by the serving utility.

Our analysis indicates that this energy conservation project has a "net discounted payback period" of approximately 10 years, based on information provided by the academy. The CMA, however, does not indicate the amount of funds which will be needed to maintain this facility over its useful life. It is apparent that the electrical generators will require periodic maintenance, and when these additional costs are identified, the payback period will be extended beyond 10 years. In our evaluation of other energy conservation projects proposed in the budget, we have recommended that projects be approved with a net discounted payback period of between five years and seven years. Consequently, the proposed project at CMA is not economically justified in relationship to other energy conservation projects being proposed in the budget, and we recommend deletion of this item.

BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES

Item 687 from the General
Fund

Budget p. E 175

Requested 1981-82	\$972,817,014
Estimated 1980-81	1,089,231,370
Actual 1979-80	1,000,486,844
Requested decrease (excluding amount for salary increases) \$116,414,356 (-10.7 percent)	
Total recommended reduction	\$8,317,467

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
687-001-001—Board Support		General	\$3,510,268
687-001-165—Community College Credentials		Credentials	591,091
687-001-001—Local Assistance		General	965,535,655
687-101-146—Deferred Maintenance		COPPHE	3,180,000
Total			\$972,817,014

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Apportionment Funding. Recommend Department of Finance explain the (1) assumptions used to develop the community college apportionment estimate and (2) what alternatives must be pursued if the assumptions underlying the budget estimates prove to be invalid. 1427
2. Reporting Property Taxes. Recommend enactment of legislation requiring county auditors to report and to certify property tax data to the Chancellor's Office. 1430
3. Reporting Equalization Data. Recommend the Chancellor's Office report the average costs per noncredit ADA and credit ADA in those community colleges which conduct extensive adult education/noncredit programs. 1430
4. EOPS. Recommend the Department of Finance explain (1) the impact of the budget on EOPS program support and (2) how the Chancellor's Office should adjust the distribution of funds to conform to the budget. 1432
5. *Deferred Maintenance. Reduce Item 687-101-146 by \$3,180,000 and Item 687-101-001 by \$5,000,000.* Recommend that funds appropriated from the General Fund and the Capital Outlay Fund for Public Higher Education for community college deferred maintenance be eliminated because the program has not been justified. 1433
6. Energy Specialist. Recommend that one specialist position to develop alternative education programs be approved on a limited-term basis. 1435
7. *Vocational Education Compliance. Reduce Item 687-001-001 by \$26,255 and federal funds by \$26,255.* Recommend elimination of two positions to conduct vocational education compliance activities because existing staff can undertake these activities. 1436
8. *Labor Market Analysis. Reduce Item 687-001-001 and reimburse-* 1437

- ments by \$24,398.* Recommend elimination of one staff services analyst position to conduct labor market analysis that will be performed by other agencies.
9. *Technical Adjustments. Reduce Item 687-001-001 and vocational education reimbursements by \$21,200, indirect costs by \$17,120 and Item 687-001-001 by \$5,200.* Recommend elimination of unjustified clerical support, operating expenses, and equipment expenditures. 1437
10. *Credentials Backlog. Reduce Item 687-001-165 by \$106,012.* Recommend elimination of six positions requested to reduce the backlog of credentials applications in absence of any finding that the backlog will adversely affect the hiring procedures of districts or applicants. 1440

GENERAL PROGRAM STATEMENT

The Board of Governors of the California Community Colleges is composed of 15 members appointed by the Governor for four-year terms.

The board serves primarily as a planning, coordinating, reporting, advising, and regulating agency for California's 70 public community college districts. The locally elected boards of the districts are directly responsible for the operation of 106 colleges.

Community colleges are limited to lower division (freshman and sophomore) undergraduate study in the liberal arts and sciences. These colleges, however, have substantial occupational, adult, and community service course offerings. They are authorized to grant associate in arts and associate in sciences degrees, in addition to numerous occupational certificates and credentials. Any high school graduate or citizen over 18 years old may attend.

The Chancellor's Office is the administrative arm of the Board of Governors, and assists the board in implementing its statutory duties.

Budget Presentation

Our analysis of the Community College budget is organized into two major functions: local assistance and state operations. The major divisions within the functions are as follows:

1. Local Assistance
 - A. Apportionments
 - B. Categorical Aids
2. State Operations
 - A. Executive
 - B. Programs and Operations

ANALYSIS AND RECOMMENDATIONS

The budget proposes support for state community colleges totaling \$979,009,517 in 1981-82—\$969,045,923 from the General Fund, \$591,091 from the Community Colleges Credential Fund, \$3,180,000 from the Capital Outlay Fund for Public Higher Education (COFPE), and \$6,192,503 in special funds and reimbursements. This is a \$114,738,284 (10.5 percent) decrease in state support, compared to estimated current-year expenditures. This reduction in state support, however, does not signify a corresponding reduction in total support for community colleges. As we discuss in the apportionments section of this analysis, the Governor's Budget proposes that increased reliance be placed on property tax revenues for support of community colleges, which will cause a corresponding reduction in General Fund support. The budget does not include cost-of-living adjustments for local assistance programs and salaries.

BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—Continued

The proposed level of General Fund support, \$969,045,923, is \$119,768,272 (11 percent) less than estimated current-year expenditures. The decrease mainly reflects (1) a \$124,711,200 decrease in apportionments and (2) a \$5,000,000 increase for community college deferred maintenance needs.

Table 1 shows the amount of state support for community colleges proposed in the budget year.

Table 1
Board of Governors of the California Community Colleges
State Support

	<i>Actual</i> 1979-80	<i>Estimated</i> 1980-81	<i>Proposed</i> 1981-82	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Local Assistance					
A. Apportionments.....	\$960,200,000	\$1,004,001,000	\$919,289,800	-\$124,711,200	-11.9%
B. Categorical Aids					
1. EOPS	20,472,092	23,196,080	23,196,080	-	-
2. Handicapped Students	15,800,000	17,222,000	17,222,000	-	-
3. Academic Senate	-	67,775	67,775	-	-
4. Instructional Improvement	676,749	760,000	760,000	-	-
5. Student Affirmative Action	-	222,000	-	-222,000	-100.0
6. Voc. Ed. Special Projects	-	2,400,000	4,000,000	1,600,000	66.7
7. Deferred Maintenance & Special Repairs	-	-	8,180,000	8,180,000	-
Subtotals.....	\$997,148,841	\$1,087,868,855	\$972,715,655	-\$115,220,975	-10.6%
2. State Operations					
A. Executive					
1. Board of Governors	\$116,250	\$116,655	\$121,717	\$5,062	4.3%
2. Executive Office	376,843	511,650	525,160	13,510	2.6
3. Analytical Studies	574,140	729,396	757,240	27,844	3.8
4. Legislative & Public Affairs	112,916	140,501	146,863	6,362	4.5
Subtotals.....	\$1,180,149	\$1,498,202	\$1,550,980	\$52,778	3.5%
B. Programs & Operations					
1. Innovative Programs	\$118,572	\$85,960	\$87,950	\$1,990	2.3%
2. Program Evaluation & Approval	893,740	947,270	1,042,991	95,721	10.1
3. College Services	950,484	644,742	671,016	26,274	4.1
4. Special Funded Programs.....	-	386,078	396,137	10,059	2.6
5. Facilities Planning	474,597	606,990	626,694	19,704	3.2
6. Dist. Comp. & Affirmative Action	59,598	77,858	79,114	1,256	1.6
7. Fiscal Services	363,313	475,381	495,001	19,620	4.1
8. Budget & Accounting	120,022	171,849	174,122	2,273	1.3
9. Administrative Services	319,889	397,273	439,223	41,950	10.6
10. Credentials	395,745	462,529	591,091	128,562	27.8

11. Vocational Education	(1,222,391)	(1,581,063)	(1,642,661)	(61,598)	(3.9)
12. Human Resources & Job Development	90,202	124,814	139,543	14,729	11.8
Subtotals	\$3,786,162	\$4,380,744	\$4,742,882	\$362,138	8.3%
Totals, State Operations	\$4,966,311	\$5,878,946	\$6,293,862	\$414,916	7.1%
Grand Totals, State	\$1,002,115,152	\$1,093,747,801	\$979,009,517	-\$114,738,284	-10.5%
General Fund	\$1,000,095,571	\$1,088,814,195	\$969,045,923	-\$119,768,272	-11.0%
CC Credentials Fund	391,273	417,175	591,091	173,916	41.7
CC Fund for Instructional Improvement	-71,915	6,336	6,379	43	0.7
Special Deposit Fund (Real Estate)	106,999	100,000	100,539	539	0.5
Capital Outlay Fund for Public Higher Education	-	-	3,180,000	3,180,000	-
Reimbursements	1,593,224	4,410,095	6,085,585	1,675,490	38.0

Table 2 shows total support for community colleges from all funds.

Total support for community colleges from all funding sources is estimated to be approximately \$1,706.7 million in 1981-82, a 1.4 percent increase over the current year. Of this amount, 57 percent would come from the state, 30 percent would come from local sources, 7 percent would come from federal sources, and 6 percent would come from miscellaneous sources.

Table 2
Total Support for Community Colleges From All Sources
(in millions)

	Actual 1979-80	Estimated 1980-81	Proposed 1981-82	Change		Percent of Total
				Amount	Percent	
1. State						
A. Board of Governors	\$4.9	\$5.9	\$6.3	\$0.4	7.1%	
B. Categorical Programs						
1. Instructional Improvement	0.7	0.8	0.8	—	—	
2. Vocational Education Special Projects	—	2.4	4.0	1.6	66.7	
3. EOPS	20.5	23.2	23.2	—	—	
4. Student Affirmative Action	—	0.2	—	-0.2	-100.0	
5. Handicapped Students	15.8	17.2	17.2	—	—	
6. Deferred Maintenance and Special Repairs	—	—	3.2	3.2	—	
C. Apportionments	960.2	1,044.0 ^a	919.3	-124.7	-11.9	
Subtotals (State)	\$1,002.1	\$1,093.7	\$979.0	-\$114.7	-10.5%	57.4%
2. Local						
A. Property Taxes ^b	\$295.0	\$345.0	\$482.8	\$137.8	39.9%	
B. Nonresident Tuition	22.6	25.0	25.0	—	—	
Subtotals (Local)	\$317.6	\$370.0	\$507.8	\$137.8	37.2%	29.7
3. Federal	\$116.5	\$116.5	\$116.5	—	—	6.8
4. Other	103.6	103.4	103.4	—	—	6.1
TOTALS	\$1,539.8	\$1,683.6	\$1,706.7	\$23.1	1.4%	100.0%

^a Includes Apprenticeship Allowance for related and supplemental instruction.

^b Includes debt service and property tax subventions.

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—
Continued**

The changes in total expenditures between 1980-81 and 1981-82 are shown in Table 3.

**Table 3
Board of Governors of the California Community Colleges
Proposed 1981-82 Support Changes**

1. Local Assistance		
1980-81 Current Year Revised		\$1,677,768,855
A. Baseline Adjustments		
1. Apportionments	\$13,088,800	
2. Inflation	-0-	
Subtotal		13,088,800
B. Program Change Proposals		
1. Deferred maintenance		
a. General Fund	\$5,000,000	
b. COFPHE	3,180,000	
2. Student affirmative action	-222,000	
3. Vocational education special projects	1,600,000	
Subtotal		9,558,000
1981-82 Local Assistance		\$1,700,415,655
2. State Operations		
1980-81 Current Year Revised		\$5,878,946
A. Baseline Changes		
1. Personal services		
a. Merit increases	\$8,125	
b. Workload adjustments	94,363	
c. Staff benefits	13,883	
2. Operating expenses/equipment	187,276	
3. Real estate education	539	
Subtotal		304,186
B. Budget Change Proposals		
1. Vocational education compliance	\$15,501	
2. Alternative energy network	16,734	
3. Credentials backlog reduction	56,934	
4. Vocational education contract administration	21,561	
Subtotal		110,730
1981-82 State Operations		\$6,293,862
1981-82 Total Budget		\$1,706,709,517
Total Change		\$23,061,716
<i>General Fund</i>		<i>-\$119,768,272</i>
<i>Other state funds</i>		<i>3,354,498</i>
<i>Local funds</i>		<i>137,800,000</i>
<i>Reimbursements</i>		<i>1,675,490</i>

Community College Enrollment/ADA

The Chancellor's Office estimates that 1.35 million adults will attend community colleges in the current year. This converts to an ADA of 714,300, an increase of 44,185 (6.6 percent) over actual ADA in 1979-80. The Department of Finance assumes there will be sufficient funds to allow ADA to increase by 18,100 (2.5 percent) in the budget year. Table 4 shows student enrollment and ADA in community colleges for the past eight years.

Table 4
Student Enrollment and ADA in Community Colleges

	<i>Total Enrollment</i>	<i>Full-Credit Students</i>		<i>Noncredit Students</i>	<i>Total ADA</i>	<i>Percent ADA Increase</i>
		<i>Full-Time</i>	<i>Full-Time</i>			
1973-74	1,010,823	306,070	546,747	158,006	609,459	—
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	768,902	10.6
1976-77	1,257,754	328,104	746,554	183,085	721,209	-6.6
1977-78	1,321,739	316,206	801,784	203,749	717,481	-0.5
1978-79	1,159,819	285,130	763,626	111,063	635,112	-13.0
1979-80	1,248,459	282,765	817,916	147,778	670,115	5.5
1980-81 (Estimated) ..	1,397,356	N/A	N/A	N/A	714,300	6.6
1981-82 (Proposed)	1,432,653 ^a	N/A	N/A	N/A	732,400 ^b	2.5

^a Assumes the enrollments will increase at the same rate as ADA.

^b Estimate from the Department of Finance.

Source: Chancellor's Office.

I. LOCAL ASSISTANCE

Local assistance has two components: community college apportionments and categorical aids. Categorical aid programs include the Extended Opportunities Program and Services (EOPS), handicapped student apportionments, and deferred maintenance/special repairs.

The budget proposes a \$115,220,975 (10.6 percent) decrease in local assistance funding (see Table 1). The major funding changes include (1) a \$124.7 million reduction in state apportionments and (2) an \$8.2 million increase for deferred maintenance and special repairs.

A. COMMUNITY COLLEGE APPORTIONMENTS

Overview

Chapter 282, Statutes of 1979 (AB 8), established the 1979-80 and 1980-81 community college apportionment process. The bill provides fixed appropriations for both years and will terminate at the end of 1980-81. Consequently, new community college finance legislation will be required for 1981-82.

Table 5 shows the level of funding proposed in the Governor's Budget for community college apportionments and support per ADA, in the past, current, and budget years.

Table 5
Community College Apportionments
(in millions)

	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
State					
Regular Apportionments	\$960.2	\$1,044.0 ^a	\$919.3	-\$124.7	-11.9%
Per ADA	(\$1,433)	(\$1,462)	(\$1,255)	(-\$207)	(-14.1%)
Local					
Property Taxes	\$268.0	\$318.0	\$455.8 ^b	\$137.8	43.3%
Totals	\$1,228.2	\$1,362.0	\$1,375.1	\$13.1	0.9%
Per ADA	(\$1,833)	(\$1,907)	(\$1,877) ^c	(-\$30.0)	(-1.6%)

^a Includes Apprenticeship Allowance for related and supplemental instruction.

^b Based on projection by Department of Finance.

^c Based on ADA of 732,400 projected by Department of Finance.

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The budget proposes to reserve \$919.3 million to fund a new community college finance mechanism which will be enacted during the 1981 legislative session. This estimate assumes that (1) additional legislation is enacted to shift property taxes from local governments to K-14 schools and (2) no cost-of-living increases will be granted. In addition, the budget arbitrarily reduces the amount of General Fund support for community colleges by \$10 million from the current year level.

If the proposed adjustments are made, the per-ADA support for community colleges will *decrease* by \$30, from \$1,907 to \$1,877 (1.6 percent).

1. Redistribution of Property Taxes

In addition to whatever new community college finance measure is enacted, the administration's proposed reallocation of property tax revenues among local government agencies will also affect community college districts. Specifically, the Governor's Budget proposes (1) to shift property tax revenues from cities, counties, and special districts K-14 schools and (2) allocate the schools' share of the 1978-79 unsecured property tax revenues back to schools.

Table 6 shows (1) the additional property tax revenues community colleges could receive as a result of the administration's proposals and (2) the level of property tax revenues that community colleges could receive at varying rates of assessed value growth. (The budget assumes assessed values (AV) will increase by 13.2 percent in 1981-82.) This increase in property taxes does not provide additional total revenue to community college districts. The budget assumes the increase in property taxes will result in a corresponding reduction in General Fund support.

Table 6
Property Tax Revenues
Community Colleges
1981-82
(in millions)

	<i>Assumed Growth in Assessed Value</i>		
	<i>12 Percent</i>	<i>13.2 Percent</i>	<i>14 Percent</i>
Current Law ^a	\$355.0	\$359.0	\$361.0
Tax Shift from Local Agencies ^b	58.8	58.8	58.8
1978-79 Unsecured Levies ^{c,d}	38.0	38.0	38.0
Totals	\$451.8	\$455.8	\$457.8

^a Includes reimbursement for Homeowner's and Business Inventory Exemptions under current law; excludes debt service.

^b Assumes distribution of tax shift between K-12 and community colleges in proportion to existing property tax revenues.

^c Actual collections in 22 counties based on Controller's data and potential collections in 36 counties, based on Board of Equalization data.

^d These property taxes do not provide additional revenues to districts. The increase in these revenues are offset by savings to the General Fund.

(a) **Property Tax Shifts.** AB 8 enacted a fiscal relief program to replace property tax revenues lost by local agencies as a result of the passage of Proposition 13. One of the major provisions in AB 8 shifted a portion of property tax revenues from schools to cities, counties, and special districts and replaced these revenues with state aid from the General Fund.

For 1981-82, the budget proposes that \$420 million in property taxes be shifted from local governments back to K-14 schools. The additional funds shifted back to schools would come from local governments in the same proportions that these agencies received property taxes from K-14 schools as a result of AB 8. For commu-

nity colleges, this shift would provide an additional \$58.8 million in property tax revenues during 1981-82. The administration's proposal would have to be implemented through legislation.

(b) *Unsecured Property Tax Revenues.* In August 1980, the state Supreme Court determined that the property tax limitations specified in Article XIII A (Proposition 13) of the state Constitution did not apply to the unsecured property tax roll for the 1978-79 year. Instead, the court ruled that the Constitution requires the use of the *prior year's* (in this case, 1977-78) secured property tax rate to compute levies on property listed on the unsecured roll.

In response to this action, the Legislature enacted Chapter 1354, Statutes of 1980 (AB 2196), which in essence imposed a freeze on the collection and expenditure of revenues affected by the decision until the 1981-82 fiscal year. Specifically, the act (1) prevents counties which had levied and collected the tax using the 1977-78 secured tax rates from allocating these funds for expenditures during the 1980-81 year and (2) prevents counties which taxed property on the unsecured roll using the lower tax rate specified in Article XIII A from making any further tax collections based on the 1977-78 secured tax rate, until June 30, 1981.

Twenty-two of the 58 counties have already levied and collected the 1977-78 tax on unsecured property using the higher prior-year tax rate. The budget assumes the court decision will result in an additional \$500 million in unsecured property tax revenues. Based on *actual* collections data from the Controller and Board of Equalization estimates of additional uncollected levies, we estimate that there is approximately \$540 million available in total collections. For community colleges, approximately \$38 million is potentially available: \$27 million collected by the 22 counties and \$11 million as yet uncollected by the other 36 counties.

(c) *Impact on Community Colleges.* Because the statutory authority for financing the community colleges expires in June 1981, it is not clear how the tax shift and the budget proposal for using the additional revenue resulting from the unsecured roll decision would affect the districts. The impact of the administration's proposal would depend on the specific provisions of new community college finance legislation. Specifically, it would depend on whether:

- the Legislature enacts the administration's proposal,
- the Legislature allows local agencies to keep the unsecured property tax collections,
- the base year utilized to calculate funding for community colleges includes the unsecured property tax revenues, and
- the property tax revenue increases are used either to offset state aid to the community colleges or to allow districts to fund increases in ADA.

2. Community College Finance Funding Proposal

We recommend that the Department of Finance explain (1) the assumptions used to develop the community college apportionment estimate in the budget and (2) what alternatives must be pursued if the assumptions underlying the budget estimates prove to be invalid.

As mentioned above, the budget proposes to reserve \$919.3 million from the General Fund for community college finance legislation to be enacted during the 1981 legislative session. Our analysis indicates that these funds may not be sufficient to fund new legislation. Specifically, we are concerned that:

- The administration's funding proposal appears to limit the Legislature to three choices:
 - (1) provide funding to the community colleges for a 2.5 percent increase in ADA funding, but do so at a lower rate per ADA,
 - (2) fund approximately a 1.4 percent growth in ADA at the AB 8 incremental cost rate, or
 - (3) fund cost-of-living increases by funding fewer ADA.

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- The budget assumes enactment of legislation which would shift property taxes from local governments to K-14 schools. We are concerned that if legislation is not enacted, the community colleges may have to make major reductions in programs.
- The budget does not describe what the effect will be of the proposed \$10 million reduction in apportionment funding "to accommodate current fiscal constraints."

So that the Legislature can have a better basis for acting on the proposed budget for 1981-82, we recommend that the Department of Finance explain to the Legislature (1) the assumptions and rationale underlying the community college support estimate and (2) what actions should be taken by community colleges if legislation shifting property taxes is not enacted.

3. New Finance Legislation

Our review of the current community college finance mechanism indicates that the Legislature should consider the following matters in enacting a new funding mechanism:

(a) *Free Flow for Students Between Districts.* Community college district boundaries continue to block student access to higher education. This is especially true in the case of some students who wish to (1) attend the nearest college, (2) enroll in programs not offered by their district, or (3) take courses near their place of employment. Our analysis of community college finance indicates that on a fiscal basis, free flow of students between districts is appropriate and desirable. In providing for free flow, however, special consideration should be given to low-spending districts that might have difficulties attracting students due to previous funding inequities.

(b) *Equalization of Revenue Per ADA.* AB 8 provided for adjustments in state aid designed to help equalize total revenue per ADA among districts. Any new long-term finance legislation should increase efforts toward the equalization of expenditure differences that are wealth related.

(c) *Marginal Cost Funding for ADA Changes.* the marginal/incremental cost concept in AB 8 discouraged unwarranted ADA growth while at the same time providing a cushion for districts with declining enrollments. The concept underlying this mechanism has general acceptance; however, it has not been established whether the current marginal cost provisions reflect actual college costs.

(d) *Annual Budget Act Appropriations.* AB 8 continued the traditional apportionment system whereby the amount of state aid to community college districts is determined statutorily, outside of the budget process. Annual Budget Act appropriations for community colleges would allow the Legislature to allocate funds, based on available resources and relative need, to all public segments of post-secondary education.

(e) *Inflation Adjustments.* To promote legislative flexibility and control, cost-of-living adjustments should be funded through the budget rather than by statute. This would be consistent with funding the apportionments through the Budget Act.

(f) *Child Care Funding.* The 1980 Budget Act transferred \$7.7 million in child care funds from the community college apportionments for disbursement to community colleges by the Department of Education's Office of Child Development. The Legislature made this transfer for two reasons: (1) to assure that the funds would be used for child care programs and (2) to provide that the child care programs would be administered by one state agency. Consistent with these objec-

tives, we recommend that the new finance plan permanently transfer the child care funding from community college apportionments to the Department of Education's Office of Child Development for disbursement to the colleges.

(g) **Base Year to Calculate Funding Estimates.** The costs of a new community college finance plan will depend upon the base year used to calculate funding. Assuming the Legislature continues funding on a per-ADA basis (we recommend that it do so), the costs of new legislation would be higher if based on those years in which ADA was largest. Table 7 shows that (1) ADA has been increasing annually since the passage of Proposition 13 (1978-79) and (2) estimated 1980-81 ADA is approximately 3,000 less than 1977-78 (pre-Proposition 13) ADA.

Table 7
Average Daily Attendance

	ADA	Percent Change
1977-78.....	717,481	—
1978-79.....	635,112	-13.0%
1979-80.....	670,115	5.5
1980-81 (estimated).....	714,300	6.6
1981-82 (proposed).....	732,400	2.5

(h) **The Level of Growth.** Another factor which will affect the cost of new legislation is the extent to which community colleges will be allowed funds for program expansion. Because the community colleges have the unique ability to manage their level of course offerings and, consequently, their ADA, the Legislature may wish to consider a limit on the level of allowable funded ADA growth.

(i) **Property Tax Revenues.** An important factor in new finance legislation will be the allocation of additional property tax revenues which result when assessed values are higher than estimated in the budget act (or statute). If the excess revenues are allocated to the state, a net savings in state General Fund apportionments results. If the excess revenues are allocated to community college districts, as is the case in current law, the districts would be able to use the funds for program expansion. The Legislature may want to consider dividing property tax revenue in excess of the estimate between the state and the districts.

(j) **Large District Aid.** AB 8 established a special aid provision for four large community college districts. The legislation contained a \$2,290,000 appropriation for this aid which is continued in the 1980-81 district funding base. Table 8 shows the districts and the amount of aid for 1979-80.

Table 8
Large District Aid *
(1979-80)

District	Amount
Coast Community College District	\$440,509
Los Angeles Community College District	1,010,457
San Diego Community College District	450,280
San Francisco Community College District.....	388,754
Total	\$2,290,000

* A 2.7 percent deficit was applied against 1979-80 claims.

Last year in our *Analysis*, we stated that we saw no analytical basis for providing this additional aid. In addition, we noted that providing this aid tends to counteract attempts to equalize revenue per ADA. Subsequently, the Legislature adopted language in the Supplemental Report to the 1980 Budget Act requiring the Chancellor's Office to review the rationale for providing additional state aid to commu-

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nity college districts based on size. The report was to be submitted to the budget committees by January 1, 1981. The Chancellor's Office indicates that the study will be delivered sometime in February. We will be prepared to comment on the report during budget hearings.

(k) *Prorating the Apportionments.* Under the provisions of AB 8, there exists a fixed appropriation, but no control on the amounts of ADA that may be claimed by districts. When the ADA generated by districts exceeds the funds available, the excess ADA claimed is prorated among all districts. Consequently, if the total statewide ADA claimed exceeds the appropriation and if a district claims the same level of ADA as in the prior year, it could potentially lose a portion of its state funds. Conversely, those districts which experienced increases in ADA will receive additional state funds. This funding process creates an incentive for districts to increase ADA to maintain their revenue base.

From the state's viewpoint, this creates a moral hazard where the state rewards districts which claim excess ADA and punishes those districts which do not attempt to generate excess growth. This deficiency in AB 8 should be corrected in new finance legislation by prorating only those districts which claim increased ADA.

4. Other Matters

Finally, we believe that legislative attention should be given to the areas of property tax reporting, ADA reporting, and funding of noncredit courses.

District Property Tax Reports Not Accurate

We recommend that legislation be enacted requiring county auditors to report and to certify data to the Chancellor's Office on the amount of property tax revenues available to community college districts.

Chapter 1354, Statutes of 1980 (AB 2196), requires county auditors to provide to the Superintendent of Public Instruction, by specified dates, data on the amount of property tax revenues available for each school district in the county. This was done to enable the Department of Education to obtain better property tax data upon which to calculate the amount of state aid which would be required to fund school districts for the current year.

The Chancellor's Office has experienced similar difficulty in obtaining accurate property tax data from the community college districts. Specifically, although the Board of Equalization had reported that property tax levies increased by 17.8 percent in 1980-81, the districts reported an 8 percent increase. To assure that the Chancellor's Office has accurate estimates of district property tax revenues, we recommend that the provisions of AB 2196 be extended so that the same type of information is provided to the Chancellor's Office as is now provided to the Department of Education.

Reporting Finance Equalization Data

We recommend the Chancellor's Office report to the budget subcommittees by March 16, 1981, on the average costs per ADA (1) in adult education noncredit programs and (2) in credit programs, for all districts which report more than 10 percent of their ADA in adult education noncredit programs.

The Chancellor's Office has established a finance project to assist in the development of community college finance legislation for the 1981 session. The project staff has published a number of working papers and draft reports during the current year.

One suggestion developed by the project is to equalize apportionment on the

basis of expenditure per ADA, rather than on revenues per ADA. We agree with this approach and urge the Chancellor's Office to continue research in this area.

Our analysis indicates that one mechanism that will enhance the equalization process on the basis of expenditures would be to distinguish the costs between the district's credit and noncredit programs. This is because districts which have large adult education/noncredit programs report lower-than-average revenues per ADA. As shown in Table 9, those districts with extensive noncredit programs have average revenues per ADA lower than the statewide average. Under the current finance system, these districts receive a higher-than-average inflation allowance in order to provide equalization. This may not be warranted, since non-credit programs generally have lower *costs* than credit programs.

Table 9
Per-ADA Revenues of Districts Which Sponsor
Extensive Adult Education/Noncredit Programs
1979-80

	<i>Amount</i>	<i>Rank Order^a</i>
Long Beach	\$1,638	56th
North Orange	1,744	44th
Pasadena	1,771	41st
Peralta	1,798	36th
Rancho Santiago	1,757	43rd
San Diego	1,461	69th
San Francisco	1,560	64th
Santa Barbara	1,584	63rd
Sonoma	1,589	61st
Statewide Average	\$1,810	-

^a Rank order of 70 districts. Represents the ranking of districts from the highest to the lowest revenues per ADA.

Our analysis indicates that a finance mechanism based on actual costs of *credit* ADA may provide a better approach to equalizing district per-ADA spending patterns and would:

- help develop a consistent data base to compare per-ADA expenses among districts,
- help assure that the equalization adjustments provided in a community college finance program will be targeted to those districts which warrant additional aid, and
- would prevent district's from receiving additional aid for having low-cost programs.

To gain a better understanding of this concept, we recommend that the Chancellor's Office provide additional information on certain district expenditures. Specifically, the Chancellor's Office should provide the following for each district which reports that more than 10 percent of its ADA is accumulated in adult education/noncredit programs:

- (1) the average costs per ADA in adult education/noncredit programs, and
- (2) the average costs per ADA in credit programs.

Because this information will be useful in the review of any new community college finance legislation, we recommend the Chancellor's Office provide this information to the fiscal subcommittees no later than March 16, 1981.

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5. Funding Credit/Noncredit Courses

AB 8, in effect, restored state apportionment aid for all community college noncredit courses, some of which were not funded in the first fiscal year subsequent to Proposition 13. The statute also directed the Chancellor's Office to submit a study of community college policy on credit/noncredit courses.

In its recent report, the Chancellor's Office:

- concluded that the present system of credit/noncredit classification is inadequate for educational and funding decisions,
- devised guidelines for local districts for the classification of courses, and
- recommended that the state provide full funding for credit and noncredit "instructional service" courses and partial funding for "community service" classes.

CPEC Response to Report

In addition to requiring the Chancellor's Office to report on credit/noncredit courses, AB 8 directed the California Postsecondary Education Commission (CPEC) to review the report and to submit its recommendations to the Legislature. In its review of the classification system, CPEC recommended that the Chancellor assess the feasibility of merging noncredit community education courses with community service classes in order to expand the use of fees as a funding source.

CPEC recommended that the Legislature give community college districts the authority to charge user fees for community education courses in the event that the state would be unable to provide funding to maintain these programs at levels desirable to the district. The Chancellor's recommendations imply that full funding will be available for all instructional service courses, an assumption which may not be realistic during a time of limited fiscal resources. We concur with CPEC's recommendation, and recommend that the Legislature enact legislation to give community college districts the authority to charge such fees.

CPEC also recommended that the Legislature postpone consideration of additional state funding for community service classes until the Chancellor has determined (1) the use of community service tax revenue which was built into the revenue base for certain districts after Proposition 13 and (2) the extent to which community colleges with no noncredit programs could offer community education courses as fee-supported activities. This would require a review of the classification of all courses. We agree that such information would be useful.

Finally, CPEC urged the Legislature to utilize the report of the Adult Education Policy Commission, due in March 1981, in seeking solutions to these issues. The commission was convened pursuant to a recommendation in the Supplemental Report to the 1980 Budget Act, and was charged with seeking solutions to problems of funding equity and delineation of functions involving school districts and community colleges. We will comment on the commission's report during the budget hearings.

B. CATEGORICAL AID PROGRAMS

1. Extended Opportunities Program and Services (EOPS)

We recommend that the Legislature direct the Department of Finance to explain (1) the impact of the budget on the EOPS program and (2) how they expect the Chancellor's Office to adjust the distribution of funds to conform to the budget.

The EOPS program, established in 1969, provides grants, counseling, and academic services to disadvantaged community college students.

Table 10 shows proposed EOPS funding and students served. It indicates that no increase in EOPS funding is proposed for 1981-82.

It has been legislative policy to fund the prior year's first-year students in their second year. Because the budget continues the same number of students into 1981-82, it may be insufficient to support the same number of first-year students and the second-year "ripple" effect. Consequently, we recommend that the Legislature ask the Department of Finance to explain how they expect the Chancellor's Office to reallocate its activities, if necessary, within the constraints of the budget.

Table 10
EOPS Funding and Students Served

	<i>Actual</i> 1979-80	<i>Estimated</i> 1980-81	<i>Proposed</i> 1981-82	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Administration	\$1,562,642	\$1,614,704	\$1,614,704	—	—
Grants	9,296,300	10,619,857	10,619,857	—	—
Services	9,221,489	10,552,461	10,522,461	—	—
Special Projects	390,661	409,058	409,058	—	—
Totals	\$20,472,092	\$23,196,080	\$23,196,080	—	—
Students Served	64,391	67,890	67,890		

2. Disabled Students

Last year the Legislature adopted language in the Supplemental Report to the 1980 Budget Act which required the Chancellor's Office to submit a study with recommendations on disabled student programs in the community colleges, no later than February 1, 1981. In conducting this study, the Chancellor's Office was directed to consider:

- the level of service offered to disabled students in community college programs,
- the relationship between the present level of service and the service requirements mandated by the federal government,
- the method of funding community college disabled student services,
- the availability of similar services off campus, and
- the current level of service in the community colleges compared to other segments in higher education.

The budget proposes no increased funding in program apportionments for the 1981-82 year. We withhold recommendation on this program pending the results of the Chancellor's Office study due February 1, 1981.

3. Deferred Maintenance Fund

We recommend that funds requested for deferred maintenance and special repairs be deleted from the budget because procedures for establishing priorities and reviewing maintenance and repair of local facilities have not been developed, for a savings of \$8,180,000. (Reduce Item 687-101-146 by \$3,180,000 and Item 687-101-001 by \$5,000,000.)

The budget requests \$8,180,000 that would be allocated to districts for deferred maintenance and special repairs. The administration proposes that this new program be funded from two sources:

- **The General Fund.** The budget proposes that \$5 million in funds accruing to the state as a result of the recent court decision on the 1978-79 unsecured property tax roll be used for this purpose.
- **The Capital Outlay Fund for Public Higher Education (COFPHE).** Chap-

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ter 899, Statutes of 1980 (AB 2973), appropriated \$125 million to the COFPHE for capital outlay needs to be used by the University of California, California State University and Colleges, and the California Community Colleges. Chapter 899, however, does not specify how these funds are to be distributed among the segments. The budget proposes that \$3.18 million from this source be used for community college deferred maintenance.

Our analysis indicates that:

- There is no plan of expenditure for the requested funds.
- There has been no systematic assessment of the statewide need for these funds.
- There is no system of prioritizing the expenditure of the funds.
- The state has no authority to require districts to maintain their current level of local expenditures for deferred maintenance. Consequently, *this proposal creates an incentive for districts to shift all deferred maintenance costs to the state.*

For these reasons, we have no basis on which to recommend that the requested funds be approved. Accordingly, we recommend that the funds budgeted for deferred maintenance be deleted. If such a program is authorized, however, it should only receive COFPHE support. We can find no basis for recommending General Fund support.

2. STATE OPERATIONS

State operations includes funding for the Executive Unit and the Programs and Operations Unit.

A. THE EXECUTIVE UNIT

The Executive Unit has four elements: the Board of Governors, the Executive Office, Analytical Studies, and Legislative and Public Affairs. The budget proposes a funding level of \$1,550,980, which is a \$52,778 (3.5 percent) increase for this unit. The increase is due to normal workload adjustments to the base budget.

1. Analytical Studies Adjustments

We recommend approval.

The primary functions of the Analytical Studies Office are (1) to collect and analyze community college data, (2) to develop a central information system necessary for fiscal and program decisions, and (3) to coordinate a statewide educational plan for community colleges.

The budget proposes to add one key data operator, using funds that otherwise would be paid to the Department of General Services for data entry services. In addition, the Department of Education has agreed to reimburse the Chancellor's Office for the collection and processing of vocational education data. The information will be used for the Vocational Education Accountability Report, an annual report required by the federal government.

Our analysis indicates that these management adjustments will (1) result in no net General Fund increase and (2) provide useful information to aid in policy decisions.

2. CCJCA Study Results

Pursuant to our recommendation in last year's *Analysis*, the Legislature added language to the Supplemental Report of the 1980 Budget Act directing the Chancellor's Office to review the rationale for public funding of the California Commu-

nity and Junior College Association (CCJCA). The basis for our recommendation was as follows:

- CCJCA is in a position to virtually "force" individual community colleges to pay dues to the association because a college may not participate in intercollegiate athletics unless it is a dues-paying member of CCJCA.
- CCJCA is not publicly accountable or subject to governmental review.
- There is no evidence that another publicly funded advocacy group is needed to represent community colleges.
- It is not clear why CCJCA should receive, in essence, state funds when other community college nonprofit associations are operated through the voluntary personal contributions of members.

The Chancellor's Office completed its review in December 1980 and recommended that:

- CCJCA institute a new membership dues structure which separates the fees the district must pay to receive the intercollegiate athletic sanctioning services from the other functions performed by CCJCA,
- CCJCA review and modify the current governance relationship between its athletic-sanctioning functions and other decision-making functions of the organization,
- CCJCA convene a select panel to review its role of "leadership, service, and advocacy" on behalf of the community college districts.

The Supplemental Report of the 1980 Budget Act requires the California Postsecondary Education Commission (CPEC) to review the Chancellor's report and to comment on its findings. We will report on the CPEC review during the budget hearings.

B. PROGRAMS AND OPERATIONS

Programs and Operations (1) provides basic administrative services to manage the Chancellor's Office and (2) develops and implements the policies and procedures established by the Board of Governors and the Chancellor. The budget proposes an expenditure of \$4,742,882, from the General Fund for this purpose in 1981-82. This is an increase of \$362,138, or 8.3 percent over estimated current year expenditures. The increase is primarily due to (1) a \$95,721 increase in the Program Evaluation and Approval section and (2) a \$128,562 increase in the Credentials Office.

1. Program Evaluation and Approvals Office

This office reviews community college instructional programs, approves college master plans, and assists colleges in developing new programs. In addition, the office monitors, reviews, and evaluates activities primarily in connection with vocational education programs.

Statewide Alternative Energy Network

We recommend that one specialist position requested to develop alternative energy education programs be approved on a limited-term basis for a period not to exceed one year.

The budget requests one specialist position to identify and develop resources for the application of alternative energy programs. The position, necessary clerical support, and travel will be funded by the Statewide Alternative Energy Network, a nonprofit consortium of business and manufacturing firms. The Chancellor's Office proposes that this position be approved as a one-year project, subject to extension after a review of its effectiveness. The budget, however, would establish this position on a permanent basis.

In view of the fact that this position is requested for a one-year project, we

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Continued**

recommend that it be approved on a limited-term basis, subject to review at the conclusion of the 1981–82 year.

Unwarranted Positions

We recommend that two positions requested to conduct vocational education compliance activities be eliminated because these activities can be performed within existing staff resources, for a savings of \$52,510. (Reduce Item 687-001-001 by \$26,255 and federal funds by \$26,255.)

The budget requests two positions (one staff services analyst and one office assistant) to implement the Chancellor's "Methods of Administration" of the Office of Civil Rights guidelines for eliminating discrimination based on race, color, national origin, sex, or handicap in vocational education programs.

Our analysis indicates that the positions are not needed for the proposed purpose because:

- Some of the duties that would be assigned to these positions have already been completed. Specifically, the "Methods of Administration Manual" and "Technical Assistance Manual" have been completed.
- Other duties that would be assigned to these positions will actually be performed by other staff. The Chancellor's Office indicates that field audits will be conducted by existing staff in the Program Evaluation and Approvals unit.
- The proposed "Methods of Administration" states that the State Department of Education would utilize one additional position to implement the compliance program. It does not, however, identify the need for any new positions for the Chancellor's Office.
- State agency activities identified in the federal guidelines can be accomplished with existing resources. The guidelines, in fact, point out that state responsibilities set forth therein "are not new requirements," but instead derived from regulations of federal statutes, primarily Title VI of the Civil Rights Act of 1964. Specifically, the state must provide:
 - (1) Data collection and analysis. The federal guidelines specify that this relates to data compiled under current law. The Chancellor's Office and the "Methods of Administration" acknowledge that existing vocational education reports and evaluations can be utilized for this purpose. In addition, the budget provides increased reimbursements to process these reports.
 - (2) Compliance reviews. The guidelines require "periodic compliance reviews of selected subrecipients." These reviews can be incorporated into the Chancellor's annual vocational education program evaluations and desk audits.
 - (3) Technical assistance. The guidelines require the provision of technical assistance "on request." This should be an ongoing responsibility of the Chancellor's Office.

For these reasons we cannot identify a need for new positions to implement the "Methods of Administration," and accordingly recommend that the funds to support such positions be deleted.

In-Service Training Needed

We recommend approval.

The budget proposes an additional \$12,490 to sponsor workshops for state and local vocational education staff regarding Civil Rights compliance requirements in vocational education programs. These funds are provided on the basis of a one-to-

one state-federal match requirement. Our analysis indicates that (1) these workshops would enhance statewide compliance activities and (2) this activity can be accomplished without additional staff.

Labor Market Analysis Unnecessary

We recommend that one staff services analyst position to conduct labor market analysis be eliminated because this analysis will be performed by other agencies, for a savings of \$24,398. (Reduce Item 687-001-001 and Federal CETA Reimbursements by \$24,398.)

The budget requests one staff services analyst position to interpret labor market supply and demand data. In addition, the Chancellor's Office anticipates that this position would (1) assist in conducting local labor market surveys, (2) pursue liaison activities with the Employee Development Department (EDD), and (3) assist districts in adjusting their vocational education curriculum to changing labor demands and the California Occupational Informational Coordinating Committee's (COICC) findings.

Our analysis indicates that, although the proposed duties of the position are appropriate, a new position is not necessary to perform these duties because:

- The analysis desired by the Chancellor's Office can be readily obtained from other reliable sources. Specifically, the COICC, of which the Chancellor's Office is a member, is conducting supply/demand labor market analyses for each county and standard metropolitan statistical area (SMSA). Because the Chancellor's Office is an active member of COICC, existing staff can monitor COICC's progress and disseminate its findings to community college districts as part of its ongoing responsibilities.
- Liaison activities can be achieved within existing organizational arrangements. Because EDD is also a member of COICC, the Chancellor's Office can continue to coordinate activities with EDD through the COICC.
- Monitoring necessary adjustments in the vocational education curriculum could be achieved through the current program evaluation and approval process. The Chancellor's Office requires districts to adjust curriculum plans for changing labor market demands.

For these reasons, we do not believe an additional position is needed to support the vocational education program, and recommend that it be deleted.

Technical Adjustments

We recommend that funds requested for clerical support, operating expenses, and equipment expenditures be deleted because justification for these funds is not adequate, for a savings of \$43,520. (Reduce Item 687-001-001 and federal reimbursements by \$21,200, indirect costs by \$17,120, and Item 687-001-001 by \$5,200.)

The budget proposes increases for various support items which would be funded through the General Fund, indirect costs, and federal reimbursements. Our analysis indicates that adequate justification for these increases has not been provided to the Legislature. Specifically, our analysis indicates that the following increases are not justified:

- \$17,120 for one office assistant to provide support to the Personnel and Training Officer and to the Business Services Officer. It is not clear that the duties cannot be completed through existing staff and, if necessary, temporary help.
- \$14,000 to compile the federal accountability report and to conduct various vocational education surveys. These funds are already included in another vocational education support item.
- \$7,200 for unjustified out-of-state travel.
- \$5,200 for additional video EDP terminals that will be purchased in the current year.

We recommend that these amounts be deleted.

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—
Continued****Affirmative Action Pilot Projects**

Last year, the Legislature appropriated \$222,000 to allow the Chancellor's Office to conduct three pilot projects focusing on the transition of students from community colleges to four-year institutions. These funds were approved for one year. The Chancellor's Office is required to submit an evaluation of these projects to the budget committees by March 1, 1981. We will comment on evaluation during the budget hearings.

2. Credentials Office

Community college administrators, counselors, and instructors are required to maintain a state credential for employment. The Credentials Office is responsible for review, approval, and revocation of credentials. The office is self-supporting through a fee assessed for every application. Chapter 1374, Statutes of 1980 (SB 1513), allows the Chancellor's Office to increase the credentials fee up to \$30 on a temporary basis until January 1, 1982, when the fee returns to \$20.

Credentials Study

Credentialing in community colleges has come under criticism because:

- most community colleges in the nation do not require credentials,
- UC and CSUC do not require credentials,
- credentialing does not ensure quality, and
- state credentialing duplicates the screening process conducted by individual colleges; these colleges generally conduct a more indepth review of applicants than the one conducted by the state credentials office.

Chancellor's Study

Last year, the Board of Governor's adopted and endorsed a Chancellor's Office study analyzing possible alternatives to the current credentials process. The study concluded that the present system was "an effective and equitable method of establishing and maintaining statewide minimum standards." While the study discussed the possible consequences of alternative state policies (including the elimination of credentials), it did not specifically address the concerns listed above. Specifically, the study did not examine the extent to which state credentialing duplicates the screening process conducted by the individual colleges.

Subsequently, the Legislature adopted supplemental report language requiring our office to review the need for community college credentials and related alternatives.

Denials and Appeals

A credential application can be denied for unfitness or lack of academic qualifications. The Credentials Office determines unfitness on the basis of a fingerprint check with the Justice Department. If a credential is denied on an academic basis, the applicant has the right to an appeal.

Table 11 provides a summary of the average number of credentials denied annually for unfitness and the average number of appeals held annually between 1974-75 and 1979-80.

Table 11
Summary of Credential Denials
1974-1979

	<i>Average Per Year</i>
A. Credentials denied for unfitness or unprofessional conduct	5
B. Appeals	200
Number granted..... (33)	
Number denied..... (80)	
Number denied in one or more subject (87)	
Totals.....	205

Source: Chancellor's Office.

Our analysis indicates that denials for unfitness and appeals are very infrequent. Table 12 shows that only an average of two out of every 10,000 applications are denied for unfitness, and only nine out of every 1,000 credential applications were directed to an appeal. (The Chancellor's Office was unable to provide any data on the number of credentials revoked for academic reasons.) In addition, there is no evidence which indicates that the local districts would have been unable to determine unfitness or lack of academic qualification in each of these cases through their screening procedures.

Table 12
Credentials Processed
1974-75 to 1980-81

	<i>Credentials Processed</i>	<i>Denied for Unfitness</i>	<i>Percent Directed to Appeal Hearings</i>	<i>Total</i>
1974-75	19,436	0.02%	1.0%	1.02%
1975-76	26,253	0.02	0.8	0.82
1976-77	26,156	0.02	0.8	0.82
1977-78	27,563	0.02	0.7	0.72
1978-79	17,227	0.03	1.1	1.03
1979-80	20,461	0.02	1.0	1.02
1980-81 (estimate)	20,000	0.02	1.0	1.02
Average	24,442	0.02%	0.9 %	0.92 %

Source: Chancellor's Office.

Other State Practices

Table 13 provides information on the number of other states which have a credential requirement for certain community college employees. The data compiled are based on a survey distributed by the Chancellor's Office. Our office surveyed those states which did not respond to the Chancellor's Office.

Table 13
Credentials Requirements in Other States

	<i>Academic Only</i>	<i>Vocational Only</i>	<i>Both</i>	<i>No Credentials</i>	<i>Total</i>
Chancellor's Survey	0	5	5	19	29
Legislative Analyst Follow-up	0	1	0	12	13
No Reply	—	—	—	—	(8)
Totals	0	6	5	31	42
Percent	0	14.3%	11.9%	73.8%	100%

This table indicates that only five other states (11.9 percent of the states surveyed) have a credentialing requirement similar to California's. An additional six states have a credentialing requirement for their vocational faculty. The remain-

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—
Continued**

ing three-fourths of the states surveyed, including all the major industrial states, have no credentials requirement.

Use of Fees

The credentials fee has generally been used (1) to fund the support activities of the credentials office and (2) to defray the costs of the fingerprint check conducted by the Justice Department. The Chancellor's Office indicates that the cost of the fingerprint check in 1979-80 was \$6.10 per application, or 30.5 percent of the \$20 fee.

Future uses of the fee will depend upon whether the Legislature decides to continue the current credentials process. Our analysis indicates, however, that if this program is to continue, the Chancellor's Office should maintain its current policy of supporting this activity entirely from the credentials fee.

**Conclusions—No Analytical Justification for Community College
Credentialing**

Based on the available data, we were unable to uncover any analytical justification for continuing the current credentials process. Specifically, our analysis indicates that:

- There is no evidence that districts would not have made the same decisions on applicants as the state credentials office made.
- There is no evidence that quality of hiring is enhanced by the state credentials process.
- The California process requires applicants to pay a fee and be subjected to a second, unnecessary review process for employment.

Credential Backlog

We recommend that six positions requested to reduce the backlog of credential applications be eliminated because the backlog will not adversely affect the hiring practices of either the district or the applicants, for a savings of \$106,012. We further recommend that the credentials fee be adjusted commensurate to the reduction of these staff positions. (Reduce Item 687-001-165 by \$106,012.)

The budget proposes six new positions (one certification office and five clerical staff) to reduce the backlog of credentials applications. This would increase the total credentials budget to \$591,091. We recommend the elimination of these additional funds because:

- There is no evidence that the backlog and the resulting delays in processing requests for credentials have an adverse effect on either the hiring practices of local districts or the applicants.
- No action should be taken until the Legislature determines the appropriate policy regarding the continuation of the current credentials process.

These proposed increases are to be funded from the new \$30 credentials fee. Consequently, we recommend that the fee be reduced commensurate with these reductions.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY

Item 687-301 from the Capital
Outlay Fund for Public High-
er Education and the State
Construction Program Fund
(bonds)

Budget p. E 184

Requested 1981-82	\$20,103,500
Recommended approval	17,766,370
Recommended reduction	887,130
Recommendation pending	1,450,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. *Palomar Community College District, Palomar College. Reduce by \$244,700.* Recommend deletion of project for storm drain construction because existing drains are adequate under normal design conditions. 1444
2. *Butte Community College District, Butte College. Reduce by \$5,000.* Recommend reduction of excessive contingency provision in construction cost estimate for sanitary sewer oxidation ponds. 1445
3. *Contra Costa Community College District, Diablo Valley College. Reduce by \$93,900.* Recommend reduction of excessive project cost for the removal of architectural barriers to the handicapped. Chancellor's Office advises that less expensive alternatives are available. 1446
4. *Contra Costa Community College District, Contra Costa College. Reduce by \$20,000.* Recommend reduction of excessive project cost for the removal of architectural barriers to the handicapped. Chancellor's Office advises that less expensive alternatives are available. 1446
5. *Contra Costa Community College District, Los Medanos College. Reduce by \$76,500.* Recommend reduction of excessive project cost for the removal of architectural barriers to the handicapped. Chancellor's Office advises that less expensive alternatives are available. 1446
6. *Santa Monica Community College District, Santa Monica College. Reduce by \$22,000.* Recommend reduction of excessive equipment costs related to remodeling a vocational building. 1447
7. *Santa Monica Community College District, Santa Monica College. Reduce by \$107,260.* Recommend reduction of excessive equipment costs related to remodeling the old library, student activities and science basement. 1447
8. *Contra Costa Community College District, Contra Costa College. Reduce by \$68,770.* Recommend reduction of excessive equipment costs related to the applied arts and administration complex. 1447
9. *Long Beach Community College District, Long Beach City College. Reduce by \$10,200.* Recommend reduction of excessive equipment costs for the library addition (liberal arts campus). 1448
10. *Los Angeles Community College District, East Los Angeles College.* Withhold recommendation on equipment request for 1448

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

- remodeled the library, pending receipt of detailed equipment list.
11. Peralta Community College District, Merritt College. Withhold recommendation on energy conservation projects, pending receipt of technical audits. 1448
 12. Peralta Community College District, College of Alameda. Withhold recommendation on energy conservation projects, pending receipt of technical audits. 1448
 13. Mendocino Community College District, Mendocino College. Recommend that the district not relocate its modular buildings from the fairgrounds to the Yokayo Ranch site. 1448
 14. *Kern Community College District, Cerro Coso College. Reduce by \$238,800.* Recommend reduction of excessive construction costs for an occupational lab/learning resource center. 1450
 15. Foothill-DeAnza Community College District, Foothill College. Withhold recommendation on the construction of a library addition, pending receipt of detailed space outline. 1451

ANALYSIS AND RECOMMENDATIONS

The state's share of the California Community Colleges' capital outlay program for 1981-82 totals \$20,103,500. This amount is contained in two budget items. Item 687-301-146 proposes the expenditure of \$19,463,000 from the Capital Outlay Fund for Public Higher Education and Item 687-301-736 proposes the expenditure of \$640,500 from the State Construction Program Fund (bonds). The various districts will provide a total of \$3,918,000 to support the requested projects, bringing the total program to \$24,021,500. Table 1 summarizes the 1981-82 capital outlay program.

Table 1
California Community Colleges
Capital Improvement Projects
1981-82

<i>District/Project Item 687-301-146</i>	<i>Subitem</i>	<i>Phase^a</i>	<i>Governor's Budget</i>		<i>Analyst's Proposal</i>	
			<i>District Share</i>	<i>State Share</i>	<i>District Share</i>	<i>State Share</i>
Palomar CCD, Palomar College/ Mission Road improvements..	1	wc	\$50,700	\$218,500	\$50,700	\$218,500
Palomar CCD, Palomar College/ storm drain	2	wc	59,900	244,700	—	—
Butte CCD, Butte College/sani- tary sewer oxidation pond.....	3	wc	105,100	29,500	92,500	24,500
Various CCD, various colleges/re- moval of architectural barriers including	4-29	wc	1,997,300	3,108,500	1,982,000	2,918,100
<i>Item 687-301-736^b</i>	<i>1-6</i>					
Santa Monica CCD, Santa Monica College/equip remodeled vo- cational building	30	e	7,700	27,100	1,400	5,100
Contra Costs CCD, Contra Costa College/equip applied arts and administration complex ..	31	e	450,000	300,000	346,850	231,230
Peralta CCD, Feather River Col- lege/equip vocational build- ing	32	e	—	122,300	—	122,300

Santa Monica CCD, Santa Monica College/equip remodeled old library, student activities and science basement.....	33	e	66,800	236,300	36,500	129,040
Long Beach CCD, Long Beach City College/equip library addition (liberal arts campus) ..	34	e	242,700	132,100	223,900	121,900
Los Angeles CCD, East Los Angeles College/equip remodeled existing library	35	e	130,400	30,200	pending	pending
Peralta CCD, Merritt College/energy conservation conversion	36	wc	—	109,500	pending	pending
Peralta CCD, College of Alameda/energy conservation conversion	37	wc	—	32,600	pending	pending
Mendocino CCD, Mendocino College/off-site development	38	wc	205,100	1,435,500	205,100	1,435,500
Mendocino CCD, Mendocino College/on-site development	39	wc	259,500	1,816,400	259,500	1,816,400
Mendocino CCD, Mendocino College/alternate learning center	40	w	13,200	92,700	13,200	92,700
Saddleback CCD, Saddleback College/general education classroom building.....	41	c	—	7,490,400	—	7,490,400
Kern CCD, Cerro Coso College/occupational laboratory building	42	c	—	3,249,500	—	3,010,700
Foothill-DeAnza CCD, Foothill College/library addition	43	c	329,500	1,277,700	pending	pending
Various CCD, various colleges/project and preliminary planning	44	p	—	150,000	—	150,000
Totals			\$3,918,000	\$20,103,500	\$3,211,650	\$17,766,370

^a Symbols indicate: c-construction; e-equipment; p-preliminary plans; w-working drawings.

^b Includes \$640,500 from Items 687-301-736(1)-(6) for projects for the removal of architectural barriers to the handicapped. These are financed from the community college construction bond program.

The majority of the projects are intended to remove architectural barriers to the physically handicapped. Other projects are for energy conservation, initial construction of a new college campus in Mendocino County, construction of instruction-related buildings, equipment for buildings currently being built, and general facility improvements.

Chapter 910, Statutes of 1980 (the Community College Construction Act of 1980), revised the formula governing state participation in approved community college capital outlay projects. State/district participation ratios are now based on weekly student contact hours and ending budget balances for each district as compared with statewide averages. The statute also provides for state funding up to 100 percent of the approved project costs for those districts that are unable to contribute the district matching share. As shown in Table 1, several of the projects proposed in the budget are for districts that do not expect to have district matching funds, and thus, the state would provide 100 percent of the project cost.

District Matching Funds

The Community College Construction Act of 1980 (Chapter 910, Statutes of 1980) contains a provision providing state financial assistance to those districts which are unable to meet their matching share requirements, as determined by the Chancellor's Office, for any stage of a capital outlay project. Specifically, Section 81831 of the Education Code states, "If the district funds available are

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY —Continued

insufficient to provide the district matching share for the cost of the project or one or more of its phases, computed pursuant to Section 81838, the district shall provide the moneys available, as defined by the board of governors, and state funds may be requested to provide the balance of funds required."

Six districts are requesting 100 percent state funding for projects due to the districts' inability to meet the matching share requirements. These districts are Compton, Kern, Lake Tahoe, Peralta, Saddleback, and Sierra Community College Districts.

The Chancellor's Office staff have indicated that they will undertake a further review of those districts which claim they are unable to meet the district matching share requirement. These reviews should be completed prior to budget hearings. Accordingly, some of the amounts contained in the Budget Bill may change as a result of the Chancellor's Office review.

Enrollments and Capital Outlay Needs

On October 1, 1980, the Population Research Unit of the Department of Finance reported actual 1979-80 community college enrollment and weekly student contact hours, plus projected enrollments to 1989-90. These form the basis for the community colleges' current and projected capital outlay needs for instructional space.

The report showed that 1979-80 total average weekly student contact hours (WSCH) totaled 11,311,237. This was 8 percent below the figure projected for 1979-80. Thus, student contact hours have not increased at the anticipated rate.

Apparently in response to this change, the Department of Finance is now projecting that weekly student contact hours will increase by only 3.6 percent through 1988. Consequently, although there is a projected growth in community college enrollment, the rate of growth is less than expected several years ago. The 3.6 percent rate is for the state as a whole; the rates for individual districts vary widely.

In our review of the capital outlay projects proposed in the budget, we have taken these variations into consideration. In the case of each of these projects, the districts have explored the potential for interdistrict sharing of facilities and/or utilization of underused high school facilities.

1981-82 Capital Outlay Program**Palomar Community College District—Mission Road Improvements**

We recommend approval of Item 687-301-146(1), Mission Road improvements, Palomar College.

The budget requests \$218,500 to pay Palomar College's share of construction costs for expansion of Mission Road, which is the main access route to the college. Because of increased traffic, the city of San Marcos will expand Mission Road to a four-lane highway from its present two lanes, and has levied a mandatory fee on property owners with land adjacent to the thoroughfare. The total cost of construction is prorated to property owners based on the amount of lineal footage adjoining the road. The total fee levied on the college is \$269,200. In accordance with the Community College Construction Act of 1980, the district proposes that the state pay \$218,500 of this fee, with the district providing the remaining \$50,700. This request is reasonable, and we recommend approval.

Palomar Community College District—Storm Drainage.

We recommend that Item 687-301-146(2), working drawings and construction of a storm drain at Palomar College, be deleted, for a savings of \$244,700. Existing storm drain systems are adequate for normal engineering design conditions.

Palomar College requests \$244,700 in state funds which, along with \$59,900 in district funds, would provide for the construction of a drainage system from the watersheds north and northeast of the campus to the drainage area beyond Mission Road. Water would be led by gravity flow into a head wall which would then direct the water into the drainage pipes. A multiple number of two-foot diameter pipes are proposed for the drainage system because the terrain does not allow the installation of one large pipe.

The college indicates that its facilities lie in an area which is subject to flooding from the watersheds and that the area is also subject to natural drainage from the western and southern slopes around the campus. Over the past 34 years, the college has built many buildings and other features which it states could be severely damaged by heavy water flow. The campus, however, has been damaged by floodwaters from these areas only once. This occurred during the winter of 1978 (which had one of the largest rainfalls on record), when flooding from the watersheds overflowed the barriers erected by the college and overloaded the drainage system. Five buildings suffered damage, and federal disaster funds provided part of the cost of repair.

The campus currently has a drainage system consisting of a one, two-foot diameter concrete pipe, and the campus has not indicated that it has had any problems with this system either prior to or since that one year. There is no indication that the existing system was not installed to meet drainage requirements based on standard engineering design practice. These design conditions take into consideration probable storm drainage requirements but not extreme or unusual conditions. This design is the basis for similar systems for state and nonstate installations. Based on the available information, installation of a more extensive system—at a cost of \$304,600—does not appear justified. We, therefore, recommend that the funds be deleted.

Butte Community College District—Sewage Oxidation Pond

We recommend Item 687-301-146(3), working drawings and construction of a sewage oxidation pond at Butte College, be reduced \$5,000, by reducing the amount set aside for contingencies.

The budget proposes \$29,500 in state funds and \$105,100 in district funds for the construction of a secondary sewage oxidation pond at Butte College. The campus sewage oxidation ponds are used to treat raw sewage prior to using it to irrigate athletic fields and nearby agricultural land. The college presently has an oxidation pond which has six days of storage capacity before the waste water level has to be reduced via the sprinkler system. During the winter rainy season, rain water flows into the pond system necessitating the drainage of the pond more frequently than usual. Under this condition, the waste water runs off into the nearby creek, and creates a pollution problem. This has caused the college to be cited by the California Regional Water Quality Control Board as being in violation of waste water discharge requirements.

A consulting engineer has determined that 20-days storage capacity would be sufficient to solve this problem. The proposed pond has been designed to provide that capacity. Our analysis indicates that (1) the college is required to correct this problem, and (2) the scope of the project is reasonable. We, therefore, recommend that the funding be approved. However, we also recommend a reduction of \$5,000 in the requested state appropriation. The budget amount includes 36 percent, of the construction cost for architect/engineer fees and contract administration, which is excessive. An amount equal to 18 percent is normally provided for similar state projects, and should be adequate in this case. Consequently, the state share should be reduced by \$5,000.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY —Continued**Handicapped Barrier Removal—Statewide**

The budget proposes the expenditure of \$3,108,500 in state funds and \$1,997,300 in district funds for working drawings and construction for 32 projects intended to remove architectural barriers to the physically handicapped. The projects are requested in Items 687-301-146(4)-(29) (\$2,468,000 state share), financed from the Capital Outlay Fund for Public Higher Education, and in Items 687-301-736(1)-(6) (\$640,500 state share), financed from the State Construction Program Fund (bonds).

Section 504 of the federal Rehabilitation Act of 1973 requires recipients of federal financial assistance to remove physical barriers which may hinder the full participation of handicapped persons in college programs and activities. This applies to all programs, activities, and services, not merely to those that receive federal funding directly. The Chancellor's Office has established the following priority criteria for projects to remove these barriers:

- Category I - Access to the campus site and to facilities on the campus.
- Category II - Access to the main entrance level of buildings with high traffic use.
- Category III - Access to facilities within buildings to meet the basic needs of the physically handicapped.
- Category IV - Access to floors above and below the entrance level of buildings.
- Category V - All other items not included in categories I through IV.

The majority of the requested appropriations are for projects in Categories I, II, and III, with some projects including work in Category IV. The projects will complete the majority of work in Categories I and II at those districts which have submitted plans for bringing their campuses into compliance with Section 504.

Handicapped Barrier Removal—Projects Recommended for Approval

We recommend approval of 29 projects (Items 687-301-145(5)-(13), (15)-(29), and Items 687-301-736(1)-(5)) for removal of architectural barriers to the physically handicapped at community college campuses statewide.

These 29 projects will correct deficiencies in Categories I-IV. The work includes such items as curb cuts, and modifications to exterior doors, sanitary facilities, drinking fountains, and elevators.

Our analysis indicates these projects are necessary for compliance with Section 504. They are consistent with prior legislative appropriations for removal of barriers to the handicapped, and the scope/cost are reasonable. We, therefore, recommend that the funds be approved.

Handicapped, Barrier Removal Projects—Cost Excessive

We recommend that the following projects, for removal of architectural barriers to the handicapped at colleges in the Contra Costa Community College District, be reduced.

1. *Diablo Valley College (Item 687-301-146(4)) reduce by \$93,900.*
2. *Contra Costa College (Item 687-301-146(14)) reduce by \$20,000.*
3. *Los Medanos College (Item 687-301-736(6)) reduce by \$76,500.*

The Chancellor's Office recently reduced the district's requests for these projects because less expensive alternatives which will meet the needs of the handicapped are available. These reductions are not accounted for in the budget, and we recommend the requested appropriations be reduced to reflect these savings.

Equipment Projects

The budget proposes the expenditure of \$848,000 (Items 687-301-146(30)–(35)) for six projects which will provide equipment for buildings that were previously funded for construction.

Santa Monica Community College District

We recommend Items 687-301-146(30) and (33) for equipment for the remodeled vocational building and old library at Santa Monica College, be reduced \$22,000 and \$107,260, respectively, to delete amounts in excess of guidelines for state supportable equipment costs.

Vocational Building. Item 687-301-146(30) requests an appropriation of \$27,100 to equip classrooms and offices in the remodeled vocational building. Total cost of the equipment will be \$34,800 (district share \$7,700, state share \$27,100). The district has certified that it has matching funds available for this project.

The building remodeling will result in a net addition of only 1,453 assignable square feet of classroom space. Using the state guidelines for equipment cost per assignable square foot of classroom space results in a cost of \$5,100 (state share) for the net additional area. We, therefore, recommend a reduction of \$22,000 in the requested state share.

Library/student activities/science basement. Item 687-301-146(33) proposes a \$236,300 appropriation to provide equipment for the remodeled library, and for the remodeled student activities and science basement. The college states that the existing equipment is substandard, and that additional equipment is needed because the functions in these areas are expanding to meet increased needs. Total project cost is anticipated to be \$303,100 with a state share of \$236,300.

Our analysis indicates that—using state guidelines for equipment costs—the amount requested is excessive. We, therefore, recommend a reduction of \$107,260 to bring the equipment costs into line with the state supportable guidelines.

Contra Costa Community College District

We recommend that Item 687-301-146(31), equipment for a new applied arts and administration complex, be reduced by \$68,770 to delete unjustified items of equipment.

Budget Item 687-301-146(31) requests an appropriation of \$300,000 to equip a new applied arts and administration complex. Total cost of the equipment will be \$750,000, with the state share being \$300,000. The district states it has the required matching money, and that the equipment is needed because the programs moving into this complex have shared equipment.

The request includes several items for which either the district has not provided adequate justification or the items are unrelated to the new building. A sample of these items include three color TV cameras (\$14,950), X-ray equipment (\$6,940), a central processing unit simulator (\$24,000), engineering survey equipment (\$9,600), and excess faculty office equipment (\$6,940). We, therefore, recommend a reduction of total project cost by \$171,900, with a state share reduction of \$68,770.

Peralta Community College District

Recommend approval of Item 687-301-146(32), equipment for a new vocational building at Feather River College.

Budget Item 687-301-146(32) requests \$122,300 to equip a vocational building presently under construction. Carpentry, welding, auto mechanic, and general classroom equipment is requested for 5,498 assignable square feet, at a cost of \$22 per assignable square foot. Total state funding is requested for this project due to the district's inability to meet its matching share requirement.

Our analysis indicates the area to be equipped is reasonable and the cost is within state guidelines. We, therefore, recommend approval.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**Long Beach Community College District**

Recommend reduction of Item 687-301-146(34) (library equipment) by \$10,200, because adequate justification for the equipment is lacking.

Budget Item 687-301-146(34) requests an appropriation of \$132,100 to equip a library addition at the Long Beach City Colleges' liberal arts campus. The district has stated it has the required matching funds, which will be used to purchase such equipment as microfilm readers, chairs, and desks.

The requested equipment also includes items such as a computer (\$25,000), and eight computer terminals (\$3,800), which have not been adequately justified. We, therefore, recommend a reduction of \$10,200 (state share) to delete state funding for these items.

Los Angeles Community College District

We withhold recommendation on Item 687-301-146(35) (new equipment), pending receipt of a detailed equipment list.

The budget requests an appropriation of \$30,200 for equipment for a remodeled library at East Los Angeles College. The remodeled library space will be used for (1) a counseling and career guidance center, (2) a learning skills center, and (3) a media production and audio equipment center.

A detailed equipment list has not been provided supporting the request, and therefore the need for the requested amount cannot be substantiated. An equipment list should be available prior to budget hearings. Accordingly, we withhold recommendation pending receipt of this list.

Peralta Community College District—Energy Conservation Projects

We withhold recommendation on Items 687-301-146(36) and (37), working drawings and construction for energy conservation projects at Merritt College and the College of Alameda, pending receipt of additional information.

The budget proposes the appropriation of \$109,500 and \$32,600 for working drawings and construction for energy conservation projects at Merritt College and the College of Alameda respectively. Both projects involve installation of temperature sensors and control units which will be interconnected with a central energy management system which has been funded from Energy Commission grants and state loans for the districts' Laney College Campus. Dampers and ductwork will also be installed to improve building heat distribution systems. Energy and technical audits have been completed for both of these projects.

The technical audits for these projects have not been submitted for review. These documents detail the estimated cost of the projects and the anticipated energy and cost savings. Without this data, a determination cannot be made regarding the economic viability of the projects. The Chancellor's Office has stated the audits will be available for review prior to hearings. Accordingly, we withhold recommendation, pending receipt of this information.

Mendocino College—New College Campus

We recommend approval of Items 687-301-146(38), (39), and (40) for off-site and on-site development of a new college campus, and the construction of a library/alternative learning center for the new campus.

We further recommend that the district not relocate its modular buildings from the fairgrounds to the Yokayo Ranch site.

The budget proposes three appropriations totaling \$3,344,600 (state's share) for three projects which would initiate the construction of a permanent college campus at Mendocino. Mendocino College is proposing to build a full functioning

campus at the Yokayo Ranch site. Total future cost for the new campus is expected to be \$18.2 million (adjusted for inflation), which includes only state-supportable projects. Future construction will probably require 100 percent state funding.

The campus currently occupies modular relocatable-type facilities at the 12th District fairgrounds, as well as various other buildings at nine additional locations. The modular buildings have to be vacated during the county fair which is held once a year, and the physical education facilities have to be vacated on a more regular basis.

To prepare the Yokayo Ranch site and to plan construction of the first building, the following projects are proposed.

1. *Off-Site Development—Item 687-301-146(38), \$1,435,500.* This project includes construction of an access road to the campus site, complete with the related storm drainage system. It also includes the construction of utility lines for electricity, gas, water, sewer and telephone service. The total project cost is \$1,640,600, with a state share of \$1,435,500 and a district share of \$205,100.

This project is necessary if the district is to use the Yokayo Ranch site because access to the property and the various utility services is not available. Consequently, future development cannot proceed without this project. The proposed work and associated costs are reasonable and we recommend approval.

2. *On-Site Development—Item 687-301-146(39), \$1,816,400.* This project will connect campus buildings to the off-site utility lines provided in the project discussed above. The project will also involve grading the site, construction of a storm drain system (which will connect to the off-site system), and construction of fire access roads.

Total project cost is \$2,075,900, with a state share of \$1,816,400 and a district share of \$259,500. This project will prepare the campus site for construction of the initial buildings. The proposed work and estimated cost are reasonable and we recommend approval.

3. *Library and Alternative Learning Center—Item 687-301-146(40), \$92,700.* The requested \$92,700 appropriation will provide the state's share to develop working drawings for a building which will form part of the core campus. The district will provide \$13,200 for this purpose. Total project cost is anticipated to be \$2,456,975 (plus equipment cost), with a state share of \$2,149,853. We have not received district certification that it has the required matching share for the construction phase. If the project is approved, the state could be asked to provide the district's share of the construction cost. Construction funds will be requested in 1982-83.

The building will provide 18,871 assignable square feet of classroom, laboratory, office, library, audio-visual, and assembly space. In the year of occupancy (1983), the net effects of this new building space and the associated move to the new site will be:

- a. Increase lecture space from 99 to 100 percent of need.
- b. Decrease laboratory space from 97 to 89 percent of need.
- c. Increase office space from 79 to 82 percent of need.
- d. Increase library space from 32 to 82 percent of need.
- e. Increase audio-visual and radio-TV facilities from 9 to 52 percent of need.

The Mendocino District is one of two community college districts in the state that currently does not have a permanent campus. The college presently has facilities at 10 different locations within a two mile radius, and the modular buildings—located at the fairgrounds—are deteriorating and will eventually have to be replaced. Upon completion of the proposed building, the district will still occupy many of the temporary locations. Future projects will be required in order to house all activities at the Yokayo Ranch site. As previously indicated, this future

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY —Continued

cost is expected to be \$18.2 million.

In any case, given the need for a new campus, we recommend approval of the above projects.

Use of Modular Buildings

According to district plans, the present modular buildings are to be relocated from the fairgrounds to the Yokayo Ranch site. The district proposes to use district funds (\$524,600) to relocate the buildings. These modular buildings are in various stages of deterioration and, at best, are marginal facilities. Given the cost to move the buildings, along with the high ongoing maintenance and utility costs, the proposed move would not seem to be cost-effective. In a short period of time, the modular building will have to be replaced and any funds committed to it will have been lost. Rather than expend district funds in this manner, it would make more sense for the district to initiate planning to construct permanent facilities at the new site. The district's \$524,600 could be used to off-set costs associated with construction of the permanent facilities. Consequently, we recommend that the district not relocate the modular buildings to the new site.

Saddleback College—Classroom Building

We recommend approval of Item 687-301-146 (41) for construction of a classroom building at Saddleback College.

The budget proposes the appropriation of \$7,490,400 for construction of a new general classroom building at Saddleback College. This amount would allow 100 percent state funding of project costs because the district is unable to meet its matching share requirement. State funds for working drawings (\$208,400) were previously appropriated by the Legislature in Chapter 910, Statutes of 1980 (AB 1171), and the district provided its matching share of \$112,200.

This 20,628 assignable square foot building will provide space for classrooms and laboratories which will house data processing, commercial service, home economics, and social science classes.

The Saddleback Community College District is currently experiencing rapid enrollment increases. In the year of occupancy (1983), this facility will increase lecture space from 83 to 92 percent of need. Laboratory and office space will increase from 78 and 65 percent, to 93 and 68 percent of need, respectively. The requested project is justified and the cost is reasonable. We, therefore, recommend approval.

Cerro Coso College—Occupational Laboratory/Learning Resource Center

We recommend Item 687-301-146 (42), funding for construction of an occupational lab/learning resource center at Cerro Coso College, be reduced by \$238,800 to reflect state cost guidelines.

The budget requests \$3,249,500 for a permanent occupational lab/learning resource center to replace temporary facilities currently located 6.5 miles from the main campus. This amount would allow 100 percent state funding of project costs because the district is unable to meet its matching share requirement. In 1980-81, the state appropriated \$74,800 and the district provided \$40,500 for development of working drawings. The college states that the distance (6.5 miles) between the main campus and the temporary facilities excludes many students from taking advantage of the full college program, and that the current facilities were not designed for the instructional program housed within them.

The programs to be provided in the new facility will be art, automotive, metal technology, and welding. The district is requesting consideration of this proposal on a campus basis only (in accordance with Education Code Section 81823) due

to the isolation of the college's student body from the other two colleges within the district (Bakersfield College and Porterville College). These colleges are located 110 miles and 165 miles, respectively, from Cerro Coso College.

In the year of anticipated occupancy, laboratory space at the campus will be 36 percent of projected need and the project will raise this to 89 percent. Therefore, a need for additional laboratory space does exist. Consequently, we recommend approval of this project. However, we also recommend that project cost be reduced by \$238,800. The estimated cost is \$124 per assignable square foot, with a building efficiency of 78 percent. Based upon state cost standards per assignable square foot, this building should not cost more than \$2,391,500. We, therefore, recommend a reduction of \$238,800 to reduce the cost to the state standards.

Foothill College—Library Addition

We withhold recommendation on Item 687-301-146(43), construction of a library addition at Foothill, pending receipt of additional information.

The budget proposes the expenditure of \$1,277,700 for the state share of construction costs for a new library addition and alteration of the existing library at Foothill College. The district will provide \$329,500. Total project cost is anticipated to be \$1,678,400, which represents \$89 per assignable square foot for the new construction and \$9 per assignable square foot for alteration of part of the existing library.

The Chancellor's Office states that the project will result in an additional 12,748 assignable square feet, and will provide additional student stations and technical support facilities. Specifically, the addition will provide more laboratory (2,903 asf), office (356 asf), library (8,229 asf) and audio-visual-TV (2,208 asf) space. However, 535 asf of classroom space will be lost due to the remodeling.

Without this project, the district is anticipated to have 85 percent of needed library space by 1983. However, there is a discrepancy over the amount and type of space that will be provided. The detailed space breakdown contained in the project proposal indicates that 14,268 assignable square feet will be provided, while the cost estimate is based on 12,748 assignable square feet with no space breakdown provided. Without a detailed space breakdown the reasonableness of the project cost cannot be verified. We, therefore, withhold recommendation pending resolution of this discrepancy.

Project Planning

We recommend approval of Item 687-301-146(44), project planning and preliminary planning, statewide.

This item proposes the expenditure of \$150,000 for project planning. These funds will be used for the preparation of preliminary plans for capital outlay proposals expected to be included in the Governor's Budget for 1982-83. The proposed amount would provide for approximately \$10 million in construction, assuming the historical ratio of planning to construction (1.5 percent). The amount is reasonable, and we recommend approval.

STUDENT AID COMMISSION

Item 798 from the General
Fund and various funds

Budget p. E 190

Requested 1981-82	\$101,841,196
Estimated 1980-81	98,758,574
Actual 1979-80	86,883,536
Requested increase (excluding amount for salary increases) \$3,082,622 (+3.1 percent)	
Total recommended reduction	\$740,000

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
798-001-001—Student Aid Commission, Support		General	\$84,982,561
798-001-890—Federal Fund Support		Federal Trust	11,800,000
798-001-951—Guaranteed Loan Program		State Guaranteed Loan Re- serve	5,058,635
Total			\$101,841,196

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. COLA Adjustment. Recommend that the Cal Grant A & B maximum awards receive the same cost-of-living adjustment (COLA) approved for other programs that do not have statutory COLA's. 1456
2. **Baseline Adjustment. Reduce Item 798-001-001 by \$740,000.** Recommend deletion of funds intended to be utilized for increased Cal Grant A awards because increased awards due to the readjusted income eligibility ceiling are a low priority expenditure at this time. 1457
3. Possible Overbudgeting. Recommend the commission report to the Legislature by March 16, 1981, on its General Fund unexpended balances from 1976-77 to the 1980-81 year. 1460

GENERAL PROGRAM STATEMENT

The Student Aid Commission, which consists of 11 members:

- administers various student financial aid programs,
- reports on the impact and effectiveness of state-funded student aid programs,
- collects and disseminates data concerning (a) the financial resources and needs of students and potential students and (b) the scope and impact of existing state, federal, and institutional student aid programs,
- reports on the aggregate financial need of individuals seeking access to post-secondary education and the degree to which current student aid programs meet this financial need,
- develops and reports the criteria utilized in distributing available student aid funds, and
- disseminates information about all institutional, state, and federal student aid programs to potential applicants.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations of \$84,982,561 from the General Fund for support of the Student Aid Commission's activities in 1981-82. This is an increase of \$3,377,919, or 4.1 percent, over estimated current-year expenditures. In addi-

tion, the budget proposes an appropriation of \$5,058,635 from the Guaranteed Loan Fund for the loan program in 1981-82, which is \$334,603, or 7.1 percent, more than current-year expenditures from the fund.

Table 1 shows support for the commission's activities.

Table 1
Student Aid Commission Expenditures and Funding

	<i>Actual 1979-80</i>	<i>Estimated 1980-81</i>	<i>Proposed 1981-82</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
A. State Operations					
1. Cal Grant Programs					
A. Scholarships.....	\$1,470,104	\$1,612,182	\$1,663,081	\$50,899	3.2%
B. (1) College Opportunity Grants.....	966,005	1,153,246	1,196,516	43,270	3.8
(2) Student Opportunity and Access Program....	293,535	274,019	294,006	19,987	7.3
C. Occupational Education and Training Grants.....	212,577	231,024	232,286	1,265	0.5
2. Graduate Fellowship Program	130,931	158,463	153,543	-4,920	-3.1
3. Bilingual Teacher Grant Program.....	74,351	177,878	438,763	260,885	146.7
4. Law Enforcement Personnel Dependents Scholarship Program.....	1,231	8,019	8,407	388	4.8
5. Supervised Clinical Training Program.....	870	9,439	9,932	493	5.2
6. Guaranteed Loan Program					
A. Federal Component.....	57,632	52,246	58,438	6,192	11.9
B. State Component.....	923,964	3,078,412	5,000,197	1,921,785	62.4
7. Student Financial Aid Information Program.....	165,159	207,853	181,203	-26,650	-12.8
8. Research.....	116,211	183,728	191,904	8,176	4.5
9. Student Financial Aid Training	30,000	47,870	—	-47,870	-100.0
10. Executive Administration and Support Services (Distributed).....	(731,707)	(769,651)	(862,634)	(92,983)	12.1
Subtotal, State Operations.....	\$4,442,570	\$7,194,379	\$9,428,276	\$2,233,897	31.1%
B. Awards					
1. Cal Grants					
A. Scholarships.....	\$53,283,350	\$58,930,068	\$58,610,620	-\$319,448	-0.5%
B. College Opportunity Grants.....	22,708,737	25,345,277	25,080,096	-265,181	-1.0
C. Occupational Education and Training Grants.....	2,318,608	3,036,150	2,898,504	-137,646	-4.5
2. Graduate fellowships.....	2,605,805	2,698,000	2,698,000	—	—
3. Bilingual Teacher Grant Program.....	1,039,537	1,039,700	2,610,700	1,571,000	151.1
4. Law Enforcement Personnel Dependent Grants.....	14,929	15,000	15,000	—	—
5. Supervised Clinical Training Grants.....	470,000	500,000	500,000	—	—
Subtotals, Awards.....	\$82,440,966	\$91,564,195	\$92,412,920	\$848,725	0.9%
Grand Totals.....	\$86,883,536	\$98,758,574	\$101,841,196	\$3,082,622	3.1%
General Fund.....	\$73,679,460	\$81,604,642	\$84,982,561	\$3,377,919	4.1%
State Guaranteed Loan Reserve Fund.....	876,832	4,724,032	5,058,635	334,603	7.1%
Federal funds.....	12,327,694	12,429,900	11,800,000	-629,900	-5.1%

STUDENT AID COMMISSION—Continued

The budget proposes to increase expenditures for the commission's state operations by \$2,233,897 (31.1 percent) in 1981-82. The major components of the increase are a:

- \$1,921,785 workload increase in the Guaranteed Student Loan Program,
- \$260,885 increase in the Bilingual Teacher Grant Program, and
- \$114,156 workload increase in the Cal Grant A, B, and C Programs.

Increases in student awards total \$848,725 (.9 percent) in the budget year. The significant changes in awards include a:

- \$1,571,000 increase in the Bilingual Teacher Grant Program, and
- \$722,275 decrease in funding for the Cal Grant programs.

These changes are discussed more fully in the analysis that follows.

Table 2 shows the changes in total expenditures between 1980-81 and 1981-82.

Table 2
Proposed 1981-82 Budget Changes

	<i>Total</i>
1. State Operations:	
1980-81 Current Year Revised	\$7,194,379
B. Baseline Adjustments	
1. Merit Salary Adjustment	47,887
2. OASDI	3,907
3. OE&E Price Increase	202,739
4. Office of Administrative Law	1,992
5. Staff Benefits	11,138
6. One-time Expenditures:	
a. Limited Term Position	-3,825
b. Chapter 1261/80 (Bilingual Teacher Grant Program)	-80,000
c. Proposed Deficiency Bill	-1,150,378
Total, Baseline Budget	\$6,227,839
B. Budget Change Proposals:	
1. Working Adjustments (Various Programs)	\$2,855,397
2. Bilingual Teacher Grant Program	331,230
3. Administration (Asst. Director)	53,310
4. Student Financial Aid Information Program (Peer Group Counseling)	-39,500
Total, State Operations, Budget Change Proposals	\$3,200,437
Total, 1981-82 State Operations Budget	\$9,428,276
2. Awards:	
1980-81 Current Year	\$91,564,195
A. Baseline Adjustments	
B. Budget Change Proposals:	
1. Cal Grant Awards	-722,275
2. Bilingual Teacher Grants	1,571,000
Total Awards Budget Change Proposals	\$848,725
Total 1981-82 Awards Budget	\$92,412,920
Total, 1981-82 Student Aid Commission Budget	\$101,841,196
Total Change	\$3,082,622
<i>General Fund</i>	\$3,377,919
<i>State Guaranteed Loan Reserve Fund</i>	334,603
<i>Federal Trust Fund</i>	-629,900

1. ADMINISTRATION

The administration unit provides the services necessary to support the commission's programs. The budget proposes a funding level of \$9,428,276 in the budget year, a \$2,233,897 (31.1 percent) increase. As discussed below, the increase is primarily due to an increase of \$1,921,785 in the State Guaranteed Loan Program.

1. Executive Administration

We recommend approval.

The budget proposes two positions (one Assistant Director and one secretary) to administer the financial and data processing activities of the commission. Our review indicates that the Assistant Director position would be justified if (1) the current information officer reports to the new Assistant Director and (2) the current staff services manager position is downgraded when it becomes vacant. Our discussions with the commission's director indicate that these organizational changes are agreeable with him.

2. State Guaranteed Loan Program

We recommend approval.

This program supports state administration for a federal loan program which provides low-interest loans to college students. The state provides administrative services necessary for collecting the outstanding loans. For 1981-82, the volume of loans is expected to be \$400 million, a \$50 million (14.3 percent) increase over the current year. This program receives no support from the General Fund.

To accommodate the increased loan volume, the budget proposes:

- an additional \$2,718,240 from the State Guaranteed Loan Reserve (SGLR) Fund to process the additional loan applications through a contract with United Student Aid Funds (USAF), Inc., and
- an additional \$206,220 from the SGLR Fund to hire five additional staff (one Staff Services Manager I, three Specialists, and one secretary) to conduct audits and other administrative compliance activities in the loan program.

Our analysis indicates that the proposed changes will help the commission accommodate its increased workload.

3. Data Processing Master Plan

Based on a recommendation in last year's *Analysis*, the Legislature adopted language in the Supplemental Report to the 1980 Budget Act requiring the commission to develop a data processing master plan and submit the plan to the Legislature by March 1, 1981. The language also specified that the commission work with the Department of Finance and the Staff Office of Information Technology to develop the plan because:

- the commission was unable to implement a 1976 plan, and
- the commission's data processing staff had limited expertise in planning activities.

We will comment on the plan at the budget hearings.

2. STUDENT AWARD PROGRAMS

The award programs contain six basic elements: the Cal Grant programs, the Graduate Fellowship Program, the Bilingual Teacher Development Grant Program, the Law Enforcement Personnel Dependents Program, the Supervised Clinical Training Grant Program, and the Guaranteed Student Loan Program. The budget proposes \$92,412,920 in funding for these programs in 1981-82 which is a \$848,725 increase in funding over the current year. The increase is primarily due to the consolidation of the commission's Bilingual Teacher Grant program with the

STUDENT AID COMMISSION—Continued

Department of Education's Bilingual Teacher Corps program.

1. Cal Grant A and B Programs

The General Fund allocations for the Cal Grant A and B programs are based on a number of factors, including:

- the prior-year average award,
- the increase in the statutory limit for the award,
- the number of awards,
- the change in the proportion of award winners at independent colleges,
- the number of renewal awards, and
- the maximum allowable family income for eligibility

The budget proposes funding for Cal Grant A and B at \$58.6 million and \$25.1 million, respectively. The number of statutorily authorized Cal Grant A awards would be 40,793 and the number of Cal Grant B awards would be 21,145.

Maximum Award Adjustments

The Legislature adopted supplemental report language in 1980 requiring the Student Aid Commission, in cooperation with the California Postsecondary Education Commission (CPEC), to develop a process for determining adjustments in the number and maximum award levels in the Cal Grant programs. This action was based on concern that the provisions of Chapter 1218, Statutes of 1979, had not been implemented. Under Chapter 1218, a procedure is specified for the review of state support for Cal Grant programs. Specifically, the process requires:

- the commission to propose the maximum award level for the budget year using a methodology based on several parameters specified in statute,
- CPEC to review the proposed award levels and comment on the commission's recommendation and methodology, and
- the Department of Finance to review the commission's proposal and CPEC's comments on its annual budget review process.

This procedure was first utilized in the 1981-82 budget process.

The actions taken with respect to Cal Grant A in the budget year are as follows:

- The commission proposed an increase in the maximum award from \$3,200 to \$3,800, a \$600 (18.8 percent) increase over the 1980-81 year.
- The CPEC review indicated that (a) sufficient data was not available to justify a \$600 increase in the maximum award and (b) a \$300 increase was warranted.
- The budget continued the \$3,200 maximum grant level.

COLA Adjustment Needed

We recommend that the Cal Grant A and B award maximums receive the same cost-of-living adjustment (COLA) that the Legislature approves for other programs without a statutory COLA.

As mentioned above, the budget limits the Cal Grant A and B maximum awards to their 1980-81 levels. Elsewhere in this analysis (see the "A" pages), we discuss the general issue of providing inflation adjustments in 1981-82. Whatever final decision is made by the Legislature on this issue should be applied to Cal Grant award maximums.

Table 3 shows the additional cost to the state of providing various cost-of-living adjustments for the Cal Grant A and B programs, expressed as increases of \$100 in the maximum award.

Table 3
Projected Costs of Increasing Maximum Awards
In Cal Grant A and B

<i>Increase in Maximum Award</i>	<i>Cal Grant A</i>		<i>Cal Grant B</i>	
	<i>Amount</i>	<i>Percent COLA^a Adjustment</i>	<i>Amount</i>	<i>Percent COLA^a Adjustment</i>
\$100	\$1,491,200	3.1%	\$124,700	2.4%
\$200	2,964,100	6.2	249,400	4.9
\$300	4,415,900	9.4	374,100	7.3
\$400	5,845,500	12.5	498,800	9.7
\$500	7,248,000	15.6	623,500	12.2
\$600	8,625,800	18.7	748,200	14.6

Source: Computer Simulation Model, Student Aid Commission.

^a Represents the equivalent percentage cost-of-living adjustment for a given dollar increase in the maximum award.

Income Ceiling Adjustment is Unwarranted

We recommend that the additional funding intended to be utilized for increased Cal Grant A awards to high-income students be reduced because of overbudgeting, fiscal priorities, and the need to clarify legislative policy regarding the income ceiling increase, for a General Fund savings of \$740,000. (Reduce Item 798-001-001 by \$740,000.)

Background

Since their inception, California financial aid programs have played an important role in helping students meet both tuition and subsistence costs at UC, CSUC, and CCCs, as well as at private postsecondary institutions. These programs have attempted to target their funds to the most needy of the eligible students.

A fundamental policy issue in funding financial aid programs is the trade-off between meeting the *segment's* financial expectations versus meeting the *student's* financial needs. Targeting funds to assure that institutions receive a specified allocation of funds does not necessarily guarantee that students with the greatest financial need will receive the funds. Conversely, allocating funds on the basis of student need does not guarantee that individual segments (particularly private postsecondary institutions) will receive a particular share of the available financial aid resources. The extent to which the state is able to provide the appropriate mix of resources to meet both objectives is limited by the available resources that can be devoted to financial aid.

Effects of Income Ceiling Adjustments

An adjustment in any one of the eligibility criteria for financial aid will cause a redistribution of resources among both the segments and the recipients. One of many factors used in determining eligibility for Cal Grant A is whether the applicant is below the maximum gross family income eligibility ceiling. In the current year, the Cal Grant A gross family income ceiling is \$33,000. In December 1980, the Student Aid Commission increased the Cal Grant A family income ceiling from \$33,000 to \$39,600. The commission maintained that its action was intended "to reflect current inflation and to correct for a portion of prior year's inflation." This change in eligibility criteria did not have to be formally approved by CPEC or the Department of Finance, despite the fact that it has significant fiscal and program consequences.

Using computer simulation models obtained from the Student Aid Commission, we estimate that, because the number of awards is fixed in statute, this action will cause a redistribution of financial aid resources among the segments and recipients.

Awards Shift Among Segments. The commission's computer model estimated that the increase in the income ceiling would shift 1,200 awards among recipients.

STUDENT AID COMMISSION—Continued

Specifically, the income ceiling adjustment will displace 1,200 award recipients and cause them to "lose" their awards to new recipients who could not otherwise qualify under the old adjustment. Table 4 shows that the income ceiling adjustment will shift awards primarily from the CSUC (-391) to the Independent Colleges (+402). Only minor shifts will occur in UC and the proprietary schools. This shift will cause the independent colleges to gain an additional \$914,000 in awards. CSUC and the proprietary schools will lose a total of \$168,000.

Table 4
Effect of the Income Ceiling Adjustment
On Number and Amounts of Cal Grant A Awards

<i>Segment</i>	<i>New Recipients</i>	<i>Displaced Recipients</i>	<i>Change in Awards</i>	<i>Change in Amounts</i>
CSUC	78	469	-391	\$-89,000
UC	260	249	+11	-6,000
Independent Colleges	844	442	+402	+914,000
Proprietary Schools	18	40	-22	-79,000
Totals	1,200	1,200	0	+\$740,000

Source: Computer Simulation Model, Student Aid Commission.

Income Levels Higher. Table 5 shows the average family income levels of the new recipients and the displaced recipients. In each of the segments, the income of the new recipients is at least two times higher than that of the displaced recipients.

Table 5
Average Annual Family Income
Of Cal Grant A Award Recipients and Displacements^a

<i>Segment</i>	<i>New Recipients</i>	<i>Displaced Recipients</i>
CSUC	\$38,200	\$14,700
UC	38,800	14,800
Independent Colleges	38,600	17,700
Proprietary Schools	38,200	12,400
Average of All Recipients	\$38,600	\$15,800

^a The average annual family income is defined to be the family's gross income with either four children, or two children in college.

Source: Computer Simulation Model, Student Aid Commission.

Table 6
Ethnic Distribution of 1980-81 Recipients and New Recipients

	<i>1980-81 Recipients^a</i>		<i>New Recipients</i>	
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
Asian	2,650	17.8%	195	16.3%
Black	970	6.5	45	3.7
Hispanic	1,560	10.5	77	6.4
Native American	80	.5	3	0.2
White	8,660	58.1	849	70.8
Other	850	5.7	31	2.6
Total	14,770	100.0%	1,200	100.0%

^a Excludes 130 recipients with no ethnic identification.

Shifts Among Ethnic Groups. Table 6 shows that 70.8 percent of the new recipients that receive awards as a result of the increase in the income ceiling will be white. The commission's computer simulation model shows that a smaller percentage of new recipients will be non-white relative to the percentage of recipients under the old income ceiling. The ethnic distribution of the displaced recipients, however, is not available.

Clarification of Objective Needed

The desirability of increasing the income ceiling depends upon the degree to which the state wishes to allocate its limited financial aid resources to the independent colleges rather than to students from lower family incomes. Table 7 shows the independent colleges' share of Cal Grant A awards and funds received from 1975-76 to 1980-81. Although the independent colleges' share of the awards has declined by approximately 4.8 percent since 1977-78, they continue to receive over 80 percent of the total Cal Grant A funds. In fact, their share of total funds in 1980-81 (when the "old" income ceiling was still in effect) is virtually the same as it was in 1975-76.

Table 7
Cal Grant A Awards and Funds Received
by Independent Colleges
(funds in thousands)

	Awards		Funds	
	Number	Percent of Cal Grant A ^a	Amount	Percent of Cal Grant A ^a
1975-76.....	16,826	46.7%	\$36,654	81.5%
1976-77.....	18,427	47.1	41,933	82.7
1977-78.....	19,203	48.5	46,010	83.0
1978-79.....	19,108	48.3	47,401	83.1
1979-80.....	18,681	47.3	47,248	82.8
1980-81.....	16,632	43.7	49,522	81.4

^a Includes those awards and funds distributed to four-year segments.

Source: Research Unit, Student Aid Commission.

Our review indicates that there is nothing in current law which obligates the state to allocate a specified percentage of awards or level of Cal Grant A funds to the independent sector. Given (1) the limited resources available to the state and (2) the trade-off between institutional support and student support, we believe the Legislature should address the question of what the independent colleges' share of total awards should be. This could be done either (1) as part of the annual review of the budget or (2) in new financial aid legislation which may be forthcoming this session.

Baseline Budget Adjustment

The funding level for the Cal Grant A program proposed in the budget assumed that the maximum income ceiling for eligibility would be maintained at \$33,000. As mentioned above, however, the commission has increased the income ceiling to \$39,600. The commission's staff analysis of this action concluded that the increase in the ceiling would require an additional \$740,000 to fund the increased size of awards. In a letter to the Department of Finance, however, the commission maintained that no additional state general funds would be required because the adjustment could be funded "within the baseline budget projected for 1981-82." This information indicates that the commission's 1981-82 base budget is overbudgeted by \$740,000. If the base was correctly constructed, the commission would need a budget augmentation approved by the Legislature in order to fund its new eligibil-

STUDENT AID COMMISSION—Continued

ity standard. We recommend that \$740,000 be deleted because, given the limited fiscal resources of the state, additional support to enable higher income students to attend private postsecondary institutions is a low-priority expenditure.

Possible Overbudgeting

We recommend that, by March 16, 1981, the Student Aid Commission report to the Legislature on its General Fund unexpended balances from 1976-77 to the 1980-81 year.

State agencies are required to revert any unexpended balances remaining at year-end to the state General Fund. Table 8 shows that the Student Aid Commission has had an unexpended balance in excess of \$1.5 million each year since 1976-77. The amount of the unexpended balance, moreover, has been growing in recent years.

The high-level of unexpended balances suggest that (1) the Student Aid Commission is being overbudgeted or (2) the commission has not been effective in distributing funds appropriated for scholarship awards to those individuals who warrant the aid.

It is not clear what has caused this situation to persist. For this reason, we recommend the commission report to the Legislature on this issue by March 16, 1981.

Table 8
Unexpended Balances in State General Funds
1976-77 through 1979-80

	<i>Amount</i>
1976-77.....	\$1,536,234
1977-78.....	4,207,711
1978-79.....	4,334,594
1979-80.....	5,893,249
Average.....	\$3,992,947

Source: Governor's Budget 1976-77 through 1981-82.

Update on Audits

In last year's *Analysis*, we expressed the concern that certain postsecondary educational institutions receiving state funds through the Cal Grant A program may not be refunding Cal Grant A overpayments. Subsequently, the Legislature adopted supplemental report language requiring the Joint Legislative Audit Committee to audit a sample of these institutions.

The Audit Committee has indicated that it is in the process of conducting field audits of approximately 25 postsecondary institutions. The Audit Committee does not expect to complete its findings until the end of July.

2. Cal Grant C

We recommend approval.

The Occupational Education and Training Grants program provides 1,337 new grants annually to students seeking occupational education and training. Grants under this program are limited to two years. The maximum award of \$2,500 (\$2,000 for tuition and \$500 for related training costs) is set in statute.

The budget proposes award funding of \$2,898,504, a \$137,646 decrease from the current year. This proposed funding level is based on the commission's estimates of the applicant pool for Cal Grant C.

3. Bilingual Teacher Grant Program

We recommend approval.

The Bilingual Teacher Grant Program provides financial assistance to certain low-income students pursuing an approved bilingual teaching certificate. In 1981-82, a total of 1,700 awards are authorized for tuition and fees up to \$3,600 annually for periods not to exceed three years. The maximum award is a \$600 increase over the 1980-81 award maximum of \$3,000.

The budget proposes program funding (including awards and administrative support) of \$3,049,463 in 1981-82, which is an increase of \$1,831,885 over estimated current year expenditures. This increase in support is due to recent legislation which merges the commission's program with the Department of Education's Bilingual Teacher Corps program. Consequently, this increase represents a transfer among agencies, and not an increase in state funds.

Program Consolidation

The Legislature enacted Chapter 1261, Statutes of 1980, which:

- consolidated the Bilingual Teacher Corps program administered by the Department of Education and the commission's Bilingual Teacher Development Grants Program, and
- provided that the management responsibilities of the new program be assigned to the commission.

This statute was based on a study prepared by the agencies which concluded that the merger would provide more effective administration at a lower state cost. Based on planning estimates from the Department of Finance, our analysis indicates that the consolidation of programs will result in a state savings of \$343,770 for the budget year.

OFFICE OF CRIMINAL JUSTICE PLANNING

Item 810 from the General
Fund and Indemnity Fund

Budget p. GG 1

Requested 1981-82	\$14,262,539
Estimated 1980-81	11,952,193
Actual 1979-80	5,139,008
Requested increase (excluding amount for salary increases) \$2,310,346 (+19.3 percent)	
Total recommended reduction	\$5,760,783

1981-82 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
810-001-001	Support and cash match	General	\$2,081,035
810-001-214	Support	Indemnity	449,514
810-101-001	Local Assistance—various programs	General	4,870,138
810-101-214	Local Assistance—various programs	Indemnity	6,861,852
Total			\$14,262,539